ENCAVIS

Annual Report 2018

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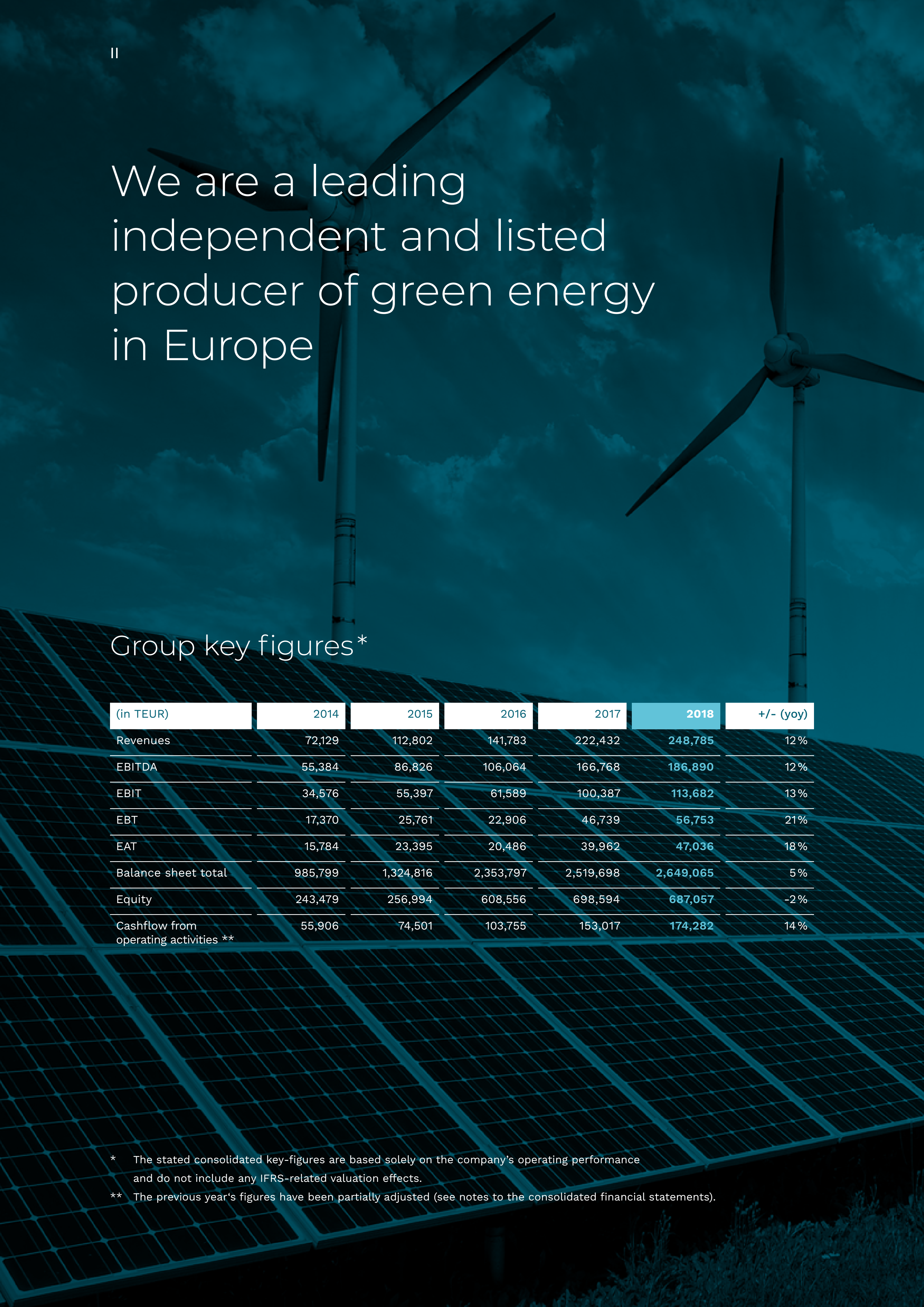

We are a leading independent and listed producer of green energy in Europe

Group key figures*

(in TEUR)	2014	2015	2016	2017	2018	+/- (yoy)
Revenues	72,129	112,802	141,783	222,432	**248,785**	12 %
EBITDA	55,384	86,826	106,064	166,768	**186,890**	12 %
EBIT	34,576	55,397	61,589	100,387	**113,682**	13 %
EBT	17,370	25,761	22,906	46,739	**56,753**	21 %
EAT	15,784	23,395	20,486	39,962	**47,036**	18 %
Balance sheet total	985,799	1,324,816	2,353,797	2,519,698	**2,649,065**	5 %
Equity	243,479	256,994	608,556	698,594	**687,057**	-2 %
Cashflow from operating activities **	55,906	74,501	103,755	153,017	**174,282**	14 %

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

** The previous year's figures have been partially adjusted (see notes to the consolidated financial statements).

A European leader

Encavis operates in ten European countries. Our 175 solar and 69 windparks contribute to a climate friendly energy supply from renewable energy sources.

Solar Parks

	Encavis AG		Encavis Asset Management	
Country	**Parks**	**MW**	**Parks**	**MW**
Germany	47	262.1	5	22.3
France	25	201.9	1	12.1
Italy	70	153.8	3	6.7
Great Britain	19	127.4	-	-
Netherlands	4	105.6	-	-
Spain	1	300.0	-	-
Total	**166**	**1,150.8**	**9**	**41.1**

Wind Parks

	Encavis AG		Encavis Asset Management	
Country	**Parks**	**MW**	**Parks**	**MW**
Germany	21	214.9	25	286.1
France	4	35.7	7	84.7
Italy	1	6.0	-	-
Denmark	4	41.4	-	-
Austria	3	36.2	-	-
Great Britain	-	-	2	17.5
Finland	-	-	1	13.2
Sweden	-	-	1	10.0
Total	**33**	**334.2**	**36**	**411.5**

Encavis Group	
Solar Parks	**175**
Wind parks	**69**
Nominal Capacity	**1,937.6 MW**

As of March 2019

Denmark

Wind: 4

Nominal Capacity: 41.4 MW

CO_2 Savings: 38,850 T

Germany

Solar: 52, Wind: 46

Nominal Capacity: 785.4 MW

CO_2 Savings: 837,400 T

Great Britain

Solar: 19, Wind: 2

Nominal Capacity: 144.9 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: 13.2 MW

CO_2 Savings: 26,700 T

Italy

Solar: 73, Wind: 1

Nominal Capacity: 166.5 MW

CO_2 Savings: 122,600 T

Spain

Solar: 1

Nominal Capacity: 300 MW

CO_2 Savings: 357,00 T

France

Solar: 26, Wind: 11

Nominal Capacity: 334.4 MW

CO_2 Savings: 317,100 T

Netherlands

Solar: 4

Nominal Capacity: 105.6 MW

CO_2 Savings: 43,100 T

Sweden

Wind: 1

Nominal Capacity: 10.00 MW

CO_2 Savings: 13,800 T

The specified values are target values after grid connection.

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Foreword of the Management Board

Dear Shareholders,
Ladies and Gentlemen,

During the past 2018 financial year, we were able to exceed all of the Group's targets for revenue, earnings and cash flow, and set the course for Encavis AG's further growth in crucial areas. A major milestone visible from the outside was reached on 26 February 2018: following the successful merger of Capital Stage AG and CHORUS Clean Energy AG, we have renamed ourselves ENCAVIS and thus successfully heralded the path to the future with our new name. Encavis has since combined the extensive expertise of two solar and wind park operators as well as an experienced service provider for investments in renewable energy installations. In the meantime, we have continued the success story and developed Encavis AG into the largest exchange-listed independent power producer in the field of renewable energies in Europe. The portfolio currently comprises 175 solar parks and 69 wind parks in ten European countries and has a generation capacity of more than 2 gigawatts (GW).

In 2018, we expanded our portfolio by more than 390 megawatts (MW). The Talayuela solar park alone, which will be built on an area of 790 hectares in Spain, accounts for 300 MW of this total. The park, which we acquired in October 2018, is not only the largest in the history of our company, but also one of the largest in Europe. For us, however, the acquisition is a milestone because it marks our entry into the promising market for private-sector power purchase agreements (PPAs) as the basis for financing the project. Following the completion of the Talayuela solar park planned for 2020, the power produced is to be sold to a European company with a strong credit rating over a period of ten years. From the first full year of operation, the solar park in Spain will thus make an annual revenue contribution of around EUR 25 million. This example shows that renewable energy installations can be operated very attractively with private-sector contracts – completely independent of government feed-in tariffs. In those countries where photovoltaic installations can be operated particularly competitively due to the high level of solar radiation, we will continue to clearly position ourselves in the high-growth market for PPAs in the future. At the same time, however, we will continue to systematically expand our existing core business, i.e. renewable energy installations, which enable us to sell the electricity we generate at government-guaranteed tariffs.

The use of the renewable energy sources sun and wind is already one of the most cost-effective ways of generating electricity in many countries, which makes its marketing attractive. Combined with the modern possibilities of storage technology, it remains one of the megatrends of our time. This became abundantly clear once again at the UN Climate Change Conference in Katowice, Poland, in December 2018. We recognise it as our task to actively shape this development because we want to live up to our role as a major player in this market, and we see ourselves as responsible for future generations.

A decisive factor in the future expansion of our portfolio is the cooperation with our strategic partners such as the Irish sovereign development fund, the Irish project developer Power Capital and Solarcentury, located in the United Kingdom. The latter has and will continue to grant us exclusive access to its projects with a total generation capacity of 1.1 GW, whereby we have already successfully implemented almost one-third of these projects in less than one year. These include the Talayuela installation and a 44-MW solar park in Eindhoven, Netherlands, which we acquired in March 2018. The agreements with our partners enable us to continue to have exclusive access to attractive projects. At the same time, we will of course also take advantage of promising purchase opportunities on the open market.

Over the past few months, we have also been able to expand our business with institutional investors, which we represent through our subsidiary Encavis Asset Management AG in Neubiberg near Munich. We offer institutional investors a variety of services in the field of renewable energies, including consulting and implementation in the development of a tailor-made portfolio of renewable energy installations or fund-based investment opportunities in wind and solar parks. In the 2018 financial year, we restructured this area and increased our sales capacities; we have already managed to achieve the first promising results in the 2019 financial year. In the period under review, for example, we succeeded in obtaining commitments of EUR 180 million instead of the planned EUR 100 million in investment funds. Not least due to the increased volume of investment funds raised, we were only able to conclude these until December 2018 and not – as expected – as early as June 2018. As a result, the implementation of the investment strategies could only be started later. This meant that we were unable to fully meet our earnings expectations for the Asset Management segment.

However, this is merely a postponement, as the funds raised will continue to be invested in the current 2019 financial year.

At the beginning of this year, for example, a special fund distributed by Landesbank Baden-Württemberg with a target volume of EUR 100 million had its first closing and was able to acquire a wind park for institutional investors. We played a decisive role in asset sourcing. We also achieved success with the SICAV special fund “Renewables Europe II” launched by us with a target volume of EUR 200 million, which will be placed via Bayerische Landesbank. We have secured three wind parks and one solar park in Germany for this fund.

The 2018 financial year was also extremely successful for us in terms of key financial data, having not only fully achieved our targets at Group level, but in some cases even exceeded them. A key factor in this development was the consistent expansion of our existing portfolio. Although the positive meteorological conditions in the solar sector in Germany have also made a positive contribution thanks to the effects of the “summer of the century”, these were partly compensated for by the disappointing meteorological conditions in the wind sector and in solar in France and Italy. Overall, the Encavis Group increased its revenue by 12 per cent to some EUR 248.8 million (guidance: more than EUR 240 million). Earnings before interest, taxes, depreciation and amortisation (EBITDA) was approximately EUR 186.9 million (guidance: more than EUR 175 million). Compared to the previous year’s result of EUR 166.8 million, this represents an increase of around 12 per cent. We also increased our earnings before interest and taxes (EBIT) by 13 per cent from EUR 100.4 million in 2017 to EUR 113.7 million (guidance: more than EUR 105 million). Operating cash flow rose significantly compared to the previous year, too, reaching EUR 174.3 million at the end of the reporting period (guidance: more than EUR 163 million). As a result of this development, operating earnings per share increased to EUR 0.314 (guidance: more than EUR 0.30). At around 25.9 per cent, the equity ratio remains at a very good level.

On the basis of the successful strategic decisions for Encavis described at the beginning, we expect our qualitative growth course to continue in the current 2019 financial year. The expected earnings are compared to a meteorologically very strong 2018 financial year. To ensure comparability and traceability of the company’s organic growth, the operating earnings figures for the 2018 financial year were subsequently adjusted for these meteorological effects.

We therefore expect revenue to increase to more than EUR 255 million (weather-adjusted 2018: EUR 242.1 million). Furthermore, we expect to be able to generate an operating EBITDA of more than EUR 190 million (weather-adjusted 2018: EUR 179.8 million). At the Group level, we anticipate additional growth in operating EBIT to some EUR 112 million (weather-adjusted 2018: EUR 106.6 million). We expect to be able to achieve cash flow from operating activities of more than EUR 180 million, thus increasing operating earnings per share to EUR 0.35. These expectations for the 2019 financial year are based on the solar and wind parks already held or acquired as of mid March 2019 and do not include any effects from additional acquisitions in the further course of the year. Technical availability of the installations is expected to remain at 95 per cent in the 2019 financial year.

In the past, we have repeatedly successfully secured our qualitative growth through innovative financing methods, including a hybrid convertible bond with a volume of almost EUR 100 million which we placed in 2017. In September 2018, we also raised EUR 50 million for the first time via a “Green Schuldschein” bond at extremely attractive conditions. We have thus successfully opened up access to so-called ESG (environmental, social and governance) investors, who base their investment choices on environmental and social standards. This also includes the fact that the environmental, social and governance performance of Encavis was awarded the “Prime” label by ISS-oekom, one of the world’s leading ESG research and rating agencies. The sustainability of our business model has thus once again been independently confirmed. We are currently making preparations to expand our reporting in the area of corporate social responsibility in the future.

With our solar and wind parks, we managed to continue contributing substantially over the past year to the energy revolution in Europe and ensuring the supply of safe and clean energy in the future.

Naturally, we want to have you, our esteemed shareholders, participate in the successful development of our company from the last year. We have therefore suggested a distribution of dividends for the financial year in the amount of EUR 0.24 per voting share which, as in the previous years, is granted as optional dividends. In addition, in 2017, we further increased the transparency and predictability for our shareholders with our dividend policy. You can therefore expect an increase in dividends of 50 per cent (nominal) until 2021 compared to the base year of 2016 (based on the portfolio from March 2018). This corresponds to a dividend of EUR 0.30 in 2021. The proposed dividend for the 2018 financial year is in line with this dividend strategy.

Ladies and Gentlemen, Encavis AG continues to undergo successful development, and we would be pleased if you accompany us on this path in future as well.

Hamburg, March 2019

The Management Board

Dr Dierk Paskert

CEO

Dr Christoph Husmann

CFO

Dr Dierk Paskert
Chief Executive Officer (CEO)

Dr Christoph Husmann
Chief Financial Officer (CFO)

The Encavis share

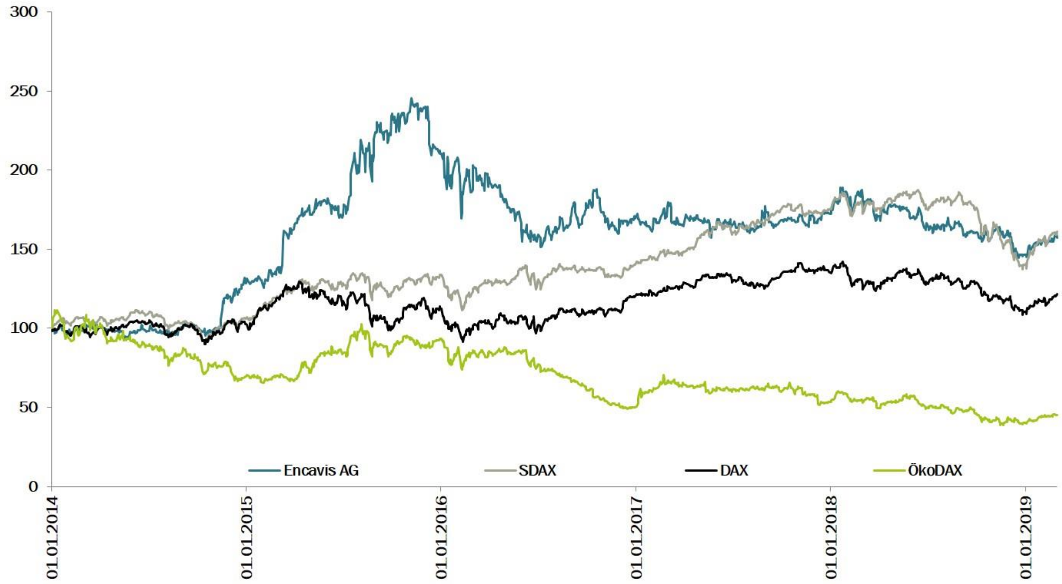
The share's key figures	
Listed since	28.07.1998
Subscribed capital	EUR 129,487,340.00
Number of shares	129.49 million
Stock exchange segment	Prime Standard
Dividend per share in 2016	EUR 0.20
Dividend per share in 2017	EUR 0.22
Dividend per share in 2018	EUR 0.24
52-week high	EUR 7.09
52-week low	EUR 5.42
Share price (19 March 2019)	EUR 6.25
Market capitalisation (19 March 2019)	EUR 809.30 million
Indexes	SDAX, HASPAX, PPVX, Solar Energy Stock Index
Trading centres	XETRA, Frankfurt am Main, Hamburg
ISIN	DE 0006095003
Designated sponsor	Oddo Seydler Bank AG, HSBC Trinkhaus & Burkhardt AG

Stock market year 2018

The 2018 financial year was a turbulent one on the German stock exchanges. Unlike in 2016 and 2017, no new record levels were attained among the stock indexes – instead, stock prices sank significantly in 2018. The DAX closed at 10,558 points on 28 December 2018, the last trading day, thus closing at around 18.3 per cent lower than in 2017. The SDAX index, where the Encavis share is listed, underwent similar development, recording a decrease of 20 per cent compared to the previous year and closing the year at 9,509 points.

The increasing political and economic risks contributed to the weak development on stock markets. International conflicts smouldered throughout the entire year, with the trade dispute between the United States and China – the two largest economies in the world – in particular causing uncertainty amongst investors. In the second half of the year, concerns grew due to the weakening global economy. Many companies adjusted their earnings and revenue forecasts downwards for the current financial year. Even large economies like Germany were forced to lower their expectations regarding the development of the gross domestic product (GDP).

Important capital markets in other countries also weakened during the reporting period. After chasing records in the past year, the American indexes contracted slightly compared to that period, with the Dow Jones in the United States closing down 6.7 per cent. Stocks in the United Kingdom also underwent weak development due to uncertainties related to the Brexit process, with the British FTSE 100 Index closing the year down 12.4 per cent. The MSCI Emerging Markets Index recorded a similar downturn of 12.1 per cent, whereby the decrease in the high rate of growth for GDP negatively impacted the development. The Chinese stock market was particularly impacted by this – the corresponding CSI 300 index dropped by 26.3 per cent, thereby recording the weakest development.



Quelle: Thomson Reuters

The Encavis share in stock market year 2018

In the stock market year 2018, the Encavis share developed more positively than the German DAX and SDAX indexes. In a difficult market environment, the share began the year at EUR 6.46, but it was unable to maintain this level. Following initial price gains to over EUR 7.00 in January and February, reaching a high for the year at EUR 7.09 on 23 January 2018, the share was unable to resist the overall downward trend of the market. Between the end of March and mid June, the share price traded in a range between EUR 6.30 and EUR 6.70. In the second half of the year, the share lost value corresponding to the overall market, closing on 28 December 2018 at EUR 5.50, thereby finishing 14.9 per cent below the price from the beginning of the year. Not even the positive news generated by the operating activities of Encavis were able to buck this trend for the long term. Additional positive news from the company – such as the issue of the first “Green Schuldschein” bond in September for the financing of further growth, the acquisition of the largest solar park in the company’s history in October and increased revenue – managed to stabilise the share price in the medium term.

Market capitalisation and trading volume in stock exchange year 2018

Encavis’s market capitalisation on 31 December 2018 was some EUR 712 million (29 December 2017: EUR 829 million). There were 129,487,340 shares at the end of the reporting period. The liquidity of the Encavis share decreased compared to the previous year, which was particularly high. On the XETRA electronic trading platform, 149,341 shares were traded daily on average in 2018 (previous year: 192,227 shares).

Coverage – Encavis share evaluated predominantly as a "buy"

As of mid February 2019, the Encavis AG share was actively covered by nine financial institutions and analysts. During the reporting period, Commerzbank began coverage of the share for the first time and evaluated it as a "hold". The other eight institutions – Baader Bank, Bankhaus Lampe, Berenberg Equity Research, DZ BANK, Macquarie, M.M. Warburg & Co., Quirin Privatbank Equity Research and ODDO BHF – recommend the share as a "buy" or "outperform". They estimate a target price of EUR 7.90 on average, with target price valuations ranging between EUR 6.20 and EUR 8.80. Encavis is currently holding talks with other renowned institutions that are interested in covering the share.

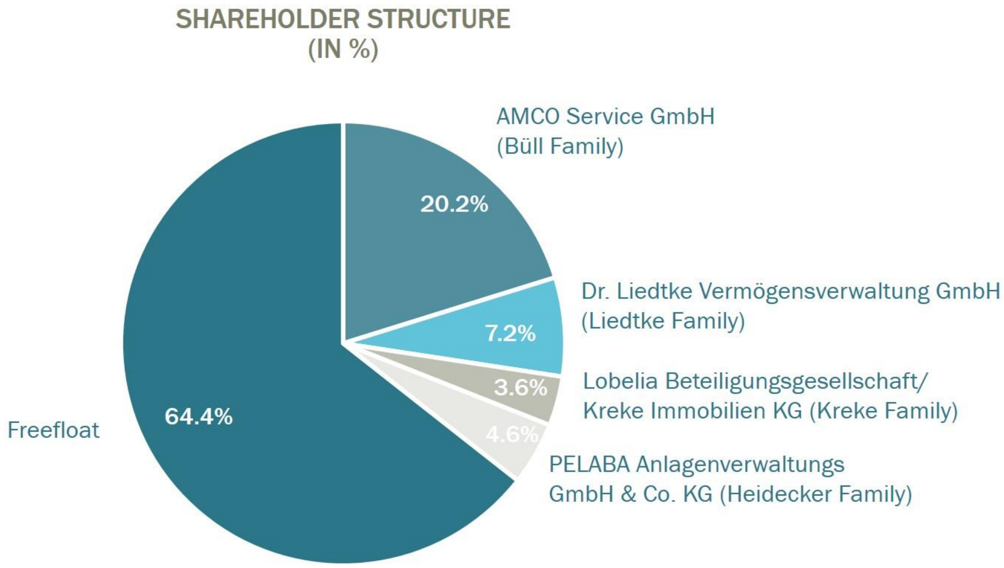
Encavis AG publishes the latest target share prices issued by analysts in the Investor Relations section of its website under "Research".

Shareholder structure

Encavis's shareholder structure essentially did not change in the reporting period. Nearly two-thirds of shares are in free float, which ensures liquid trading of the share. All 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 per cent.

The ownership structure of Encavis AG was as follows in March 2019:

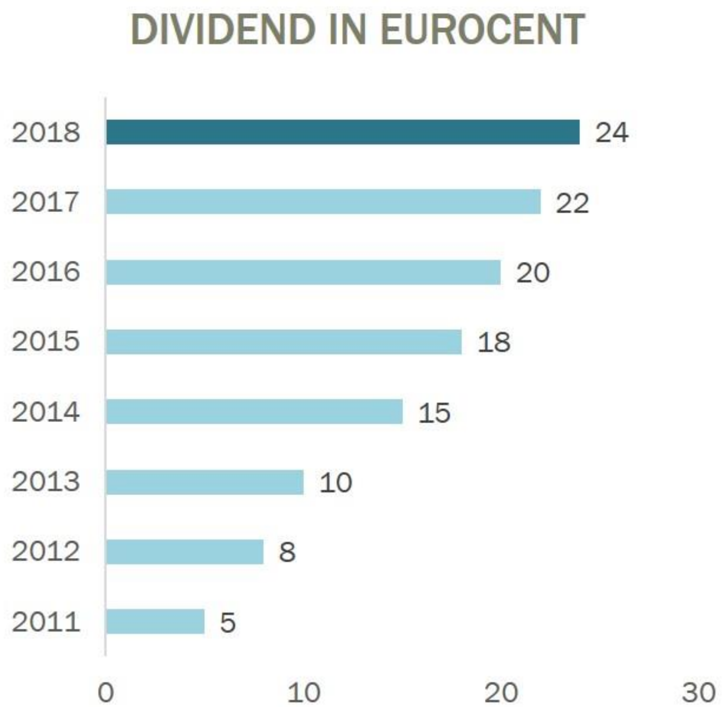
- AMCO Service GmbH (Büll family): 20.2 per cent
- Dr. Liedtke Vermögensverwaltung GmbH (Liedtke family): 7.2 per cent
- PELABA Anlagenverwaltungs GmbH & Co. KG (Heidecker family): 4.6 per cent
- Lobelia Beteiligungsgesellschaft/Kreke Immobilien KG (Kreke family): 3.6 per cent
- Free float: 64.4 per cent



Annual shareholders' meeting

Encavis AG's annual shareholders' meeting was held on 8 May 2018. The shareholders and shareholder representatives in attendance represented around 56.48 per cent of the share capital, which was a slight increase in participation compared to 2017. The shareholders approved nearly all of the items on the agenda by a large majority. A counter-motion to the agenda item to authorise the issue of warrant/convertible bonds and the creation of contingent capital in 2018 was approved by the shareholders present.

A large majority of shareholders and shareholder representatives at the general meeting also agreed with the proposal put forward by the Management Board and Supervisory Board to pay a dividend from a portion of the net earnings for the 2017 financial year. This was increased to EUR 0.22 per share. As in previous years, the dividend was offered as a share 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 the annual shareholders' meetings of Encavis AG can be found in the Investor Relations section of the company website under "Annual shareholders' meeting".

Questions and information

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

Encavis AG has also been 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 2019	
Date	Financial event
4 April 2019	Crédit Mutuel-CIC Conference, Paris
5 April 2019	Bankhaus Lampe Deutschlandkonferenz 2019, Baden-Baden
15 May 2019	Annual General Meeting
29 May 2019	Quarterly report for Q1 2019
30 August 2019	Interim financial report 2019
29 November 2019	Quarterly report for Q3 2019

Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board, as composed throughout the year, exercised its rights and duties in accordance with the law, the Articles of Association and the rules of procedure without restriction in the 2018 financial year. It regularly advised the Management Board in its management of the company and continuously oversaw material management measures for the Group. It also reviewed the risk management and compliance functions and believes that they satisfy the requirements in full. The Supervisory Board was directly involved in all decisions of particular note for the company. The Supervisory Board approved individual transactions insofar as this was required in accordance with the law, the Articles of Association or the rules of procedure.

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

There were four ordinary Supervisory Board meetings during the 2018 financial year. All members of the Management 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 the 2018 financial year*	Supervisory Board	Audit committee	Personnel committee
Dr Manfred Krüper, Chairman	4/4	3/3	3/3
Alexander Stuhlmann, Deputy Chairman	4/4	3/3	3/3
Christine Scheel	4/4	-	-
Albert Büll	4/4	-	3/3
Dr Cornelius Liedtke	4/4	-	-
Professor Fritz Vahrenholt	4/4	3/3	3/3
Peter Heidecker	3/4	-	-
Dr Henning Kreke	3/4	-	-
Professor Klaus-Dieter Maubach	3/4	-	-

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

The Management 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 13 resolutions in circulation procedures. The resolutions passed by the Supervisory Board in circulation procedures included resolutions on the conclusion of loans (the issue of a Green Schuldschein bond), the acquisition of wind parks and solar parks (in Germany, the Netherlands and elsewhere) and the amendment to company law and restructuring of the wholly owned subsidiary Encavis Asset Management AG and its wholly owned subsidiary CHORUS GmbH with regard to transformations of legal form.

Scope of topics/deliberation focus

In the first half of the 2018 financial year, Supervisory Board discussions focused on the resignation of Holger Götze from the Management Board and the resulting contractual agreements in connection with early termination of the Management Board contract.

In addition, the range of topics included the annual and consolidated financial statements as of 31 December 2017 which – at the recommendation of the audit committee and following discussions with the auditing firm PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) – were approved by the Supervisory Board in its meeting on 21 March 2018, preparations for the Annual General Meeting and, in this regard, the changes to Supervisory Board remuneration and the introduction of attendance fees for mandatory meetings of the Supervisory Board and its committees.

Additionally, the focus of the other meetings was, among other topics, the growth strategy of the Group through the year 2021, which the Management Board presented to and discussed with the Supervisory Board in its meeting in March 2018. The Supervisory Board then discussed this strategy in more detail at a subsequent separate strategy conference with the Management Board.

In the context of the Encavis Group management report and its strategic development, new investments and deal flows (including the implementation of the project pipeline with the project developer Solarcentury), as well as the resolution to enter into a strategic partnership and to acquire a participating interest in the Swiss company Pexapark AG in order to further develop expertise in the strategically important PPA - market, played a major role in discussions and consultations.

In the meetings on 7 May 2018 and 25 September 2018, the focus of discussions and resolutions was in particular on the further financing of the growth of Encavis AG as well as a concrete update on the status of Talayuela solar park project in Spain, in particular the status of the PPA negotiations and the underlying modalities with the respective partners.

In addition, the Management Board informed the Supervisory Board about an intended change and restructuring under company law, pending a resolution, of wholly owned subsidiary Encavis Asset Management AG and its wholly owned subsidiary CHORUS GmbH by means of a transformation of legal form of Encavis Asset Management AG into Encavis GmbH and the transformation of CHORUS GmbH into Encavis Asset Management AG.

At the meeting on 12 December 2018, the Supervisory Board focused on the rearrangement of a virtual share option programme for the Management Board, selected managers and other key personnel in order to ensure employees' and Management Board members' loyalty to the company over the long term.

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

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

Meetings held by the personnel committee

The personnel committee is composed of Dr Manfred Krüper (chairman), Alexander Stuhlmann, Albert Büll and Professor Fritz Vahrenholt. The committee held three meetings in the past financial year. The personnel committee's discussions focused on, among other things, the contractual arrangements relating to Mr Holger Götze's resignation from the company's Management Board and the redesign of a virtual share option programme planned for 2019 for the Management Board, selected executives and other key employees of the Group. 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 three meetings in the past financial year. In March 2018, it dealt with the 2017 consolidated and annual financial statements and discussed these with the Management Board prior to their publication. The auditors attended the meeting and reported on the findings of their audits. The audit committee also dealt with the current status of the audit and determined the focal points for the audit of the 2018 consolidated and annual financial statements together with the auditors in its last meeting at the end of the year.

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

Corporate governance

In recognition of the fact that corporate governance significantly contributes to responsible, value-oriented management and control, the Supervisory Board also dealt with topics and issues relating to corporate governance in 2018. Together with the Management Board, the Supervisory Board issued an annual declaration pursuant to section 161 of the German stock corporation act (*Aktiengesetz* – AktG) on the recommendations contained in the German Corporate Governance Code. Further information on corporate governance can be found in the combined declaration on corporate governance in accordance with section 315 (5) in conjunction with section 289f of the German Commercial Code (HGB). The combined declaration on corporate governance also includes the corporate governance report prepared by the Management Board and the Supervisory Board and the declaration on the recommendations contained in the German Corporate Governance Code. The combined declaration on corporate governance can be accessed permanently on Encavis AG’s website at http://www.encavis.com/investor-relations/corporate-governance/.

The members of the Management Board and the Supervisory Board disclose any conflicts of interest to the Supervisory Board without delay. The Supervisory Board did not have any indications of conflicts of interest on the part of the members of the Management Board and the Supervisory Board in the 2018 financial year.

Audit of the annual and consolidated financial statements

The Hamburg branch of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft 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 21 March 2019, which the auditor also attended. The Management Board’s proposal regarding the appropriation of net earnings was also discussed at the meeting. The consolidated financial statements in accordance with IFRS, the combined management report for Encavis AG and the Group, the annual financial statements of Encavis AG and the relevant auditor’s reports were made available to all members of the Supervisory Board in due time. The auditors presented the most important findings of their audit and were available for further questions. The Supervisory Board raised no objections following its own examination and adopted the auditors’ report. The audit committee discussed the annual and consolidated financial statements, the management report, Group management report, audit reports and the proposal on the appropriation of distributable profit at length in its meeting on 18 March 2019 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 21 March 2019. The annual financial statements were thus adopted. Finally, the Supervisory Board has endorsed the Management Board’s proposal for the use of distributable profit for 2018, i.e. the distribution of a dividend of EUR 0.24 per dividend-entitled share. The dividend will either be paid in cash or in the form of Encavis AG shares. The details of the cash distribution and the opportunity available to shareholders to choose shares will be provided in a document made available to shareholders, along with the invitation to the Annual General Meeting, that contains in particular information on the number and type of the shares and explains the background and details of the offer.

The dividend amount and the residual amount to be carried forward to new account in the proposed resolution on the appropriation of distributable profit are based on the eligible share capital on 31 December 2018 of EUR 129,487,340.00, divided into 129,487,340 shares.

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

Changes in the composition of the Supervisory Board

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

Changes in the composition of the Management Board

By mutual agreement, Mr Holger Götze resigned his position on the Management Board of Encavis AG effective on 26 April 2018. Due to the acquisition of CHORUS Clean Energy AG (“CHORUS”), Holger Götze had served on the Management Board of Encavis AG since October 2016. During this period, he played, for example, a crucial role in the successful integration of CHORUS, now Encavis Asset Management AG, within Encavis AG. In this regard, he was particularly influential in developing the asset management business for institutional investors and establishing it as an independent business segment within the Encavis Group.

Once CHORUS had been integrated within Encavis AG, Holger Götze and the Supervisory Board agreed that he would terminate his Management Board contract early, which was due to run until 18 October 2019. The Supervisory Board and the company as a whole wants to express its gratitude to Holger Götze for his commitment to the company.

The Supervisory Board would like to thank the Management Board and all employees of the Encavis Group's companies for their commitment and personal contribution to the successful the 2018 financial year.

Hamburg, 21 March 2019

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 2018 financial year

General information

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

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

The share capital amounts to EUR 129,487,340.00 and is divided into 129,487,340 no-par-value shares. The average number of shares in circulation (undiluted) in the reporting period was 129,040,364 (previous year: 127,583,861).

All disclosures in this report relate to 31 December 2018 or the financial year from 1 January to 31 December 2018, 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 installations, the company generally focuses on turnkey projects or existing installations that have guaranteed feed-in tariffs or long-term power purchase agreements and that 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 installations that generate renewable energy. The Asset Management field covers all services in this area, i.e. the launching of funds, the individual design and structuring of other investments for professional investors in the field of renewable energy and the management of the investments held by these investors.

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.

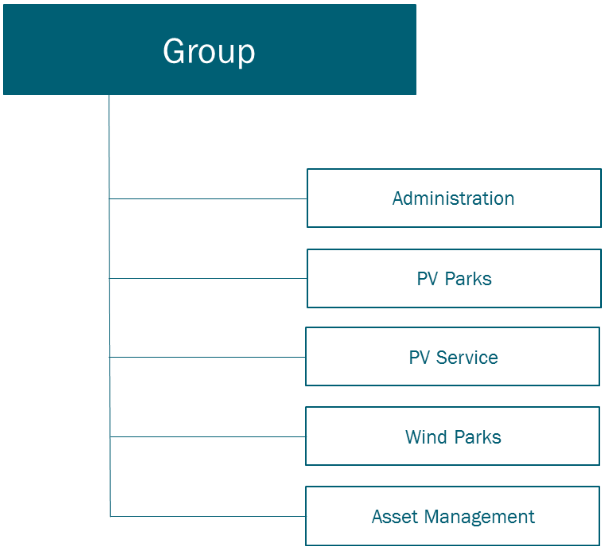
Encavis currently operates a total of 175 solar parks and 69 wind parks with a capacity of more than 1.9 GW in Germany, Italy, France, the United Kingdom, Austria, Finland, Sweden, Denmark, the Netherlands and Spain. Of these, the Group operates nine solar parks and 36 wind parks for third parties in the Asset Management segment. By generating power from renewable energy, the Encavis Group makes a significant contribution to a sustainable, clean energy supply. The amount of power produced by the group of companies in 2018 that is reflected in revenue amounts to more than 1.5 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 230 subsidiaries held directly or indirectly as at 31 December 2018 (previous year: 216).

The diagram illustrates the Group's segments as of 31 December 2018:



Administration	The segment comprises management-related transactions for the Group's parent company, Encavis AG, and transactions allocated to this segment from Encavis Asset Management AG. Encavis Finance B.V., Encavis Real Estate GmbH and Encavis Renewables Beteiligungs GmbH are also included in this segment.
PV Parks	This segment consists of all solar parks in the Group portfolio in Germany, Italy, France, the United Kingdom, the Netherlands and Spain, as well as any holding companies, regardless of whether these are allocated to Encavis AG or the former CHORUS Clean Energy AG, now Encavis Asset Management AG.
PV Service	This segment consists of Encavis Technical Services GmbH, as well as the transactions of Encavis AG assigned to this segment.
Wind Parks	This includes all wind parks in the Group portfolio in Germany, Italy, France, Austria and Denmark, as well as any corresponding holding companies, regardless of whether these are allocated to Encavis AG or the former CHORUS Clean Energy AG, now Encavis Asset Management AG.
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.

Internal control system of Encavis

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

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

The earnings indicators EBITDA and EBIT for Encavis include material valuation effects resulting from the application of IFRS. These include the differences determined in the course of purchase price allocations (PPA) when solar parks and wind parks are consolidated for the first time. 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 the 2019 financial year in the forecast report is also based on these adjusted financial figures.

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

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

The achievement of key figures as regards technical installation availability, kWh produced and the resulting revenue is presented in the performance report each week and discussed with the Management Board.

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

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

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

Operating EBITDA = IFRS EBITDA less the following effects:

- Income and expenses resulting from the disposal of financial assets and other non-operating cash income
- Other non-cash income, 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
- Selected one-off effects

Operating EBIT = IFRS EBIT less the following effects:

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

The financial control parameters for Encavis AG are 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 installation availability are not considered control parameters as they are of no or only little importance to Encavis AG.

Framework conditions

Economic framework conditions

Moderate upswing in global economy

The global economy continued its upward trend in the 2018 financial year. According to the most recent estimates of the International Monetary Fund (IMF) from January 2019, the growth of the global economy – at 3.7 per cent – in 2018 was slightly below the previous year (2017: 3.8 per cent). For developing countries, the IMF forecasts an increase in economic growth of 4.6 per cent (previous year: 4.7 per cent). With regard to industrialised nations, the experts expect 2018 to finish with an increase in GDP of 2.3 per cent, following an increase of 2.4 per cent in the previous year.

In light of weak economic development in certain countries within the eurozone in the second half of 2018, the IMF made a downward correction of its original forecast for the past year. Altogether, economic output in Europe increased by 1.8 per cent (2017: 2.4 per cent).

In the two largest economies of the eurozone, Germany and France, GDP increased by 1.5 per cent each (2017: 2.5 per cent and 2.3 per cent, respectively). GDP increased by 1.0 per cent in Italy (2017: 1.6 per cent) and by 2.5 per cent in Spain (2017: 3.0 per cent). In Germany, among other factors, decreasing private consumption due to higher oil prices, decreased industrial production – above all in the automotive industry – and sinking external demand were responsible for the weak economic growth. Italy is suffering from debt of some EUR 2.3 trillion and was burdened by low domestic demand and high credit costs. Positive developments in France have been overshadowed by the street protests, which have been ongoing for months now. After increasing the minimum wage, reducing social security contributions and introducing the “eco-tax”, the economists at Berenberg Bank expect France to reach a budget deficit of 3.3 per cent for 2019. Uncertainties regarding the future political development of the country were also a drain on the economy in Spain. In addition, the continued high level of unemployment, decreasing tourism figures and lower exports caused the economy to cool off further. Overall, it was above all the uncertainties in connection with the United Kingdom’s unregulated withdrawal from the European Union that led to the pessimistic assessment of experts at the IMF.

For the US economy, the IMF expects an increase of the economic performance by 2.9 per cent in 2018 – a gain of 0.5 per cent compared to 2017. The economy, which was already running well, got an additional boost from Donald Trump’s tax cuts of USD 1.5 trillion. Additionally, the progressive dismantling of regulations has stimulated companies’ willingness to invest, which has risen by 7 per cent compared to the previous year. Household demand increased by some 3 per cent. The stark increase in oil prices through the beginning of October also caused euphoria within the energy sector, an important industry for the US economy.

The IMF forecasts growth of 3.5 per cent in 2019 for the global economy, which is 0.2 per cent lower than the expectations from the previous year. The IMF forecasts growth of 3.6 per cent in 2020, despite having predicted growth of 3.7 per cent in its last outlook from October 2018. According to the IMF, the correction of the original forecast is primarily due to the still-unresolved trade conflicts, fluctuations in financial markets and the threat of the United Kingdom leaving the European Union without a deal. The currency watchdogs estimate that these factors could continue to hold back the global economy. The IMF now expects growth of 1.6 per cent for the eurozone. This is a decrease in the forecast growth by a further 0.3 per cent for 2019 compared to the figure from October 2018. The downward forecast correction for Germany was even more significant: at 1.3 per cent, the current growth forecast is 0.6 per cent below the level from autumn. According to the IMF, the development is primarily due to production difficulties in the automotive industry and a decrease in external demand.

The currency experts still see the US economy growing by 2.5 per cent in the current year; however, this is expected to weaken in 2020 to 1.8 per cent. Regarding China, the second-largest economy in the world, predictions are also calling for a slowdown of growth – although at a higher level: following 6.6 per cent in 2018, annual growth is predicted at 6.2 per cent through 2020.

For developing countries viewed as a whole, the IMF still expects stable economic performance at 4.6 per cent which, according to the fund’s forecast, should increase to 4.9 per cent in the following year.

Currency developments in 2018

The euro experienced a slight loss in value compared to the US dollar over the year. The exchange rate at the end of 2018 was USD 1.14 for EUR 1, which was impacted in particular by solid economic development in the United States and uncertainties in connection with Brexit in Europe.

At the same time, the British pound once again weakened slightly compared to the euro in the reporting period. At the end of the year, the exchange rate was EUR 1.11 for GBP 1, compared to EUR 1.13 for GBP 1 at the beginning of the year.

The market for renewable energy

The global energy revolution

The growth of renewable energy continued in 2018. 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 following factors play a key role in shaping the global energy revolution and growth in the renewable energy sector:

- 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, are calling for the expansion of renewable energy. 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 and are therefore making corresponding commitments to meet 100 per cent of their energy needs with renewable energy. In addition to sustainability aspects and a boosted image and reputation, in particular the increasing efficiency of renewable energy and the ability to plan energy costs in the long term as a result of long-term power purchase agreements play a major role.
- The significant decline in power generation costs, especially for photovoltaics and wind energy, has led to a drastic increase in competitiveness and in the efficiency of power generation from renewable sources. In many regions today, renewable energy is economical even without the support of government subsidies. Thanks to a significant decrease in costs for photovoltaic installations in recent years, newly constructed PV installations in certain locations are already more cost-effective than conventional power plants.
- 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 per cent is expected in global energy requirements compared to 2015.

The total worldwide installed generation capacity had exceeded the one TW mark already by mid 2018. According to the 2018 Global Status Report of the Renewable Energy Policy Network for the 21st Century (REN21), one-fifth of the world’s energy needs is already covered by renewable energies. The estimates assume that this proportion will increase to one-third by 2023. The photovoltaic and wind sectors are experiencing particularly strong growth.

According to estimates of the German Solar Association, new photovoltaic installations with a generation capacity of some 100 GW were installed worldwide in 2018. The generation capacity installed thus reached the milestone of 500 GW.

Based on surveys by the Global Wind Energy Council, new wind installations with a total generation capacity of 51.3 GW were installed worldwide in the wind energy sector in 2018. The generation capacity installed worldwide for wind energy thus amounted to some 591 GW at the end of 2018 (2017: 540 GW).

PPA market growing strong

The increasing profitability of renewable energies compared to conventional forms of energy production and the clear commitment of companies to achieving a climate-friendly energy balance – for example, as expressed in the RE100 initiative – are providing increasing momentum in the market for private power purchase agreements (PPA). According to information from Bloomberg New Energy Finance, the total generation capacity concluded via PPAs has more than doubled, from around 6.1 GW in 2017 to some 13.4 GW in 2018.

Political framework conditions

International UN Paris Agreement

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

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

In line with the Paris Agreement on climate protection, the European Union also follows energy and climate policies that are aimed at the reduction of harmful greenhouse gases. For example, the short-term 2020 climate and energy package of the European Union calls for a reduction of greenhouse gas emissions by 20 per cent compared to 1990 levels, covering 20 per cent of energy consumption in the European Union through renewable sources and an increase in energy efficiency by 20 per cent. In the medium term through 2030, greenhouse gases are to be reduced by at least 40 per cent compared to 1990 levels, renewable energy is to account for at least 27 per cent of total energy consumption and energy efficiency is to be increased by at least 27 per cent. These figures are in line with the long-term aim of reducing climate-harmful emissions in the European Union significantly by 2050 – by 80 to 95 per cent compared to 1990 levels.

Political framework conditions in core regions

When acquiring new installations, Encavis primarily focuses on ready-to-build or turnkey projects, or existing installations with guaranteed feed-in tariffs or long-term power purchase agreements. Any already-known future changes to the structuring of subsidy systems and mechanisms for renewable energies would be accounted for within the return calculations for new investments and have no influence on the company's existing portfolio. Furthermore, as part of its Asset Management segment, Encavis offers institutional investors – both via various investment vehicles as well as direct investments – the opportunity to invest in attractive renewable energy installations. Encavis Asset Management AG, a wholly owned subsidiary of Encavis AG, is responsible for business with institutional investors within the Encavis Group.

Germany

In Germany, the 2017 Renewable Energy Sources Act (EEG 2017) has been in effect since 1 January 2017. Its aim is to increase the amount of renewable energy used to 30 to 45 per cent of gross power consumption by 2025. In particular, the new EEG will rely on more competition to accomplish this; for all significant technologies in the renewable energies sector, the subsidy amounts will be determined through tendering processes in future.

Since 1 January 2018, the utilisation and the amount of a state-guaranteed feed-in tariff for electricity from newly commissioned solar installations of 750 kW peak or more has thus only been determined by successful participation in tenders. There were three tendering rounds in 2018. The lowest value of a bid that was accepted as part of the third tendering round in October 2018 was EUR 0.0386 per kilowatt-hour (kWh). In the last bidding round of the previous year, in October 2017, this value was still EUR 0.0429 per kWh. The first tendering round in 2019 was concluded with a slight increase of the bid values, with an average bid of EUR 0.0480. The lowest bid value was EUR 0.0411.

Since 1 May 2017, the German Federal Network Agency has also been organising tender rounds for onshore wind energy in Germany. There were four rounds of bidding in 2018. At the last tendering round in October 2018, the lowest bid was EUR 0.050 per kWh compared to EUR 0.038 per kWh in February 2018. The increase in the feed-in tariff for onshore wind parks can also be attributed to, among other things, the suspension of the EEG special rules for public wind parks. The special rules for public wind parks had led to significant price declines in the first tender rounds. In June 2018, the legislature stopped this distortion by suspending the special rule until 1 June 2020. Six tendering rounds are scheduled to take place in 2019.

Additionally in 2019, there will be two cross-technology tendering rounds for onshore wind and solar installations from 750 kW.

Denmark

The Danish government is pursuing the long-term strategic objective of Denmark's independence from fossil fuels by 2050. To this end, Denmark's government last raised its expansion target for renewable energies by five percentage points by 2030. The share of renewable energies in the overall energy mix is to be increased to 55 per cent by then. Denmark hopes to have a complete supply of renewable energies by 2050.

Similar to the German EEG, Denmark grants a fixed feed-in tariff for onshore wind parks of EUR 0.0335 (DKK 0.25) per kWh. What is more, all revenue generated beyond EUR 0.0335 per kWh by electricity sold in the open market represents additional revenue. Unlike with the German EEG, the feed-in tariff is not valid for a fixed period, but rather for the first 22,000 full-load hours per MW.

In 2017, the Danish government decided to gradually phase out the Public Service Obligation, which is comparable to the German EEG levy, by 2021. Instead, the energy transition is to be financed by public budgets.

France

In January of this year, France's minister of the environment presented an energy and climate strategy designed for the years 2019 through 2028. Among other things, this strategy provides for a six-year programme for tendering for photovoltaic installations. As part of this programme, 2.7 GW in 2019 and 2.9 GW in each of the next five years are to be awarded. The total installed photovoltaic capacity in France is to reach the 20-GW mark by 2024. For onshore wind installations, a total capacity of 11.4 GW is to be tendered by 2025.

United Kingdom

From the end of March 2019, with its decision to leave the European Union, the United Kingdom will no longer be subject to the regulations and requirements of European climate policies. However, in 2008, the United Kingdom had already established its own targets for a low-carbon economy by 2050 in the form of the British Climate Change Act. The primary aim is to decarbonise the economy, which is why the United Kingdom continues to rely on low-carbon energy sources, including nuclear energy. In this respect, the United Kingdom remains officially committed to the completion of the Hinkley Point C nuclear power plant, which is scheduled to be connected to the grid in 2024. Nevertheless, there have already been considerable delays in this regard.

The options for government subsidies which apply in particular to smaller wind and ground-mounted PV installations are scheduled to expire in April 2019. Whether and in what form any further subsidisation will be planned and pursued will surely not be made known until the weeks and months after the implementation of Brexit.

The United Kingdom is also relying in particular on the expansion of a comprehensive network of battery storage, with the goal of establishing a national network of battery storage facilities with an output of more than 2 GW. A total of 45 battery storage facilities in England, Wales and Scotland are planned, each with a capacity of 50 MW. The largest battery storage facility in the United Kingdom with a capacity of some 50 MW in Bishop's Stortford in the county of Hertfordshire was already successfully realised in 2018. The first ten battery storage facilities are scheduled to by installed by the end of 2019. The installation of battery storage capacities should make more than 2 GW available, which approximately corresponds to the capacity of two small nuclear power plants.

Italy

With the announcement of a new, comprehensive 2030 climate and energy strategy, the Ministry of Economic Development has finalised the planned energy policies of Italy's national energy strategy (*Strategia Energetica Nazionale*) from the end of 2017. Among other plans, the strategy calls for Italy's departure from coal power by the year 2025. Additionally, renewable energies are supposed to make up around 27 per cent of total energy consumption by the year 2030. To achieve this, the energy generation capacities are to be expanded to 50 GW in the photovoltaic (PV) sector and to 18.4 GW in the wind sector. Photovoltaics would then make up more than 50 per cent of the total generation capacity in the renewable energy sector in Italy, followed by hydroelectricity and wind power. Around EUR 35 billion are planned for the expansion of renewable energies.

For the targeted expansion, there will be annual technology-independent tendering rounds for photovoltaic and wind projects of more than one MW. In total, some 4.8 GW in renewable energy installations will be approved along the way.

The first two rounds will each have a volume of 500 MW, the third through fifth rounds then 700 MW and the last two rounds 800 MW each.

At the same time, the increasing economic competitiveness of photovoltaic installations is showing itself in Italy – in recent months, numerous large projects were concluded with long-term power purchase agreements (PPA).

Netherlands

The Netherlands has committed itself to more climate protection as part of a cross-party initiative. The climate law adopted at the end of June provides for greenhouse gas emissions to be reduced by 49 per cent by 2030 and 95 per cent by 2050 compared to the reference year 1990. All coal power plants in the Netherlands are to be closed by 2030.

In the Netherlands, tendering procedures for large solar installations have also been used for several years. Under the name SDE+ ("Stimulering Duurzame Energieproductie"), subsidies for renewable energies are set annually in two rounds. For projects of over a MW, a preliminary base tariff of approximately EUR 0.084 per kWh is planned for 2019. The subsidy is approved for a period of 15 years.

Austria

In December 2018, the federal government of Austria established key points for a law governing the expansion of renewable energy. The country is still adhering to the target set out in 2017 of covering 100 per cent of energy needs with renewable sources by 2030.

There are plans to fundamentally change the subsidy system for green electricity from 2020, with the aim of easing the market integration of renewable energy. Furthermore, administrative barriers are to be eliminated and a legally secure and predictable investment climate is to be ensured.

Spain

In recent months, the renewable energy market in Spain has undergone something of a renaissance. Behind Germany and Italy, Spain comes in third place in Europe with regard to total generation capacity; at the same time, the severe economic and financial crisis has lead to Spain significantly as well as retroactively cutting subsidies for renewable energy since 2010. In 2012 they were nearly dispensed with entirely. As a result, Spain fell behind the rest of Europe in the expansion of renewable energy and, today, will have to make particular efforts to achieve the European climate targets for 2020. These include, among others, increasing the share of renewable energy in primary energy consumption to 20 per cent. In 2016, for example, the first tendering rounds since 2012 for photovoltaic and onshore-wind projects were held that offered a guaranteed minimum price per kWh and that benefit from preferred grid connection.

In addition, the Spanish government set itself ambitious goals in the form of its law on climate change and energy transition: by the year 2050, it hopes to cover the energy needs of Spain entirely from renewable sources. The last coal and nuclear power plants are to be closed by 2030, which would reduce Spain's greenhouse gas emissions by around 90 per cent compared to 1990 levels. In order to achieve this goal, each year over a period of ten years at least 3 GW of new solar and wind capacities are to be installed.

But Spain also benefits particularly from the growing market for power purchase agreements (PPA), i.e. long-term private-sector power purchase contracts that do not require and government subsidies. The combination of a drastic decrease in costs of photovoltaic technology, the high levels of sunshine and a low population density in the country make the Spanish market a particularly attractive one.

Asset Management segment

With its Asset Management segment the Encavis Group offers – via Encavis Asset Management AG – institutional investors the opportunity to invest in assets in the renewable energy sector through various investment vehicles. In addition to individually tailored investment strategies and direct investments, Asset Management enables institutional investors – through the use of funds structured in accordance with Luxembourg law – to invest in a highly diversified portfolio of wind and solar parks. Institutional investors can place their trust in the many years of experience in renewable energy of the entire Encavis Group, with its 175 solar and 69 wind parks and a total generation capacity of nearly 2 GW.

Renewable energy installations offer reliable and attractive returns on investment and stable cash flows which are in large part government-guaranteed or secured by creditworthy customers. With their long terms and a low correlation to other asset classes or to economic fluctuations, these types of investment are particularly suited for pension funds and insurance products, for example, which invest over the long term and must diversify very large portfolios. In addition, the decarbonisation of investment portfolios has established itself as a trend internationally. Institutional investors are increasingly reducing their investments in fossil fuels like coal and oil in favour of new investments in the renewable energy sector. According to the Renewable Global Status Report, institutional investors invested approximately a combined USD 9.9 billion in renewable energies in 2017, which is an increase of 42 per cent compared to the previous year.

Significant events

Encavis and Irish sovereign development fund ISIF conclude partnership in order to make joint investments in the Irish solar market via projects of Irish project developer Power Capital

On 18 January 2018, Encavis AG concluded a partnership with Irish sovereign development fund Ireland Strategic Investment Fund (ISIF) in order to make joint investments in a solar park portfolio belonging to Irish project developer Power Capital comprising more than 20 parks with a total generation capacity in excess 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 partnership envisages that ISIF, as a silent partner, will acquire 25 per cent of the equity for each of the projects in which Encavis AG invests 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 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 per cent of Irish electricity consumption through renewable energy by 2020. To achieve this goal, a new government funding system for renewable energy is in the legislative process. 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. Our new brand, “Encavis”, symbolises the three pillars on which our company is built. It stands for “energy” and thus the product that is the focus of our investments and operating activities. It also stands for “capital” and thus for the financial part of our business model. And finally it stands for “vision” – after all, we are committed to the energy system of the future and we make renewable energies economically viable. The name change also affects the companies Encavis Asset Management AG (formerly: CHORUS Clean Energy AG) and Encavis Technical Services GmbH (formerly: Capital Stage Solar Service GmbH).

Encavis AG acquires solar park with 43.9-MW production capacity in the Netherlands and is thus implementing its first 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 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 generation capacity of around 1.1 GW over the next three years. Grid connection was carried out in December 2018. Including project-related debt financing, the total investment volume amounts to around EUR 44 million. Solarcentury itself will provide almost 20 per cent of the equity share of the investment. A guaranteed feed-in tariff of EUR 0.104 per kWh has been secured for the first 15 years following grid connection as part of an auction process. The company expects the solar park to generate annual revenue of almost EUR 4.5 million from the first year of full operation onwards. Commercial and technical operation will be handled by Solarcentury.

Changes in the Management Board of Encavis AG

On 27 April 2018, Encavis AG announced that Holger Götze had, by mutual and amicable agreement, stepped down from the Management Board as of 26 April 2018.

Due to the acquisition of CHORUS Clean Energy AG, Holger Götze had served on the Management Board of Encavis AG since October 2016. During this period, he played, for example, a crucial role in the successful integration of CHORUS, now Encavis Asset Management AG, within Encavis AG. In this regard, he was particularly influential in developing the asset management business for institutional investors and establishing it as an independent business segment within the Encavis Group.

Once CHORUS had been integrated within Encavis AG, Holger Götze and the Supervisory Board agreed that he would terminate his Management Board contract early. Dr Dierk Paskert, CEO of Encavis AG since 1 September 2017, and Dr Christoph Husmann, CFO of Encavis AG since 1 October 2014, take over the duties of Holger Götze.

Encavis AG successfully issues first “Green Schuldschein“ bond with a volume of EUR 50 million for further growth financing

On 6 September 2018, Encavis announced the successful placement of a debenture bond with a volume of EUR 50 million with international and national institutional investors. As part of the process, Encavis AG issued its debenture bond as a “Green Schuldschein” for the first time. The Climate Bond Standard Executive Board confirmed that the funds would only be used for purposes that have a positive impact on climate and environmental protection. With the classification as a “Green Schuldschein”, Encavis AG is expanding its range of instruments for financing growth. Thanks to this classification, the debenture bond was also able to be subscribed by ESG (environmental, social and governance) investors, who adhere to binding environmental and social standards. The Green Schuldschein bond is available with maturities of five, seven and ten years, each of which was placed at the lower end of the marketing range. The transaction was accompanied by DZ BANK AG as the sole arranger and book-runner.

The funds raised through the hybrid convertible bond issued in September 2017 along with the now successfully placed Green Schuldschein bond will be used in particular for financing the acquisition pipeline of solar parks from the two strategic partnerships with Solarcentury as well as Power Capital and Ireland Strategic Investment Fund. The total generation capacity of this pipeline amounts to some 1.3 GW.

Encavis AG continues growth course and acquires additional solar and wind parks with total output of 23 MW

On 12 September 2018, Encavis AG announced the acquisition of an additional solar park in Germany as well as the purchase of five other wind parks in Denmark with a generation capacity of 23.1 MW in total. The solar park was connected to the grid in 2012 and benefits from a guaranteed feed-in tariff in the amount of some EUR 0.18 per kWh through 2032. The five wind installations in Denmark have been connected to the grid since 2014 and also benefit from government-guaranteed subsidies.

The solar park acquired in Germany has a generation capacity of 6.6 MW and is located in the town of Boizenburg in Mecklenburg, around 70 kilometres from Hamburg. From the first full year of operation onward, Encavis expects the installation to make annual revenue contributions of some EUR 1.2 million. The total investment volume, including project-related debt financing, amounts to some EUR 9.7 million. The sale of the installation was structured and organised by Irish project development company Power Capital. Together with the Irish sovereign fund Ireland Strategic Investment Fund, Power Capital and Encavis had entered into a strategic partnership in January 2018 for investments in the Irish solar energy market.

The total generation capacity of the five wind installations in Denmark, which are equipped with Vestas V 112 turbines, is approximately 16.5 MW. Three of the installations acquired are a part of the Norhede III wind park, and two others belong to the Norhede II wind park on Denmark’s North Sea coast. The total investment volume for all five wind installations, including project-related debt financing, amounts to some EUR 18 million.

In Denmark, wind parks benefit from a government feed-in subsidy which is granted per MW for the first 22,000 full-load hours. Encavis expects the five installations to generate revenue contributions in excess of EUR 2.5 million per year.

Encavis AG acquires the largest solar park in the company’s history with a capacity of 300 MW

On 9 October 2018, Encavis announced the acquisition of the largest solar park in the company’s history. The park is located near the Spanish city of Talayuela. With a generation capacity of some 300 MW, the installation is also one of the largest solar parks in Europe. Encavis has thus realised a further step in its growth process stemming from the strategic partnership – comprising 1.1 GW – with British project development company and operator Solarcentury.

This solar park will enable Encavis AG to realise a solar project entirely without any government-guaranteed feed-in tariffs. For the first time in the company’s history, Encavis is carrying over the already-successful practice from the wind market of direct power purchase agreements with industrial customers to the high-growth solar market. The price of the electricity produced by the photovoltaic installation near Talayuela is secured for ten years by a European company with a strong financial foundation. The project is financed by a renowned bank consortium.

The investment volume, including project-related debt financing, is approximately EUR 225 million. Solarcentury will participate with 20 per cent in the investment and will also be responsible for the commercial and technical management of the park. The installation is expected to be connected to the grid at the end of the first quarter of 2020. Encavis expects the solar park to generate annual revenue of approximately EUR 25 million from the full first year of operation onwards. The investment will significantly increase the average yield of the Encavis portfolio as a whole.

The engineering firms Kompa Solaire SASU and Genia Global Energy Solutions, S.L., which develop and fund new technologies to increase the profitability of renewable energies, were also involved in the development of the project.

The transaction is subject to standard conditions precedent.

Encavis Asset Management AG: First closing of the LBBW special fund “me4 green energy infrastructure”

On 19 December 2018, it was announced that the special fund “me4 green energy infrastructure”, which was initiated by J.C. Maxwell + Company GmbH and is offered exclusively by Landesbank Baden-Württemberg (LBBW), had closed its first transaction for institutional investors and will directly acquire its first wind park in Germany. The fund is striving for an investment volume of EUR 100 million.

The special fund, “Wind 1” for short, benefits from the technical expertise of Encavis Asset Management AG, which, as the investment adviser for the fund, is responsible in particular for the asset sourcing and operation of the renewable energy installations. In addition to compliance with strict investment criteria, this fund concept requires that investments be classified as “qualified infrastructure” pursuant to Solvency II. Following this initial investment, there are already preliminary plans for a second closing with further investments in wind parks in the first half of 2019.

Encavis Asset Management AG: First closing of the Encavis infrastructure fund “Renewables Europe II”

In December 2018, Encavis Asset Management AG announced that the first closing of its Encavis infrastructure fund SICAV-RAIF Renewables Europe II (“Renewables Europe II”) had been successfully carried out for two German institutional investors. The fund is striving for a total investment volume of EUR 200 million. The distribution partner is Bayerische Landesbank (BayernLB).

Renewables Europe II invests in renewable energy installations and relies on a balanced and diversified portfolio. The investment focus is on solar and wind installations in Europe, preferably in Germany, Austria and France. The Encavis special fund has already concluded its first investments in a German wind park and a German solar park, and the second closing is scheduled for the first half of 2019. The planned investments in the solar and wind segments are under review.

Encavis Asset Management AG receives commitments in 2018 from institutional investors to invest a total of over EUR 180 million in equity

On 20 December 2018, Encavis Asset Management AG announced that a total of some EUR 180 million in equity capital had been committed in 2018 from institutional investors for the investment in renewable energy installations. This capital is sufficient to invest around half a billion euros in wind and solar parks in Europe. The funds come from direct institutional clients on the one hand and, on the other hand, the above-mentioned special fund. The initial investments in renewable energy installations from these capital commitments are expected in the first quarter of 2019.

The capital is to be used to establish broadly diversified portfolios consisting of wind and solar parks in various countries throughout Europe. In addition to the spread across different types of energy generation and different regions, plans include the acquisition of both installations that benefit from government-guaranteed feed-in tariffs as well as parks that operate on the basis of long-term private power purchase agreements.

Comparison of the actual and forecast figures in 2018

Encavis’s Management Board assumed in the forecast issued in the 2017 management report in relation to the operating figures adjusted for non-cash IFRS effects that the positive development of revenue and earnings will continue in the 2018 financial year.

Group	Forecast in AR 2017	Actual in 2018 (operating)	Actual in 2017 (operating)	% change on the previous year
In EUR million				
Revenue	>240	248.8	222.4	+11.9
Operating EBITDA	>175	186.9	166.8	+12.1
Operating EBIT	>105	113.7	100.4	+13.2
Operating cash flow	>163	174.3	153.0	+13.9
Operating earnings per share in EUR	0.30	0.31	0.29	+6.9
Technical installation availability in %	>95	98	98	0

In the 2018 financial year, revenue in each segment presented a mixed picture. While the German installations in the PV Parks segment generated revenue significantly higher than forecast figures due to the extraordinarily sunny summer in Germany, the parks in other countries were more or less as forecasted due to the weather conditions. The Wind Parks segment benefited in particular from the expansion of the Danish wind park portfolio, which was able to be realised sooner than originally expected. Generally speaking, there is more planning uncertainty in the Wind Parks segment than in the PV Parks segment. The amount of wind is subject to greater annual fluctuations than sunshine. In the 2018 financial year, wind levels were below the long-term average, which meant that the revenue development in this segment was only able to meet, not exceed, the forecast levels. In the Asset Management segment, revenue remained below expectations, because the planned acquisitions of solar and wind parks for institutional investors could no longer be realised in the financial year, as the pleasing yet very late commitment of investment funds from investors did not come until late in the year. In total, the Group managed to exceed the forecast revenue figures for the 2018 financial year.

Fortunately, the forecast issued in the 2017 annual report based on the existing portfolio as of 21 March 2018 was also exceeded in respect of EBITDA and EBIT. The previously mentioned factors are also reflected here.

The operating financial result primarily includes the interest expenses for non-recourse loans for the financing of installations within the park companies as well as interest expenses in connection with the mezzanine capital of Gothaer Versicherungen and, compared to the previous year (TEUR -53,648), increased by TEUR -3,281 to TEUR -56,929. This increase results to a significant extent from the recognition of the variable remuneration component of the mezzanine capital of Gothaer Versicherungen as well as from the expansion of the portfolio.

Operating cash flow increased from EUR 153.0 million in the previous year to EUR 174.3 million in the 2018 financial year, thereby exceeding the forecast from the 2017 annual report by some EUR 11.3 million.

Operating earnings per share also developed positively and increased as expected compared to the previous year. At EUR 0.31, this is above the figure of EUR 0.30 forecast in the 2017 annual report.

Segment development

Adjustment to the previous year's figures

Management has decided to make comprehensive adjustments to the presentation of segment reporting as of the 2018 financial year, with the aim of presenting the profitability of the operating segments more transparently. Conversely, the Administration segment should only present those costs that do not generate an operating contribution. For this purpose, the circumstances were identified for all cost types that can be assigned to one or more operating segments. After identification, the relevant cost items were allocated to the operating segments via management allocation according to the respectively logical keys (e.g. employees, investment volume and generation capacity). Since this was carried out in the sense of a primary allocation, the corresponding internal Group legal offsetting settlements were eliminated. In addition, the presentation of the segment report is based on operating figures in line with the internal reporting system. In the following, all information that deviates from the figures published in the 2017 annual report due to these adjustments have been marked with a superscript 1 ([1]). In tables, the superscript 1 has been placed next to the year (column heading); in text blocks, the superscript 1 has been placed directly behind the corresponding figure.

PV Parks segment

As of 31 December 2018, the solar parks in the portfolio of Encavis comprised a total of 165 solar parks with a total generation capacity of more than 1.1 GW, with parks located in the countries of Germany, Italy, France, the United Kingdom, the Netherlands and Spain.

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

In terms of the kWh generated, Encavis's solar park portfolio was cumulatively around 4 per cent above target. While the German solar park portfolio was able to record figures significantly over plan (+14 per cent), the French, British and Italian portfolios were for the most part on target respectively.

The electricity supplied by the solar parks held by the Group in the 2018 financial year was 857,504 MWh (previous year: 737,101 MWh). The amount of electricity thus increased by some 16 per cent over the previous year. The solar parks in Germany accounted for 34 per cent of the feed-in electricity (previous year: 34 per cent), those in France for 27 per cent (previous year: 25 per cent), those in Italy for 24 per cent (previous year: 30 per cent) and those in the United Kingdom for 15 per cent (previous year: 11 per cent).

The following solar parks were acquired in the 2018 financial year:

- Zonnepark Budel B.V., Netherlands, Group share: 80.01 per cent
- Solarpark Boizenburg I GmbH & Co. KG, Boizenburg, Group share: 100.00 per cent
- Solarpark Boizenburg II GmbH & Co. KG, Boizenburg, Group share: 100.00 per cent (accretion to Solarpark Boizenburg I GmbH & Co. KG in 2018)
- Genia Extremadura Solar SL, Spain, Group share: 80.00 per cent

Wind Parks segment

As of 31 December 2018, the wind parks in the portfolio of Encavis comprised a total of 33 wind parks with a total generation capacity of 334 MW, with parks located in the countries of Germany, Italy, France, Austria and Denmark.

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

The wind volume in 2018 was below the long-term average. Measured against the long-term average, the volume of electricity produced was therefore below expectations. However, this effect was offset by the expansion of the portfolio.

The electricity supplied by the wind parks held by the Group in the 2018 financial year was 655,711 MWh (previous year: 564,068 MWh). The amount of electricity thus increased by some 16 per cent over the previous year. Of the power fed in, 67 per cent (previous year: 73 per cent) is attributable to wind parks in Germany, 12 per cent (previous year: 13 per cent) to wind parks in France, 10 per cent (previous year: 10 per cent) to wind parks in Austria, 9 per cent (previous year: 2 per cent) to wind parks in Denmark and 2 per cent (previous year: 2 per cent) to the wind park in Italy.

The following wind parks were acquired in the 2018 financial year:

- Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG, Germany, Group share: 100.00 per cent
- Energiepark Odisheim GmbH & Co. WP ODI KG, Germany, Group share: 100.00 per cent
- Windenergieanlagen Rindum Enge 1 and 5, Denmark, Group share: 100.00 per cent
- Windenergieanlagen Rindum Enge 2 and 3, Denmark, Group share: 100.00 per cent
- Norhede-Hjortmose Vind 12 K/S, Ringkøbing, Denmark, Group share: 100.00 per cent
- Norhede-Hjortmose Vindkraft I/S, Ringkøbing, Denmark, Group share: 81.40 per cent
- Norhede-Hjortmose Vind 19 I/S, Ringkøbing, Denmark, Group share: 100.00 per cent

PV Service segment

Encavis Technical Services GmbH, Group share: 100 per cent

Earnings of Encavis Technical Services GmbH after tax in the 2018 financial year were TEUR 1,560 and therefore TEUR 317 higher than in the previous year (TEUR 1,243). While revenue and other income recorded an increase of TEUR 1,087, depreciation and amortisation, expenses for materials and personnel and other expenses increased in total by TEUR 786. Due to the shareholder loan repaid in full in the previous year, the financial result was TEUR 0 (previous year: 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 some 274 MW peak as of 31 December 2018.

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 of non-Group assets managed was around 15 MW peak.

Asset Management segment

The Asset Management segment covers all services for third-party investors, such as the launching of funds, the individual design and structuring of other investments for professional investors in the field of renewable energy and the management of the investments held by these investors. As of 31 December 2018, the portfolio comprised nine solar parks and 36 wind parks in Germany, Italy, France, the United Kingdom, Finland and Sweden.

In the Asset Management segment, revenue remained below expectations, because the planned acquisitions of solar and wind parks for institutional investors could no longer be realised in the financial year, as the as the pleasing yet very late commitment of investment funds from investors did not come until late in the year.

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

Adjustment to the previous year's figures

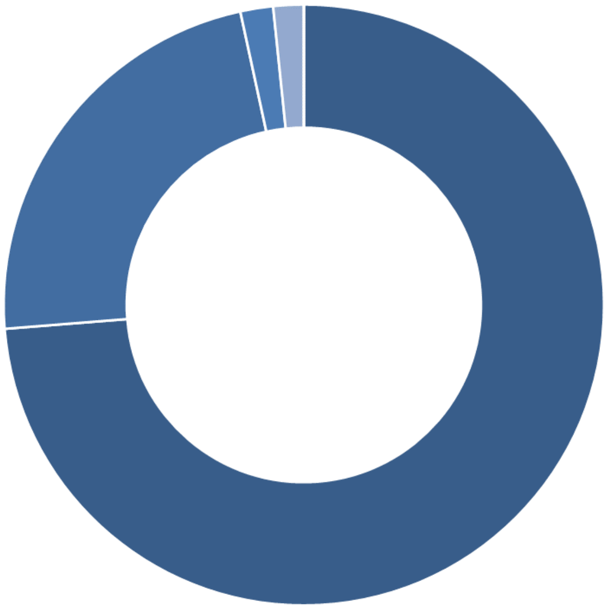
During the financial year, Encavis adjusted the composition of individual items in the cash flow statement. Please refer to the notes for further details. On an aggregated level, this resulted in an adjustment of TEUR 20 in cash flow from operating activities. In the following, all information that deviates from the figures published in the 2017 annual report due to this adjustment have been marked with a superscript 2 ([2]). In tables, the superscript 2 has been placed next to the year (column or row heading); in text blocks, the superscript 2 has been placed directly behind the corresponding figure.

Financial performance

The Group generated revenue in the amount of TEUR 248,785 in the 2018 financial year (previous year: TEUR 222,432). The growth of some 12 % was driven both by the expansion of the solar park portfolio as well as by the expansion of the wind park portfolio, and was achieved in comparison to a meteorologically strong comparative period in 2017. The increased sunshine in Germany since mid April up to the reporting date ensured that revenue losses due to meteorological factors from the first quarter of the 2018 financial year could be more than made up for. The German and British solar parks generated higher income compared to the previous year in the amount of EUR 9.3 million and EUR 6.2 million respectively. The French solar parks contributed to growth as well, with sales growth of EUR 3.0 million. The Italian solar park portfolio was not expanded via acquisitions during the reporting period, so the weather-related decrease in revenue in the amount of EUR 3.9 million could not be compensated for through capacity increases. The wind park portfolio recorded an increase in revenue of EUR 8.3 million, including in particular the Danish and German wind parks which contributed growth of EUR 4.2 million and EUR 2.4 million respectively. The revenue also included income in the amount of EUR 4.1 million (previous year: EUR 3.7 million) from the Asset Management segment.

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

Revenue is broken down by segment as follows:



The Group generated other income of TEUR 17,463 (previous year: TEUR 31,245). In accordance with IFRS 3, the Encavis Group provisionally allocated purchase prices at the time of acquisition of the solar and wind parks in the 2018 financial year 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 6,424 (previous year: TEUR 21,341) that was credited to income in the 2018 financial year. This included a change to a provisional purchase price allocation within the assessment period in accordance with IFRS 3.45 for the solar park in Todderstaffe acquired in the course of 2017 in the amount of TEUR 8. Additionally, the main changes to the provisional price allocation for the solar park in Todderstaffe and the figures presented in the 2017 annual report are a decrease in intangible assets of TEUR 10 and a decrease in deferred tax liabilities of TEUR 2. The purchase price allocation was adjusted due to corrections in the valuation of intangible assets. This type of negative difference from the purchase price allocation can only arise for parks which are already connected to the grid at the time of their acquisition. Because the Group now generally acquires parks prior to their grid connection in line with market developments, this income – which results from initial consolidation in accordance with IFRS rules and does not reflect the operating performance of the company and is therefore eliminated in the reconciliation to the operating result – is declining as planned.

Furthermore, the temporary nature of the eight purchase price allocations in the 2018 financial year 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 still includes income from the reversal of deferred accrual items (government grants) in the amount of TEUR 2,166 (previous year: TEUR 2,180) and non-period income of TEUR 3,129 (previous year: TEUR 2,998). Of the non-period income, TEUR 1,236 (previous year: TEUR 645) is due to the reversal of provisions.

The cost of materials amounted to TEUR 1,756 in the reporting period (previous year: TEUR 1,514). 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 10,972 in the 2017 financial year to TEUR 13,306 in the reporting year. On the one hand, the increase is due to the expansion of the team at Encavis AG. On the other hand, the number of members of the Management Board of Encavis AG has increased to three since 1 September 2017 with the addition of Dr Dierk Paskert as CEO of Encavis AG. With the departure of Holger Götze on 26 April 2018, one-time personnel expenses were incurred in this context in the reporting period. In the 2018 financial year, TEUR 122 (previous year: TEUR 133) from the 2012 share option programme (SOP 2012), TEUR 180 (previous year: TEUR 36) from the 2017 share option programme and TEUR 7 from the share option programme relaunched for the 2018 financial year were recorded as personnel expenses. The expenses for SOP 2012 resulted from the valuation of options at their fair value on the relevant issue dates and have been recorded for the second to fourth and the sixth tranche of the programme. SOP 2017 and SOP 2018 are annually recurring, long-term remuneration components related to the overall performance of the Encavis share. An allotment amount defined by the Supervisory Board is converted into virtual share options known as share appreciation rights (SARs). The amount of the variable component was calculated based on the 2017 and 2018 share-option plans (SOP 2017 and SOP 2018), which entered into force on 1 July 2017 and 1 July 2018 respectively.

Besides the Management Board, the Encavis Group employed 118 people as of 31 December 2018 (previous year: 108). This increase is the result of the growth-induced expansion of the Encavis AG teams.

Other expenses in the 2018 financial year amounted to TEUR 55,860 (previous year: TEUR 50,773). This mainly consists of costs of TEUR 40,167 for operating solar parks and wind parks (previous year: TEUR 37,003). This includes expenses for technical and commercial management, leases, repairs, maintenance, insurance and various other costs such as vehicle costs, costs for IT and telecommunications and remuneration for the Supervisory Board. Other expenses also include costs of current operations in the amount of TEUR 15,051 at the level of the holding companies (previous year: TEUR 13,651). The increase in other expenses is based in particular on the growth of the existing portfolio and the associated increase in expenses as well as various consulting costs.

Thus, in the 2018 financial year, the Group generated earnings before interest, taxes, depreciation and amortisation (EBITDA) in the amount of TEUR 195,326 (previous year: TEUR 190,417). The EBITDA margin was around 79 per cent (previous year: 86 per cent).

Depreciation and amortisation of TEUR 123,770 (previous year: TEUR 102,493) consists principally of depreciation of photovoltaic installations and wind turbines and 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 in the 2018 financial year. The impairment tests were carried out on the basis of the future discounted cash flows and gave rise to an impairment loss of TEUR 12,400 (previous year: TEUR 0), which relates exclusively to goodwill, which was recognised as part of the initial consolidation of certain British solar parks. The reason for the impairment is the changed and uncertain market environment in the United Kingdom, which is due to, among other factors, the impending Brexit process, and the corresponding planning assumptions.

Earnings before interest and taxes (EBIT) decreased from TEUR 87,924 in the previous year to TEUR 71,556 in the 2018 financial year, primarily due to the scheduled significant reduction in income from the initial consolidation of parks and the depreciation of goodwill. This corresponds to an EBIT margin of around 29 per cent (previous year: 40 per cent).

Financial income rose from TEUR 13,701 in the previous year to TEUR 14,784 in the reporting year. Income in the amount of TEUR 8,916 (previous year: TEUR 9,813) results from interest income from the cancellation of step-ups for bank loans and lease liabilities. This includes income of TEUR 2,631 (previous year: TEUR 3,287) from changes in the market values of interest rate swaps. Financial expenses of TEUR 66,577 were incurred (previous year: TEUR 60,844). These mainly include the interest expenses for non-recourse loans to finance investments in park companies and interest expenses in connection with the mezzanine capital of Gothaer Versicherungen.

The resulting earnings before taxes (EBT) amounted to TEUR 19,754 (previous year: TEUR 40,763), which is primarily attributable to the scheduled decrease in income from the initial consolidation of parks as well as the depreciation of goodwill. The EBT margin is some 8 per cent (previous year: 18 per cent).

The tax expenses reported in the consolidated statement of comprehensive income amounted to TEUR 8,975 in the 2018 financial year (previous year: TEUR 13,059) attributable to non-cash deferred taxes and effective tax payments. The current tax expense amounted to TEUR 10,739 (previous year: TEUR 6,777). Deferred tax income of TEUR 1,763 (previous year: expenses in the amount of TEUR 6,281) was recorded. The deferred tax income results primarily from the reversal of differences between IFRS and tax balance sheet values in property, plant and equipment.

Altogether, this resulted in consolidated earnings of TEUR 10,779 (previous year: TEUR 27,704).

Consolidated earnings are made up of earnings attributable to shareholders of the parent company totalling TEUR 5,113 (previous year: TEUR 25,682), earnings attributable to non-controlling shareholders totalling TEUR 558 (previous year: TEUR 483) and the earnings attributable to hybrid bondholders totalling TEUR 5,108 (previous year: TEUR 1,539).

Consolidated comprehensive income in 2018 totalled TEUR 11,511 and, due to the planned decrease in income from the initial consolidation of parks and the depreciation of goodwill, therefore below the comparative figure from the previous year (TEUR 28,919). This figure is made up of consolidated earnings and changes in other reserves shown in equity. In addition to the currency translation reserve in the amount of TEUR -140 (previous year: TEUR 150), other reserves also contain hedge reserves in the amount of TEUR 1,206 (previous year: TEUR 2,231), which also contain amounts to be recognised in profit or loss in future over the remaining term of the respective underlying items for interest rate swaps previously held in a hedging relationship, as well as well as costs of hedging in the amount of TEUR -34 (previous year: TEUR 0). Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the 2018 financial year, TEUR -29 was reclassified from the currency translation reserve to consolidated earnings. The previous year still included the effects from the valuation of available-for-sale financial assets, which are now measured at fair value through profit or loss pursuant to IFRS 9, in the amount of TEUR -210. On the other hand, there were corresponding deferred tax effects in the amount of TEUR -270 (previous year: TEUR -920). Undiluted earnings per share (after non-controlling interests) amounted to EUR 0.04 (previous year: EUR 0.20). The average number of shares on issue in the reporting period amounted to 129,040,364 (previous year: 127,583,861). Diluted earnings per share were EUR 0.04 (previous year: EUR 0.20).

Calculating operating KPIs (adjusted for IFRS effects)

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

In TEUR	Notes	2018	2017
Revenue	3.20; 5.1	248,785	222,432
Other income	5.2	17,463	31,245
Cost of materials	5.3	-1,756	-1,514
Personnel expenses, of which TEUR -308 (previous year: TEUR -169) in share-based remuneration	5.4	-13,306	-10,972
Other expenses	5.5	-55,860	-50,773
Adjusted for the following effects:			
Income resulting from the disposal of financial assets and other non-operating income		-41	0
Other non-cash income (mainly gains from business combinations [badwill], reversal of the interest advantage from subsidised loans [government grants] and non-cash income from other periods)		-8,612	-24,502
Other non-operating expenses		96	719
Share-based remuneration (non-cash)		122	133
Adjusted operating EBITDA		**186,890**	**166,768**
Depreciation and amortisation	5.6	-123,770	-102,493
Adjusted for the following effects:			
Depreciation and amortisation of intangible assets (electricity feed-in contracts) and goodwill acquired as part of business combinations		57,516	43,214
Subsequent measurement of uncovered hidden reserves and liabilities on step-ups for property, plant and equipment acquired as part of business combinations		-6,955	-7,102
Adjusted operating EBIT		**113,682**	**100,387**
Financial result	5.7	-51,803	-47,161
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])		-5,127	-6,487
Adjusted operating EBT		**56,753**	**46,739**
Tax expenses	5.8	-8,975	-13,059
Adjusted for the following effects:			
Deferred taxes (non-cash items) and other non-cash tax effects		-742	6,281
Adjusted operating EAT		**47,036**	**39,962**

Financial position and cash flow

Changes in cash and cash equivalents amounted to TEUR 51,549 in the reporting year (previous year: TEUR -5,714) and resulted from the following:

Net cash flow from operating activities increased by approximately TEUR 21,265, from TEUR 153,017[2] the previous year to TEUR 174,282 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 investing activities of TEUR -118,421 (previous year: TEUR -168,318)[2] was mainly for payments for the acquisition of solar parks in the Netherlands and Germany and wind parks in Denmark and Germany, as well as payments related to investments in property, plant and equipment for the construction of solar and wind parks in France, the Netherlands and Austria. Additionally, this includes payments for investments in financial assets for financial assets recognised using the equity method.

Cash flow from financing activities amounted to TEUR -4,255 (previous year: TEUR 9,896)[2] and results primarily from the regular loan repayments and interest paid, less the loans for newly acquired solar and wind parks paid out after the dates of initial consolidation. Also included are the payment of the dividend for the 2017 financial year in the amount of TEUR 20,838 and the dividend payment to hybrid bondholders in the amount of TEUR 5,108.

In the 2018 financial year, TEUR 211,836 (previous year: TEUR 109.074) was raised in the form of loans. Of this, TEUR 112,008 (previous year: TEUR 85,646) results from long-term loans for financing solar and wind parks, TEUR 50,000 from the issue of the Green Schuldschein bond and TEUR 28,000 from a money market loan. In the 2018 financial year, interest and amortisation expenses for the Group’s existing loans resulted in cash outflow of TEUR -183,100 (previous year: TEUR -154,607).

At the Encavis AG annual shareholders’ meeting held on 8 May 2018 it was resolved that a dividend of EUR 0.22 per entitled share would be paid out. This constituted an increase of around 10 per cent on the previous year (EUR 0.20 per share). Pursuant to the resolution passed at the Encavis AG Annual General Meeting, a proportion of the company’s net earnings for the 2017 financial year amounting to EUR 34,388,583.44 was to be used for the dividend payout, which occurred on 11 June 2018. With an acceptance rate of nearly 40 per cent, the optional dividend was once again well received. In total, 1,185,126 new bearer shares were issued.

As of the balance sheet date, the Group had unused credit lines available in the amount of TEUR 40,837.

Net assets

As of 31 December 2018, equity amounted to TEUR 687,057 (31 December 2017: TEUR 698,594). The decrease of TEUR -11,537, or -1.65 %, is mainly due to the issuance of new shares and the payment of dividends. The result for the period had the opposite effect. The equity ratio is 25.94 % (31 December 2017: 27.73 %).

The balance sheet total rose from TEUR 2,519,698 in the previous year to TEUR 2,649,065 in the reporting year.

As of 31 December 2018, the Group reported intangible assets in the amount of TEUR 579,950 (31 December 2017: TEUR 609,482). As part of the (to some extent still preliminary) purchase price allocations for the solar parks and wind parks acquired or first consolidated in the 2018 financial year, the feed-in contracts between the parks 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 16,323 (31 December 2017: TEUR 60,200). The capitalised asset value is amortised over the term of the feed-in tariff guaranteed by the state (generally 20 years).

As of 31 December 2018, the company’s goodwill amounted to TEUR 19,989 (31 December 2017: TEUR 32,405). This is a decrease in the amount of TEUR 12,416 compared with the previous year. Encavis had annual goodwill impairment testing conducted as of 30 September 2018. This testing took place at the level of a group of cash-generating units (CGUs) which, since the 2016 financial year, represent the operating segments by country. The impairment test gave rise to an impairment loss of TEUR 12,400, which relates exclusively to goodwill, which was recognised as part of the initial consolidation of certain British solar parks. The reason for the impairment is the changed and uncertain market environment in the United Kingdom, which is due to, among other factors, the impending Brexit process, and the corresponding planning assumptions. The change compared with the previous year is also due to a small extent to currency effects.

The increase in property, plant and equipment to TEUR 1,548,639 (31 December 2017: TEUR 1,455,168) was based primarily on the photovoltaic and wind installations acquired or constructed in the 2018 financial year.

The deferred tax assets primarily result from differences in property, plant and equipment in the comparison between IFRS and tax balance sheets as well as tax loss carry-forwards likely to be usable. Compared to the previous year, the total amount of deferred tax assets is nearly unchanged.

Current assets increased from TEUR 277,428 in the previous year to TEUR 341,812 as of 31 December 2018. These included liquid assets of TEUR 252,491 as of the balance sheet date (31 December 2017: TEUR 195,577).

The liquid assets include restricted funds in the amount of TEUR 76,927 (31 December 2017: TEUR 71,188). Of these, TEUR 69,228 is attributable to capital services and project reserves, and TEUR 7,699 to other restricted cash.

The Group's bank and leasing liabilities amounted to TEUR 1,602,631 as of 31 December 2018 (31 December 2017: TEUR 1,487,365). These comprised loans and lease agreements for the financing of solar parks and wind parks and the mezzanine 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 38,895, as well as liabilities from debenture bonds in the amount of TEUR 73,000. This does not include amounts recognised under other liabilities totalling TEUR 10,625 (31 December 2017: TEUR 10,678), which comprises interest advantages from low-interest government loans (KfW) and is to be accounted for in accordance with IAS 20 and shown separately. Non-current liabilities from the mezzanine capital amounted to TEUR 150,000 as of 31 December 2018 and as of 31 December 2017. In almost all debt financing, the liability risk relating to the parks is limited (non-recourse financing).

Deferred tax liabilities are virtually unchanged compared to the previous year, because the reversal of differences between IFRS and tax balance sheet values and the additions to deferred tax liabilities from the acquisition of new solar and wind parks almost correspond with regard to amount.

Trade payables amounted to TEUR 16,784 on 31 December 2018 (31 December 2017: TEUR 20,261).

Segment reporting (operating)

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

Administration

The result of the Administration segment was TEUR -9,148 (previous year: TEUR -7,183)[1]. Offsetting other income, which rose from TEUR 177[1] in the previous year to TEUR 1,157 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, among other things, the purchase of new park companies.

PV Parks

Revenue in the solar parks increased by some 10 per cent in the 2018 financial year to TEUR 186,507 (previous year: TEUR 168,932)[1]. Primarily responsible for this increase were the German and British solar park portfolios, which achieved revenue increases of TEUR 9,309 and TEUR 6,240, respectively, compared with the previous year. The French solar parks, too, contributed positively to revenue development, achieving an increase of TEUR 2,989. The increase in revenue from German solar parks is due in particular to the very good summer of 2018, but the solar parks newly acquired in the 2018 financial year also contributed to this positive development. In the United Kingdom, the acquisition of the solar parks in the Triple Point portfolio at the end of 2017 led to an increase in revenue in the amount of TEUR 5,032 in the 2018 financial year. Other income in 2018 came to TEUR 5,229 (previous year: TEUR 3,851)[1]. This was offset by the costs for operation of the solar parks as well as other expenses of TEUR 39,584 (previous year: TEUR 38,585)[1], depreciation of the PV installations and other intangible assets in the amount of TEUR 54,610 (previous year: TEUR 50,900)[1] and the financial result relating primarily to the financing of parks in the amount in the amount of TEUR -46,439 (previous year: TEUR -43,970)[1]. The increase in expenses is mainly due to the solar parks that were acquired in

2018 or only consolidated pro rata temporis the previous year, as well as to the higher costs associated with this. In total, the PV Parks segment achieved an annual net profit of TEUR 43,214 (previous year: TEUR 33,515)[1].

PV Service

In the PV Service segment, revenue and other income, less the cost of materials, of TEUR 4,388 (previous year: TEUR 3,596) were counteracted by personnel expenses and other expenses totalling TEUR 2,751 (previous year: TEUR 2,288). After accounting for depreciation and amortisation, the financial result and taxes, the annual net profit amounted to TEUR 1,587 (previous year: TEUR 1,267)[1].

Wind Parks

In the reporting year, revenue amounting to TEUR 57,839 (previous year: TEUR 49,500)[1] was reported. This increase was mainly due to the Danish wind park portfolio, which achieved revenue growth of TEUR 4,191. The wind parks in Germany and Austria, too, made material contributions to the positive development in revenue, recording increases of TEUR 2,357 and TEUR 1,002 respectively. Other income in 2018 came to TEUR 1,930 (previous year: TEUR 2,216)[1]. In total, expenses for operating and managing the parks and other expenses came to TEUR 18,238 (previous year: TEUR 15,316)[1]. Depreciation and amortisation on the wind installations and other intangible assets amounting to TEUR 17,727 (previous year: TEUR 14,700)[1] were recognised. The financial result, which is primarily attributable to financial expenses for long-term loans, amounted to TEUR -9,015 (previous year: TEUR -8,762)[1]. In total, the Wind Parks segment achieved an annual net profit of TEUR 14,299 (previous year: TEUR 12,302)[1].

Asset Management

Earnings after tax in the 2018 financial year were TEUR -2,763 (previous year: TEUR 61)[1]. Revenue and other income in the amount of TEUR 4,509 (previous year: TEUR 4,178)[1] was offset by cost of materials, personnel expenses, other expenses, depreciation and amortisation, a financial result and taxes in the amount of TEUR -7,272 (previous year: TEUR -4,117)[1]. The revenue of this segment remained below expectations, because the planned acquisitions of solar and wind parks for institutional investors could no longer be realised in the financial year, as the pleasing yet very late commitment of investment funds from investors did not come until late in the year.

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

The annual financial statements of Encavis AG for the 2018 financial year were prepared pursuant to the provisions of the German Commercial Code (HGB) and taking into account the supplementary provisions of the German Stock Corporation Act (AktG).

Financial performance

Encavis AG achieved revenue of TEUR 2,436 in the reporting year (previous year: TEUR 1,216). This resulted primarily from charging expenses for the accounting and 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 64,116 (previous year: TEUR 739). The increase of TEUR 63,377 results from intra-Group accretions and mergers.

Personnel expenses amounted to TEUR 8,626 (previous year: TEUR 6,497). The increase compared to the previous year's figure is mainly due to the growth-induced expansion of the Encavis AG team.

Other operating expenses amounting to TEUR 8,757 were incurred in the reporting year (previous year: TEUR 10,499). These primarily include the costs for legal advice and for other consultancy services in the amount of TEUR 3,276 (previous year: TEUR 2,031), maintenance costs for hardware and software in the amount of TEUR 769 (previous year: TEUR 162), office space in the amount of TEUR 609 (previous year: TEUR 550), financial statement preparation and audit costs in the amount of TEUR 561 (previous year: TEUR 404) and Supervisory Board remuneration in the amount of TEUR 393 (previous year: TEUR 332).

Financial income decreased to TEUR 24,745 in the 2018 financial year (previous year: TEUR 50,504). This also included in particular interest income resulting from loans issued to affiliated undertakings amounting to TEUR 16,047 (previous year: TEUR 12,190). Additionally, this includes distributions of dividends from subsidiaries, in particular from Capital Stage Solar IPP GmbH, amounting to TEUR 3,500 (previous year: TEUR 34,176) and from nine further Italian companies amounting to TEUR 3,048 (previous year: TEUR 2,895). Encavis AG collected earnings of TEUR 1,561 from the control and profit transfer agreement concluded in the 2012 financial year between Encavis AG and Encavis Technical Services GmbH (previous year: TEUR 1,243).

Financial expenses of TEUR 8,356 were incurred (previous year: TEUR 3,839). These mainly include interest paid to affiliated undertakings of TEUR 5,761 (previous year: TEUR 1,650), interest paid to financial institutions of TEUR 1,852 (previous year: TEUR 1,127) and impairments of receivables in foreign currencies in the amount of TEUR 652 (previous year: TEUR 893).

Income taxes amounting to TEUR 367 include income from the reversal of deferred tax liabilities of TEUR 364 (previous year: expense from the reversal of deferred tax assets of TEUR 2,543) as well as income from tax refunds received for previous years amounting to TEUR 3.

Other taxes include expenses from the addition to VAT payables amounting to TEUR 250 resulting from the tax audit of Encavis AG for the years 2012 to 2015.

The annual net profit of Encavis AG amounted to TEUR 65,226 (previous year: TEUR 28,513). This corresponds to earnings per share of EUR 0.50 (previous year: EUR 0.22).

Financial position

Equity increased from TEUR 552,499 in the previous year to TEUR 597,073 as at 31 December 2018. The increase stems principally from the capital increases in the financial year due to the share dividend carried out in mid 2018 and annual net profit. The equity ratio as of the reporting date was 70.2 per cent (previous year: 76.5 per cent).

The balance sheet total increased from TEUR 722,039 in the previous year to TEUR 850,971 in the 2018 financial year. On the assets side, the increase was primarily due to the expansion of financial assets and from the increase in cash on hand due to inter-company receivables and profit distributions. On the liabilities side, liabilities to financial institutions increased, in particular for the issue of the Green Bond (TEUR 50,000) and for taking out a money market loan (TEUR 28,000). In addition, liabilities to affiliates increased by TEUR 17,694.

In the 2018 financial year, Encavis AG also adjusted the composition of individual items in the cash flow statement. This results in some deviations from the figures reported in the previous year’s financial statements.

In 2018, cash flow from operating activities came to TEUR -14,935 (previous year: TEUR -8,226) The expansion of our existing portfolio once again led to an increase in the 2018 financial year in the area of personnel and the other associated operating expenses. Furthermore, the number of members of the Management Board of Encavis AG has increased to three since 1 September 2017 with the addition of Dr Dierk Paskert as CEO of Encavis AG. With the departure of Holger Götze on 26 April 2018, one-time personnel expenses were incurred in this context in the reporting period. Because no capital gains tax refund was carried out in 2018 for the dividend distribution from 2017, a correspondingly positive effect has not been recognised for the 2018 financial year. The capital gains tax refund for the dividend distribution for the years 2017 and 2018 is expected in 2019.

Investment activity yielded a cash flow of TEUR 23,034 (previous year: TEUR -15,620). This positive development is due in particular to the dividend distributions received from the subsidiaries of Encavis AG. A further effect is due to the expansion of our business model to investments at earlier stages in project development, because this leads to a decreased payout for acquired project companies due to a lower investment volume. In addition, more investments to expand the portfolio were made by subsidiaries of Encavis AG and not by the company itself during the financial year under review.

Cash flow from financing activities was TEUR 41,966 (previous year: TEUR 13,172). The positive development is attributable in particular to the expansion of our business model to investments in earlier development stages and the taking out of the debenture bond (Green Bond) in the total amount of TEUR 50,000 and the money market loan in the total amount of TEUR 28,000, which were still used to a relatively small extent for financing in 2018. The previous year also included the payment for the acquisition of the remaining shares in the former CHORUS Clean Energy AG and its subsidiaries.

In the 2018 financial year, a dividend of EUR 0.22 per share was distributed to the shareholders of Encavis AG (previous year: EUR 0.20 per share). The shareholders could choose whether to have the dividend paid out in cash or in the form of Encavis AG shares. With an acceptance rate of nearly 40 per cent, the optional dividend was once again well received. A cash dividend in the amount of TEUR 20,838 was paid out to shareholders in June 2018 (previous year: TEUR 15,174).

Supplementary report

Between the balance sheet date of 31 December 2018 and the preparation of the annual and consolidated financial statements for 2018, the general situation regarding the Encavis Group's business activities did not change significantly exept for the circumstances described in the following.

Encavis AG acquires additional solar park in the Netherlands and expands the generation capacity on the Dutch market to more than 100 MW

On 14 January 2019, Encavis AG announced that it had acquired an additional solar park in the Netherlands with a generation capacity of more than 14 MW. The Zierikzee solar park in the Zeeland province, which was acquired in January 2019, was connected to the grid at the end of 2018 and has a generation capacity of 14.1 MW. Over the first 15 years, the solar park will receive a feed-in tariff of nearly EUR 0.11 per kWh; the park will then receive the market price. From the first full year of operation onward, Encavis expects the Zierikzee solar park to make annual revenue contributions of some EUR 1.4 million. The investment volume, including project-related debt financing costs, amounts to EUR 10.6 million. The seller retains a total participating interest of 10 per cent in the solar park. With this newly acquired solar park, the active generation capacity of Encavis AG in the Netherlands increases to some 106 MW. Encavis is therefore contributing to a sustainable supply of green electricity in the Netherlands.

Encavis Asset Management AG invests some EUR 40 million in renewable energy installations in Bavaria for institutional investors

On 21 February 2019, Encavis announced that it had invested a total of some EUR 40 million in two wind parks and a solar park for two portfolios of institutional investors. The installations are located in profitable locations in the Bavarian administrative districts of Aichach-Friedberg, Bayreuth and Hof. The Nordex N117/3000 wind turbines of the Baar wind park have been connected to the grid since November 2017 and benefit from a guaranteed feed-in tariff in the amount of EUR 0.0769 per kWh. The wind turbines were erected in the Aichach-Friedberg district. The Vestas V126-3.45 MW wind turbines of the Körbeldorf wind park near Bayreuth, which receive a feed-in tariff of EUR 0.0838 per kWh, were put into operation in February 2017. The Friedmannsdorf solar park, with a capacity of around 10 MW, is currently being constructed in the Hof district. Modules from Canadian Solar and Huawei inverters are to be installed. The park is planned to enter operation in the second quarter of 2019. This transaction has made a significant contribution to strengthening the Group's Asset Management segment.

Encavis AG receives investment-grade rating from Scope Ratings

On 19 March 2019, Encavis was rated for the first time by the rating agency Scope Ratings (short: Scope) and received an issuer rating in the investment grade range (BBB-); the outlook for the rating is stable.

Scope's rating assessment takes into account, among other things, the risk-averse business model from the operation of solar and wind installations with long-term and government-guaranteed feed-in tariffs. In addition, the consistently expanded regional diversification of the portfolio and the high share of non-recourse financing in Encavis's growth financing contribute to this good valuation. The rating agency Scope thus attests Encavis a very good and sustainable credit rating, as expected.

With the issuer rating, Scope provides market participants on the international financial markets with a clear orientation and independent assessment of the company's current and medium-term creditworthiness, thus ensuring greater security and transparency. The investment-grade rating by a recognised rating agency should not only broaden Encavis's range of options for future growth financing, but also reduce the cost of raising these funds.

Personnel

In the 2018 financial year, there were an average of 119 employees at the Group (2017: 101.25 employees). Of these, 66.50 were employed at Encavis AG, ten at Encavis Technical Services GmbH, 39.75 at Encavis Asset Management AG and 2.75 at TC Wind Management GmbH.

At the end of 2018, there were 118 employees in the Group. This increase in employees was due to the growth-induced expansion of the Encavis team. On 31 December 2018, Encavis AG had a total of 68 employees and two Board members, while Encavis Asset Management AG had 39 employees and one Board member. At Encavis AG, eight of these employees worked in the area of investments, 18 in finance and controlling, 25 in operations, three in corporate finance and 14 in administration. An additional 40 people are employed in Asset Management, an area dedicated to the acquisition and operation of solar parks and wind parks for institutional investors. The Encavis Technical Services GmbH team is made up of ten employees working in technology and administration for the company. As of the end of the year, one person is employed at TC Wind Management GmbH, which is allocated to Asset Management.

Supervisory Board

There were no changes to the composition of the Supervisory Board in 2018.

Remuneration report

Structure of Management Board remuneration

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

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

Basic remuneration and fringe benefits

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

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

In the 2018 financial year, a further share option programme (SOP 2018) was launched on the basis of SOP 2017, which has essentially identical conditions to SOP 2017. SOP 2018 entered into force on 1 July 2018. The allotment date, however, was 12 December 2018. The vesting period for SOP 2018 begins on 1 July 2018. The remaining conditions were agreed analogously to SOP 2017.

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

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

In the event of the termination of employment, any different compensation payments may be contractually agreed. Reference is made in the following passages to the agreements concluded in the financial year with the former member of the Management Board, Holger Götze.

Remuneration for 2018

The following table lists the individual remuneration for the Board members in the 2018 financial year pursuant to Section 314 (1), No. 6a, of the German Commercial Code (HGB).

In EUR	Fixed salary	Fringe benefits	One-year variable remuneration	Multi-year variable remuneration	**Total for 2018**	Total for 2017
Dr Dierk Paskert	400,000.00	59,370.93	375,000.00	136,875.00	**971,245.93**	517,257.61
Dr Christoph Husmann	400,000.00	26,901.00	375,000.00	136,875.00	**938,776.00**	926,435.78
Holger Götze*	125,000.00	28,541.93	62,500.00	0.00	**216,041.93**	667,615.35
Total	**925,000.00**	**114,813.86**	**812,500.00**	**273,750.00**	**2,126,063.86**	2,111,308.74
Previous year	758,333.33	78,558.74	609,416.67	665,000.00	**2,111,308.74**	

* Pro rata representation of all remuneration components up to 31 May 2018.

The amount for the multi-year variable remuneration listed in the table above represents the fair value at the time of granting (in accordance with IFRS 2). As in the previous year, Board members did not receive any loans or advances in the 2018 financial year.

In the 2018 financial year, Dr Dierk Paskert and Dr Christoph Husmann were granted 187,500 SARs each from SOP 2018 with a fair value of TEUR 137 at the time the option was granted. The expense for share option programmes recorded in the 2018 financial year amounts to TEUR 29 for Dr Dierk Paskert, TEUR 94 for Dr Christoph Husmann and TEUR 68 for Holger Götze (the expenses arose in connection with the termination of his employment).

In connection with the termination of his employment as of 26 April 2018, a severance payment of TEUR 550 was also agreed with Mr Holger Götze on the basis of the service contract provisions (termination of contract as of 31 May 2018) in connection with the termination agreement, as well as compensation for the performance-related one-year remuneration of TEUR 63, which was paid out in the financial year. The claims from the share option programme were also settled (TEUR 70). In addition, a provision of TEUR 19 was recognised for the continued payment of fringe benefits in 2019.

Management Board remuneration in accordance with the German Corporate Governance Code

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

Benefits granted (all amounts in EUR)	Dr Dierk Paskert Chairman of the Management Board Joining date: 01.09.2017			
	2017	2018	2018 (min.)	2018 (max.)
Fixed salary	133,333.33	400,000.00	400,000.00	400,000.00
Fringe benefits	17,507.61	59,370.93	59,370.93	59,370.93
Total	**150,840.94**	**459,370.93**	**459,370.93**	**459,370.93**
One-year variable remuneration	83,333.33	375,000.00	0.00	500,000.00
Multi-year variable remuneration				
SOP 2017	247,000.00	-	-	-
SOP 2018	-	136,875.00	0.00	1,162,500.00
Total	**330,333.33**	**511,875.00**	**0.00**	**1,662,500.00**
Contributions	-	-	-	-
Total remuneration	**481,174.27**	**971,245.93**	**459,370.93**	**2,121,870.93**

Benefits granted (all amounts in EUR)	Dr Christoph Husmann Management Board member Joining date: 01.10.2014			
	2017	2018	2018 (min.)	2018 (max.)
Fixed salary	325,000.00	400,000.00	400,000.00	400,000.00
Fringe benefits	14,435.78	26,901.00	26,901.00	26,901.00
Total	**339,435.78**	**426,901.00**	**426,901.00**	**426,901.00**
One-year variable remuneration	212,500.00	375,000.00	0.00	500,000.00
Multi-year variable remuneration				
SOP 2017	247,000.00	-	-	-
SOP 2018	-	136,875.00	0.00	1,162,500.00
Total	**459,500.00**	**511,875.00**	**0.00**	**1,662,500.00**
Contributions	-	-	-	-
Total remuneration	**798,935.78**	**938,776.00**	**426,901.00**	**2,089,401.00**

Benefits granted (all amounts in EUR)	Holger Götze Management Board member Joining date: 18.10.2016 / Leaving Date: 31.05.2018			
	2017	2018	2018 (min.)	2018 (max.)
Fixed salary	300,000.00	125,000.00	125,000.00	125,000.00
Fringe benefits	46,615.35	28,541.93	28,541.93	28,541.93
Total	**346,615.35**	**153,541.93**	**153,541.93**	**153,541.93**
One-year variable remuneration	150,000.00	62,500.00	0.00	125,000.00
Multi-year variable remuneration				
SOP 2017	171,000.00	-	-	-
Total	**321,000.00**	**62,500.00**	**0.00**	**125,000.00**
Contributions	-	-	-	-
Total remuneration	**667,615.35**	**216,041.93**	**153,541.93**	**278,541.93**

Benefits received (all amounts in EUR)	Dr Dierk Paskert Chairman of the Management Board Joining date: 01.09.2017		Dr. Christoph Husmann Joining date: 01.10.2014		Holger Götze* Joining date: 18.10.2016 | Leaving date: 31.05.2018	
	2018	2017	2018	2017	2018	2017
Fixed salary	400,000.00	133,333.33	400,000.00	325,000.00	125,000.00	300,000.00
Fringe benefits	59,370.93	17,507.61	26,901.00	14,435.78	28,541.93	46,615.35
Total	**459,370.93**	**150,840.94**	**426,901.00**	**339,435.78**	**153,541.93**	**346,615.35**
One-year variable remuneration	119,416.67	0.00	340,000.00	325,000.00	212,500.00	59,375.00
Multi-year variable remuneration	-	-	-	-	70,000.00	-
SOP 2017	-	-	-	-	70,000.00	-
SOP 2018	-	-	-	-	-	-
Total	**119,416.67**	**0.00**	**340,000.00**	**325,000.00**	**282,500.00**	**59,375.00**
Contributions	-	-	-	-	-	-
Total remuneration	**578,787.60**	**150,840.94**	**766,901.00**	**664,435.78**	**436,041.93**	**405,990.35**

* Payment of the multi-year variable remuneration was carried out as part of the severance payment.

Supervisory Board remuneration

At the Annual General Meeting on 8 May 2018, the Management Board and the Supervisory Board proposed and put to vote a resolution on the revision of Supervisory Board remuneration and a corresponding amendment to the Articles of Association. The resolution proposes that remuneration no longer be determined by resolution of the Annual General Meeting, but be set out in the Articles of Association as fixed remuneration, whereby membership in committees should be taken into account to increase remuneration. In addition, the members of the Supervisory Board are to in future receive an attendance fee for meetings of the Supervisory Board and/or its committees. The members of the Supervisory Board and its committees receive an attendance fee of EUR 1,000 for each Supervisory Board and committee meeting they attend. For multiple meetings of the Supervisory Board and/or its committees on one calendar day, the attendance fee will be paid only once. The revision is to apply to both the current 2018 financial year and the previous 2017 financial year. The chairman of the Supervisory Board receives a fixed salary of EUR 50,000, and the deputy chairman receives EUR 37,500. All other Supervisory Board members are entitled to a fixed salary in the amount of EUR 25,000. Additionally, the committee chairs receive remuneration of EUR 15,000 each and other members of these committees receive EUR 10,000.

Total provisions for Supervisory Board remuneration amounts to TEUR 390 for the financial year. The amounts provided for are based on the remuneration rules described above. Total remuneration for the personnel committee and for the audit committee is included in the total provisions for Supervisory Board remuneration.

In EUR	Supervisory Board remuneration 2018	2017	Remuneration for commitee participation 2018	2017	Total 2018	2017
Dr Manfred Krüper	54,000	50,000	29,000	25,000	83,000	75,000
Alexander Stuhlmann	41,500	37,500	29,000	25,000	70,500	62,500
Dr Cornelius Liedtke	29,000	25,000	-	-	29,000	25,000
Albert Büll	29,000	25,000	12,000	10,000	41,000	35,000
Dr Jörn Kreke	-	9,476	-	-	-	9,476
Professor Fritz Vahrenholt	29,000	25,000	24,000	20,000	53,000	45,000
Christine Scheel	29,000	25,000	-	-	29,000	25,000
Peter Heidecker	28,000	25,000	-	-	28,000	25,000
Dr Henning Kreke	28,000	15,524	-	-	28,000	15,524
Professor Klaus-Dieter Maubach	28,000	14,583	-	-	28,000	14,583
Total	**295,500**	**252,083**	**94,000**	**80,000**	**389,500**	**332,083**

Other disclosures

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

- As of the reporting date of 31 December 2018, the subscribed capital of the company amounted to EUR 129,487,340.00 (one hundred twenty-nine million four hundred eighty-seven thousand three hundred forty), divided into 129,487,340 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 per cent of voting rights as of the balance sheet date:

  AMCO Service GmbH (Büll family), Hamburg, Germany
- In the event that a person who was not an Encavis AG shareholder subject to notification in accordance with section 21 of the German Securities Trading Act (WpHG) on 14 November 2014 acquires more than 50 per cent of the voting rights in Encavis AG, Gothaer Lebensversicherung Aktiengesellschaft has the extraordinary right to terminate the mezzanine capital contract concluded on 14 November 2014. This right of termination entitles Gothaer to claim repayment from Encavis AG. The mezzanine capital drawn as of 31 December 2018 amounted to TEUR 150,000.
- There are no special-rights shares.
- There are no limits of any kind of voting rights.
- Management Board members are appointed and dismissed in accordance with the provisions of section 84 et seq. of the German Stock Corporation Act (*Aktiengesetz* – AktG).
- Any amendments to the Articles of Association require a resolution by the Annual General Meeting. The power to make editorial changes has been granted to the extent specified in the Articles of Association.
- Authority granted to the Management Board by the Annual General Meeting in relation to increasing the share capital and issuing shares is set out in sections 4 and 6 of the Articles of Association. Please refer to the detailed information on shareholders' equity provided in the notes for further information.

Key features of the internal control system for the accounting process

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

Financial Reporting Standards (IFRS). German Accounting Standard 20 (GAS 20) is applied to the consolidated management report.

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

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

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

All staff involved in accounting processes receive regular training.

The Supervisory Board of Encavis AG is responsible for regularly reviewing the effectiveness of the internal control and monitoring systems and receives regular reports from the Management Board. In this context, an auditing firm was tasked with auditing the internal controlling and monitoring systems in the 2018 financial year regarding the processes for procuring IT and office equipment and for wage taxes and social security contributions. A report detailing the outcome of the audit was submitted to the Management Board and Supervisory Board.

Risk and opportunity management system

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

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

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

Organisation of the risk and opportunity management system

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

The risk manager is responsible for the implementation, further development and coordination of risk and opportunity management, and is supported in this by the risk owners. The risk owners are the heads of the following areas of Encavis AG with Group-wide responsibility: finance and controlling, taxes, investment, corporate finance and treasury, IR/PR, legal and 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 Management Board. The risk manager reports directly to the chief financial officer. The Management Board provides the Supervisory Board with regular reports of the Group's risk exposures.

Risk and opportunity management is a continuous process and integrated into all operational procedures. Risks and opportunities are reported quarterly – but at least half-yearly – and 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 Management Board at least quarterly as part of the regular reporting process. Any material changes in risk exposure are reported to the Management Board immediately.

Risk assessment

Identified risks are evaluated based on their probability of occurrence and effect and assigned to risk classes (high, medium, low) using the combination (multiplication) of the two factors. 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, but 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". Medium risks are those with a score of 20 to 50 points, and risks assessed scores from 51 to 100 are classified as high risks. 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 existing 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 primary 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 which can be used to replace components have been built up from current cash flows in the solar parks and wind parks. Online monitoring in real time minimises downtimes. Monitoring is carried out either by the Encavis Group or respected partners. The Group mitigates financial risk by ensuring that financing banks do not have access to any companies other than the borrower. Therefore, as a rule, only non-recourse financing is taken out, whereby the collateral is limited to the installation in question. Meteorological risks are taken into account in the form of haircuts in the calculation for wind parks, as levels of wind may be subject to considerable annual fluctuations. 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's approach is holistic risk management, i.e. it becomes an integral part of everyday life at all levels and in all areas of the company. All employees are encouraged to actively engage with the topic of risk management. Each member of staff can and should report any newly identified risks, changes or revised estimates directly to the relevant risk owner. In addition, in-house risk management meetings are held every quarter, but at least half-yearly. In preparation for these meetings, all risk owners review the risk assessment of their area/risks and formulate and present any appropriate measures they would like to suggest.

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

Information regarding material changes to risk

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

No new risk categories were identified in the 2018 financial year compared with the previous year.

Opportunity management

Systematic management of risks is one side. As part of opportunity and risk management, on the other side, the opportunities for securing long-term corporate success are recorded and exploited by means of a holistic opportunity management system. 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 opportunity management, a distinction is made between two types of opportunity:

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

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 material risks

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

Financial risks

Project financing risk: Growth risk “medium probability of occurrence”

The construction and commissioning of solar parks and wind parks are associated with high investment costs. These are financed through borrowing on project-related loans which, depending on the geographic region, can make up as much as 80 per cent of the total investment. Restrictions on appropriate loans and stricter covenant requirements by the lending banks could make financing any future projects much more difficult if not impossible. As a result, there would be fewer 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 244 solar parks and wind parks are impeccable proof that the investment concept for projects is economically sound and sustainable.

The continued low-interest environment in Europe, the lack of alternative investments with comparable risk–opportunity profiles and corresponding competition for these projects among the financial institutions currently offer the Company an excellent position from which to secure project financing at favourable conditions. Moreover, the Encavis Group has been able to renegotiate existing project finance deals and secure better terms from the banks.

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

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

These investment resources have been raised via smaller capital increases of Encavis AG in the past. In 2014, they were supplemented with EUR 150 million from a strategic partnership with Gothaer Versicherungen from successfully placing multiple debenture bonds, including the first-time placement of a Green Schuldschein bond in September 2018 with a volume of EUR 50 million.

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

As the leading independent producer of power from renewable sources in Europe, Encavis is Germany's biggest listed solar and wind energy company, measured in terms of market capitalisation. Encavis also has the third-largest solar park portfolio in Europe. 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, for example for authorised capital among other options.

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, 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.

Currency risk: Risk class "medium"
Encavis operates ground-mounted photovoltaic installations with a generation capacity of approximately 127 MW in the United Kingdom and wind parks with a generation capacity of 41 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 made by the British people in June 2016 to leave the European Union. 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. Further hedging transactions have also been carried out for the period thereafter. Revenue from the Danish wind parks has not been hedged, however, since the Danish krone is subject to the European exchange rate mechanism (ERM II) and has therefore been tied to the euro since 1 January 1999.

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

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

Risks from existing covenant agreements: Risk class “low”

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

In addition, the solar and wind park project companies normally raise project funding for the development and construction of their installation. These contracts also contain covenants that must be complied with by the relevant project company. Encavis mitigates financial risk for the Group by ensuring that financing banks at project company level do not have access to any companies other than the borrower. For this reason, financing arrangements are generally on a non-recourse basis, in which the collateral for the bank is limited to the park in question. A violation of the covenants contained in these contracts could result in the early termination of the respective loan agreement by the financing bank, which would in turn cause the remainder of the borrowed amount to become due immediately. In order to minimise this risk, 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 risk: Risk class “low”

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

Working capital and guarantee lines of credit in place with standard market interest rates and maturities are also in place. The currently low levels of interest rates contribute to an overall very moderate interest rate risk. According to the announcement by the European Central Bank, monetary policy in the eurozone will remain expansive for the time being. 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 euros 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 per cent p.a. until the first redemption date. After the first redemption date, the interest rate for the hybrid convertible bond will be fixed at 1,100 basis points above the five-year euro swap rate. This rate will be reset every five years. The interest is payable every six months in arrears.

There is 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 five-year euro swap rate must be applied in the event of non-repayment.

Risks arising from negative interest: Risk class “fact”

The solar and wind park project companies have primarily entered into long-term non-recourse project financing deals with banks. Building up a debt servicing reserve is normally agreed as part of the respective project financing to ensure that debts can still be serviced even if there is insufficient income. Debt servicing reserves usually amount to the sums required to service debts for the next six months. The negative interest rates on deposits set by the European Central Bank mean that the banks financing the projects try to pass on these negative deposit interest rates to the project company's debt servicing reserves. This entails the risk that any negative interest payable would result in a burden on the financial performance, financial position and net assets of the project companies and ultimately the Encavis Group. 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.

Tax risk: 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 United Kingdom, 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, taxation of dividends and minimum tax rates for offsetting losses are of significant relevance according to the tax laws of each country.

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.

Intra-Group services are provided to subsidiaries by Encavis AG in the form of support services or through the provision of loans. Encavis AG holds the corresponding transfer pricing documentation, which has been prepared with the assistance of experts in the field. However, there is a risk of non-recognition of arm's-length transactions or objections to the underlying 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 related to investments and investment opportunities: Growth risk "low probability of occurrence"

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

The market for renewable energy sources 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 provided Encavis with more predictable growth opportunities.

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

The success of generating solar and wind power is generally closely linked to national support programmes for promoting renewable energy. The greatest threat for the Encavis business model is that of retroactive interventions, which would have a negative impact on the profitability of existing investments. There were no retrospective restatements and interventions in the promotion of solar and wind power during the reporting period in any of the Group's core regions. Nor 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.

The dependence of renewable energy sources on public support has generally continued to decline in recent years. Technological advances, experience gained and economies of scale have all contributed towards a marked reduction in 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 – with which Encavis also engages – 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 financial performance, financial position and net assets of the Encavis Group from any amendments to national legislation, especially retrospective restatements.

Additionally, more and more companies are securing access and prices for green power over the long term. While the proportion of power purchased via PPAs in 2017 was still within the range of approximately 6.1 GW, this had already more than doubled in 2018 to 13.4 GW. Encavis, too, constantly examines alternative ways of marketing its projects in order to further reduce dependence on national renewable energy subsidy programmes. One example is entering into long-term power purchase agreements with creditworthy customers to sell the electricity generated. With our new Talayuela solar park via the strategic partnership with Solarcentury, we have successfully positioned Encavis as a reliable expert partner in this pioneering market.

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. With the introduction of the anonymous whistle-blower system in accordance with the requirements of the German Corporate Governance Code, which applies not only to internal purposes but also to external business partners, any irregularities, in particular violations of applicable law and internal directives and processes, can be reported and tracked anonymously.

The increased risk related to the introduction and fulfilment of the obligations arising from the new General Data Protection Regulation (GDPR) in 2018 is also very present in the Encavis Group and is continuously monitored with the help of an externally appointed data protection officer.

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 installations on offer, as companies and private investors may need to sell assets due to economic reasons or liquidity shortages. What is more, weak economic development is often accompanied by lower interest rates, which would result in lowered financing costs on a Group and project level.

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

Operational risks

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

This may make it more difficult for the Encavis Group to persuade institutional investors to increase their holdings in (special) funds or invest directly in renewable energy projects. The result of such a development would be a reduction in future revenues from 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 installations have increased the profitability of such investments. Conventional power stations are no longer more profitable and are exposed to political uncertainties. Furthermore, the UN Climate Change Conference in Paris in December 2015 provided the latest evidence that the worldwide growth of renewable energies will continue over the coming years. With growth rates in the double-digit percentage range, the RES market therefore remains an important growth market that is also largely unaffected by economic fluctuations. And because of the continuing low-interest environment, there are hardly any comparable investment classes available that offer a similar risk–opportunity profile. 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 continually optimises its sales activities and constantly works towards a wider spectrum of potential investors, for example to include differently regulated client segments such as insurance companies, pension funds, utility companies, foundations and religious organisations. Further geographical expansion of the activities in this business segment has 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, 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 are undertaken either by the Group itself or by experienced external partners. Online monitoring in real time ensures that technical issues are detected and investigated immediately. Moreover, all installations are insured against the risk of business interruption due to external events.

Meteorological risks (solar): Risk class “medium”
The output of solar parks (ground-mounted systems) depends on meteorological conditions 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”
Generally speaking, generation capacity in the Wind Parks segment is subject to greater fluctuations than the solar power sector. Fluctuations in the wind energy sector may be up to 20 per cent per year. Encavis mitigates the risk by factoring in the greater volatility in the wind segment in the economic efficiency calculation for the acquisition of new (onshore) wind parks in the form of haircuts and/or by simulating worst-case scenarios. Here, too, the Group relies on its own experience and external assessments of expected levels of wind.

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

Risks arising from the project planning/construction of solar parks and wind parks: Risk class “low”
Authorisations, regulatory approval and permissions for both building as well as operating installations for power generation from renewable sources carry considerable risks associated with the planning process of new solar parks and wind parks. The 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 – for example during the development phase – 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 financial performance, financial position and net assets of the project companies and the Encavis Group as a whole.

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

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

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

Risks arising from investment calculations: Risk class "low"

A detailed economic efficiency calculation of the solar park or wind park in question is carried out before every new investment. Evaluations of the solar parks and wind parks are based on long-term investment plans 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. Additionally, the company's own valuations and assumptions are compared with the wind or solar forecasts from 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 and management 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.

Encavis continuously optimises its IT to minimize risks. The Group also 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 as of the balance sheet date does not show any risks which would jeopardise the Group's going-concern status. Nor are any risks currently recognisable that might threaten this status in the future. The total risk exposures of the Encavis Group 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.

Opportunity report

Conservative investment strategy

The merger of Capital Stage AG and CHORUS Clean Energy AG in 2016 created one of the leading independent power producers in the field of renewable energies, now under the name of the Encavis Group. Under the new name of

“Encavis”, successful histories and outstanding expertise come together: two independent solar and wind park operators and integrated service providers for renewable energy have been shaping the future together ever since.

As ever, Encavis was successful in its efforts to further expand its position as one of the leading exchange-listed independent power producers (IPPs). The solar park portfolio alone comprises 175 parks with a total generation capacity of nearly 1.2 GW and is one of the largest portfolios in Europe. On top of that come 69 wind parks, which have a generation capacity of more than 700 MW.

The adoption of the Paris Agreement at the UN Climate Change Conference in 2015, which primarily aims to limit the annual increase in global warming, 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 that arise internally and, for instance, that will increase the Group’s efficiency and profitability. The foundation for identifying, analysing and successfully exploiting these opportunities is the 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 ground-mounted PV installations and onshore wind parks in the future and also be active in the Asset Management segment as a service provider for investments in the renewable energy sector. The Group’s business model will remain conservative. By concentrating on existing installations and turnkey or ready-to-build projects, Encavis benefits not only from an extensive portfolio of solar and wind parks but also from continuing market growth, 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.

The acquisition of the Talayuela solar park in Spain was of great importance to the expansion of the portfolio and represents a milestone in the company’s history. The acquisition of this solar park, which – with its nominal capacity of some 300 MW – is among the largest ground-mounted solar parks in Europe, is also the largest transaction since the company was founded. This acquisition not only represents an extension of regional diversification to now ten different European countries, but it also successfully introduces Encavis to the growth market for private power purchase agreements (PPA), which enable the generation of very attractive yields.

Opportunities arising from economic growth

The economic environment has little or no direct impact on Encavis Group activities, i.e. its financial position, financial performance, net assets as well as 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

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

Encavis actively takes advantage of the low interest rates and assesses opportunities to refinance existing loans at more favourable conditions for the long term on an ongoing basis.

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

Opportunities arising from the regulatory environment and international developments

By adopting the Paris Agreement at the UN Climate Change Conference in December 2015, the international community has shown an unequivocal will to counteract the threat of climate change by increasing the proportion of renewable and CO_2-neutral clean sources of energy. The agreement sends a strong signal to further expand renewable energy sources and to achieve the climate protection targets by means of appropriate national and international support programmes and investments. According to Bloomberg New Energy Finance, global investments in this field nearly reached 330 billion US dollars in 2018, 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 parks. The global need to increase sources of renewable energy may therefore make new regions and countries attractive and worthwhile for Encavis and enable further geographical diversification.

There is a growing trend towards power purchase agreements, irrespective of the use of public support schemes. The option to enter into power purchase agreements for up to 20 years directly with the industrial sector without the involvement of the public purse makes energy costs more predictable for companies and thus independent of the public supply. The International Energy Agency expects that half of the newly created global supply of energy from renewable sources will be provided via power purchase agreements either in auctions or directly with companies by 2022. It is already clear that more and more companies are moving towards securing the purchase and price of “green” electricity in the long term through these power purchase agreements. While the proportion of power purchased via PPAs in 2017 was still within the range of approximately 5.4 GW, this had already increased to 7.2 GW in the first half of 2018, which represents growth of more than 30 per cent.

Opportunities arising from geographical diversification

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

Opportunities from large portfolio volumes in the core regions

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

Opportunities arising from innovation

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

Opportunities arising from business relationships and collaborations

Encavis has firmly established itself in the industry as a reliable and expert market player and operator of wind and solar parks. Its 244 solar parks and wind parks with a generation capacity of approximately 1.9 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. Additionally, the acquisition of the “mega park” in Talayuela once again proves that the company follows through with its announced intentions: like the 44-MW solar park in Eindhoven, Netherlands, which was acquired in March 2018, the Talayuela park in Spain also arose from the pipeline of the strategic partnership with Solarcentury. This strategic partnership was agreed in December 2017 with the internationally active project development company based in the United Kingdom. This partnership provides Encavis with exclusive access to an asset pipeline with a total generation capacity of 1.1 GW over a period of three years. Today – after less than a year – Encavis has already successfully realised a third of this partnership. The partnership with Irish sovereign development fund Ireland Strategic Investment Fund (ISIF) and Irish project development company Power Capital (PC) regarding a solar-energy asset pipeline of some 200 MW in Ireland is also undergoing very positive development.

Not least the successful integration and merger with the former 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 continuously growing renown and good reputation of the Company grows the circle of potential business partners and investors on an ongoing basis – as well as for the Asset Management segment for institutional clients.

Opportunities related to market consolidation

The takeover of CHORUS Clean Energy AG by Encavis was completed in October 2017. That makes the company one of the biggest independent power producers from renewable energy sources 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

As a result of the successful takeover and integration of the former CHORUS Clean Energy AG, Encavis will also be better perceived on the capital market when it comes to financing and investment issues. 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 financing 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 euros with time-limited conversion rights into ordinary bearer shares. According to the International Financial Reporting Standards (IFRS), the bonds can be recognised as equity. The resulting improvement in the equity ratio gave Encavis more scope to borrow outside capital. Encavis took advantage of this opportunity in September 2018 and placed a Green Schuldschein bond with a volume of EUR 50 million in the market for the first time. This enhances the company's chances to secure cost-effective and equity-enhancing forms of financing for future growth and to successfully and completely implement any equivalent capitalisation measures. Encavis is currently engaged in examining various other 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
Overall, geopolitical tensions and the dangers of further protectionist tendencies increased further towards the end of 2018. At the same time, economic momentum has weakened somewhat worldwide. As a result, the International Monetary Fund expects weaker global economic growth of around 3.5 per cent for 2019, compared with 3.7 per cent in the previous year. The slowdown is affecting both the industrialised nations and the developing countries. With the slowdown in economic momentum, price pressure is also easing, the result being that the IMF expects inflation in the industrial nations to fall below 2 per cent in 2019.

Monetary policy with a slight rise in interest rates
After the US Federal Reserve had already raised prime interest rates four times in 2018, more cautious tones have recently been heard against the backdrop of the expected weakening of the global economy. It is therefore assumed that interest rate adjustments will be cautious in 2019. The Federal Funds Rate currently lies within a target corridor of 2.25 to 2.5 per cent. Market observers do not expect any significant changes in the ECB's monetary policy in the eurozone. Not least due to the weaker economic data from the eurozone recently, an interest rate hike is not expected before the end of 2019.

The market for renewable energy

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 agreed in the Paris Agreement, more and more companies are making a voluntary commitment to cover 100 per cent of their electricity needs from renewable energies. At the same time, the cost-effectiveness of photovoltaic installations has increased significantly in recent years, not least due to the significant drop in prices for technical components. In many regions, they are already competitive with conventional forms of energy generation, even without state support, and are the cheapest form of electricity generation. This is reflected not least in the total generation capacities built up under private-sector power purchase agreements, which more than doubled from 2017 to 2018.

Renewable energies – and photovoltaics in particular – are likely to experience additional growth in the future through integrated and intelligent battery storage installations. By coupling, for example, photovoltaic or wind installations to modern storage systems, electricity from these renewable energy sources, can be fed into the grid in a more demand-oriented manner and is less dependent on meteorological conditions. The combination of renewable energy installations and storage technologies will make a major contribution to further structural changes in the energy markets in favour of renewable energies as well as decentralised energy supply in the coming years. As a result, the experts anticipate further growth in the area of renewable energies in the coming years, in particular photovoltaics and wind energy.

SolarPower Europe (SPE), the association of Europe's solar industry, has published its most recent expectations of capacity expansion in the photovoltaic sector under the title "Global Market Outlook 2018–2022". In the optimistic scenario in its report, SPE expects that global photovoltaic generation capacity will climb to more than 1,200 GW by 2022; in its pessimistic scenario, it predicts that this figure will rise to more than 800 GW.

The wind power sector will also witness significant expansion over the next few years. According to the forecasts of the Global Wind Energy Council ("Market Forecast for 2018–2022"), generation capacities in the wind energy sector could rise to nearly 840 GW by the year 2022.

Encavis on clear course for growth

The economic and sociopolitical environment, combined with a persistently low level of interest rates, continues to provide Encavis with an ideal environment for further qualitative growth of the company. Today Encavis is one of the largest independent power producers in the field of renewable energy in Europe.

In addition to an excellent and broad network on the market, Encavis has also secured long-term exclusive access to an attractive acquisition pipeline through various strategic partnerships with leading project developers and financing partners. Strategic partners include the British project developer Solarcentury, the Irish project developer Power Capital and the Irish sovereign development fund Ireland Strategic Investment Fund (ISIF). To secure this exclusive access, Encavis will increasingly, and earlier than before, enter the construction phase of various projects. However, Encavis will not assume any project planning risk in the future either. In addition, all installations taken over by Encavis have long-term government-guaranteed feed-in tariffs or private-sector power purchase agreements with customers with strong credit ratings.

Additionally, the conclusion of strategic partnerships with an exclusive acquisition pipeline results in significantly greater transparency and planning reliability for Encavis's future growth course, and the further expansion of the portfolio can also be managed and scheduled in a more targeted manner.

Moreover, Encavis is particularly valued in the market for its expertise, reliability, transaction security and fair and professional processes. As a result, the company is continuously offered numerous opportunities and projects from the market, many of them as off-market transactions and in exclusivity.

By diversifying according to technology and country, the company selectively and actively contributes to a further reduction of potential risks from operating activities. In addition, long-term financing at the project level, which does not permit recourse to Encavis AG, rounds off the company's conservative business model designed for long-term stability.

Encavis makes renewable energies economical and believes that the future of the energy market lies in a decentralised energy supply from solar and wind parks, coupled with the most advanced storage systems. Encavis intends to make greater and consistent use of the significantly improved efficiency and competitiveness of electricity generation from renewable energies in the future in order to position itself among companies as an electricity supplier within the framework of long-term private power purchase agreements and to offer them individual and attractive service and supply contracts.

Encavis laid an important foundation stone for this in the 2018 financial year with the acquisition of the largest solar park in the history of the company with a generation capacity of 300 MW. The park is to be operated entirely without government subsidies and will sell the regeneratively generated electricity to a customer with a strong credit rating via a long-term private-sector power purchase agreement.

Encavis wants to actively shape the growing market for direct power purchase agreements with companies and establish itself as one of the leading market participants.

In addition to its own business, Encavis also makes its many years of expertise and market knowledge in the field of renewable energies available to institutional investors. Encavis Asset Management AG is the Group's specialist for institutional investors. As a one-stop shop for institutional investors, Encavis Asset Management plans and builds a portfolio of renewable energy assets tailored to the needs of its clients. This can be done individually or as part of fund solutions based on Luxembourg special funds (SICAV/SICAF).

Overall assessment of future development

In light of the Group's qualitative-growth-oriented strategy and the fact that economic conditions continue to be very favourable, the Encavis Management Board once again expect an increase in both revenue and profit for the 2019 financial year.

The expected earnings for the 2019 financial year are compared to a meteorologically very strong 2018 financial year. To ensure comparability and traceability of the company's organic growth, the operating earnings figures for the 2018 financial year were subsequently adjusted for these meteorological effects.

The Management Board therefore predicts that revenue will increase to more than EUR 255 million (weather-adjusted 2018: EUR 242.1 million) for the 2019 financial year, based on the existing portfolio as it stands on 21 March 2019. Operating EBITDA is expected to exceed EUR 190 million (weather-adjusted 2018: EUR 179.8 million). Taking depreciation and amortisation into account, Encavis anticipates a rise in operating EBIT to over EUR 112 million (weather-adjusted 2018: EUR 106.6 million). The Group expects operating cash flow for the year to be more than EUR 180 million. An operating earnings per share of EUR 0.35 is also expected. Technical availability of the installations is expected to remain at 95 per cent in the 2019 financial year.

These predictions are based on the following assumptions:

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

The Encavis Group will be able to cover the liquidity requirements of its business operations and other planned short-term investments from its existing liquidity portfolio together with the expected cash flows from operating activities in the 2019 financial year. Identification of attractive acquisition opportunities or possible business combinations or takeovers may lead to additional capital requirements during the course of the year. Other financing options, such as borrowing or mezzanine capital at Group or company level, as well as equity capital measures are not ruled out should they be required, provided that they are economically advantageous.

The Management Board predicts that earnings before interest, taxes, depreciation and amortisation (EBITDA) will amount to approximately EUR -14.9 million for the 2019 financial year 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 parks. Earnings before interest and taxes (EBIT) are expected to amount to approximately EUR -15.4 million. The company’s strong growth is the primary factor contributing to the negative result, as it entails a need for additional staff, albeit disproportionately on the low side, as well as a need to expand IT infrastructure. For the 2019 financial year, the Management Board once again anticipates further growth of the company, and the effects on the company’s earnings described above are therefore expected to continue in the 2019 financial year.

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

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

Hamburg, 21 March 2019

The Management Board

Dr Dierk Paskert	Dr Christoph Husmann
CEO	CFO

Consolidated statement of comprehensive income

In TEUR	Notes	2018	2017
Revenue	3.20; 5.1	248,785	222,432
Other income	5.2	17,463	31,245
Cost of materials	5.3	-1,756	-1,514
Personnel expenses	5.4	-13,306	-10,972
- of which in share-based remuneration		*-308*	*-169*
Other expenses	5.5	-55,860	-50,773
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**195,326**	**190,417**
Depreciation and amortisation	5.6	-123,770	-102,493
Earnings before interest and taxes (EBIT)		**71,556**	**87,924**
Financial income	5.7	14,784	13,701
Financial expenses	5.7	-66,577	-60,844
Earnings from financial assets accounted for using the equity method		-11	-18
Earnings before taxes on income (EBT)		**19,754**	**40,763**
Taxes on income	5.8	-8,975	-13,059
Consolidated earnings		**10,779**	**27,704**
Items that can be reclassified to profit or loss			
Currency translation differences	5.9	-140	150
Cash flow hedges – effective portion of changes in fair value	5.9	1,206	2,231
Cost of hedging measures	5.9	-34	0
Change in the market value of available-for-sale financial assets	5.9	0	-210
Income tax relating to items that may be reclassified to profit or loss	5.9	-270	-920
Reclassifications	5.9	-29	-36
Other comprehensive income	5.9	**733**	**1,215**
Consolidated comprehensive income		**11,511**	**28,919**
Consolidated earnings for the period			
Attributable to Encavis AG shareholders		5,113	25,682
Attributable to non-controlling interests		558	483
Attributable to hybrid capital investors		5,108	1,539
Consolidated comprehensive income for the period			
Attributable to Encavis AG shareholders		5,849	26,896
Attributable to non-controlling interests		554	483
Attributable to hybrid capital investors		5,108	1,539
Earnings per share	3.24		
Average number of shares in circulation in the reporting period			
Undiluted		129,040,364	127,583,861
Diluted		129,088,626	127,604,146
Undiluted earnings per share (in EUR)		0.04	0.20
Diluted earnings per share (in EUR)		0.04	0.20

Consolidated balance sheet

Assets in TEUR	Notes	31.12.2018	31.12.2017
Non-current assets			
Intangible assets	3.5; 3.8; 6.1; 21	579,950	609,482
Goodwill	3.6; 6.2; 21	19,989	32,405
Property, plant and equipment	3.7; 3.8; 6.3; 21	1,548,639	1,455,168
Financial assets accounted for using the equity method	6.4	14,514	690
Financial assets	3.9; 6.5	6,474	11,071
Other receivables	3.9; 3.10; 6.6	19,518	14,558
Deferred tax assets	3.13; 6.7	118,169	118,896
Total non-current assets		**2,307,252**	**2,242,271**
Current assets			
Inventories	3.12; 6.8	422	339
Trade receivables	3.9; 3.14; 6.9	36,178	40,146
Non-financial assets	3.14; 6.10	9,714	8,585
Receivables from income taxes	3.13; 6.10	29,269	21,471
Other current receivables	3.9; 3.14; 6.10	13,738	11,311
Liquid assets	3.15; 6.11	252,491	195,577
Cash and cash equivalents	3.15; 6.11	175,564	124,388
Liquid assets with restrictions on disposition	3.15; 6.11	76,927	71,188
Total current assets		**341,812**	**277,428**
Balance sheet total		**2,649,065**	**2,519,698**

Equity and liabilities in TEUR	Notes	31.12.2018	31.12.2017
Equity			
Subscribed capital		129,487	128,252
Capital reserves		413,104	406,834
Reserve for equity-settled employee remuneration	3.22; 6.13	383	458
Other reserves		-1,718	-2,753
Net retained earnings		41,200	63,737
Equity attributable to Encavis AG shareholders	6.12	**582,456**	**596,528**
Equity attributable to non-controlling interests	6.12	9,145	6,582
Equity attributable to hybrid capital investors	6.12	95,456	95,484
Total equity	6.12	**687,057**	**698,594**
Non-current liabilities			
Non-current liabilities to non-controlling interests	3.19; 6.14	5,264	2,791
Non-current financial liabilities	3.13; 6.14	1,349,602	1,284,199
Non-current lease liabilities	3.20; 6.14	73,933	80,578
Other non-current liabilities	3.17; 6.14	10,764	11,078
Non-current provisions	3.18; 6.14	39,724	26,089
Deferred tax liabilities	3.13; 6.7	234,540	233,548
Total non-current liabilities		**1,713,827**	**1,638,283**
Current liabilities			
Current liabilities to non-controlling interests	3.19; 6.14	17,140	17,705
Liabilities from income taxes	3.13; 6.14	7,694	7,027
Current financial liabilities	3.17; 6.14	174,420	117,996
Current lease liabilities	3.23; 6.14	6,764	6,612
Trade payables	3.17; 6.14	16,784	20,261
Other current liabilities	3.17; 6.14	18,756	0
Current provisions	3.18; 6.14	6,623	0
Total current liabilities		**248,181**	**182,821**
Balance sheet total		**2,649,065**	**2,519,698**

Consolidated cash flow statement

In TEUR	Notes	2018	2017[2]
Net income for the period		10,779	27,704
Depreciation and impairments of fixed assets	5.6	123,770	102,493
Profit/loss from the disposal of fixed assets		4	0
Other non-cash expenses		447	1,033
Other non-cash income		-8,802	-25,167
Financial income	5.7	-14,784	-13,701
Financial expenses	5.7	66,572	60,844
Taxes on income (recognised in income statement)	5.8	8,975	13,059
Taxes on income (paid)		-7,627	-16,672
Decrease in other assets not attributable to investing or financing activities		28,488	50,748
Decrease in other liabilities not attributable to investing or financing activities		-33,538	-47,324
Cash flow from operating activities		**174,282**	**153,017**
Payments for the acquisition of consolidated entities, net of cash acquired	4.2	-34,413	-76,721
Refunds of purchase price payments		766	0
Proceeds from the sale of consolidated entities		0	7,750
Payments for investments in property, plant and equipment		-77,515	-93,920
Proceeds from the sale of property, plant and equipment		1	58
Payments for investments in intangible assets		-622	-674
Payments for investments in financial assets		-12,210	-5,183
Proceeds from the sale of financial assets		5,538	217
Dividends received		35	156
Cash flow from investing activities		**-118,421**	**-168,318**
Loan proceeds		211,836	109,074
Loan repayments		-133,971	-104,109
Hybrid capital proceeds		0	97,300
Interest received		656	612
Interest paid		-49,129	-50,498
Proceeds from capital increases		317	0
Payments for issuance costs		-144	-3,423
Payments for the acquisition of shares without change of control		0	-17,034
Dividends paid to Encavis AG shareholders		-20,838	-15,174
Dividend payments to hybrid capital investors		-5,108	0
Payments to non-controlling interests		-2,232	-1,439
Change in cash with restrictions in disposition		-5,640	-5,413
Cash flow from financing activities		**-4,255**	**9,896**
Change in cash and cash equivalents		51,607	-5,404
Changes in cash due to exchange rate changes		-59	-309
Change in cash and cash equivalents		**51,549**	**-5,714**
As of 01.01.2018 (01.01.2017)	6.11	119,984	125,698
As of 31.12.2018 (31.12.2017)	6.11	171,533	119,984

[2] Some of the previous-year figures have been adjusted (see explanation in the notes to the consolidated financial statements).

Consolidated statement of changes in equity

In TEUR	Subscribed capital	Capital reserves	Other reserves			
			Currency reserve	Hedge reserve	Costs of hedging measures	Reserve from changes in fair value
As of 01.01.2017	**126,432**	**399,559**	**1,062**	**-4,887**		**-142**
Consolidated earnings						
Other income recognised in equity*			150	1,257		-156
Reclassifications to profit/loss			-36			
Consolidated comprehensive income for the period			**114**	**1,257**		**-156**
Dividends						
Income and expenses recognised directly in equity						
Changes from capital measures	1,820	8,973				
Issue of hybrid bonds						
Transactions with shareholders recognised directly in equity		-1,604				
Issuance costs		-94				
As of 31.12.2017	**128,252**	**406,834**	**1,176**	**-3,630**		**-298**
As of 01.01.2018	**128,252**	**406,834**	**1,176**	**-3,630**		**-298**
Effect from the first-time application of IFRS 9						298
As of 01.01.2018 (adjusted for IFRS 9)	**128,252**	**406,834**	**1,176**	**-3,630**		
Consolidated earnings						
Other income recognised in equity*			-136	930	-28	
Reclassifications to profit/loss			-29			
Consolidated comprehensive income for the period			-165	930	-28	
Dividends						
Income and expenses recognised directly in equity						
Changes from capital measures	1,235	6,329				
Transactions with shareholders recognised directly in equity		22				
Issuance costs		-117				
Exercise of the share option programme		35				
Acquisition of shares from non-controlling interests						
As of 31.12.2018	**129,487**	**413,104**	**1,010**	**-2,700**	**-28**	

* Excluding separately recognised effects from reclassifications.

In TEUR	Reserve for equity-settled employee remuner-ation	Net retained earnings	Equity attributable to Encavis AG shareholders	Equity attributable to non-controlling interests	Equity attri-butable to hybrid capital investors	Total
As of 01.01.2017	**344**	**63,342**	**585,710**	**22,846**		**608,556**
Consolidated earnings		25,682	25,682	483	1,539	27,704
Other income recognised in equity*			1,251			1,251
Reclassifications to profit/loss			-36			-36
Consolidated comprehensive income for the period		**25,682**	**26,897**	**483**	**1,539**	**28,919**
Dividends		-25,286	-25,286	-637		-25,923
Income and expenses recognised directly in equity	114		114		-25	89
Changes from capital measures			10,793			10,793
Issue of hybrid bonds					97,300	97,300
Transactions with shareholders recognised directly in equity			-1,604	-16,110		-17,714
Issuance costs			-94		-3,330	-3,424
As of 31.12.2017	**458**	**63,737**	**596,528**	**6,582**	**95,484**	**698,594**
As of 01.01.2018	**458**	**63,737**	**596,528**	**6,582**	**95,484**	**698,594**
Effect from the first-time application of IFRS 9		-456	-158			-158
As of 01.01.2018 (adjusted for IFRS 9)	**458**	**63,281**	**596,371**	**6,582**	**95,484**	**698,436**
Consolidated earnings		5,113	5,113	558	5,108	10,779
Other income recognised in equity*			766	-4		762
Reclassifications to profit/loss			-29			-29
Consolidated comprehensive income for the period		**5,113**	**5,849**	**554**	**5,108**	**11,511**
Dividends		-28,215	-28,215	-902	-5,108	-34,225
Income and expenses recognised directly in equity	-39	1,022	983			983
Changes from capital measures			7,564	130		7,694
Transactions with shareholders recognised directly in equity			22	-22		
Issuance costs			-117		-28	-145
Exercise of the share option programme	-35					
Acquisition of shares from non-controlling interests				2,802		2,802
As of 31.12.2018	**383**	**41,200**	**582,456**	**9,145**	**95,456**	**687,057**

* Excluding separately recognised effects from reclassifications.

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Notes to the consolidated financial statements of Encavis AG

1 General information

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

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

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

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

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

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

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

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

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

2 Application of new and 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 financial performance, financial position and net assets.

The Group has applied the following new and/or amended standards and interpretations for the first time in the 2018 financial year:

Obligatory as of 31.12.2018			
New and amended standards and interpretations		Application obligatory in financial years beginning on or after the date specified	EU endorsement status (as of 31.12.2018)
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01.01.2018	Adopted
IAS 40	Amendment – Transfers of Investment Property	01.01.2018	Adopted
IFRS 2	Amendment – Classification and Measurement of Share-based Payment Transactions	01.01.2018	Adopted
AIP	Annual Improvement Programme for IFRS: 2014–2016 cycle	01.01.2017 – 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 15	Amendment – Clarifications to IFRS 15	01.01.2018	Adopted
IFRS 9	New standard – Financial Instruments (2014)	01.01.2018	Adopted
IFRS 15	New standard – Revenue from Contracts with Customers	01.01.2018	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 new and amended standards/interpretations – with two exceptions – have no material impact on these Group consolidated financial statements. With regard to the standards IFRS 9 "Financial Instruments" (2014) and IFRS 15 "Revenue from Contracts with Customers", the effects on the presentation and measurement in the consolidated financial statements are explained below.

IFRS 15 – Revenue from Contracts with Customers

In the financial year beginning 1 January 2018, Encavis applied the new standard IFRS 15 "Revenue from Contracts with Customers" for the first time – which replaces the existing standards IAS 11 "Construction Contracts" and IAS 18 "Revenue" – using the modified retrospective method. There was no conversion effect on retained earnings from the first-time application of IFRS 15 for Encavis.

The core principle of IFRS 15 is the recognition of revenue in the amount that an entity can expect in return for the transfer of goods or services to a customer. Revenue is recognised when the customer has control over the goods or services. IFRS 15 also contains requirements for the disclosure of existing power reserves or service obligations at contract level. In addition, the standard requires financial statement issuers to provide more detailed information to users of the financial statements than previously.

To determine the timing (or period) and the amount of revenue to be recognised, IFRS 15 has introduced a five-step model, which Encavis uses in assessing its business transactions.

The goods transferred by Encavis (supply of electricity) and services offered represent individual service obligations or service obligation bundles. The allocation of transaction prices to the individual service obligations on the basis of the individual sale prices does not change from previous practice. There are therefore no effects on the carrying amounts of assets and liabilities reported in the consolidated balance sheet.

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

IFRS 9 – Financial Instruments (2014)

This disclosures in the notes explains the effects of the first-time application of IFRS 9 “Financial Instruments” on Encavis’s consolidated financial statements. In addition, the differences to previous accounting resulting from the new accounting standard are described in detail.

IFRS 9 changes the accounting rules for the classification and measurement of financial assets, for the impairment of financial assets and for hedge accounting.

Encavis has applied IFRS 9 for the first time for the financial year beginning 1 January 2018. As a rule, first-time application is carried out retrospectively. In accordance with the transitional provisions, Encavis has elected to continue to present the comparative information in accordance with IAS 39. The rules for hedge accounting are applied prospectively (with the exception of the fair value treatment of options).

Specifically, the first-time application of IFRS 9 at Encavis leads to the following changes. The effects on the opening equity balance sheets are shown in a separate line in the statement of changes in equity. The amendments to IAS 1 resulting from IFRS 9 (recognition of impairments as a separate item in the statement of comprehensive income) will not be made by Encavis due to the small amounts involved. As in the past, this is reported as a net amount under other operating expenses or income.

The comparative figures for the previous year have to be adjusted due to changes in accounting policies. As explained in the next section, IFRS 9 was applied for the first time without adjusting the comparative figures for the previous year. The adjustments in recognition and measurement resulting from the new impairment model and the adjusted measurement categories are therefore not reflected in the closing balance sheet as of 31 December 2017, but are included in the opening balance sheet as of 1 January 2018 (in retained earnings with no effect on profit or loss).

The following tables show the adjustments made for each individual valuation category. Report lines that were not affected by the changes are not displayed here. Subtotals and final totals therefore cannot be recalculated using the values displayed. The individual adjustments are explained in detail below. Due to the first-time application of IFRS 9, it was not necessary to adjust the statement of comprehensive income for the previous year.

Reconciliation of carrying amounts in TEUR	Carrying amount as of 31 December 2017	Reclassification effects	Valuation effects	Carrying amount as of 01 January 2018
Financial instruments measured at acquisition cost				
Trade receivables	40,146		-95	40,051
Loans to associates and other loans	5,116		-50	5,066
Other current receivables	3,778		-12	3,766
Available-for-sale financial assets				
Non-current financial assets	5,955	-5,955		
Financial assets measured at fair value through profit or loss				
Non-current financial assets		5,955		5,955
Net earnings	63,737	-298	-158	63,281
Reserves from changes in fair values	-298	298		

As of 31 December 2017, no impairments were required under IAS 39.

The application of IFRS 9 “Financial Instruments” since 1 January 2018 led to an adjustment of the accounting and valuation methods and to a change in the recognised amounts recorded in the consolidated financial statements. The new valuation methods are described in chapter 3. In accordance with the transitional provisions of IFRS 9, comparative information is not adjusted.

The overall effect on the Group’s net earnings as of 1 January 2018 is as follows:

In TEUR	2018
Balance of net earnings as of 31 December 2017 in accordance with IAS 39	63,737
Reclassification of financial investments from available for sale to FVPL*	-298
Increase in impairment of trade receivables	-95
Increase in impairment of other loans (amortised cost)	-50
Increase in impairment of other current receivables (amortised cost)	-12
Adjusted net earnings from the first-time application of IFRS 9 as of 1 January 2018	63,281

* FVPL: Financial assets measured at fair value through profit or loss.

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

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

New and amended standards and interpretations		Application obligatory in financial years beginning on or after the date specified	EU endorsement status (as of 31.12.2018)
IFRS 16	New standard – Leases	01.01.2019	Adopted
IFRS 9	Amendment – Prepayment Features with Negative Compensation	01.01.2019	Adopted
IFRIC 23	Uncertainty over Income Tax Treatments	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
IAS 19	Amendment – Plan Amendment, Curtailment or Settlement	01.01.2019	Not yet adopted
AIP	Annual Improvement Programme for IFRS: 2015–2017 cycle	01.01.2019	Not yet adopted
IAS 28	Amendment – Long-term Interests in Associates and Joint Ventures	01.01.2019	Not yet adopted
Conceptual Framework	Amendment – References to the Conceptual Framework in IFRS	01.01.2020	Not yet adopted
IAS 1, IAS 8	Amendment – Definition of Material	01.01.2020	Not yet adopted
IFRS 3	Amendment – Definition of a Business	01.01.2020	Not yet adopted
IFRS 17	New standard – Insurance Contracts	01.01.2021	Not yet adopted

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, with one exception. With regard to IFRS 16 “Leases”, the following effects on the presentation and measurement in the consolidated financial statements are expected.

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 regulates the recognition, measurement, presentment and disclosure requirements for leases. For the lessee, the standard provides for a single accounting model, the right-of-use model, which eliminates the distinction between finance and operating leases made under IAS 17. This model requires the lessee to recognise all assets and liabilities from lease agreements in the balance sheet, unless the term is 12 months or less (short-term leases) 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 for the lessor does not differ materially 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 agreements.

Following an analysis carried out in the previous year, the overall impact of the application was also examined in 2018 as part of a project for the implementation of IFRS 16. At this point in time, the preliminary findings are as follows:

Encavis will apply IFRS 16 from the mandatory adoption date of 1 January 2019. However, the transition will be made in accordance with the transitional provisions of IFRS 16 using the modified retrospective method, whereby the comparative amounts for 2018 will not be restated retrospectively and will therefore continue to be presented in accordance with IAS 17.

For Encavis as lessee, the new model affects the accounting for existing and future operating leases; existing finance leases are carried at their carrying amount at the date of transition. Arrangements hitherto classified as operating leases under IAS 17, which were published in the section 7 of the notes, relate to leases of both movable (e.g. company cars, photocopiers) and immovable property (e.g. renting of office space, lease agreements, easements, rights of way). As of 31 December 2018, there are other financial obligations from lease and rental agreements under IAS 17 in the amount of TEUR 168,467 (see section 10 of the notes). In addition, Encavis classifies approximately TEUR 37 (primarily copiers) as low-value leases and makes use of the (simplified) option for off-balance-sheet treatment. The Encavis Group currently has no short-term leases. For the remaining agreements, the Group expects a material increase of TEUR 114,484 in lease liabilities on the date of first-time application on 1 January 2019 and an equivalent increase of TEUR 114,484 in non-current assets. As a consequence – without taking any compensatory measures into account – the equity ratio is expected to decline from 25.94 per cent to 24.86 per cent (–1.07 per cent).

During the term of lease, the lease liability is updated at constant effective interest rates. The right of use is depreciated on a straight-line basis. Within the presentation of earnings, there is a reduction in other operating expenses, while expenses from depreciation and amortisation as well as interest expenses increase. Based on the number of lease agreements as of 31 December 2018, i.e. excluding new agreements entered into in 2019 and changes in estimates or modifications to the existing lease portfolio, the income statement as of 1 January 2019 includes depreciation and amortisation of approximately TEUR 6,682 and interest expenses of approximately TEUR 3,982 instead of forecast rental and lease expenses of TEUR 8,529 for 2019. A significant improvement in EBITDA (by approximately TEUR 8,529) and an improvement in EBIT in 2019 (by approximately TEUR 1,847) are therefore expected. Encavis also expects that the consolidated earnings for 2019 will be reduced by TEUR 2,136 due to the adoption of the new regulations, which reflects the time shift of expenses over the total period with the same total expenses. The items recognised in the balance sheet under IFRS 16 mainly relate to lease agreements with remaining terms between 11.25 and 28.75 years. These changes in presentation will lead to an increase in operating cash flow of TEUR 7,741 and an analogous decrease in cash flow from financing activities.

3 Material accounting policies and consolidation principles

3.1 Consolidation principles

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

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

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

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

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.

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

- Deferred tax assets or deferred tax liabilities and assets or liabilities associated with employee benefit arrangements are to be recognised and accounted for in accordance with IAS 12 “Income Taxes” or IAS 19 “Employee Benefits”.
- In accordance with IFRS 2 “Share-based Payment”, liabilities or equity instruments associated with share-based payments or the reimbursement of share-based payments by the Group are recognised at the acquisition date.

- Assets (or disposal groups) classified as held for sale as per IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations” are recognised in accordance with this standard.

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

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

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

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

3.3 Foreign currency translation

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

Currency translation is based on the following exchange rates:

EUR 1 =	Closing exchange rates		Average exchange rates	
	31.12.2018	31.12.2017	2018	2017
British pound (GBP)	0.8945	0.8872	0.8847	0.8761
US dollar (USD)	1.1450	1.1993	1.1815	1.1292
Danish krone (DKK)	7.4673	7.4449	7.4532	7.4387

3.4 Significant accounting decisions and key sources of uncertainties in estimates

Within the scope of preparing the consolidated financial statements, in certain cases estimates and assumptions are made that affect how accounting methods are applied as well as which amount of assets, liabilities, income and expenses are recorded. The actual values may differ from these estimates. The estimates, and the assumptions upon which they are based, are continuously evaluated. Adjustments to estimates are recognised prospectively.

Below, the most important forward-looking assumptions as well as the other principal sources of estimation uncertainties as of the end of the reporting period are discussed, which could give rise to a substantial risk within the coming financial year that a significant adjustment of the reported assets and liabilities will be required.

Economic life of property, plant and equipment and intangible assets

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

Impairment of goodwill

In order to determine whether goodwill is impaired, it is necessary to calculate the value in use of the Group's cash-generating units that are allocated to goodwill. Calculating the value in use requires an estimate of future cash flows from the Group's cash-generating units as well as an appropriate capitalisation interest rate for the calculation of the present value. A material impairment may result if the actual expected future cash flows are less than previously estimated. For organisational reasons, the calculation deviated from the previous financial years as of 30 September 2018. In the period from 30 September to 31 December 2018 there were no fundamental changes that would have required an adjustment of the calculated values. The extension of the valuation date from 31 December of a given year to 30 September is maintained for future financial years.

The carrying amount of goodwill as of 31 December 2018 was TEUR 19,989 (previous year: TEUR 32,405). The reduction amounts to TEUR 12,416 and is attributable to an impairment loss on the goodwill of the cash-generating unit "PV United Kingdom" as a result of the regular impairment test. It also includes immaterial effects of translation at closing exchange rates in accordance with IAS 21 on the goodwill of British companies whose functional currency is British pounds sterling. Details on calculating the impairment can be found in section 6.2 of the notes.

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 recognised are subject to uncertainties. If intangible assets are identified, the fair value must be estimated using generally accepted valuation methods. The valuations are based on the company's plans, which are based on estimates by management while taking contractual agreements into account. The discount rates (WACC) applied in connection with the valuation of intangible assets are between 1.39 per cent and 3.53 per cent (previous year: 1.63 per cent and 4.73 per cent). This range is primarily due to the varying interest rates in the individual markets as well as differences in the remaining useful lives of intangible assets.

The acquisition of solar and wind installations 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 per cent), and BOREAS Energie GmbH, Dresden (with a contribution under 50 per cent). Encavis does not hold interests in the general partner.

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

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

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

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

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 per cent by carrying out the management of this company as well as of the company that holds the significant remaining shares.

3.5 Intangible assets

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

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

Amortisation of feed-in contracts is usually carried out over the term of the regulated period for each respective wind park or solar park. This term is 20 years in Germany and Italy, as well as for solar parks in France and for the parks in the United Kingdom with feed-in tariffs (FIT). Contrary to this, electricity feed-in contracts are amortised over 15 years for wind parks in France, over approximately six to eight years after the expiry of the bonus compensation depending on the supported number of kWh for parks in Denmark, and over a maximum of 30 years for parks in the United Kingdom subsidised through renewable obligation certificates (ROC). The project rights are written off over a period of 18 to 30 years, in parallel to the useful life of photovoltaic and wind installations and the existing lease agreements. Other intangible assets are amortised over their estimated useful life of three to five years.

3.6 Goodwill

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

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

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

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

3.7 Property, plant and equipment

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

Property, plant and equipment are written off proportionally over the period of their estimated economic life. The estimated useful lives of property, plant and equipment are two to 30 years, for photovoltaic and wind installations 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 value in use of an asset or a cash-generating unit. In determining the value in use, the estimated future cash flow from the continued use of the asset and from its ultimate disposal with a pre-tax rate are discounted. This pre-tax rate takes into account current market assessments of the fair cash value as well as inherent risks from the asset value, insofar as the estimated future cash flow has not been adapted to this.

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

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

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

3.9 Primary financial instruments

The accounting treatment of primary and derivative financial instruments changed fundamentally with the introduction of IFRS 9 on 1 January 2018. The new standard replaces the provisions previously contained in IAS 39 “Financial Instruments: Recognition and Measurement” for the classification and measurement of financial assets and also includes new regulations for hedge accounting. Within the framework of hedge accounting, there are both extensions to designation options and the need to implement more complex posting and valuation logic. In addition, IFRS 9 removes the quantitative limits for the effectiveness test. The model for determining impairments and the formation of risk provisions changes from an incurred credit loss model to an expected credit loss model. This changed valuation method leads to an increase in risk provisions. The increase in risk provisions results, on the one hand, from the requirement to form risk provisions for non-defaulted financial assets for which the credit risk has not increased significantly since initial recognition. On the other hand, the increase results from the requirement to take into account a risk provision for financial assets for which the credit risk has increased significantly since initial recognition on the basis of the total expected remaining term.

3.9.1 Financial assets

IFRS 9 introduces a uniform model for classifying financial assets, which classifies them into the following three categories:

- Financial assets measured at amortised cost (AC)
- Financial assets measured at fair value through profit or loss (FVPL)
- Financial assets measured at fair value in other comprehensive income (FVOCI)

Financial assets whose cash flows consist exclusively of interest and principal payments are classified according to Encavis’s business model. Financial assets held within a business model that intends to hold the asset in order to collect the contractual cash flows are measured at amortised cost. These business models are managed primarily on the basis of the interest rate structure and the credit risk. If the business model generally provides for holding the assets, but disposals are also made if this is necessary, for example to cover a certain liquidity requirement, these assets are measured at fair value in other comprehensive income. Financial assets that contain only interest and principal payments but are not held within one of the two business models mentioned are measured at fair value through profit or loss.

At Encavis, financial assets whose cash flows do not consist exclusively of interest and principal payments, such as investments in investment funds, are measured at fair value through profit or loss. For equity instruments, IFRS 9 optionally permits measurement at fair value in other comprehensive income. Encavis does not currently use this option.

Trade receivables, loans, other current receivables and liquid assets were classified as loans and receivables (L&R) under IAS 39 and measured accordingly at amortised cost. All of these instruments are measured at amortised cost (AC) under IFRS 9 and are generally subject to the effective interest method.

Mezzanine capital held and investments in investment funds which are reported under non-current financial assets were classified as available for sale under IAS 39 and measured at fair value in other comprehensive income. These financial assets are now classified as at fair value through profit or loss (FVPL) in accordance with IFRS 9. They do not meet the criteria for measurement at amortised cost, as the cash flows from this do not only represent interest and principal payments.

Assets or liabilities classified as held for trading under IAS 39 (derivatives without a hedging relationship) are allocated to the FVPL category in accordance with IFRS 9. This has not resulted in any changes in valuation.

Impairment model based on expected credit losses (ECL model)

IFRS 9 introduces an impairment model based on expected credit losses, which is applicable to all financial assets (debt instruments) that are either measured at amortised cost or at fair value in other comprehensive income. While only losses actually incurred were recorded as impairment losses on financial assets under IAS 39, the new approach also includes expectations for the future. The recognition of expected credit losses generally uses a three-step procedure for allocating impairments:

Level 1: Expected credit losses within the next 12 months

This includes all contracts without a material increase in credit risk since initial recognition and regularly includes new contracts and those whose payments are not, or not materially, overdue. The portion of the expected credit losses over the term of the instrument that is attributable to a default within the next 12 months is recognised.

Level 2: Expected credit losses over the entire term – no impaired credit rating

A financial asset is allocated to this level if it has experienced a material increase in credit risk but its credit rating is not impaired. The expected credit losses over the entire term of the financial asset are recorded as an impairment.

Level 3: Expected credit losses over the entire term – impaired credit rating

A financial asset is allocated to this level if its credit rating is impaired or defaulted. The expected credit losses over the entire term of the financial asset are recorded as an impairment. From Encavis’s point of view, objective indications that the credit rating of a financial asset is impaired include, for example, an overdue period of 90 days or more and further information on the debtor’s material financial difficulties.

The determination of whether a financial asset has experienced a material increase in credit risk is based on an assessment of the probability of default, which is carried out at least quarterly and takes into account both external rating information and internal information on the credit quality of the financial asset. A material increase in credit risk is primarily determined on the basis of information regarding overdue payments. The Group regularly assumes that the loans are past due from 30 days.

A financial asset is transferred to level 2 if the credit risk has materially increased compared to its credit risk at the time of initial recognition. Credit risk is estimated on the basis of the probability of default. For trade receivables, the simplified approach is applied, according to which the expected credit loss for these receivables is calculated over the entire term. Accordingly, no assessment of a material increase in credit risk is required. Encavis applies the simplified impairment model of IFRS 9 to trade receivables and thus recognises the expected losses over the entire term. Other receivables and loans, including interest receivables, are shown using the general approach.

Valuation of expected credit losses

Expected credit losses are calculated based on the following factors:

a) Credit risk, broken down by country (based on the one-year CDS of the respective country)

b) Credit risk divided into private and public or semi-public customers

c) Receivables, subdivided according to the aspects mentioned above as of the balance sheet date

d) The expected default loss rate

e) Time value of money

A financial instrument is derecognised if it is reasonably unlikely that a financial asset can be fully or partially realised, for example after the end of insolvency proceedings or as a result of court decisions.

Material modifications (for example if the present value of the contractual cash flows changes by 10 per cent) of financial assets result in derecognition. The expectation is that this will usually not be relevant for Encavis. If the terms of the contract are renegotiated or modified and this does not result in derecognition, the gross carrying amount of the contract is recalculated and any difference is recognised in profit or loss.

For reasons of materiality, despite the classification in the AC category, no expected loss is determined for liquid assets and recorded in the consolidated statement of comprehensive income.

In detail, the following items are affected by impairments:

Trade receivables

The Group applies the simplified impairment model of IFRS 9 for trade receivables in accordance with the standard. This is based on the so-called lifetime expected loss.

In order to determine the expected credit defaults, trade receivables have been combined into largely homogeneous groups with similar characteristics with regard to their estimated credit risks. In particular, there was a separation between governmental and semi-public buyers, which account for the majority of buyers in the electricity production sector, and private buyers. The Encavis Group has private buyers mainly in the Asset Management segment and, to a lesser extent, also in the electricity buyers segment.

Loans to associates and other loans as well as other current receivables

In principle, the Group estimates the credit risks for loans granted and other current receivables to be low, which is why a provision for losses on receivables was formed for these items in the amount of the expected 12-month losses on receivables.

Material estimation uncertainties and accounting judgements

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

Comparison with the previously applicable accounting under IAS 39

Financial assets were divided into the following categories in 2017:

- Financial assets measured at fair value through profit or loss (FVPL)
- Financial investments held to maturity (HtM)
- Available-for-sale financial assets (AfS)
- Loans and receivables (L&R)

Financial assets measured at fair value through profit or loss

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
- Upon initial recognition, it is part of a portfolio of identified financial instruments controlled by the Group for which there are indications from recent activities that it will result in short-term profit-making

- 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 not categorised as being held for trading can be designated as recorded at FVPL upon first-time recognition if:

- Such a designation removes or materially reduces inconsistencies in valuation or recognition which would otherwise occur
- 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
- It forms part of a contract containing one or more embedded derivatives, and IAS 39 "Financial Instruments: Recognition and Measurement" permits the entire combined contract (asset or liability) to be designated at FVPL

Available-for-sale financial assets

Available-for-sale financial assets (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. Investments in non-listed shares that are not traded on an active market are also classified as financial assets in the AfS category and carried at their fair value as of the end of the corresponding 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 acquisition 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 listed 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 through profit or loss, 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 material or constant decline in the fair value of the security below its acquisition 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
- increased probability that the borrower will become insolvent or enter restructuring 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

The Group's financial liabilities include trade liabilities, financial liabilities, liabilities to non-controlling interests and other financial liabilities. These are (analogous to IAS 39) still carried at amortised cost (AC). Liabilities from finance leases and liabilities from contingent consideration are not allocated to any category of IFRS 9.

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

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

Derecognition of financial liabilities

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

3.9.3 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. Depending on the availability of observable parameters and the significance of these parameters for measuring fair value as a whole, the fair value measurement is assigned to level 1, 2 or 3. This fair value hierarchy is defined as follows:

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

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

3.10 Derivative financial instruments and hedge accounting

Encavis only uses derivative financial instruments to hedge financial risks resulting from commercial business or refinancing activities. These are primarily interest rate and currency risks. In accordance with the Group's risk management principles, generally 100 per cent of the forecast highly probable cash flows are hedged.

Derivative financial instruments are recognised at fair value upon initial recognition and on each subsequent balance sheet date, as under IAS 39. The fair value of exchange-listed derivatives corresponds to their positive or negative market value. If no market values are available, they are calculated using recognised financial mathematical models, such as discounted cash flow models or option price models. Derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

If the requirements of IFRS 9 for hedge accounting are met, Encavis designates and documents the hedging relationship as a cash flow hedge from this point in time. In the case of a cash flow hedge, fluctuations in future cash flows from highly probable expected transactions or cash flows to be paid or received in connection with a recognised asset or liability are hedged. The Group enters into interest rate swaps that generally have the same terms as the underlying transaction, such as reference interest rates, repricing dates, payment dates, maturities and nominal amounts. During the financial year, all material contractual terms and conditions were the same, so that there was an economic relationship between the hedged item and the hedging instrument. The documentation of the hedging relationships includes the objectives and strategy of risk management, the type of hedging relationship, the hedged risk, the designation of the hedging instrument and the underlying transaction, as well as an assessment of the effectiveness criteria, which include the risk-reducing economic relationship, the effects of the credit risk and the appropriate hedge ratio. Hedging relationships are regularly reviewed to determine whether they have been effective throughout the period for which they were designated. The reasons for ineffectiveness of interest rate swap hedges may be credit value/debit value adjustments that are not offset by changes in the value of the hedged loans, and subsequent designations in which the date on which the interest rate derivative is designated differs from the date on which it is designated as a hedge.

Changes in the value of derivatives designated as hedges are regularly recognised in other comprehensive income. The future component of a forward as well as any foreign currency basis spreads are excluded from the designation of a derivative as a hedging instrument and recognised as costs of hedging. Changes in the fair value of these components are recognised temporarily in other comprehensive income (cost of hedging) and transferred to the income statement (financial result) over the period of the hedge. Changes in the value of derivatives not designated are measured at fair value through profit or loss. Under IFRS 9, amounts recognised as effective hedging gains/losses from hedging transactions in other comprehensive income are removed from the equity reserve and directly added to the acquisition cost of the underlying transaction upon recognition if the underlying item, e.g. the expected transaction, results in the recognition of a non-financial asset or non-financial liability.

In the case of cash flow hedges, the cumulative hedging gains/losses from the hedging transactions are transferred from the equity reserve to the consolidated earnings for other underlying transactions at the same time as the effect on profit or loss of the hedged underlying transactions.

If derivative financial instruments are not, or no longer, included in hedge accounting because the requirements for hedge accounting are not, or are no longer, met, they are measured at fair value through profit or loss (FVPL).

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 (section 6.11 of the notes), or involves intangible assets (such as the right to join feed-in contracts). The main forms of collateral are:

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

3.12 Inventories

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

3.13 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 from or payment to the tax authorities. They are based on the tax rates and tax laws in effect as of the balance sheet date.

Deferred taxes

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

Deferred tax assets and liabilities 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 section 5.8 of the notes.

3.14 Trade receivables and other assets

Trade receivables are initially carried at their fair value, which generally corresponds to the nominal amount less the expected credit losses. As a result, they are valued at their amortised cost. Since the 2018 financial year, value adjustments have been made on the basis of the expected credit loss model in accordance with IFRS 9.

3.15 (Restricted) cash and cash equivalents

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

3.16 Assets held for sale and associated liabilities

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

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

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

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

3.17 Financial liabilities and other liabilities

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

3.18 Provisions

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

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

Provisions are only made if there is an underlying legal or de facto obligation towards third parties and the probability of occurrence is greater than 50 per cent. 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.

3.19 Liabilities to non-controlling interests

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

3.20 Revenue

In the financial year beginning 1 January 2018, Encavis applied the new standard IFRS 15 “Revenue from Contracts with Customers” for the first time – which replaces the existing standards IAS 11 “Construction Contracts” and IAS 18 “Revenue” – using the modified retrospective method. There was no conversion effect on retained earnings from the first-time application of IFRS 15 for Encavis.

The core principle of IFRS 15 is the recognition of revenue in the amount that an entity can expect in return for the transfer of goods or services to a customer. Revenue is recognised when the customer has control over the goods or services. IFRS 15 also contains requirements for the disclosure of existing power reserves or service obligations at contract level.

To determine the timing (or period) and the amount of revenue to be recognised, IFRS 15 has introduced a five-step model, which Encavis uses in assessing its business transactions.

The goods transferred by Encavis (supply of electricity) and services offered represent individual service obligations or service obligation bundles. The allocation of transaction prices to the individual service obligations on the basis of the individual sale prices does not change from previous practice. There are therefore no effects on the carrying amounts of assets and liabilities reported in the consolidated balance sheet.

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

3.21 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.

3.22 Share option programmes

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

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

3.23 Leases

Economic ownership of leased assets is attributed to the contractual partner in a lease who bears the material 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 lease 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.

3.24 Earnings per share

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

3.25 Borrowing costs

Borrowing costs incurred directly in connection with the creation of qualified assets from the start of production to commissioning are capitalised and then depreciated with the corresponding asset value. The cost of funding is determined on the basis of the specific financing costs of capital borrowed specifically for the production of a qualified asset. The cost-of-funding rates on which the capitalisation is based are between 0.72 per cent and 5.50 per cent (previous year: no capitalisation). Other borrowing costs are recognised as current expenses.

3.26 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.

3.27 Segment reporting

Segment reporting is carried out based on the accounting standard IFRS 8 “Operating Segments” in accordance with the management approach set out therein, which provides for segmentation and reporting based on the internal organisational and reporting structure as well as the internal control parameters. The segments were therefore defined and identified in accordance with the internal organisational and reporting structure. The Group has the following reportable operating segments: PV Parks, PV Service, Wind Parks and Asset Management. In addition, the non-operating segment Administration is reported. In particular, revenue and earnings before interest, taxes, depreciation and amortization (EBITDA) are monitored separately by management in order to make decisions about the allocation of resources and to determine the profitability of the segments. EBITDA is calculated in accordance with the accounting and valuation principles of the consolidated financial statements. Management also monitors the operating performance indicators of the segments.

3.28 Risk management

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

4 Subsidiaries

4.1 Disclosures on subsidiaries

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

Segment	Country	Number of wholly owned subsidiaries	
		31.12.2018	31.12.2017
PV Parks	Germany	48	46
	Italy	65	65
	France	8	10
	United Kingdom	23	24
	Netherlands	2	2
	Ireland	1	2
	Spain	1	0
Wind Parks	Germany	22	20
	France	4	4
	Austria	3	3
	Denmark	4	1
PV Service	Germany	1	1
Asset Management	Germany	19	19
Administration	Germany	3	1
	Netherlands	1	1
Total		**205**	**199**

Segment	Country	Number of non-wholly owned subsidiaries	
		31.12.2018	31.12.2017
PV Parks	Germany	4	4
	France	7	7
	Ireland	6	0
	Netherlands	1	0
Wind Parks	Germany	5	5
	Denmark	1	0
	Italy	1	1
Total		**25**	**17**

The following changes in the subsidiaries included in the consolidated financial statements occurred in the 2018 financial year:

	In Germany	Abroad	Total
Included as of 31 December 2017	96	120	**216**
Acquisition	4	5	**9**
Foundation	4	7	**11**
Dissolution/liquidation/merger	-2	-4	**-6**
Included as of 31 December 2018	**102**	**128**	**230**

The following companies were renamed in the 2018 financial year:

Former company name	New company name
Capital Stage Finance B.V.	Encavis Finance B.V.
Capital Stage Solar Service GmbH	Encavis Technical Services GmbH
Capital Stage Wind Danmark ApS	Encavis Wind Danmark ApS
CHORUS Clean Energy Advisor GmbH	ENCAVIS AM Advisor GmbH
CHORUS Clean Energy AG	Encavis Asset Management AG
CHORUS Clean Energy Assetmanagement GmbH	ENCAVIS AM Management GmbH
CHORUS Clean Energy Invest GmbH	ENCAVIS AM Invest GmbH
CHORUS Clean Energy Verwaltungs GmbH	ENCAVIS AM Services GmbH
CHORUS GmbH*	Encavis Asset Management AG
CHORUS Vertriebs GmbH	ENCAVIS AM Capital GmbH
Cmore Energy Ltd.	Witches Solar Ltd.
Emerald Electron Ltd.	Rodbourne Solar Ltd.
Encavis Asset Management AG*	Encavis GmbH
Erinlake Ltd.	Capital Stage Ireland GP Ltd.
Push Energy (Gosfield Airfield) Ltd.	Gosfield Solar Ltd.
Push Energy (Wisbridge) Ltd.	Wisbridge Solar Ltd.
TC Asset Management GmbH	TC Wind Management GmbH

* The registration of the change of name and the change of legal form took place for CHORUS GmbH on 15 February 2019 and for Encavis Asset Management AG on 12 February 2019. For reasons of traceability, both companies are listed in this annual report under their old company names. The restructuring should lead to a sharper separation of the Administration and Asset Management segments.

The following holding companies were founded in the financial year:

Foundation in the financial year	Segment
Encavis Iberia GmbH	PV Spain
ENCAVIS Infrastructure S.à r.l.	Asset Management
Encavis Real Estate GmbH	Administration
Encavis Renewables Beteiligungs GmbH	Administration
Trequite Freehold Ltd.	PV United Kingdom

With effect from 13 August 2018, Capital Stage Biscaya Beteiligungs GmbH, an intermediate holding company allocated to the PV France segment, was merged with CSG IPP GmbH.

With effect from 10 September 2018, the intermediate holding company Capital Stage France Beteiligungsgesellschaft mbH, allocated to PV France, was merged with Encavis AG.

Solarpark Boizenburg II GmbH & Co. KG, which was acquired during the financial year, was incorporated on 11 December 2018 by contract into Solarpark Boizenburg I GmbH & Co. KG, also acquired during the financial year (PV Parks segment).

The two British intermediate holding companies PJC Renewable Energy Ltd. and Freshpower Ltd. allocated to the PV Parks segment are in the process of being dissolved.

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

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

Subsidiaries	Equity interests and share of voting rights of non-controlling shares in %		Profit or loss attributed to non-controlling interests in TEUR		Cumulative non-controlling interests in TEUR	
	31.12.2018	31.12.2017	2018	2017	31.12.2018	31.12.2017
Solarpark Brandenburg (Havel) GmbH	49.00	49.00	753	251	6,085	5,961
Parco Eolico Monte Vitalba S.r.l.	15.00	15.00	2	-38	595	682
Solaire Ille SARL	15.00	15.00	-23	-26	64	87
Centrale Photovoltaique SauS 06 SARL	15.00	15.00	5	-26	71	66
CPV Sun 20 SARL	15.00	15.00	31	-18	13	-19
CPV Sun 21 SARL	15.00	15.00	40	-11	27	-12
CPV Sun 24 SARL	15.00	15.00	62	-68	-8	-69
CPV Bach SARL	15.00	15.00	26	-21	4	-22
CPV Entoublanc SARL	15.00	15.00	-23	-17	-48	-24
Norhede-Hjortmose Vindkraft I/S	18.60	0.00	39	0	2,253	0
Zonnepark Budel B.V.	19.99	0.00	-278	0	123	0
Encavis Asset Management AG	0.00	0.00	0	457	0	0
Other immaterial subsidiaries			-76	0	-34	-68
Total amount of non-controlling interests			**558**	**483**	**9,145**	**6,582**

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

Solarpark Brandenburg (Havel) GmbH, Germany	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	3,402	2,624
Non-current assets	34,354	36,324
Current liabilities	2,620	2,162
Non-current liabilities	25,725	27,626
Net assets	9,412	9,160
Carrying amount of non-controlling interests	6,085	5,961
	2018	**2017**
Revenue	5,562	4,688
Annual earnings	1,536	513
Total comprehensive income	1,536	513
Profit or loss attributable to non-controlling interests	753	251
	2018	**2017**
Dividends paid to non-controlling interests	629	637
Cash flow from operating activities	4,946	4,160
Cash flow from investing activities	-3	0
Cash flow from financing activities	-3,763	-3,369
Net change in cash and cash equivalents	**1,180**	**791**

Parco Eolico Monte Vitalba S.r.l., Italy	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	1,385	1,986
Non-current assets	4,506	5,380
Current liabilities	533	1,585
Non-current liabilities	1,412	1,249
Net assets	3,946	4,533
Carrying amount of non-controlling interests	595	682
	2018	**2017**
Revenue	1,695	1,514
Annual earnings	14	-252
Total comprehensive income	14	-252
Profit or loss attributable to non-controlling interests	2	-38
	2018	**2017**
Dividends paid to non-controlling interests	90	0
Cash flow from operating activities	1,422	1,014
Cash flow from financing activities	-1,701	-741
Net change in cash and cash equivalents	**-279**	**273**

Solaire Ille SARL, France	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	1,410	1,680
Non-current assets	11,375	11,564
Current liabilities	3,471	3,772
Non-current liabilities	8,888	8,895
Net assets	425	577
Carrying amount of non-controlling interests	64	87
	2018	**2017**
Revenue	1,494	1,559
Annual earnings	-152	-175
Total comprehensive income	-152	-175
Profit or loss attributable to non-controlling interests	-23	-26
	2018	**2017**
Cash flow from operating activities	1,125	1,178
Cash flow from investing activities	0	-4
Cash flow from financing activities	-1,377	-1,177
Net change in cash and cash equivalents	**-252**	**-3**

Centrale Photovoltaique SauS 06 SARL, France	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	1,086	1,403
Non-current assets	12,417	12,321
Current liabilities	3,583	3,892
Non-current liabilities	9,443	9,389
Net assets	477	443
Carrying amount of non-controlling interests	71	66
	2018	**2017**
Revenue	1,435	1,598
Annual earnings	34	-171
Total comprehensive income	34	-171
Profit or loss attributable to non-controlling interests	5	-26
	2018	**2017**
Cash flow from operating activities	1,100	1,318
Cash flow from investing activities	0	-5
Cash flow from financing activities	-1,411	-1,126
Net change in cash and cash equivalents	**-311**	**187**

CPV Sun 20 SARL, France	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	915	1,390
Non-current assets	7,196	7,024
Current liabilities	1,556	2,155
Non-current liabilities	6,470	6,381
Net assets	85	-122
Carrying amount of non-controlling interests	13	-18
	2018	**2017**
Revenue	816	185
Annual earnings	207	-117
Total comprehensive income	207	-117
Profit or loss attributable to non-controlling interests	31	-18
	2018	**2017**
Cash flow from operating activities	1,056	-22
Cash flow from investing activities	-206	-6,933
Cash flow from financing activities	-1,141	7,846
Net change in cash and cash equivalents	**-291**	**891**

CPV Sun 21 SARL, France	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	914	1,206
Non-current assets	9,448	8,430
Current liabilities	2,044	2,445
Non-current liabilities	8,134	7,272
Net assets	183	-81
Carrying amount of non-controlling interests	27	-12
	2018	**2017**
Revenue	1,038	284
Annual earnings	265	-76
Total comprehensive income	265	-76
Profit or loss attributable to non-controlling interests	40	-11
	2018	**2017**
Cash flow from operating activities	795	303
Cash flow from investing activities	-914	-8,035
Cash flow from financing activities	-386	8,726
Net change in cash and cash equivalents	**-505**	**994**

CPV Sun 24 SARL, France	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	1,326	2,511
Non-current assets	15,491	14,948
Current liabilities	3,379	4,755
Non-current liabilities	13,488	13,164
Net assets	-50	-461
Carrying amount of non-controlling interests	-8	-69
	2018	**2017**
Revenue	1,656	66
Annual earnings	411	-450
Total comprehensive income	411	-450
Profit or loss attributable to non-controlling interests	62	-68
	2018	**2017**
Cash flow from operating activities	2,323	92
Cash flow from investing activities	-559	-15,466
Cash flow from financing activities	-2,408	16,583
Net change in cash and cash equivalents	**-644**	**1,209**

CPV Bach SARL, France	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	1,077	497
Non-current assets	9,293	7,756
Current liabilities	1,958	2,344
Non-current liabilities	8,386	6,056
Net assets	27	-147
Carrying amount of non-controlling interests	4	-22
	2018	**2017**
Revenue	988	0
Annual earnings	174	-144
Total comprehensive income	174	-144
Profit or loss attributable to non-controlling interests	26	-21
	2018	**2017**
Cash flow from operating activities	517	-13
Cash flow from investing activities	-1,858	-7,550
Cash flow from financing activities	1,317	7,577
Net change in cash and cash equivalents	**-23**	**14**

CPV Entoublanc SARL, France	31.12.2018 in TEUR	31.12.2017 in TEUR[2]
Current assets	1,583	616
Non-current assets	9,501	8,220
Current liabilities	2,572	2,430
Non-current liabilities	8,833	6,572
Net assets	-321	-166
Carrying amount of non-controlling interests	-48	-25
	2018	**2017**
Revenue	573	265
Annual earnings	-155	-118
Total comprehensive income	-155	-118
Profit or loss attributable to non-controlling interests	-23	-17
	2018	**2017**
Cash flow from operating activities	524	147
Cash flow from investing activities	-882	-4,684
Cash flow from financing activities	1,276	4,638
Net change in cash and cash equivalents	**918**	**101**

Norhede-Hjortmose Vindkraft I/S, Denmark	31.12.2018 in TEUR	31.12.2017 in TEUR
Current assets	1,804	0
Non-current assets	12,702	0
Current liabilities	1,328	0
Non-current liabilities	1,062	0
Net assets	12,116	0
Carrying amount of non-controlling interests	2,253	0
	2018	**2017**
Revenue	751	0
Annual earnings	210	0
Total comprehensive income	191	0
Profit or loss attributable to non-controlling interests	39	0
Comprehensive income attributable to non-controlling interests	36	0
	2018	**2017**
Dividends paid to non-controlling interests	183	0
Cash flow from operating activities	1,725	0
Cash flow from investing activities	543	0
Cash flow from financing activities	-663	0
Net change in cash and cash equivalents	**1,606**	**0**

Zonnepark Budel B.V., Netherlands	31.12.2018 in TEUR	31.12.2017 in TEUR
Current assets	5,833	0
Non-current assets	47,352	0
Current liabilities	16,872	0
Non-current liabilities	35,691	0
Net assets	622	0
Carrying amount of non-controlling interests	123	0
	2018	**2017**
Revenue	71	0
Annual earnings	-1,391	0
Total comprehensive income	-1,391	0
Profit or loss attributable to non-controlling interests	-278	0
	2018	**2017**
Cash flow from operating activities	-5,018	0
Cash flow from investing activities	-22,032	0
Cash flow from financing activities	28,375	0
Net change in cash and cash equivalents	**1,325**	**0**

[2] Some of the previous-year figures have been adjusted (see explanation in the notes to the consolidated financial statements).

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

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 the acquisition. 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 eight 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 acquisitions.

Business combinations in the 2018 financial year

Energiepark Hürth-Barbarahof WP HB GmbH & Co. KG – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	2,106
Property, plant and equipment	9,888	10,059
Current assets	1,166	1,166
Cash and cash equivalents	77	77
Liabilities and provisions	11,794	12,055
Deferred tax assets	0	323
Deferred tax liabilities	0	771
Identified acquired net assets	**-663**	**905**
Determining the amount of the difference		
Purchase price for acquired shares		1
Purchase price for acquired financial liabilities		2,547
Total purchase price		**2,548**
Identified acquired net assets		905
Acquired financial liabilities (shareholder loans)		2,547
Badwill (-)		**-904**
Net cash outflow from the acquisition		2,471

This transaction refers to the 100 per cent acquisition of a German wind park near Cologne. The park was consolidated for the first time as of 08 January 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The value of the revalued equity as of the date of initial consolidation was TEUR 905. The current receivables assumed as a result of the transaction, which are made up of tax receivables, have a fair value of TEUR 1,166. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 16. Since the date of initial consolidation, revenue amounting to TEUR 758 and a loss in the amount of TEUR 179 were recorded from the acquired companies. Had the company been included in the Group since the beginning of 2018, projections would not have had a material impact on revenue or consolidated earnings. The purchase price for the shares acquired and a shareholder loan assumed was TEUR 2,548 and was paid entirely in cash.

Energiepark Odisheim GmbH & Co. WP ODI KG – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	2,321
Property, plant and equipment	20,652	20,721
Current assets	641	641
Cash and cash equivalents	2,648	2,648
Liabilities and provisions	25,054	25,302
Deferred tax assets	0	471
Deferred tax liabilities	0	773
Identified acquired net assets	**-1,113**	**727**
Determining the amount of the difference		
Purchase price for acquired shares		1
Purchase price for acquired financial liabilities		5,840
Total purchase price		**5,841**
Identified acquired net assets		727
Acquired financial liabilities (shareholder loans)		5,840
Badwill (-)		**-726**
Net cash outflow from the acquisition		3,193

This transaction refers to the 100 per cent acquisition of a German wind park in Odisheim, in the Cuxhaven district of Lower Saxony. The park was consolidated for the first time as of 02 February 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The value of the revalued equity as of the date of initial consolidation was TEUR 727. The current receivables assumed as a result of the transaction, comprising trade receivables and tax receivables, have a fair value of TEUR 460. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 33. Revenue of TEUR 1,858 and profit of TEUR 343 have been recognised from the acquired entity since the date of initial consolidation. Had the company been consolidated since the beginning of 2018, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 2,033 and a profit of TEUR 387 from this company. The purchase price for the shares acquired and a shareholder loan assumed was TEUR 5,841 and was paid entirely in cash.

Rindum Enge 1 and 5 wind parks (asset deal) – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	1,496
Property, plant and equipment	7,191	7,431
Financial assets	15	15
Current assets	0	53
Liabilities and provisions	0	240
Deferred tax assets	0	53
Deferred tax liabilities	0	382
Identified acquired net assets	**7,206**	**8,426**
Determining the amount of the difference		
Purchase price for acquired shares		7,206
Agreement on contingent considerations		364
Total purchase price		**7,570**
Identified acquired net assets		8,426
Badwill (-)		**-856**
Net cash outflow from the acquisition		7,206

The transaction involves the acquisition of two wind energy installations 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 acquisition date was 24 April 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The value of the revalued equity as of the date of initial consolidation was TEUR 8,426. 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 TEUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 145. Revenue of TEUR 698 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 Encavis 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 7,206 and was paid entirely in cash.

An agreement on a contingent consideration was entered into as part of the transaction. Due to a noise reduction measure, the wind turbines run in a reduced operating mode. If an increase in production can be achieved through contractually agreed technical adjustments to the wind turbines, this will result in an increase in the purchase price. A corresponding evaluation is due to take place in 2019. The amount of TEUR 364 represents the estimated fair value of this agreement as of the acquisition date and was determined on the basis of the contractual agreement and a corresponding expert opinion. The range is between TEUR 0 and TEUR 364.

Within the measurement period and within the meaning of IFRS 3.45, the company adjusted the purchase price allocation due to the inclusion of a contingent consideration and 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 2018 half-yearly financial report is that intangible assets increased by TEUR 939 and property, plant and equipment decreased by TEUR 3,499. After taking account of corresponding deferred tax effects, the revalued equity and badwill decreased by TEUR 1,996 and TEUR 2,360 respectively.

Rindum Enge 2 and 3 wind parks (asset deal) – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	1,794
Property, plant and equipment	6,698	6,955
Financial assets	15	15
Current assets	0	107
Liabilities and provisions	0	257
Deferred tax assets	0	56
Deferred tax liabilities	0	451
Identified acquired net assets	**6,713**	**8,219**
Determining the amount of the difference		
Purchase price for acquired shares		6,713
Agreement on contingent considerations		413
Total purchase price		**7,126**
Identified acquired net assets		8,219
Badwill (-)		**-1,093**
Net cash outflow from the acquisition		6,713

The transaction involves the acquisition of two wind energy installations 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 acquisition date was 11 July 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The value of the revalued equity as of the date of initial consolidation was TEUR 8,219. 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 TEUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 38. Revenue of TEUR 579 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 Encavis 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 6,713 and was paid entirely in cash.

An agreement on a contingent consideration was entered into as part of the transaction. Due to a noise reduction measure, the wind turbines run in a reduced operating mode. If an increase in production can be achieved through contractually agreed technical adjustments to the wind turbines, this will result in an increase in the purchase price. A corresponding evaluation is due to take place in 2019. The amount of TEUR 413 represents the estimated fair value of this agreement as of the acquisition date and was determined on the basis of the contractual agreement and a corresponding expert opinion. The range is between TEUR 0 and TEUR 413.

Solarpark Boizenburg I GmbH & Co. KG and Solarpark Boizenburg II GmbH & Co. KG – PV Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	5,495
Property, plant and equipment	7,557	5,291
Current assets	333	238
Cash and cash equivalents	303	303
Liquid assets with restrictions on disposition	189	189
Liabilities and provisions	8,038	8,695
Deferred tax assets	0	215
Deferred tax liabilities	0	783
Identified acquired net assets	**343**	**2,253**
Determining the amount of the difference		
Purchase price for acquired shares		640
Purchase price for acquired financial liabilities		2,099
Purchase price for acquired working capital		204
Agreement on contingent considerations		592
Total purchase price		**3,534**
Identified acquired net assets		2,253
Acquired financial liabilities (shareholder loans)		2,099
Badwill (-)		**-817**
Net cash outflow from the acquisition		2,564

The transaction involves the 100 per cent acquisition of two German solar parks in the Boizenburg municipality in Mecklenburg, some 70 kilometres from Hamburg. The parks' initial consolidation was on 10 August 2018. The business combination was carried out by applying the purchase method. The value of the revalued equity as of the date of initial consolidation was TEUR 2,253. The current receivables assumed as a result of the transaction, comprising trade receivables and tax receivables, have a fair value of TEUR 238. The best estimate, on the acquisition date, of the anticipated unrecoverable portion of the contractual cash flows was TEUR 0. Moreover, there were no contingent assets or liabilities. The incidental transaction costs were TEUR 66. Since the date of initial consolidation, revenue amounting to TEUR 452 and a loss in the amount of TEUR 95 were recorded from the acquired companies. Had the companies been consolidated since the beginning of 2018, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 1,362 and a profit of TEUR 232 from these companies. The purchase price for the acquired shares, the working capital and the assumed liabilities was TEUR 2,943. Of this amount, TEUR 2,866 was paid in cash.

An agreement on a contingent consideration was entered into as part of the transaction. The payment is mainly related to the performance of the parks after planned repairs. The period of this agreement is 1.5 years. The estimated fair value of this agreement as of the date of acquisition is TEUR 592. The fair value was determined based on discounted cash flows and taking into account the assumptions of the management. The range is between TEUR 0 and TEUR 870. In addition, an agreement on a purchase price retention in the amount of TEUR 75 was concluded as part of the transaction.

Solarpark Boizenburg II GmbH & Co. KG was incorporated on 11 December 2018 by contract into Solarpark Boizenburg I GmbH & Co. KG.

Norhede-Hjortmose Vind 12 ApS and Norhede-Hjortmose Vind 12 K/S – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	456
Property, plant and equipment	3,969	4,517
Financial assets	9	9
Current assets	9	9
Liabilities and provisions	2,344	2,453
Deferred tax assets	0	24
Deferred tax liabilities	0	221
Identified acquired net assets	**1,643**	**2,341**
Determining the amount of the difference		
Purchase price for acquired shares		1,642
Purchase price for acquired financial liabilities		2,344
Total purchase price		**3,986**
Identified acquired net assets		2,341
Acquired financial liabilities (shareholder loans)		2,344
Badwill (-)		**-699**
Net cash outflow from the acquisition		3,986

The transaction involves the 100 per cent acquisition of a Danish wind park not far from Ringkøbing on the North Sea coast of Denmark. The date of purchase was 24 August 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The value of the revalued equity as of the date of initial consolidation was TEUR 2,341. The current receivables assumed as part of the transaction have a fair value of TEUR 9, 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 18. Since the date of initial consolidation, revenue amounting to TEUR 335 and profit in the amount of TEUR 170 were recorded from the acquired companies. Had the companies been consolidated since the beginning of 2018, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 699 and a profit of TEUR 171 from these companies. The purchase price for the shares acquired and a shareholder loan assumed was TEUR 3,986 and was paid entirely in cash.

Norhede-Hjortmose Vindkraft I/S – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	2,055
Property, plant and equipment	9,733	10,984
Financial assets	50	50
Current assets	258	258
Cash and cash equivalents	543	543
Liabilities and provisions	4	325
Deferred tax assets	0	70
Deferred tax liabilities	0	727
Identified acquired net assets (100 per cent)	**10,580**	**12,908**
Determining the amount of the difference		
Purchase price for 81.4 per cent of shares		9,684
Identified acquired net assets (81.4 per cent)		10,507
Non-controlling interests (18.6 per cent)		2,401
Badwill (-)		**-823**
Net cash outflow from the acquisition		9,141

The transaction involves the 81.4 per cent acquisition of a Danish wind park not far from Ringkøbing on the North Sea coast of Denmark. The date of purchase was 14 September 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The value of the revalued equity as of the date of initial consolidation was TEUR 12,908. The current receivables assumed as part of the transaction have a fair value of TEUR 258, 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 60. The minority interest of TEUR 2,401 was measured as a share of the identified net assets acquired. Revenue of TEUR 751 and profit of TEUR 210 have been recognised from the acquired entity since the date of initial consolidation. Had the company been consolidated since the beginning of 2018, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 1,918 and a profit of TEUR 503 from this company. The purchase price for the shares acquired was TEUR 9,684 and was paid entirely in cash.

Norhede-Hjortmose Vind 19 I/S – Wind Parks segment

In TEUR	Carrying amount before PPA	Fair value according to preliminiary PPA
Intangible assets	0	608
Property, plant and equipment	3,149	4,141
Financial assets	9	9
Current assets	1	1
Cash and cash equivalents	116	116
Liabilities and provisions	57	163
Deferred tax assets	0	23
Deferred tax liabilities	0	352
Identified acquired net assets	**3,218**	**4,383**
Determining the amount of the difference		
Purchase price for acquired shares		3,870
Total purchase price		**3,870**
Identified acquired net assets		4,383
Badwill (-)		**-513**
Net cash outflow from the acquisition		3,754

The transaction involves the 100 per cent acquisition of a Danish wind park not far from Ringkøbing on the North Sea coast of Denmark. The date of purchase was 4 October 2018. The business combination was carried out by applying the purchase (partial goodwill) method. The value of the revalued equity as of the date of initial consolidation was TEUR 4,383. The current receivables assumed as part of the transaction have a fair value of TEUR 1, 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 18. Since the date of initial consolidation, revenue amounting to TEUR 279 and profit in the amount of TEUR 160 were recorded from the acquired companies. Had the company been consolidated since the beginning of 2018, projections show that the consolidated financial statements would have reflected additional revenue of TEUR 627 and a profit of TEUR 219 from this company. The purchase price for the shares acquired was TEUR 3,870 and was paid entirely in cash.

Finalisation of the purchase price allocation for Todderstaffe Solar Ltd.

During the measurement period as per IFRS 3.45, the company adjusted the purchase price allocation in the first half of 2018 due to the now finalised measurement of the intangible assets. The main changes to the provisional purchase price allocation and the figures presented in the 2017 annual report are a decrease in intangible assets of TEUR 10 and a decrease in deferred tax assets of TEUR 2. This resulted in a reduction in badwill of TEUR 8.

Reasons for the realisation of badwill

The badwill was largely realised 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.

Business combinations often require participation in a public sale process whereby the purchase price is significantly influenced by the bids made by competitors. However, the Group acquisitions result only from exclusive negotiations with the seller, which has a significant influence on the realisation of 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 for 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. As the business relationships go back a long way in some cases, the sellers also have a high degree 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.

Overall impact of the business combinations on the Group result

The consolidated earnings contain profit of TEUR 609 generated by the companies newly included in the consolidated financial statements between 1 January and 31 December 2018 (without asset deals). Revenue contains TEUR 5,710 from subsidiaries consolidated for the first time in the 2018 financial year. According to estimates, had all business combinations been effected as of 1 January 2018, then Group revenue as of 31 December 2018 would have increased by TEUR 7,396 and consolidated earnings would have risen by TEUR 1,333. These projections do not include revenues or results for the asset deals.

The badwill for the business combinations and adjustments arising from provisional purchase price allocations amounted to TEUR 6,424 in total for the 2018 financial year (previous year: TEUR 21,341). In the previous year as well, goodwill in the amount of TEUR 10,168 was recognised from the business combinations.

Business combinations and other acquisitions after the balance sheet date

On 14 January 2019, Encavis AG announced that it had acquired an additional solar park in the Netherlands with a generation capacity of more than 14 MW. The Zierikzee solar park in the Zeeland province, which was acquired in January 2019, was connected to the grid at the end of 2018 and has a generation capacity of 14.1 MW. Over the first 15 years, the solar park will receive a feed-in tariff of nearly EUR 0.11 per kWh; the park will then receive the market price. From the first full year of operation onward, Encavis expects the Zierikzee solar park to make annual revenue contributions of some EUR 1.4 million. The investment volume, including project-related debt financing costs, amounts to EUR 10.6 million. The seller retains a total participating interest of 10 per cent in the solar park. 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 earnings are expected to rise, but the increase cannot yet be quantified.

Business combinations in the previous year

In the 2017 financial year, the following companies were added to the scope of consolidation as a result of business combinations:

In Germany	Abroad
Energiepark Passow WP Briest III GmbH & Co. KG	Piemonte Eguzki 2 S.r.l.
UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie	Piemonte Eguzki 6 S.r.l.
UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie	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.)
Green Energy 018 GmbH & Co. KG	Todderstaffe Solar Ltd.
Green Energy 010 GmbH & Co. KG	Windenergieanlagen Norhede 9, 14 und 20 (Asset Deal)
	Cmore Energy Ltd.
	Emerald Electron Ltd.
	Freshpower Ltd. (including participating interest in Push Energy (Gosfield Airfield) Ltd.)
	PJC Renewable Energy Ltd. (including participating interest in Push Energy (Wisbridge) 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.

Encavis acquired 80.01 per cent of the shares in the Dutch company Zonnepark Budel B.V. on 8 March 2018. This is a project company for the construction of a wind park in the Netherlands with a generation capacity of 43.9 MW. It commenced operations in December 2018.

Encavis acquired project rights for Irish solar parks on 21 June 2018. The project rights were transferred to the following self-founded companies based in Ireland: Creevy Solar Farm DAC, Garrymore Solar Farm DAC, Martinstown Solar Farm DAC, Ballinaclough Solar DAC and Mainscourt Solar DAC. The projects are in various stages of development and are intended to further advance the planned expansion of business activities in Ireland. The operating companies (SPVs) with an expected total generation capacity of approximately 67 MW, hold project rights with a total value of TEUR 967 as of the reporting date.

4.3 Disposals of subsidiaries and participating interests

In the 2018 financial year, no material subsidiaries or participating interests were divested.

4.4 Significant restrictions

Pursuant to IFRS 12.13, CSG IPP GmbH is subject to the following significant restrictions that result from the mezzanine capital contract with Gothaer Lebensversicherung AG (hereinafter “Gothaer”). Investments in connection with the mezzanine capital are subject to various investment criteria that are determined by a committee comprising equal numbers of representatives of Encavis and Gothaer. Furthermore, during the term of the mezzanine capital contract, the shares in CSG IPP GmbH must not be pledged or encumbered with other rights and no cash-pooling contracts are permitted to exist. This does not include contracts between CSG IPP GmbH and the subsidiaries of CSG IPP GmbH. Material measures such as the dissolution or liquidation of CSG IPP GmbH require a unanimous decision by the committee. If Encavis intends to sell its interest in CSG IPP GmbH, Gothaer has a right of first refusal. Furthermore, the mezzanine capital contract stipulates narrowly defined rules on the liquidity available for distribution. The carrying amount of the assets of CSG IPP GmbH as of the balance sheet date is TEUR 216,610 (previous year: TEUR 206,113) and the carrying amount of the liabilities is TEUR 209,598 (previous year: TEUR 202,373). The carrying amount of the assets of CSG IPP GmbH in the consolidated financial statements as of the balance sheet date is TEUR 22,933 (previous year: TEUR 7,542) and the carrying amount of the liabilities is TEUR 161,976 (previous year: TEUR 157,040).

5 Notes to the consolidated statement of comprehensive income

5.1 Revenue

TEUR 248,785

Previous year: TEUR 222,432

The following table shows a breakdown of external revenue by the main geographical markets and the time of revenue recognition in order to illustrate the influence of economic factors on the type, amount, time and uncertainty of revenues and cash flows:

In TEUR	PV Parks	Wind Parks	PV Service	Asset Management	Total
Main geographical markets					
Germany	71,152	38,853	303	4,136	114,444
Italy	60,884	1,695			62,579
France	36,747	6,914			43,661
United Kingdom	17,584				17,584
Austria		5,682			5,682
Denmark		4,695			4,695
Netherlands	139				139
Spain	1				1
Total	**186,507**	**57,839**	**303**	**4,136**	**248,785**
Date of revenue realisation					
Services provided over a certain period of time	186,507	57,839	303	4,136	248,785

5.2 Other income

TEUR 17,463

Previous year: TEUR 31,245

Other income consists of income recognised through profit or loss of TEUR 6,424 from the initial consolidation of solar parks and wind parks (previous year: TEUR 21,341). 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 the 2018 financial year. This item still includes non-period income of TEUR 3,129 (previous year: TEUR 2,998) and income from the reversal of deferred accrual items (government grants) in the amount of TEUR 2,166 (previous year: TEUR 2,180). Of the non-period income, TEUR 1,236 (previous year: TEUR 645) is due to the reversal of provisions.

5.3 Cost of materials

TEUR -1,756

Previous year: TEUR -1,514

This largely comprises the purchase of externally supplied electricity for the operation of the solar parks and wind parks in the amount of TEUR 1,630 (previous year: TEUR 1,458).

5.4 Personnel expenses

TEUR -13,306

Previous year: TEUR -10,972

Personnel expenses developed as follows:

In TEUR	2018	2017
Salaries	11,127	9,173
Social security contributions	1,392	1,228
Other personnel expenses	479	402
Personnel expenses from share-based payment	308	169
Total	**13,306**	**10,972**

In the 2018 financial year, there were an average of 119 employees at the Group (2017: 101.25 employees). Of these, 66.50 were employed at Encavis AG, ten at Encavis Technical Services GmbH, 39.75 at Encavis Asset Management AG and 2.75 at TC Wind Management GmbH.

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

Personnel expenses from the share option programmes (see section 6.13 of the notes) of TEUR 308 (previous year: TEUR 169) were recognised in the consolidated earnings in the 2018 financial year.

In the 2018 financial year, payments of the employer's shares of statutory German pension insurance contributions amounted to TEUR 536 (previous year: TEUR 498).

5.5 Other expenses

TEUR -55,860

Previous year: TEUR -50,773

This item comprises:

Type of expense in TEUR	2018	2017
Costs for solar and wind parks	40,167	37,003
Due diligence and transaction costs	1,774	3,195
Legal and consulting fees	1,302	1,832
Operating expenses	9,421	5,920
Rent and cost of premises	968	835
Financial statement preparation and audit costs	780	890
Supervisory Board remuneration	390	332
Publications and Annual General Meeting	251	532
Investor relations and designated sponsoring	160	95
Other	648	138
Total	**55,860**	**50,773**

Other operating expenses largely comprise the costs of operating the parks, acquisition and administration costs, stock-market listing costs, and 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	2018	2017
Technical and commercial management	12,523	11,061
Commercial lease	8,219	6,881
Repairs and maintenance	5,689	5,917
Other tax expenses for parks	2,578	2,097
Insurance	2,201	1,947
Legal and consulting fees	1,719	2,157
Fees, incidental costs and allowable expenses	1,302	1,062
Alarm and security costs	381	429
Other	5,555	5,452
Total	**40,167**	**37,003**

5.6 Depreciation and amortisation

TEUR -123,770

Previous year: TEUR -102,493

In this item, scheduled amortisation and impairments of intangible assets (TEUR 46,297; previous year: TEUR 44,438) and depreciation of property, plant and equipment (TEUR 65,168; previous year: TEUR 58,056) were recognised. The bulk of the amortisation and impairments of intangible assets and (TEUR 45,280, previous year: TEUR 43,208) relates to capitalised feed-in contracts. The depreciation of property, plant and equipment is largely accounted for by power generation installations (TEUR 64,647, previous year: TEUR 57,741).

This item also includes impairment losses of TEUR 12,400 on the goodwill of the cash-generating unit “PV United Kingdom” and the corresponding currency effects.

5.7 Financial result

TEUR -51,803

Previous year: TEUR -47,161

This item comprises:

In TEUR	2018	2017
Interest and other similar income	14,691	13,508
Income from participating interests	35	132
Earnings attributable to non-controlling interests	58	61
Financial income	**14,785**	**13,701**
Interest and other similar expenses	-65,375	-58,834
Depreciation of financial assets	0	-904
Earnings attributable to non-controlling interests	-1,202	-1,107
Financial expenses	**-66,577**	**-60,844**
Earnings from financial assets accounted for using the equity method	**-11**	**-18**
Total	**-51,803**	**-47,161**

Interest and other similar income includes income from the valuation of derivative financial instruments in the amount of TEUR 2,655 (previous year: TEUR 3,311) and income from the continuous valuation of financial liabilities within the scope of business combinations in the amount of TEUR 8,916 (previous year: TEUR 9,814). The financial result also comprises net losses from foreign currency translation of TEUR 535 (previous year: TEUR 2,711). In the financial year, the financial result also includes the effects from the measurement at fair value through profit or loss of non-current financial assets, which were previously measured in other comprehensive income (expenses of TEUR 937 and income of TEUR 876).

5.8 Income taxes

TEUR -8,975

Previous year: TEUR -13,059

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

In TEUR	2018	2017
Earnings before taxes (EBT)	19,754	40,763
Expected taxes on income (32.28 per cent; previous year: 32.21 per cent)	-6,376	-13,130
Differences due to different local tax rates and tax rate changes	3,311	7,392
Increase/decrease in corporate income tax	0	-1
Taxes relating to other periods	7,891	-5,742
Effects from tax-free income	2,679	6,290
Effects from non-tax-deductible operating expenses	-1,514	-910
Effects due to the use or impairment of loss carry-forwards	-6,525	-2,402
Tax effects from the depreciation of goodwill	-2,824	0
Effects of trade tax additions and deductions	-2,567	-1,883
Other valuation differences	-3,126	-2,678
Other permanent differences	76	5
Taxes on income	-8,975	-13,059

With a current tax expense of TEUR 10,739 (previous year: TEUR 6,777) and a deferred tax income of TEUR 1,763 (previous year: tax expenses of TEUR 6,281), total tax expense for 2018 recognised in the statement of comprehensive income amounts to TEUR 8,975 (previous year: TEUR 13,059).

Deferred taxes recognised in other comprehensive income amount to TEUR –270 (previous year: TEUR –920). They are recognised for the effective portion of the changes in the fair value of financial instruments, which are used in cash flow hedges, and in the previous year for changes in the fair value of financial assets available for sale (AfS).

For the hybrid capital raised via Encavis Finance B.V. in accordance with IFRS, calculated income taxes on the tax-deductible interest expense of TEUR 1,022 were recognised directly in equity for the first time.

In 2018, a tax audit was started for Encavis AG and some subsidiaries. There are no significant audit findings. No provisions for income taxes were recorded. The audit has also not yet given rise to any reason to change the risk provision for further open assessment years.

5.9 Other comprehensive income

TEUR 733

Previous year: TEUR 1,215

Other comprehensive income comprises mainly hedge reserves amounting to TEUR 1,206 (previous year: TEUR 2,231) and currency translation differences in the amount of TEUR –140 (previous year: TEUR 150). Amounts recognised in equity will be reclassified in full to consolidated earnings once the corresponding hedged items have expired. In the 2018 financial year, TEUR -29 was reclassified from the currency translation reserve to consolidated earnings.

In the previous year, other comprehensive income also included the effects of changes in fair value of non-current assets classified as held for sale in the amount of TEUR -210. These relate to interests in investment funds and mezzanine capital in CHORUS IPP Europe GmbH. With the introduction of IFRS 9, these investments were allocated to the FVPL category, which means that changes in fair values have since been recognised in consolidated earnings.

The corresponding deferred tax effects amount to TEUR -270 (previous year: TEUR -920). There are currently no items in the Encavis Group that cannot be reclassified to profit or loss.

In TEUR	Amount before taxes	Tax effect	Amount after taxes
Items that can be reclassified to profit or loss			
Currency translation differences	-140	0	-140
(previous year)	(150)	(0)	(150)
Cash flow hedges – effective portion of change in fair value	1,206	-276	930
(previous year)	(2,231)	(-974)	(1,257)
Cost of hedging measures	-34	6	-28
(previous year)	(0)	(0)	(0)
Changes in the market value of financial assets measured in other comprehensive income (previously: AfS)	0	0	0
(previous year)	(-210)	(54)	(-156)
Reclassifications	-29	0	-29
(previous year)	(-36)	(0)	(-36)
Total change	**1,003**	**-270**	**733**
(previous year)	(2,135)	(-920)	(1,215)

6 Notes to the consolidated balance sheet

6.1 Intangible assets

TEUR 579,950

Previous year: TEUR 609,482

Changes to intangible assets are reported in the statement of changes in fixed assets. Intangible assets are mostly composed of project rights and electricity feed-in contracts amounting to TEUR 568,197 (previous year: TEUR 597,333). The item also includes service contracts totalling TEUR 10,474 (previous year: TEUR 11,149).

The collateral offered is described in section 3.11 of the notes. There are no contractual obligations to acquire intangible assets.

6.2 Goodwill

TEUR 19,989

Previous year: TEUR 32,405

The goodwill as of the balance sheet 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 of the reporting date, the following groups of cash-generating units accounted for a significant portion of goodwill:

	31.12.2018		
	Goodwill in TEUR *(previous year)*	Before-Tax-WACC in % *(previous year)*	After-Tax-WACC in % *(previous year)*
PV Germany	1,674 *(1,674)*	5.02 *(4.13)*	3.58 *(2.94)*
PV Italy	1,073 *(1,073)*	5.65 *(4.73)*	4.22 *(3.58)*
PV United Kingdom	2,875 *(15,291)*	5.14 *(5.66)*	4.19 *(4.45)*
Wind Germany	570 *(570)*	5.12 *(4.69)*	3.58 *(2.94)*
Wind France	2,445 *(2,445)*	4.79 *(4.37)*	3.82 *(3.18)*
Wind Austria	231 *(231)*	4.71 *(4.96)*	3.68 *(3.04)*
PV Service	1,481 *(1,481)*	4.70 *(3.76)*	3.58 *(2.94)*
Asset Management	9,640 *(9,640)*	4.96 *(3.77)*	3.58 *(2.94)*
Total	**19,989 *(32,405)***		

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

The sum of carrying amounts in each group of cash-generating units is compared to the recoverable amount in the impairment tests. The recoverable amount is the value in use, which is calculated from discounted future cash flows. The expected cash flows are reduced by the amount of income tax and discounted based on a capitalised interest rate after taxes. The capital asset pricing model is used to determine the capitalised interest rate from the average weighted average cost of capital (WACC). The detailed forecast 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 four or five years in exceptional cases if detailed forecasts are available. After the conclusion of the detailed planning period, as was the case in the previous year, a growth rate of 1.0 per cent is applied. The cash flow forecasts are most sensitive to the assumed long-term growth rate and the cost of capital.

In past years, the prescribed annual audit was carried out as of 31 December of the respective financial year. In the year under review, for organisational reasons, the date was changed to 30 September. In future, the test will always take place as of this date.

The review as of 30 September 2018 revealed a value in use in the amount of TEUR 166,569 and an impairment loss of TEUR 12,400 on goodwill in the amount of TEUR 2,891 for the cash-generating unit “PV United Kingdom”. The effect from currency translation was TEUR 16 as of the balance sheet date. The reason for the impairment is the changed and uncertain market environment in the United Kingdom, which is due to, among other factors, the impending Brexit process, and the corresponding planning assumptions. The impairment of all other capitalised goodwill at the level of the groups of cash-generating units was confirmed by the review. In the period from 30 September 2018 to 31 December 2018, there were no indications that the valuation would have been materially affected.

Two sensitivity analyses were carried out for each group of cash-generating units in addition to this test. The capitalised interest rate was increased by 0.5 percentage points for each group of cash-generating units during the first sensitivity analysis. This would result in a write-down of TEUR 1,869 for the cash-generating unit “Asset Management” and a shortfall of TEUR 10,647 for the cash-generating unit “PV United Kingdom”. Impairment would occur for the cash-generating unit “Asset Management” if the interest rate increased by 0.21 percentage points, or for the cash-generating unit “PV United Kingdom” if the parameter was reduced by any amount as a result of the immediate impairment loss.

The second sensitivity analysis involved the application of a scenario without a growth rate. This scenario would result in shortfalls for the cash-generating units “Wind Germany” (TEUR 54,678), “PV United Kingdom” (TEUR 26,782), “Wind Austria” (TEUR 2,269) and “Wind France” (TEUR 3,545). A write-down of TEUR 2,805 would result for the cash-generating unit “Asset Management”. The cash-generating unit “Wind Germany” would be written down from a growth rate of 0.66 percentage points, “Wind Austria” from 0.18 percentage points, “Wind France” from 0.20 percentage points and “Asset Management” from 0.70 percentage points. In the case of the cash-generating unit “PV United Kingdom”, any reduction in the parameter would result in a need for write-downs due to the immediate impairment loss.

6.3 Property, plant and equipment

TEUR 1,548,639

Previous year: TEUR 1,455,168

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 1,544,402; previous year: TEUR 1,432,321), installations under construction (TEUR 1,044; previous year: TEUR 21,144) and other property, plant and equipment (TEUR 3,193; previous year: TEUR 1,703). The line item power generation installations includes capitalised loan interest in the amount of TEUR 2,361 (previous year: TEUR 1,762).

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

In TEUR	2018	2017
Acquisition cost		
As of 01.01	50,372	42,296
Additions	0	8,076
As of 31.12	**50,372**	**50,372**
Depreciation and amortisation		
As of 01.01	8,321	6,205
Additions	2,922	2,116
As of 31.12	**11,243**	**8,321**
Carrying amount as of 31.12	**39,129**	**42,051**

Property, plant and equipment includes power generation installations, installations under construction, other property, plant and equipment, and land amounting to TEUR 1,506,313 (previous year: TEUR 1,442,120) as collateral for existing financing. There are no contractual obligations to purchase property, plant and equipment and no material non-current assets have been disposed of.

6.4 Financial assets accounted for using the equity method

TEUR 14,514

Previous year: TEUR 690

As of 31 December 2018, the associated companies include the shares in Gnannenweiler Windnetz GmbH & Co. KG in the amount of TEUR 124 and the shares in CHORUS IPP Europe GmbH in the amount of TEUR 167. The shares in Pexapark AG, Schlieren, Switzerland, in the amount of TEUR 3,022 and the shares in Genia Extremadura Solar SL, Valencia, Spain (Talayuela), in the amount of TEUR 11,200 were acquired during the financial year. The equity method must be used for all these interests.

The shares in CHORUS Infrastructure Fund S.A. SICAV-SIF, based in Munsbach, Luxembourg, have no longer been treated as associated companies since Mr Götze left the Management Board in May 2018 and are therefore reported as other financial investments. Changes in the market value of these shares are recognised in profit or loss. In the previous year, the shares were classified as an associated company due to the activities of Mr Götze on the administrative board of the public limited company under Luxembourg law, as a significant influence was to be expected.

As of the balance sheet date, Encavis holds all shares of CHORUS IPP Europe GmbH, registered in Neubiberg, Germany. The company is not fully consolidated but classified as an associate despite the majority interest because most of the returns from the investment are received by an external third party via interest on mezzanine capital. In addition to the shares in CHORUS IPP Europe GmbH, Encavis holds mezzanine capital in and also provides services for the company. The investment serves as a means to expand the Group's asset management business by taking over management of the portfolio of solar parks and wind parks held. Please refer to section 12 of the notes for quantitative disclosures.

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

At the end of 2018, Encavis acquired 18.16 per cent of shares in the young Swiss company Pexapark. Significant influence is assumed on the basis of the amount of shares held and the co-determination rights conferred by a seat on the company's administrative board. Due to the proximity of the closing date to the balance sheet date, no earnings contributions from the investment were recognised in the Group's statement of comprehensive income in the financial year.

On 9 October 2018, Encavis acquired a solar park under construction near the Spanish city of Talayuela. With an 80 per cent holding, Encavis holds the majority of the shares in the company but has no control over the company prior to commissioning due to the contractual arrangements. Therefore, the company is accounted for as an associated company using the equity method until it is put into operation.

In TEUR	CHORUS Infrastructure Fund S.A. SICAV-SIF	CHORUS IPP Europe GmbH	Gnannenweiler Windnetz GmbH & Co. KG	Pexapark AG	Talayuela	Total
As of 01.01.2018	388	167	135	0	0	690
Addition/acquisition	0	0	0	3,022	11,200	14,222
Distribution	0	0	0	0	0	0
Earnings	0	0	-11	0	0	-11
Reclassification to financial assets	-388	0	0	0	0	-388
As of 31.12.2018	**0**	**167**	**124**	**3,022**	**11,200**	**14,514**

6.5 Financial assets

TEUR 6,474

Previous year: TEUR 11,071

Changes to financial assets are as follows:

In TEUR	2018	2017
As of 01.01	11,071	7,334
Additions to loans together with interest	2	5,116
Acquisitions and other additions	159	58
Acquisitions included in the scope of consolidation	68	21
Reclassifications from the equity method	388	0
Redemptions and other disposals	-5,103	-345
Losses recognised in other comprehensive income (change in fair value of available-for-sale financial assets up to 2017)	0	-210
Losses recognised in the financial result (change in fair value of available-for-sale financial assets from 2018 as well as impairments)	-112	-904
As of 31.12	**6,474**	**11,071**

Non-current financial assets include participating interests in four investment funds in the renewable energy sector in the form of limited partnerships that are registered in the United Kingdom and in the Cayman Islands: CleanTech Europe I L.P., London, United Kingdom (“Zouk I”), CleanTech Europe II L.P., London, United Kingdom (“Zouk II”), Hudson Clean Energy Partners (Cayman) L.P., Cayman Islands (“Hudson”), and European Renewable Energy Fund I L.P., London, United Kingdom (“Platina”), totalling TEUR 3,462 (previous year: TEUR 4,074).

Mezzanine capital amounting to TEUR 1,092 (previous year: TEUR 1,751) in CHORUS IPP Europe GmbH, Neubiberg, is also reported here, as well as miscellaneous other equity investments totalling TEUR 184 as of 31 December 2018 (previous year: TEUR 96). The equity investments include investments in non-listed shares which are not traded on an active market. As of the balance sheet date, Encavis does not intend to dispose of any of these investments.

This item also includes loans to associates in the amount of TEUR 1,000 (previous year: TEUR 4,840) and other loans in the amount of TEUR 229 (previous year: TEUR 276). The repayment of loans to associated companies is related to the switch to the full consolidation of these companies. In addition, the shares in CHORUS Infrastructure Fund S.A. SICAV-SIF previously accounted for using the equity method were reclassified to financial assets in the financial year. New additions include 9.09 per cent of the shares in an Irish development fund to support the development of the market segment in the amount of TEUR 130.

Mezzanine capital held and investments in investment funds which are reported under non-current financial assets were classified as available for sale under IAS 39 and measured at fair value in other comprehensive income. These financial assets are now classified as at fair value through profit or loss (FVPL) in accordance with IFRS 9. They do not meet the criteria for measurement at amortised cost, as the cash flows from this do not only represent interest and principal payments. As of 1 January 2018, the valuation effects of these instruments, previously recognised directly in equity, were reclassified to the Group’s net earnings. In the 2018 financial year, net losses from changes in the fair value of these investments amounting to TEUR 62 were recognised in consolidated earnings. Of this amount, TEUR 876 is recognised under financial income and TEUR –937 under financial expenses.

The Group estimates the credit risks for loans granted to be low, in principle unchanged since initial recognition, which is why a provision for losses on receivables was formed for these items in the amount of the expected 12-month losses on receivables in the amount of TEUR 50.

6.6 Other receivables (non-current)

TEUR 19,518

Previous year: TEUR 14,558

This consists of non-current encroachment easements and advance payments for leases of TEUR 15,547 (previous year: TEUR 10,859), derivatives with positive fair values in the amount of TEUR 2,006 (previous year: TEUR 1,613) and other non-current receivables of TEUR 1,965 (previous year: TEUR 2,086).

6.7 Deferred taxes

Deferred taxes are recognised in the Group at the respective company's individual tax rate. The expected Group tax rate is 32.28 per cent and corresponds to the tax rate of the Group parent company Encavis AG, consisting of the corporation tax rate of 15 per cent, the solidarity surcharge of 5.5 per cent on the corporation tax rate and a trade tax rate of 16.45 per cent.

Deferred taxes from the use of tax loss carry-forwards are to be capitalised to the extent that it is probable that income can be offset against existing loss carry-forwards.

The Group's provisional tax loss carry-forwards as of 31 December 2018 came to TEUR 136,715 (previous year: TEUR 132,141) in corporation tax and TEUR 60,586 (previous year: TEUR 57,643) in German trade tax and other comparable local taxes in other countries. Of this, totals of TEUR 57,602 (previous year: TEUR 46,635) in corporation tax and TEUR 44,549 (previous year: TEUR 36,081) in German trade tax and other comparable local taxes in other countries will likely not be used within a reasonable period. Therefore, no deferred tax assets have been recognised for these amounts. As a result, interest carry-forwards amounted to TEUR 39,778 as of 31 December 2018 (previous year: TEUR 30,518). No deferred taxes were recognised on TEUR 38,526 (previous year: TEUR 25,373) because use is unlikely at the present time.

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

Deferred taxes	2018		2017		
	Asset in TEUR	Liabilities in TEUR	Asset in TEUR	Liabilities in TEUR	Change
Fixed assets	46,875	231,243	45,241	231,341	1,732
Current assets	7,540	1,276	6,507	633	390
Liabilities	44,117	2,021	44,666	1,575	-995
Tax loss carry-forwards	19,369	0	21,234	0	-1,865
Interest carry-forwards	268	0	1,248	0	-980
Total	**118,169**	**234,540**	**118,896**	**233,548**	**-1,719**
				Change in 2018	-1,719
				of which recognised directly in equity	120
				of which from currency translation and other effects not recognised in the income statement	137
				of which from business combinations not recognised in the income statement	3,224
				Change recognised in profit or loss in 2018	**1,763**

The total change in deferred taxes differs from the deferred taxes recognised in consolidated earnings by TEUR 3,481 (previous year: 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.

Deferred tax assets are primarily deferred tax assets on wind or solar installations in the amount of TEUR 40,671 (previous year: TEUR 39,931) and on non-current liabilities in the amount of TEUR 32,911 (previous year: TEUR 37,408).

Deferred tax liabilities are primarily deferred tax liabilities on electricity feed-in contracts in the amount of TEUR 146,575 (previous year: TEUR 156,432) and on wind or solar installations in the amount of TEUR 75,183 (previous year: TEUR 73,506).

In total, deferred tax assets increased by TEUR 1,236 and deferred tax liabilities by TEUR 4,457 due to corporate acquisitions.

Tax loss carry-forwards increased compared to 2017. At the same time, deferred tax assets on tax loss carry-forwards of TEUR 21,234 decreased to TEUR 19,369. The reason for the decrease in deferred tax assets on the loss carry-forwards is that these are only recognised on the part of the loss carry-forwards that are expected to be able to be used within a reasonable period.

No deferred taxes are recognised on temporary differences of TEUR 9,289 (previous year: TEUR 9,455) in connection with shares in Group companies, as the reversal can be controlled by the Group and no disposals are planned in the foreseeable future.

6.8 Inventories

TEUR 422

Previous year: TEUR 339

Inventories are primarily commodities and spare parts.

6.9 Trade receivables

TEUR 36,178

Previous year: TEUR 40,146

In TEUR	2018	2017
Trade receivables (gross)	36,349	40,146
Impairments	-170	0
Net result	**36,178**	**40,146**

Trade receivables are amounts owed by government or private purchasers or other customers for goods sold or services rendered in the ordinary course of business. They are generally due within 30 to 60 days, depending on the country, and are therefore classified as current. Trade receivables are initially recognised at the amount of the unconditional consideration. No significant financing components are included for Encavis. The Group holds trade receivables in order to collect the contractual cash flows and subsequently measures them at amortised cost using the effective interest method. Details of the Group’s impairment methods and the calculation of the impairments and other risks to which the Group is exposed are disclosed in section 8 of the notes under the section for credit risks. Impairment losses on trade receivables increased over the course of the year from TEUR 95 to TEUR 170. This increase is mainly attributable to the development of the underlying yield curves. Encavis has not currently entered into any agreements on the transfer of receivables (factoring).

Trade receivables amounting to TEUR 36,649 (previous year: TEUR 40,146) were provided as collateral. This means the cession of the claim for payment against the grid companies from the feed in of electricity as well as the cession of payment or compensation claims against third parties resulting from direct distribution contracts.

6.10 Other current assets

TEUR 52,721

Previous year: TEUR 41,367

Other current assets break down as follows:

In TEUR	2018	2017
Non-financial assets	9,714	8,585
Receivables from income taxes	29,269	21,471
Other current receivables	13,738	11,311
Total	**52,721**	**41,367**

The non-financial assets comprise primarily VAT receivables.

Income tax receivables include TEUR 3,976 (previous year: TEUR 5,316) in corporation tax receivables, TEUR 3,027 (previous year: TEUR 3,465) in trade tax receivables and TEUR 22,266 (previous year: TEUR 12,690) in capital gains tax receivables.

Other current receivables are mainly prepaid expenses and deferred charges in the amount of TEUR 5,184 (previous year: TEUR 4,685), as well as sureties amounting to TEUR 1,791 (previous year: TEUR 2,024) and current encroachment easements and advance lease payments totalling TEUR 894 (previous year: TEUR 696), a reservation fee in the amount of TEUR 980 (previous year: TEUR 0) and other assets and receivables. The financial assets included here, which are measured at amortised cost, were written down accordingly in the amount of TEUR 26 (previous year: TEUR 0). As the Group has continuously regarded the default risks for these items as low since initial recognition, a risk provision was formed in the amount of the expected 12-month losses on receivables.

6.11 Liquid funds

TEUR 252,491

Previous year: TEUR 195,577

The liquid funds item comprises the following:

In TEUR	2018	2017
Cash and cash equivalents	175,564	124,388
of which overdraft facilities	*4,032*	*4,404*
of which cash and cash equivalents in the cash flow statement	*171,533*	*119,984*
Restricted liquid funds	76,927	71,188
Total	**252,491**	**195,577**

Liquid funds are composed entirely of cash on hand and bank balances. They include debt service and project reserves, which serve as collateral for the solar parks and wind parks with the lending banks and can only be used in consultation with the lending banks (TEUR 69,228; previous year: TEUR 65,328) and, to a lesser extent, restricted liquid funds held at Encavis AG and CSG IPP GmbH as well as three other subsidiaries (TEUR 7,699; previous year: TEUR 5,860). In accordance with IAS 7, cash funds are composed of non-restricted cash and cash equivalents.

6.12 Equity

TEUR 687,057

Previous year: TEUR 698,594

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

The fully paid-up share capital of Encavis AG amounted to TEUR 129,487 (previous year: TEUR 128,252) as of 31 December 2018, divided into 129,487,340 (previous year: 128,252,214) no-par-value bearer shares with a nominal value of EUR 1.00 per share.

Authorised Capital 2017

A resolution of the annual shareholders' meeting on 18 May 2017 with the approval of the Supervisory Board authorised the Management Board to increase the share capital in the period up until 17 May 2022 by up to EUR 63,261,830.00 by issuing a total of 63,261,830 new no-par-value bearer shares against cash and non-cash contributions on one or more occasions ("Authorised Capital 2017"). Shareholders' subscription rights are excluded. The Management Board is entitled to exclude shareholders' subscription rights in certain cases with the approval of the Supervisory Board. Authorised Capital 2017 totalled EUR 63,261,830.00 as of 31 December 2017. In order to offset dividend entitlements, the Encavis AG Management Board decided to make partial use of Authorised Capital 2017 with the consent of the Supervisory Board and increase the company's share capital by EUR 1,185,126.00 through the issue of 1,185,126 new no-par-value bearer shares with profit entitlement starting on 1 January 2018. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 14 June 2018 (HRB 63197). Authorised Capital 2017 now totals EUR 62,076,704.00 as of 31 December 2018.

Contingent capital

By virtue of the authorising resolution of the Annual General Meeting on 18 May 2017, the share capital of Encavis AG has been increased by up to EUR 25,304,730.00 through the issue of up to 25,304,730 new no-par-value bearer shares with a nominal value of EUR 1.00 per share (Contingent Capital 2017).

The contingent capital increase will only be implemented if the holders of bonds issued or guaranteed before 17 May 2022 by the company, or a wholly owned direct or indirect holding of the company, as per authorisation resolution of the Annual General Meeting on 18 May 2017, exercise their option or conversion rights, or, if they are required to convert, fulfil their obligation to convert, or, if the company exercises its option to grant shares in the company as full or partial payment of cash due if not settled in cash, or own shares are used to service the debt. With the consent of the Supervisory Board, the Management Board may, as far as permitted by law, determine that new shares participate in profits in a different proportion from that defined in section 60, paragraph 2 of the Stock Corporation Act (*Aktiengesetz* – AktG). Contingent Capital 2017 totals EUR 25,304,730.00 as of 31 December 2018.

By resolution of the Annual General Meeting of Encavis AG on 20 June 2012, share capital of the company was conditionally increased by up to EUR 2,320,000.00 through the issue of up to 2,320,000 no-par-value bearer shares ("Contingent Capital III"). By resolution of the Annual General Meeting on 18 May 2017, Contingent Capital III was reduced to EUR 640,000.00. Contingent Capital III serves to secure subscription rights from share options. With the consent of the Supervisory Board, the Management Board was authorised by the Annual General Meeting on 20 June 2012, pursuant to the specific option conditions laid down in the 2012 share option programme, to grant up to 2,320,000 share options on company shares by 19 June 2017 (inclusive) to selected executives and other key employees of the company, whereby each share option confers the right to acquire one share in the company. From the 2012 share option programme, 50,000 warrants were exercised pursuant to the specific option conditions and converted into a total of 50,000 no-par-value shares in the company – with a nominal value of EUR 50,000.00 in total – from Contingent Capital III, which was approved by the Annual General Meeting on 20 June 2012. Implementation of the capital increase was entered in the commercial register of the Hamburg district court on 12 February 2019 (HRB 63197). The Contingent Capital III now totals EUR 590,000.00.

Furthermore, share capital is conditionally increased by up to EUR 19,000,000.00 through the issue of up to 19,000,000 new no-par-value bearer shares (Contingent Capital 2018). The contingent capital increase will only be implemented to the extent that holders of conversion rights or warrants attached to warrant bonds, convertible bonds, mezzanine capital and/or profit-linked bonds (or a combination of these instruments) issued before 7 May 2023 by the company or its direct or indirect wholly owned affiliates on the basis of the resolution passed by the Annual General Meeting on 8 May 2018 (known collectively as the "bonds") make use of their conversion rights or warrants, or if the holders or creditors of the corresponding bonds issued before 7 May 2023 by the company or its indirect or direct wholly owned affiliates on the basis of the resolution passed at the Annual General Meeting on 8 May 2018 meet their obligation to convert their bonds or exercise their warrants. Contingent Capital 2018 totals EUR 19,000,000.00 as of 31 December 2018.

Capital reserves

The change of TEUR 6,270 in capital reserves is primarily a result of the capital increase carried out in 2018 in order to compensate for dividend claims.

Other reserves

The currency translation adjustment item of TEUR 1,010 (previous year: TEUR 1,176) mainly relates to the translation of British pounds sterling from the British subsidiaries into euros as of the balance sheet date.

In addition to the currency translation reserve, other reserves also contain hedge reserves (including the corresponding deferred tax effects) in the amount of TEUR -2,700 (previous year: TEUR -3,630) as well as cost of hedging measures in the amount of TEUR –23 (previous year: TEUR 0). Following the transition to IFRS 9, the reserves for the valuation of available-for-sale financial assets, including the resulting deferred taxes and the associated differences from currency translation, were reclassified to retained earnings at the beginning of the year.

The hedge reserve comprises gains or losses from the effective portion of cash flow hedges arising from changes in the fair value of the hedges. The cumulative gain or loss from changes in the fair value of the hedging transactions, which was recognised in the reserve from hedges, is only transferred to the statement of comprehensive income if the underlying hedged item affects the statement of comprehensive income. A cumulative gain or loss from changes in the fair value of hedging instruments in the amount of TEUR 3,486 (previous year: TEUR 3,161) was transferred to the statement of comprehensive income in the reporting period.

Net earnings

Consolidated net earnings comprise the following:

In TEUR	31.12.2018	31.12.2017
Consolidated earnings after non-controlling interests	5,113	25,682
Retained profit	63,737	63,342
Adjustment of retained profit (IFRS 9)	-456	0
Other items recognised directly in equity	1,022	0
Dividend distributions	-28,215	-25,286
Consolidated net earnings	**41,200**	**63,737**

At the Encavis AG annual shareholders' meeting held on 8 May 2018 it was resolved that a dividend of EUR 0.22 per entitled share would be paid out.

Equity attributable to non-controlling interests

The holdings of non-controlling interests in the amount of TEUR 9,145 (previous year: TEUR 6,582) primarily relate to the following companies: Solarpark Brandenburg (Havel) GmbH, Solaire Ille SARL, Centrale Photovoltaique SauS 06 SARL and Norhede-Hjortmose Vindkraft I/S, which was acquired during the financial year.

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. (new company name: Encavis 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 per cent on the volume-weighted average price of the Encavis share in the XETRA trading system on the Frankfurt Stock Exchange between start and completion of the placement. The conversion price may be adjusted up to the first redemption date in accordance with the contractually agreed conditions. The investor(s) lose(s) the conversion right from the first redemption date, and the bond automatically becomes a perpetual bond without redemption date.

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

The hybrid convertible bond will be issued at 100 per cent of its par value and may be redeemed by Encavis at 100 per cent 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 per cent 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 in the amount of TEUR 28 (previous year: TEUR 3,330) were offset against equity without impacting income.

In the financial year under review, TEUR 5,108 (previous year: TEUR 1,539) of the earnings contribution for the hybrid bondholders was recorded and TEUR 5,108 (previous year: TEUR 0) was distributed to them.

Capital management

The objective of capital management is to ensure that the Group is able to meet its financial obligations. The Group's long-term goal is to increase its corporate value. The Group actively manages its capital structure according to general economic conditions. In order to maintain or to adjust its capital structure, the Group can opt to, for example, adjust dividend payments to shareholders, pay back capital to shareholders or issue new shares. As of the balance sheet date, the equity ratio of the Group was 25.94 % (previous year: 27.73 %).

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

	31.12.2018	31.12.2017
Equity in TEUR	687,057	698,594
Equity ratio in %	25.94	27.73
Liquid funds in TEUR	252,491	195,577

6.13 Share-based remuneration

In order to enable Encavis AG to grant share options as a remuneration component with a long-term incentive effect, the Encavis AG Annual General Meeting on 31 May 2007 resolved to increase the company's share capital by up to EUR 2,520,000.00 through issuing up to 2,520,000 no-par-value bearer shares ("Contingent Capital I"). The purpose of Contingent Capital I is to secure subscription rights arising from share options issued by Encavis AG under the 2007 share option programme (SOP 2007) in the period between 1 June 2007 and 30 May 2012, based on the authorisation of the 31 May 2007 Annual General Meeting. Beneficiaries are Management Board members, selected senior staff and other Encavis AG key personnel. All share options from SOP 2007 expired or were exercised as of the balance sheet date.

Following expiry of SOP 2007, a new share option programme (SOP 2012 – equity-settled) was initiated and Contingent Capital III created at the Annual General Meeting on 20 June 2012.

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

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

Share option programme 2012 (SOP 2012)

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

Year of allocation	2016	2015	2015
Exercise period	01.04.2020 - 31.03.2023	22.04.2019 - 21.04.2022	01.04.2019 - 31.03.2022
Share price at time of granting	EUR 7.33	EUR 6.51	EUR 6.10
Strike price	EUR 7.24	EUR 6.49	EUR 6.08
Performance hurdle at issue	EUR 9.41	EUR 8.44	EUR 7.91
Number of options offered and accepted	180,000	150,000	580,000
Number of shares on 01.01.2018	180,000	0	225,000
Number of options exercised	0	0	0
Number of options expired	30,000	0	0
Number of shares on 31.12.2018	150,000	0	225,000
Exercisable as of 31.12.2018	0	0	0

Year of allocation	2015	2014	2013
Exercise 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	EUR 4.90	EUR 3.70	EUR 3.78
Strike price	EUR 4.92	EUR 3.74	EUR 3.81
Performance hurdle at issue	EUR 6.40	EUR 4.86	EUR 4.95
Number of options offered and accepted	150,000	250,000	600,000
Number of shares on 01.01.2018	150,000	50,000	0
Number of options exercised	0	50,000	0
Number of options expired	0	0	0
Number of shares on 31.12.2018	150,000	0	0
Exercisable as of 31.12.2018	0	0	0

A total of 50,000 options were exercised by employees in the 2018 financial year (weighted average share price when the option was exercised: EUR 7.60). In this context, share capital increased by TEUR 50 and the capital reserve by TEUR 172, of which TEUR 35 is attributable to the related reserve for equity-settled employee remuneration. During the reporting period, 30,000 shares expired; 30,000 of these were held by employees. As of the reporting date, there were a total of 525,000 options outstanding (previous year: 605,000), of which 300,000 were held by Management Board members. The tranches from SOP 2012, which still had a balance as of the balance sheet date, are vested until January 2019, April 2019 and April 2020. No further options from SOP 2012 are therefore exercisable as of the balance sheet date.

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

No options from SOP 2012 were issued during the 2018 financial year.

From the 2012 share option programme, TEUR 122 (previous year: TEUR 133) was recognised in the statement of comprehensive income in the year 2018. In addition, other operating income in the amount of TEUR 19 (previous year: TEUR 19) was recognised as a result of the termination of option holders' employment. In subsequent years, the programme is still expected to entail recognition of personnel expenses of a further TEUR 58 (previous year: TEUR 190). The actual amount will depend on turnover of holders until the end of the vesting period.

Share option programme 2017 (SOP 2017)
SOP 2017 is a programme that is designed as an annually recurring long-term remuneration component based on the overall performance of the Encavis share in terms of framework and objectives. SOP 2017, unlike its predecessor SOP 2012, is cash-settled. An allotment amount defined by the Supervisory Board is converted into virtual share options known as share appreciation rights (SARs). Beneficiaries are Management Board members, selected senior staff and other key personnel of the Encavis Group.

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

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

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

No SARs from SOP 2017 were exercised during the 2018 financial year. A total of 50,000 SARs for employees expired and 154,167 SARs were settled within the scope of employment termination (of which 112,500 SARs are attributable to members of the Management Board). As of the balance sheet date, the carrying amount recognised for settling SARs from SOP 2017 amounted to TEUR 146 (previous year: TEUR 36). From SOP 2017, TEUR 180 (previous year: TEUR 36) was recognised in the statement of comprehensive income in the 2018 financial year.

Share option programme 2018 (SOP 2018)
Analogous to SOP 2017, an additional share option programme with similar conditions was established in the financial year. The amount of the variable component was calculated based on the 2018 share option programme (SOP), which entered into force on 01 July 2018. The grant date for employees, however, was 14 December 2018 and for Management Board members 12 December 2018. A total of 912,000 SARs were granted in the 2018 financial year; 375,000 SARs are allocated to Management Board members and 537,000 to employees. The vesting period for SOP 2018 began on 1 July 2018. Apart from this, the conditions correspond to those of SOP 2017, which were explained in the previous section.

No SARs from SOP 2018 were exercised during the 2018 financial year and none expired. As of the balance sheet date, the carrying amount recognised for settling SARs from SOP 2018 amounted to TEUR 7 (previous year: TEUR 0). From SOP 2018, TEUR 7 (previous year: TEUR 0) was recognised in the statement of comprehensive income in the 2018 financial year.

6.14 Liabilities, provisions, accruals and financial liabilities

TEUR 1,727,468

Previous year: TEUR 1,587,557

Type of liability	Total amount in TEUR	Current in TEUR	Non-current in TEUR
Liabilities to non-controlling shareholders	22,404	17,140	5,264
(previous year)	(20,496)	(17,705)	(2,791)
Financial liabilities	1,524,022	174,420	1,349,602
(previous year)	(1,402,195)	(117,996)	(1,284,199)
Leasing liabilities	80,697	6,764	73,933
(previous year)	(87,190)	(6,612)	(80,578)
Income tax liabilities	7,694	7,694	0
(previous year)	(7,027)	(7,027)	(0)
Trade payables	16,784	16,784	0
(previous year)	(20,261)	(20,261)	(0)
Other provisions	46,347	6,623	39,724
(previous year)	(32,621)	(6,532)	(26,089)
Other liabilities	29,520	18,756	10,764
(previous year)	(17,767)	(6,689)	(11,078)
Total	1,727,468	248,181	1,479,287
(previous year)	(1,587,557)	(182,822)	(1,404,735)

Liabilities to non-controlling shareholders

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

Financial liabilities

Financial liabilities comprise the following items:

In TEUR	31.12.2018	31.12.2017
Liabilities to banks and other loans	1,229,998	1,160,236
Liabilities from mezzanine capital	159,846	156,028
Liabilities from listed notes	38,895	41,159
Liabilities from debenture bonds	73,000	23,000
Derivatives with negative fair value	22,283	21,772
Total	**1,524,022**	**1,402,195**

Leasing liabilities

The Encavis Group rented Italian solar installations as part of finance leases. The average lease term is 18.47 years (previous year: 18.47 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 the finance lease agreements are secured through the reservation of title on behalf of the lessor for the solar installations.

The interest rates upon which the liabilities from a finance lease relationship are based were fixed on the date on which the contract was concluded and range between 3.34 per cent and 7.70 per cent.

The leased items are recognised in property, plant and equipment with carrying amounts of TEUR 39,129 (previous year: TEUR 42,051). 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	
	31.12.2018 in TEUR	31.12.2017 in TEUR	31.12.2018 in TEUR	31.12.2017 in TEUR
With a remaining term of up to one year	8,451	8,451	6,764	6,612
With a remaining term of one year to five years	33,711	33,753	28,445	27,833
With a remaining term of more than five years	48,362	56,772	45,487	52,745
	90,524	**98,976**	**80,697**	**87,190**
Less financing costs	-9,827	-11,786		
Present value of the minimum lease payments	80,697	87,190	80,697	87,190
of which current liabilities			6,764	6,612
of which non-current liabilities			73,933	80,578

Trade payables

Trade payables mainly relate to invoices from suppliers received or accrued by individual solar parks and wind parks.

Provisions

Changes in provisions were as follows:

Schedule of provisions in TEUR	As of 01.01.2018	Used	Additions	Reversals	Changes in consolidated companies, currency adjustments, unwinding discounts, reclassifications	As of 31.12.2018
Provisions for asset retirement obligations	26,053	0	0	0	13,519	39,572
Provisions for personnel expenses	2,921	-2,503	2,830	-129	0	3,119
Other provisions	3,647	-1,696	2,864	-1,179	19	3,656
Total	**32,621**	**-4,198**	**5,694**	**-1,308**	**13,538**	**46,347**

The provisions for asset retirement obligations include the estimated cost for the demolition and clearing of an asset and restoring the site on which it is located. When measuring asset retirement obligations, there are minor uncertainties that relate exclusively to the amount of the provision. This results from the fact that the due dates of asset retirement for the power generation installations are fixed by the residual term of the lease, which lies between a range of 11.25 and 28.75 years. In determining the actual asset retirement costs, an average inflation rate of 1.5 per cent has been assumed (previous year: 1.5 per cent). Provisions are accreted to their present value on an annual basis. The expenses from accretion in the 2018 financial year were TEUR 391 (previous year: TEUR 324).

The provisions for personnel expenses largely comprise employee bonuses and bonuses for the Management Board. Other provisions contain a number of minor single items. The corresponding outflows are expected within one year for the most part.

Other liabilities

Other non-current liabilities amounted to TEUR 10,764 as of 31 December 2018, of which TEUR 9,734 (previous year: TEUR 10,004) is attributable to deferred income. 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 current liabilities are attributable to the following items:

In TEUR	31.12.2018	31.12.2017
Accrued expense and deferred income (interest rate advantage)	2,213	2,069
Liabilities from personnel and employee benefits	17	45
Other taxes	11,613	1,750
Other	4,913	2,825
Total	**18,756**	**6,689**

Other taxes in the financial year include liabilities from capital gains taxes in the amount of TEUR 9,014, which were paid to the tax office at the beginning of 2019.

7 Segment reporting

During the reporting year, the focus of the Encavis Group's business activities did not change significantly from the previous year and remains on the operation and development of solar parks and wind parks. The Group's 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 section 4 of the notes.

Management has decided to make comprehensive adjustments to the presentation of segment reporting as of the 2018 financial year, with the aim of presenting the profitability of the operating segments more transparently. Conversely, the Administration segment should only present those costs that do not generate an operating contribution. For this purpose, the circumstances were identified for all cost types that can be assigned to one or more operating segments. After identification, the relevant cost items were allocated to the operating segments via management allocation according to the respectively logical keys (e.g. employees, investment volume and generation capacity). Since this was carried out in the sense of a primary allocation, the corresponding internal Group legal offsetting settlements were eliminated. In addition, the presentation of the segment report is based on operating figures in line with the internal reporting system. In the following, all information that deviates from the figures published in the 2017 annual report due to these adjustments have been marked with a superscript 1 ([1]). In tables, the superscript 1 has been placed next to the year (column heading); in text blocks, the superscript 1 has been placed directly behind the corresponding figure.

PV Parks
The PV Parks segment comprises the English, German, French, Italian, Dutch and Irish solar parks and the associated holding companies, 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, long-term purchase agreements with private companies and the market premiums paid for the direct marketing of electricity on the energy markets.

PV Service
The PV Service segment consists of Encavis Technical Services GmbH, as well as the transactions of Encavis AG assigned to this segment. The principal business activities of the segment are the technical and commercial operation of both the Group's and external solar park installations. The revenue generated by this segment mainly comes from plant operation charges.

Wind Parks
The Wind Parks segment includes all the wind parks in Germany, Italy, France, Austria and Denmark and the associated holding companies, as well as the transactions of Encavis AG and Encavis 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 Capital Stage Finance B.V. (new company name: Encavis Finance B.V.) as well as Encavis Renewables Beteiligungs GmbH and Encavis Real Estate GmbH, both of which were founded in the 2018 financial year.

Reclassifications

CHORUS Energieanlagen GmbH was reclassified from the Asset Management segment to the PV Parks segment during the financial year. The previous year’s figures in segment reporting were adjusted accordingly.

Segment reporting is generally carried out in accordance with the recognition and measurement methods used in the consolidated financial statements, adjusted for purely valuation-related, non-cash adjustments. Segment reporting is based on internal reporting by operating KPIs.

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		
2018	186,507	75.0%
(previous year)	(168,892)	(75.9%)
Wind Parks		
2018	57,839	23.2%
(previous year)	(49,554)	(22.3%)
Asset Management		
2018	4,136	1.7%
(previous year)	(3,674)	(1.7%)
PV Service		
2018	303	0.1%
(previous year)	(312)	(0.0%)
Total		
2018	**248,785**	**100.0%**
(previous year)	**(222,432)**	**(100.0%)**

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

Revenue and non-current assets by region	Revenue in TEUR	Share in %	Non-current assets in TEUR	Share in %
Denmark				
2018	4,695	1.9%	55,982	2.6%
(previous year)	(503)	(0.2%)	(17,039)	(0.8%)
Germany				
2018	114,444	46.0%	939,391	44.1%
(previous year)	(99,487)	(44.7%)	(942,520)	(45.3%)
France				
2018	43,661	17.5%	394,289	18.5%
(previous year)	(40,133)	(18.0%)	(404,448)	(19.4%)
United Kingdom				
2018	17,584	7.1%	145,570	6.8%
(previous year)	(11,343)	(5.1%)	(166,391)	(8.0%)
Ireland				
2018	0	0.0%	967	0.0%
(previous year)	(0)	(0.0%)	(0)	(0.0%)
Italy				
2018	62,579	25.2%	452,614	21.3%
(previous year)	(66,285)	(29.8%)	(481,031)	(23.1%)
Netherlands				
2018	139	0.1%	81,964	3.9%
(previous year)	(0)	(0.0%)	(11,129)	(0.5%)
Austria				
2018	5,682	2.3%	57,812	2.7%
(previous year)	(4,680)	(2.1%)	(60,254)	(2.9%)
Spain				
2018	1	0.0%	0	0.0%
(previous year)	(0)	(0.0%)	(0)	(0.0%)
Total				
2018	**248,785**	**100.0%**	**2,128,589**	**100.0%**
(previous year)	(222,432)	(100.0%)	(2,082,812)	(100.0%)

Reconciliation of adjusted operating EBITDA

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

In TEUR	Notes	2018	2017
Adjusted operating EBITDA		**186,890**	**166,768**
Income resulting from the disposal of financial assets and other non-operating income		41	0
Other non-cash income (mainly gains from business combinations [badwill], reversal of the interest advantage from subsidised loans [government grants] and non-cash income from other periods)		8,612	24,502
Other non-operating expenses		-96	-719
Share-based remuneration (non-cash)		-122	-133
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		**195,326**	**190,417**
Depreciation and amortisation	5.6	-123,770	-102,493
Financial result	5.7	-51,803	-47,161
Earnings before taxes on income (EBT)		**19,754**	**40,763**

In order to reconcile adjusted operating EBIT to earnings before taxes on income (EBT), in addition to the adjustments stated in the reconciliation statement, the amortisation of intangible assets acquired in the course of business combinations (electricity feed-in contracts) as well as goodwill in the amount of TEUR 57,516 (previous year: TEUR 43,214) and the subsequent measurement of disclosed hidden reserves and liabilities from step-ups for property, plant and equipment acquired in the course of business combinations in the amount of TEUR -6,955 (previous year: TEUR -7,102) must be taken into account. In order to reconcile adjusted operating EBT to earnings before taxes on income (EBT), other non-cash interest and similar expenses and income (mainly from currency translation effects, effective interest rate calculation, swap valuation and interest expense from subsidised loans) in the amount of TEUR -5,127 (previous year: TEUR -6,487) must be taken into account, in addition to the adjustments stated in the reconciliation statement and the above-mentioned adjustments.

8 Additional disclosures related to financial assets and liabilities

Carrying amounts, recognised amounts and fair value according to classes and valuation categories (2018 under IFRS 9)

Classes of financial instruments in TEUR	Measurement category under IFRS 9*	Carrying amount as of 31.12.2018	Carrying amount under IFRS 9*			Carrying amount under IAS 17	Fair value as of 31.12.2018
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Financial assets							
Non-current financial assets	FVPL	5,245			5,245		5,245
Current receivables from contingent considerations	n/a	305			305		305
Trade receivables	AC	36,178	36,178				36,178
Other current receivables	AC	6,129	6,129				6,129
Loans to associates and other loans	AC	1,229	1,229				1,229
Liquid assets	AC	252,491	252,491				252,491
Derivative financial assets							
Derivatives in a hedging relationship	Hedge accounting	2,006		2,006			2,006
Financial liabilities							
Trade payables	AC	16,784	16,784				16,784
Financial liabilities	AC	1,499,651	1,499,651				1,595,363
Liabilities from finance leases	n/a	80,697				80,697	80,036
Liabilities to non-controlling shareholders	AC	22,404	22,404				22,404
Non-current liabilities from contingent considerations	n/a	596			596		596
Current liabilities from contingent considerations	n/a	775			775		775
Other financial liabilities	AC	717	717				717
Derivative financial liabilities							
Derivatives in a hedging relationship	Hedge accounting	19,644		19,644			19,644
Derivatives not in a hedging relationship	FVPL	2,639			2,639		2,639

Classes of financial instruments in TEUR	Measurement category under IFRS 9*	Carrying amount as of 31.12.2018	Carrying amount under IFRS 9*			Carrying amount under IAS 17	Fair value as of 31.12.2018
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Of which aggregated by valuation categories as per IFRS 9							
Financial assets measured at amortised cost	AC	296,028	296,028				296,028
Financial assets measured at fair value through profit or loss	FVPL	5,245			5,245		5,245
Financial liabilities measured at amortised cost	AC	1,539,556	1,539,556				1,635,268
Financial liabilities measured at fair value through profit or loss	FVPL	2,639			2,639		2,639

Carrying amounts, recognised amounts and fair values according to classes and valuation categories (2017 under IAS 39)

Classes of financial instruments in TEUR	Measurement category under IAS 39*	Carrying amount as of 31.12.2017	Carrying amount under IAS 39*			Carrying amount under IAS 17	Fair value as of 31.12.2017
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Financial assets							
Non-current financial assets	AfS	5,955	130	5,825			5,955
Non-current receivables from contingent considerations	n/a	301			301		301
Trade receivables	L&R	40,146	40,146				40,146
Other current receivables	L&R	3,778	3,778				3,778
Current receivables from contingent considerations	n/a	552			552		552
Loans to associates and other loans	L&R	5,116	5,116				5,116
Liquid assets	L&R	195,577	195,577				195,577
Derivative financial assets							
Derivatives in a hedging relationship	n/a	877		877			877
Derivatives not in a hedging relationship	FAHfT	737			737		737
Financial liabilities							
Trade payables	AC	20,261	20,261				20,261
Financial liabilities	AC	1,378,403	1,378,403				1,546,753
Liabilities from finance leases	n/a	87,190				87,190	89,449
Liabilities to non-controlling shareholders	AC	20,496	20,496				20,496
Current liabilities from contingent considerations	n/a	79			79		79
Other financial liabilities	AC	1,941	1,941				1,941
Derivative financial liabilities							
Derivatives in a hedging relationship	n/a	16,379		16,379			16,379
Derivatives not in a hedging relationship	FLHfT	5,393			5,393		5,393

Classes of financial instruments in TEUR	Measurement category under IAS 39*	Carrying amount as of 31.12.2017	Carrying amount under IAS 39*			Carrying amount under IAS 17	Fair value as of 31.12.2017
			Amortised cost	Fair value not recognised through profit or loss	Fair value recognised through profit or loss		
Of which aggregated by valuation categories as per IAS 39							
Loans and receivables	L&R	244,617	244,617				244,617
Available for sale	AfS	5,955	130	5,825			5,955
Financial assets held for trading	FAHfT	737			737		737
Financial liabilities at amortised cost	AC	1,421,100	1,421,100				1,589,450
Financial liabilities held for trading	FLHfT	5,393			5,393		5,393

* FVPL: fair value through profit or loss; AC: amortised cost (financial assets/liabilities recognised at amortised cost); hedge accounting: derivative financial instruments measured as part of hedging relationships (presented in other non-current receivables); AfS: available for sale; L&R: loans and receivables; FAHfT: financial assets held for trading; FLHfT: financial liabilities held for trading. In comparison to the balance sheet, financial liabilities are shown separately in the following categories: financial liabilities, liabilities from contingent considerations, other financial liabilities, derivatives with a hedging relationship and derivatives without a hedging relationship.

Fair value hierarchy

Fair value hierarchy 31.12.2018 (31.12.2017) in TEUR	Level 1	Level 2	Level 3
Assets			
Non-current financial assets			5,245
(previous year)			(5,825)
Non-current receivables from contingent considerations			0
(previous year)			(301)
Current receivables from contingent considerations			305
(previous year)			(552)
Derivative financial assets:			
Derivatives in a hedging relationship		2,006	
(previous year)		(877)	
Derivatives not in a hedging relationship		0	
(previous year)		(737)	
Liabilities			
Non-current liabilities from contingent considerations			596
(previous year)			(0)
Current liabilities from contingent considerations			775
(previous year)			(79)
Derivative financial liabilities:			
Derivatives in a hedging relationship		19,644	
(previous year)		(16,379)	
Derivatives not in a hedging relationship		2,639	
(previous year)		(5,393)	

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 receivables from contingent considerations as well as the financial investments and liabilities from contingent considerations carried at fair value in the consolidated financial statements are based on level 3 information and input factors.

Changes between levels occurred in neither the current nor previous financial year.

The following table shows the level of the fair value hierarchy to which the measurement of fair value has been assigned in its entirety for each class of asset and liability not measured at fair value in the balance sheet and for which fair value does not approximate the carrying amount.

Fair value hierarchy 31.12.2018 (31.12.2017) in TEUR	Level 1	Level 2	Level 3
Liabilities			
Financial liabilities at amortised cost			
Financial liabilities		1,595,363	
(previous year)		(1,546,753)	
Leasing liabilities		80,036	
(previous year)		(89,449)	

The following tables show the valuation methods that were used to determine fair values:

Financial instruments measured at fair value

Type	Valuation method	Significant, unobservable input factors
Non-current financial assets: Investment funds	The financial investments are measured using one of the following methods or a combination of more than one of the following methods: acquisition cost of the most recent financial investments, measurement criteria within the industry, currently received offers, contractual obligations. The relative weighting of each measurement method reflects an assessment of the suitability of each measurement method for the respective non-realised financial investment.	Risk premium The estimated fair value of the financial investments available for sale would increase (decrease) if the risk premium were lower (higher).
Non-current financial assets: Mezzanine capital	Discounted cash flows: The fair values are determined using the future expected cash flows discounted using the standard observable market data of the corresponding interest structure curves.	Expected distributions The estimated fair value of the mezzanine capital would increase (decrease) if the distributions would be higher (lower) and/or would be made at an earlier (later) date.
Interest rate swaps	Discounted cash flows: The fair values are determined using the future expected cash flows discounted using the standard observable market data of the corresponding interest structure curves.	Not applicable
Receivables from contingent considerations	Discounted cash flows on the basis of contractually fixed mechanisms	Date of the addition of the other wind parks The estimated fair value of the receivables from contingent consideration would increase (decrease) if the additional wind parks were added at an earlier (later) date.
Liabilities from contingent considerations	Discounted cash flows on the basis of contractually fixed mechanisms	Performance of the installations The estimated fair value of liabilities from contingent consideration would increase (decrease) if the solar park's performance were higher (lower).

Financial instruments not measured at fair value

Type	Valuation method	Significant, unobservable input factors
Financial liabilities and liabilities from finance leases	Discounted cash flows: The fair values are determined using the future expected cash flows discounted with equivalent terms using the standard observable market interest rates and taking an appropriate risk premium into account.	Not applicable

For financial instruments with short maturities, including cash and cash equivalents, trade receivables, trade payables and other current receivables and current liabilities, it is assumed that their fair values approximate their carrying amounts.

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

In TEUR	2018	2017
Non-current financial assets		
As of 01.01	5,825	7,266
Purchases (including additions)	314	16
Reclassification from the equity method	388	0
Sales (including disposals)	-1,220	-343
Profit (+)/loss (–) in the consolidated earnings of the period	-62	-904
Change in value recognised in other comprehensive income	0	-210
As of 31.12	**5,245**	**5,825**
Non-current liabilities from contingent considerations		
As of 01.01	0	0
Purchases (including additions)	592	0
Profit (-)/loss (+) in the consolidated earnings of the period	4	0
As of 31.12	**596**	**0**
Current liabilities from contingent considerations		
As of 01.01	79	61
Purchases (including additions)	775	0
Sales (including disposals)	-56	0
Profit (-)/loss (+) in the consolidated earnings of the period	-23	20
Changes in value recognised in other comprehensive income	0	-2
As of 31.12	**775**	**79**
Non-current receivables from contingent considerations		
As of 01.01	301	0
Purchases (including additions)	0	299
Reclassifications due to maturity	-305	0
Profit (+)/loss (-) in the consolidated earnings of the period	4	2
As of 31.12	**0**	**301**
Current receivables from contingent considerations		
As of 01.01	552	0
Purchases (including additions)	0	549
Sales (including disposals)	-552	0
Reclassifications due to maturity	305	0
Profit (+)/loss (-) in the consolidated earnings of the period	0	3
As of 31.12	**305**	**552**

The non-current earn-out liability was recognised with the acquisition of the solar park in Boizenburg during the 2018 financial year. The payment is mainly related to the performance of the park after planned repairs. During the financial year, the liability was compounded by TEUR 4.

The current earn-out liability results from the acquisition of the solar park Capital Stage Cullompton Ltd. in the 2016 financial year. Depending on the performance of the solar park, this agreement may result in a purchase price payment in the translated amount of TEUR 56. The residual value in the amount of TEUR 23 was derecognised in profit or loss. In the course of the asset deals for Rindum Enge 1 and 5, as well as 2 and 3, agreements on contingent consideration were also concluded. Due to a noise reduction measure, the wind turbines run in a reduced operating mode. If an increase in production can be achieved through contractually agreed technical adjustments to the wind turbines, this will result in an increase in the purchase price. A corresponding evaluation is due to take place in 2019.

The non-current earn-out receivable from the acquisition of the wind park UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie was reclassified to current receivables in the 2017 financial year due to the estimated payment date at the end of 2019. The current earn-out receivable from the acquisition of the wind park portfolio UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie was offset at the beginning of the 2018 financial year.

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

In TEUR	Measure-ment 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
Financial assets measured at amortised cost	AC	54				**54**
Financial instruments measured at fair value through profit or loss	FVPL		-62			**-62**
Derivatives not in a hedging relationship (financial liabilities)	FVPL		-1,296			**-1,296**
Financial liabilities measured at amortised cost	AC	-48,000		624		**-47,376**
2018		**-47,946**	**-1,358**	**624**	0	**-48,680**

The net gains and losses from financial instruments, taking IFRS 9 into account, comprise valuation results, the recognition and reversal of impairment losses and interest and all other effects on profit or loss from financial instruments. Income components of the net income from financial instruments are usually recorded in the financial result. The impairments recognised in profit or loss under financial liabilities measured at amortised cost in the amount of TEUR 624 include a correction of the recognition of liabilities to minority shareholders. The item “Derivatives not in a hedging relationship (financial liabilities)” contains earnings from instruments which are not designated as hedging instruments as part of a hedge relationship in accordance with IFRS 9. 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 IFRS 9, 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.

Under IFRS 9, net gains and losses that were generally recognised directly in equity from subsequent measurement at fair value under IAS 39 in the “AfS” measurement category are classified as financial instruments at fair value through profit or loss (FVPL). They do not meet the criteria for measurement at amortised cost, as the cash flows from this do not only represent interest and principal payments. As of 1 January 2018, the valuation effects of these instruments, previously recognised directly in equity, were reclassified.

The following table shows the net gains and losses from financial instruments taken into account in 2017 in the statement of comprehensive income, as per IAS 39 and broken down by valuation category:

In TEUR	Measurement category	Effect on net income from interest, dividends	Effect on net income from the subsequent valuation of the fair value	Effect on net income from the subsequent valuation 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**
Available for sale	AfS			-904	-156	**-1,060**
Financial instruments held for trading	FAHfT und FLHfT		2,809			**2,809**
Financial liabilities measured at amortised cost	AC	-43,451				**-43,451**
2017		**-43,421**	**2,809**	**-1,140**	**-156**	**-41,908**

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

In TEUR	2018	2017
Interest income	9,061	10,051
Interest expenses	-57,927	-54,016
Total	**-48,866**	**-43,965**

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 of the balance sheet date, the Group held a total of 96 (31 December 2017: 88) interest rates swaps under which the Group receives interest at a variable rate and pays interest at a fixed rate. As a general rule, these are amortising interest rate swaps, whose nominal volume is reduced at regular, defined intervals. The following table shows the nominal volumes as of the 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 IFRS 9 and those that are not.

	31.12.2018	31.12.2017
Nominal volume in TEUR	**454,015**	**378,503**
of which in a hedging relationship	*401,185*	*250,555*
of which not in a hedging relationship	*52,830*	*127,947*
Average interest rate in %	2.26	2.40
Average remaining term in years	9.89	10.72
Fair value in TEUR	**-20,277**	**-20,219**
of which in a hedging relationship	*-17,638*	*-15,502*
of which not in a hedging relationship	*-2,639*	*-4,717*

All hedges designated by Encavis in accordance with IAS 39 also meet the requirements of IFRS 9 and are therefore treated as continuing hedges.

The following table provides information on the nominal volume of hedging instruments in a hedging relationship:

In TEUR	Remaining term			Total nominal volume	Total nominal volume	Average interest rate
	Up to one year	One to five years	Over five years	31.12.2018	31.12.2017	31.12.2018
Hedging interest and currency risk						
Interest rate and currency swaps (GBP)	0	0	25,406	25,406	6,533	4.91%
Hedging interest risk						
Interest rate swaps	425	29,640	345,714	375,779	244,022	2.04%

The following table contains information on hedging instruments as part of cash flow hedges:

In TEUR	Carrying amount 31.12.2018	Balance sheet item 31.12.2018	Change in fair value to determine ineffectiveness 31.12.2018	Nominal volume 31.12.2018
Hedging interest and currency risk				
Interest rate and currency swaps				
Derivative assets	1,996	Other receivables	1,458	25,406
Derivative liabilities	0	Non-current financial liabilities	0	0
Hedging interest risk				
Interest rate swaps				
Derivative assets	10	Other receivables	127	3,994
Derivative liabilities	19,644	Non-current financial liabilities	-3,067	371,784

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

In TEUR	Profit or loss from CFH recognised in equity	Ineffectiveness recognised in the income statement	Item in the statement of comprehensive income in which the recorded ineffectiveness is included	Reclassifications from hedge reserves to the income statement		Item in the statement of comprehensive income in which the reclassification is included
				Due to premature termination CFH	Due to the realisation of the hedged item in the income statement	
	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018	31.12.2018
Hedging interest and currency risk	-442	-11	Financial expenses/ financial income	0	0	Financial expenses/ financial income
Hedging interest risk	940	1,426	Financial expenses/ financial income	23	3,486	Financial expenses/ financial income

The market value of swaps that are not in a hedging relationship was recognised as expenses of TEUR 952 through profit or loss (previous year: income in the amount of TEUR 1,229)[1].

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

In TEUR	Change in value for the period of the hedged item to determine ineffectiveness 31.12.2018	Status of hedge reserve and currency reserve for active cash flow hedges 31.12.2018	Status of hedge reserve and currency reserve for terminated cash flow hedges 31.12.2018
Hedging interest and currency risk			
Designated components	-1,739	1,287	
Non-designated components		-34	
Hedging interest risk			
Designated components	8,037	-5,314	282
Non-designated components			

Principles of risk management

With regard to its financial assets and liabilities and planned transactions, Encavis is mainly exposed to risk from interest rate changes. The aim of financial risk management is to limit this market risk by means of ongoing activities. Derivative hedging instruments are used to this end, depending on the risk assessment. In order to minimise default risk, interest rate hedging instruments are only concluded with renowned banks with corresponding credit ratings. As a general rule, only risks that impact the Group's cash flow are hedged.

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 interest rate. If the market interest rate level for the variable-rate loans not hedged by a swap had been 100 basis points higher as of 31 December 2018, earnings before taxes on income (EBT) would have been TEUR 85 higher (previous year: TEUR 91). If the market interest rate level had been 100 basis points lower as of 31 December 2018, earnings before taxes on income (EBT) would have been TEUR 85 lower (previous year: TEUR 91).

For the other financing transactions, unconditional interest rate hedges are in place in the form of interest rate swaps over the entire nominal volume, resulting in only marginal fluctuations in the current statement of comprehensive income. However, a change in market expectations regarding interest rates causes a change in the valuation of gains and losses expected from the interest rate hedge, which – if the derivatives are part of an effective hedging relationship – is assumed to solely impact the hedging reserve. For derivatives not in a hedging relationship pursuant to IFRS 9, the change in expectations accordingly directly impacts earnings.

Interest rate risks are shown by means of sensitivity analyses pursuant to IFRS 7. If market interest rates as of 31 December 2018 had been 100 basis points higher, earnings before taxes would have been TEUR 8,734 (previous year: TEUR 6,877) higher and the hedge reserve in equity before taxes would have been TEUR 11,521 (previous year: TEUR 12,692) higher. If market interest rates as of 31 December 2018 had been 100 basis points lower, earnings before taxes would have been TEUR 8,485 (previous year: TEUR 7,346) lower and the hedge reserve in equity before taxes would have been TEUR 13,466 (previous year: TEUR 14,388) lower. This is due to the fact that an increase (decrease) in the market interest rate level as of the balance sheet date reduces (increases) net cash outflows from the interest rate hedging instruments over the entire duration of the interest rate swaps and thus increases (decreases) their present value.

Exchange rate risk

The company has issued loans to its British and Danish subsidiaries and project companies in British pounds and Danish kroner respectively. The loans are, as a general rule, subject to exchange rate fluctuations between the British pound or Danish krone and the euro. The resulting risks from exchange rate fluctuations are presented by means of a foreign currency sensitivity analysis pursuant to IFRS 7. As the Danish krone is subject to the European exchange rate mechanism (ERM II) and has thus been pegged to the euro since its introduction on 1 January 1999, no sensitivity analysis is performed for the Danish krone. If the euro were to rise by 10 per cent against the British pound, annual earnings and shareholders' equity would fall by TEUR 5,533 (previous year: TEUR 6,614). This is due to the fact that, from a Group perspective, the existing receivables are to be adjusted by the currency translation loss. If the euro were to fall by 10 per cent against the British pound, annual earnings and shareholders' equity would increase by TEUR 6,762 (previous year: TEUR 8,083).

The exchange rate risk associated with interest and principal payments made by British subsidiaries in the Group's functional currency (euro) is hedged by means combined interest rate/currency swaps. The risks are hedged with the aim of minimising the volatility of interest and principal payments. No further material exchange rate risks pursuant to IFRS 7 exist currently in the Encavis Group.

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 kWh produced. In nearly all the markets in which the Encavis Group operates, the purchase of the electricity produced, which is based on contractually defined remuneration rates, is regulated and safeguarded by law. As a result of its entry into the market in the United Kingdom and Denmark, the Group also has trade receivables whose counterparties are not exclusively semi-public grid companies or comparable organisations, but private companies. The Group is not, however, exposed to any significant default risk because the companies are renowned companies with a good or very good credit rating.

Trade receivables are exclusively current receivables which are generally settled within 30 to 60 days depending on the country. The maximum default risk is limited to the carrying amounts of the corresponding trade receivables and other receivables. Upon initial recognition of trade receivables and other receivables, the Group recognises impairment losses using the expected credit loss model. In addition, in the event that there is objective evidence of impairment, impairment losses are recognised on a case-by-case basis. Evidence of this nature exists if the invoices for the kWh produced, which are generally prepared by the buyer, are not prepared or not paid within the agreed periods. In addition, further objective indications such as insolvency cases are continuously monitored. In the event of either of these events becoming overdue, the corresponding items will be examined again in detail and, if necessary, an additional impairment will be formed. In the reporting period, the default rate for trade receivables was 0 per cent (previous year: 0 per cent).

In detail, the following items are affected by impairments:

Trade receivables

The Group applies the simplified credit loss model of IFRS 9 for trade receivables in accordance with the standard. This is based on the so-called lifetime expected loss.

In order to determine the expected credit defaults, trade receivables have been combined into largely homogeneous groups with similar characteristics with regard to their estimated credit risks. In particular, there was a separation between governmental and semi-public buyers, which account for the majority of buyers in the electricity production sector, and private buyers. The Encavis Group has private buyers mainly in the Asset Management segment and, to a lesser extent, also in the electricity buyers segment.

As of 1 January 2018, the first-time application of IFRS 9 resulted in an impairment loss of TEUR 95 on trade receivables (the impairment loss pursuant to IAS 39 as of 31 December 2017 was TEUR 0). The opening value for the impairment of trade receivables as of 1 January 2018 is calculated on the basis of the existing receivable as of 31 December 2017.

In the 2018 financial year, impairments of trade receivables increased by TEUR 75 to TEUR 170. According to the incurred loss model (credit losses already incurred) from IAS 39, no impairment loss would have had to be recognised in the reporting period.

Loans to associates and other loans as well as other current receivables

In principle, the Group estimates the credit risks for loans granted and other current receivables to be low, which is why a provision for losses on receivables was formed for these items in the amount of the expected 12-month losses on receivables. As of 1 January 2018, the first-time application of IFRS 9 resulted in a provision of TEUR 62 (the impairment loss pursuant to IAS 39 as of 31 December 2017 was TEUR 0). The provision increased to TEUR 68 as of the balance sheet date.

Material estimation uncertainties and accounting judgements

Impairment losses on financial assets are based on estimates of loan defaults and expected default rates. The Group exercises its discretion in making this assessment. Even minor deviations in the valuation parameters used for calculation can lead to material deviations in the calculation, particularly due to the amount of trade receivables.

Changes in impairments during the financial year under review

The closing balance sheet value of the impairments on trade receivables, as well as on loans and other current receivables, is reconciled to the opening balance sheet value of the impairments as follows and is continued until the end of the financial year:

In TEUR	Trade receivables		Other loans and current receivables	
	2018	2017	2018	2017
31 December (IAS 39)	0	0	0	0
Amounts restated via the opening balance sheet value of retained earnings	95	0	62	0
Opening balance sheet value of the impairments on 1 January 2018 (IFRS 9)	95	0	62	0
Increase in impairments of credit losses recognised in profit or loss for the financial year under review	75	0	6	0
31 December (IFRS 9)	170	0	68	0

There were no amounts written off as unrecoverable or utilisation of the impairments made in the financial year under review. The changes in the impairments recognised result exclusively from the fluctuation in the receivables portfolio between the beginning of the year and the end of the year as well as from the development of the underlying interest rate parameters for the individual country portfolios.

The maximum credit risk for the Encavis Group is therefore measured on the basis of the carrying amount of trade receivables and other loans and receivables, all of which are measured at amortised cost and are therefore subject to the impairment model. Financial assets measured at fair value through profit or loss are also subject to a full credit risk. Due to the recognition at market value, no impairment model is applied to these, but rather a valuation based on other market parameters. The Encavis Group does not currently hold any collateral that would mitigate the aforementioned credit risks.

The derecognition of financial assets measured at amortised cost did not result in any material amounts being recognised in the consolidated statement of comprehensive income.

If an increased number of credit defaults occur in the Group's financial assets, the classification of the credit risk would be adjusted. This was not necessary as of the balance sheet date. A bundling of credit risks is not evident in the Group due to the diversification across different country markets and customers.

The following table shows the gross carrying amounts of financial assets by rating class. There are currently no loan commitments or financial guarantees.

In TEUR	Level 1 12-month ECL	Level 2 Total-term ECL (not impaired)	Level 3 Total-term ECL (impaired)	Simplified approach Total-term ECL	Level 4 Acquired/ granted impaired assets
Credit risk rating grade 1 Receivables not at risk of default	3,070			36,349	
Credit risk rating grade 2 Impaired receivables					
Credit risk rating grade 3 Defaulted receivables					
Total	**3,070**			**36,349**	

Liquidity risk

Liquidity risk describes the risk that the Group is unable to meet its obligations as they fall due. The financial liabilities did not pose any liquidity risk since, as of the balance sheet date, the Group held cash and cash equivalents of TEUR 175,564 (previous year: TEUR 124,388). The Group also receives ongoing cash flows from the solar parks and wind parks; there is a high degree of certainty that these cash flows can be expected to continue and they are ample to service the interest payments, principal repayments and financial liabilities. Ultimately, the Management Board is responsible for liquidity risk management. The Management Board has established an appropriate approach for managing short-, medium- and long-term financing and liquidity requirements. The Group manages liquidity risks by holding suitable reserves and through constant monitoring of forecast and actual cash flows, as well as matching the maturity profiles of financial assets and liabilities.

IFRS 7 also requires a maturity analysis for derivative and non-derivative financial liabilities. The following maturity analysis shows how the non-discounted cash flows in connection with the liabilities as of 31 December 2018 (31 December 2017) influence the Group's future liquidity situation.

Type of liability in TEUR	Carrying amount as of 31.12.2018 (31.12.2017)	Remaining term of up to one year	Remaining term of one to five years	Remaining term of more than five years
Non-derivative financial liabilities				
Financial liabilities	1,500,964	179,535	660,455	917,193
(previous year)	(1,380,423)	(159,664)	(594,047)	(993,159)
of which liabilities from contingent considerations	1,371	776	595	0
(previous year)	(79)	(79)	(0)	(0)
Liabilities from finance leases	80,697	8,451	33,711	48,362
(previous year)	(87,190)	(8,451)	(33,753)	(56,772)
Trade payables	16,784	16,784	0	0
(previous year)	(20,261)	(20,261)	(0)	(0)
Liabilities to non-controlling shareholders	22,404	17,140	0	5,264
(previous year)	(2,006)	(17,705)	(0)	(2,791)
Derivative financial liabilities				
Interest rate derivatives in a hedging ralationship	19,644	3,524	12,245	7,422
(previous year)	(16,379)	(2,926)	(7,276)	(6,224)
Interest rate derivatives not in a hedging relationship	2,639	1,409	3,626	203
(previous year)	(5,393)	(1,466)	(3,704)	(421)

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 non-discounted interest payments and principal repayments. Part of the liabilities to non-controlling interests may become due at any time as a result of a termination right with compensation claim and are therefore partially classified as current liabilities. In the case of the derivative financial instruments, the non-discounted net payments are shown.

9 Notes to the consolidated cash flow statement

The cash flow statement is presented as a separate statement.

The cash flow statement shows the changes in the Encavis Group's cash funds. Cash funds comprise cash and cash equivalents that are not subject to any restrictions. The cash flow statement was prepared in accordance with IAS 7 and classifies the changes to liquid assets into cash flows from operating, investing and financing activities. The cash flow from ongoing operating activities is presented using the indirect method.

Liquid funds are composed entirely of cash on hand and bank balances. This includes reserves for debt servicing and projects of TEUR 76,927 (previous year: TEUR 71,188), 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 funds at Encavis AG and CSG IPP GmbH.

Adjustments to the previous year's figures

Encavis has adjusted the composition of individual items of the cash flow statement during the financial year to provide users of the financial statements with more reliable and relevant information. The previous year's information in the consolidated cash flow statement includes the adjusted figures. The following table illustrates the adjustments for the previous-year period:

In TEUR	Adjusted 2017	Published 2017
Cash flow from operating activities	**153,017**	**153,037**
of which changed sub-items		
Other non-cash expenses	1,033	1,372
Other non-cash income	-25,167	-24,985
Taxes on income (paid)	-16,672	-16,411
Decrease in other assets not attributable to investing or financing activities	50,748	-5,199
Decrease in other liabilities not attributable to investing or financing activities	-47,324	7,861
Cash flow from investing activities	**-168,318**	**-168,339**
of which changed sub-items		
Proceeds from the sale of property, plant and equipment	58	37
Cash flow from financing activities	**9,896**	**10,085**
of which changed sub-items		
Change in restricted cash	-5,413	-5,225
Change in cash and cash equivalents	-5,404	-5,217
Changes in cash due to exchange rate changes	-309	-497

In the following, all information that deviates from the figures published in the 2017 annual report due to this adjustment have been marked with a superscript 2 (2). In tables, the superscript 2 has been placed next to the year (column or row heading); in text blocks, the superscript 2 has been placed directly behind the corresponding figure.

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

As of 1 January 2017, changes in liabilities arising from financing activities, including changes arising from cash flows and non-cash changes, are evaluated. The classification as a component of the cash flow from financing activities is a definitive criterion for cash flow. The following table shows the reconciliation of the opening balances to the closing balances of the balance sheet items.

In TEUR	Non-current financial liabilities	Current financial liabilities	Leasing liabilities	Cash flow hedges with positive market value	Liabilities to non-controlling interests	Total
Balance sheet as of 01.01.2018	**1,284,199**	**113,591**	**87,190**	**1,553**	**20,496**	**1,507,029**
(01.01.2017)	**(1,251,964)**	**(102,666)**	**(77,665)**	**(1,199)**	**(18,570)**	**(1,452,062)**
Loan proceeds	155,223	56,373			240	211,836
(previous year)	(102,029)	(6,110)			(935)	(109,074)
Loan repayments	-105,791	-23,026	-4,942		-212	-133,971
(previous year)	(-89,431)	(-9,922)	(-4,634)		(-122)	(-104,109)
Interest paid	-314	-46,047	-2,600		-168	-49,129
(previous year)	(-490)	(-47,216)	(-2,688)		(-105)	(-50,498)
Payments to non-controlling interests					-1,390	-1,390
(previous year)					(-802)	(-802)
Change in cash flows	**49,119**	**-12,701**	**-7,542**		**-1,531**	**27,345**
(previous year)	**(12,108)**	**(-51,028)**	**(-7,322)**		**(-93)**	**(-46,335)**
Acquisition	30,147	10,543			2,337	43,027
(previous year)	(42,788)	(2,916)	(16,108)			(61,812)
Foreign exchange rate change	-910	-85		-17		-1,011
(previous year)	(-1,716)	(-280)		(-38)		(-2,035)
Changes in fair values	522			470		992
(previous year)	(-4,659)			(393)		(-4,267)
Reclassifications	-8,024	8,024				
(previous year)	(-13,149)	(13,149)				
Interest expenses		51,113	2,600		274	53,987
(previous year)		(47,011)	(2,727)		(225)	(49,963)
Measurement and other effects	-5,451	-97	-1,551		828	-6,272
(previous year)	(-3,136)	(-843)	(-1,988)		(1,794)	(-4,172)
Non-cash change	**16,284**	**69,498**	**1,049**	**453**	**3,439**	**90,723**
(previous year)	**(20,128)**	**(61,953)**	**(16,847)**	**(354)**	**(2,019)**	**(101,301)**
Balance as of 31.12.2018	**1,349,602**	**170,389**	**80,697**	**2,006**	**22,404**	**1,625,097**
(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 the 2018 financial year, TEUR 842 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, current financial liabilities do not contain any current accounts of banks because they are not for financing purposes.

10 Contingent liabilities and other obligations

The Group had an obligation of TEUR 7,233 under rental agreements as of the balance sheet date (previous year: TEUR 4,961). The increase in obligations from rental agreements compared with the previous year is mainly due to the expansion of rental space at the Hamburg location.

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 due to binding operating leases with a remaining term of one year to five years amounts to TEUR 80. 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 one year In TEUR	Other obligations of one to five years In TEUR	Other obligations of more than five years In TEUR
Rental agreements	759	3,187	3,287
(previous year)	(752)	(2,452)	(1,757)
Leases	126	80	0
(previous year)	(302)	(244)	(0)
Commercial leases	6,858	28,067	126,103
(previous year)	(7,069)	(28,745)	(119,718)

Expenses of TEUR 286 (previous year: TEUR 234) were incurred in the financial year from lease liabilities and of TEUR 8,219 (previous year: TEUR 6,881) for commercial leases and compensation for use.

As of 31 December 2018, there are contingent liabilities in the amount of TEUR 218 resulting from rental guarantees (previous year: TEUR 151). Furthermore, Encavis AG has provided guarantees for five French and two Dutch subsidiaries, which are also affiliated companies, in the total amount of TEUR 4,799 (previous year: TEUR 4,799). Due to the economic situation of the company, claims associated with these guarantees are not expected.

Encavis AG is the writer of a put option that grants the option owner the right to tender 100 per cent 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 of the balance sheet date: TEUR 6,383). 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 4,255 has already been deposited as of the balance sheet day.

11 Events after the balance sheet date

Between the balance sheet date of 31 December 2018 and the preparation of the annual and consolidated financial statements for 2018, the general situation regarding the Encavis Group's business activities did not change significantly except for the circumstances described in the following.

Encavis AG acquires additional solar park in the Netherlands and expands the generation capacity on the Dutch market to more than 100 MW

On 14 January 2019, Encavis AG announced that it had acquired an additional solar park in the Netherlands with a generation capacity of more than 14 MW. The Zierikzee solar park in the Zeeland province, which was acquired in January 2019, was connected to the grid at the end of 2018 and has a generation capacity of 14.1 MW. Over the first 15 years, the solar park will receive a feed-in tariff of nearly EUR 0.11 per kWh; the park will then receive the market price. From the first full year of operation onward, Encavis expects the Zierikzee solar park to make annual revenue contributions of some EUR 1.4 million. The investment volume, including project-related debt financing costs, amounts to EUR 10.6 million. The seller retains a total participating interest of 10 per cent in the solar park. With this newly acquired solar park, the active generation capacity of Encavis AG in the Netherlands increases to some 106 MW. Encavis is therefore contributing to a sustainable supply of green electricity in the Netherlands.

Encavis Asset Management AG invests some EUR 40 million in renewable energy installations in Bavaria for institutional investors

On 21 February 2019, Encavis announced that it had invested a total of some EUR 40 million in two wind parks and a solar park for two portfolios of institutional investors. The installations are located in profitable locations in the Bavarian administrative districts of Aichach-Friedberg, Bayreuth and Hof. The Nordex N117/3000 wind turbines of the Baar wind park have been connected to the grid since November 2017 and benefit from a guaranteed feed-in tariff in the amount of EUR 0.0769 per kWh. The wind turbines were erected in the Aichach-Friedberg district. The Vestas V126-3.45 MW wind turbines of the Körbeldorf wind park near Bayreuth, which receive a feed-in tariff of EUR 0.0838 per kWh, were put into operation in February 2017. The Friedmannsdorf solar park, with a total capacity of around 10 MW, is currently being constructed in the Hof district. Modules from Canadian Solar and Huawei inverters are to be installed. The park is planned to enter operation in the second quarter of 2019. This transaction has made a significant contribution to strengthening the Group’s Asset Management segment.

Encavis AG receives investment-grade rating from Scope Ratings

On 19 March 2019, Encavis was rated for the first time by the rating agency Scope Ratings (short: Scope) and received an issuer rating in the investment grade range (BBB-); the outlook for the rating is stable.

Scope’s rating assessment takes into account, among other things, the risk-averse business model from the operation of solar and wind installations with long-term and government-guaranteed feed-in tariffs. In addition, the consistently expanded regional diversification of the portfolio and the high share of non-recourse financing in Encavis’s growth financing contribute to this good valuation. The rating agency Scope thus attests Encavis a very good and sustainable credit rating, as expected.

With the issuer rating, Scope provides market participants on the international financial markets with a clear orientation and independent assessment of the company’s current and medium-term creditworthiness, thus ensuring greater security and transparency. The investment-grade rating by a recognised rating agency should not only broaden Encavis’s range of options for future growth financing, but also reduce the cost of raising these funds.

12 Related parties

In the course of normal business, the parent company Encavis AG maintains relationships to subsidiaries and to other related companies (associates and companies with the same staff in key positions) and individuals (majority shareholders and members of the Supervisory Board and Management Board as well as their relatives).

Transactions with individuals in key positions in management

The remuneration presented in line with IAS 24 for management in key positions within the Group contains the remuneration for active members of the Management Board and Supervisory Board.

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

Remuneration in TEUR	2018	2017
Short-term benefits	2,179	1,778
Long-term benefits (share-based remuneration)	95	73
Termination benefits and expenses	702	0
Total remuneration	**2,976**	**1,851**

The statement of share-based remuneration includes the expenses recorded in the financial year for the share option programmes SOP 2012, SOP 2017 and SOP 2018. The provision for share-based payment transactions with cash settlement for the members of the Management Board amounts to TEUR 64 (previous year: TEUR 8).

Associates

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	Services provided	Services received	Receivables	Liabilities	Loans issued
CHORUS IPP Europe GmbH	256		101		
Energiepark Debstedt 2 RE WP DE GmbH & Co. KG					1,000
Talayuela*	1		1		
Gnannenweiler Windnetz GmbH & Co. KG		46		4	
Total	**257**	**46**	**102**	**4**	**1,000**
(previous year)	(2,150)	(42)	(721)	(0)	(4,840)

* As the participating interest in Talayuela was acquired in October 2018, only the business relationships as of October 2018 are reported.

Joint arrangements

The participating interest in Richelbach Solar GbR in the amount of TEUR 120 as of 31 December 2018 (previous year: TEUR 240) is classified as a joint operation pursuant to IFRS 11 due to the contractually agreed co-determination rights of the two participating solar parks. All decisions must be made unanimously. The shareholders only have joint power of disposal over the relevant activities, which are exclusively aimed at providing the infrastructure for the solar parks. Encavis recognises its interest in the joint operation through the recognition of its share in the assets, liabilities, income and expenses in accordance with its contractually assumed rights and obligations.

Other related companies and individuals

As of the 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. In the 2018 financial year, the sum of the transactions with B&L Holzhafen West GmbH & Co. KG amounts to TEUR 599 (previous year: TEUR 522). As of the balance sheet date, there were no outstanding balances from transactions with B&L Holzhafen West GmbH & Co. KG.

For the company Encavis 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. In the 2018 financial year, the sum of the transactions with PELABA Vermögensverwaltung GmbH & Co. KG amounts to TEUR 157 (previous year: TEUR 119). As of the balance sheet date, there is an outstanding balance from transactions with PELEBA Vermögensverwaltungs GmbH & Co. KG in the amount of TEUR 15.

13 Earnings per share

The weighted average number of ordinary shares used in calculating the diluted earnings per share is calculated from the weighted average number of ordinary shares used in calculating the basic earnings per share, as derived below. The potential shares from the hybrid convertible bond issued are not taken into account in the calculation of diluted earnings per share due to the protection against dilution within the meaning of IAS 33.41.

	31.12.2018	31.12.2017
Weighted average number of ordinary shares from the calculation of the undiluted earnings per share	129,040,364	127,583,861
Shares assumed to have been issued for no consideration:		
Number of employee options	48,262	20,285
Weighted average number of ordinary shares used for the calculation of diluted earnings per share	129,088,626	127,604,146
Earnings per share from continuing operations, undiluted (EUR)	0.04	0.20
Earnings per share from continuing operations, diluted (EUR)	0.04	0.20

14 Management Board

The following changes to the composition of the Management Board were made in the financial year:

Mr Holger Götze resigned his position on the Management Board of Encavis AG effective on 26 April 2018.

The total remuneration granted to members of the Management Board in the financial year amounted to TEUR 2,126 (previous year: TEUR 2,111).

Details of their membership in other supervisory and advisory boards		
Dr Dierk Paskert	The Mobility House AG, Zurich	Member of the Administrative Board
	Pexapark AG, Zurich	Member of the Administrative Board
	Encavis Asset Management AG, Neubiberg	Member of the Supervisory Board
Dr Christoph Husmann	Encavis Asset Management AG, Neubiberg	Chairman of the Supervisory Board

All disclosures for the active members of the Management Board, individualised disclosures and further details on the remuneration system are contained in the remuneration report in the management report.

15 Supervisory Board

Members of the Supervisory Board of Encavis AG		
Chairman	Dr Manfred Krüper	Independent management consultant
Deputy chairman	Alexander Stuhlmann	Independent management consultant
Other members	Dr Cornelius Liedtke	Partner in the Büll & Liedtke Group
	Albert Büll	Partner in the Büll & Liedtke Group
	Professor Fritz Vahrenholt	Independent management consultant
	Christine Scheel	Independent management consultant
	Peter Heidecker	Businessman
	Dr Henning Kreke	Entrepreneur
	Professor Klaus-Dieter Maubach	Independent management consultant

Details of their membership in other supervisory and advisory boards		
Dr Manfred Krüper	Power Plus Communications AG, Mannheim	Chairman of the Supervisory Board
	EQT Partners Beteiligungsberatung GmbH, München	Senior advisor
	EEW Energy from Waste GmbH, Helmstedt	Member of the Supervisory Board
Alexander Stuhlmann	Euro-Aviation Versicherungs-AG, Hamburg	Chairman of the Supervisory Board
	Ernst Russ AG, Hamburg	Chairman of the Supervisory Board
	GEV Gesellschaft für Entwicklung und Vermarktung AG, Hamburg	Chairman of the Supervisory Board
	Frank Beteiligungsgesellschaft mbH, Hamburg	Chairman of the Advisory Board
	Siedlungsbaugesellschaft Hermann und Paul Frank mbH & Co. KG, Hamburg	Chairman of the Advisory Board
	bauhaus wohnkonzept gmbh, Hamburg	Chairman of the Advisory Board
	C.E. Danger GmbH & Co. KG, Hamburg	Member of the Advisory Board
	M.M. Warburg & CO Hypothekenbank AG, Hamburg	Member of the Supervisory Board
Dr Cornelius Liedtke	BRUSS Sealing Systems GmbH, Hoisdorf	Member of the Advisory Board
	SUMTEQ GmbH, Cologne	Member of the Advisory Board
Albert Büll	BRUSS Sealing Systems GmbH, Hoisdorf	Member of the Advisory Board
	noventic GmbH, Hamburg	Chairman of the Advisory Board
Professor Fritz Vahrenholt	Aurubis AG, Hamburg	Chairman of the Supervisory Board
	Innogy Venture Capital GmbH, Essen	Member of the Investment Committee
Christine Scheel	NATURSTROM AG, Düsseldorf	Member of the Supervisory Board
	Barmenia Versicherungsgruppe, Wuppertal	Member of the Advisory Board
Peter Heidecker	Auszeit Hotel & Resort AG, Munich	Chairman of the Supervisory Board
Dr Henning Kreke	Deutsche EuroShop AG, Hamburg	Member of the Supervisory Board
	Douglas GmbH, Düsseldorf	Chairman of the Supervisory Board
	Thalia Bücher GmbH, Hagen	Member of the Supervisory Board
	Perma-Tec GmbH & Co. KG, Euerdorf	Member of the Advisory Board
	Günter Püschmann GmbH & Co. KG, Wuppertal	Member of the Advisory Board
	CON-PRO Industrie-Service GmbH & Co. KG, Peine	Member of the Advisory Board
	Ferdinand Bilstein GmbH & Co. KG, Ennepetal	Member of the Advisory Board
	noventic GmbH, Hamburg	Member of the Advisory Board
Professor Klaus-Dieter Maubach	ABB Deutschland AG, Mannheim	Member of the Supervisory Board
	AXPO Power AG, Baden (Switzerland)	Member of the Administrative Board
	Klöpfer & Königer GmbH & Co. KG, Garching	Chairman of the Supervisory Board
	Fortum Corporation, Helsinki (Finland)	Deputy Chairman of the Supervisory Board
	SUMTEQ GmbH, Cologne	Chairman of the Advisory Board

16 Corporate governance

The declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act (*Aktiengesetz* – AktG) has been made and is permanently available to shareholders on the company website.

17 Auditor fees and services

PricewaterhouseCoopers Gesellschaft mit beschränkter Haftung, Wirtschaftsprüfungsgesellschaft (PwC), a member of the German Wirtschaftsprüferkammer (chamber of public accountants – WPK) in Berlin, has acted as the company's auditor since the 2016 financial year. The undersigned auditors are Mr Claus Brandt and Mr Martin Zucker, who have signed the audit of the company's financial statements for the third consecutive time.

The total fees for the auditor in the 2018 financial year can be broken down as follows:

In TEUR	2018	2017
Auditing services	553	427
of which for the previous year	*85*	*0*
Other services	0	4
Total	**553**	**431**

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 as well as fees for other auditing services.

18 Full ownership list pursuant to section 313, paragraph 2, of the HGB

As of 31 December 2018, the Group is comprised of Encavis AG and the following consolidated entities:

Company	Registered office	Share in %
Fully consolidated Group companies		
Alameda S.r.l.	Bolzano, Italy	100.00
ARSAC 4 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.	Bruneck, Italy	100.00
Ballinaclough Solar DAC[1)]	Dublin, Ireland	75.00
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.	Bruneck, Italy	100.00
Capital Stage Caddington Ltd.	London, United Kingdom	100.00
Capital Stage Caddington II Ltd.	London, United Kingdom	100.00
Capital Stage Cullompton Ltd.	London, United Kingdom	100.00
Capital Stage Hall Farm Ltd.	Edinburgh, United Kingdom	100.00
Capital Stage Investments Ltd.	Dublin, Ireland	75.00
Capital Stage Ireland GP Ltd.[2)]	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 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 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

Company	Registered office	Share in %
CHORUS CleanTech GmbH & Co. Solarpark Burgheim KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Denkendorf KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Eisleben KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Gardelegen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Greiz KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Gut Werchau KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Kemating KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Neuenhagen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Pasewalk KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Richelbach KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Rietschen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Rüdersdorf KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Ruhland KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Scheibenberg KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Vilseck KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarpark Warrenzin KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Solarparks Niederbayern KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Hellberge KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Ruhlkirchen KG	Neubiberg, Germany	100.00
CHORUS CleanTech GmbH & Co. Windpark Stolzenhain KG	Neubiberg, Germany	100.00
CHORUS CleanTech Management GmbH	Neubiberg, Germany	100.00
CHORUS Energieanlagen GmbH	Neubiberg, Germany	100.00
CHORUS GmbH	Neubiberg, Germany	100.00
CHORUS Solar 3. S.r.l. & Co. S.a.s. 2	Bruneck, Italy	100.00
CHORUS Solar 3. S.r.l.	Bruneck, Italy	100.00
CHORUS Solar Casarano S.r.l.	Bruneck, Italy	100.00
CHORUS Solar Italia Centrale 5. S.r.l.	Bruneck, Italy	100.00
CHORUS Solar Matino S.r.l.	Bruneck, Italy	100.00
CHORUS Solar Nardò S.r.l.	Bruneck, Italy	100.00
CHORUS Solar S.r.l.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Cinque S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Due S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Nove S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Otto S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Quattro S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Sei S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Sette S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. Foggia Tre S.a.s.	Bruneck, Italy	100.00
CHORUS Solar S.r.l. & Co. S.a.s.	Bruneck, Italy	100.00
CHORUS Solar Ternavasso Due S.r.l.	Bruneck, Italy	100.00
CHORUS Solar Ternavasso Uno S.r.l.	Bruneck, Italy	100.00
CHORUS Solar Torino Due S.r.l.	Bruneck, Italy	100.00
CHORUS Solar Torino Uno S.r.l.	Bruneck, Italy	100.00
CHORUS Wind Amöneburg GmbH & Co. KG	Neubiberg, Germany	100.00
CHORUS Wind Appeln GmbH & Co. KG	Neubiberg, Germany	100.00
CHORUS Wind Hürth GmbH & Co. KG	Neubiberg, Germany	100.00

Company	Registered office	Share in %
Clawdd Ddu farm Ltd.	London, United Kingdom	100.00
Collecchio Energy S.r.l.	Bruneck, Italy	100.00
Communal le Court S.A.S.	Paris, France	100.00
CPV Bach SARL	Pérols, France	85.00
CPV Entoublanc SARL	Paris, 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
Creevy Solar Farm DAC1)	Dublin, Ireland	75.00
CS Solarpark Bad Endbach GmbH	Halle (Saale), Germany	100.00
CSG IPP GmbH	Hamburg, Germany	100.00
Data Trust GmbH	Neubiberg, Germany	100.00
De-Stern 1 S.r.l.	Bolzano, Italy	100.00
De-Stern 4 S.r.l.	Bolzano, Italy	100.00
De-Stern 10 S.r.l.	Bolzano, Italy	100.00
De-Stern 15 S.r.l.	Bolzano, Italy	100.00
DMH Treuhand Vermögensverwaltung GmbH	Neubiberg, Germany	100.00
ENCAVIS AM Advisor GmbH2)	Neubiberg, Germany	100.00
ENCAVIS AM Capital GmbH2)	Neubiberg, Germany	100.00
ENCAVIS AM Invest GmbH2)	Neubiberg, Germany	100.00
ENCAVIS AM Management GmbH2)	Neubiberg, Germany	100.00
ENCAVIS AM Services GmbH2)	Neubiberg, Germany	100.00
Encavis Asset Management AG2)	Neubiberg, Germany	100.00
Encavis Finance B.V.2)	Rotterdam, Netherlands	100.00
Encavis Iberia GmbH1)	Hamburg, Germany	100.00
ENCAVIS Infrastructure S.à r.l.1)	Grevenmacher, Luxembourg	100.00
Encavis Real Estate GmbH1)	Hamburg, Germany	100.00
Encavis Beteiligungs GmbH1)	Hamburg, Germany	100.00
Encavis Technical Services GmbH2)	Halle (Saale), Germany	100.00
Encavis Wind Danmark ApS2)	Roskilde, Danmark	100.00
Energia & Sviluppo S.r.l.	Bruneck, 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 Hürth-Barbarahof WP HB GmbH & Co. KG1)	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 Odisheim GmbH & Co. WP ODI KG1)	Bremerhaven, Germany	100.00
Energiepark Passow WP Briest III GmbH & Co. KG	Bremerhaven, Germany	100.00
Enerstroom 1 B.V.	Pijnacker, Netherlands	100.00
Enerstroom 2 B.V.	Pijnacker, Netherlands	100.00
Fano Solar 1 S.r.l.	Bolzano, Italy	100.00
Fano Solar 2 S.r.l.	Bolzano, Italy	100.00
Ferme Eolienne de Maisontiers-Tessonniere S.A.S.	Schiltigheim, France	100.00

Company	Registered office	Share 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
Garrymore Solar Farm DAC[1)]	Dublin, Ireland	75.00
GE.FIN Energy Oria Division S.r.l.	Bolzano, Italy	100.00
Gosfield Solar Ltd.[2)]	London, United Kingdom	100.00
Green Energy 010 GmbH & Co. KG	Neubiberg, Germany	100.00
Green Energy 018 GmbH & Co. KG	Neubiberg, Germany	100.00
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.	Bruneck, 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)]	Bruneck, Italy	100.00
Lux Energy S.r.l.[2)]	Bruneck, Italy	100.00
Mainscourt Solar DAC[1)]	Dublin, Ireland	75.00
Martinstown Solar Farm DAC[1)]	Dublin, Ireland	75.00
MonSolar IQ Ltd.	London, United Kingdom	100.00
MTS4 S.r.l.	Bolzano, Italy	100.00
Norhede-Hjortmose Vind 12 ApS[1)]	Ringkøbing, Denmark	100.00
Norhede-Hjortmose Vind 12 K/S[1)]	Ringkøbing, Denmark	100.00
Norhede-Hjortmose Vind 19 I/S[1)]	Ringkøbing, Denmark	100.00
Norhede-Hjortmose Vindkraft I/S[1)]	Ringkøbing, Denmark	81.40
Notaresco Solar S.r.l.	Bolzano, Italy	100.00
Oetzi S.r.l.	Bolzano, Italy	100.00
Parco Eolico Monte Vitalba S.r.l.	Bolzano, Italy	85.00
Pfeffenhausen-Egglhausen Photovoltaik GmbH	Halle (Saale), Germany	100.00
Piemonte Eguzki 2 S.r.l.	Bolzano, Italy	100.00
Piemonte Eguzki 6 S.r.l.	Bolzano, Italy	100.00
Polesine Energy 1 S.r.l.	Bolzano, Italy	100.00
Polesine Energy 2 S.r.l.	Bolzano, Italy	100.00
Progetto Marche S.r.l.	Bolzano, Italy	100.00
REM Renewable Energy Management GmbH	Neubiberg, Germany	100.00
Ribaforada 3 S.r.l.	Bolzano, Italy	100.00
Ribaforada 7 S.r.l.	Bolzano, Italy	100.00
Rodbourne Solar Ltd.[2)]	London, United Kingdom	100.00
San Giuliano Energy S.r.l.	Bruneck, Italy	100.00
San Martino S.r.l.	Bruneck, Italy	100.00
Sant'Omero Solar S.r.l.	Bolzano, Italy	100.00

Company	Registered office	Share in %
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
Solar Farm FC1 S.r.l.	Bolzano, Italy	100.00
Solar Farm FC3 S.r.l.	Bolzano, Italy	100.00
Solarpark Bad Harzburg GmbH	Halle (Saale), Germany	100.00
Solarpark Boizenburg I GmbH & Co. KG[1)]	Boizenburg, 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.	Bruneck, Italy	100.00
TC Wind Management GmbH[2)]	Neubiberg, Germany	100.00
Todderstaffe Solar Ltd.	London, United Kingdom	100.00
Treia 1 Holding S.r.l.	Bolzano, Italy	100.00
Treponti di CHORUS Solar 3. S.r.l. & Co. S.a.s.	Bruneck, Italy	100.00
Trequite Farm Ltd.	London, United Kingdom	100.00
Trequite Freehold Ltd.[1)]	London, United Kingdom	100.00
Trewidland Farm Ltd.	London, United Kingdom	100.00
UGE Malterhausen GmbH & Co. KG Umweltgerechte Energie	Meissen, Germany	100.00
UGE Markendorf Eins GmbH & Co. KG Umweltgerechte Energie	Meissen, Germany	100.00
UVG Umspannwerk Verwaltungsgesellschaft mbH	Neubiberg, Germany	100.00
Vallone S.r.l.	Bolzano, Italy	100.00
Windkraft Kirchheilingen IV GmbH & Co. KG	Kirchheilingen, Germany	50.99
Windkraft Olbersleben II GmbH & Co. KG	Olbersleben, Germany	74.90
Windkraft Sohland GmbH & Co. KG	Reichenbach, Germany	74.30
Windpark Breberen GmbH	Neubiberg, Germany	100.00
Windpark Dahme - Wahlsdorf 3 GmbH & Co. KG	Schönefeld, Germany	100.00
Windpark Gauaschach GmbH	Hamburg, Germany	100.00
Windpark Herrenstein GmbH	Vienna, Austria	100.00

Company	Registered office	Share in %
Windpark Lairg Management GmbH	Neubiberg, Germany	100.00
Windpark Lairg Services GmbH	Neubiberg, Germany	100.00
Windpark Lairg Verwaltungs GmbH	Neubiberg, Germany	100.00
Windpark Pongratzer Kogel GmbH	Vienna, Austria	100.00
Windpark Zagersdorf GmbH	Vienna, Austria	100.00
Wisbridge Solar Ltd.[2)]	London, United Kingdom	100.00
Witches Solar Ltd.[2)]	London, United Kingdom	100.00
Zonnepark Budel B.V.[1)]	Helmond, Netherlands	80.01
Joint arrangements		
Richelbach Solar GbR	Neubiberg, Germany	60.00
Associates		
CHORUS IPP Europe GmbH	Neubiberg, Germany	100.00
Genia Extremadura Solar SL	Valencia, Spain	80.00
Gnannenweiler Windnetz GmbH & Co. KG	Bopfingen, Germany	20.00
Pexapark AG	Schlieren, Switzerland	18.16
Entities not accounted for using the equity method		
Energiepark Debstedt 2 RE WP DE GmbH & Co. KG[3)]	Bremerhaven, Germany	49.00
Non-consolidated Group companies		
Chesterlake Ltd.[3)]	Dublin, Ireland	100.00
Freshpower Ltd.[4)]	London, United Kingdom	100.00
PJC Renewable Energy Ltd.[4)]	London, United Kingdom	100.00

1) First-time consolidation in the 2018 financial year.

2) Company renamed in the 2018 financial year.

3) Because of their overall insignificance for the consolidated financial statements, these entities were not consolidated or accounted for using the equity method.

4) The companies are in the process of being dissolved.

Additional information pursuant to section 313, paragraph 2 number 4, of the HGB

Company	Equity 2017 in EUR	Share in %	Result 2017 in EUR
CHORUS IPP Europe Verwaltungs GmbH, Neubiberg	22,158.91	20.00	-584.61
Enne Pi Studio FV. 9 S.r.l., Bozen, Italy	12,000.00	100.00	256,716.00
GER - ENERGIES GLOBALES S.A.R.L., Lille, France	216,858.00	100.00	27,468.00
Parc Eolien de Fresnes-en-Saulnois S.A.S., Lille, France	-6,236,147.00	100.00	217,689.00
SEFEOSC S.A.S., Lille, France	-1,687,345.00	100.00	349,374.00
Societé d'Exploitation du Parc Eolien de Talizat Rezentières S.A.S., Lille, France	1,650,187.00	100.00	453,371.00
Societé d'Exploitation du Parc Eolien Fond Gerome S.A.R.L., Lille, France	-1,544,297.00	100.00	408,913.00
Societé d'Exploitation du Parc Eolien le mont d'Hezecques S.A.R.L., Lille, France	-1,955,608.00	100.00	368,298.00
SASU Sun Premier France S.A.S., Lille, France	-5,309,149.00	100.00	-4,125,909.00
UW Schäcksdorf GmbH & Co. KG, Breklum	not published	37.50	not published
Wind Hacksta AB, Uppsala, Sweden	138,859.00	100.00	-1,005,517.00
Wind Part of Liverpool, Bramhall, United Kingdom	-1,900,666.42	100.00	408,617.90
Wind POL 1 Holding Ltd., Bramhall, United Kingdom	-3,639,808.02	100.00	-3,621,595.92
Wind POL 2 Holding Ltd., Bramhall, United Kingdom	-39,653.99	100.00	-23,081.57
Windpark Kaseldorf GmbH & Co. KG, Neubiberg	-1,120,492.33	100.00	233,253.62

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

19 Notification requirements

In the period from 1 January 2018 to 20 March 2019, Encavis AG, Hamburg, Germany, received the following notifications pursuant to section 40, paragraph 1, of the German Securities Trading Act (WpHG):

Encavis AG was notified in a letter dated 25 May 2018 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Dr Cornelius Liedtke, Germany, exceeded the threshold of 5 per cent of the voting rights on 16 May 2018 due to a pooling agreement and, from this date, was 6.96 per cent (which corresponds to 8,927,042 voting rights). Attributed voting rights were held through the following company, whose share of the voting rights in Encavis AG was 3 per cent or more: Dr. Liedtke Vermögensverwaltung GmbH, Hamburg, Germany.

Encavis AG was notified in a letter dated 25 May 2018 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Elke Liedtke, Germany, exceeded the threshold of 5 per cent of the voting rights on 16 May 2018 due to a pooling agreement and, from this date, was 6.96 per cent (which corresponds to 8,927,042 voting rights). Attributed voting rights were held through the following company, whose share of the voting rights in Encavis AG was 3 per cent or more: Dr. Liedtke Vermögensverwaltung GmbH, Hamburg, Germany.

Encavis AG was notified in a letter dated 20 June 2018 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Albert Büll GmbH, Hamburg, Germany, exceeded the threshold of 20 per cent of the voting rights on 14 June 2018 and, from this date, was 20.02 per cent (25,913,473 voting rights). Attributed voting rights were held through the following company, whose share of the voting rights in Encavis AG was 3 per cent or more: AMCO Service GmbH, Hamburg, Germany.

Encavis AG was notified in a letter dated 14 August 2018 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Albert Büll, Hamburg, Germany, exceeded the threshold of 20 per cent of the voting rights on 2 July 2018 and, from this date, was 20.06 per cent (25,963,473 voting rights). Attributed voting rights were held through the following company, whose share of the voting rights in Encavis AG was 3 per cent 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.

Encavis AG was notified in a letter dated 1 October 2018 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Albert Büll, Hamburg, Germany, exceeded the threshold of 20 per cent of the voting rights on 25 September 2018 and, from this date, was 20.18 per cent (26,126,656 voting rights). Attributed voting rights were held through the following company, whose share of the voting rights in Encavis AG was 3 per cent 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 as a result of restructuring.

Encavis AG was notified in a letter dated 23 November 2018 pursuant to section 33(1) of the WpHG that the share of the voting rights in Encavis AG held by Albert Büll, Hamburg, Germany, exceeded the threshold of 20 per cent of the voting rights on 21 November 2018 and, from this date, was 20.21 per cent (26,159,904 voting rights). Attributed voting rights were held through the following company, whose share of the voting rights in Encavis AG was 3 per cent 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 as a result of restructuring.

With regard to the reporting thresholds for voting shares (3, 5, 10, 15, 20, 25, 30, 50 and 75 per cent) in accordance with section 33 et seq. of the WpHG, on 20 March 2019 AMCO Service GmbH held more than 20 per cent, Dr. Liedtke Vermögensverwaltungsgesellschaft GmbH more than 5 per cent and Lobelia Beteiligungsgesellschaft and PELABA Anlagenverwaltungs GmbH & Co. KG each more than 3 per cent of the voting rights in Encavis AG.

20 Date of approval for publication

These consolidated financial statements were approved for publication by resolution of the Management Board of Encavis AG on 21 March 2019.

21 Group statement of changes in fixed assets

In TEUR	Other intangible assets	Electricity feed-in contracts/project rights	Goodwill	Other property, plant and equipment
Acquisition cost				
As of 01.01.2017	13,245	634,729	29,620	1,572
Additions	674	521	0	871
Changes in the scope of consolidation	110	60,200	10,168	58
Disposals	0	0	0	-87
Changes due to fair value measurement	0	0	0	0
Transfers	0	0	0	31
Currency translation	0	-970	-55	0
As of 31.12.2017	**14,029**	**694,480**	**39,733**	**2,445**
Depreciation and amortisation				
As of 01.01.2017	649	54,055	7,328	448
Additions	1,230	43,208	0	315
Disposals	0	0	0	-21
Currency translation	0	-115	0	0
As of 31.12.2017	**1,880**	**97,148**	**7,328**	**742**
Carrying amount as of 31.12.2015	323	175,927	7,361	520
Carrying amount as of 31.12.2016	12,596	580,674	22,292	1,124
Carrying amount as of 31.12.2017	**12,149**	**597,333**	**32,405**	**1,703**
Acquisition cost				
As of 01.01.2018	14,029	694,480	39,733	2,445
Additions	622	0	0	620
Changes in the scope of consolidation	0	16,323	0	1,394
Disposals	0	0	0	-1
Changes due to fair value measurement	0	0	0	0
Transfers	0	0	0	0
Transition of asset retirement scheme	0	0	0	0
Currency translation	-1	-228	-83	-2
As of 31.12.2018	**14,650**	**710,575**	**39,650**	**4,456**
Depreciation and amortisation				
As of 01.01.2018	1,880	97,148	7,328	742
Additions	1,017	45,280	0	521
Additions (unscheduled)	0	0	12,305	0
Currency translation	0	-49	29	0
As of 31.12.2018	**2,897**	**142,378**	**19,661**	**1,263**
Carrying amount as of 31.12.2016	12,596	580,674	22,292	1,124
Carrying amount as of 31.12.2017	12,149	597,333	32,405	1,703
Carrying amount as of 31.12.2018	**11,753**	**568,197**	**19,989**	**3,193**

In TEUR	Installations under construction	Power generation installations	Financial assets	Total
Acquisition cost				
As of 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
Changes due to fair value measurement	0	0	-209	-209
Transfers	-44,392	44,127	234	0
Currency translation	0	-3,716	0	-4,741
As of 31.12.2017	**21,144**	**1,627,076**	**11,975**	**2,410,882**
Depreciation and amortisation				
As of 01.01.2017	0	137,235	0	199,715
Additions	0	57,741	904	103,397
Disposals	0	0	0	-21
Currency translation	0	-221	0	-335
As of 31.12.2017	**0**	**194,755**	**904**	**302,756**
Carrying amount as of 31.12.2015	11,731	945,845	1	1,141,708
Carrying amount as of 31.12.2016	13,395	1,317,326	7,334	1,954,741
Carrying amount as of 31.12.2017	**21,144**	**1,432,321**	**11,071**	**2,108,126**
Acquisition cost				
As of 01.01.2018	21,144	1,627,076	11,975	2,410,882
Additions	55,092	20,914	838	78,086
Changes in the scope of consolidation	15,580	54,826	68	88,191
Disposals	0	-7	-5,391	-5,399
Changes due to fair value measurement	0	2,746	-113	2,633
Transfers	-90,766	90,766	0	0
Transition of asset retirement scheme	0	8,661	0	8,661
Currency translation	-7	-1,295	0	-1,616
As of 31.12.2018	**1,044**	**1,803,687**	**7,378**	**2,581,440**
Depreciation and amortisation				
As of 01.01.2018	0	194,755	904	302,756
Additions	0	64,647	0	111,465
Additions (unscheduled)	0	0	0	12,305
Currency translation	0	-117	0	-137
As of 31.12.2018	**0**	**259,285**	**904**	**426,388**
Carrying amount as of 31.12.2016	13,395	1,317,326	7,334	1,954,741
Carrying amount as of 31.12.2017	21,144	1,432,321	11,071	2,108,126
Carrying amount as of 31.12.2018	**1,044**	**1,544,402**	**6,474**	**2,155,052**

22 Consolidated segment reporting (operating)[1]

In TEUR	Administration	PV Parks	PV Services	Asset Management
Revenue	0	186,507	4,457	4,140
(previous year)	(0)	(168,932)	(3,440)	(3,649)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	-7,235	152,152	1,637	-1,026
(previous year)	(-6,038)	(134,199)	(1,308)	(899)
Depreciation and amortisation	-165	-54,610	-50	-671
(previous year)	(-155)	(-50,900)	(-41)	(-585)
Earnings before interest and taxes (EBIT)	-7,401	97,542	1,587	-1,697
(previous year)	(-6,193)	(83,299)	(1,267)	(314)
Financial result	-1,725	-46,439	0	250
(previous year)	(-999)	(-43,970)	(0)	(82)
Earnings before taxes on income (EBT)	-9,126	51,103	1,587	-1,446
(previous year)	(-7,192)	(39,329)	(1,267)	(396)
Taxes on income	-21	-7,889	0	-1,317
(previous year)	(9)	(-5,814)	(0)	(-335)
Earnings after taxes (EAT)	-9,148	43,214	1,587	-2,763
(previous year)	(-7,183)	(33,515)	(1,267)	(61)
Undiluted earnings per share (in EUR)	-0.11	0.33	0.01	-0.02
(previous year)	(-0.07)	(0.25)	(0.01)	(0.00)
Assets including participating interests	621,521	2,122,300	3,938	35,178
(As of 31.12.2017)	(630,416)	(2,016,080)	(6,732)	(38,823)
Investing activities (net)	40,155	-30,609	1,306	1,188
(previous year)[2]	(15,926)	(-80,294)	(993)	(-1,458)
Liabilities	138,260	1,685,093	1,743	3,742
(As of 31.12.2017)	(70,679)	(1,637,257)	(1,464)	(6,820)

In TEUR	Wind Parks	Reconciliation	Total
Revenue	57,839	-4,159	248,785
(previous year)	(49,500)	(-3,089)	(222,432)
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	41,531	-169	186,890
(previous year)	(36,400)	(0)	(166,768)
Depreciation and amortisation	-17,727	15	-73,208
(previous year)	(-14,700)	(0)	(-66,381)
Earnings before interest and taxes (EBIT)	23,804	-154	113,682
(previous year)	(21,701)	(0)	(100,387)
Financial result	-9,015	0	-56,929
(previous year)	(-8,762)	(0)	(-53,648)
Earnings before taxes on income (EBT)	14,789	-154	56,753
(previous year)	(12,939)	(0)	(46,739)
Taxes on income	-490	0	-9,717
(previous year)	(-637)	(0)	(-6,777)
Earnings after taxes (EAT)	14,299	-154	47,036
(previous year)	(12,302)	(0)	(39,962)

Undiluted earnings per share (in EUR)	0.11	0.00	0.31
(previous year)	(0.10)	(0.00)	(0.29)
Assets including participating interests	869,625	-1,003,497	2,649,065
(As of 31.12.2017)	(775,835)	(-948,188)	(2,519,698)
Investing activities (net)	-73,636	-56,824	-118,421
(previous year)[2]	(-49,889)	(-53,596)	(-168,318)
Liabilities	616,455	-483,285	1,962,008
(As of 31.12.2017)	(578,972)	(-474,088)	(1,821,104)

1) The previous year's figures were partially adapted based on changes to the composition of the segments (see section 7 of the notes). A reconciliation of the IFRS KPIs to the operating KPIs is provided in the management report.

2) Some of the previous-year figures have been adjusted (see explanation in the notes to the consolidated financial statements).

Independent auditor's report

To Encavis AG, Hamburg

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Audit Opinions

We have audited the consolidated financial statements of Encavis AG, Hamburg, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, 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 2018 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 2018. 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 2018, and of its financial performance for the financial year from 1 January to 31 December 2018, 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 2018. 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

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 € 118.2 million and deferred tax liabilities of € 234.5 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 € 44.5 million, € 57.6 million for corporation tax and interest carryforwards amounting to € 38.5 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, 5.8 and 6.7 of the notes to the consolidated financial statements.

❷ **Financial instruments – Accounting treatment of hedging transactions**

① The companies of the Encavis Group use a 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 € 2.0 million as at the balance sheet date and the negative fair values amount to € 19.6

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 IFRS 9, 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 € 1.2 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 8 of the notes to the consolidated financial statements.

❸ Business combinations

① A total of 8 business combinations were accounted for in financial year 2018. The total purchase price for the acquisitions was € 44.2 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 € 37.8 million, a negative goodwill (income) from these business combinations amounts in total to € 6.4 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 reconciling the key planning assumptions made and the parameters used by the management. 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.

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 8 May 2018. We were engaged by the supervisory board on 31 August 2018. 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, 21 March 2019

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 financial position, financial performance and net assets of the company and the Group, and that the combined management report and the Group management report include a fair review of the course of business, including the business result, and the situation of the company and the Group and suitably present the principal opportunities and risks associated with the expected development of the company and the Group.

Hamburg, March 2019

Encavis AG

Management Board

Dr Dierk Paskert	Dr Christoph Husmann
CEO	CFO

Glossary

Abbreviations and terms from the energy sector	
EEG	*Erneuerbare-Energien-Gesetz* – German renewable energy act
FIT	Feed-in tariff
GW	Gigawatt – unit of power
IPP	Independent power producer
kW	Kilowatt – unit of power
kWh	Kilowatt-hour – unit for measuring electricity and amount of energy
kWp	Kilowatt peak – nominal output of an energy installation
MW	Megawatt – unit of power
MWh	Megawatt-hour – unit for measuring electricity and amount of energy
Onshore	Wind parks built on land for the generation of electricity
PPA	Power purchase agreement – private purchase contract for electricity
PV	Photovoltaic – energy acquired from the sun
REN21	Renewable Energy Policy Network for the 21st Century – political network in the field of renewable energies
SPE	SolarPower Europe – union of the European solar industry
TW	Terawatt – unit of power
TWh	Terawatt-hour – unit for measuring electricity and amount of energy

Abbreviations and terms from the financial and business sectors	
AC	Amortised cost – category under IFRS 9 in which financial assets are measured at amortised cost
AfS	Available for sale – category under IAS 39 for financial assets held for sale
AktG	*Aktiengesetz* – German Stock Corporation Act
SOP	Share option programme (regulation of share-based remuneration)
Badwill	Negative goodwill – if the purchase price for a company acquired for consideration is less than the value of the assets after deduction of the liabilities, the difference is to be recognised as income
GDP	Gross domestic product – economic output of a country
Cash flow	Economic measurement that represents the net inflow of liquid funds during a given period
CDS	Credit default swap – instruments used to hedge a potential default by a borrower
CFH	Cash flow hedges – instruments for hedging cash flows
CGU	Cash-generating unit – the smallest identifiable group of assets that generates cash inflows that are largely independent of those from other assets
CSI 300	China Securities Index 300 – Chinese stock index
DAX	*Deutscher Aktienindex* – German stock index
DCGK	*Deutscher Corporate Governance Kodex* – German corporate governance code
GAS	German Accounting Standards
Due diligence	Careful examination of a company as part of an acquisition
EAT	Earnings after taxes – a key performance indicator
EBIT	Earnings before interest and taxes – a key performance indicator
EBITDA	Earnings before interest, taxes, depreciation and amortisation – a key performance indicator; EBITDA is calculated as EBIT plus depreciation and amortisation recognised in profit or loss, and less reversals of impairment losses on intangible assets and property, plant and equipment recognised in profit or loss
EBT	Earnings before taxes on income – a key performance indicator
ECL model	Expected credit loss model – impairment model based on expected credit losses

FAHfT	Financial assets held for trading – category under IAS 39 for financial assets held for trading and measured at fair value through profit or loss
FTSE 100 Index	Financial Times Stock Exchange Index – British stock index
FVOCI	Fair value through other comprehensive income – category under IFRS 9 in which financial assets are measured at fair value through other comprehensive income
FVPL	Fair value through profit and loss - category under IFRS 9 in which financial assets are measured at fair value through profit or loss
FX	Foreign exchange – foreign currency
Goodwill	Positive goodwill – if the purchase price for a company acquired for consideration is more than the value of the assets after deduction of the liabilities, the positive difference is to be capitalised as goodwill
Green Bond	Debt security which must meet clearly defined requirements with regard to the investment objects (ESG criteria)
HASPAX	Hamburg stock index
HGB	*Handelsgesetzbuch* – German Commercial Code
HtM	Held to maturity – category under IAS 39 for financial investments held to maturity
IASB	International Accounting Standards Board – independent private-sector body that develops and adopts the IFRS
IFRS	International Financial Reporting Standards – international accounting standards to be applied by capital-market-oriented companies in the European Union
IFRS IC	IFRS Interpretations Committee – body that develops and published interpretations of the IFRS
IRR	Internal rate of return – key figure for measuring the return on an investment
ISIF	Ireland Strategic Investment Fund – an Irish government fund
IMF	International Monetary Fund
L&R	Loans and receivables – category for loans and receivables under IAS 39
MISE	Ministry of Economic Development in Italy
OCI	Other comprehensive income – a component of equity in which certain expenses/income are recognised directly in equity
ÖkoDAX	Stock index for the renewable energy sector
Operating	In the Encavis Group, “operating” refers to all key figures that do not contain any IFRS-related valuation effects
PPA	Purchase price allocation – when a newly acquired company is included in the consolidated financial statements for the first time, the purchase price is allocated to the individual assets and liabilities
PPVX	Photon Photovoltaic Stock Index
ROE	Return on equity – key figure used to measure the operating return on equity of an investment
SAR	Share appreciation rights – virtual share options
SDAX	Small-cap DAX
TEUR	Thousands of euros
WACC	Weighted average cost of capital
WpHG	*Wertpapierhandelsgesetz* – German Securities Trading Act

ENCAVIS
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