

Questions and answers of the conference call on August 26, 2020 regarding the Q2/6M Interim Report 2020

M Moderator
DP Dr. Dierk Paskert, CEO, Encavis AG
CH Dr. Christoph Husmann, CFO, Encavis AG
JF Jörg-André Finke, Head of Equity Research, HSBC
IK Igor Kim, Analyst, Bankhaus Lampe
CF Charlotte Friedrichs, Analyst, Berenberg Bank

M Ladies and gentlemen, if you would like to ask a question please press 9 followed by the star key on your telephone key pad. If you wish to cancel your question please press 9 followed by the start key again. Please press 9 star now to state your question. And the first question comes from Jörg-Andre Finke from HSBC. Please go ahead.

JF Yes good morning and thanks for taking my questions, two of them maybe one after the other. The first question is more strategic related to the recent announcement by RWE with regard to investments into the renewable space in the Nordics deal etcetera. And maybe your strategic take on that, whether that is changing the competitive landscape and what your thoughts are on this, thank you.

DP Shall I take that question Christoph or would you like to?

CH Oh certainly, go ahead.

DP Yes it's Dierk Paskert hi, CEO. I don't think that changes at all let's say our picture at least of the world. So we are aware that more and more conventional utilities are stepping into the renewables market and they take different routes if you compare them. And for us it doesn't change anything so we have a clear outlook until 2025 which we will follow. We have a clear plan how we would like to achieve that, we are building our partnerships, we are not investing directly in development companies. So we won't do any M&A in that respect. But we are fostering our partnerships which give us enough flexibility to reach our goals until 2025. So therefore no change from our perspective but we are obviously also watching what other players are doing in the market.

JF Ok thank you and is there any concern that you might be a takeover target yourself from the actual...?

DP No there is never a concern because if something like that would happen at some time, which we never know, then we will have a... to give an honest answer to our shareholders whether we recommend to follow such an offer or not. So I am not speculating on such things, so we can only do that once that is reality. That is not reality and we do not have any let's say messages from any company that this would come soon. So therefore that's all we can say. I would say pure market speculation and we won't comment any further.

JF Ok fair enough, many thanks. And my second question relates to your comments on financing and the... you know current Covid environment interest rates on that having gone up significantly. Obviously that might change going forward but if it would not change, would

you be prepared to go down for a period of lower growth or transaction activity or would you have different views in mind to you know raise money?

CH Well thank you for that question, well first of all this would be pure speculation to say whether this will change in the future or not. So therefore in the end the financial costs of... the cost of financing such a park, one of the major cost positions in the calculation is the value of such a park. If we are hit by higher interest rates then the whole market will be as well. So therefore all these companies will have to adjust their value expectations regarding these parks. So therefore the pricing will change. Now we don't see that our speed of growth will change for that.

JF Ok very clear, thank you.

M The next question comes from Igor Kim from Bankhaus Lampe. Please go ahead.

IK Yes very good morning, I have a couple of questions. Just one on weather effects in I think you gave a figure for six months, could you give us a separate figure for the second quarter only? And yes the second question is if the parks in Spain will be connected to the grid in November, is it relative to expect that the revenues will start to come through over the... in December by the end of the year and is it somehow reflected in your guidance for 2020? Thanks.

CH So first regarding the question... thank you very much Mr Kim, the question regarding Spain, yes it is absolutely true that if the parks are connected to the grid, we will remunerated by that in the spot market. So we would see what that means to our P&L. But yes it is already included in our guidance, but we should not expect too much from that. The reason for that as you pointed out, for instance if one of the parks would be connected to the grid mid or end of November, even in Spain in December the sun is not beaming as hard as it is in summer. So the fourth and the first quarter are usually the weak ones in solar. So therefore we shouldn't expect too much energy generation too much revenue from that. Regarding the weather effects, as I pointed out in Q1 the weather effect was in total 6 million ... to nineteen. Weather effect was 6 million positive, while it was 5.1 million in Q120 so it was negative 0.9. Now we have negative 3.1 and the reason is for that in Q1 we had a very positive effect from wind and that is now going down to zero as I pointed out in total in the six months there is no positive weather effect from wind anymore. So we lost that in the second quarter due to weak wind performance.

IK Ok thanks, that's very clear thank you.

CH You're welcome.

M The next question comes from Charlotte Friedrichs from Berenberg, please go ahead.

CF Hello, thank you for taking my questions, I've got three. So firstly on the solar market in Spain there was an announcement by China ... Europe recently that they made a large acquisition there and the question here is are you seeing more competition in general here for the Spanish market? The second question would be the saving of your corporations with Sunova and GreenGo, can you give us a bit of a feel as to when you would expect the project to be completed here? Are there more backend loaded or should be expect a more linear development? And then finally on the financing side, can you give us an update post refinancing, where you are right now with your average cost of that? And also what your firepower is currently?

CF Ok Dierk you take the first two ones?

DP Yes I'll go, regarding Spain yes it is a hot market currently because it qualifies as PPA market at least pre corona, then wholesale prices came down a little bit. That calmed down a little bit, the PPA activity. In Spain we were able to secure our PPAs. Before corona times it was good but anyway Spain will remain a competitive market. We are offered on a monthly or sometimes even weekly basis, new projects in Spain. We are carefully looking at them, most of them we have turned down because pricing was not... at least our expectations were not competitive in our view or not reaching the bar which we have set. So therefore yes **[09:00]** we still participate in that game and I would not exclude further activities with Spain but very selective on that end. Second question was again Charlotte was regarding...

CF Saving of corporation

DP The... yes the corporation and the timing of the projects if I have put it right. No it's let's say typical development projects, so we have reached first milestones from... with GreenGo just yesterday we were informed that all the projects we have in line have reached their respective milestones. So that's a good development. I would expect let's say first parks connected to the grid in late 2021, early 2022. So that's... but the bigger ones definitely more in 2022. But from Sunovis the timeline is a little bit let's say earlier. So there we could expect already 2021 some additions to our portfolio. But it's all let's say early phase to mid-phase development there, more or less reached mid-phase development. Some of them are near to ready to go.

CH So and now regarding our financing, the average cost of that reduced slightly. This can be by the way to be seen with the cost of the interest expenses were pretty much in the first half of 2020, the same as in the first half of 2019 but on one hundred million euros more of debt. And as a matter of fact, so the average if you just take the first half interest rates and you take them twice times. So we would use ... by ten basis points in total, in the average of our group. Regarding the financing of the fire power, we have as I pointed out it is currently at 80... more than 80 million euros equity which we have available already after all these acquisitions of the 14.4 megawatt wind farm and all the minority stake acquisitions which we did. So it is still 80 million, more than 80 million equity available. So it depends now very much whether we will be active in the PPA market or whether we will be active in the ... and tariff market as you might know, depending on the type of remuneration for these energies to be used, the leverage is high or not.

M Ladies and gentlemen, just one moment please. We will continue shortly

CH Ok so in the end our average interest in the group is reduced by all the measures currently by ten basis points. So since we have a huge amount of debt and we're working through that, this will... although we had some success in this reduction of our interest rates in the average, this is shown by the ten basis points. And then regarding the fire power, as I pointed out we always do have 80 million... it's 80 millions euros, more than 80 million euros of cash available for investment that already after all the investments we did this year is now depending on...

M Ladies and gentlemen please stay online, we will continue shortly.

CH So the fire power is still there and depending on PPA versus ... and tarif market, it is between 250 and 300 million euros total transaction volume which is possible for us with our liquidity.

- M Ok apparently I'm very sorry Miss Friedrichs has dropped out as well. So at the moment there are no further questions in the queue. If you would still like to raise a question you can press nine and star again. And I think there is one follow up question from Andre Finker from HSBC. Go ahead please.
- JF Yes just on a quick follow up, I think there was an accident at one wind park in Altenberg in early June which hasn't caused any issues, but I just wondered whether there is any... whether you see any risk that additional maintenance or regulatory requirements for wind farms might come on the back of accidents like that?
- DP I can take that question Christoph. Yes first of all so we have analysed the accident quite carefully also with external advisors including also the company, the service company. And it is relatively clear that we had an issue in servicing this wind park. So it's nothing which we can let's say transfer on other wind parks. So this is an individual issue with that wind... well with that pole actually not with the entire wind park. It was just that pole and actually not let's say the level of maintenance which we would expect from the service provider that was at least for what we can see up today. Is the issue, there is further investigation but there is nothing which we have to be mindful of in terms of the entire wind park or on other wind parks.
- JF Ok very clear, thank you.
- M Ok there are no further questions.
- CH Good then thank you very much for your interest in our company. Thank you very much for the attention and the good questions and we will be happy to answer all the questions you have after this call and well have a good time and stay safe and healthy. Thank you very much.
- DP Thanks also from my side, thank you.

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