ENCAVIS

Interim Release Q1

2019

Dear Shareholders,
Ladies and Gentlemen,

The Encavis Group is off to a good start in the 2019 financial year. Compared with the first quarter of the previous year, revenue improved by 29.6 per cent to EUR 59.5 million. Operating earnings before interest, tax, depreciation and amortisation (EBITDA) came to EUR 44.7 million, an increase compared with the previous-year period of some 42.0 per cent. Operating earnings before interest and taxes (EBIT) increased significantly by 73.6 per cent to EUR 23.4 million. In contrast, at EUR 15.9 million, operating cash flow came in 41.5 per cent below the previous-year figure. This must be viewed in consideration of the fact that cash flow is heavily influenced by the reporting date. As expected, we – other than in the first quarter of 2018 – had to pay capital gains tax of around EUR 9 million in January for dividend payments from the parks in the previous year, which we will be reimbursed from the tax office in the course of this year. In addition, a large payment was received from Italy (EUR 7.3 million) at the beginning of April rather than in the first quarter, and could therefore not be factored into the cash flow of the first quarter. On-time payment from Italy in combination with the capital gains tax would have sufficed to bring cash flow up above the budgeted and previous-year figures.

At the end of the first quarter of 2019, our portfolio was comprised of 175 solar parks and 69 wind parks in total across ten European countries with a total generation capacity of nearly 2 gigawatts.

Approximately 300 megawatts of this portfolio growth is attributable to the acquisition of the Talayuela solar park near the city of the same name in Spain, which is being built on around 790 hectares and is expected to be completed during the third quarter of 2020. The ground-mounted solar park is not only one of the largest in Europe, but also the most important acquisition in the history of our company. Through this acquisition, we have extended our regional diversification to now ten different European countries. At the same time, this milestone marks the successful introduction of Encavis to the growth market for private power purchase agreements (PPA). Following grid connection, the power generated is to be sold over a period of ten years to a European company with a good credit rating. From the first full year of operation, this solar park in Spain will thus make an annual revenue contribution of around EUR 25 million. The market for such power purchase agreements (PPA) is becoming increasingly important thanks to its potential for growth, because this type of contract can help generate attractive yields. For the Talayuela solar park, for instance, our calculations result in an after-tax internal rate of return (IRR) of more than 8 per cent.

Several independent analysts, including those of the ratings agency Scope Rating (short: Scope), have awarded Encavis an outstanding issuer rating in the investment-grade range. A significant reason for the positive assessment is the professional risk management within our business model. The operation of solar and wind power installations with long-term, guaranteed feed-in tariffs ensures stable and predictable returns. Additional security is provided by the broad regional diversity of the solar and wind parks of our portfolio across ten European countries. The analysts also gave plus points for the high proportion of financing without collateral from the parent company. The conservative financing policy of our company since 2016 ensures that our balance sheet figures remain stable over the long term. The evaluation of our creditworthiness is also accordingly positive. Encavis AG continues to be on a course for growth and remains a sound investment!

We are particularly pleased with this positive assessment of Encavis AG, because we have gained additional trust among our business partners through the increase in transparency associated with the rating. This trust will pave the way for us to access an even broader spectrum of potential instruments for financing our further growth – at particularly favourable conditions at that. In addition to our financing concepts, the services of Encavis AG with regard to the environment, social matters and governance were also assessed and recognised. ISS-oekom, one of the world’s leading research and ratings companies in the field of ESG, recently honoured our company with its Prime Label. The analysts have therefore confirmed the sustainability of our business model: with our solar and wind parks, we not only generate attractive yields, but we also actively contribute to the climate-neutral and safe energy production of the future. The electricity generated by our installations during a given year saves some 1.5 million tonnes of harmful CO_2 from being released into the atmosphere. The way we have oriented our company once again demonstrates that economy and ecology do not have to be mutually exclusive.

Our goal is – and will remain – to continue strengthening our position as one of the largest independent power producers in Europe. For the current 2019 financial year, we expect our growth course to continue and confirm the expected earnings for the 2019 financial year. However, in light of the first-time application of IFRS 16, the guidance for the 2019 financial year, which was published in March 2019, has been adjusted for the resulting purely technical effects. IFRS 16 stipulates a change in the accounting for lease agreements, which results in a positive effect on the earnings indicators operating EBITDA, operating EBIT and operating cash flow. Due to the increase in total assets, the equity ratio decreased by around one percentage point from the time of first-time application of the standard. With this in mind, the long-term target for the equity ratio has been reduced from 25 to 24 per cent. Including the effects from IFRS 16, we expect revenue to rise further to more than EUR 255 million and operating EBITDA to exceed EUR 199 million (previously: EUR 190 million). At the Group level, we anticipate growth in operating EBIT to some EUR 114 million (previously: EUR 112 million). We expect to be able to reach cash flow from operating activities of more than EUR 188 million (previously: EUR 180 million). Furthermore, we still expect to generate operating earnings per share of more than EUR 0.35.

We would be delighted if you, as shareholders of Encavis AG, were to continue to put your trust in us and accompany us on this sustainable course for growth.

Hamburg, May 2019

Dr Dierk Paskert	Dr Christoph Husmann
CEO	CFO

Dr Dierk Paskert
Chief Executive Officer (CEO)

Dr Christoph Husmann
Chief Financial Officer (CFO)

Group operating KPIs*

In EUR million	01.01.–31.03.2019	01.01.–31.03.2018
Revenue	59.5	45.9
Operating EBITDA	44.7	31.5
Operating EBIT	23.4	13.5
Operating EBT	9.1	0.5
Operating EAT	7.9	-0.1
Operating cash flow**	15.9	27.3
Operating Earnings per share (undiluted/in EUR)	0.05	0.00

	31.03.2019	31.12.2018
Equity	683	687
Liabilities	2,072	1,962
Total assets	2,756	2,649
Equity ratio in %	24.8	25.9

* The Group operating KPIs are based solely on the company's operating profitability and do not take any IFRS-related valuation effects into account.
** In middle of the 2018 financial year, Encavis adjusted the composition of individual items in the cash flow statement. Due to this adjustment, this figure is not directly comparable with the figure published in the quarterly report for Q1 2018.

Note on the quarterly figures

The publication of the results was prepared pursuant to the amended exchange rules for the Frankfurt Stock Exchange from 12 November 2015. This interim statement does not contain a complete interim financial report in accordance with IAS 34 and should therefore only be read in conjunction with the consolidated financial statements as of 31 December 2018 and subsequent publications.

The quarterly figures on the financial position, financial performance and net assets have been prepared in conformity with International Financial Reporting Standards (IFRS) as applicable within the European Union.

The accounting policies applied are the same as those used for the last year-end consolidated financial statements. We published a detailed description of the methods applied in the notes to the consolidated financial statements for 2018. Additionally, the Group has applied IFRS 16 – Leases since 1 January 2019. This conversion led to a significant increase in total assets due to the capitalisation of rights of use as well as the recognition of lease liabilities as liabilities. At the time of initial application, the equity ratio decreased accordingly by around one percentage point. Depreciation and amortisation as well as interest expenses are recognised for the first quarter of 2019, rather than ongoing lease expenses as before. This results in a reduction in other expenses and a burden on depreciation and amortisation as well as the financial result. There is also a positive effect on the operating cash flow, while the cash flow from financing activities is reduced due to the recognised interest and principal payments. Further detailed information on the effect from the first-time application of IFRS 16 can be found in the 2018 annual report.

Business activities

Business model

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

Encavis also offers attractive opportunities to institutional investors through its subsidiary Encavis Asset Management AG to invest in installations that generate renewable energy. The Asset Management field covers all services in this area, i.e. the launching of funds, the individual design and structuring of other investments for professional investors in the field of renewable energy and the management of the investments held by these investors.

The Encavis portfolio is currently comprised of a total of 175 solar parks and 69 wind parks with a capacity of more than 1.9 gigawatts in Germany, Italy, France, the United Kingdom, Austria, Finland, Sweden, Denmark, the Netherlands and Spain. Of these, the Group operates nine solar parks and 36 wind parks for third parties in the Asset Management segment.

Industry-specific underlying conditions

Renewable energies: a growth market

The global energy revolution is continuing in 2019. The energy markets around the world are in a period of flux, with conventional energy sources and fossil fuels increasingly being replaced with, and supplemented by, the expansion and use of renewable energies. According to the Renewables 2018 Global Status Report published by the French network REN21 – Renewable Energy Policy Network for the 21st Century – currently one-fifth of the global energy demand is met by renewable energies. The estimates assume that this proportion will increase to one-third by 2023.

According to the German Solar Association, 2018 saw the installation of new facilities around the globe with a generation capacity of almost 100 gigawatts in the photovoltaic sector. The generation capacity installed thus reached the 500 gigawatt mark.

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

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

Developments in European core markets

During the reporting period, there were no material changes to the legislative framework for renewable energies that adversely affect the business model of Encavis AG itself or its portfolio of solar and wind parks.

Furthermore, as part of its Asset Management segment, Encavis offers institutional investors – both via various investment vehicles as well as direct investments – the opportunity to invest in attractive renewable energy installations. Encavis Asset Management AG, a wholly owned subsidiary of Encavis AG, is responsible for business with institutional investors within the Encavis Group.

Course of business and development of the segments

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

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

Encavis AG receives investment-grade rating from Scope Ratings

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

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

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

Segment development

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

Actual power fed into the grid by the PV Parks segment in the first three months of 2019 came to 181,341 megawatt-hours (MWh) (previous year: 123,021 MWh). The solar parks in Germany accounted for around 24 per cent of the fed-in power (previous year: 33 per cent), those in France for 29 per cent (previous year: 24 per cent), those in Italy for 27 per cent (previous year: 28 per cent), those in the United Kingdom for 12 per cent (previous year: 15 per cent) and those in the Netherlands for 8 per cent (previous year: 0 per cent). In total, due to an above-average number of hours of sunshine, the solar park portfolio outperformed expectations in the first quarter of 2019, especially in the Italian and French markets.

Actual power fed into the grid by the Wind Parks segment in the first three months of 2019 came to 254,636 MWh (previous year: 202,829 MWh). Of this figure, some 64 per cent (previous year: 71 per cent) is attributable to wind parks in Germany, 10 per cent (previous year: 15 per cent) to wind parks in France, 11 per cent (previous year: 8 per cent) to wind parks in Austria, 14 per cent (previous year: 4 per cent) to wind parks in Denmark and around 1 per cent (previous year: 2 per cent) to the wind park in Italy. Due to above-average wind levels in the first quarter of 2019 across the entire portfolio, the wind park portfolio exceeded expectations as a whole.

Operating earnings (non-IFRS)

Explanation of the earnings

Revenue and other income

During the first three months of 2019, the Group generated revenues of TEUR 59,464 (previous year: TEUR 45,881). This represents an increase of some 30 % and is due to the wind park portfolio as well as the solar park portfolio. In particular, significantly higher levels of solar radiation in Italy and France compared to the previous year contributed to the increase in revenue. A significant increase in revenue was also achieved thanks to a higher overall level of wind across the portfolio compared with the previous year and the expansion of the wind park portfolio to include several installations in Denmark and Germany.

Sales revenues are made up of revenue from feeding electricity into the grid, from the operation of parks owned by third parties and from additional revenue from Asset Management.

The Group generated other operating income of TEUR 1,371 (previous year: TEUR 1,488). This includes income from other periods in the amount of TEUR 768 (previous year: TEUR 898).

Personnel expenses and other expenses

Operating personnel expenses came to TEUR 3,800 (previous year: TEUR 2,743). Other operating expenses of TEUR 11,761 were incurred (previous year: TEUR 12,688). This mainly consists of costs of TEUR 8,826 for operating solar and wind parks. Other expenses also include TEUR 2,878 in costs of current operations. The decline in other operating expenses is due to the first-time application of IFRS 16, as the majority of the rental and leasing expenses previously reported under other operating expenses no longer apply. Instead, depreciation is recognised on the rights of use newly recognised in fixed assets under the lease agreements as well as interest expenses on the corresponding liabilities recognised as such.

EBITDA

Operating earnings before interest, taxes, depreciation and amortization (EBITDA) were TEUR 44,712 in the first three months of 2019 (previous year: TEUR 31,489). The EBITDA margin was around 75 % (previous year: 69 %).

Depreciation and amortisation of TEUR 21,328 (previous year: TEUR 18,023) chiefly comprises scheduled depreciation of the photovoltaic and wind power installations. Due to the first-time application of IFRS 16, depreciation on the capitalised rights of use from the lease agreements is also included.

EBIT

Operating earnings before interest and taxes (EBIT) totalled TEUR 23,383 (previous year: TEUR 13,466). The EBIT margin was around 39 % (previous year: 29 %).

Financial result

Operating financial earnings totalled TEUR -14,296 (previous year: TEUR -12,928). This results primarily from interest on the non-recourse loans for solar and wind parks. In addition, interest expenses on the leasing liabilities carried as liabilities in connection with the first-time application of IFRS 16 are reported in the financial result for the first time.

EBT

Operating earnings before taxes (EBT) therefore came to TEUR 9,087 (previous year: TEUR 538), with positive contributions from the PV Parks segment of TEUR 2,637 and from the Wind Parks segment of TEUR 9,980, while the Administration segment made a negative contribution in the amount of TEUR 3,051.

Taxes

The consolidated statement of comprehensive operating income shows operating tax expenses totalling TEUR 1,167 (previous year: TEUR 665), mainly for effective tax payments in connection with solar and wind parks.

Consolidated earnings

Altogether, this resulted in consolidated operating earnings of TEUR 7,920 (previous year: TEUR -126).

Calculating operating KPIs (adjusted for IFRS effects)

As outlined in the "Internal management system at Encavis" section of the 2018 annual report, Group IFRS accounting is influenced by non-cash measurement effects and the resulting depreciation and amortisation. Non-cash interest effects and deferred taxes also hamper a transparent assessment of the operating income situation pursuant to IFRS.

In TEUR	01.01.-31.03.2019	01.01.-31.03.2018
Revenue	59,464	45,881
Other income	4,603	3,310
Cost of materials	-563	-449
Personnel expenses of which TEUR -59 (previous year: EUR -121) in share-based remuneration	-3,816	-2,775
Other expenses	-12,145	-12,681
Adjusted for the following effects:		
Income resulting from the disposal of financial investments and other non-operating income	-3	0
Other non-cash income (mainly gains from business combinations [badwill], reversal of the interest advantage from subsidised loans [government grants] and non-cash income from other periods)	-3,229	-1,822
Other non-operating expenses	384	-7
Share-based remuneration (non-cash)	16	32
Adjusted operating EBITDA	**44,712**	**31,489**
Depreciation and amortization	-31,173	-27,386
Adjusted for the following effects:		
Amortisation of intangible assets (electricity feed-in contracts) acquired as part of business combinations	11,582	11,097
Subsequent measurement of uncovered hidden reserves and liabilities on step-ups for property, plant and equipment acquired as part of business combinations	-1,737	-1,734
Adjusted operating EBIT	**23,383**	**13,466**
Financial result	-11,456	-9,714
Adjusted for the following effects:		
Other non-cash interest and similar expenses and income (mainly resulting from effects from currency translation, calculation of the effective rate, swap valuation and interest expenses from subsidised loans [government grants])	-2,840	-3,214
Adjusted operating EBT	**9,087**	**538**
Tax expenses	-1,087	-893
Adjusted for the following effects:		
Deferred taxes (non-cash)	-80	228
Adjusted operating consolidated earnings	**7,920**	**-126**

Net assets and financial position

Adjustment to the previous year's figures

In middle of the 2018 financial year, Encavis adjusted the composition of individual items in the cash flow statement. In the following, all information that deviates from the figures published in the report for the first quarter of 2018 due to this adjustment have been marked with a superscript 1 ([1]). In tables, the superscript 1 has been placed next to the year (column or row heading); in text blocks, the superscript 1 has been placed directly behind the corresponding figure.

Financial position and cash flow

The change in cash and cash equivalents in the first quarter of 2019 came to TEUR -41,191 (previous year: TEUR -18,098[1]). This broke down as follows:

Cash flow from operating activities amounts to TEUR 15,937 (previous year: TEUR 27,261[1]). This consists largely of cash inflows from the operating activities of the solar and wind parks and the resulting proceeds. Also included here are changes in assets and liabilities not attributable to investing or financing activities. During the reporting period, cash flow from operating activities was negatively affected by a planned payment of capital gains tax in the amount of EUR 9.0 million; this payment was not made during the first quarter of the previous year, but rather in the fourth quarter of 2017. Reimbursement from the tax office is expected during the 2019 financial year. Delayed payments of feed-in tariffs for Italian solar parks in the amount of EUR 7.3 million, which were only received in April, also had a negative impact. Without the non-period capital gains tax payment and without the delay in receipt of payment from Italy, the cash flow from operating activities would have been significantly higher than the previous-year level. The changed recognition of expenses from lease agreements in connection with the first-time application of IFRS 16, which are now part of the cash flow from financing activities, had a positive effect.

Cash flow from investing activities of TEUR -14,013 (previous year: TEUR -21,713) was mainly for payments for the acquisition of a solar park in the Netherlands, as well as payments related to investments in financial assets for financial investments recognised using the equity method and/or loans to them.

Cash flow from financing activities of TEUR -43,115 (previous year: TEUR -23,646[1]) results primarily from the regular loan repayments and interest paid less the newly issued loans. It also includes the change in restricted cash and the dividend payment to the hybrid bondholders. The changed recognition of expenses from lease agreements in connection with the first-time application of IFRS 16 had a negative impact.

Net assets

As of 31 March 2019, equity amounted to TEUR 683,306 (31 December 2018: TEUR 687,057). The decrease in the amount of TEUR 3,751, or approximately 1 %, is mainly due to the changes in the value of interest rate and currency swaps in a hedging relationship that were recognised directly in equity. The positive result for the period had the opposite effect. The equity ratio is 24.8 per cent (31 December 2018: 25.9 per cent). Total assets increased from TEUR 2,649,065 as of 31 December 2018 to TEUR 2,755,680. The increase in total assets and the associated decline in the equity ratio are also a consequence of the first-time application of IFRS 16.

Liabilities

As of 31 March 2019, the Group has bank and leasing liabilities amounting to TEUR 1,718,279 (31 December 2018: TEUR 1,602,631). These comprised loans and lease agreements for the financing of solar parks and wind parks and the mezzanine capital provided by Gothaer Versicherungen in November 2014. They also contained liabilities from listed notes from the Grid Essence portfolio, including accrued interest in the amount of TEUR 39,064, as well as liabilities from debenture bonds in the amount of TEUR 73,000. This does not include amounts recognised under other liabilities totalling TEUR 10,502 (31 December 2018: TEUR 10,625), which comprises interest advantages from low-interest government loans (KfW) and is to be accounted for in accordance with IAS 20 and shown separately. As a result of the first-time application of IFRS 16, liabilities from lease obligations amounting to TEUR 112,991 were reported as of the balance sheet date. Non-current liabilities from the mezzanine capital amounted to TEUR 150,000 as of 31 March 2019 and as of 31 December 2018. In almost all debt financing, the liability risk relating to the parks is limited (non-recourse financing).

As of 31 March 2019, liabilities to non-controlling shareholders amounted to TEUR 23,073 (31 December 2018: TEUR 22,404).

The value of provisions as of 31 March 2019 amounts to TEUR 48,718 (31 December 2018: TEUR 46,347). This comprises provisions for asset retirement obligations (TEUR 43,073) and other provisions (TEUR 5,645).

Trade liabilities increased from TEUR 16,784 as of 31 December 2018 to TEUR 17,505 as of 31 March 2019.

Events after the balance sheet date

Acquisition of a wind park for institutional investors by Encavis Asset Management AG

The Encavis infrastructure fund, SICAV-RAIF Renewables Europe II ("Renewables Europe II"), further extended its fonds portfolio with the acquisition of the wind park in Gussenstadt. The wind park, with a total generation capacity of 14.4 megawatts, is comprised of four N117 turbines from the renowned manufacturer Nordex, one of the leading providers of power generation and energy supply technologies. The turbines each have a nominal output of 3.6 megawatts and a hub height of 140.6 metres.

Additionally, the solar park in Friedmannsdorf, in the Bavarian administrative district of Hof, was completely connected to the grid in mid May 2019. This solar park was acquired during the construction phase at the end of February 2019 by the above-mentioned fund.

With its most recent acquisitions, Encavis Asset Management AG has once again demonstrated its expertise as a provider of asset management services.

Opportunities and risks

The material opportunities and risks to which the Encavis Group is exposed were described in detail in the consolidated management report for the 2018 financial year. There were no significant changes in this regard during the reporting period.

Future outlook

The statements below include projections and assumptions which are not certain to materialise. If one or more of these forecasts or assumptions do not materialise, actual results and developments may differ substantially from those outlined.

Underlying conditions for renewable energies

Consistent growth market

The expansion of renewable energies is continuing at a highly dynamic pace worldwide. In addition to political climate targets such as those agreed in the Paris Agreement, more and more companies are making a voluntary commitment to cover 100 per cent of their electricity needs from renewable energies.

At the same time, the cost-effectiveness of photovoltaic installations has increased significantly in recent years, not least due to the significant drop in prices for technical components. In many regions, they are already competitive with conventional forms of energy generation, even without state support, and are the cheapest form of electricity generation.

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

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

Overall assessment of future development

When acquiring new installations, Encavis primarily focuses on ready-to-build or turnkey projects, or existing installations with guaranteed feed-in tariffs or long-term power purchase agreements. Any already-known future changes to the structuring of subsidy systems and mechanisms for renewable energies would be accounted for within the return calculations for new investments and have no influence on the company’s existing portfolio.

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

In addition to an excellent and broad network on the market, Encavis has also secured long-term exclusive access to an attractive acquisition pipeline through various strategic partnerships with leading project developers and financing partners. Strategic partners include the British project developer Solarcentury, the Irish project developer Power Capital and the Irish sovereign development fund Ireland Strategic Investment Fund (ISIF). To secure this exclusive access, Encavis will increasingly, and earlier than before, enter the construction phase of various projects. In addition, all installations taken over by Encavis have long-term government-guaranteed feed-in tariffs or private-sector power purchase agreements with customers with strong credit ratings.

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

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

In light of the Group's qualitative-growth-oriented strategy and the fact that economic conditions continue to be very favourable, the Management Board of Encavis AG reaffirms its earnings expectations for the 2019 financial year. However, in light of the first-time application of IFRS 16, the guidance for the 2019 financial year, which was published in March 2019, has been adjusted for the resulting purely technical effects. IFRS 16 stipulates a change in the accounting for lease agreements, which results in a positive effect on the earnings indicators operating EBITDA, operating EBIT and operating cash flow. The operating earnings per share will not be affected. Due to the increase in total assets, the equity ratio decreased by around one percentage point from the time of first-time application of the standard. With this in mind, the long-term target for the equity ratio has been reduced from 25 to 24 per cent.

The earnings forecast issued by Encavis AG for the 2019 financial year is based solely on the portfolio of solar and wind parks as of 21 March 2019, as well as the assumption of average meteorological conditions.

In EUR million	2019 (AR 2018)	2019 (incl. IFRS 16-effects)
Revenue	>255	>255
Operating EBITDA*	>190	>199
Operating EBIT*	>112	>114
Operating cash flow*	>180	>188
Operating earnings per share in EUR*	0.35	0.35

* Operating; contains no IFRS-related, non-cash valuation effects.

Other information

Employees

The Group had 120 employees (previous year: 115) on 31 March 2019. Of these, apart from the Management Board members, 75 (previous year: 60) were employed at Encavis AG, 26 (previous year: 41) were employed at Encavis GmbH (formerly: Encavis Asset Management AG), ten (previous year: ten) were employed at Encavis Technical Services GmbH and nine (previous year: none) were employed at Encavis Asset Management AG (formerly: CHORUS GmbH). In the previous year, four people were employed at TC Wind Management GmbH. The increase in the number of employees is primarily due to the expansion of the team brought on by growth.

Dividends

The Management and Supervisory Boards of Encavis AG want the shareholders to share in the success of the company to an appropriate extent. With this in mind, the Supervisory and Management Boards of Encavis AG proposed, at the annual shareholders' meeting on 15 May 2019, to pay out a dividend of EUR 0.24 for each dividend-entitled share. This represents a year-on-year increase of 9 per cent (2018: EUR 0.22). The proposal by the Management and Supervisory Boards was approved by a clear majority.

The Management and Supervisory Boards wish to give Encavis AG shareholders the greatest possible freedom of choice in connection with the dividend. As a result, the dividend issued by Encavis AG was once again structured as an optional dividend. The shareholders were therefore able to choose whether they wanted to receive the dividend in cash or in the form of shares. Furthermore, the dividend is partially tax-free in accordance with section 27, paragraph 1, of the German corporation tax act (*Körperschaftssteuergesetz* – KStG).

Related-party disclosures (IAS 24)

As of the reporting date, rental contracts at arm's-length terms exist with B&L Holzhafen West GmbH & Co. KG, a company allocated to Supervisory Board members Albert Büll and Dr Cornelius Liedtke, for office space for Encavis AG.

For the company Encavis GmbH, there is a rental agreement regarding the Asset Management segment's office space in Neubiberg with PELABA Vermögensverwaltungs GmbH & Co. KG, a company related to Supervisory Board member Peter Heidecker. The rental agreement has a fixed term until 2019 and renews automatically by one year each year unless either of the parties terminates it with a notice period of six months. The monthly rent is based on customary market conditions.

Notification requirements

Notifications in accordance with section 21, paragraph 1, or paragraph 1a, of the Securities Trading Act (WpHG) are shown on the website of Encavis AG at https://www.encavis.com/en/investor-relations/corporate-governance/.

Condensed consolidated statement of comprehensive income (IFRS)

In TEUR	01.01.-31.03.2019	01.01.-31.03.2018
Revenue	59,464	45,881
Other income	4,603	3,310
Cost of materials	-563	-449
Personnel expenses	-3,816	-2,775
of which in share-based remuneration	-59	*-121*
Other expenses	-12,145	-12,681
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**47,544**	**33,286**
Depreciation and amortization	-31,173	-27,386
Earnings before interest and taxes (EBIT)	**16,370**	**5,901**
Financial income	5,932	4,741
Financial expenses	-17,308	-14,456
Earnings from financial assets accounted for using the equity method	-80	0
Earnings before taxes on income (EBT)	**4,914**	**-3,813**
Taxes on income	-1,087	-893
Consolidated earnings	**3,827**	**-4,706**
Items which can be reclassified to profit or loss		
Currency translation differences	-153	303
Hedging of cash flows – effective part of the change in fair value	-6,517	806
Cost of hedging measures	6	-49
Income taxes on items which can be reclassified to profit or loss	1,509	-188
Reclassifications	1	0
Other comprehensive income	-5,154	872
Consolidated comprehensive income	**-1,328**	**-3,834**
Additions to consolidated earnings for the period		
Encavis AG shareholders	2,633	-5,831
Non-controlling interests	-73	-142
Hybrid bondholders	1,267	1,267
Additions to consolidated comprehensive income for the period		
Encavis AG shareholders	-2,522	-4,959
Non-controlling interests	-72	-142
Hybrid bondholders	1,267	1,267
Earnings per share		
Average number of shares in circulation in the reporting period		
Undiluted	129,487,340	128,252,214
Diluted	129,487,340	128,274,665
Undiluted/diluted earnings per share (in EUR)	0.02	-0.05

Condensed consolidated balance sheet (IFRS)

Assets in TEUR	31.03.2019	31.12.2018
Intangible assets	574,974	579,950
Goodwill	20,069	19,989
Property, plant and equipment	1,682,289	1,548,639
Financial investments recognised using the equity method	14,441	14,514
Financial assets	16,296	6,474
Other receivables	3,917	19,518
Deferred tax assets	119,793	118,169
Total non-current assets	**2,431,779**	**2,307,252**
Inventories	376	422
Trade receivables	50,500	36,178
Non-financial assets	6,577	9,714
Receivables from income taxes	28,241	29,269
Other current receivables	16,528	13,738
Liquid assets	221,678	252,491
Cash and cash equivalents	*150,480*	*175,564*
Liquid assets with restrictions on disposition	*71,198*	*76,927*
Total current assets	**323,901**	**341,812**
Total assets	**2,755,680**	**2,649,065**

Equity and liabilities in TEUR	31.03.2019	31.12.2018
Subscribed capital	129,487	129,487
Capital reserves	412,983	413,104
Reserve for equity-settled employee remuneration	324	383
Other reserves	-6,874	-1,718
Net retained profit	43,833	41,200
Equity attributable to Encavis AG shareholders	**579,753**	**582,456**
Equity attributable to non-controlling interests	9,384	9,145
Equity attributable to hybrid capital investors	94,169	95,456
Total equity	**683,306**	**687,057**
Non-current liabilities to non-controlling interests	5,304	5,264
Non-current financial liabilities	1,352,378	1,349,602
Non-current lease liabilities	181,282	73,933
Other non-current liabilities	10,388	10,764
Non-current provisions	43,247	39,724
Deferred tax liabilities	235,911	234,540
Total non-current liabilities	**1,828,509**	**1,713,827**
Current liabilities to non-controlling interests	17,769	17,140
Liabilities from income taxes	6,160	7,694
Current financial liabilities	175,993	174,420
Current lease liabilities	10,729	6,764
Trade payables	17,505	16,784
Other current debt	10,238	18,756
Current provisions	5,471	6,623
Total current liabilities	**243,865**	**248,181**
Total equity and liabilities	**2,755,680**	**2,649,065**

Condensed consolidated cash flow statement (IFRS)

In TEUR	01.01.–31.03.2019	01.01.-31.03.2018[1]
Net profit/loss for the period	3,827	-4,706
Cash flow from operating activities	**15,937**	**27,261**
Cash flow from investing activities	**-14,013**	**-21,713**
Cash flow from financing activities	**-43,115**	**-23,646**
Change in cash and cash equivalents	**-41,191**	**-18,098**
Change in cash due to exchange rate changes	272	77
Cash and cash equivalents		
As at 01.01.2019 (01.01.2018)	171,533	119,984
As at 31.03.2019 (31.03.2018)	130,614	101,963

[1] Some of the previous-year figures have been adjusted.

Condensed consolidated statement of changes in equity (IFRS)

In TEUR	Subscribed capital	Capital reserve	Other reserves			
			Currency reserve	Hedge reserve	Costs of hedging measures	Reserve from changes in fair value
As at 01.01.2018	**128,252**	**406,834**	**1,176**	**-3,630**		**-298**
Effect from the first-time application of IFRS 9						298
As at 01.01.2018 (adjusted for IFRS 9)	**128,252**	**406,834**	**1,176**	**-3,630**		
Consolidated earnings						
Other income recognised in equity			303	609	-41	
Consolidated comprehensive income for the period			**303**	**609**	**-41**	
Dividends						
Income and expenses recognised directly in equity						
Transactions with shareholders recognised directly in equity		22				
Issuance costs		-115				
Acquisition of shares from non-controlling interests						
As at 31.03.2018	**128,252**	**406,741**	**1,479**	**-3,021**	**-41**	
As at 01.01.2019	**129,487**	**413,104**	**1,010**	**-2,700**	**-29**	
Consolidated earnings						
Other income recognised in equity*			-153	-5,008	5	
Reclassifications to profit/loss			1			
Consolidated comprehensive income for the period			**-153**	**-5,008**	**5**	
Dividends						
Income and expenses recognised directly in equity						
Issuance costs		-121				
Acquisition of shares from non-controlling interests						
As at 31.03.2019	**129,487**	**412,983**	**857**	**-7,707**	**-24**	

In TEUR	Reserve for equity-settled employee remuner-ation	Net retained earnings	Equity attributable to Encavis AG shareholders	Equity attributable to non-controlling interests	Equity attri-butable to hybrid capital investors	Total
As at 01.01.2018	**458**	**63,737**	**596,528**	**6,582**	**95,484**	**698,594**
Effect from the first-time application of IFRS 9		-456	-158			-158
As at 01.01.2018 (adjusted for IFRS 9)	**458**	**63,281**	**596,370**	**6,582**	**95,484**	**698,436**
Consolidated earnings		-5,831	-5,831	-142	1,267	-4,706
Other income recognised in equity			872			872
Consolidated comprehensive income for the period		**-5,831**	**-4,959**	**-142**	**1,267**	**-3,834**
Dividends					-2,554	-2,554
Income and expenses recognised directly in equity	31		31			31
Transactions with shareholders recognised directly in equity			22	-22		
Issuance costs			-115			-115
Acquisition of shares from non-controlling interests				401		401
As at 31.03.2018	**489**	**57,450**	**591,350**	**6,820**	**94,196**	**692,366**
As at 01.01.2019	**383**	**41,200**	**582,456**	**9,145**	**95,456**	**687,057**
Consolidated earnings		2,633	2,633	-73	1,267	3,827
Other income recognised in equity*			-5,156	1		-5,155
Reclassifications to profit/loss			1			1
Consolidated comprehensive income for the period		**2,633**	**-2,522**	**-72**	**1,267**	**-1,328**
Dividends				-154	-2,554	-2,708
Income and expenses recognised directly in equity	-59		-59			-59
Issuance costs			-121			-121
Acquisition of shares from non-controlling interests				466		466
As at 31.03.2019	**324**	**43,833**	**579,753**	**9,384**	**94,169**	**683,306**

* Excluding separately recognised effects from reclassifications.

Condensed consolidated segment reporting (operating)[2]

In TEUR	Administration	PV Parks	PV Services	Asset Management
Revenue	4	36,893	1,152	850
(Previous year)	(0)	(27,675)	(854)	(662)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	-2,066	28,514	374	-409
(Previous year)	(-959)	(18,903)	(290)	(-625)
Earnings before interest and taxes (EBIT)	-2,307	12,957	366	-603
(Previous year)	(-998)	(5,391)	(279)	(-793)
Financial result	-902	-10,319	0	0
(Previous year)	(-278)	(-10,097)	(0)	(-8)
Earnings before taxes on income (EBT)	-3,209	2,637	366	-603
(Previous year)	(-1,276)	(-4,706)	(279)	(-801)
Earnings after taxes (EAT)	-3,051	1,743	366	-702
(Previous year)	(-1,146)	(-5,037)	(279)	(-894)
Earnings per share, undiluted	-0.03	0.01	0.00	-0.01
(Previous year)	(-0.02)	(-0.04)	(0.00)	(-0.01)
Assets including participating interests	635,292	2,162,399	4,236	40,062
(As at 31.12.2018)	(621,521)	(2,122,300)	(3,938)	(35,178)
Capital expenditures (net)	-1,160	-990	0	83
(Previous year)[1]	(-1,946)	(-16,977)	(0)	(1)
Liabilities	162,453	1,724,235	1,673	6,515
(As at 31.12.2018)	(138,260)	(1,685,093)	(1,743)	(3,742)

In TEUR	Wind Parks	Reconciliation	Total
Revenue	21,676	-1,110	59,464
(Previous year)	(17,481)	(-791)	(45,881)
Earnings before interest, taxes, depreciation and amortization (EBITDA)	18,386	-88	44,712
(Previous year)	(13,835)	(44)	(31,489)
Earnings before interest and taxes (EBIT)	13,054	-84	23,383
(Previous year)	(9,540)	(48)	(13,466)
Financial result	-3,074	0	-14,296
(Previous year)	(-2,545)	(0)	(-12,928)
Earnings before taxes on income (EBT)	9,980	-84	9,087
(Previous year)	(6,995)	(48)	(538)
Earnings after taxes (EAT)	9,648	-84	7,920
(Previous year)	(6,624)	(48)	(-126)
Earnings per share, undiluted	0.07	0.00	0.05
(Previous year)	(0.05)	(0.00)	(-0.01)
Assets including participating interests	926,632	-1,012,941	2,755,680
(As at 31.12.2018)	(869,625)	(-1,003,497)	(2,649,065)
Capital expenditures (net)	-11,158	-788	-14,013
(Previous year)[1]	(-2,484)	(-306)	(-21,713)
Liabilities	668,696	-491,197	2,072,374
(As at 31.12.2018)	(616,455)	(-483,285)	(1,962,008)

1 Some of the previous-year figures have been adjusted.
2 Some of the previous-year figures are not reconcilable with the figures stated in the quarterly report for the first quarter of 2018, as the presentation of the segment report is based on operating figures in line with internal reporting and not on IFRS figures as in the previous year.

Assurance of the legal representatives

We declare that, to the best of our knowledge and according to the applicable accounting standards, the report for the first quarter of 2019 as of 31 March 2019, in connection with the annual report for 2018, gives a true and fair view of the net assets and financial and earnings positions of the Group and presents the situation of the Group in a true and fair way as to suitably describe the principal opportunities and risks associated with the expected development of the Group.

Hamburg, May 2019

Encavis AG

Management Board

Dr Dierk Paskert

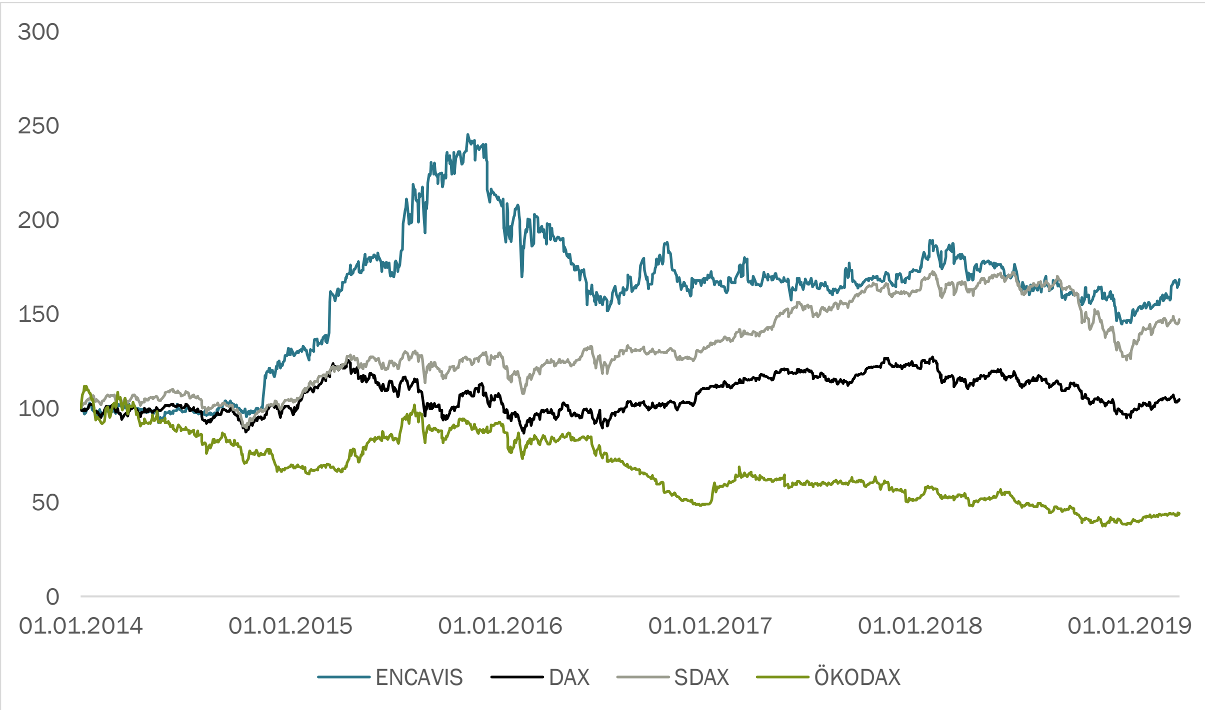
CEO

Dr Christoph Husmann

CFO

The Encavis share

Key financial figures	
Listed since	28.07.1998
Subscribed capital	129,487,340 EUR
Number of shares	129.49 Mio.
Stock market segment	Prime Standard
Dividend 2016 per share	0.20 EUR
Dividend 2017 per share	0.22 EUR
Dividend 2018 per share	0.24 EUR
52-week high	6.69 EUR
52-week low	5.42 EUR
Share price (24 May 2019)	6.10 EUR
Market capitalisation (24 May 2019)	790 Mio. EUR
Indexes	SDAX, HASPAX, PPVX, Solar Energy Stock Index
Trading centres	Xetra, Frankfurt am Main, Hamburg
ISIN	DE 0006095003
Designated Sponsor	Oddo Seydler Bank AG, HSBC Trinkhaus & Burkhardt AG



Encavis AG financial calendar	
Date	Financial event
2019	
5 June 2019	E-TALIA – The future of wind and solar – Milan, Italy
7 June 2019	Berenberg roadshow – Madrid, Spain
12 June 2019	Quirin Champions Conference – Frankfurt am Main, Germany
13 June 2019	The Solar Future NL – Utrecht, Netherlands
18 June 2019	Distribution of the cash dividend of the value adjustment and of the base dividend share
26 June 2019	Delivery date and commencement of trading of the New Shares taken (Scrip Dividend)
26 June 2019	ODDO BHF renewables conference – Paris, France
27 to 28 June 2019	Windpower Monthly Asset Life Optimisation Forum – London, United Kingdom
22 August 2019	Hamburg Investor Day (HIT) – Hamburg, Germany
28 August 2019	Interim financial report for Q2 2019
28 August 2019	Commerzbank sector conference – Frankfurt am Main, Germany
1 September 2019	Part-time MBA class – social sustainability project – Mannheim, Germany
11 September 2019	Deutsche Börse Investor Targeting – Dublin, Ireland
12 September 2019	Interest payment on 2018 debenture bond
12 September 2019	Interest payment on hybrid convertible bond
24 September 2019	German Corporate Conference 2019 (Berenberg and Goldman Sachs) – Munich, Germany
25 November 2019	Quarterly report for Q3 2019
25 to 27 November 2019	German Equity Forum – Frankfurt am Main, Germany
11 December 2019	Interest payment on 2015 debenture bond
2020	
9 to 10 January 2020	23rd ODDO BHF Forum – Lyons, France
16 January 2020	Pareto Securities' Power & Renewable Energy Conference – Oslo, Norway
20 to 22 January 2020	UniCredit/Kepler Cheuvreux German Corporate Conference – Frankfurt am Main, Germany
4–5 February 2020	HSBC ESG conference – Frankfurt am Main, Germany
12 March 2020	Interest payment on hybrid convertible bond

Forward-looking statements and forecasts

This report includes forward-looking statements based on current expectations, assumptions and forecasts by the Management Board and the information available to it. Known or unknown risks, uncertainties and influences may mean that the actual results, the financial position or the company's development differ from the estimates provided here. We assume no obligation to update the forward-looking statements made in this report.

Rounding differences may occur in percentages and figures in this report.

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