

Encavis AG
Transcript Conference Call Sustainability Report 2021
and Consolidated Financial Statements FY 2021
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Speakers:

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Dr Christoph Husmann (CFO)

M Moderator
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DP Dr Dierk Paskert
EC Emmanuel Chevalier
PC Peter Crampton
IK Igor Kim
TS Teresa Schinwald
JB Jan Bauer
MT Martin Tessier
RK Roland Könen

M Good morning, Ladies and Gentlemen, and welcome to the consolidated financial statements 2021 of Encavis AG. 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, Mr. Christoph Husmann.

CH Yeah. Good morning. Thank you very much for dialing-in and taking the time in these turbulent times. We released yesterday our financial figures and this morning our sustainability report. And for that I hand over first to my colleague, Dierk Paskert. Dierk, your turn please.

DP Yeah. Thanks. Everybody. And welcome also from my side, Dierk Paskert, CEO of Encavis. As most of you are interested in our financials of FY 2021 and also prospects for current 2022. I would like to welcome you today [1:00] to our call by highlighting only a few achievements of our sustainability programme in 2021. Sustainability is part of our DNA. As one of the major independent power producers in Europe, with currently more than three gigawatts installed capacity, we play an important role in making an historic transformation happen. A transformation towards a world that is environmentally sound, socially inclusive and better governed. Our holistic sustainability approach has basically four pillars, strategy and governance, economy, social and environment. I will talk you only briefly through some of the topics and for those of you who are interested in more details, I would like to make reference to our digital sustainability report [2:00] just launched on our website in detail, which were the highlights and point of actions in 2021.

In strategy and governance, we've improved our MSCI ESG rating with our final goal of AAA by 2025 and came one step closer in 2021. We formed a sustainability council. We improved visibility of the whistle blowing system. We introduced a compliance management system with KYC audit and code of conduct. And we also introduced a business partner code of conduct for all our partners who would like to do business with us in the future.

With regards to economic responsibility, we implemented [3:00] in 2021 first time our overall digital monitoring system of all our parks. This will be the basis for further measures in 2022 which will be related to performance analysis of all our individual parts and identifying the main

reasons for performance losses and define suitable measures to solve them in the future. This is an important step for our operations that we are then able really to detect all defaults in all our individual parks and react spontaneously.

With regards to social responsibility, we implemented in 2021 the starting from July, 2021 as part of a long-term corporation, a support programme for the charitable [4:00] and organization Sopotterful. By connecting people to PD electricity production, we bring a push to health and wellbeing to some of the poorest regions of this world in Sub-Saharan Africa, namely in Malawi. Regarding environmental responsibility, we first time published our carbon footprint for scope one, two and three across our value chain and we set also by that the basis for further improvements in 2022 and beyond. We have been able to really realize our carbon footprint goals and measure us also with regard to these goals in the future. As mentioned, these are only a few highlights of our sustainability programme in 2021. [5:00] Before I hand over to my dear colleague, Christoph Husmann, our CFO, please allow me to stretch that reaching our financial goals, which for a long time has been the ultimate objective of this Group is not enough anymore. Only if we achieve these goals in a sustainable and safe environment, we will be fully satisfied as this sets the basis for our license to operate from an environmental, social, and also economic perspective. Thanks. Thank you all. And again, for those who are interested in more details, please refer to our website where we launch our digital sustainability report. Christoph, with that having said, I would like to hand over to you. And Christoph will guide you now through our financials 2021. And I will be also back in Q and A and answer all your questions. [6:00] Thank you.

CH Okay. Thank you very much, Dierk for the introduction and thank you very much for your introduction into the sustainability we brought. Ladies and gentlemen, good morning again, Christoph Husmann, CFO of the Group. Warm welcome from my side as well. Now, let's talk about the financials we've had 2021 and the guidance for 2022. Well, we published last night our full year report, 2021, and our KPIs, which you already know from our ad-hoc-news from March 15th. We announced today more precise figures than we did in the ad-hoc-news where we had more rough figures because we were still in the auditing process. In the end, our exact figures, which we published last night were slightly above [7:00] the figures which we announced in our ad-hoc-news. We came out of the fiscal year, 2021 with 333 million euro of revenue to our 256 million euro of EBITDA, which means a 77% EBITDA margin and a 45% EBIT margin with 149 million euro of EBIT and EPS of 48 eurocents. All these P&L figures are aligned with the growth rates of 12 to 14%, which is a result of 435 megawatt of capacities connected to the grid in 2021 and the full-year effect of parks with a capacity of 241 megawatts connected to the grid in 2020. The only figure which is increasing slightly higher is the operating cashflow with 18% [8:00] growth rate, closing the gap to the EBITDA. As you might recall, in the past, it is that EBITDA and operating cash developed in parallel, but always the operating cashflow with some kind of discount to the EBITDA. The reason for that is structurally that we were dominated by feed-in tariffs where the kilowatt of production was seen on the inverter at month's end, and then remuneration came in the following month or even two months later from the grid operator. Now, when that was at year-end, obviously there was some lack and due to the ongoing growth of the Company, there was always a negative lack. That the cashflow was always lacking behind one or two steps, but now we have a structural change. Now we have more and more PPA parks in our portfolio. These PPAs are usually financial PPAs. [9:00] Where we sell the electricity in the market on spot market price, and then at month end, we see how much electricity was produced and sold to the market, and then the difference price to the agreed PPA price has to be remunerated to the offtaker in case that the market price is above the PPA price, or we receive a remuneration if the market price is below the PPA price. In this current situation with high electricity prices, our revenues are increasing, but for the PPA parks, it is that we have then the cash-in, but then later the cash-out for the compensation under the PPA. You see that effect by

an increase of our trade payables by 12 million euro in our P&L increasing to now 50 million compared to 3 million last year. If we then do compare our figures with the guidance, then we see that we have a single digit improvement of our figures for all P&L figures, not for the operating cashflow. In the operating cashflow, we have a 20% increase to 252 million euro compared to a guidance of 210 million euro. And this is exactly the effect I just explained to you. What was happening in the past year and why we exceeded our guidance in that way can be seen as best when we have a look into the single quarters. Until the end, just as we recall as until the end of the third quarter, we announced on our conference call and in our interim report for the third quarter that we suffered from underperforming meteorology, specifically in the existing parks in the past years. So, in our park portfolio, without new acquisitions, the meteorology was 13% down in our existing parks until the end of Q3. And these parks carry a higher remuneration usually than the younger parks per kilowatt hour. And now here, we had a lack of 200 gigawatt hours of energy production in our existing portfolio. In the revenue due to the enormous production of our new parks in kilowatt hours, combined with the lower remuneration, this could offset that negative impact on the existing portfolio by the new acquisitions in the revenue, but that these new parks came in with pretty much similar fixed costs. There was a burden to the EBITDA and the EBIT. That did not grow 11% like the revenue, but 8% or 2% only as the EPS suffered by minus 12% compared to previous year. But this picture turned automatically in Q4, because here we have in a nice combination of firstly, more gigawatt hour production than the fourth quarter 2020 in the existing portfolio, again, carrying the higher remuneration per kilowatt hour. And in addition to that strong production in our new parks and within the new parks with the PPAs, as you might recall, there's some certain percentage of merchant parks and they enjoyed the higher merchant prices at the same time. And this brought us into the position to realise revenue in the fourth quarter, 27% up compared to previous year, 39% higher EBITDA, 79% higher EBIT and 40% higher operating cashflow. And just to say, once in my life, I like it 1,000% more of EPS contribution compared to Q4/2020.

Let's have a short look into our balance sheet. In our balance sheet, we see growth of our total assets of 14% to now 3.2 billion euro. Here we do see growth in the long-term assets, which is the full consolidation of the park Talayuela and the other new acquisitions which we had in the previous year to partially offset by the ongoing regular depreciation of our existing asset portfolio. The strongest growth rate we see here is in liquid funds, which is growth by plus 93% cash from hybrid convertible, which we issued last year. This high liquid position, in addition to our debt, which we raised in the past year, gives us a very comfortable position this year to go for our growth rate for our investments we want to do this year. On the equity and liability side, we see a strong increase of the equity position by 42% reflecting the issuance of the new hybrid convertible, and then a pretty flat development of the other positions.

Let's have a look into the segments. With the now full-year effect of La Cabrera and with the connection to the grid of Talayuela Park in Spain, there is a strong world specifically in solar. Solar now makes up 70% of our portfolio, 23% wind farms, and 6% the asset management. When we now go into the details, I have specific other, but before we go into the details of the respective segments as a comparison to the guidance, it is that all segments fulfil their specific guidance. Only the wind farms due to the lack of wind last year did not perform properly. Let's go to the respective segments.

In the PV segment we've seen 18% growth of the revenues and a 19% growth of EBITDA and EBIT. The margins could be improved slightly. These key figures are mainly driven by the Spanish parks. Please have in mind that we have 500 megawatts of additional capacities connected to the grid. And the difference in the revenue is 99% due to these parks. In the existing portfolios, we have some compensational effect leading to a revenue change of almost nil. And this is on the one hand side we have in total electricity production, which was 6% below 2020 in the existing portfolio, but we enjoy here on some parks, increased market prices, and specifically in the UK, which compensate for that electricity loss.

In the wind segment, we do have less energy production of 8%, despite our growth in acquisitions, which is therefore compensating this reduced energy production. In fact, we lost in the existing portfolio almost 5 million euro of revenue due to this very low electricity production, but with the comparison of the production and the revenue decline, you see that obviously specifically in the wind, there is some pricing effect included, and that is mainly in the German wind portfolio where the feed-in tariff is a floor price. So, where we enjoy some of the upsides from current higher electricity prices, as well as in our Finnish portfolio partners making here, we have a fully merchant park. And this development is offset by the new acquisitions, adding 5 million euro of additional revenue. As you might recall, at the end of the fourth quarter, we sold a majority position in our Austrian portfolio. Here, we could realise 5.9 million euro of profit. Our service department, our service segment does not look very convincing from the figures because they are small, but small is beautiful. Here we realised a lot of synergies for our solar portfolio specifically, but we had higher numbers in 2020, but there we had a result of a positive EBITDA contribution of 2.9 million euro from the merger of our internal technical service with Stern Energy. And Stern Energy is a strategic investment for us. And this integration will go on over the time and will contribute future more to this segment.

Having a look into the asset management, in the asset management we have a substantial growth of almost 20% of 3.4 million euro in 2021, based on record high investments for the funds in the capacity of 513 megawatt in 2021 compared to 320 megawatts in the previous year. Please note that in the revenue, you not only see the one-off payments for new investments and newly structured funds, but you see the revenue of the operational business, which is an ongoing business for the existing portfolio for the asset management and operational management of the existing portfolio as well. The most critical part of such a funds business is not to cash in the one-offs for investments and structuring of funds, but to organise the operations and asset management in a way that this makes profit just purely out of the payments from the funds for operations and management. And this is critical but the breakeven of operational asset management is by far reached. So, the operations itself, even if we would not have anyone asked for investments would be profitable.

The headquarters here we have not a lot to explain the operating EBITDA is slightly better, and we are in the end on the cost level of 2020. Although we have a strong growth of the Company headquarters manage the cost on the same level.

In March 2017, we announced the dividend strategy for five years ahead, which is quite unusual in the market. We said that based on the dividend of 2016 of 20 eurocents, we will propose a 30 eurocents dividend for the fiscal year 2021 on our annual shareholder meeting and step by step we realised that dividend policy in a two cent step every year reaching 30 eurocents this year, which we will suggest to the annual shareholder meeting compared to the 48 eurocents operating EPS, it is a 63% pay-out ratio. In the past year, you know that we were rated by a lot of different rating agencies. First of all, the ESG ratings. Here, we do have an A-level MSCI rating and prime labelled by ISS ESG. And since 2019, we are rated by Scope Ratings with an investment grade rating due to our risk adjusted business model, our regional diversification, and our high proportion of nonrecourse financing, which makes our business model to be so proof and low risk that although we have a structural subordination of our financing, it is seen to be investment grade rate. And this rating was emphasised in 2020 and 2021 again.

Now, let's have a look on the future on our guidance for 2022. Well, first of all, let's talk about what is included in this guidance. First of all, the guidance as usual is based on standard assumptions. We do not forecast better or worse weather that is not what we can do, but we can assume standard weather assumption and as a result out of that, the kilowatt hour production. The guidance includes all latest acquisitions. And as you might recall, specifically in the fourth quarter, yet, even in December, we acquired a lot of parks and some of them were connected to the grid at year-end and some in the first weeks of this year, which are these ones here lined out

in total 240 megawatts of newly acquired parks. Out of these parks when they were connected to the grid last year, we will have a full year effect this year, despite some smaller impact on last year's figures. And we will have newly acquired parks, which will add to these in total amount as I have shown here, 240 megawatts. The 500 megawatts, which we announced to be acquired this year are not included in these figures. We have to assume that most of these parks won't be connected to the grid this year. And if they are connected to the grid this year, it will be so late in the year that they will not contribute and will not have major impact on our figures. Around 96% of our guided power revenue are fixed or hedged already. So, please be aware that within the 380 million euros of revenue, 20 million euros are from asset management. Out of the 360 million euros power revenue 96% are hedged. We did not include any impact from the war in Ukraine and the currently extremely high volatility in the power prices in our forecast. These power prices are sometimes jumping up on the average of the whole year by 30% within, for instance, eight days between March 3rd and March 11th, but then down by 15% on average of the year until then within four days until March 15th. The volatility is extremely high. And since we do not want to impose any risk to our guidance, we exclude this high volatility. If in the core of this year, we are able to realise and participate from some of these high-power prices, we will adjust our guidance accordingly. But what we did include in our guidance is that in Spain, Italy, currently there are new laws with some limitations of power prices. What we did not include in our guidance is the last Friday agreed specific Spanish new law, which will be released in the next weeks on an even lower power price. There is some smaller, but this is very limited since the most part of our Spanish merchant park is already hedged. With all that said, and all these assumptions, we are guiding more than 380 million euros of revenue for the fiscal year 2022, which is 14% more than we realised in 2021, we will have double-digit growth rate for the operating EBITDA with 285 million and EBIT of 166 million. With the operating cashflow with the spot market realisation and the compensation payments to the PPA. This is pretty hard to forecast, but since we do not include the high spot prices due to the Ukrainian war then we did not include so much trade payables. So, the operating cashflow is only 10 million or 3% above the very high-level of 2021 operating cashflow. The EPS is expected to grow to 51 eurocents compared to 48 eurocents in 2021, which is 6% up. And we assume here an energy production of more than three terawatt hours. If we compare our forecast with the analysts' consensus, then we do see that with the revenue, EBITDA and with the operating cashflow, we are exceeding even the most maximum extreme consensus assumptions of the analyst colleagues. And with the EBIT, we are very close to this maximum assumption. With the operating EPS, we are exactly on average of that consensus.

If we then have a look into the business segments, it is that with the new acquisitions specifically in Denmark and in the Netherlands, the solar parks will grow in its percentage-wise importance for the whole Group from 70% to 73% now having 276 million euro of revenue guided for 2022. We will keep up our operating EBITDA margin on above 80% and will reach EBITDA of more than 223 million euro. And keep up our operating EBIT margin on almost 50% to 132 million EBIT. The technical services assumed to develop flat again, it is only for way with synergies, not for profitability reasons. In the wind parks, we assumed due to the increasing importance of solar parks, a slight decrease of that position. And with keeping up our high margins. In the asset management, we had a stretch last year, since there was an expected one of the income not realised which was compensated out of new investments. This was a stretch. Now, the organisation has to be developed in a way to reach that level, to get this fantastic performance of the past year done in a regular way. So, therefore we do not expect any growth here this year.

Now, after finalising our five-year dividend policy, you might expect, or you will expect something new for the future. Well, we will decide on our future dividend payment year-on-year. The dividend, which we will pay in future will be competitive, and it will be appropriate in the market.

And it will be based on the development and the economic success of Encavis. Please have in mind that we are currently in a situation where so much is changing in the whole industry. There is such a boom of potential growth, which is ahead of us. I just want to give you some ideas about it. Let's talk about Repower EU with the quadrupling of the amount gigawatts connected to the grid per year until 2030. Let's talk about investment opportunities on freedom energy and other growth potential, on the development of the electricity prices, on the H2 initiatives and all these potential developments which are ahead of us and which will speed up in a dramatic way. Therefore, we decided not today to announce a dividend payment, an exact figure as we did in 2017 for the next five years, but to do it as most other companies to decide on an annual basis. But again, the dividend will be competitive and appropriate. Ladies and gentlemen, thank you very much for listening. And now, we are available for your questions.

M Yes. Ladies and gentlemen, if you would like to ask a question, please press nine followed by the star key on your telephone keypad. If you would like to withdraw your question, please press nine followed by the star key again. You have now the possibility to ask your question if you press nine followed by the star key on your telephone keypad. And we do have our first question. It comes from Emmanuel Chevalier.

EC Yes. Good morning, gentlemen. Did you hear me?

CH Yes. Yes.

EC Good morning. Thank you for the presentation and for taking my question. I got two for my side first. I would like to know more about the assumption you have integrated to your 2022 guidance. I understood that the guidance is based as every year on all these assumptions, and you have included the latest acquisitions already announced. Could you come back on this? And I will go to question whether you have integrated tariffs on your solar firms in France. And the second one, could you provide us guidance for CapEx for 2022? Thank you.

CH Okay. Thank you. Guidance on investment. First of all, let's talk about the guidance, the power prices. We said that 360 million euros are our power price revenue or assumed power price revenue of 2022. Out of these 4% are not price fixed either by feed-in tariff nor by PPA, nor by short-term hedges. It is in total 345 million euros, approximately, which is hedged. And so, the remaining part, obviously unhedged and we assumed the pricing, which we have seen at the end of December. It is that there was no impact from the Ukraine war, which was in it again, we had extremely high volatility here in the last weeks. that would be pretty brave to integrate that into our assumptions. We all do not hope neither for the whole economy, nor for Ukraine itself that this situation will hold on for a longer time and therefore it is pretty hard to guide the pricing. Honestly said, most of our competitors don't do either. But regarding France, I think you're referring to the potential feed-in tariff cut for parks of 2010. So far, we are in discussions, and we are absolutely confident that this won't harm us materially. And so, therefore we do not foresee any depreciation for our French parks until 2023. The feed-in tariff is secured, and the discussion is going on. Please as a reminder, the French law definitely defines the economic viability of the parks. And so, therefore, we do not see that with the agreed IRR for the investors that we will be harmed materially. Then regarding the guidance of our investment. Well, it is 500 megawatts. We do not know exactly the split of solar and wind and what specific PPA price level might be behind it, not what region it is. So, what the kilowatt hour production might be. But as a rough calculation, you could assume that if you would see the latest acquisition in solar, that for solar, you might assume 600,000 to 700,000 euros per megawatt. For wind, it should be twice the amount, 1.2 to 1.4 million. Now it is a rough guess of what might be realistic. I think if we assume 400 to 500 million euros investment volume and then 50% SPV financing, so is 200 to 250 million

euros of equity. We have to pay for this park. And now I refer to the liquidity position, which I have shown to you in our balance sheet. We are very well prepared to finance that.

EC Okay. Very clear. Thank you.

CH You're welcome.

M Then we do have the next question. It comes from Peter Crampton.

PC Good morning, Peter Crampton here from Barclays and congratulations on the great 2021 results. Two questions if I may. The first one is on German energy policy. Now, post kind of the recent geopolitical development, it's become very clear that Germany needs to do even more on the renewable front. And I was just wondering if there is any sign from government, if you are positively excited? Potentially more renewables bills happen in Germany faster than expected. And then the second question was just to repeat your comments around kind of the hedged revenue looking entirely clear those 345 million euros or not. Thank you very much.

DP Thank you, Peter. I will take your questions on Germany's energy policy. Yes, you are right. And that's not only just related to Germany, I think all over EU and also including UK I think we will see a push for further Renewables in the future. So, that is quite right, that outlook, however the devil is in the detail and that is permitting of projects. And that is something we have to solve in all European countries. And what we would expect from the German government and from other governments in Europe is that with the final permitting to construct a new plant, so, a new PV plant, that there is no interception from whatever site any more possible so that you can really go ahead. If you would achieve that level like it to stress also in the EU 55 programme, then I would see these tremendous growth ahead of us. If we do not make progress on permitting, I think it will remain at the same levels as we are today. So therefore, the ball is in the camp of the politicians in all European countries and they have to come up with adequate measurements. On the hedging probably and the pricing again and with regard to further growth, whether we see more upside in growth or more upside in pricing, I would say short-term perspective is definitely more upside in pricing. For instance, in Germany, we lock-in at the hedge price is the feed-in tariff. And as you know, in Germany, we can keep the prices above the feed-in tariff. That is definitely an upside we would see, but that's depending, as Christoph already said on the development of the prices during the year, we can't predict that already today, but if prices would keep at the levels we are currently at, so then definitely there is also upside for us. But that is different country by country because the feed-in tariff structures are differently constructed in the countries and there is no "one fits all" for all European countries. It's less from a lesser extent what you might get from outside related to our PPA positions. There's also upside in the feed-in tariff positions, at least for Germany.

PC Perfect. Thank you for your answers.

M Then I'm going to repeat it. If you would like to ask a question, please press nine followed by the star key on your telephone keypad. And we do have another question coming from Igor Kim.

IK Yes. Hi. Can you hear me?

CH Yeah. Yeah.

IK Hello. I've got a couple of questions from my side. First on your 500 megawatts peak that you are planning to add during the year. Could you give a bit of a colour about this project, because it

sounds a little bunched to add like 500 megawatts peak in the next three quarters, if I correctly understand, that would be quite interesting. And if you could give a colour, how much of that should be already [42:00] connected to the grid and how much of that will be still in development that would be helpful? And second question is in Spain is it possible to give a number how much of that is merchant? I think you said that all of it is hedged but just is it also similar to the Group level around 5% or it's a different number for the Spanish parks only? Thank you.

DP Yeah, on the pipeline. Thank you, Kim. We will have to see what the final split is but let's say some of that will come from our pipeline, but that depends as I already said on permitting. But we set all our target for 500. So, the part which will not come from our pipeline, from our project development partners will be compensated by then projects, which we buy on the market. And those ones will be then most likely, at least what we can foresee today, then also at least closely connected to the grid so that we would expect then also at least at year-end, also first energy production. For the path which comes from our pipeline there it's definitely that first let's say turnover or numbers will only result in 2023. So therefore, just very rough guess, take it half by half. Pipeline half COD already connected to the grid. It might be one fair assumption, but that can change over the years. Don't bet on that. That is just the calculation which we have in mind currently. On these Spanish merchant positions as you know that the parks itself are 75% hedged with a PPA long term and 25% is open. However, we also take short-term hedges for the open positions. We don't keep that just fully merchant. And there is a hedging policy for each individual park in place, but this is related to the overall hedging volume of 5% open positions. Therefore, that varies actually between the parks so that we focus on a portfolio perspective and not just on a park-by-park perspective. It might be that the one or the other park has more or higher open positions than others and others are close to 100%. Therefore, it's always done on a portfolio perspective.

CH I think what I may add is what we do in the end, Mr. Kim, is that we want to utilise where Encavis best market for hedges is because sometimes in markets there is for such hedging's huge discounts compared to the spot market prices, but we always analyse the different markets and then close the positions typically in these countries where the hedging price and the spot market price is at its closest to get to realise the best results for our shareholders. This approach of having a maximum 5% open position on Group level gives us that opportunity to hedge the parks in a different way, some more and some less, but on average, 5% are open. And secondly, when we mark what Dierk Paskert said regarding our acquisitions, I think two marks. What I said, we just want to emphasise that in our guidance, we have not the 500 megawatts included because as they've put out correctly, we don't know when and what current situation the parks will be acquired, how soon they will be connected to the grid and when, and that is the major issue. If we can see it in the construction plan when it will be done, but when will be the final acceptance by the authorities. And if then someone has again, a three-month coffee break, then we have to wait for three months and we cannot do anything about it. We cannot connect it to the grid and not produce electricity. Therefore, we are highly dependent on the last metres in front of the goal to reach it. But what I pointed out is within this year, within the first quarter we already connected 120 megawatts to the grid because these were acquisitions of the past year, and they will contribute to this year's guidance, and they are already included.

IK Okay. Thank you. That'd be helpful. One last follow up from my side. On these 120 megawatts that you have recently added to your capacities, could you give an approximate range in terms of a PPA? I think the last ones were pretty expensive about six cents per kilowatt. Is that the right ballpark to presume for the last capacity that you added?

DP Sorry, could you just repeat the number you have in mind for the pricing?

- IK I think it was around six cents per kilowatt.
- DP No that's, at least for Denmark would be too high. We are in Danish markets. We are also in Nordic markets. We are closer to something above three cents per kilowatt hour. Well, that's surprising long-term pricing for PPAs. In merchant markets, you're right. For open positions there you could go up to that level or even beyond but not for long-term PPA prices. That's more around the three cents might be slightly above.
- CH I think we should add to you that if the initial PPA were agreed in last year, September, October, so, what you are referring to Mr. Kim, is that in the current market, you sometimes when some companies are panicking, that they might go for 40, 50, sometimes in 55 cents per kilowatt hour in the PPA, but that's today. These parts which are locked in September, October last year were in a pretty normal price range. But the IRR is still very attractive. This is reflected by the way in the acquisition price, this lower PPA price. This does not harm our IRR.
- IK Okay. I understand. Thank you.
- CH Welcome.
- M Next up is Teresa Schinwald.
- TS Yeah. Good morning. Thanks for taking my question. And apologies, I might have missed some of the content as I had to drop out for a few minutes. The first one is your policy of divesting of wind minorities. Could you update us that having, so now one Austrian wind park? And my second question is you mentioned current investment costs per megawatt, which as far as I can see are current market rates. However, with all the supply chain issues and raw materials, could you shed some light on potential upside risks from your perspective?
- CH Okay. First of all, I take the first question then in the meantime we agree on to take the second one. First of all, our policy regarding divestment of minorities, as you've seen for three consecutive years, we always sold minority positions in wind farms, German wind farm minority in 2019, then an Austrian wind farm minority in 2020, and then the majority in the same wind park portfolio in 2021, because that was an extremely good offer which we could not ignore. In this year, we do not have a minority sale included in our guidance. That does not mean that we wouldn't go on for this. But in the current situation of these extremely high volatile power prices, it is you have really to meet the right window to get the best out of these in the minority stakes for the shareholders. But since these processes of due diligence of approvals by the banks and so on need some time, we had agreed that we won't desperately go for minority sale just to show you that we will do it every year, this year as well. We want to have the market coming down and having less volatility in the energy market prices because in the long term they will be reflected then in the sales price. And we don't want just by accident realise that the price, which is lower than that one, which we could realise with waiting a little bit longer. As you know, we are cautious, therefore we did not introduce minority sale, say this time in our guidance. Again, this does not mean that this couldn't be an additional income stream for this year.
- DP On the EPC pricing you are referring to. That's mostly related then to new solar parks, which we reached a registrable status and which we then have to construct. Yet, you arrived, we have seen a significant cost increase for EPCs close to 20-25% or in some cases, even beyond that. That's true and that's in the market. However, so far that could have been compensated by higher energy prices, which you achieve. We have the bullish PPA market, for instance, in Germany with

really very, very healthy prices. That's still the margins are absolutely okay and even, I would say we still benefit from that higher energy pricing. And above all in Germany we see that pricing also on the longer end. It's reflected also in the longer end PPAs whereas for instance, in Spain, we still see that the long-term PPAs 10 years and longer remain on the same level as before. We haven't seen that significant uptick, but Germany definitely has that uptick and corporates are also prepared to pay higher prices than utilities. And so therefore, that is definitely something we can make use of and that is compensating than also the higher EPC pricing. We also foresee that EPC prices should come down now with a big caveat on Ukraine. Nobody knows what's happening there. Also, big caveat on Shanghai and for the transport problems out of China. But we would foresee that EPC prices should go down over the next 12 to 18 months if at least some of the prices let's say come down to normal, but that's also a little bit crystal ball.

M Thank you very much. The next question comes from Jan Bauer.

JB Hello. Can you hear me?

DP Yes, we do.

JB Perfect. Yeah. Perfect. I have one question regarding your pipeline. What we see currently is that there are huge delays in lead times for modules and wind turbines all over Europe, as most of them are shipped from Asia. Do you see any risks regarding your pipeline development, that we might see some rescheduled deals for the COD of parks? And the second question would be, I'm still struggling a little bit to fully understand the guidance where the sales growth come from. Could you give us an idea of how much additional sales you expect from the 120 megawatts you just connected to the grid? Thank you.

DP Yeah, I take the first question on the timing. Yes, that's true. Transport problems could let's say have timing effect on connecting the parts to the grid. However, try to manage it currently also with regard to the permitting, we have already delayed in our pipeline in permitting. And what we manage currently is that we at least do place some orders already in the market in order not to have further delays. For instance, for transformers they have the biggest lead time or lowest lead time, sorry for which can go beyond 12 months or 18 months. Therefore, we order already transformers and knowing that at some time of our let's say parks will be constructed. Even we would put them on shelves if needed, or you could easily sell them again in the market because there's desperate need for this kind of equipment. Therefore, that is not any risk for us. And we try to manage it this way. A delay of let's say, a construction or a connecting to the grid time is at least much higher risk having let's say for a few months or for a few weeks, some spare parts on the shelf. Therefore, that is how we manage it currently.

JB Thank you.

CH Then regarding to understand the better the energy production increase. First of all, please have in mind that we have three terawatt hours minimum energy production forecasted for the coming year. And please have in mind that we have in the fiscal year 2021, approximately 100 megawatt hours, lower production due to bad meteorology. So therefore, if we assume for the existing portfolio of 2021 standard weather this year, it should be around 2.85 terawatt hours approximately. Now, the gap to the three terawatt hours and some more because it says more than three terawatt hours is then the growth which we expect from our new portfolio additions, which are not only the 120 megawatts. Please have in mind that last year we acquired approximately 260-280 megawatts. And they were some of them connected to the grid at the end of last year already, which did not contribute heavily to last year's gigawatt hours but have a

full-year effect this year. If you assume that for the new additions, we might have approximately 8-10% more gigawatt hours compared to previous year, I think this would be a fair approach.

JB Okay. Thank you. Just a few follow ups, if I may. First thing, if you put some parks in shelves that would affect your working capital, I guess. And second question could just again, on the new acquisitions, I think about, can you give us an idea of what the sales in million euros will look like so that we can somehow figure out what pricing might be?

CH Sorry. I honestly said I didn't get both questions. Could you please repeat?

JB Yeah, sure. First thing would be Mr. Paskert said that you might put some parks on shelves. As far as you might...

CH What? Sorry.

JB And if you would buy some modules or inverts prior to construction, that would probably affect your working capital, I guess. And second one would be again, regarding the new acquisitions. Could you give us an idea of what the sales impact in million euros would be to give me a better feeling of pricing.

CH Okay. Now I start with the second part of the question. A clear answer is no. Just to say simple, explain it to you. Why I say no, we don't know whether the parks will be solar or wind. We don't know if it is solar, for instance, whether it is in Northern Europe or Southern Europe. The radiation, we don't know. we don't know the pricing which we secure today in this extremely price war time market. And last but not least, we don't know at what moment of time the grid operator will give us the final acceptance for the park. So, whether the park then even if it is constructed, let's say in June, whether it will be connected to the grid in August or in December. Depending on the moment of time where you find acceptance there, we can start production and then have revenue. And therefore, I don't have the slightest clue. I would need a dice to give you a qualified answer. And I don't have one here, sorry for that. I really can't, but we will take care of that pricing and cashflow from the parks will have a certain level of fulfilling our minimum requirements at its best. But honestly said, we can't tell you by now.

DP And on the first question of the, let's say this kind of pre-order, don't expect us now to let's say, build up huge stock of transformers and modules. This is just in the course of ongoing project and might let's say have a timing effect of a couple of months where we order let's say before we really start construction, the transformers, that is something you have already to do because the lead times are so long and lead times are longer than the construction time. Therefore, you anyway have to agree with that in your EPC contract. And we might take a little bit longer lead times there in order to be safe, to have the park really connected to the grid on a timely manner. That might also have a slight impact on working capital, but with our strong operating cashflow, which we anyway have I would not expect significant change there. Let's say for 2022. That is nothing you should worry about.

JB Okay, perfect. Thank you.

DP Yep.

M Then we do have the next question coming from Martin Tessier from Stifel.

- MT Okay. Hi, good morning. I think this is me. Two questions from me. The first one, could you give us the weather impact in 2021, in terms of million euros. You provided some useful figures in terms of production, but I was wondering if you could provide us the figure in terms of millions of euros just to get the cleaner numbers for 2021. And the second question relates to the guidance for operating cashflow in 2022. In the last call on the figures, you just said that there was about 15 million euro of cashflow that should be paid back in 2022. I was wondering if the guidance of 260 includes the 15 million payments back. Thank you.
- CH Yeah. The second question is the easiest one. Yes. If for instance, only to explain that we assume that did already pay in January the money back to the PPA offtaker. And that will be an ongoing process on over the whole year if the electricity prices stay on the same level as we do have today, but as we pointed out, we do not want to take Ukraine war into consideration for our guidance. So, we assumed much lower electricity price and therefore these trade payables melt down over the year. Full repayment is reflected in the operating cashflow. Secondly, the weather impact on 2021. Well, for good reasons, we announced last year that we won't give you the weather impact in million euros again in future why? This is not unwillingness, but it is impossible to do so. And the reason for that is quite simple. In the very past, we had clear, pure feed-in tariff parks. And whenever there was less sun or less wind, since the minimum ratio per kilowatt hour was fixed, there was absolutely no reason not to give you the gigawatt hour deficiencies in weather production and as well as the negative gap in revenue. But today in the first quarter of 2021, I think there were very meaningful to the market because there we had a huge lack of wind production, and then the energy prices jumped up. They increased dramatically. We have a weather impact on the kilowatt hours, but a weather impact on the electricity price. In the end, in a perfect market, it would be zero because it would be totally levered out in prices, but this is not reality, there's a big picture. Some are feed-in tariff parks, some PPA parks, some merchant parks. We have a compensation that no one in the world can really isolate pricing from the kilowatt hour production. Now, what I can tell you to show to you in our existing portfolio, we have a lack of 180 kilowatt hours. Compared to the year 2020, we have a lack of 180 gigawatt hours in the existing portfolio compared to our plan of 2021, which assumes weather forecast. It is a lack of 140 gigawatt hours which we had. In total we had a lack of 9% compared to previous year in electricity production. This is a clear and easy to isolate figure, but the pricing effect, sorry, I cannot isolate and no one can. A million years, I cannot tell you.
- MT Okay. Thank you.
- CH You're welcome.
- M And just a quick reminder, if you would like to ask a question now, please press nine followed by the star key on your telephone keypad. We do have another question coming from Roland Könen.
- RK Yes. Good morning. Can you hear me?
- CH Yes, we do.
- RK Yes. Thanks for taking my question. It's only one. Sorry to bother you over the more or less housekeeping question. You reported a tax quote nearly zero with a lot of explanations in the appendix, but could you please make a short summary of the main effects why the tax is nearly zero? And what does this mean for the tax book going forward? And maybe, could you remind me of the tax code you take for the calculation of the operating EPS? Thanks a lot.

CH Yeah, certainly. thank you very much. You are referring to the IFRS tax quote, I guess. There are some deferred taxes. Sorry to be so specific. We have deferred taxes because of accounting differences between tax accounting and German gap accounting. And then we have deferred taxes because the differences in accounting measures of German tax accounting to IFRS and all of these deferred taxes, which most likely will never become cash relevant are currently in this turbulent environment positive. And the reason for that - and thank you very much for reminding me on that - can be seen in our IFRS figures. As you might be aware, we always take out of our IFRS figures in the transition to the operating EPS, all the non-cash relevant, purely valuation effects of IFRS which do not have to do anything with our business. This is shown on page 37 in our annual report, all these alignments. And some years we have an operating EPS, which is higher than the IFRS EPS, but this year, the IFRS EPS is higher than the operating EPS. Our operating EPS is 48 eurocents per share. The IFRS is 52 eurocents per share. The reason for that is that due to ECB decisions on interest rates and the calculation in the markets, it is that our interest swap contract become more valuable. This positive effect can be seen in the interest payments. In operating interest, we have 61 million euros cash-out interest payments, but in our IFRS accounts, we only have 45 million euros interest expenses. The 16 million euros difference is that more positive variation of our interest swaps. And that has an impact on our tax rate, because now here we have a taxation issue that is very complex calculation that leads to an overall zero interest rate. Not only this effect, but many of such IFRS valuation effects. As you might know, from previous calls, I'm quite sceptical about IFRS figures. That's the reason why we have the operating figures. The operating figures show the two creations of profits, which are cash relevant in this Group. And so, they are from our point of view, more reliable. And what we do is we do not apply our 0% tax rates on our EPS calculation. We have some tax loss carry forwards in the Group as well as in many of our parks. On average, I think we are now at 16% in the operating tax rate, and this will increase slightly over the years to come. In the end, we will come to that what we'll have in the most European countries and need a tax rate of around 30%, but this will need some years to go there due to the tax loss carry forwards, which we currently do have in place. Please be reminded that the German government currently is discussing to boost Renewable Energy investments by all means. And one is super depreciation and therefore some tax savings, which would be allowed if such a plan would be applied, this would draw down our tax rate again.

RK Great. Many thanks for these very detailed explanations and all.

CH You're welcome.

M Then there are no further questions.

CH Fantastic. Thank you very much for all your participation in this call. Thank you very much for taking the time. We know that these are challenging and turbulent times emotionally, as well as business-wise for all of us. Thank you very much that you took this hour this morning and took it for us. Thank you very much for your interest in the Company. If you have any further questions following this conference call, please do not hesitate to contact us and ask us. We will be happy to answer your questions. And thank you very much for your participation and taking part in. Thank you very much.

[END]