

Transcript of the Conference Call regarding the Q3/9M Interim Statement 2020 of Encavis AG
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O Operator
CH Dr Christoph Husmann
DP Dr Dierk Paskert
JP Jörg Peters
CF Charlotte Friedrichs
JB Jan Bauer
AZ Anis Zgya
IK Igor Kim
MB Martin Bessier
FW Frank Wellendorf
AK Anders Knudsen

O Good morning ladies and gentlemen and welcome to the Encavis AG conference call regarding the Encavis interim statement Q3 9 month 2020. At this time all participants have been placed on a listen only mode. The floor will be open for questions following the presentation. Let me now turn the floor over to your host Christoph Husmann.

CH Good morning ladies and gentlemen, a warm welcome from our side. We welcome you, this is the Dierk Paskert, the CEO of Encavis AG, Jörg Peters, Head of Industry Relations and Public Relations, and myself Christoph Husmann CFO of the group. We appreciate that you took the time in these turbulent days to discuss with us our interim statement Q3 9 month 2020. Ladies and gentlemen, let's first turn to the highlights we had in the beginning of the second half of this year [01:00]. As you might know Encavis is a green company which is focused on sustainability, but we did not line out all what we did regarding sustainability and therefore we started now to publish first insights into its sustainable strategy to fulfil the requirements of the market and to inform you all over. You'll find that on our website, as it's shown here, Encavis/en sustainability. In addition to that (01:30) research we initiated active coverage of Encavis AG with a buyer rating at the target price of €17.20 and HSBC initiated a first active coverage of Encavis AG with a target price €21 and a buyer rating. (01:47) in the meanwhile increased its shareholding Encavis EG from 3.5 to 4.1 and now 5.8%.

In the meantime [02:00] Encavis expanded its participation in several minorities where we acquired and bought out all the minorities. So in France, for instance, we now hold, like in the UK, 100% of the participation of all our parks. In total, from all our solar parks we own on average 95% of the participation. Encavis asset management acquired additional wind farms in France as well as the first floating solar park in the group in the Netherlands for their respective investors. And finally financially we got refinancing secured 63.8 million non-recourse project financing we could refinance in Italy where the total capacity of the pass of 29 megawatt, these are (02:58) parks covered [03:00] and we substantially, by more than 240 basis points, could reduce the interest rates. Scope Ratings reaffirmed in September our issue aggregate rating (possibly minus? 03:14) was stable also in October, a stable outlook on Encavis and Encavis Finance B.V.

But the most important part of success we had in the third quarter of this year was that we got La Cabrera connected to the grid. La Cabrera is the second biggest park in our group, 200 megawatt park in Spain in Andalucía and as you might recall during the lockdown due to Covid-19 we were afraid that there could be some delay in the park. We could speed up the overall construction of that park and got it connected to the grid [04:00] nearly on time. So that date for commissioning was the 25th of August and the park is producing energy and we

fulfilled the PPA with Amazon and sent out the first bills to them. So that park is running and this is an important step for the group since this is the first totally subsidy-free park which we do have in our group.

Regarding Talayuela, this is the largest park which we have in our portfolio, the 300 megawatt park located in Extremadura in the desert south west of Madrid on the way to Portugal, and that park is underway. And it looks like this park will be connected to the grid in time as well, [05:00] maybe with a very short delay. As you can see here the high voltage sector is finished and the code commissioning is going on. The grid connection is planned here for November 2020. And in the (05:15) section on average we are pretty close to the 100% finalisation, so that is expected to be done within the next two weeks as well. And then the electrical works shall be finished in the end of November so that in the second half of December the connection to the grid will be expected and the hot commissioning is expected for the first week of January so that we will be able to fulfil our obligations under the PPA contract with the undisclosed (05:51) utility as well. The positive thing is here that the speedup cost for both projects accounted to [06:00] €240,000 for La Cabrera and €250,000 for Talayuela which, compared to the overall investment costs, are neglectable.

Ladies and gentlemen, let's now turn to the figures of the year 2020. If we have a look into the development of our figures in the respective quarters we can see that in the first quarter we exceeded all the figures of previous year. The reason for that is that was no tiny effect in our first quarter results neither in 2019 and 2020. And in both years we had the same positive meteorological effects, so therefore there was no deterioration of the figures. While in Q2 we had two effects in addition to that, three effects in total, sorry [07:00]. Firstly we had a shortfall in meteorological effect in the second quarter of 2020, still positive meteorological effect but not as positive as it had been in Q2 2019. And in addition to that Q2 2019 enjoyed a positive contribution from the disposal of minorities from the sales of a 66 megawatt wind portfolio to the financial investor which was not repeated in Q2 2020 yet, so therefore this will be compensated later during the year. And thirdly, due to the sub-price increase we had a burden from additional provisions for our stock option programme. Why do I repeat this story? Because it is exactly the same story we have in Q3 2019 as well. We have pretty much [08:00] the same revenues as we had in the 3rd quarter 2019 with €79.5 million, but do a negative deviation in this respective single quarter in EBITDA and the EBIT and cash flow and EPS and this is due to the three effects.

Let's go more into details. Well, in total, in the first 9 months of 2020 we have an increase of the revenues of 5% and a slight decrease in EBITDA and EBIT by 3 and 7% in EPS by 40%. Let's talk first about the PNL figures. Here, as I've stated already, we do have a meteorological effect and if we take that meteorological effect out then we see that we had €12.9 million [09:00] of positive meteorological effect in the first 9 months of 2019 while we had just a positive meteorological effect of 7.1 million this year so far. As one investor recently told me "Listen, 2019 was meteorological-wise a fantastic year and 2020 just a normal one." And this is exactly what we see here. So we see both cases positive meteorological effects but a lower one in 2020 with a difference of €5.8 million negative deviation here. So therefore if we take out both positive meteorological effects in 2019 and '20 then we have a positive changing revenues of 8%, the EBITDA is on level of previous year while the EBIT is slightly lower. So, as you might know and assume [10:00] we do not manage meteorological effects at all, so therefore our guidance as well as our reporting then includes the comparison without such meteorological effect.

In addition to that, as I pointed out, in Q2 2019 we had a disposal of minorities in wind farms and, as you know, we plan to do such a disposal of minorities every year. So this is planned for this year as well. The process itself is running very smoothly and we expect to announce year

positive news within the next four weeks. So still there is a positive effect regarding that of €5.9 million in the 9 months 2019. We just had a small disposal of a technical entity on positive effect of 1.9 million this year, so there is a negative deviation in the profits of [11:00] €4 million. If we take that out then the negative deviation is not there in EBITDA and EBIT anymore, so this effect, the meteorological effect (11:13) of the time effect. In addition to that we have a very positive development of our share price seen last in this year, and that amounts in additional provisions for virtual stock option programme for the management of €four million in 2020 compared to 1.1 million last year, so therefore this additional 2.9 million burden is a burden to our profit as well. If we take all that out then we see that we have positive development of 8% in revenues, a positive development of plus 5% in EBDA and plus 4% in EBIT [12:00] and that goes absolutely in line with our guidance.

If we then have a look into the operating cash flow, the operating cash flow is developing further positively. There is one tiny effect in it as well. So we had a €9 million capital gain tax burden last year incorporated in the figures and a positive €9 million this year. If we take it out there is still a double digit strong increase in operating cash flow and that is due to the fact that we enlarged our portfolio due to newly acquired Danish farms in last year contributing €9.1 million of additional cash flow this year. And we have seen this year so far a positive swing in avoiding cash flow contribution of Encavis asset management this year with €8.7 million, [13:00] both as planned.

Having said that, I would like to have a look with you into our segmentational report. The solar parks have in the first 9 months of 2020 slightly lower revenues then we have shown in the first 9 months 2019. But please be aware that there was a positive meteorological effect in the solar parks last year of €15.1 million in the first 9 months while there was only now a positive meteorological effect of 9.1 million this year. So there's a negative swing of minus €6 million and this is mainly due to the solar radiation in Italy and in France. Both were this year substantially lower than expected, Italy even [14:00] slightly below the long-term average. So therefore the reduction in the EBITDA margins and the EBIT margins relies on this meteorological effect and additionally on a smaller fraction of the stock option programme allocated to this segment to the management of this segment.

In wind farms we do not see any meteorological effect, not any material one. We had a negative meteorological effect of 2.2 million in the first 9 months of last year and minus 2 million this year, so it's more or less the same meteorological effect. But due to the (AB1? 14:44) megawatt acquisition of Danish wind farms at the end of last year they contributed heavily on the revenue side with eleven million so far, and therefore we see here a positive development in revenues[15:00]. And there is a shortfall in EBITDA margin; this is due to the profit from the disposal of the minorities last year in the first 9 months 2019. But we are positive, as I pointed out, that over the course of this year we will have such a minority disposal as well showing such profit contribution as well. The technical services enjoys a profit from the disposal of smaller entities, as we already pointed out, and in the asset management we have seen the positive swing in the first quarter specially (then more calm? 15:40) development the second and third quarter we see here the same development in real estate where the activity of the funds moves more to the fourth quarter. So the profit contribution of asset management this year will be more backloaded, but we see here very positive [16:00] development and are confident that they will fulfil their goals. If there is a reduction of the EBITDA by almost 50% then this is due to the allocation of the cost of the respective stock options to the management of this segment. The (headquarters? 16:23) increasing cost of 6.2 to 7.4 million, this is mainly due to stock option programme as well.

Ladies and gentlemen, as we pointed out at the very beginning of this year, this year 2020 is a year of transition. We are investing heavily in securing early stage projects which have to be

developed over the year. Next year with hopefully even better energy prices again we get that we will then get these parks connected [17:00] to the grid. So the development process is well underway but the need for liquidity this year was not as strong as it was in the past years, so therefore we only rose this year €45 million of cash via bilateral debt as well as credit lines. So our equity ratio sticks solidly, as pointed out, and planned at approximately 25%. As you might have heard, and we already that out, (17:40) raking, investment rating for us and with a positive outlook specifically it highlights the risk adjusted business model we do have, although we do have non-recourse financing. In the meantime what becomes more and more [18:00] important in the market as well are the ESG ratings. As you might know since 2017, '18 we do have a climate bonds initiative rating as well as the ISS ESG rating and now we have a now MSCI rating with the investment related aid as well.

If we then do have a look into the consensus, it is that the consensus figures while reproduced (18:31) produced in the end, in the last weeks were between €80 million and 18 cents EPS. The Q3 single quarter is slightly below that expectation but which is due to these very special reasons. While if we have a look then on the full year expectation we see here that [19:00] with above 280 million we are more or less in the range of target guidance of 286 million with above 220 million in range of the €224 million due to expect, and with 130 million EBIT all in all in the range of the 134 due to expect. With operating cash flow expectation of more than 200 million we are above the expectation of the consensus and with the operating EPS with 41 Euro cents we are exactly online with our guidance.

Well, having said that we do expect for the full year, and the executive board had a look on the guidance again and confirmed it, with revenue expectations of more than 280 million, so 6% above previous years weather adjusted figures - that's very important [20:00], to take the weather adjusted figures here, the guidance is weather adjusted as well – the operating EBITDA with more than €220 million, so approximately 5% above previous year, and the 130 million of EBIT, 4% above previous year as well as the EPS of 41 Euro cents, 2.5% above previous year's figure. We see here the positive contribution of our B.V. wind and technical service which continuously contributes positively to the PNL and we still expect and are confident that we will announce receipts and profit contributions from disposal of minorities this year and we will have an extraordinarily good fourth quarter as again with asset management as the business tends, as I pointed out, to be more [21:00] backloaded. If we then do have a look into our business segments, we are confident that we will reach these guidances with the sub-respective here mentioned contributions and therefore I think I am finished with my presentation. I think I do not have to take an outlook or a fast-forward to 2025 which I already have explained to you or shown to you several times. So therefore I'm open for questions as well as Dierk Paskert, Jörg Peters and myself. Thank you very much.

O Ladies and gentlemen if you would like to ask a question now please press 9 followed by the star key on your telephone keypad. If you wish to cancel that question please press 9 followed by the star key again [22:00]. Please press 9 and star now to state your question. And the first question comes from Charlotte Friedrichs from Berenberg. Please go ahead.

CF Hello, good morning and thank you for taking my questions, I've got three. And the first one would be what's your firepower right now for acquisition? The second one is what sort of weather effect have you seen in the fourth quarter so far, and do we still have a drag compared to the prior year? And then the third question is a bit more general on the market, then it looks like you've seen in particular for PPA which regions are currently attractive for you given that Spain has become, I understand, a little bit hot this year so far? Thank you very much.

- CH So, I'll take the first question which is [23:00] regarding the firepower, our current firepower is about €90 million for the equity of such acquisitions, which is on short-term available to the group. Regarding weather effect and market dynamics, Dierk do you want to take these questions?
- DP Yeah, I can take those questions, first of all also good morning everybody from my side. It's probably a little bit early as we have only half of the fourth quarter now on the way to give, let's say, good forecast for the end of the year. What I can see so far is probably average weather conditions above all in wind. Solar doesn't contribute anyway too much now at this time of the year, but what I could see [24:00] is probably average, what we have seen, so no negative or too positive deviations. On the PPAs, the third question, which regions: surprisingly it's Germany which is really demanding a lot of PPA, so there is only little projects available currently. We have a few in the pipeline so therefore that's a very positive outlook. Spain, yeah, that's true, it's becoming a little bit hotter, however one has to say that overall if we look at the different regions in most regions the PPA prices have recovered from the first pressures from Covid-19. So we are back to more or less normal levels, a little bit below in some regions but definitely strongly above [25:00] the lows in terms of the first time of Covid. And currently we do not see any effect from Covid on the prices, not yet, as we do not have any significant shutdowns, above all not in the industry, so therefore a positive outlook for the PPAs above all for the next year.
- CF Okay, thank you very much.
- O The next question comes from Jan Bauer from Warburg Research. Please go ahead.
- JB Hello, good morning. Thank you for taking my questions. I've also got three ones. So the first one would be on the EBIT (25:43) for a B.V. service segment, so you now already have some 3.1 million in EBIT (25:49) in the B.V. service segment and you're guiding for a approximately 2, if I'm right. So can you give us a little bit more insight why the 9 month figures, the technical service segment [26:00] have been that much higher compared to the previous year?
- CH Okay, so if you want I'll answer. So Hell Mr. Bauer. So, the technical service has a positive development of the EBITDA? margin because it enjoys this year the €1.9 million gain from the sale of one smaller technical entity. So therefore if you take that out they're pretty much in line with previous years. The first question, I'm not sure whether I got it correctly.
- JB That was the first question, so thank you very much. Additionally on that topic, so you acquired Stern Energy, or you intend to acquire it fully. So when do you expect a major impact from that acquisition in your technical services segment?
- CH So I think we have [27:00], that you very much for that question, to differentiate here in two ways, firstly there is already now a very positive impact because we work together with them in many countries where they take over the technical service for our parks and they do a fantastic job, which is more forward-looking and not only repairing what is broken. So it is really predictive maintenance what they do and so therefore we see a very positive contribution all over our PV portfolio. If you ask me for the first real profit contribution, since this is a minority we have to wait for the year end results to show their profits. As soon as they're stated so there will be slight minority participation in the technical segment. In five years from now, according to our plan, we will have full [28:00] consolidation after taking over the majority and in six to seven years from now we will be 100% owner of the group. So we will have to wait for some years for revenue contribution but profit-wise the contribution will start approximately next year.

JB Okay, thank you. Second question would be regarding further acquisitions in 2021, so can you give us already a feeling of in which countries you might acquire or you'll try to expand your PV portfolio?

CH Dierk, will you take that?

DP Yeah, I can take that question. So first of all, as you know, acquisitions of new parks which are already connected to the grid or ready to build we do on an opportunistic basis so therefore it's hard to give any guidance on that, what comes in next year and will satisfy our margin [29:00] expectations. We can have a better outlook on our pipeline which we develop with, in the meantime, nine or ten solar developers. I would say the countries to focus on are definitely Germany, Italy, so those are the strongest ones, and Denmark, those are the countries where we have most activities, and then also other countries but to a smaller extent.

JB Okay, and will you give us some kind of guidance or an outlook by the beginning of next year which acquisitions from your cooperation partners are on the agenda for next year?

DP Well yeah, let's wait until the end of the year, so if we have better visibility. I mean as we as we are still... these are parks which are under development and I mean you can always take an optimistic view but if at the last day you do not get [30:00] the last licence then it's hard to do that. We probably can give a range but let's come back to that at the end of the year. So we will definitely be a little bit cautious on that but let's see. So I mean we have our long-term outlook until 2025 which is doubling our capacity so that stays intact. And if you slice that that then in five years you come to an average figure of 300, 350, 400 megawatts per year, so that can give you a little bit of guidance, but please take into consideration that the one year, or the other year can be stronger or a little bit weaker. So we maintain our long-term target 1.7, we are 100% committed, but let's say year by year we might see [31:00] slightly changing contributions.

JB Okay, thank you, perfect. One last question, so from my understanding the Eastern Europe market is currently gaining some traction or getting the hot place for renewable, especially Poland, do you think about expanding your local footprint a little bit more to the Eastern European countries?

DP We are always taking looks into various markets where we are not yet active in, Poland is one of which. And we did not pursue any business, let's say, with a certain political risk there but PPA business definitely can be of interest. And from weather conditions Poland is a very good market, there's also strongly increasing demand for green energy so therefore yes [32:00], it qualifies in the PPA markets as an interesting market and we will definitely over time look at this market.

JB Perfect, thank you.

DP But as we do also into other markets, so it's not restricted to Poland.

JB Okay, perfect thank you.

DP You're welcome.

O And the next question comes from Anis Zgya from ODDO. Please go ahead.

- AZ Yes, good morning gentlemen. I have one question, if I may, on Statkraft's acquisition of Solarcentury, what could be the potential impact for Encavis? Thank you very much.
- DP Yeah, thank you. I'll also take that question. Not yet to be seen. The first announcement which we, and let's say in our first talks with Solarcentury [33:00] it was clearly stated that Statkraft wanted to maintain the relationship between Encavis and Solarcentury. However we have to wait now until closing of the deal which is not yet done. It was just signing of the deal and then we will have first meetings with Statkraft. We know them also from various deals, so it's not an unknown party to us. We'll be in discussions with them. So far it's not to be seen that we have any negative effect out of that deal but also that has to be revisited once we have met them first time.
- AZ Okay, thank you very much.
- DP You're welcome.
- O The next question comes from Igor Kim from Bankhaus Lampe.
- IK Hello, good morning. I've got a couple of questions from my side. First I appreciate [34:00] the accounts where you gave a lot of comments of the next year's pipeline projects and etcetera, but looking at your pipeline is there something of a similar size like what you had in Talayuela and Cabrera, I think you mentioned 200 or 300 megawatts, I mean in terms of their project? And the second question, you haven't really been affected with the first lockdown so we should expect that in the second partial lockdown you also will not have any effects, is that correct? No effects on supply chain, on the length of acquisitions etcetera? That's it so far, thank you.
- DP If I can take the first question on the projects, not to an extent like in Talayuela, 300 megawatts, that is still unique as we are lacking [35:00] the space to build such large parks in other parks of the Europe. However it comes close to that, to something like Cabrera. So at least in Denmark we are looking at a 200 megawatts plant, Germany it goes up to the 100, 120s, a little bit still under discussion. So there is significant size and definitely a multiple of the average size which we have in our portfolio, so clearly we are going into scaling also the size of our individual plants and into the definitely two digit megawatt numbers and sometimes also three digit megawatt numbers.
- Christoph and I can jointly answer that question on the effect. At least what I can see from the [36:00] technical development of our plants and also of our operations I can't see any effect currently out of the second Covid wave in Europe, so nothing we can see there. And I would also not expect even if we have further lockdowns in various countries I can't see that this really materially would affect us, from what I can see from today's perspective. And probably Christoph, is there anything further to add on cost base?
- CH Absolutely agree with you, we refer to for the second wave, in the first lockdown there was somewhat could be seen an irritation all over I think in all segments of the market, not only in renewable, so that slowed down some of the development slightly. But what you might have seen that we immediately turned around and acquired parks which we already knew owned minorities which we acquired [37:00], that was exactly done in that period of time. But now as Dierk pointed out, in the second lockdown we do not see any irritation any more but business is going on as it was before.
- DP And probably also to add even if prices would collapse for a short time, so that we have a similar effect like we have seen in March this year, even then it wouldn't harm us immediately

because we have always a certain timeframe where we can lock in PPA. So even if a plant gets ready to build within the next months end prices would collapse, which we can't foresee from today's perspective, but if that would happen then we could even wait another half a year or whatever before we log in the PPA price. So therefore we can manage also these circumstances [38:00] if the market shows that.

AZ Okay, great. Thank you.

O The next question comes from Martin Bessier from Stiffel. Please go ahead.

MB Yes, hi, good morning. Two questions from me, the first one is on the 2021 revenue guidance. It was previously above 320 million, it's now up to 320 million so could you give us a little bit of colour on that? What is the underlying reason? Is it a price reason? Is it a volume reason? And the second question is that you provide an indication for the additional EBITDA from the two solar parks in Spain, so basically 27 million [39:00], many thanks for this indication. Could you give us separate figures for the two plants? Thank you.

CH Yes, thank you very much for that question. Yes, indeed, as you might know we are a conservative company and so therefore if there is something happening in the market we try to reflect it in our figures as soon as possible. So honestly said, as we all have seen, is that the country Spain is hit severely by Covid-19, we had a very strong lockdown during that there and it had an impact there on the energy prices. With our PPAs we are locked in with the prices for 75% of the capacity which we have in the two respective parks, in the two different PPA we are locked in with a very good price. But for the remaining 25% [40:00] there has to be a short-term PPA so whatsoever been signed and in the current market it could be that for the next year maybe there is not the pricing possible which we might have expected and therefore we reduced our expectations there slightly just to be on the cautious side. And then the EBITDA was reduced here accordingly. Regarding your question on the split of the revenues it is that Talayuela in total contributes approximately 55-60% of these revenues while La Cabrera the rest.

MB Thanks. Is the same on the EBITDA, the same range?

CH Yes, it is.

MB Okay, many thanks.

CH You're welcome. [41:00]

O At the moment there are no further questions. If you would still like to raise a question now please press 9 followed by the star key. There's one question coming from Frank Wellendorf from Vermögens-Management GmbH. Please go ahead.

FW Good morning everybody. First of all Spain seems well planned and operated more or less on time. I would congratulate on that because in such a year I think that is really mentionable and really an extremely positive thing to mention. My question here is does this success mean that you will do [42:00] more projects with Amazon? That's the first question. Second question is do you disclose the prices per megawatt (42:09) you receive on the PPAs in Spain? And my last question is on the details of the figures. You mentioned the 4 million EBITDA impact from the stock option programme, if I look on the segmental or reporting which you have shown on page 13 in the presentation, there I don't see this extraordinary effect. Maybe you could explain that. I would have assumed that business in the HQ area.

- DP Yeah, so if I can...
- CH Do you want to answer the first one?
- DP Yeah, first one and then you go for the last one. So Amazon a welcome [43:00] customer, now in Cabrera so first time, definitely on our list of key accounts also in the future but in any way exclusive, so therefore what we will do and are already undergoing is that we put out RFQs for our PPAs so that we place the PPAs in the market and then we get quotations from various parties and we select the best ones, so that is a way how we place PPAs in the market. Amazon can, let's say, participate in these RFQs but they are not in any exclusive situation, neither we nor they, so therefore that's the answer for that. Then prices disclosed, no. I mean there is a certain transparency on [44:00] PPA prices on various pages, web pages where you can find reference prices but we do not disclose the individual price because above all if somebody logs in the volume for spreading activities we do not want to disclose those prices, so therefore no disclosure of the prices.
- CH Regarding the distribution of the €4 million of provisions for the stock options programme, your question is absolutely correct; no, the four million are not in headquarters alone because it is unfortunately not the case that just (44:42) and myself enjoy these provisions, it is distributed over a bigger group of approximately twenty members of the management and so they work, some of them, in the headquarters, like the executive board, industrial relations, public relations, legal, [45:00] (45:00) controlling, but the major part of these people work in the respective segments and since the personnel costs of these people are allocated to perfectness as well it is the costs of the stock option programme are allocated to the segment too. So just only to give you a gut feeling, out of the 4 million approximately 2.3 million are in the headquarters while there are approximately 800,000 in asset management, 700,000 in solar and 200,000 in wind.
- DP And if I may add and give also some information to the audience, as you can see, I mean yes, this retention programme or stock option programme really costs some money for the group, yes, that's true. However, we also have a quite stable first year management level [46:00], so where we would have any leavers, so therefore the management team of Encavis is really incentivised and locked in also through this incentive programme which gives us really good stability into the market and I can clearly see that where the one or the other competitor reaching out to the one or the other manager of our group but we can really retain them and that's very positive for the development of the group.
- FW Thank you.
- O Okay, so the next question comes from Anders Knudsen from SEB. Mr Knudsen your line is open.
- AK Good morning gentlemen, Anders Knudsen here from SEB. Just wondering on the debt side, [47:00] is there any dynamic there that's worth being aware of, and do you have any refinancing opportunities coming up in 2021? And could you talk a bit about how cost of debt is developing please?
- CH Yeah, thank you very much for the question. Yeah, on the debt side, there are currently in this market a lot of opportunities. We have currently an average interest rate throughout the group of slightly below 3% and it is reduced year on year. The reason for that is that with new parks being acquired and connected to the grid the project financing, the non-recourse financing here in this low interest environment we are currently in becomes cheaper and cheaper year on year. And secondly we do look for [48:00] all opportunities to refinance

existing older parks, as I've pointed out, the Italian portfolio we reduced here we our interest rates by 240 basis points. That gives relief to the group and yes, it is to the clear strategy of the group to utilise all opportunities where we do not have too high early termination payments, so it must be (ROR equative? 48:29) because if we have too high burden for the early termination payment and if that would be a burden to the (ROR? 48:39) then we most likely would not go for it. But yes, we do have specific plans for the remaining years to go for some refinancing.

AK So the Italian example is probably exaggerating what you can do to your average cost and debt, but it's certainly... do you have any expectations [49:00] for how it could come down (49:01)?

CH Yes, we do have some expectation here. So, we planned to take selective parks, wherever it is possible, in the expectation and average to reduce the interest burden by 50 basis points or so. So the Italian parks which we refinanced were really a fantastic opportunity and you should not expect us to do exactly the same of 240 basis points every year. That would be an expectation which (49:36) far too high, so if we can reduce the interest rate burden by 50 basis points on each of such re-financings that would be fantastic.

AK Perfect, thank you very much.

CH You're welcome.

O There are no further questions so I would like to hand back to you, Mr Husmann. [50:00]

CH Yes, thank you very much again for dialling in. Thank you very much for your interest in our company and we hope that you will come through these turbulent times and these annoying times. I think there is some hope in the market for some (50:17) and we hope that this will work so that in future we will have the opportunity to meet you physically again whenever it's possible. In the meantime we do our best to fulfil the expectations you place in us and our commitment is again then to fulfil our guidance this year on respective on all the issues we discussed today. Thank you very much for your interest. Thank you very much for dialling in and stay safe and healthy.

DP Thank you, bye.

CH Bye

[END]