Annual report 2018

EUROPEAN ENERGY A/S – GYNGEMOSE PARKVEJ 50 – 2860 SØBORG – DENMARK – COMPANY REG.NO. 18351331

Approved at the Annual General Meeting 25 April 2019

Simon Bjørnholt

Simon Bjørnholt, Chairman

Front page:
Rødby Fjord Wind Farm, Denmark, 36 MW
Langelinje Solar PV Farm, Denmark, 10 MW

Alexandra Gkioni, Project Engineer
Benedikt Arun, Electrical Engineer
Poul Jacobsen, Head of EPC

Table of contents

Management Review

Consolidated Statements and Notes for European Energy Group

Statements and Notes for European Energy A/S (Parent Company)

Our vision is to be a significant force in the global transition to a fossil-free society.

Our mission is to utilise wind and solar resources in combination with the latest technology to create value for partners and society as a whole. We use our industry expertise, local knowledge and innovative approach to deliver world-class projects.

Letter from the CEO

Dear reader,

2018 was another remarkable year for European Energy. By ramping up our activity levels across all of our business areas, we made substantial progress in delivering our vision of being a significant force in the global transition to a fossil-free society.

We believe that right now there is one challenge greater than everything else, namely climate change. Here at European Energy, we understand that our responsibility as a company is to encourage and facilitate the fight against climate change now. We do not take this responsibility lightly. The renewable energy projects that European Energy is building today will help provide the foundation for the fossil-free society of the future.

Financially, the year was very rewarding. We posted a result for 2018 of EUR 25.9 million in profit before tax. The result matches the result for 2017 of EUR 25.8 million. Our EBITDA reached EUR 33.6 million, and our return on equity was at 23%.

We are extremely happy that our financial performance was strong, even though we made record-high, long-term investments in projects and markets where we will only see the reward in the years to come. Growing the number and size of our projects is a more direct way of measuring whether we are adding more generation capacity and therefore expediting the green transition. As of 1st January 2019, we had 2,180 MW in development, 474 MW in ready-to-build status and 96 MW under construction.

Last year we completed the construction of 273 MW solar PV and wind. Every year, those energy plants will save the planet 618,000 tons of CO2 emissions, equivalent to the consumption of 265 million litres of diesel. A very tangible impact and contribution to the green transition.

One of the reasons that 2018 saw rapid progress being made was the continuous drop in cost of both solar and wind, combined with improvements in technology. What we have seen over the past 12 months is that, in many markets, solar and wind have become the cheapest way of establishing new generation capacity – and in some markets new solar and wind farms are also cheaper than existing coal or gas-fired power plants. To paraphrase from a paper published by Deloitte Insights in 2018: Solar and wind are no longer mainstream. They are the preferred way to do electricity generation.

The solutions for the green transition is right in front of us – now we just need to do it.

During 2018, the world's leading climate scientists warned that global warming can only be kept to a maximum of 1.5° Celsius for the next 12 years, beyond which even half a degree increase will significantly worsen the risks of drought, floods, extreme heat and poverty for hundreds of millions of people.

A large part of the solution to the climate crisis is right in front of us – and it is the cheapest form of energy: solar and wind. However, we should not underestimate the task in front of us. Currently only 2-3% of global energy production comes from those two technologies. The vast majority of the energy we use comes from burning coal, oil and other fossil fuels. There is a lot of old fossil-based capacity we need to replace with green alternatives.

Therefore, there is a growing need for a company like European Energy to step up. The green transition needs dedicated companies to champion the cause - and future generations are counting on it. The most important realization across the world last year was probably that climate change is here. This is not a problem we can kick down the road and leave to our children to pick up. The time is now. In European Energy, we will do our utmost to push the green transition in the years to come. We expect to build around 500 MW of fossil-free energy capacity every year – saving the planet from approximately 1.25 million tons of CO2.

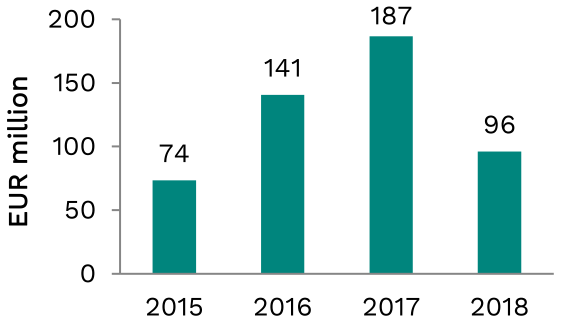
I would like to thank all our employees for believing in our vision and for creating substantial results in the past year. I would also like to thank all our business partners for the outstanding collaboration. Together, we made a difference for the green transition in 2018. Let us do even more in 2019.

Knud Erik Andersen
CEO

Key information

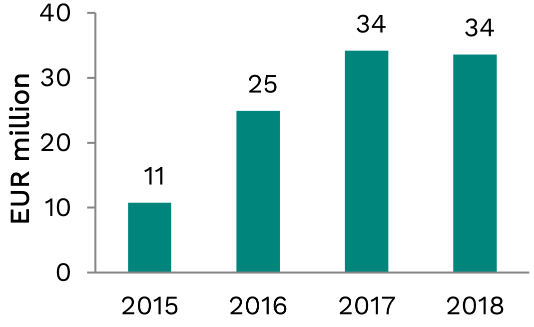
REVENUE

Revenue has decreased since last year and has grown by 31% from 2015 to 2018. Sale of electricity increased from EUR 10 million in 2017 to EUR 20 million in 2018.



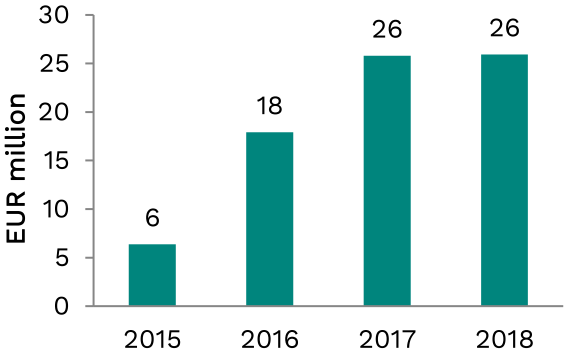
EBITDA

EBITDA has slightly decreased from 2017 to 2018 and has more than tripled from 2015 to 2018. The long-term growth is due to the increased activity level.



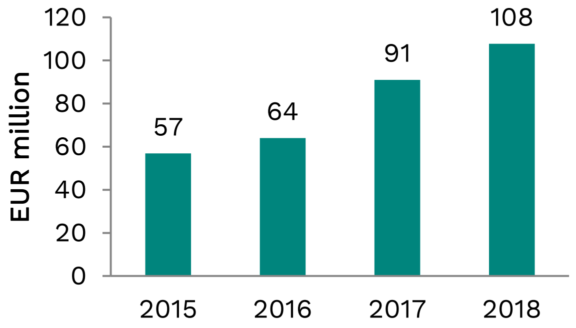
PROFIT BEFORE TAX

Profit before tax has quadrupled since 2015 and is at the highest level in the company´s history.



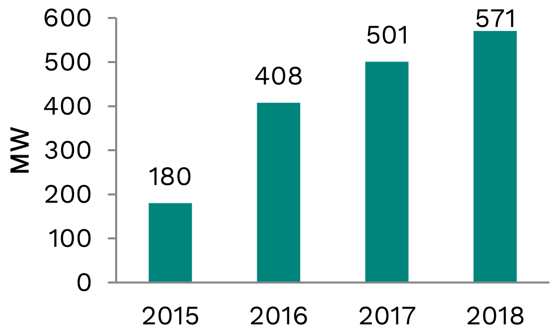
EQUITY

The increase in equity reflects that the profit for the year has been used for consolidation of the company. The equity ratio is 24.1%.



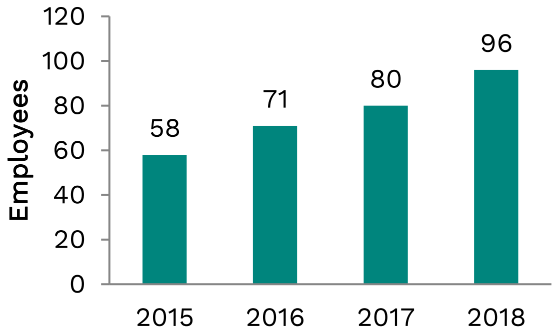
UNDER CONSTRUCTION OR READY-TO-BUILD

The 571 MW is spread over 6 countries, of which 159 MW are attributed to Danish projects. Wind counts for 67% and solar for 33%.



HUMAN RESOURCES

The number of employees has increased 20% from the end of 2017 to the end of 2018, which reflects an in-creased level of activity and the need to strengthen the organisation to meet expected future growth.



2018 at a glance

2018 has been yet another great year for European Energy. A number of important goals have been accomplished and a huge pipeline has created a strong foundation for the future.

In 2018, we have:

- Achieved the best result in the company´s history so far
- Built plants in new countries and expanded our activities geographically
- Divested more than 140 MW
- Increased our equity by 18% with a return on equity of 23%
- Increased our bond loan by EUR 25 million. Total bond loan is now EUR 85 million.
- Strengthened our organisation by employing more than 15 additional highly skilled people

The overall activity has gone up and the profitability seen as EBITDA/Divested MW has increased. The increased activity level comes from development in new countries such as Finland and Australia.

2018 was influenced by the change in the subsidy scheme in the Danish market, which has led to increased construction activities in the second half of 2017 with completion in 2018.

By the end of 2018, we had more than 550 MW under construction or ready-to-build.

In 2018, we took further steps to:

- Become global in order to take part in the many opportunities beyond our current core market, for example development in Australia
- Strengthen our position in the core market and expanded our operations in the Nordic countries
- Expand our partner channels to handle the growing volume of projects

These initiatives have led to a strengthening of the organisation as well as establishment of new cooperation with partners outside Europe. Actions have been taken to meet the changing market conditions and developments in the global market with increased competition and falling margins.

The financial consolidation of the Group and strengthening of the organisation, along with a strong pipeline of new projects, make European Energy more prepared for the future than ever before.

2018 in numbers

Under construction or ready-to-build

- 23 owned or partly owned projects
- 571 MW capacity of which more than 159 MW are related to Denmark
- 67% of the projects are related to wind and 33% to solar PV

Pipeline projects

- 2,180 MW of potential projects in 8 countries
- 44% of the projects are related to wind and 56% to solar PV
- Pipeline includes all development projects from initial analysis to ready-to-build status (the time all permissions are granted)

Divestment

- 12 divested projects in 2018
- 142 MW divested capacity

Human resources

- 96 full-time employees at year-end
- 16 different nationalities
- 37% of the employees are women and 63% are men

Five-year summary and key ratios

Key figures (EUR '000)	2018	2017	2016	2015	2014
Revenue	96,182	186,716	140,788	73,559	31,343
Direct costs	-60,589	-148,550	-107,289	-57,533	-13,329
Gross profit	42,570	44,998	32,456	18,008	18,487
EBITDA	33,607	34,174	24,929	10,759	13,074
Operating profit (EBIT)	31,117	32,451	23,319	9,264	11,492
Financial income and expenses, net	-5,193	-6,662	-5,414	-2,904	-4,899
Profit/loss before tax	25,924	25,789	17,905	6,360	6,593
Tax	-3,403	-4,600	-2,260	-2,879	-468
The Group's share of profit for the year	**22,521**	**21,189**	**15,645**	**3,481**	**6,125**
Investments in property, plant and equipment	12,576	480	7,395	725	1,891
Total assets	447,081	287,764	218,535	223,186	185,775
Equity	**107,685**	**91,000**	**64,000**	**56,807**	**42,090**
Cash flow from operating activities	-150,961	-14,476	7,306	-17,096	-25,139
Net cash flow from investing activities	-490	3,588	-138	-5,415	-3,956
Cash flow from financing activities	161,857	43,992	-8,022	20,004	42,405
Change in cash and cash equivalents	**10,406**	**33,104**	**-854**	**-2,507**	**13,310**
Financial ratios					
Gross margin	44%	24%	23%	24%	59%
EBITDA margin	35%	18%	18%	15%	42%
EBIT margin	32%	17%	17%	13%	37%
Solvency ratio	24%	32%	29%	25%	23%
Net interest-bearing debt/EBITDA	7.1	3.0	4.0	9.9	7.3
Return on equity	23%	27%	26%	7%	16%
Gearing	276%	174%	193%	216%	272%
Share Ratios					
Earnings per share, EUR	0.08	0.07	1.56	0.35	0.61
Number of outstanding shares, 31 December, '000	300,040	300,000	10,000	10,000	10,000
Average number of full-time employees	95	74	64	53	46

The financial ratios have been computed in accordance with the latest Guidelines issued by the Danish Finance Society.

Definitions

Gross margin
Gross profit/loss as a percentage of revenue.

EBITDA margin
Profit/loss before depreciation and amortisation, financial income and expenses and tax as a percentage of revenue.

EBIT margin
Profit/loss before financial income and expenses and tax as a percentage of revenue.

Solvency ratio
Equity at year-end divided by total assets.

Net interest-bearing debt/EBITDA
Net interest-bearing debt divided by profit/loss before depreciation and amortisation, financial income and expenses and tax.

Return on equity
Profit/loss after tax for the year divided by average equity.

Gearing
Interest-bearing liabilities at year-end divided by equity at year-end.

Earnings per share (EPS)
Profit/loss for the year divided by the average numbers of shares.

Outlook 2019

Looking back on expectations for 2018

In the annual report for 2017, the Management expected a turnover for the Group in the range of EUR 190-210 million and a profit before tax in the range of EUR 26-28 million.

In December 2018, the outlook was corrected to a revenue of EUR 115-120 million and a profit before tax of EUR 23-25 million.

At the beginning of February 2019, the numbers were closer to finalisation, and the outlook was more exactly stated to be a revenue of EUR 94-97 million and a profit before tax of 25.5-26 million.

With an actual revenue for 2018 of EUR 96.2 million, the revenue met the latest expectation. As described in the corporate announcement, the delay of the closing of a sale of a wind park in Italy combined with the technical elimination of the revenue from a sale to an associated company of the Group of 3 solar parks under construction, accounted for some of the reduction in revenue compared to the original outlook.

The Management also acknowledges that the different recognition methods in the annual report, depending on whether the company sells fully owned or only partly owned companies, has a big impact on the top line for the Group. The future outlook is instead now focusing on the EBITDA, which in the Management's opinion gives a better measurement of the company's results.

The actual profit before tax for 2018 was EUR 25.9 million, which was in the range expected in the annual report for 2017, and in the most recent corporate announcement about the outlook.

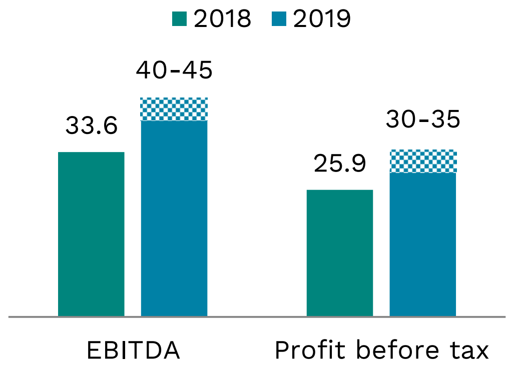
Outlook for 2019

EBITDA for 2019 is expected to be EUR 40-45 million (in 2018 the EBITDA was EUR 33.6 million).

The profit before tax in 2019 is expected to be EUR 30-35 million (in 2018 the profit before tax was EUR 25.9 million).

Management is looking forward to another year with good results. However, the risk factors associated with developing and constructing solar and wind projects may cause delays. The overall performance will also depend on factors such as environmental impact assessments, building permits, sudden changes in incentive schemes and the Group's success in renewable-energy auctions.

Actual 2018 and Outlook 2019



Business model

The business model

Since 2004, European Energy has acquired considerable know-how in all the stages of the wind and solar power value chain. This expertise ranges from identifying new sites and securing financing to managing the actual construction process and ensuring the reliable operation of assets.

European Energy has three main business areas:

— development, construction and divestment

— sale of electricity from operational assets

— asset management

Development, construction and divestment

Generally, the process of creating a wind or solar farm can be divided into the following stages:

1. Development and/or acquisition of the project

2. Construction of the project incl. project financing

3. Complete or partial divestment incl. securing bridge or long-term financing

STAGE 1: DEVELOPMENT AND PROJECT ACQUISITION

In the development phase, European Energy assesses the wind or solar resource at a potential site. This is an essential step in evaluating the financial viability of the project. If a site holds potential, European Energy secures the land rights, conducts environmental studies, obtains the requisite planning and building permits, investigates grid connection and prepares production estimates. When all the essential rights and permits necessary to initiate the construction phase have been acquired, the project is considered ready to build. All permits, rights and contracts necessary to construct and operate a project are typically placed in a special purpose vehicle (SPV), which facilitates project financing as well as the sales process.

The current development portfolio also includes the repowering of existing wind farms. Repowering involves replacing ageing, small turbines with newer, more efficient ones. European Energy's development portfolio comprises a mix of solar farms as well as onshore and near-shore wind farms. In total, it consists of 2,180 MW (2017: 2,001 MW) of potential projects in eight countries. The geographical diversity, varying stages of development and focus on different technologies ensures a continuous cycle of activity and a broad range of investment opportunities. In line with the strategy, European Energy is increasingly entering projects at a later stage of development and completing them in cooperation with the initial developer. Project screening, selection and completion are based on in-house competencies. The benefits of this approach include bigger certainty of project realisation, shorter investment cycles and significantly greater agility in entering new markets.

Västanby, Sweden, 10 MW

STAGE 2: CONSTRUCTION

A final decision regarding the design of a park, its technological specifications as well as the suppliers and construction contractors, is made in the construction phase. This is the area of European Energy's core competencies. The choice of technology significantly impacts wind or solar farm efficiency, bankability and demand from long-term investors. During this phase, European Energy manages the process from breaking the ground through to grid connection.

Financing is an integral part of the pre-construction and construction activities. European Energy has an expanding network of actual and potential financing partners. As its portfolio of successfully constructed and divested projects grows, so does trust among the financing partners, which in turn facilitates the process of securing further project financing.

STAGE 3: DIVESTMENT OF WIND AND SOLAR FARMS

European Energy's primary source of revenue and profit comes from divesting wind and solar farms. European Energy assesses each project individually and, taking the risk and reward profile into account, divests the project to long-term investors at the optimal time. In most cases, European Energy concludes sales agreements during the construction phase, generally on a fixed price, turnkey basis. This reduces the construction risks and maintains European Energy's ability to participate in new development and construction activities.

To manage the complex process of developing and constructing wind and solar farms, European Energy has a strong legal department with detailed knowledge of the regulatory framework and incentive schemes in key markets, supplier contracts, financing agreements as well as sales and purchase agreements with long-term investors.

Production and sale of electricity

As an independent power producer, European Energy owns or co-owns 55 operational solar and wind farms in five countries with a total capacity of 522 MW of which the Group's share of the net capacity amounts to 200 MW. The Group's share of the renewable energy production from these operating assets was 327 GWh in 2018.

The sale of electricity contributes to European Energy's revenue. However, as a substantial part of the sale of electricity is located in joint-venture companies, associated companies or other investments, the main part of the sale of electricity is not recognised under "Revenue" in the "Consolidated statement of profit or loss and other comprehensive income". Instead, the main part is included under the "Profit after tax from equity accounted investments, operating companies".

Asset management

Revenue from wind and solar farms depends not only on the technology installed, weather conditions and electricity prices but also on the ability to ensure reliable operation of the farms. Consequently, European Energy has a dedicated asset management team tasked with minimising downtime at operating plants and dealing with incidents when they occur, including solar and wind farms managed on behalf of third parties. Asset management is integral to the core business of European Energy, whose customers are often institutional investors who prioritise choosing a business partner with the ability to construct a plant, optimise production output, and minimise operating costs on their behalf.

The accumulated number of operating plants under administration gives European Energy purchasing power, considerable knowledge and market insight. This adds significant value to the investors, and for European Energy it leads to new project opportunities (i.e. repowering projects) and additional sales potential. Furthermore, know-how from the operational phase is systematically integrated in the planning phase regarding new projects. In this way, the asset management business creates value for European Energy through collected fees, improved operational performance of the asset portfolio, and better access to financial investors and new business opportunities.

Illustration of value chain

Develop
- Land lease and power purchase agreements
- Environmental assessment
- Secure building permit
- Ensure grid connection
- Production estimates by independent wind and solar assessors
- Evaluating repowering oppportunities on operational portfolio
- Pre-select turbines / modules

Finance
- Establish cooperation structure with financial partner
- Legal, technical and financial due diligence
- Completion of financial contracts, including securing bridge and long-term financing
- Match investors with different risk profiles with the right projects

Construct
- Select optimal technology and park layouts
- Turbines / modules selection
- Select EPC contracting structure
- Construct renewable energy plants
- Oversee every construction phase from groundworks to grid connection

Divest
- B2B power sale to utilities/private companies via PPAs
- Divestment to third parties, such as institutional investors and utilities

Operate
- Administration of own and third party power plant assets
- Protect returns for investors and partners by optimising production output
- Repowering

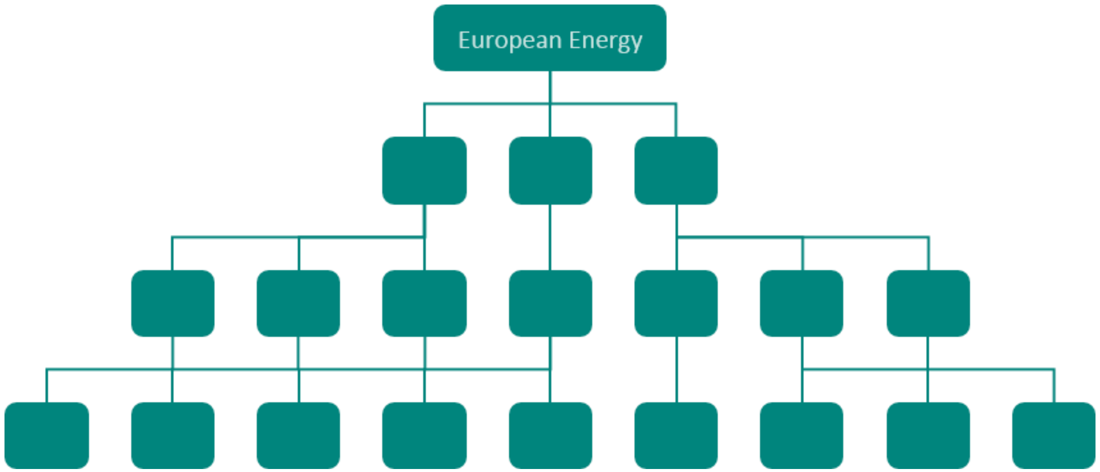
Corporate structure

European Energy A/S is the parent company of the Group and owns several subsidiaries, associates and joint-venture companies, which in turn own additional subsidiaries, associates or joint-venture companies.

The number of companies is relatively high because many of European Energy's wind and solar farms are held by special purpose vehicles (SPV). The sole purpose of an SPV is the acquisition, financing and construction of particular wind and solar farms. The SPV usually has an asset/liability structure and legal status that makes its obligations secure even if the parent company becomes insolvent. Financing is obtained through the SPV, and, together with equity provided by its owners, this is how the SPV obtains funds to construct the assets. Since the SPV owns the assets, which are provided as collateral for external financing, the risk for the parent company is limited. However, European Energy may, in some cases, provide guarantees for an SPV's debt during the construction phase. The SPVs take the form of either a limited company or a tax-transparent company.

Another advantage of an SPV is that, when providing debt to the SPV, the financing bank evaluates the SPV's assets and corresponding collateral, and does not need to evaluate the parent company or take into account any debt other than that of the SPV. This reduces the funding cost. The SPV structure also has the benefit of facilitating the divestment of wind and solar farms, since the projects can be sold as single, separate legal entities.

Illustration of corporate structure



Financial performance

Financial performance of the Group

Revenue recognition of developed, constructed and sold wind and solar farms

European Energy's customer base is comprised of institutional investors and utilities that invest in stable cash flows generated by operational wind or solar farms. If the investor buys a completed and operational energy farm, the revenue is recognised when the asset is built, put into operation and the buyer has accepted takeover of the SPV.

It can take up to five years from the beginning of a project for the income generated by its sale to be recognised in the annual report.

Consequently, there will be a substantial difference between European Energy's value creation in the project and the point in time when the revenue is recognised as income.

In cases where a share of the transaction price is conditional on the delivery of a certain amount of electricity or on the cost of operation not exceeding a given amount, the variable amount is only included if it is highly likely that a substantial part of the amount will not be subsequently repaid. If it is not highly likely, the income is not recognised until a later point in time when all performance obligations have been fulfilled.

To the extent that the price of the transaction is paid over a period of time, the present value is recognised with the discounted value of the future cash flows.

Profit and loss

The Group delivered the best ever results in a year when the construction of more energy farms was in focus. The total amount of MW taken into production in 2018 was 211 MW, compared to 146 MW in 2017.

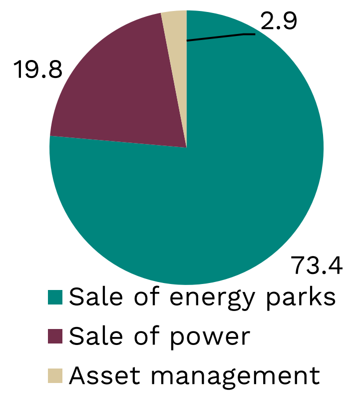
The Group issues quarterly financial reports stating profit and loss, balance, cash flow, equity statement and material disclosures. For information on the performance in quarter four, please see the report for this quarter

REVENUE

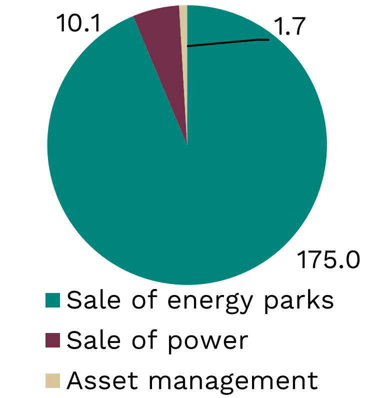
The revenue for 2018 was recognised at EUR 96.2 million compared to EUR 186.7 million in 2017.

The decrease in revenue was in the sale of energy farms segment, which can be seen in note 1.1 to the annual report. Revenue from the sale of energy farms in 2018 was EUR 73.4 million as opposed to EUR 175.0 million in 2017. In 2018 there have been more sales of associated companies than in 2017, and the recognition of such sale of shares is treated as a net transaction compared to sale of controlled companies, which is treated as gross.

Revenue in EUR million - 2018



Revenue in EUR million - 2017



This difference accounts for some of the major drop in revenue. Also, the closure of a sale of a major wind park in Italy was postponed to 2019, which would also have increased the revenue for the year substantially. The sale has now been closed in the first quarter of 2019.

The increase in construction of energy parks has contributed to the sale of electricity for the Group. As a result of this, revenue from electricity sales increased to EUR 19.8 million from EUR 10.1 million in 2017.

The asset management and other fees increased in 2018 to EUR 3.0 million compared to 2017 when the revenue for this segment was EUR 1.7 million. The increase in revenue comes from more energy parks under asset management, partly due to the Group continuing to do the monitoring and financial management of the parks after the disposal, and partly due to more business partners placing the assets under European Energy's management. The Management is very pleased with this and expects to grow this part of the business as well.

The asset management fee is only a small part of the Group's total revenue, but represents added value to the Group's results since the caretaking of assets for institutional investors often triggers new business for the Group in the form of repowering opportunities in existing energy parks. In these cases, European Energy can offer turnkey solutions to customers, and the Group ends up with additional EPC revenue.

EQUITY-ACCOUNTED COMPANIES

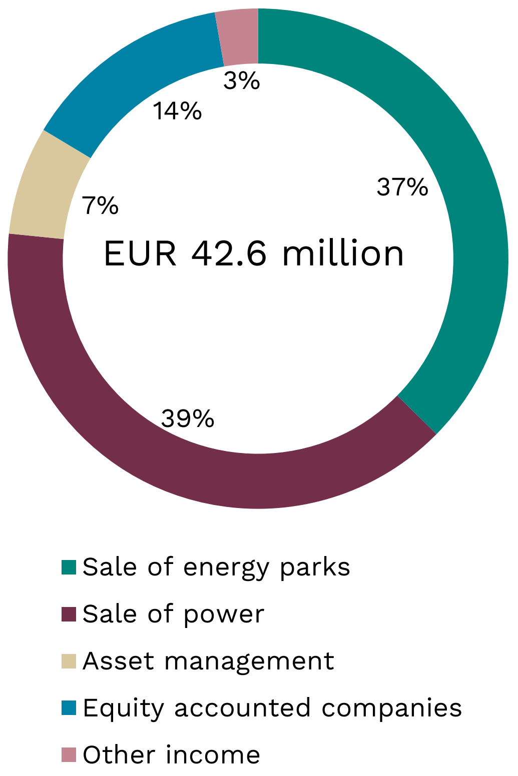
The profit from equity-accounted investments increased in 2018 to EUR 5.8 million compared to EUR 5.4 million in 2017. Again, this year, some of the profit came from development and construction in joint ventures (JVs) and associated companies. It can be difficult to evaluate the total size of business in the Group when only a part of the sale of electricity or energy parks are recognized gross in the revenue lines in the profit and loss statement, and a major part is recognised only through the after-tax results in the line for profit from equity-accounted investments. In the annual report, we have tried to accommodate for this, showing i.e. the Group's share of electricity sales including all companies both controlled, JVs and associated companies (please see "Sale of electricity"). The net total electricity sale for the Group is EUR 35.1 million.

On top of this, the sale of energy parks in associated companies for 2018 were EUR 41.2 million, which contributed to the results in the equity-accounted investments.

OTHER INCOME

The Group's other investments in shares includes share holdings of less than 20% in companies with energy parks. These shares are evaluated to market value. The total adjustments made in 2018 resulted in an income of EUR 1.2 million compared to EUR 1.4 million in 2017. The results are recognised as other income.

Gross profit



DIRECT COSTS

With directs costs of EUR 60.6 million in 2018, the Group achieved a total gross profit of EUR 42.6 million compared to direct costs of EUR 148.6 million and a gross profit of EUR 45.0 million in 2017. The revenue from sale of fully consolidated companies in the year, in addition to the increase in electricity sales, resulted in an increase in the gross margin from 23% in 2017 to 44% in 2018.

STAFF COSTS

The staff costs decreased from EUR 7.0 million in 2017 to EUR 5.0 million in 2018. The part of the staff costs that is related to the construction of energy parks are capitalized as part of the inventory. When the energy parks are sold, the capitalized amount of salaries for the specific park is expensed in the direct costs. Due to the focus on the construction of parks in 2018, the capitalized amount has increased, which is the explanation for the drop in staff costs. Staff costs are specified in note 4.2.

DEPRECIATION

The Group has, in 2018, added two wind parks to the balance of power-producing assets owned by the Group. One of them was the offshore park, Sprogø. As a result of this, the depreciation has increased from EUR 1.7 million in 2017 to EUR 2.4 in 2018.

FINANCIAL INCOME

The total financial income increased from EUR 3.1 million in 2017 to EUR 3.9 million in 2018. The level of currency gains being almost the same, the increase came from increasing interests. This development was expected since the increasing equity gives the Group the possibility of being a greater part of the financing of the construction of the energy parks. This creates interest income for the parent company, while the interest expenses are a part of the capital expenditure for the energy parks.

FINANCIAL EXPENSES

The financial expenses on the other hand decreased from EUR 9.8 million in 2018 to EUR 9.1 million in 2017. The decrease comes primarily from a decrease in currency losses.

TAX

Tax in the Group was recognised to EUR 3.4 million in 2018, with EUR 0.8 million in paid tax. For 2017, the numbers were EUR 4.6 million in tax expenses and EUR 3.3 million in paid tax. The Group has paid tax in Spain, Germany and Denmark.
Profit after tax amounted to EUR 22.5 million in 2018, compared to EUR 21.2 in 2017.

NON-CONTROLLING INTERESTS

The non-controlling interests (minority shareholders) part of the profit was EUR 1.2 million in 2018 and EUR 3.6 million in 2017. The majority of the profit allocated to minority shareholders in 2018 was related to sale of electricity in Denmark while the minority shareholders' share of the 2017 result was closely related to the sale of 3 solar projects in Brazil – projects realised in cooperation with the Danish Climate Investment Fund.

Västanby, Sweden, 10 MW

The balance sheet

PROPERTY, PLANTS & EQUIPMENT

The Group's aim is for all construction projects or acquisitions undertaken to be for the purpose of sale. The vast majority of development, construction and acquisitions are therefore presented in the inventories. The value of plant on the balance sheet in Property, Plant & Equipment, PPE, only increases when investments are made with no immediate expectation of a future sale of the project, or when a completed site is not sold for strategic reasons. Acquired land, which is not sold as a wind or solar farm, but which is kept for strategic reasons, will also increase the PPE.

PPE increased from EUR 50.3 million in 2017 to EUR 85.9 million in 2018. The increase comes from a wind park in Denmark, which has been reclassified from inventory to PPE, and from the purchase of an offshore wind park, Sprogø.

EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments (joint ventures and associates) totalled EUR 20.6 million; down from EUR 22.5 million in 2017. The equity-accounted companies had a profit after tax of EUR 5.8 million, but due to disposals of companies and dividends, the Group managed to decrease the volume of the investments.

OTHER INVESTMENTS

Other investments for the Group are normally share-holdings with less than 20% ownership. These investments are recognised to market value. In 2018, share-holdings in a wind park in Germany, which were previously recognised as an associated company, were reclassified to other investments after an IFRS 10 test showed that the Group no longer had material influence on the results. The value of Other Investments increased during the year to EUR 6.8 million from 5.0 million in 2017.

LOANS TO RELATED PARTIES

Loans to related parties increased by EUR 15.2 million in 2017 to a total of EUR 33.2 million. The increase comes primarily from the loans to 3 solar parks in Brazil, and represents the Group's part of the construction costs for these parks.

TRADE RECEIVABLES AND CONTRACT ASSETS

According to IFRS 15, receivables from customers, that are regulated by a contract, and for which the exact size of the receivables depends upon future events, are recognised as contract assets. Earn-outs fall in this category.

Trade receivables and contract assets (current and non-current) decreased in total by EUR 1.3 million to EUR 13.4 million in 2018 from EUR 14.7 million in 2017.

The Group sells turnkey assets, and the recognition of revenue is typically done at the close of the sale of the energy farms when the major part of the sales price for the shares is paid. This minimises the trade receivables and contract assets.

INVENTORIES

Inventories increased to EUR 202.2 million from EUR 101.8 million in 2017. The main part of the inventory at the end of 2018 was energy farms, which were constructed and had been taken into operation. The total year-end value of energy parks in operation was EUR 132.8 million compared to EUR 0 in 2017. The increase in finished goods in inventory has given optimal conditions for the Group to increase the expected sale of energy parks in 2019, which is the reason for the increased outlook for the results for the coming financial year.

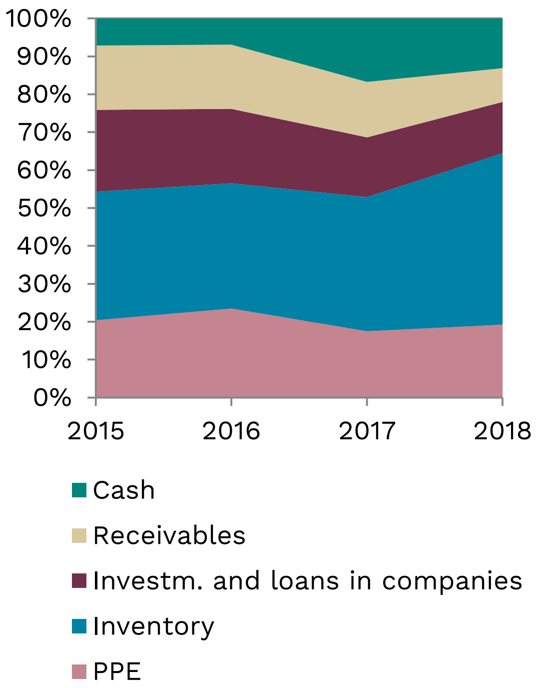
European Energy's focus is on evaluating the likelihood of a project's success and projects are reviewed on an ongoing basis with the aim of making impairments, if needed. A special focus is placed on projects in the early development stages (before construction). Only EUR 1.0 million was recognised as scrapped projects in 2018, where the value in 2017 was 3.5 million.

The Group has, over the year, increased the focus on acquiring projects in the early stages of development. Together with the ongoing practice of buying ready-to-build projects, this diversifies the risk to the Group. During the year, the value of projects under development increased from EUR 3.3 million in 2017 to EUR 13.8 million in 2018. At the end of 2018, the energy farms under construction were worth EUR 55.6 million compared to EUR 98.6 million in 2017.

DEFERRED TAX

Net deferred taxes in the balance sheet fell from a net asset of EUR 0.6 million in 2017 to a liability of EUR 1.4 million in 2018. The decrease was caused by the use of tax losses in countries where European Energy had profitable activities during the year.

Balance ratios 2015-2018



OTHER RECEIVABLES

Other receivables (current and non-current in total) decreased in 2018 from EUR 24.1 million to EUR 13.8 million. The decrease is partly related to the deconsolidation of the Brazilian solar farms where loans to non-controlling interests mainly regarding the construction of solar farms in Brazil, is no longer part of the other receivables. The Group also received the repayment of loans to business partners in connection with the repayment of the bond loan of EUR 7.6 million.

SHARE CAPITAL

On the liability side, the share capital increased during the year by EUR 5,000, all related to the new warrant programme, where some employees decided to exercise their warrants. The share capital for the parent company was EUR 40.3 million by year-end.

NON-CONTROLLING INTERESTS

The non-controlling interests decreased from EUR 15.7 million in 2017 to EUR 11.6 million in 2018. The decrease comes mainly from the deconsolidation of the Brazilian companies and the Nordic Power Partners, which were fully consolidated in 2017, and are now recognised as Joint Ventures. The co-owner is the Danish Climate Investment Fund.

The purchase of the offshore wind park, Sprogø, was made with business partners, and in the year added to the value of non-controlling interests.

BOND LOAN

The bond loan increased, during 2017, from EUR 60 million to EUR 85 million, and was recognised at the end of 2018 as net of debt issue costs to EUR 83.7 million vs EUR 58.9 million in 2017.

In the year, a bond loan of EUR 7.6 million was repaid at the end of its 10-year lifecycle.

PROJECT FINANCING

Project financing (short and long-term) has, as a result of the increased inventory level and the increase in loans to related parties, also increased from EUR 91.7 million in 2017 to EUR 213.8 million in 2018. The Group is cooperating with several financial institutions for project financing, depending on the geographic area of the construction site, the size of the project and the co-investors.

TRADE PAYABLES

Trade payables decreased from EUR 16.1 million in 2017 to EUR 10.0 million at the end of 2018. At the end of 2017, the Group was constructing several energy parks, while the level of parks under construction was down by the end of 2018. This has contributed to the decrease in trade payables.

PAYABLES TO RELATED PARTIES

Payables to related parties decreased from EUR 4.8 million in 2017 to EUR 0.5 million in 2018. Part of the decrease, EUR 4.0 million, relates to a loan from a German-associated company, which has been repaid.

OTHER PAYABLES

Total non-current and current other payables increased in 2018 to EUR 16.3 million compared to EUR 12.6 million in 2017.

Cash flow statement

OPERATING CASH FLOW

The cash flow from operations in 2018 was EUR -151.0 million. The negative cash flow was due to changes in working capital of EUR -172.1 million of which the increased investment in inventory counts for EUR 201.8 million. The operating cash flow in 2017 was EUR -14.5 million. Also in 2017, the increase in inventories was the reason for the negative cash flow with EUR -29.6 million.

PURCHASE OF PLANTS AND EQUIPMENT

In 2018, the Group acquired the offshore wind park, Sprogø, and the share price combined with purchase of equipment, gave a total use of cash for PPE of EUR 12.6 million. In 2017, the sum was EUR 0.8 million.

EQUITY-ACCOUNTED INVESTMENTS

Proceeds from the disposal of equity-accounted investments landed at EUR 3.2 million, which relates to the sale of shares in 2 wind parks in Germany and 1 in Denmark. The net total of investment in equity accounted companies and loans to these, incurred a negative cash flow of EUR 8.5 million in 2018 compared to EUR 4.3 million in 2017. The increase is related to the loans to the Brazilian solar parks.

INVESTING ACTIVITIES

The total cash flow of investing activities ended at EUR -0.5 million compared to EUR 3.6 million in 2017.

BONDS

In 2018, the Group issued a new tap of Bonds of EUR 25.0 million. The net proceed from the issue was EUR 25.1 million.

The Group also repaid bonds of EUR 7.6 million. The majority of the funds used for this were loans to business partners for buying wind parks, which had been repaid to the Group.

In 2017, the Group repaid a bond loan of EUR 45 million, and had a net proceed from the issue of bonds of EUR 58.8 million.

PROJECT FINANCING

To finance the increase in the inventory, the Group added project financing of EUR 191.6 million during 2018, and repaid EUR 49.7 million. In 2017, the proceeds from borrowings were EUR 126.0 million and the repayment was EUR 105.5 million.

LOANS TO ASSOCIATED COMPANIES

The repayment of EUR 4.4 million loans to associated companies more or less levelled out the proceeds from net loans in 2017 of EUR 4.0 million.

NON-CONTROLLING INTERESTS

The capital increases in companies with a non-controlling interest, gave the Group a positive cash flow of EUR 6.8 million, where the figure in 2017 was EUR 5.7 million.

TOTAL CASH FLOW

In total, the financing activities had a positive cash flow of EUR 161.9 million.
This resulted in a total positive net cash flow for 2018 of EUR 10.4 million compared to 2017 with EUR 33.1 million.

Capital management

The parent company of the Group, European Energy A/S, is financed primarily through the bond market. European Energy's policy is to maintain a strong capital base that enables it to attract investors and other creditors. European Energy A/S cannot pay out dividends until the EUR 85 million bonds are repaid in May 2021.

The EUR 85 million bond loan has a number of covenants related to the Group's equity, total assets and total cash and cash equivalents. In some of our subsidiaries, we have covenants related to Debt Service Cover Rate (DSCR). No default exists.

The Group constantly monitors liquidity in order to mitigate any shortage of funds. The Group aims to maintain a balance between funding continuity and flexibility using revolving credit facilities, bank loans and bond issues. The Group currently funds construction costs partly through bank loans, which are replaced by non-recourse project financing when the project goes into operation. The EUR 85 million bonds are used to finance some construction projects as well as investments in projects not yet at the construction phase. The bonds fund a major portion of the Group's activities, and thus represent a concentration of risk.

Given that market conditions for refinancing the bonds are considered positive, Management foresees several possibilities for replacing or repaying the bonds, and assesses the risk that the bonds cannot be refinanced in 2021 as low.

Management views the operating wind and solar farms as low risk, their having non-recourse loans. The overdrafts used to finance the construction projects are also low risk for the Group, as the projects are on track and highly likely to be divested at least at cost value.

At the end of 2018, the Group's cash balance was EUR 58.6 million, of which EUR 50.7 million was free cash (in 2017 the cash balance was EUR 48.2 million with EUR 42.1 million in free cash). Management and the Board of Directors evaluate that the Group has sufficient available cash.

Uncertainty with regard to recognition and measurement

REVENUE RECOGNITION

Some sales contracts regarding power plants comprise a fixed and a variable consideration. The latter normally relates to an earn-out or production guarantee linked to an actual future production.

The uncertainty about measurement relates essentially to this variable consideration and allocation of revenue between different performance obligations. This measurement requires management judgement applying assumptions and estimates.

INVENTORY/PROJECTS VALUATION

Evaluating inventory, especially projects still under development, involves a risk relating to the likelihood of a project's success. Management continuously evaluates all projects on the basis of their financial viability and feasibility. In 2018, this led to a EUR 1.0 million impairment of inventory (write-off or write-down), as explained in the disclosure note 2.4. In 2017, the impairment was EUR 3.9 million.

"During 2018, we completed our second transaction with European Energy with the acquisition of a portfolio of Danish solar PV projects. This transaction was the perfect end to a successful 2018 for us, and we have come to appreciate European Energy as a partner in the renewable-energy business. The company delivers high-quality projects in all of the markets in which they operate, both within Europe and overseas. I look forward to building on the relationship in the years to come."

Thomas Seibel
CEO
re:cap

Bodelyngsvejen, Denmark, 10 MW

Financial performance of the Parent Company

Profit and loss

REVENUE
The revenue of the Group's parent company, European Energy A/S, totalled EUR 64.8 million in 2018 (EUR 110.8 million in 2017).

EQUITY-ACCOUNTED INVESTMENTS
Profit after tax for equity-accounted investments totalled EUR 11.2 million, up from EUR 10.5 million in 2017.

OTHER INCOME
A wind park in Germany was evaluated to market price as the park was reclassified from an associated company to other investments. This regulation was the major reason for the other income in 2018 of EUR 1.6 million – in 2017 the other income was EUR 0.

DIRECTS COSTS AND GROSS PROFIT
With a direct cost for the year of EUR 47.8, the parent company had a gross profit of 29.9 million, compared to a direct cost of EUR 92.8 million in 2017 and a gross profit of EUR 28.6 million.

STAFF COSTS
The staff costs of the parent company closely resemble those of the Group, as 95% of the staff during the year was employed by the parent company. Staff costs totalled EUR 4.8 million versus EUR 6.6 million in 2017. The re-evaluation of how many of the employees are actively taking part in the development and construction of the energy parks has reclassified more of the staff costs to capital expenditure for the projects, and in the end, to direct cost when the projects are sold.

OTHER EXTERNAL COSTS
Other external costs increased to EUR 3.2 million from EUR 2.6 million due to increasing premises costs and cost to legal advisors and other consultants.

NET FINANCIAL INCOME
Net financial was an income of EUR 0.5 million in 2018 compared to 2017 when it was an expense of EUR 1.3 million. The increase in financial revenue is related to increased interest income since the parent company has the financial strength to be a part of the financing of the ongoing construction projects in the Group.

PROFIT BEFORE TAX
Profit before tax totalled EUR 22.3 million up from EUR 18.0 million in 2017.

TAX
The taxes for the year totalled EUR 0.9 million, an increase from EUR 0.5 million in 2017.
A good part of the profit in the parent company comes from equity-accounted investments and this profit is already taxed in these companies. This gives a lower effective tax rate in the parent company.

The balance sheet

PLANTS AND EQUIPMENT
All operating activities, sale of electricity and ownership of power-generating assets are structured in operating companies, i.e. subsidiaries, JVs, associated companies or other investments of the parent company. Therefore, equipment is the only property, plant and equipment of the parent company. The PPE for the parent company is only EUR 1.0 million.

SUBSIDIARIES
Investment in subsidiaries increased to EUR 54.3 million (EUR 42.4 million in 2017). The increase is attributable to the acquisition of new companies with ready-to-build projects and the result for 2018 in existing companies of EUR 6.9 million.

JOINT VENTURES
Joint venture investments increased from EUR 8.2 million in 2017 to EUR 10.3 million in 2018 due to the results of the year, minus the part, which has been paid out as dividends.

ASSOCIATED COMPANIES
Investments in associated companies decreased from EUR 4.7 million in 2017 to EUR 3.8 million in 2018. Also for these companies, the result for the year after tax was positive in total, but due to the

disposal of companies and dividends paid out to the parent company, the investment value dropped during the year.

LOANS TO SUBSIDIARIES

Loans to subsidiaries was EUR 57.9 million in 2017 and increased to EUR 79.0 million in 2018. The increase relates to financing of ongoing construction projects in subsidiaries.

LOANS TO RELATED PARTIES

Loans to related parties increased from EUR 14.2 million in 2017 to EUR 31.5 million in 2018, mainly due to loans to the solar parks in Brazil.

TRADE RECEIVABLES AND CONTRACT ASSETS

Total non-current and current trade receivables and contract assets decreased to EUR 6.5 million from EUR 8.6 million in 2017.

EQUITY

On the liability side, the share capital increased during the year by EUR 5,000, all related to the new warrant programme, where some employees decided to exercise their warrants. The share capital for the parent company was EUR 40.3 million by year end.

BOND LOAN

The bond loan has, during 2018, been increased from EUR 60 million to EUR 85 million, which is recognised at the end of 2018 as net of debt issue costs to EUR 83.7 million vs EUR 58.9 million in 2017.

DEBT TO SUBSIDIARIES (NON-CURRENT)

Non-current debt to subsidiaries increased from EUR 0.4 million in 2017 to 17.5 million in 2018. The amount relates to a capital increase made in one of the subsidiaries, where the proceeds have been lent back to the parent company.

TRADE PAYABLES

The trade payables decreased to EUR 0.4 million from EUR 1.2 million in 2017.

PAYABLES TO SUBSIDIARIES (CURRENT)

Payables to subsidiaries decreased from EUR 9.4 million in 2017 to 4.5 million in 2018.

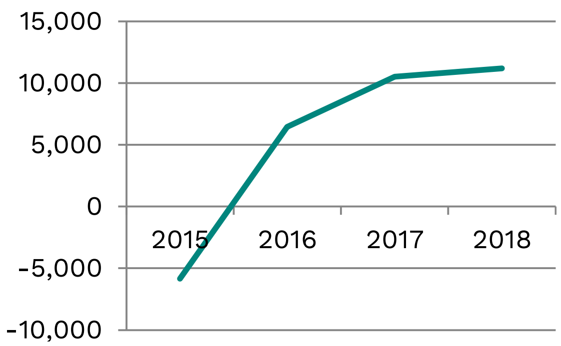
CONTRACT LIABILITIES

The parent company has received EUR 6.0 million from the sale of an Italian wind park. But since closure on the sale of the park had not taken place at the end of 2018, the sale has not been recognised and the amount is booked as a deferred income. According to IFRS 15, the amount is stated under contract liabilities since all the performance obligations regarding the sale have not yet been fulfilled.

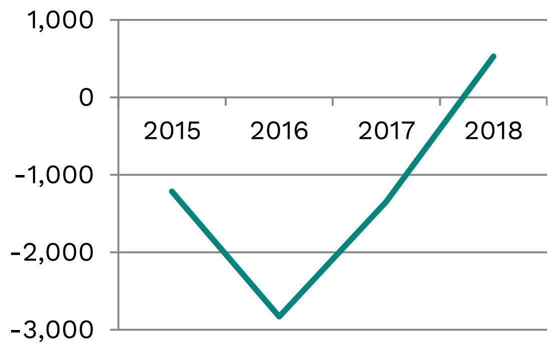
EQUITY RATIO

The equity ratio has decreased to 44% from 50% in 2017. The parent company has made no dividend proposal to its shareholders. Due to the covenants of the EUR 85 million bonds listed on the NASDAQ stock exchange in Copenhagen, European Energy A/S cannot pay out dividends until the bond is repaid.

Results of equity-accounted companies (EUR million)



Net financial income (EUR million)



Risø Test Centre

In 2018, European Energy collaborated with Denmark's Technical University to build a solar test centre at DTU's Risø Campus. Officially opened in October 2018, the test centre will provide insights on the potential of next generation technical equipment harvesting energy from the sun. European Energy financed the construction of the test centre and the company is also funding several of the research projects being conducted.

The test centre is the first of its kind in Europe. Tests that will be conducted over the life of the centre include the newest solar cell technologies combined with various tracker structures and energy-storage technologies, and the performance of bi-facial solar panels (which absorb energy on both sides of the panel).

The centre is a prime example of how industry and universities can work together for the mutual benefit of both parties. European Energy looks forward to expanding on the collaboration with DTU over the coming years to develop new research opportunities, which will provide invaluable knowledge to be used in future energy projects.

Our business

Development and construction

2018 was also a busy year at European Energy with regard to development and construction activities. European Energy constructed and grid-connected wind and solar farms with an investment value of EUR 377 million. In total, European Energy has developed, constructed and acquired approximately 1,200 MW valued at more than EUR 1,600 million since the company's foundation in 2004. European Energy's dedicated employees have developed the majority of these projects from the green-field stage. The construction of several other projects is well underway, and with an increasing development portfolio, construction activities are set to expand in the years to come.

Construction activities in 2018

During 2018, European Energy had construction activities covering five countries: Denmark, Sweden, Germany, Italy and Brazil. Projects with a capacity of 273 MW at 16 different sites had been constructed during the year. In total, the capacity connected to the grid in 2018 delivers more than 875,000 MWh per year of renewable energy. This is enough to power more than 193,000 Danish households.

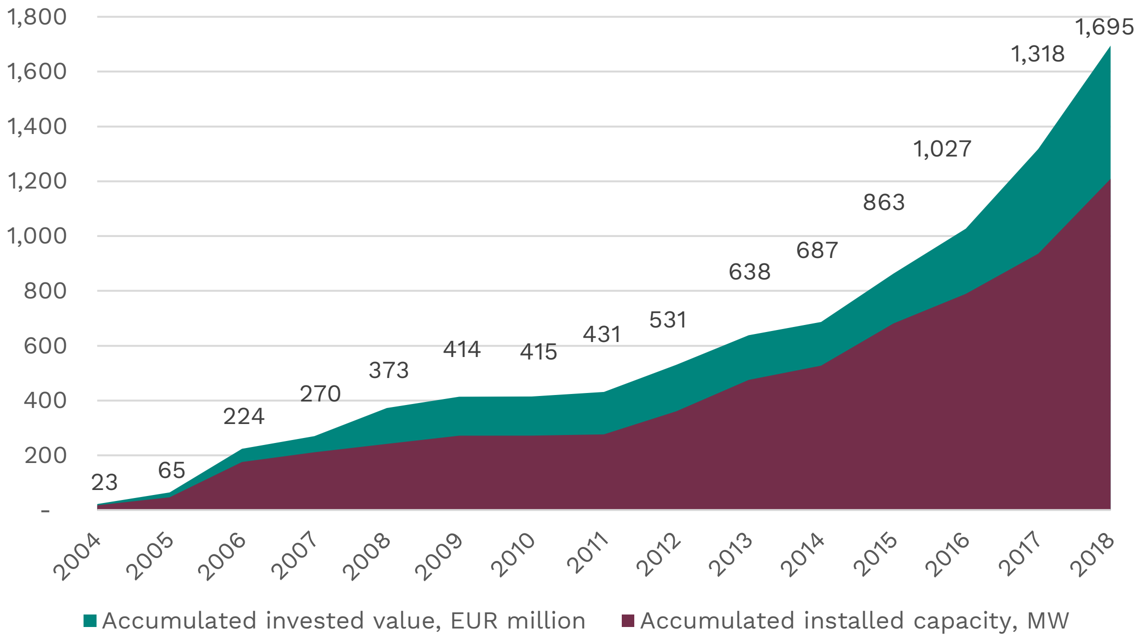
Projects with a capacity of 96 MW were under construction at the end of 2018, and are expected to become grid-connected in 2019. And further projects with a capacity of 474 MW were ready-to-build.

WIND FARMS

In 2018, European Energy finished the construction and grid-connected 6 wind farms. Three wind farms with a total capacity of 86 MW were constructed and grid-connected in Denmark. In Germany, two wind parks, Lohkamp and Lüdersdorf with a total capacity of 16 MW, and one wind park in Italy, Bosco le Piane, with a capacity of 39 MW, were grid-connected. The tariff was secured in good time for all projects.

At the end of 2018, European Energy has 65 MW wind projects under construction. The construction

Developed, constructed & acquired power generating assets 2004-18*



* Including 3rd party equity interests

activities are divided into 3 sites: Jetsch in Germany and Zinkgruvan and Västanby in Sweden.

These 3 projects are expected to become operational during 2019. Other interesting opportunities will unfold in the Swedish market during 2019 and 2020.

Wind farms grid connected at end-2018

Country	Site	MV*
Denmark	Svindbæk	32.0
Denmark	Holmen II	21.6
Denmark	Nøjsomheds Odde	32.4
Germany	Lohkamp	12.1
Germany	Lüdersdorf II	3.5
Italy	Bosco le Piane	39.0
Total		**140.6**

* Including 3rd party equity interests

In Germany, two wind farms were grid-connected and divested in 2018. As a result, only one wind farm, Jetsch, was under construction in Germany by the end of 2018. However, European Energy expects to develop new wind farms in Germany in the years to come, based on the strong project pipeline and secured tariffs from participation in auctions during the year. In the first auctions in 2018, European Energy was able to secure a tariff for the project Viertkamp and Vier Berge of 14 and 27 MW respectively. Both projects are expected to enter the construction phase in 2019.

A project in Italy, Bosco le Paine, with a total capacity of 39 MW was acquired in the second half of 2017. This project completed construction in Q3 2018 and is expected to be divested in early 2019. In general, the Italian market currently presents interesting opportunities, which are being carefully monitored and could lead to additional engagements in the market.

In 2019, European Energy expects to start the construction of wind parks in Denmark, Germany, Italy, Sweden and Finland.

Wind farms under construction at end-2018

Country	Site	MV*
Germany	Jetsch	2.1
Sweden	Zinkgruvan	53.2
Sweden	Västanby	10.0
Total		**65.3**

* Including 3rd party equity interests

SOLAR FARMS

European Energy succeeded in starting the construction of eight solar projects in Denmark with a total capacity of 70 MW in 2018. All eight projects were constructed, grid-connected and finally divested to a long-term investor during 2018.

Solar farms grid connected at end-2018

Country	Site	MV*
Brazil	Coremas I	31.0
Brazil	Coremas II	31.0
Denmark	Slettegården	10.0
Denmark	Bodelyngsvejen	10.0
Denmark	Langelinje	10.0
Denmark	Hundetudevej	10.0
Denmark	Hagesholm	10.0
Denmark	Pelsdyrparken	7.0
Denmark	Stubbekøbing	3.5
Denmark	Øster Toreby	10.0
Total		**132.5**

* Including 3rd party equity interests

European Energy has activities in emerging markets through its joint venture, Nordic Power Partners, with the Danish Climate Investment Fund (DCIF). The Investment Fund for Developing Countries (IFU) manages the DCIF. The underlying logic of the partnership is that Nordic Power Partners benefits from the project development experience of European Energy and from the access to local knowledge in developing countries as well as additional financing from IFU/DCIF.

In 2019, European Energy expects to enter the construction phase for PV projects in both Denmark and Italy.

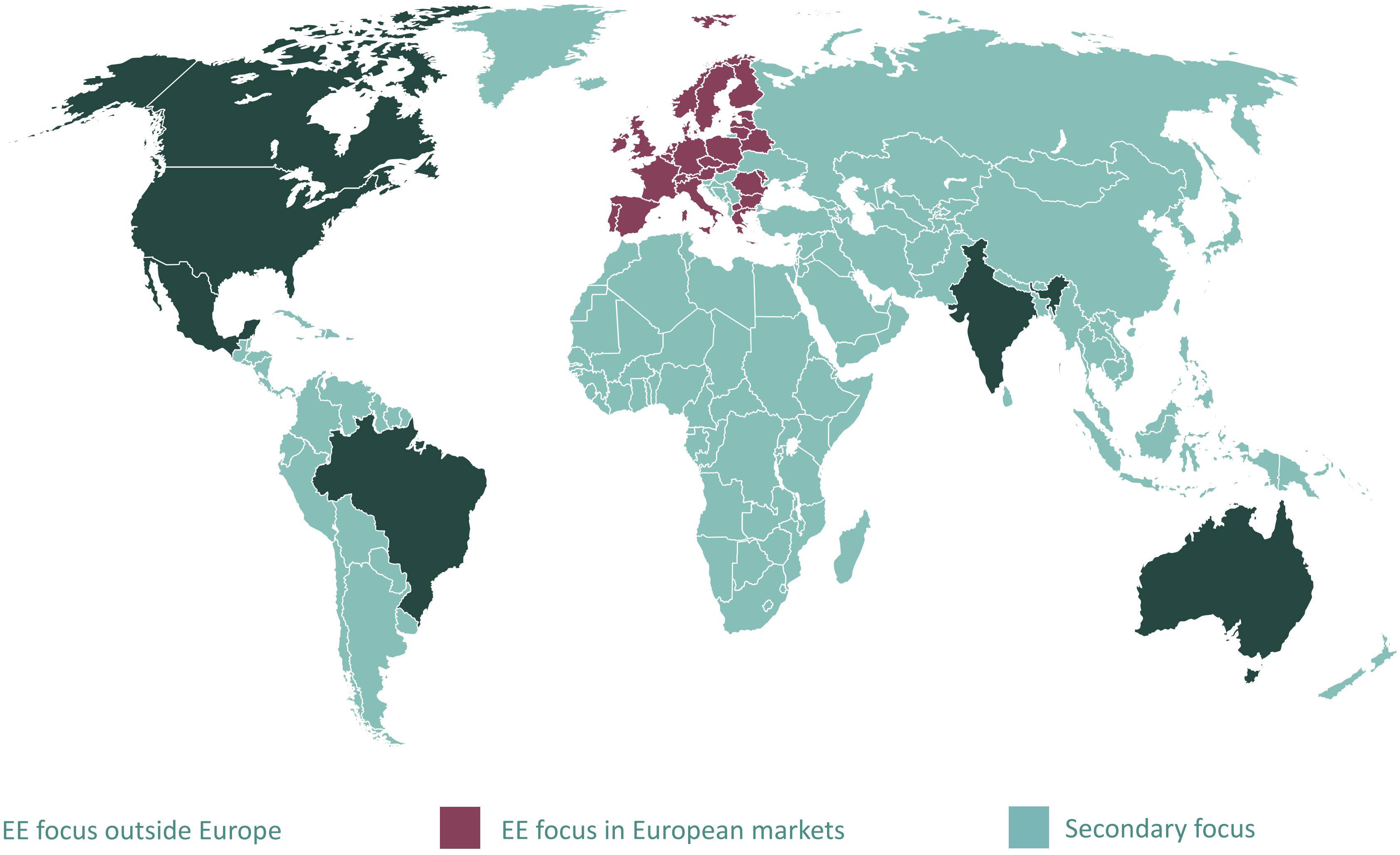
Together with its partner NPP, European Energy has its third 31 MW solar farm in Paraíba, a state in north-eastern Brazil, under construction. The other two solar farms in the same area were constructed and grid-connected in 2018. All three projects have been developed together with a local partner and have secured a 20-year power purchase agreement with the Brazilian government.

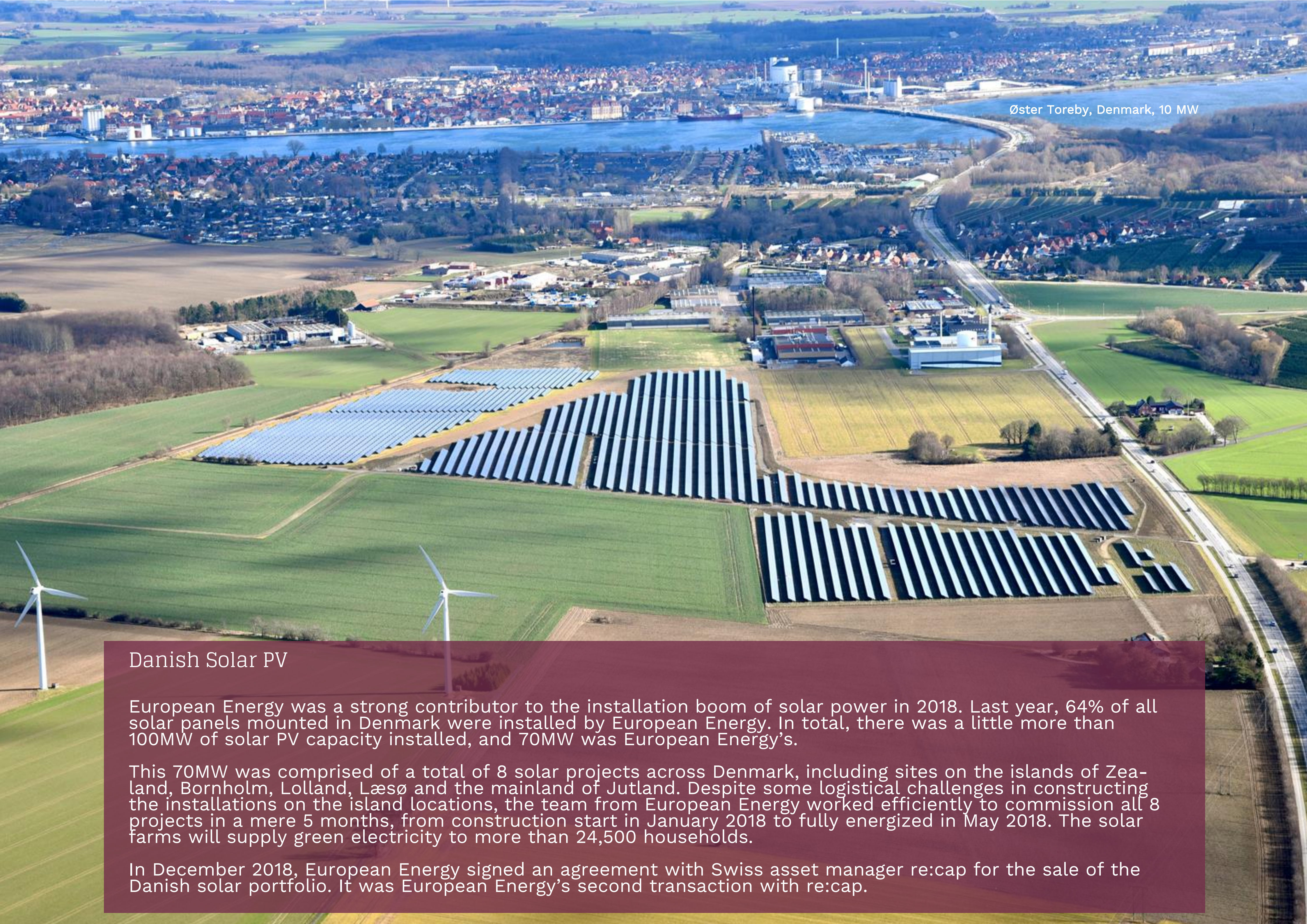
Solar farms under construction at end-2018

Country	Site	MV*
Brazil	Coremas III	31.0
Total		**31.0**

* Including 3rd party equity interests

European Energy's focus areas





Øster Toreby, Denmark, 10 MW

Danish Solar PV

European Energy was a strong contributor to the installation boom of solar power in 2018. Last year, 64% of all solar panels mounted in Denmark were installed by European Energy. In total, there was a little more than 100MW of solar PV capacity installed, and 70MW was European Energy’s.

This 70MW was comprised of a total of 8 solar projects across Denmark, including sites on the islands of Zealand, Bornholm, Lolland, Læsø and the mainland of Jutland. Despite some logistical challenges in constructing the installations on the island locations, the team from European Energy worked efficiently to commission all 8 projects in a mere 5 months, from construction start in January 2018 to fully energized in May 2018. The solar farms will supply green electricity to more than 24,500 households.

In December 2018, European Energy signed an agreement with Swiss asset manager re:cap for the sale of the Danish solar portfolio. It was European Energy’s second transaction with re:cap.

Ready-to-build projects and development activities

European Energy is on constant lookout for new development projects. The aim is to maintain a broad range of future investment opportunities by growing a geographically and technologically diverse portfolio. By the end of 2018, European Energy had a project portfolio of 2,180 MW divided into 8 countries and a portfolio of ready-to-build projects of 474 MW in several European countries and Brazil.

READY-TO-BUILD PROJECTS

Among the projects ready to build are solar farms with a capacity of 159 MW in Denmark. Two of these projects, Næssundvej and Rødby Fjord, won subsidies at the inaugural technology neutral auction in Denmark at the beginning of December 2018. The two projects – Rødby Fjord at Lolland and Næssundvej at Mors, will have a capacity of 65 MW and 33 MW respectively.

A pipeline of nearly 90 MW in Sweden is ready to build and is expected to be constructed during 2019 and 2020. Also, in Finland, European Energy has been very active throughout the year which has resulted in 100 MW ready-to-build wind projects by the end of 2018. Part of this pipeline is expected to enter into construction during 2019.

Brazil has become an increasingly interesting market for European Energy. In the 4th quarter of 2017, the Group successfully participated and won a power purchase agreement for three wind projects in Brazil with a total capacity of 82 MW. These projects will be the Group's first wind projects in Brazil and continue the Group's activities in Brazil.

Ready-to-build at end-2018

Country	Site	Technology	MV*
Brazil	Ouro Branco 1	Wind	30.0
Brazil	Ouro Branco 2	Wind	30.0
Brazil	Quatro Ventos	Wind	22.0
Denmark	Evetofte	Solar PV	8.0
Denmark	Rødbyfjord	Solar PV	65.0
Denmark	Næssundvej	Solar PV	33.0
Denmark	Thisted Flyvep., Hansholmvej	Solar PV	53.0
Finland	Mustalamminmäki	Wind	30.0
Finland	Koiramäki	Wind	30.0
Finland	Honkakangas	Wind	20.0
Finland	Ahvenneva	Wind	20.0
Germany	Oberbarnim	Wind	3.5
Germany	Viertkamp	Wind	14.4
Germany	Vier Berge	Wind	27.0
Poland	Białogard	Wind	6.0
Poland	Grzmiaca	Wind	6.0
Sweden	Fimmerstad	Wind	22.5
Sweden	Grevekulla	Wind	27.0
Sweden	Kingebol	Wind	27.0
Total			474.4

* Including 3rd party equity interests

DEVELOPMENT ACTIVITIES

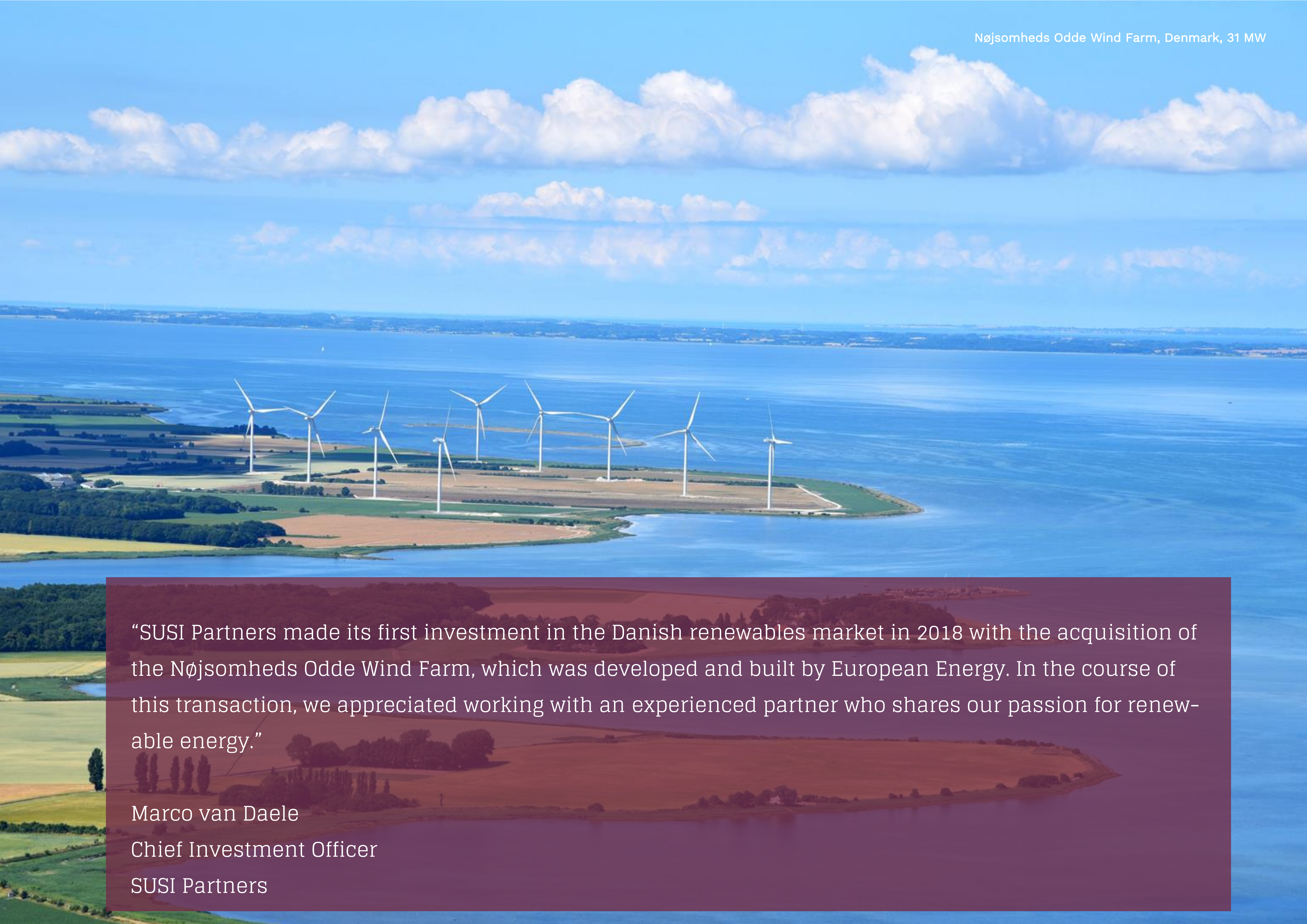
At end-2018, European Energy's main markets for development projects are Denmark, Sweden, Finland, Germany, Lithuania and Italy. The project portfolio comprises both solar power as well as onshore and offshore wind farms. European Energy expects the same high level of activity in 2019, with construction of development portfolio projects already in progress and new projects in the pipeline.

European Energy is likely to enter new market opportunities such as Australia and Spain and other focus areas. European Energy is constantly looking for attractive greenfield as well as late-stage development projects and is ready to take on new projects even when they are not part of the existing development portfolio.

Offshore wind

European Energy is developing four offshore wind farms with a total capacity of approximately 544 MW. The portfolio is developed under the Danish government's "Open Door" procedure. Two of the projects, Omø South and Jammerland Bay, with a combined capacity of up to 440 MW, are in the final phase of obtaining Environment Impact Assessment approval. The approvals are expected in 2019. European Energy is also developing an offshore test site outside Frederikshavn, where – when established – new offshore wind technology will be tested. Finally, European Energy is developing the 80 MW offshore wind farm Mejl Flak, situated off the coast of Aarhus, Denmark's second largest city.

In 2018, as part of the strategy to expand the offshore wind activities, European Energy acquired the offshore wind farm Sprogø, which consists of seven turbines comprising a total capacity of 21 MW.



Nøjsomheds Odde Wind Farm, Denmark, 31 MW

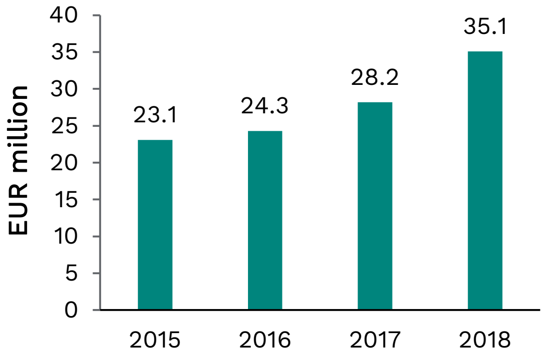
“SUSI Partners made its first investment in the Danish renewables market in 2018 with the acquisition of the Nøjsomheds Odde Wind Farm, which was developed and built by European Energy. In the course of this transaction, we appreciated working with an experienced partner who shares our passion for renewable energy.”

Marco van Daele
Chief Investment Officer
SUSI Partners

Sale of electricity

At end-2018, the European Energy Group and associated companies owned wind and solar power generating assets with a net capacity of 200 MW, delivering renewable energy to consumers in Germany, Denmark, Italy, Bulgaria, Spain and Brazil. The total electricity production amounted to 324 GWh in 2018, enough energy to power more than 70,000 households.

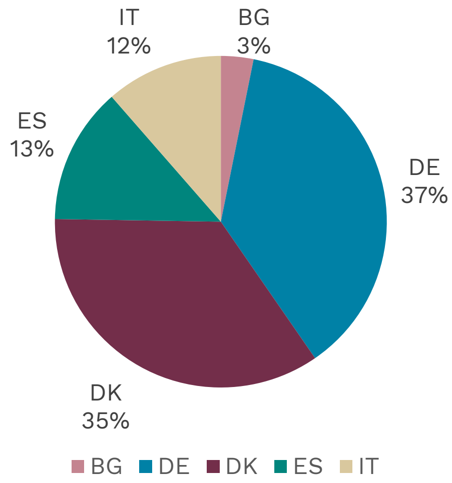
Sale of electricity*



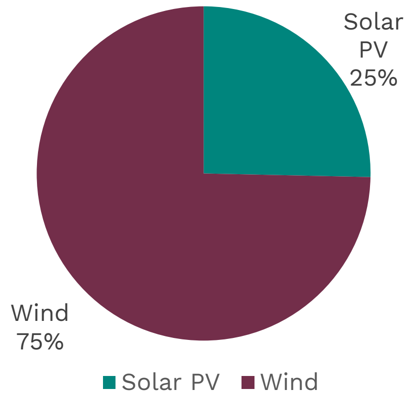
* Including 3rd party equity interests

The sale of electricity grew by 24.5% to EUR 35.1 million in 2018. This growth is mainly due to the acquisition and construction of new capacity. The production from solar PV increased in 2018 compared to the same period the year before. This is primarily due to the construction of 70 MW solar PV in Denmark during 2018. The wind production increased significantly compared to 2017 due to additions to the portfolio in Denmark and Germany.

European Energy often co-owns assets with partners ranging from utilities to private Danish investors. The portfolio primarily consists of assets constructed by European Energy as well as older operational parks acquired with the aim of repowering. The repowering process involves replacing ageing, small turbines with newer, more efficient ones. Spot market power prices were generally increasing in 2018. Due to long-term power purchase agreements and long-term subsidies, spot market power prices will have a limited effect on the profit from the sale of electricity. To the extent possible and where economically feasible, European Energy sells the electricity produced by way of power purchase agreements. At the same time, most German wind turbines, representing 46% of European Energy's power generating assets, receive a predetermined feed-in tariff for 20 years after commissioning.



Distribution of technology (MWh)



Power-generating assets

Equity interests in wind*

Country	Name	Gross MV	Equity interests	Net MW
Bulgaria	Krupen	12.0	49.0%	5.9
Bulgaria	Straldja	2.4	12.5%	0.3
Denmark	Holmen II	21.6	67.0%	14.5
Denmark	Måde	16.0	47.0%	7.5
Denmark	Nøjsomheds Odde	32.4	30.2%	9.8
Denmark	Rødby Fjord	3.5	33.6%	1.2
Denmark	Sprogø	21.0	44.8%	9.4
Denmark	Svindbæk	32.0	67.0%	21.4
Germany	3 Standorte (Grosstreben)	3.9	49.5%	1.9
Germany	3 Standorte (Letschin)	1.8	49.5%	0.9
Germany	Atlandsberg	14.0	15.0%	2.1
Germany	Bad Iburg	6.1	25.0%	1.5
Germany	Eichow	12.0	8.4%	1.0
Germany	Emskirchen	6.0	28.9%	1.7
Germany	Gommern I	18.0	8.2%	1.5
Germany	Gommern II	4.0	8.1%	0.3
Germany	Güstow	1.2	76.3%	0.9
Germany	Kranenburg	9.0	49.5%	4.5
Germany	Losheim	7.5	28.9%	2.2
Germany	Löderburg	4.0	20.0%	0.8
Germany	Mildenberg	8.0	15.0%	1.2
Germany	Ottenhausen	16.0	36.7%	5.9
Germany	Prignitz	4.5	29.9%	1.3
Germany	Prittitz	27.0	49.5%	13.4
Germany	Salingen	1.5	49.5%	0.7
Germany	Scheddebrock	7.5	49.5%	3.7
Germany	Schäcksdorf 6	2.0	50.0%	1.0
Germany	Timpberg 10	2.0	50.0%	1.0
Germany	Timpberg 9	2.0	50.0%	1.0
Germany	TIS (Ilhorn)	4.0	49.5%	2.0
Germany	TIS (Söhlingen)	8.0	49.5%	4.0
Germany	TIS (Tewel)	10.0	49.5%	5.0
Germany	Urja (Lüdersdorf 38)	3.5	99.7%	3.4
Germany	Vormark	13.8	22.1%	3.1
Germany	Wernikow	11.4	47.4%	5.4
Germany	Westerberg	18.0	49.5%	8.9
Germany	Wittstedt	3.0	49.5%	1.5
Germany	Wittstock-Papenbruch	5.1	30.3%	1.5
Germany	Wriezener Höhe	26.0	15.0%	3.9
Germany	Wulfshagen	11.0	49.5%	5.4
Italy	Carpinaccio	13.6	27.0%	3.7
Italy	Riparbella	20.0	11.1%	2.2
Total wind		**446.2**		**168.5**

* Including 3rd party equity interests

Equity interests in solar PV*

Country	Name	Gross MV	Equity interests	Net MW
Brazil	Coremas 1	31.0	35.2%	10.9
Brazil	Coremas 2	31.0	35.2%	10.9
Germany	Mando 29	0.9	76.0%	0.7
Italy	Soleto	1.0	50.0%	0.5
Spain	Beniarbeig	2.0	16.6%	0.3
Spain	Campllong/St. Dalmai	1.1	79.7%	0.8
Spain	Ibiza	0.2	79.7%	0.1
Spain	La Pobla	0.2	79.7%	0.2
Spain	L'Ollería	1.5	79.7%	1.2
Spain	L'Ollería II	1.2	45.0%	0.5
Spain	Monóvar	2.0	79.7%	1.6
Spain	Ocaña	1.2	79.7%	0.9
Spain	Villanueva de la Jara	2.4	79.7%	1.9
Total solar PV		**75.6**		**30.6**

Total wind and solar PV		**521.8**		**199.1**

* Including 3rd party equity interests

Asset management

Revenue from wind and solar farms is contingent upon factors beyond the technology installed, weather conditions and electricity prices. Since renewables are long-term investments, their overall return also greatly depends on reliable asset operation and maintenance. To this end, European Energy's asset management team dedicates its resources to optimising the operation of wind and solar farms. The asset management department offers investors a full spectrum of asset management services. Investors can therefore make passive investments without worrying about the operation and maintenance of the wind or solar farm concerned.

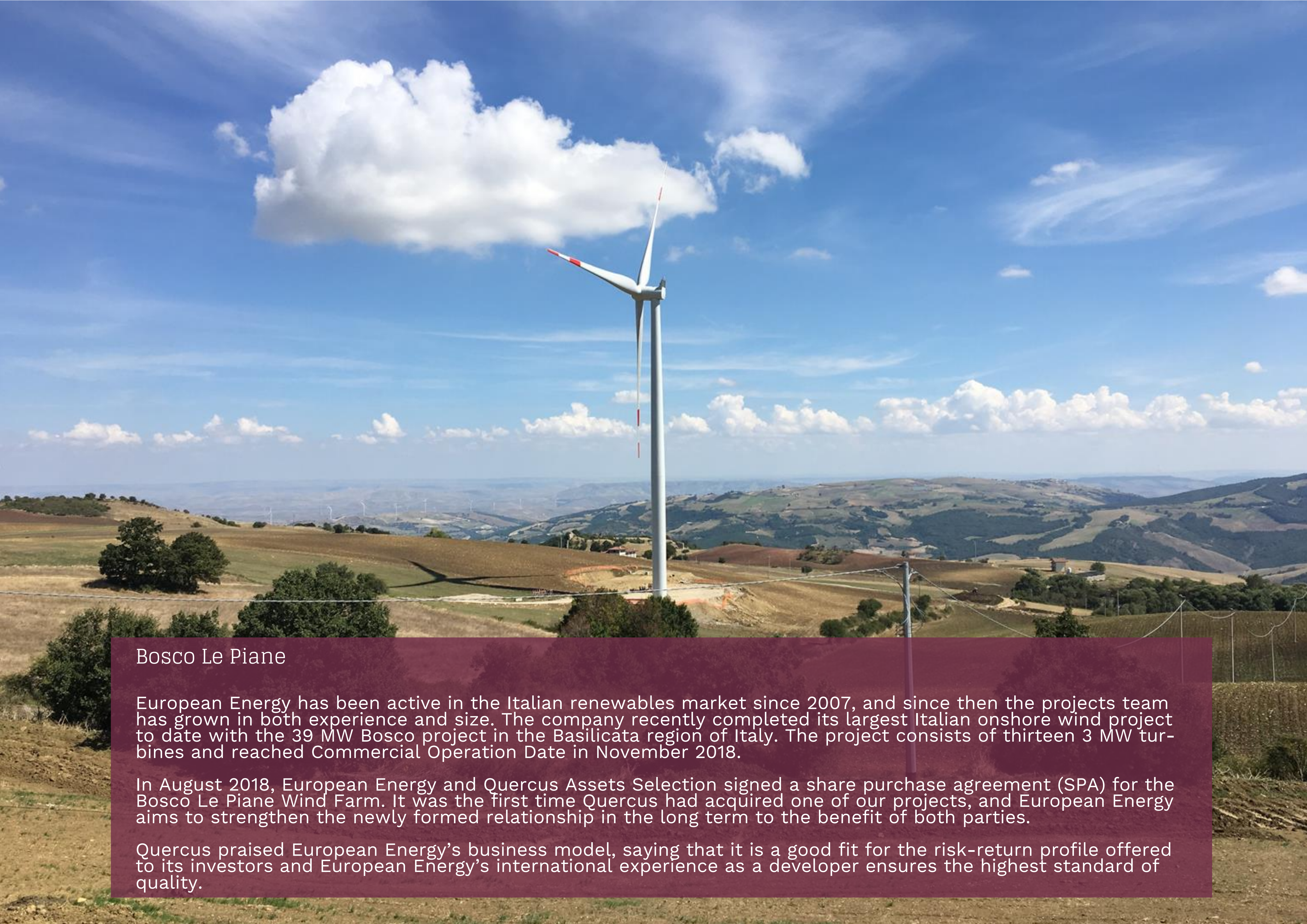
2018 results

In 2018, European Energy managed a portfolio of power-generating assets totalling 382 wind turbines and 31 solar farms. The power-generating assets under management produced 1.5 GWh in 2018, which is enough energy to power more than 300,000 Danish households. The capacity of power-generating assets under management amounts to 967 MW, of which 199 MW are owned by European Energy. The revenue generated from asset management amounted to EUR 2.9 million in 2018.

How European Energy carries out asset management

European Energy's approach to asset management is to monitor and analyse asset performance with a view to implementing the optimal strategies regarding production, cost structure, refinancing and repowering. European Energy also ensures legal, technical and safety compliance and consistent reporting to stakeholders such as investors and financing banks. Services range from ensuring access to turbines requiring maintenance, through conducting operation and management tasks, to bookkeeping and negotiating with insurance companies and power traders.

European Energy aims to identify risks early and thus to reduce the impact on hardware as well as on the performance and production of the assets. This is achieved through a combination of remote monitoring and site visits.



Bosco Le Piane

European Energy has been active in the Italian renewables market since 2007, and since then the projects team has grown in both experience and size. The company recently completed its largest Italian onshore wind project to date with the 39 MW Bosco project in the Basilicata region of Italy. The project consists of thirteen 3 MW turbines and reached Commercial Operation Date in November 2018.

In August 2018, European Energy and Quercus Assets Selection signed a share purchase agreement (SPA) for the Bosco Le Piane Wind Farm. It was the first time Quercus had acquired one of our projects, and European Energy aims to strengthen the newly formed relationship in the long term to the benefit of both parties.

Quercus praised European Energy’s business model, saying that it is a good fit for the risk-return profile offered to its investors and European Energy’s international experience as a developer ensures the highest standard of quality.

Divestment

2018 was another year characterised by a high activity level.

The wind and solar farms divested by European Energy in 2018 had a cumulative enterprise value of approximately EUR 178 million, including third party equity interests, and had a total capacity of 142 MW. Divestments were concluded in wind farms in Denmark, Italy and Germany. The divested projects produce enough energy to supply more than 55,000 Danish households.

2018 was characterized by fewer but larger transactions compared to 2017. Furthermore, sales were mainly plants in Denmark. As in 2017, sales were by MW fifty-fifty distributed between Solar and wind farms.

At the end of 2018, European Energy had 96 MW of wind and solar farms under construction and 153 MW in operation ready for sale, of which sales agreements have been signed for 57 MW. The portfolio of ready-to-build projects has a capacity of 447 MW and includes both wind and solar farms. As such, European Energy's sales pipeline in the short to medium term consists of 697 MW.

As in 2017, long-term project financing agreements were secured in 2018. For each project, European Energy considers whether external project financing is relevant and project financing is used if it contributes positively to the profit of a project. When obtaining project financing, the finance is secured prior to the transfer of wind and solar farms to institutional investors. All long-term project financing is on a non-recourse basis. European Energy cooperates with many local and international banks in order to choose the optimal loan package for each project.

Wind farms divested in 2018

Site	Country	MW*
Nøjsomheds Odde	Denmark	25.2
Oppido	Italy	20.0
Lohkamp	Germany	12.1
Unseburg	Germany	14.0
Total		**71.3**

*Including 3rd party equity interests

Solar farms divested in 2018

Site	Country	MW*
Slettegården	Denmark	10.0
Bodelyngsvejen	Denmark	10.0
Langelinje	Denmark	10.0
Hundetudevej	Denmark	10.0
Hagesholm	Denmark	10.0
Pelsdyrparken	Denmark	7.0
Stubbekøbing	Denmark	3.5
Øster Toreby	Denmark	10.0
Total		**70.5**

*Including 3rd party equity interests

Trends

Trends

Renewables will reach 34% of worldwide installed energy capacity by 2030, according to a report from the World Energy Council (WEC) and Bloomberg New Energy Finance. This prediction comes as a result of the dynamic growth seen in the economic sector, as many clean-energy technologies are already cost competitive with fossil fuels, and getting cheaper.

While there are vast differences in the cost of building and generating power across the globe, one trend is clear: the levelized cost of electricity (LCOE) continues to fall for mature renewable energy technologies (such as wind and solar power), placing them below grid parity levels with fossil fuels. Furthermore, the cost of producing power from renewables is dropping at a rate related to the level of usage, a trend known as the “experience curve.”

LCOE

Onshore wind’s LCOE has fallen 18% since 2009 due to cheaper construction and turbine costs, and higher capacity factors. This LCOE is cheapest in India and China, running between EUR 41-100, which means that well-sited wind farms in these countries are among the cheapest in the world – an incredibly important factor seeing as these countries’ surging demand for power is currently being met by coal. The LCOE for offshore wind isn’t as clearly defined, due to 95% of the world’s installed offshore wind capacity being located in European waters. However, by 2020, Europe’s dominance will lessen, as a surge of new capacity in Asia is due to come online that is equivalent to 40% of already installed capacity worldwide. China alone will be responsible for 30% of this capacity.

But if wind’s LCOE drop has been steady, solar energy’s has been meteoric. The WEC reports that feed-in tariffs and plummeting photovoltaic module prices make solar competitive with most forms of power generation. Subsequently, solar power’s worldwide capacity will boom from 2% of installed capacity in 2012 to 16% by 2030. China and Japan will be biggest the beneficiaries of the growth of solar, with China set to exceed 50GW installed capacity by 2020.

Grid Parity

Grid parity is when a power generation project can clear the hurdle-rate without subsidies or power purchase agreements. In Europe, there is a wave of grid-parity projects from the north. In Sweden and Finland, the use of the newest and biggest wind technology has facilitated the development of large wind projects at grid-parity level. However, the substantial size of those turbines means that they are best suited for deployment in areas with ample distance from neighbours.

Southern Europe is also experiencing grid parity, namely from solar PV projects. On 3 September 2018, the European Union (EU) removed the Minimum Import Prices on solar panels from China.


Slettegården, Denmark, 10 MW

These measures were initially put into place to protect the European module manufacturers, but it resulted in the cost of a solar panel being 25-30% more expensive when compared to the cost of buying a panel for a project outside Europe. Removing the trade measures meant that the construction cost of a solar plant in the EU dropped by 12-15% overnight, and now grid parity can be achieved in large parts of Southern Europe.

When markets are close to or reach grid parity, it also means these markets are less dependent upon subsidies and political support. In the early days, most renewable markets experienced "stop-and-go" periods due to political influence, and the volatility led developers to be wary of making long-term commitments to individual markets. But achieving grid parity eliminates this threat and therefore developers are more inclined to make serious commitments and build substantial development pipelines in their key markets. Following the trend, European Energy has assembled a +1GW solar PV pipeline in Southern Europe.

Push for green

An increasing number of corporations, cities and countries are embracing emissions reduction targets and climate action plans to meet the goal of limiting the rise in global temperature.

To date, over 100 cities worldwide report that at least 70% of their energy production is from renewables, and more than 40 countries are currently operating on 100% renewable electricity. Recognizing their impact on climate change, 158 companies have also committed to transitioning to 100% renewables.

Many of these corporations and municipalities were inspired to make these commitments after the 2015 Paris Agreement. With the new information provided by the IPCC's 2018 report, we can expect to see an increase in bold commitments to switch from fossil fuels to renewable energy sources.

Risk management

Risk management

As a developer and asset manager of renewable energy projects, European Energy faces a number of risks, which are a natural part of its business and value creation.

European Energy's risk management is intended to continuously identify, assess and manage the business and financial risks in order to minimise their level and number.

While these risks can take on different forms and dimensions, they can, broadly speaking, be divided into market risks, operational risks, financial risks and political, regulatory and legal risks. The primary risks and the associated risk management measures are addressed below in line with these risk categories.

Market risks

The sale of electricity and the divestment of wind and solar farms involve exposure to fluctuating electricity prices in the market. In order to mitigate this market risk, European Energy enters into long-term power purchase agreements (PPAs) or secures long-term feed-in tariffs for its projects. Furthermore, geographical diversification of both development and operating projects ensures that the electricity market price risk is spread out across various different electricity markets.

Another decisive uncertainty, as well as opportunity, in European Energy's market is the consistent and fast-paced development of both solar and wind energy production technologies requiring constant adaptation and responsive project development. In order to limit its exposure to potential technological changes which favour one technology over the other, European Energy follows a dual development strategy covering both wind and solar technology. In addition, European Energy limits counterparty and technology dependency risk by contracting with varying technology suppliers across different projects.

Operational risks

European Energy develops greenfield projects, acquires pre-developed renewable energy projects, which are at different stages of their development cycle, and participates in repowering projects.

In order to be able to continuously realise new profitable projects, European Energy relies on a broad worldwide project development pipeline, which ensures cross-border market intelligence and agility and responsiveness in the instance that market conditions change in individual markets. European Energy limits its risk exposure to specific projects or countries by selectively entering into partnerships, ensuring that development risks are appropriately shared between European Energy and its partners, which, for example, can be the original project developers.

Development costs usually constitute a minor part of the total project costs, and European Energy is typically able to discontinue a project if circumstances so warrant.

Once development projects enter the construction phase, European Energy faces construction risks such as potential delays due to unfavourable weather conditions, cost overruns or supplier dependencies. European Energy reduces these risks by conservative construction planning, which makes provisions for contingencies, and by conservative construction budgeting, which incorporates an appropriate reserve for unforeseen expenses. Furthermore, it builds on established and proven relationships with only top-tier technology providers.

Financial risks

LIQUIDITY RISKS

As a developer of large-scale renewable-energy projects, European Energy naturally relies on sufficient and large amounts of liquid capital to finance construction activities. In particular, when projects enter the construction phase, they rely on timely construction financing with both equity capital, which is normally provided by the parent company, European Energy, and debt capital, which is normally provided by a bank through bridge-financing facilities, which are subsequently refinanced with long-term, non-recourse project loans once the project is operational. If sufficient capital is unavailable, the development and construction of some projects may be delayed or jeopardised all together.

In order for European Energy to mitigate the underlying liquidity risks, it dedicates considerable efforts in ongoing liquidity monitoring and forecasting of the financing needs at both Group and project level. In addition, particularly at project level, European Energy reduces liquidity risks related to construction activities by spreading and evening out supplier payments over the whole construction cycle and by early securing of construction financing with renowned and trusted banks.

FOREIGN CURRENCY RISKS

European Energy's activities abroad expose the company to fluctuations in exchange rates. The majority of European Energy's foreign exchange operations are linked to the Euro. European Energy does not hedge this risk, since the Danish fixed exchange rate policy is considered unlikely to change. Furthermore, to mitigate foreign currency risk, especially at project level, European Energy may partially finance projects in the local currency. European Energy assesses the need for hedging purchase orders from suppliers if the orders have substantial value and are not in local currency. This is to ensure that budgeted construction costs are not exceeded. When projects are being divested, European Energy assesses the need and possibility for hedging the entire enterprise value of the project.

INTEREST RATE RISKS

At both Group and individual project level, European Energy relies on interest-bearing debt financing which exposes it to interest rate risks. European Energy counters these risks by balancing its portfolio of fixed and variable rate loans and borrowings. At project level in particular, it often avoids interest rate risks all together by engaging in interest rate hedges that cover the full maturity of the project-related loans.

Political, regulatory and legal risks

The successful development of renewable energy projects is dependent on the political and regulatory environment. While renewable energy has already reached market price competitiveness with conventional forms of energy production in favourable climate conditions, it still relies on state subsidies in many regions and countries. In order to reduce European Energy's exposure to country-specific changes in government policies and subsidy-related regulation, it follows geographic and technological diversification. In 2018, European Energy was active in 14 different countries across the globe. Furthermore, in order to decrease its political risks in relatively higher risk countries outside Europe, European Energy strives for joint venture developments in collaboration with local partners.

Audit Committee

The Audit Committee assists the Board of Directors in overseeing the financial reporting process, financial and business-related risks, internal controls and compliance with statutory and other requirements from the public authorities. Moreover, the Audit Committee decides the framework for engaging European Energy's external auditors and evaluates their independence and qualifications.

For the 2018 financial year, the Board of Directors appointed Jesper Helmuth Larsen as chairman of the Audit Committee, and Claus Dyhr and Jens-Peter Zink as members. There have been no changes in the members of the Audit Committee since the committee was established in 2016. The members meet the requirements concerning independence, experience, expertise and accounting skills, as set out in the Danish recommendations on corporate governance, and the committee as a whole therefore possesses the necessary competence.

MOST IMPORTANT TASKS OF THE AUDIT COMMITTEE IN 2018

— Review of the Interim Financial Reports and the Annual Report of the Group

— Monitoring and approval of Non-Audit Services

— Review of the accounting treatment of risk and/or significant areas, which primarily comprise use of judgements/estimates, complex accounting matters, revenue, tax, impairment tests etc.

— Monitoring of the Financial Department's progress, reporting, quality and compliance

— Monitoring the internal controls for the Group

In 2018, the Audit Committee held six meetings.

Responsibilities and compliance

Responsibility

A review of European Energy's position on corporate social responsibility according to section 99a and section 99b of the Danish Financial Statements Act is available at European Energy's website: https://www.europeanenergy.dk/en/financial-reports/

Management diversity

A disclosure of European Energy's diversity policy, targets and current performance is available at European Energy's website: https://www.europeanenergy.dk/en/financial-reports/

Corporate governance

A description of the internal control and risk management system relating to section 107b, 2, of the Danish Financial Statements Act is available at European Energy's website: https://www.europeanenergy.dk/en/financial-reports/

Managerial positions

A complete list of Management positions at Group companies, Equity companies, and other companies is included in note 4.10 to the financial statements.

An inside perspective

Sarah Korth, Legal Manager

An inside perspective

By end-2018, the European Energy Group had 96 employees (2017: 77 employees). Of these employees, 37% were women, and 63% were men. European Energy is a multicultural organisation with employees from 16 different national backgrounds working together and collectively speaking more than 17 languages. In 2018, European Energy paid increased attention to identifying, attracting and onboarding talents.

Recruitment

In 2018, we had a record number of new hires due to entering new markets and great market opportunities. We have hired newly educated talents to more senior professionals with various educational and cultural backgrounds.

Having a diverse cultural and educational background allows European Energy to cover the entire spectrum of activities and to pursue complex business opportunities, primarily by leveraging the in-house competencies that ensure European Energy a competitive advantage.

To date, European Energy has successfully attracted many international talents and the company will continue to prioritise the attraction of talents in 2019 and going forward.

Employee retention

With knowledge and experience as one of European Energy's main value drivers, employee retention is crucial for the long-term success of the company. We continuously focus on creating an environment where employees thrive and are enabled to deliver sustainable organisational performance, which is why, in 2018, we worked in a more structured way with the outcome of the employee development tool, ex. focusing on individual competence development.

At the beginning of 2018, European Energy introduced a warrant programme with the purpose of further strengthening employee retention and sharing the company's success.

Since European Energy is a fast-growing company represented by many different nationalities and cultures, European Energy prioritises social activities both in and outside the office as a means of fostering the company's culture and the company encourages team-building trips abroad.

European Energy encourages everyone to maintain a balanced, healthy lifestyle by offering the opportunity of a healthy and varied lunch and free access to the fitness centre at company headquarters, and easy access to private health insurance. European Energy and its employees organise weekly sporting activities with an external coach once a week, a football club and a running club. It is European Energy's belief that being sociable both in and outside the office has a positive influence on the working environment. The fact that so many employees have a non-Danish background, makes it especially important to focus on social activities that help them build a local network.

Organisation

Due to growth in the number of employees in 2018, we needed to expand our office space at the current location with new office furniture and meeting facilities.

Events after the balance sheet date

In March 2019, European Energy completed the divestment of two wind farms.

The first divestment is a wind farm in Denmark with a total capacity of 18MW to Aquila Capital, a German alternative investment manager.

The wind farm is located in the municipality of Ringkøbing-Skjern, Denmark. The wind farm was commissioned in early 2018 and consists of a total of 6 Vestas V126-3.6 MW turbines. The buyer has acquired 5 turbines, while the remaining turbine will remain in the ownership of European Energy A/S.

The second divestment, also completed in March 2019, is a divestment of a wind farm in Italy with a total capacity of 39 MW to Quercus Italian Wind 2 S.r.l, a Group company of Quercus Assets Selection S.C.A SICA.V-SIF, a Luxemburg's fund.

The wind farm is located in the municipalities of Tolve and Vaglio in the Basilicata region, Italy. The wind farm was commissioned in 2018 and consists of a total of 13 Siemens SWT 3.0-113 MW turbines.


Mikael Dystrup Pedersen
Jesper Helmuth Larsen
Claus Dyhr
Jens-Peter Zink
Thomas Hvalsø Hansen
Knud Erik Andersen
Simon Bjørnholt
Thorvald Spanggaard
Jonny Thorsted Jonasson
Lars Bo Jørgensen

Board of directors and Management group

Board of directors

Jens-Peter Zink
Chairman

Knud Erik Andersen

Mikael Dystrup Pedersen

Jesper Helmuth Larsen

Claus Dyhr

Management group

Knud Erik Andersen
Chief Executive Officer

Jens-Peter Zink
Executive Vice President

Mikael Dystrup Pedersen
Chief Technology Officer

Jonny Thorsted Jonasson
Chief Financial Officer

Thomas Hvalsø Hansen
Chief Operating Officer

Lars Bo Jørgensen
Head of Transaction Service & Project Economy

Thorvald Spanggaard
Project Director

Simon Bjørnholt
Legal Director

Statement by the Board of Directors and the Management

The Board of Directors and the Management Board have discussed and approved the annual report of European Energy A/S for the financial year ended 31 December 2018. The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and with further disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group and the parent company's financial position at 31 December 2018, and of the results of the Group and the parent company's operations and cash flow for the financial year then ended.

In our opinion, the Management Review includes a true and fair review of the development in the Group and the parent company's operations and financial matters, the results for the year, and the parent company's financial position, and the position as a whole of the entities included in the consolidated financial statements, as well as a review of the more significant risks and uncertainties faced by the Group and the parent company.

We recommend that the annual report be approved at the Annual General Meeting.

Søborg, 12 April 2019

Executive Board

Knud Erik Andersen

Board of directors

Jens-Peter Zink

Knud Erik Andersen

Mikael Dystrup Pedersen

Jesper Helmuth Larsen

Claus Dyhr

Independent auditor's report

To the shareholders of European Energy A/S.

Opinion

In our opinion, the consolidated financial statements and the Parent Company's separate financial statements give a true and fair view of the Group and the Parent Company's assets, liabilities and financial position at 31 December 2018 and of the results of the Group and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Board of Directors and the Audit Committee.

AUDITED FINANCIAL STATEMENTS

European Energy A/S's consolidated financial statements and separate financial statements for the financial year 1 January – 31 December 2018 comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements).

The financial statements are prepared in accordance with the International Finance Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statement Act.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark.

Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

We declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were appointed auditors of European Energy A/S for the first time on 26 October 2015 for the financial year 2015. We have been re-elected annually by resolution passed at the Annual General Meeting for a total consecutive engagement period of 4 years up to and including the 2018 financial year.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2018 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in the forming of our opinion thereon. We do not provide a separate opinion on these matters.

Key Audit Matter

RECOGNITION OF REVENUE FROM SALE OF ENERGY FARMS

Determining the point in time when the sale of energy farms should be recognised is key to the reported financial performance of European Energy.

Furthermore, sales contracts often comprise multiple performance obligations, variable consideration and different contract conditions that involve judgement when determining the amount of revenue to be recognised.

Due to the significance and complexity associated with the above, revenue recognition from sale of energy farms is considered a Key Audit Matter.

Further reference is made to notes 1.0 and 1.1 in the consolidated financial statements and note 1.1 in the Parent Company financial statements.

How our audit addressed the Key Audit Matter

Through testing of contracts on a sample basis and by reviewing Management's IFRS 15 analysis, we have verified that:

- variable consideration is based on the most likely consideration that European Energy is entitled to and that it is highly probable that a significant reversal will not be made in subsequent periods
- performance obligations in the sales contracts have been appropriately identified and that the considerations have been fairly allocated in comparison with stand-alone selling prices
- revenue related to the different performance obligations is recognised when all material risks and rewards as stipulated in the sales contracts have been passed to the buyer.

We have read notes 1.0 and 1.1 in the consolidated financial statements and note 1.1 in the Parent Company financial statements and assessed if the notes are fairly presented.

Key Audit Matter	How our audit addressed the Key Audit Matter
VALUATION OF INVENTORY Inventory comprises development projects, projects under construction and completed projects ready for sale. Projects comprise both greenfield and purchased projects. The valuation risk associated with development projects is considered high, especially as to whether or not a project will be completed or cancelled. This assessment depends on financial criteria (estimated net realisable value, including estimate of return on invested capital requirements) as well as non-financial criteria (permits, financing, finding a buyer, etc.). For projects under construction or completed projects ready for sale, the valuation risk is considered medium or low when a sales agreement has been concluded. Management's assessment of whether development projects should be written off or not and whether projects under construction, or completed projects ready for sale, should be written down to a lower net realisable value is considered a Key Audit Matter. Further reference is made to notes 1.0 and 2.4 in the consolidated financial statements and note 2.4 in the Parent Company financial statements.	We have on sample basis obtained an understanding of the risks and stage of completion of the individual projects, Management's expectation of project success and whether or not a sales agreement has been concluded or is expected to be concluded in the near future. For material and high-risk projects under development, we have reviewed Management's valuation analysis and verified Management's assessment of significant financial and non-financial criteria (success expectation). For projects under construction or completed projects ready for sale, we have reviewed concluded sales agreements. Where no sales agreements have been entered into, we have reviewed Management's valuation analysis. We have read notes 1.0 and 2.4 in the consolidated financial statements and note 2.4 in the Parent Company financial statements and assessed their fair presentation.

Key Audit Matter

FINANCING

Apart from individual non-recourse loans in European Energy's subsidiaries, the Group is primarily financed through a EUR 85 million bond loan.

The terms of the bond loan requires the Group to comply with certain loan covenants.

Maintaining the bond loan is essential to the Group's financing and ability to continue as a going concern and is therefore considered a Key Audit Matter.

Further reference is made to note 3.2 in the consolidated financial statements.

How our audit addressed the Key Audit Matter

We have compared the bond loan's covenants with audited values at 31 December 2018 in order to verify whether the Group was in compliance therewith. We have also reviewed Management's quarterly covenant compliance reporting in 2018.

We have compared the bond loan's covenants with the budget for 2019 in order to assess if the Group is expected to be in compliance with the covenants in 2019.

We have assessed the reliability of the budget for 2019 by comparing it with signed but not completed contracts, project pipeline and the recent financial track record of the Group.

We have read note 3.2 in the consolidated financial statements and assessed if it is fairly presented.

Statement on the Management Review

Management is responsible for the Management Review.

Our opinion on the financial statements does not cover the Management Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Review and, in doing so, consider whether the Management Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the Management Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in the Management Review.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Group or the Parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

— identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

— obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and the Parent Company's internal control.

— evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

— conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

— evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

— obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, April 12, 2019

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Lau Bent Baun State Authorised Public Accountant MNE No. 26708	Martin Eiler State Authorised Public Accountant MNE No. 32271

Glossary

EARNINGS PER SHARE (EPS):
Profit/loss for the year divided by the average number of shares.

EBITDA MARGIN:
Profit/loss before depreciation and amortisation, financial income and expenses and tax as a percentage of revenue.

EBIT MARGIN:
Profit/loss before financial income and expenses and tax as a percentage of revenue.

ENGINEERING, PROCUREMENT AND CONSTRUCTION (EPC):
A special form of contracting arrangement that is used in some projects, including renewable energy projects, where the EPC-contractor provides management services for the project on behalf of the client. The management services typically include that the contractor coordinates the design, procurement and construction work in order to ensure that the project is completed in due time and in accordance with specifications.

FEED-IN TARIFFS:
Feed-in tariffs are a policy mechanism designed to accelerate the investment in renewable energy by offering long-term contracts to renewable-energy producers.

FOSSIL FUELS:
Fuel resources such as coal, coal products, gas, crude oil and other hydrocarbons.

GEARING:
Interest-bearing liabilities at year-end divided by equity at year-end.

GROSS MARGIN:
Gross profit/loss as a percentage of revenue.

GWH:
Gigawatt hour. The amount of energy generated in one hour with the effect of 1 GW. 1 GWh is equivalent to 1,000 MWh or 1,000,000 kWh.

INTERCONNECTORS:
Interconnectors are the electricity lines linking various electricity networks, typically the networks of different European countries.

LEVELISED COST OF ENERGY (LCOE):
Levelised costs of energy are calculated by accounting for all of a system's expected lifetime costs divided by the system's lifetime expected power output.

MW GROSS CAPACITY:
Gross electric output is the total amount of electricity generated over a specific period of time by solar and wind farms developed, constructed, owned, co-owned and divested by European Energy.

NET INTEREST-BEARING DEBT /EBITDA:
Net interest-bearing debt divided by profit/loss before depreciation, amortisation, financial income, expenses and tax.

NORD POOL:
The Nordic power exchange, which facilitates power trading in Norway, Sweden, Finland and Denmark.

OPEN-DOOR PROCEDURE:
Wind projects under the open-door procedure are launched when a developer takes the initiative to establish an offshore wind farm. The project developer must submit an unsolicited application for a license to carry out preliminary investigations in the given area.

POWER-GENERATING ASSETS:
Operational solar and wind farms delivering renewable energy to the grid.

READY TO BUILD:
All significant rights and permits have been acquired. The project is ready to initiate the construction phase.

RETURN ON EQUITY:
Profit/loss after tax for the year divided by equity at year-end.

SHARE PURCHASE AGREEMENT (SPA):
An agreement between a buyer and a seller that transfers the ownership of a legal entity (e.g. a special purpose vehicle) on the terms stipulated in the agreement.

SOLVENCY RATIO:
Equity at year-end divided by average equity during the year.

SPECIAL PURPOSE VEHICLE (SPV):
A legal entity created solely to serve a particular function, such as the construction and operation of a renewable energy project.

UNDER DEVELOPMENT:
Project rights have been obtained or are in the process of being obtained, but the project has not acquired all significant permits. Building components have not yet been ordered.

UNDER CONSTRUCTION:
The project is ready to build, and a concrete decision has been made to construct the project while orders for building components have also been placed.

Financial Statements

Group

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

EUR '000

Note		2018	2017
1.1	Revenue	96,182	186,716
2.5	Profit after tax from equity-accounted investments	5,795	5,432
1.1	Other income	1,182	1,400
1.1	Direct costs	-60,589	-148,550
	Gross profit	**42,570**	**44,998**
4.2	Staff costs	-5,030	-6,970
4.3	Other external costs	-3,933	-3,854
	EBITDA	**33,607**	**34,174**
2.3	Depreciation & impairment	-2,490	-1,723
	Operating profit	**31,117**	**32,451**
3.1	Finance income	3,907	3,103
3.1	Finance expenses	-9,100	-9,765
	Profit/loss before tax	**25,924**	**25,789**
4.1	Tax	-3,403	-4,600
	Profit/loss for the year	**22,521**	**21,189**
	Attributable to:		
	Shareholders of the Company	21,328	17,575
	Non-controlling interests (NCI)	1,193	3,614
	Profit/loss for the year	**22,521**	**21,189**

Consolidated statement of profit or loss and other comprehensive income - continued

For the year ended 31 December 2018

EUR '000

Note	Profit loss and OCI	2018	2017
	Statement of comprehensive income		
	Profit/loss for the year	22,521	21,189
	Items that may be reclassified to profit or loss		
	Value adjustments of hedging instruments	-991	233
4.1	Tax of value adjustments of hedging instruments	276	-57
	Currency differences on translating foreign operations	-11	-90
	Other comprehensive income for the period	**-726**	**86**
	Comprehensive income for the year	**21,795**	**21,275**
	Attributable to:		
	Shareholders of the Company	20,605	17,639
	Non-controlling interests (NCI)	1,190	3,636
	Comprehensive income for the year	**21,795**	**21,275**

Consolidated statement of financial position

As of 31 December 2018

EUR '000

Note	Balance Sheet	2018	2017
	ASSETS		
	Non-current assets		
2.3	Property, plant and equipment	85,947	50,340
2.5.1	Joint venture investments	11,938	9,977
2.5.2	Associated companies investments	8,643	12,507
2.6	Other investments	6,764	4,960
4.5	Loans to related parties	33,179	17,951
2.7	Trade receivables and contract assets	4,131	5,153
2.7	Other receivables	3,101	8,656
4.1	Deferred tax	1,584	2,826
2.7	Prepayments	9,937	-
	Total non-current assets	**165,224**	**112,370**
	Current assets		
2.4	Inventories	202,193	101,797
2.7	Trade receivables and contract assets	9,317	9,534
2.7	Other receivables	10,734	15,430
2.7	Prepayments	1,027	453
3.2	Free cash and cash equivalents	50,718	42,087
3.2	Restricted cash and cash equivalents	7,868	6,093
	Total current assets	**281,857**	**175,394**
	TOTAL ASSETS	**447,081**	**287,764**

EUR '000

Note	Balance Sheet	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	40,316	40,311
	Retained earnings and reserves	55,772	35,002
	Equity attributable to shareholders of the Company	**96,088**	**75,313**
	Non-controlling interests	11,597	15,687
	Total Equity	**107,685**	**91,000**
	Liabilities		
3.3	Bond loan	83,670	58,924
3.3	Project financing	157,666	53,310
	Other debt	898	597
2.8	Provisions	3,066	798
4.1	Deferred tax	2,986	2,201
	Total non-current liabilities	**248,286**	**115,830**
	Bond loan	-	7,600
3.3	Project financing	56,111	38,363
	Trade payables	9,987	16,062
	Payables to related parties	481	4,848
	Corporation tax	1,194	760
2.8	Provisions	1,985	1,264
	Contract liabilities	5,960	-
	Other payables	15,392	12,037
	Total current liabilities	**91,110**	**80,934**
	Total liabilities	**339,396**	**196,764**
	TOTAL EQUITY AND LIABILITIES	**447,081**	**287,764**

Consolidated statement of cash flow

For the year ended 31 December 2018

EUR '000

Note	Cash flow from operating activities	2018	2017
	Profit/loss before tax	25,924	25,789
	Adjustments for:		
	Financial income	-3,907	-3,103
	Financial expenses	9,100	9,765
	Depreciations	2,490	1,723
	Profit from equity-accounted companies	-5,795	-5,432
2.9	Change in net working capital	-172,106	-32,582
	Other non-cash items	-1,263	-1,400
	Cash generated from operation before financial items and tax	**-145,557**	**-5,240**
	Taxes paid	-751	-3,297
	Interest paid and realised currency losses	-8,263	-8,817
	Interest received and realised currency gains	3,610	2,878
	Cash flow from operating activities	**-150,961**	**-14,476**
	Cash flow from investing activities		
	Purchase of Property, plant and equipment	-12,576	-815
	Proceeds from disposal of equity-accounted investments	3,161	69
	Purchase/disposal of other investments	252	-
	Investment/loans in equity-accounted investments	8,508	4,303
	Dividends	165	31
	Cash flow from investing activities	**-490**	**3,588**

EUR '000

Note		2018	2017
	Cash flow from financing activities		
	Proceeds from issue of bonds	25,107	58,785
	Repayment of bonds	-7,600	-45,000
	Proceeds from borrowings	191,594	125,974
	Repayment of borrowings	-49,729	-105,527
	Changes in payables to associates	-4,367	4,013
	Non-controlling interests' share of capital increase or disposal of subsidiaries	6,852	5,747
	Cash flow from financing activities	**161,857**	**43,992**
	Change in cash and cash equivalents	**10,406**	**33,104**
	Cash and cash equivalents at beginning of period	48,180	15,076
	Cash and cash equivalents end of period	**58,586**	**48,180**
	Of which restricted cash and cash equivalents	**-7,868**	**-6,093**
3.2	**Non-restricted cash and cash equivalents end of year**	**50,718**	**42,087**

Consolidated statement of changes in equity

As of 31 December 2018

EUR '000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Equity at 1 January 2018	40,311	-	-50	-522	35,574	75,313	15,687	91,000
Profit/loss for the period	-	-	-	-	21,328	21,328	1,193	22,521
Other comprehensive income								
Other comprehensive income in equity accounted investments	-	-	-	-	-	-	-	-
Value adjustments of hedging instruments	-	-	-	-1,018	-	-1,018	27	-991
Tax of value adjustments of hedging instruments	-	-	-	283	-	283	-7	276
Currency differences on translating foreign operations	-	-	55	-	-43	12	-23	-11
Other comprehensive income	-	-	55	-735	-43	-723	-3	-726
Total comprehensive income	-	-	55	-735	21,285	20,605	1,190	21,795
Transactions with owners								
Transactions with NCI	-	-	-	-	-27	-27	-	-27
Exercise of warrants	5	11	-	-	-	16	-	16
Expenses related to capital increases	-	-16	-	-	-	-16	-	-16
Share-based compensation expenses	-	-	-	-	197	197	-	197
Additions	-	-	-	-	-	-	7,471	7,471
Disposals	-	-	-	-	-	-	-12,751	-12,751
Total transactions with owners	5	-5	-	-	170	170	-5,280	-5,110
Equity at 31 December 2018	40,316	-5	5	-1,257	57,029	96,088	11,597	107,685

The share capital consists of nom. 300,040,190 shares of DKK 1 each, corresponding to EUR 40,316 thousand. The share capital is fully paid in.

Consolidated statement of changes in equity continued

EUR '000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Equity at 1 January 2017	1,340	-	27	-663	56,970	57,674	6,326	64,000
Profit/loss for the period	-	-	-	-	17,575	17,575	3,614	21,189
Other comprehensive income								
Value adjustments of hedging instruments	-	-	-	186	-	186	47	233
Tax of value adjustments of hedging instruments	-	-	-	-45	-	-45	-12	-57
Currency differences on translating foreign operations	-	-	-77	-	-	-77	-13	-90
Other comprehensive income	-	-	-77	141	-	64	22	86
Total comprehensive income	-	-	-77	141	17,575	17,639	3,636	21,275
Transactions with owners								
Capital increase/Share of capital increases non-controlling interests	38,971	-	-	-	-38,971	-	6,228	6,228
Additions	-	-	-	-	-	-	252	252
Disposals	-	-	-	-	-	-	-755	-755
Total transactions with owners	38,971	-	-	-	-38,971	-	5,725	5,725
Equity at 31 December 2017	40,311	-	-50	-522	35,574	75,313	15,687	91,000

The share capital consists of nom. 300,000,000 shares of DKK 1 each, corresponding to EUR 40,311 thousand. The share capital is fully paid in.
The number of shares has increased from 10 million to 300 million in 2017 by issuance of bonus shares, EUR 38,971 thousand. All shares have the same rights. The costs related to the capital increase equal EUR 7 thousand.

Notes

1.0 Basis for preparation

General information

The annual consolidated financial statements comprise the parent company European Energy A/S and its subsidiaries (the Group) for the year ended 31 December 2018. The Group's main operations consist of project development, financing, sales and acquisitions, construction supervision and management of wind and solar farms. Geographically, the Group focuses on Northern European markets.

The parent company is a limited liability company incorporated and domiciled in Denmark. The company's registered office address is Gyngemose Parkvej 50, DK-2860 Søborg.

Corporate bonds issued by the parent company are listed on NASDAQ Copenhagen in December 2017. On 25 April 2019, the Board of Directors approves the 2018 Annual Report.

Basis for preparation

The annual report for the year ended 31 December 2018 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional requirements in EU.

The European Energy Group has adopted all new, amended or revised accounting standards and interpretations (IFRS) as published by the IASB, as well as those endorsed by the EU.

The annual report is presented in EUR, and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated.

Changes in accounting policies and disclosures

Except for the changes below, the accounting policies remain unchanged compared to the annual report for the year ended 31 December 2017, to which reference is made.

IFRS 9, FINANCIAL INSTRUMENTS

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except from:

The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement requirements.

All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

The Group has adopted the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.
To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The loss allowance at year end 2018 was not impacted by the new expected credit loss model.

New accounting standards not yet adopted

The IASB has issued a number of new or amended accounting standards and interpretations, effective after 31 December 2018. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Group company.

The following new or amended accounting standards and interpretations, later to come into effect, are expected to have an impact on recognition, measurement and disclosures for the Group:

IFRS 16 - LEASES

The IASB has issued a new standard on accounting for leases. As a Lessee, the Group is required to recognise all lease contracts on the balance sheet.

The Group will not be required to recognise lease contracts with a term of less than 12 months and variable lease payment on the balance sheet. The Group has assessed the impact of IFRS 16. The lease obligation at 1 January 2019 will be calculated as the present value of remaining lease payments at this date and the impact is expected to increase the balance sheet by a total of EUR 7 million related to leasing agreements as Right of use assets concerning property, plant and equipment by approximately EUR 2 million and by approximately EUR 5 million concerning Right of use assets related to inventory and will also impact the key ratios. The corresponding lease liabilities will increase by a similar total of 7 million related to non-current and current Lease Liabilities. The effect on the income statement will be limited related to Depreciation of right of use assets and interest expense on lease liabilities.

The Group has adopted IFRS 16 as per 1 January 2019 by choosing the Modified retrospective approach.

Management does not expect the remaining new or amended standards and IFRICs to materially affect the coming financial years.

Basis of consolidation

The consolidated financial statements comprise the parent company, European Energy A/S, and subsidiaries over which European Energy A/S exercises control. European Energy A/S is considered to exercise control over another entity when the company has the voting power in the subsidiary, the possibility or right to receive dividends from the subsidiary and possibility to use the voting power to influence the rate of dividends.

Entities acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Entities disposed of are recognised in the consolidated statement of profit or loss until the date of disposal.

Profit/loss and each component of other comprehensive income are attributed to the owners of the parent company and to non-controlling interests even if this means that the non-controlling interests have a negative balance. When necessary, the financial statements of subsidiaries are adjusted to align their accounting policies with those of Group. All intra-group assets and liabilities, equity, income, expenses and cash flows arising from transactions between group entities are fully eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the parent company.

The non-controlling interests' proportionate share of the subsidiaries' profit and of equity is included as part of the Group's profit and equity, respectively.

Foreign currency translation

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Group determines a functional currency for each reporting entity in the Group. The functional currency is the currency used in the primary financial environment in which the individual reporting entity operates. Transactions in currencies other than the functional currency are foreign currency transactions. The functional currency of the parent company is Euro (EUR), and the financial statements are presented in Euro (EUR).

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate at the transaction date. Foreign currency translation adjustments arising from the settlement of such transactions and the translation of monetary items denominated in foreign currencies at year-end exchange rates are recognised in profit/loss under finance income and finance costs.

TRANSLATION INTO PRESENTATION CURRENCY

For entities with a functional currency other than EUR, all assets and liabilities are translated into the presentation currency based on the EUR exchange rate at the date of the statement of financial position. Income and costs and other comprehensive income are translated at the rate at the transaction date or an approximate average rate. All resulting exchange rate differences are recognised as other comprehensive income.

Presentation of cash flow statement

The consolidated cash flow statement shows the Group's cash flows from operating, investment and financing activities.

Cash flows from operating activities are determined using the indirect method and stated as the consolidated profit before tax adjusted for non-cash operating items, including depreciations and impairment losses, provisions and changes in working capital, interest received and paid and corporate tax paid.

Other non-cash items primarily comprise reversal of gain from disposing non-current assets and reversal of share of profit (loss) from equity-accounted investments.

When the Group sell a company (SPV which owns an energy park), the balance of the SPV is not netted out in the cash flow. The Group recognises the sale of an SPV as if it was a sale of an asset. The inventory, receivables and payables sold are thus included in the working capital changes of the year.

Cash flow from investment activities comprises payments connected with the purchase and sale of non-current assets, including energy farms classified as property, plant and equipment and equity-accounted investments.

Cash flows from financing activities include proceeds from bond issues, drawdowns, new project loans, payments from non-controlling interests and repayments on borrowings from credit institutions.

Loans in disposed companies within the group are recognised as repaid loans in the cash flow statement.

Cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less and an insignificant risk of changing value.

Covenants.

In respect of the testing period ending of December 2018 for covenants, Management confirms that no default exists.

Use of judgements and estimates

In preparing the consolidated and separate financial statement, Management has made judgements, estimates and assumptions that affect how the Group's accounting policies are applied and the amount of assets, liabilities, income and expenses reported. The actual results may deviate from these estimates.

Judgements

The following provides information about judgements made in applying those accounting policies that most significantly impact the amounts recognised in the consolidated and separate financial statements:

Revenue recognition (Note 1.1)

Some sales contracts regarding power plants comprise a fixed and variable consideration. The latter normally relates to an earn-out or production guarantee linked to an actual future production.

The uncertainty about measurement relates essentially to this variable consideration and allocation of revenue between different performance obligations. This measurement requires Management judgment applying assumptions and estimates.

Assessment of classification – whether the Group has control, significant influence or joint control (Note 2.5.1 and 2.5.2)

To have control over an investee, European Energy (EE) must have all of the following:

a. Power over the investee;
b. Exposure, or rights, to variable returns from its involvement with the investee; and
c. The ability to use its power to affect the amount of its returns. The assessment of control is based on European Energy's actual ability to direct the activities of the project rather than on the legal form of the ability. Consequently, the determination of whether European Energy has substantive rights over the project does not distinguish between rights arising from European Energy as a shareholder of the project or as an operator.

In certain circumstances, the decision-making rights over the investee are delegated to a general partner. Particular emphasis is put on assessing control over an investee. When European Energy acts as commercial manager under a commercial management agreement (CMA), European Energy assesses whether it is using the power provided under the CMA for its own benefit (European Energy has control); or merely using this power for the benefit of other investors (European Energy is acting as an agent).

The classification of a joint arrangement under IFRS 11 depends on the parties' rights and obligations arising from the arrangement in the normal course of business. Key factors considered relate to whether the investors have the direct rights to the output (assets) and obligation as to the liabilities of the wind or solar farm. The following critical factors are included in the analysis of other facts and circumstances that could affect classification: whether co-investors are allocating their share of the output to the utility company or only entitled to a net cash flow, and whether the wind or solar farm relies solely on the partners for financing.

Share-based payment (Note 4.2.1)

The fair value of warrants granted is calculated using the Binomial model. The Binomial pricing model requires the input of subjective assumptions such as:

a. The estimated share price of European Energy (unlisted shares).
b. Volatility, based on historical volatility for a peer group.
c. Risk-free rate, based on Danish government bond.
d. Expected life of warrants, which is based on vesting terms, exercise price and exercise periods.

These assumptions can vary over time and can change the fair value of future warrants granted.

Assumptions and estimation uncertainties

When preparing the consolidated financial statements of the Group, management makes a number of accounting estimates and assumptions on which the recognition and measurement of the Group's assets and liabilities are based.

The following provides information about assumptions and estimation uncertainties with a significant risk of resulting in a material adjustment in the year ending 31 December 2018:

Impairment test property, plant and equipment (Note 2.3)

The key assumptions supporting recoverable amounts mainly comprise discount rate (WACC) and expectations regarding future production and unit prices. Please refer to note 2.3 for more details related to the impairment test.

Inventories (Note 2.4)

Inventories, comprising projects under development, under construction and completed projects are initially measured at cost.

An impairment test is performed on the carrying amount.

The impairment test is based on assumptions regarding strategy, market conditions, discount rates and budgets etc., after the project has been completed and production commenced. If market-related assumptions etc. are changed, projects may have to be written down. Management examines and assesses the underlying assumptions when determining whether the carrying amount should be written down.

Tax (Note 4.1)

Uncertainties exist with respect to the interpretation of tax regulations in the different countries in which the Group operates, to changes in tax law and to the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could potentially cause adjustments to tax income and expense already accounted for. Management reviews deferred tax assets annually, which are recognised only to the extent considered sustainable in the future, taking the timing and the level of future taxable profits into account, together with the Group's future tax planning strategies.

1.1 Segment information

Accounting policy

REVENUE RECOGNITION
European Energy has adopted the International Financial Reporting Standard (IFRS) 15 in 2016, with the effect being that revenue is recognised typically three to nine months later than revenue was recognised under the previous revenue recognition.

Revenue is recognised when the Group has fulfilled its contractual performance obligations towards the buyer.

The following further explains revenue recognition for the Group's revenue streams:

REVENUE FROM SALE OF SOLAR AND WIND POWER GENERATING ASSETS
The group develops and sells power generating assets mainly as turnkey projects. The solar and wind power generating assets are developed, but their construction does not commence until all relevant permits have been obtained. Special purpose vehicles (SPVs) organised as subsidiaries in the Group carry out development and construction.

The Group's performance obligations in turnkey projects include an agreement for the development and construction of a grid-connected power generating asset and an agreement for the transfer of the shares in the SPV, which holds all relevant permits. These two agreements are connected and are accounted for as one performance obligation.

Revenue from turnkey projects is recognised when control has been transferred to the buyer and European Energy has an enforceable right to payment. This occurs at the point in time when the buyer accepts the takeover.

The revenue is measured as the transaction price for the power generating asset agreed under the contract. The transaction price normally includes a fixed and a variable consideration, determined by the project's expected future cash flow based on buyer's and seller's agreement on expected return on invested capital (ROIC).

The estimated amount of variable consideration will be included in the transaction price only to the extent that a significant reversal in the revenue recognised is highly unlikely to occur when the uncertainty associated with the variable consideration is subsequently resolved.

Payments deferred more than 12 months are adjusted for the time value of money.

In projects where the Group does not act as a turnkey project developer e.g. when the Group establishes transformer stations and building foundations, the revenue is recognised when control of the project has been transferred to the buyer, European Energy's performance obligations has been satisfied and European Energy is entitled to receive payment.

SALES OF ELECTRICITY
Revenue from sale of produced electricity is recognised when supplied to the purchaser's network.

ASSET MANAGEMENT
Revenue from Asset management is recognised when the services are delivered. The service includes commercial management and operational facility supervision on behalf of a third party.

OTHER INCOME
Other income comprises items secondary to the activities of the group.

DIRECT COSTS
Direct costs comprise costs incurred in generating the revenue for the year. On disposal of energy projects placed in independent legal entities, direct costs comprise the carrying amount of the equity investment disposed of plus costs directly related to the disposal. Direct costs comprise operating costs related to constructed and operating energy farms.

CHIEF OPERATING DECISION MAKER
Operating segments are recognised in the manner that corresponds to the internal reporting to the chief operating decision-maker (CODM).

The CODM is the function responsible for allocating the Group's resources and assessing the performance of the operating segments. The Group's CODM has been identified as the Board of Directors. European Energy's segments are:

a. Wind
b. Solar

Segment information has been prepared in accordance with the Group accounting policies. Segment income and segment costs as well as segment assets and liabilities comprise those items that can be directly attributed to each individual segment on a reliable basis.

1.1 Segment information continued

EUR '000

Segment information (2018)	Wind	Solar	Total before elimination	Eliminations	2018 Group
Sale of energy farms and projects	18,784	54,594	73,378	-	73,378
Sale of electricity	10,722	9,097	19,819	-	19,819
Asset management	2,181	698	2,879	-	2,879
Other fees	90	16	106	-	106
Revenue to external customers	**31,777**	**64,405**	**96,182**	**-**	**96,182**
Inter-segment revenue	**6,169**	**1,161**	**7,330**	**-7,330**	**-**
Revenue	**37,946**	**65,566**	**103,512**	**-7,330**	**96,182**
Profit after tax from shares in equity accounted investments	4,208	1,587	5,795	-	5,795
Other income	1,182	-	1,182	-	1,182
Direct costs	-15,513	-45,076	-60,589	-	-60,589
Staff costs	-3,345	-1,685	-5,030	-	-5,030
Other costs	-2,317	-1,616	-3,933	-	-3,933
Depreciation	-988	-1,502	-2,490	-	-2,490
Inter-group costs	-6,169	-1,161	-7,330	7,330	-
Segment profit (Operating profit)	**15,004**	**16,113**	**31,117**	**-**	**31,117**
Finance income	2,466	1,441	3,907	-	3,907
Finance expenses	-6,404	-2,696	-9,100	-	-9,100
Profit/loss before tax	**11,066**	**14,858**	**25,924**	**-**	**25,924**
Tax	-2,546	-857	-3,403	-	-3,403
Profit/loss for the year	**8,520**	**14,001**	**22,521**	**-**	**22,521**
Total assets	**337,443**	**109,638**	**447,081**	**-**	**447,081**
Total liabilities	**262,560**	**76,836**	**339,396**	**-**	**339,396**

1.1 Segment information continued

EUR '000

Segment information (2017)	Wind	Solar	Total before elimination	Eliminations	2017 Group
Sale of energy farms and projects	119,689	55,274	174,963	-	174,963
Sale of electricity	2,918	7,149	10,067	-	10,067
Asset management	1,005	575	1,580	-	1,580
Other fees	100	6	106	-	106
Revenue to external customers	**123,712**	**63,004**	**186,716**	**-**	**186,716**
Inter-segment revenue	4,218	2,684	6,902	-6,902	-
Revenue	**127,930**	**65,688**	**193,618**	**-6,902**	**186,716**
Profit after tax from shares in equity accounted investments	5,037	395	5,432	-	5,432
Other income	1,400	-	1,400	-	1,400
Direct costs	-100,959	-47,591	-148,550	-	-148,550
Staff costs	-4,398	-2,572	-6,970	-	-6,970
Other costs	-2,345	-1,509	-3,854	-	-3,854
Depreciation	-221	-1,502	-1,723	-	-1,723
Inter-group costs	-4,218	-2,684	-6,902	6,902	-
Segment profit (Operating profit)	**22,226**	**10,225**	**32,451**	**-**	**32,451**
Finance income	2,130	973	3,103	-	3,103
Finance expenses	-4,029	-5,736	-9,765	-	-9,765
Profit/loss before tax	**20,327**	**5,462**	**25,789**	**-**	**25,789**
Tax	-1,155	-3,445	-4,600	-	-4,600
Profit/loss for the year	**19,172**	**2,017**	**21,189**	**-**	**21,189**
Total assets	**157,300**	**130,464**	**287,764**	**-**	**287,764**
Total liabilities	**109,056**	**87,708**	**196,764**	**-**	**196,764**

1.1 Segment information continued

Information about sale to customers more than 10% of revenue:

EUR '000

Revenue from material customers	2018	2017
Customer #1 (Solar)	54,550	
Customer #2 (Wind)		49,699
Customer #3 (Solar)		38,673
Customer #4 (Wind)		36,301
Total revenue from material customers	**54,550**	**124,673**

EUR '000

	Revenue from external customers		Non-current assets	
Geographic information	2018	2017	2018	2017
Denmark	76,233	53,779	56,816	28,374
Northern/Central Europe	12,048	111,357	42,383	27,493
South America	-	16,089	5,960	7,080
Southern Europe (incl Maldives)	7,901	5,491	50,128	49,423
Total	**96,182**	**186,716**	**155,287**	**112,370**

The geographic information is based on the physical location of the projects sold.

1.1 Segment information continued

UNSATISFIED PERFORMANCE OBLIGATIONS

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting date equals EUR 268.5 million (2017: EUR 101.6 million). The Group expects that the secured amount to be recognised as revenue in 2019 is EUR 93.6 million (2018: 13.7 million). Secured revenue in 2019 consists of: 75.0 million (2018: EUR 7.9 million) related to signed SPA contracts, EUR 1.2 million (2018: 0.7 million) related to signed CMA contracts and EUR 17.4 million (2018: 5.2 million) related to secured electricity sale. The most significant part of the unsatisfied performance obligations from 2020-2038 are EUR 88.0 million related to the remaining 20 years of the secured electricity sale in Spain regarding solar farms and EUR 103.3 million related to secured revenue regarding electricity sale in wind farms.

EUR '000

2018:

Secured revenue regarding signed contracts	2019	2020-2038	Total
Share purchase agreements (SPAs)	75,000	-	75,000
Commercial management agreements (CMAs)	1,199	943	2,141
Electricity sale	17,433	173,889	191,322
Total secured revenue to be recognised in 2019-2038	**93,632**	**174,832**	**268,464**

2017:

Secured revenue regarding signed contracts	2018	2019-2037	Total
Share purchase agreements (SPAs)	7,850	-	7,850
Commercial management agreements (CMAs)	698	1,097	1,794
Electricity sale	5,190	86,760	91,950
Total secured revenue to be recognised in 2018-2037	**13,738**	**87,857**	**101,594**

1.2 Government grants

Accounting policy

Government grants comprise grants for sale of electricity.

Grants for sale of electricity are intended as a compensation for the price of power and recognized under revenue in step with the power generation and the related revenue. Government grants are recognized when there is reasonable assurance that the grants will be received. Government grants in 2018 mainly relate to sale of electricity in Spain, Denmark and Italy.

EUR '000

Government grants	2018	2017
Government grants recognized in Profit Loss for the year under revenue	6,620	5,934
Total government grants	**6,620**	**5,934**

2.3 Property, plant and equipment

Accounting policy

Property, plant and equipment comprises wind power-generating plant and solar power-generating plant, including those under construction, held by European Energy A/S for electricity production and with a use of more than one period.

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price any costs directly attributable to the acquisition until the date on which the assets is available for use.

The present value of the expected costs of dismantling an asset after the end of its useful life is included in the cost of the energy farm if the criteria for the recognition of a provision are met, and projected costs are material. All other repair and maintenance costs are recognised in profit/loss as incurred. Furthermore, costs of restoring the assets are capitalised and provided for. The basis of depreciation is cost less any projected residual value after the end of the useful life.

Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

a) Wind power-generating plant (Wind farms) – 25 years
b) Solar power-generating plant (Solar farms) - 40 years
c) Fixtures and fittings, tools and equipment – 3-5 years

The useful life is reassessed annually and adjusted as necessary. The residual value of an asset is considered when the depreciable amount of the asset is determined.

The basis of depreciation is calculated considering the asset's residual value less any impairment losses. The residual value is determined at the date of acquisition and reassessed annually. When the residual value exceeds the carrying amount of the assets, depreciation is discontinued.

If the depreciation period or the residual value is changed, the changes are accounted for as accounting estimates, and the effect on depreciation is recognised prospectively.

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price and the carrying amount at the date of disposal.
Gains and losses are recognised in the consolidated statement of profit or loss as other operating income or operating costs in the period of disposal.

Impairment of non-current assets

The carrying amount of non-current assets is tested for impairment when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount. The recoverable amount is the higher of an asset's fair value less selling costs and its value in use. For the purpose of the impairment testing, assets are grouped at the lowest level at which cash flows are separately identifiable (cash-generating units).

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, less depreciation, has no impairment loss been recognised.

Impairment test on property, plant and equipment and sensitivity analysis

During 2018, Management performed an impairment assessment on the carrying amount of Property, plant and equipment. The Group assesses at each reporting date whether there is an indication that an asset in operation is impaired. The impairment test performed in 2017 showed limited excess value for some solar farms in Spain and the impairment test has consequently been re-performed for 2018.

The book value of the solar farms consists of 51% (2017: 90%) of the total book value of Property, plant and equipment. For the wind farms the value is related to two wind farms in Germany and Denmark and the buy of Sprogø wind farm in Denmark which have no indications of impairment.

For this purpose, Management has made the following key assumptions in estimating the value in use, with its comments regarding WACC below:
Discount rate after tax (WACC) used for solar farms is 6%
(2017: 6%).

The prepared impairment tests are based on budgets for the remaining life of solar farms. When the budgets are determined the electricity sales price are assumed unchanged for 40 years for solar power generating assets.

For the solar farms in Spain the settlement price is reduced for the last 10 years (2039-2048) because of new legislation in Spain introducing lower tariffs than originally anticipated. In addition, budgets are based on the original cost budgets including an increase of 2% to the cost.

The discount rate for the DCF model is the post-tax weighted average cost of capital (WACC). Country-specific risk (tariff stability, interest-rate levels, average risk-free interest rate applied to reduce the volatility, etc.) are taken into consideration.

For 2018 (and 2017), the impairment test shows that the estimated recoverable amount exceeds its carrying amount.

Sensitivity analysis

Management performed a sensitivity analysis on the result of the impairment test made at Group level, based on the main assumptions taken one by one. The Group’s WACC and the price element are two significant factors in the impairment test.

The analysis shows that the first impairment indication for one individual solar farm will be seen if we use a WACC of 6.7%. The first impairment indication for all Spanish solar farms seen as a total will be shown if we use a WACC of 8.1%.

The second significant element in the impairment test is the price. The sensitivity analysis shows that a price decrease of 5.2% would lead to the first impairment indication for one individual Spanish solar farm. A price decrease of 14.3% will lead to first impairment indication for all Spanish solar farms seen as a total.

2018

	Impairment indication for individual Spanish solar farm	Impairment indication for all Spanish solar farms
WACC increase	0.7%	2.1%
Price decrease	5.2%	14.3%

2017

	Impairment indication for individual Spanish solar farm	Impairment indication for all Spanish solar farms
WACC increase	0.6%	2.0%
Price decrease	4.8%	14.3%

2.3 Property, plant and equipment continued

EUR '000

Assets in operation 2018	Wind power generating assets	Solar power generating assets	Tools and equipment	Land and Buildings	Total
Cost					
Balance at 1 January 2018	4,865	58,430	1,039	352	64,686
Exchange rate adjustments	-13	2	-	-	-11
Additions	12,081	195	300	-	12,576
Deconsolidated entities	-	-588	-12	-	-600
Transfer from Inventory	24,520	-	-	1,569	26,089
Cost at 31 December 2018	**41,453**	**58,039**	**1,327**	**1,921**	**102,740**
Accumulated depreciation and impairment losses					
Balance at 1 January 2018	-556	-13,008	-782	-	-14,346
Disposals	-	38	5	-	43
Depreciation	-907	-1,473	-110	-	-2,490
Accumulated dep/impairment at 31 December 2018	**-1,463**	**-14,443**	**-887**	**-**	**-16,793**
Carrying amount at 31 December 2018	**39,990**	**43,596**	**440**	**1,921**	**85,947**

Assets in operation 2017	Wind power generating assets	Solar power generating assets	Tools and equipment	Land and Buildings	Total
Cost					
Balance at 1 January 2017	4,888	58,101	836	-	63,825
Exchange rate adjustments	-6	-66	-	-	-72
Additions	-	277	203	-	480
Additions of the year (transferred from inventory)	-	-	-	352	352
Disposals	-17	-	-	-	-17
Transfer	-	118	-	-	118
Cost at 31 December 2017	**4,865**	**58,430**	**1,039**	**352**	**64,686**
Accumulated depreciation and impairment losses					
Balance at 1 January 2017	-362	-11,419	-724	-	-12,505
Depreciation	-194	-1,471	-58	-	-1,723
Transfer	-	-118	-	-	-118
Accumulated dep/impairment at 31 December 2017	**-556**	**-13,008**	**-782**	**-**	**-14,346**
Carrying amount at 31 December 2017	**4,309**	**45,422**	**257**	**352**	**50,340**

2.4 Inventories

Accounting policy

Inventories comprise energy farm projects under development and construction and as well as energy farms that have been developed for the purpose of sale and not for revenue generation from the sale of electricity production. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and estimated selling costs. Profit on the sale of energy farms is recognised as revenue. Changes in inventory write-downs are recognised in direct costs.

Borrowing costs and salaries directly attributable to the acquisition or construction of an energy farm that takes more than six months to be set for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest expenses and other expenses that the Group incurs in borrowing funds.

EUR '000

Inventories	2018	2017
Operating		
Solar farms for sale	2,631	-
Wind farms for sale	130,147	-
Under construction		
Solar farms for sale	-	38,313
Wind farms for sale	55,590	60,192
Under development		
Solar farms for sale	2,401	861
Wind farms for sale	11,424	2,431
Total inventory	**202,193**	**101,797**
Total solar farms	5,032	39,174
Total wind farms	197,161	62,623

	2018	2017
Change in inventory write-downs		
Inventory write-downs at 1 January	-8,901	-7,331
Transfer/reclassification	922	162
Write-down for the year, addition	-974	-3,541
Disposal of the year	861	-
Deconsolidated entities	165	-
Transferred to joint ventures and associates	-	1,809
Total inventory write-downs	**-7,927**	**-8,901**

	2018	2017
Amount of inventory recognised in profit or loss		
Disposals	-57,654	-126,625
Write-offs for the year	-83	-375
Transferred to joint ventures and associates	-	1,809
Write-downs for the year	-974	-3,541
Total	**-58,711**	**-128,732**

2.4 Inventories continued

The inventory is reviewed annually for the purpose of assessing any impairment. When an impairment test is performed, the percentage of completion of the project is assessed, including the risk of budget overruns, delays, etc. If the project is close to completion and commissioning and the risk of budget overruns is very limited, a WACC similar to that for other projects operating in the same country is applied, although at the high end of the range. Management has looked at the total portfolio of projects under development and diversified it into according to project maturity and the time elapsed since the project was started.

The impairment analysis for 2018 has led to an additional impairment of EUR 1.0 million (2017: EUR 3.5 million). Management finds the impairment to reflect the risk of the total portfolio comfortable.

As per 31st of December 2018 the Group had already signed sale and purchase agreements for energy parks with a total inventory value of EUR 67 million (2017: EUR 51 million). The sales have been realized in the first quarter of 2019.

EUR '000

Specification of movement on the inventory	2018	2017
Cost at 1 January	110,698	79,532
Additions for the year	259,113	158,680
Disposal of the year (transferred to PPE)	-26,089	-352
Disposal of the year (recognised as direct cost)	-57,654	-126,625
Deconsolidated entities	-74,943	-
Transfer/reclassification	-922	-162
Write offs of the year	-83	-375
Cost at 31 December	**210,120**	**110,698**
Write-downs at 1 January	-8,901	-7,331
Transfer/reclassification	922	162
Transferred to joint ventures and associates	-	1,809
Disposal of the year	861	-
Deconsolidated entities	165	-
Write-downs for the year	-974	-3,541
Write-downs at 31 December	**-7,927**	**-8,901**
Carrying amount at 31 December	**202,193**	**101,797**

2.5 Investments

Accounting policy

Equity-accounted investments comprise the Group's equity investments in associates and joint ventures. Equity investments in associates and joint ventures relate to investments in wind and solar energy farms and are part of the Group's core business.

An associate is an entity over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions but not control them.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have the right to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

To determine significant influence or joint control, Management considers factors similar to those necessary to determine control over subsidiaries. The most important considerations and judgements made by Management for classification purposes are described under critical choices and judgements in the accounting policies and critical accounting estimates. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or the joint venture since the acquisition date.

The consolidated statement of profit or loss reflects the Group's share of the results of the associate's or joint venture's operations. Any change in other comprehensive income of these investees is presented as part of the Group's other comprehensive income. In addition, when a change has been recognised directly in the equity of the associate or the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Associates and joint ventures with negative net asset values are offset in the loans to the related party to the extent possible, and if not, they are measured at nil. If the Group has a legal or constructive obligation to cover the negative balance of the associate or joint venture, and the negative balance cannot be offset in the shareholders' loans to the entity, the obligation is recognised as a liability.

The material associated companies and joint venture companies are shown below. The companies have been chosen according to their contribution to the current and future revenue of the Group.

EUR '000

Note	Results in equity-accounted investments	2018	2017
2.5.1	Results in joint venture	4,361	3,153
2.5.2	Results in associates	1,434	2,279
	Total	**5,795**	**5,432**
	Investments in equity-accounted investments		
2.5.1	Investments in joint venture	11,938	9,977
2.5.2	investments in associates	8,643	12,507
	Total	**20,581**	**22,484**

2.5.1 Investments in joint ventures

Disclosures about material joint ventures

The following is summarised financial information for each of the Group's joint ventures that are material to the Group and equity accounted. Companies not included below all account for less than 10% of total revenue or less than 10% of total asset value or less than 10% of total equity. The figures are corrected in respect of accounting policy differences.

Overall financial information for all joint ventures that are not individually material and are recognised according to the equity method:

EUR '000

	2018	2017
Cost at 1 January	7,741	7,701
Additions for the year	5	40
Disposal for the year	-74	-
Transfer	1,122	-
Cost at 31 December	**8,794**	**7,741**
Value adjustments at 1 January	57	-1,626
Share of profit for the year	4,361	3,153
Disposal for the year	117	-
Transfer	-350	-
Dividend and other value adjustments	-3,160	-1,470
Value adjustments at 31 December	**1,025**	**57**
Carrying amount at 31 December	**9,819**	**7,798**

Investments in joint ventures at 31 December	11,938	9,977
Set-off against receivables from joint ventures	-2,119	-2,179
Total	**9,819**	**7,798**

2.5.1 Investments in joint ventures Continued

	2018							2017			
	Nordic Power Partners P/S (Group)	NPP Brazil I K/S	NPP Brazil II K/S	Jammerland Bay Nearshore A/S	EEA Stormy A/S	EEA Renewables A/S	GWE Contractors K/S	Jammerland Bay Nearshore A/S	EEA Stormy A/S	EEA Renewables A/S	GWE Contractors K/S
	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark
Ownership %	51%	51%	51%	50%	50%	50%	50%	50%	50%	50%	50%
Comprehensive income statement											
Revenue	24,378	-	-	-	-	43,287	-	-	-	4,903	3,300
Depreciation	-18	-	-	-	-	-74	-	-	-	-228	-
Interest income	1,643	-	-	-	196	2	-	-	45	1	-
Interest expenses	-1,653	-5	-5	-	-1	-210	-	-	-5	-1,711	-
Income tax	-5	-	-	5	-41	-84	-	5	-3	-553	-
Profit for the year (continuing operations)	84	491	491	-19	2,027	4,072	250	-19	7,345	1,178	1,900
Total comprehensive income	**84**	**491**	**491**	**-19**	**2,027**	**4,072**	**250**	**-19**	**7,345**	**1,178**	**1,900**
The groups share of comprehensive income	**43**	**250**	**250**	**-10**	**1,014**	**2,036**	**125**	**-9**	**3,673**	**589**	**950**
Balance sheet											
Non-current assets	37,009	14,556	14,556	3,284	3,756	4,009	-	3,098	4,493	42,279	-
Current-assets	4,496	1,210	1,210	306	78	3,551	3,134	483	3,300	17,304	3,300
Non-current liabilities	40,694	14,034	14,034	-	-	1,966	-	-	-	37,197	-
Current liabilities	-1,024	1,712	1,712	41	519	448	984	14	3	21,312	1,400
Cash and cash equivalents	393	1,060	1,060	242	76	2,421	-	448	3,259	11,298	-
Non-current liabilities (excluding trade and other payables and provisions)	40,694	14,034	14,034	-	-	1,579	-	-	-	36,534	-
Equity	1,830	512	512	3,549	3,315	5,146	2,150	3,567	7,790	1,074	1,900
Carrying amount of interest in investee end of period	**933**	**261**	**261**	**1,774**	**1,658**	**2,573**	**1,075**	**1,783**	**3,895**	**537**	**950**
Contingent liability	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,400**	**-**

2.5.1 Investments in joint ventures continued

Overall financial information for all joint ventures that are not individually material and that are recognised according to the equity method:

Carrying amount of interest in joint ventures	2018	2017
The Group's share of:		
Profit/loss of material joint ventures	3,714	5,203
Profit/loss for the year of other joint ventures	647	-2,050
Total comprehensive income	**4,361**	**3,153**
Investments in joint ventures:		
Investments in material joint ventures	8,535	7,165
Other joint ventures	3,403	2,812
Total Investments in joint ventures	**11,938**	**9,977**

2.5.2 Investments in associates

EUR ´00

	2018	2017
Cost at 1 January	10,090	9,326
Additions for the year	618	-
Transferred to/from subsidiaries/other investment	-1,816	1,474
Disposal of year	-1,633	-710
Cost at 31 December	**7,259**	**10,090**
Value adjustments at 1 January	2,416	1,938
Share of profit for the year	1,434	2,279
Reversed value adjustments on disposals and transfers	-1,630	-
Dividend and other value adjustments	-1,146	-1,801
Value adjustments at 31 December	**1,074**	**2,416**
Carrying amount at 31 December	**8,333**	**12,506**
Investments in associates at 31 December	8,643	12,507
Set-off against receivables from associates	-310	-1
Total	**8,333**	**12,506**

2.5.2 Investments in associates continued

Disclosures about material associates

The following is summarised financial information for each of European Energy's associated investments that are material to the Group and equity accounted. Companies not included below are all below 10% of total revenue or less than 10% of total asset value or less than 10% of total equity. The figures are corrected in respect of differences in accounting policies.

Joint ventures and associated companies are financed with share capital and shareholder loans. The companies allocate funds to the owners through loan repayment, and, subsequently, dividends. Repayments and dividends are restricted to free cash and can only be paid out if the covenants for the project loans are not in breach.

There are no other restrictions regarding withdrawal of the companies' free cash.

EUR '000

	2018					
	Ottenhausen GmbH & Co.KG	Parco Eolico Carpinaccio Srl.	EWF Fünf Eins ApS & Co KG	Nøjsomheds Odde WTG 2-3 ApS	ESF Spanien 0424 GmbH	
	Germany	Italy				
Ownership %	39.4%	26.3%	25.0%	33.5%	20.8%	
Comprehensive income statement						
Revenue	2,313	2,392	703	958	1,433	
Depreciation	-924	-1,001	-289	-102	-342	
Profit for the year (continuing operations)	-322	626	150	477	297	
Total comprehensive income	**-322**	**626**	**150**	**477**	**297**	
The groups share of comprehensive income	**-127**	**165**	**38**	**160**	**62**	
Balance sheet						
Non-current assets	13,374	19,731	3,706	9,855	10,099	
Current-assets	2,684	1,830	967	236	1,035	
Non-current liabilities	8,368	8,676	579	7,986	4,851	
Current liabilities	600	2,687	391	2,898	2,387	
Equity	6,362	9,933	3,404	-925	3,205	
Carrying amount of interest in investee end of period	**2,508**	**2,610**	**851**	**-310**	**667**	
Contingent liability	-	-	-	-	-	

2.5.2 Investments in associates continued

EUR '000

	2017					
	Måde Wind Park ApS	Nøjsomheds Odde Wind Park ApS	Wriezener Höhe GmbH & Co. KG	Ottenhausen GmbH & Co.KG	Parco Eolico Carpinaccio Srl.	Windpark Unse-burg GmbH & Co.KG
	Denmark	Denmark	Germany	Germany	Italy	Germany
Ownership %	47.0%	33.5%	15.0%	34.3%	26.3%	20.0%
Comprehensive income statement						
Revenue	3,611	64	8,438	2,640	4,547	2,598
Depreciation	-1,118	-	-2,440	-924	-1,046	-968
Profit for the year (continuing operations)	1,924	81	1,866	431	1,348	573
Total comprehensive income	**1,924**	**81**	**1,866**	**431**	**1,348**	**573**
The groups share of comprehensive income	**904**	**27**	**280**	**148**	**354**	**115**
Balance sheet						
Non-current assets	31,000	35,623	31,073	14,234	20,732	13,391
Current-assets	1,220	1,615	6,307	2,073	4,194	2,140
Non-current liabilities	28,428	35,981	27,114	8,375	13,026	6,430
Current liabilities	31	259	1,471	1,845	2,593	1,946
Equity	3,755	84	8,795	6,087	9,307	7,154
Carrying amount of interest in investee end of period	**1,765**	**28**	**1,319**	**2,088**	**2,446**	**1,431**
Contingent liability	-	-	-	-	-	-

2.5.2 Investments in associates continued

Overall financial information for all associates that are not individually material and that are recognised according to the equity method:

Carrying amount of interest in associates	2018	2017
The Group's share of:		
Profit/loss for the year material investments	484	1,828
Profit/loss for the year of other associates	950	451
Total comprehensive income	**1,434**	**2,279**
Investments in associates:		
Investments in individually material associates	6,278	9,077
Other associates	2,365	3,430
Total Investments in associated	**8,643**	**12,507**

2.5.3 Material Non-Controlling Interest's (NCI's)

Financial information related to each of European Energy's subsidiaries that has material non-controlling interests: EUR '000

	2018					2017				
	Holmen II Vindkraft I/S	SO_P - Sprogø OWF K/S	Rødby Fjord Vindkraft Mølle 3 I/S	ESF A/S	Ejendoms-selskabet Kappel ApS	Nordic Power Partners P/S	Holmen II Vindkraft I/S	Coremas I Geracao de Ener-gia SPE LTDA.	Rødby Fjord Vindkraft Mølle 3 I/S	Ejendoms-selskabet Kappel ApS
	Denmark	Denmark	Brazil	Denmark	Denmark	Denmark	Denmark	Brazil	Denmark	Denmark
Ownership %	44.36%	55.25%	49.89%	20.09%	33.00%	49.00%	43.25%	30.00%	49.01%	33.00%
Comprehensive income statement (100%)										
Revenue	579	1,160	764	5,546	36	16,917	-	-	814	3,065
Depreciation and amortisation	-	-428	-168	-1,379	-	-20	-	-	-169	-
Interest income	-	-	1	165	238	115	-	1	-	100
Profit for the year (continuing operations)	482	265	465	-511	168	5,677	-	-23	493	2,447
NCI's share of profit for the year	214	146	232	-103	55	2,782	-	-7	242	808
Balance sheet										
Non-current assets	4,846	11,409	3,773	44,081	2,092	50,929	3,615	12,462	3,951	1,677
Current-assets	733	969	113	6,884	1,682	13,448	2,120	88	184	1,963
Non-current liabilities	-	7,590	29	23,600	1,170	32,674	-	274	29	1,176
Current liabilities	29	729	57	22,171	74	23,964	-	4,162	129	33
Equity (incl non-controlling interests)	5,550	4,059	3,800	5,194	2,529	7,739	5,735	8,115	3,978	2,431
Carrying amount of NCI	2,462	2,243	1,896	1,044	835	3,792	2,480	2,435	1,950	802
Contingent liability	**-**	**-**	**-**	**-**	**-**	**4,439**	**-**	**-**	**-**	**-**

In 2018, European Energy lost control of the subsidiary Nordic Power Partners as a consequence of a change in the management of the subsidiary. Therefore, the company was deconsolidated, and classified as a joint venture. The deconsolidation has no cash flow effect and is adjusted for in the consolidated statement of cash flow. At the date of loss of control, the carrying amount of Nordic Power Partners net assets (equity) was EUR 2 million. The Coremas I-III companies were also deconsolidated during the year and are part of the above mentioned adjustment in the consolidated statement of cash flow. The carrying amount of the Coremas I-III companies' net assets (equity) was EUR 28 million.

Material non-controlling interests	2018	2017
Material NCI specified above	8,479	11,459
Other NCI	3,118	4,228
Total non-controlling interests	**11,597**	**15,687**

2.6 Other investments in wind and solar farms

Accounting policy

Other investments comprise a range of non-controlling interests in wind and solar farms. The investments typically arise when a major stake in a SPV is sold to an investor, and an immaterial part of the shares is retained.

Under IFRS 9, Other investments are measured at fair value with value adjustments recognised in Profit/Loss (FVTPL) as other income. The classification is made as per 1 January 2018 with reference to IFRS 9 transition rules and is made retrospectively. The classification does not have any effect on financial figures previous years.

The fair value of Other investments is measured on the basis of level 3 within the fair value hierarchy.

The fair value is determined by discounting estimated future cash flows. The key assumptions comprise discount rate and expectations regarding future production and unit prices.

EUR '000

	2018	2017
Cost at 1 January	**3,597**	**3,666**
Additions for the year	1,264	218
Disposal of year	-317	-287
Cost at 31 December	**4,544**	**3,597**
Value adjustment at 1 January	1,363	-37
Value adjustments during the year, unrealised	857	1,400
Value adjustments at 31 December	**2,220**	**1,363**
Total Fair Value through Profit & Loss (FVTPL)	**6,764**	**4,960**
The investments relates to:		
Investments related to solar power generating assets	2	2
Investments related to wind power generating assets	6,762	4,958
Other investments at 31 December	**6,764**	**4,960**
Dividend received from other investments	48	31

2.7 Trade receivables, contract assets, prepayments and other receivables

Receivables are measured at amortised cost less expected credit losses. The new 'expected credit loss' model under IFRS 9 is described in more detail below.

Contract assets comprise the value of earn-outs measured based on contract terms agreed with the buyers of power plants. Given the nature of earn-outs, the consideration is based on estimates and thereby variable.

The measurement of variable consideration from sale of power plants is based on the most likely consideration that European Energy will be entitled to and where it is highly likely that a significant reversal will not be made in subsequent periods. The estimated value is discounted where relevant.

The Group's track record of actual received variable consideration generally shows positive subsequent adjustments. Earn-outs are described in more detail below.

Credit risk and expected credit loss

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations, and arises principally from the Group's trade receivables, contract assets and other receivables.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the default risk associated with the industry and country in which the customer operates.

The Group considers its credit risks as rather low, both with regard to its customers and with regard to the development of renewable energy projects.

There are two major groups of customers: off-takers for the electricity produced by the Group's wind and solar projects and buyers acquiring such projects from the Group. The first category mainly consists of public bodies or publicly regulated entities implementing public tariff schemes (such as grid operators). The second category mainly consists of financially sound entities, such as pension or investment funds. The structure of such transactions usually further mitigates the credit risk related to project sales, as assets are only transferred against the payment of the relevant purchase price on closing. No formal credit rating of customers is made.

The Group does not require collateral in respect of trade and other receivables.

With regard to credit risks associated with project development, projects are generally not carried out unless project financing is in place.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

The Group assesses the risk of loss mainly based on (but not limited to) external ratings, audited financial statements, management accounts and cash flow projections, geographic region, available press information and applying management's experienced credit judgement. The assessments take actual incurred historical data into consideration together with management's assessment of effect from the political situation in the region, e.g. political elections.

EUR '000

	2018	2017
Loans to business partner for the acquisitions of energy farms	1,437	13,250
Total interest-bearing receivable	**1,437**	**13,250**
Trade receivables and contract assets	13,448	14,687
Other receivables (non-interest bearing)	12,398	10,836
Total non-interest bearing receivable	**25,846**	**25,523**
Total receivables *	**27,283**	**38,773**
No impairment losses are recognised relating to doubtful receivables.		
Exposure:		
Receivables not due	26,889	38,619
Receivable past due, but not impaired:		
1-30 days	186	52
31-90 days	142	25
>90 days	66	77
Total Receivables	**27,283**	**38,773**

2.7 Trade receivables, contract assets, prepayments and other receivables - continued

The Group monitors changes in credit risk by following the political situation in the geographic regions where the Group is involved, tracking changed external ratings and reviewing updated financial information.
An impairment analysis is performed at each reporting date on an individual basis for major clients. Expected credit loss rates are based on actual credit loss experiences over the past three years.

Expected credit loss related to receivables that existed as per 1 January 2018 is not reassessed with reference to IFRS 9 transition rules. Only if there is a significant change in the credit risk a reassessment is made, and loss allowance at an amount equal to lifetime expected credit losses is accounted for.

Earn-out

When renewable energy projects are sold, some of the sale proceeds can be governed by an earn-out model. The Group generally only agrees to earn-out models that provide for an increase of the proceeds. Earn-out models link the sales proceeds to updated values of certain budgeted parameters, in most cases either the actual production data of the relevant project or the revenue generated by the project company.

At the end of 2018 a total of EUR 2.4 million (2017: EUR 3.6 million) of the receivables were part of an earn-out agreement. Of this EUR 1.6 million (2017: EUR 2.2 million) are due after more than one year. None of the amounts are due more than five years after the sale.

Receivables

* Out of EUR 27,283 thousand (2017: EUR 38,773 thousand) an amount of EUR 469 thousand (2017: EUR 759 thousand) is expected to be recovered more than 5 years after the balance sheet date.

Prepayments

Prepayments recognised as assets comprise primarily of prepaid expenses for wind mills and prepayments related to land lease agreements and are measured at cost.

EUR '000

Contract assets	2018	2017
Contract assets at 1 January	11,543	7,622
Movements during the year:		
Received during the year	-6,210	-1,702
Addition new contract assets	1,447	5,367
Other changes	402	256
Contract assets end of year	7,181	11,543
Non-current contract assets	4,131	5,153
Current contract assets	3,050	6,390
Total contract assets	**7,181**	**11,543**

EUR '000

Credit Loss	Loss (%)	Receivables	Total
Receivables not due	0.0%	26,889	26,889
Receivable past due:			-
1-30 days	0.0%	186	186
31-90 days	0.0%	142	142
>90 days	0.0%	66	66
Total receivables		**27,283**	**27,283**

2.8 Provisions

Accounting policy

Provisions are recognised when, as a result of past events, the Company has a legal or a constructive obligation, and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions are determined by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a financial cost.

Share purchase earn-out

The provisions relate to share purchase earn-out. The parent company acquired a stake of approx. 50% in a company in 2009. The earn-out amount is still subject to negotiations with the seller. Management has no reason to believe that the final payment will exceed the provision.

Demolition costs liabilities

The provision relates to expected demolition costs to dismantle and remove wind and solar farms. These provisions are recognised when the Company has a legal and constructive obligation at the date of the statement of financial position and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions that are expected to be settled more than year from the date of the statement of financial position are measured at net realisable value. The value of the dismantling costs is recognised in the value of non-current assets and is depreciated together with the relevant assets. The financial statements include a provision for future costs arising from the demolition costs and removal of wind and solar farms. Based upon Management's expectations for the maturity of the provisions, the provision is recognised as a non-current liability.

EUR '000

	2018	2017
Provision at 1 January	**2,062**	**2,531**
Additions	3,050	656
Disposals	-61	-1,125
Provisions end of year	**5,051**	**2,062**
Part of current liabilities	1,985	1,264
Non-current liabilities		
Demolition costs included in provision at 1 January	**798**	**557**
Addition/disposal during the year	2,268	241
Provisions end of year	**3,066**	**798**

2.9 Change in working capital

The overall changes in working capital were EUR -172.1 million in 2018, and EUR -32.6 million in 2017.

In 2018 the most significant change in working capital was related to negative changes in inventories with - EUR 201.8 million (2017: - EUR 29.6 million).

EUR '000

	2018	2017
Trade receivables and contract assets	1,239	2,410
Other receivables	9,395	-10,007
Inventories	-201,768	-29,596
Prepayments from goods and services	-10,511	1,443
Trade payables	17,334	1,149
Contract liabilities	5,960	-
Other payables	6,245	2,019
Total change in working capital	**-172,106**	**-32,582**

3.1 Financial income and expenses

Accounting policy

Financial income and expenses comprise interest income and expense, gains and losses on other investments, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Capitalised interests on inventories are calculated at a rate of 3-8%.

The interest is a weighted share of the EUR 85 million (2017: EUR 60 million) bond loan, and the equity used for financing of the inventories.

EUR '000

Finance income	2018	2017
Interest income, on financial assets measured at amortised costs	3,175	2,256
Other financial income	1	32
Dividends	165	31
Currency gains realised	425	590
Currency gains unrealised	141	194
Financial income	**3,907**	**3,103**

Finance expenses	2018	2017
Interest on bonds	5,733	4,202
Finance expenses from financial liabilities measured at amortised costs	4,113	2,895
Financial expenses that have been capitalised on inventories	-2,219	-987
Amortisation of debt issue costs	531	571
Other financial expenses	482	1,321
Currency losses realised	129	1,326
Currency losses unrealised	331	437
Financial expenses	**9,100**	**9,765**

3.2 Capital management

European Energy has a bond loan of EUR 85 million. The Bond loan has 3 covenants related to a minimum equity of EUR 40m, the Groups total assets not to fall below EUR 115m and the Groups total cash at least as a minimum equals to an amount of interest payable for three consecutive interest periods by reference to the interest payable in the latest interest period.

The Group and the parent company consider the combined equity as capital. The parent company, European Energy A/S, is financed primarily through the bond market in Denmark. The company's policy is to maintain a strong capital base that enables it to maintain investors and other creditors. European Energy A/S may not pay out dividends until the EUR 85 million in bonds is repaid.

The Group and the parent company are generally not governed by any external requirements concerning the capital, except concerning minimum paid in share capital according to the rules for limited companies under Danish jurisdiction. At the end of 2018 the free cash in the Group was EUR 50.7 million (2017: EUR 42.1 million). The Management and the Board of Directors evaluate that the Group has sufficient available cash to meet the Group's short-term liabilities.

3.3 Financial risks and financial instruments

Accounting policy

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At initial recognition, financial assets are stated at amortised cost, fair value through profit/loss or at fair value through other comprehensive income (hedging instruments).

Financial assets held to collect are initially recognised at amortised costs. The Group's financial assets held to collect include cash and cash equivalents, trade receivables and contract assets, loans and other receivables.

Other investments are measured at fair value with value adjustments recognised in profit/loss. Other investments comprise non-controlling interests.

At initial recognition, financial liabilities are stated at amortised costs. Financial liabilities, except derivatives, are initially recognised at amortised costs and net of directly attributable transaction costs. In subsequent periods, any difference between cost and redemption value is recognised in the consolidated statement of profit or loss over the term of the loan by means of the effective interest method (EIR).

Gains and losses are recognised in profit/loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is stated by taking into account any discount or premium on acquisition and fees or costs integral to the EIR. EIR amortisation is recognised as finance costs in the consolidated statement of profit or loss.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

DERIVATIVES AND HEDGE ACCOUNTING

Derivative financial instruments are measured at fair value. Derivative financial instruments are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

An economic relationship between the hedged item and the hedging instrument exists when it is expected that the values of the hedged item and hedging instrument will typically move in opposite directions in response to movements in the same risk (hedged risk).

Effectiveness is monitored by comparing the change in the value of the future flow hedged to the change in the value of the derivative.

Changes in the fair value of derivative financial instruments designated as a hedge of a recognised asset or liability are recognised in other comprehensive income.

Changes in the fair value of derivative financial instruments that are not designated as a hedge are recognised as finance income or finance costs in the consolidated statement of profit or loss.

The effective portion of the change in fair value of derivative financial instruments, accounted for as hedging of projected future transactions is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any amounts deferred in equity are transferred to the consolidated statement of profit of loss in the period when the hedged item affects the consolidated statement of profit or loss. Any ineffective portion of the fair value change is recognised immediately in the consolidated statement of profit or loss as finance costs. If the hedging instrument expires, is sold or revoked, any cumulative gain or loss previously recognised in other comprehensive income remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Changes in fair value of derivative financial instruments that do not meet the criteria for hedge accounting are recognised as finance income or finance costs in the consolidated statement of profit or loss.

The Group’s risk policy is described in more detail in note 3.3.1 to 3.3.4.

3.3.1 Financial risk management

The Group's objectives and policies are unchanged from last year.

The main purpose of the Groups financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group also enters into derivative transactions.

The Group is exposed to market risk, credit risk, liquidity risk and political risks that affect its earnings. Group management oversees the management of these risks, including overseeing that the Group's financial risk activities are governed by the policies and procedures outlined by Management and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarised below.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

Credit risks are described in Note 2.7.

3.3.2 Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of variations in foreign currency rates.

The Group is exposed to currency risk to the extent that transactions are denominated in a currency other than the functional currency. Except for the parent company, all foreign entities' transactions are generally denominated in local currency which is also the foreign entities' functional currency. Consequently, the Group is only exposed insignificantly to foreign currency risks.

The Group's risk policy is to hedge up to 75% of foreign currency exposure in respect of forecast sales and purchase orders of substantial value. The hedge rate in % is determined based on (i) EUR zone and countries that have a fixed rate policy against EUR, (ii) other advanced economies and (iii) growth and developing economies. The Group uses forward exchange contracts to hedge currency risks, most with a maturity of less than one year.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. An economic relationship exists when the value of the hedged item and hedging instrument typically will move in opposite directions in response to movements in currency rate fluctuations.

Main sources of ineffectiveness in these hedge relationships are (i) changes in the timing of the hedged transactions and (ii) there is no effective market for pricing the derivative.

The Group is exposed to translation risk from translating the results and financial position of foreign entities into the Group's presentation currency. Currency rate adjustments related to the translation into the Group's presentation currency are recognised in other comprehensive income.

The Group's foreign entities are exposed to currency risk to the extent that income and costs are not settled in the functional currency of the individual entity. The foreign entities are primarily exposed to fluctuations in GBP, SEK and BRL compared to EUR.

The table shows currency exposure to each currency as at the balance sheet date based on the functional currencies of the individual Group companies.

A corresponding reduction in the cross rate would have an equivalent opposite effect on profit before tax and equity. The sensitivity analysis was prepared at the balance sheet date on the basis of the exposure to the listed currencies at the balance sheet date including hedges, without taking into account potential effects on interest rate levels, effect on other currencies, etc.

EUR '000

2018 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	718	3,367	-380
SEK/EUR	726	3,225	-5,109
BRL/EUR	302	373	-758

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	1%	37	29
SEK/EUR	1%	-12	-9
BRL/EUR	1%	-1	-1

2017 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	5	3,958	-20
USD/EUR	-	1,341	-
SEK/EUR	70	4	-353
BRL/EUR	140	54	-23,989

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	1%	39	32
USD/EUR	1%	13	10
SEK/EUR	1%	-3	-2
BRL/EUR	1%	-238	-186

3.3.2 Foreign currency risks - continued

2018 Forward currency exchange contracts	Total
Nominal value EUR	14,500
Average hedged rate	4.5 BRL/1 EUR
Maturity less than 1 year	14,500
Maturity 1-5 years	-
Maturity more than 5 years	-
Fair value liability, included in Other payables	90
Change in fair value recognised in OCI	90
Change in fair value recognised in profit/loss	-

European Energy A/S has hedged currency risk related to Brazilian investments in joint ventures.

3.3.3 Liquidity risk

The Group's objective is to maintain a balance between funding continuity and flexibility through the use of bank overdrafts, bank loans and bonds issue. The Management assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

The Group is primarily financed through an unsecured bond with a floating rate and a final maturity date in May 2021. The bond has an amount of EUR 85 million and is listed at NASDAQ, Copenhagen. It currently trades slightly above par value.

The Group finances a large part of its activities through non-recourse financing with financial institutions. Typically, the loans are serial loans with a fixed interest rate for the first 10 years of the financing period. The loans are governed by covenants that the Group closely monitors to ensure compliance with the loan agreements.

The maturity profiles of bond loans, project financing and credit facilities as well as derivatives are provided in the table.

The Group monitors its risk of a shortage of funds by means of a liquidity planning tool.

EUR '000

2018	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	99,280	5,950	93,330	-	-
Project financing	230,684	61,179	97,992	16,922	54,591
Interest rate swap	3,739	284	509	421	2,526

The maturity profiles are based on undiscounted cash flows including estimated interest payments.

2017	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	81,981	11,901	8,400	61,680	-
Project financing	106,729	42,682	11,684	35,237	17,126
Interest rate swap	525	103	173	128	122

The maturity profiles are based on undiscounted cash flows including estimated interest payments.

Development in financing activities in 2018	Non-current financing activities	Current financing activities	In total
Liabilities from financing activities at 1 January 2018	112,234	45,963	158,197
Proceeds from issue of bonds	25,107	-	25,107
Repayment of bonds	-	-7,600	-7,600
Proceeds from borrowings	173,846	17,748	191,594
Borrowings in disposed subsidiaries	-46,459	-	-46,459
Deconsolidated entities	-19,761	-	-19,761
Repayment of borrowings	-3,270	-	-3,270
Subtotal	241,697	56,111	297,808
Non-cash changes in financing liabilities	-361	-	-361
Liabilities from financing activities at 31 December 2018	241,336	56,111	297,447

Development in financing activities in 2017			In total
Liabilities from financing activities at 1 January 2017	100,200	23,326	123,526
Proceeds from issue of bonds	58,785	-	58,785
Repayment of bonds	-45,000	-	-45,000
Proceeds from borrowings	103,337	22,637	125,974
Borrowings in disposed subsidiaries	-85,546	-	-85,546
Repayment of borrowings	-19,981	-	-19,981
Subtotal	111,795	45,963	157,758
Non-cash changes in financing liabilities	439	-	439
Liabilities from financing activities at 31 December 2017	112,234	45,963	158,197

3.3.4 Interest rate risks

Interest rate risk is the risk that interest rates increase which may harm the profitability of individual projects because most of the project sum is debt-funded. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group's risk policy is to ensure that at least 75% of long-term project financing is at a fixed interest rate and at least 75% of short-term bridge financing is at floating rates. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange at specified intervals, the difference between fixed and variable rate interest amounts calculated with reference to an agreed-upon notional principal amount.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, repricing dates, maturities and the notional amounts. An economic relationship exists when changes in fair value of the hedging instrument will move in opposite directions in response to movements in cash flows of the hedged item due to movements in interest rate fluctuations.

Main sources of ineffectiveness in these hedge relationships are (i) differences in repricing dates between the swaps and the borrowings and (ii) there is no effective market for pricing the derivative. The Group do not have any new sources of hedge ineffectiveness in hedging relationships.

Bond loans

In 2017, the Group issued its own bond series with a total nominal value of EUR 60 million. The issued bonds carry variable interest based upon a fixed spread and a variable part related to the Euribor. The bonds have a four-year lifecycle and are traded on Nasdaq, Copenhagen. In March 2018 the Group increased the outstanding 03/2018 EUR 60 million loan with a tap of EUR 25 million. The proceeds are used to help fuel further growth and support European Energy's construction and development pipeline and for general corporate purposes. The subsequent bonds have been listed on Nasdaq Copenhagen A/S.

Other loans and credit facilities

Other loans and credit facilities consist of project financing in different credit institutions.

Sensitivity analysis

An interest increase of 1% would have the following impact on the results for the year and the equity:

EUR '000

	2018		2017	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Bonds	-587	-457	-434	-339
Project financing	-2,138	-1,667	-917	-715
Interest rate swap	-	2,143	-	263

The impact on equity is net of tax 22% in Denmark.
The interest rate swaps will be affected by a general interest rate increase. The impact on equity is the estimated value decrease on the swap value.

Interest rate swaps in European Energy at Level 2	2018	2017
Nominal value	43,032	4,885
Maturity less than 1 year	7,104	-
Maturity 1-5 years	-	876
Maturity more than 5 years	35,928	-
Fair value liability, included in Project financing	1,779	876
Change in fair value recognised in OCI	-903	230
Change in fair value recognised in profit/loss	-	-

3.3.5 Political risks

The Company's investment calculations are based on the laws and settlement terms applying at the time the individual investment decision is made. Political decisions that lead to a change in preconditions could impact the profitability of the individual investment. This is the case with the solar farms in Spain where projects are subsidised by way of guaranteed tariffs for the life span of the project. In 2017 and 2018, European Energy entered the Brazilian market, with the purpose of developing solar farms to be subsidised by way of guaranteed tariffs for the first 20 years of the project.

3.4 Financial instruments by category

IFRS 9 - FINANCIAL INSTRUMENTS

The new IFRS 9 standard introduces new requirements for the classification, recognition and measurement of financial assets and liabilities. The new model will not drive significant changes for the Group. Furthermore, the standard introduces a new expected credit loss model for calculating impairment on financial assets.

The new hedge accounting model has been introduced which will align the way that the Group undertakes risk management activities with the hedge accounting qualification criteria. The changed hedge-accounting model has not had significant impact on the consolidated financial statements.

EUR '000

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at FVTPL	6,764	6,764	4,960	4,960
Loans and receivables	60,462	60,462	56,724	56,724
Financial liabilities measured at amortised cost	298,826	300,101	165,266	167,066
Trade payables	9,987	9,987	16,062	16,062

3.5 Determination of fair value

The Group uses fair value for certain disclosures and measurement of financial instruments and other investments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, presuming that they are acting in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, thus maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, described as follows, on the basis of the lowest level input that is significant to the fair value measurement as a whole.

Level 1

Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2

Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3

Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of interest rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Fair value of the issued bonds is equal to the listed bond price at the balance sheet date.

4.1 Tax

Accounting policy

INCOME TAX

Tax expense for the year includes current and deferred tax. Tax is recognised in the consolidated statement of profit or loss, except when the tax relates to items recognised in other comprehensive income or directly in equity, in which case the tax is recognised in other comprehensive income or directly in equity, respectively.

CURRENT INCOME TAX

The parent company and its Danish subsidiaries are subject to the Danish rules on joint taxation.

Current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. Companies with tax loss carry forwards receive joint taxation contributions from companies that have used these losses to reduce their own taxable profits (full absorption). Current tax assets and tax liabilities arising from current or prior periods are recognised at the amounts expected to be received from or paid to the relevant tax authority.

The tax rates applied are those in force at the date of statement of financial position.

DEFERRED TAX

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised to the extent that future taxable income is likely to be available against which the differences can be used – either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax assets are examined at each reporting date and are recognised only to the extent that future taxable profits are likely to allow the re-cover of the deferred tax asset.

Deferred tax assets and deferred tax liabilities are measured at the tax rates expected to apply in the year when the asset is realised or the liability is settled on the basis of the tax rates (and tax legislation) in force at the date of the statement of financial position. Deferred tax assets and deferred tax liabilities are set off if a legal right to do so exists, and the deferred tax is attributable to the same legal tax entity.

EUR ´000

Consolidated statement of profit or loss		
Current income tax	**2018**	**2017**
Current income tax charge	1,691	3,314
Adjustments previous years' foreign tax	120	71
Total current income tax for the year	**1,811**	**3,385**
Deferred tax		
Relating to origination and reversal of temporary differences	1,592	1,215
Total adjustments to deferred tax during the year	**1,592**	**1,215**
Income tax expense recognised in the statement of profit or loss	3,403	4,600
Effective tax rate	13%	18%
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year	-276	59
Deferred tax charged to other comprehensive income	-276	59
Tax on other comprehensive income		
Tax on adjustments of hedging instruments with local tax rate	-276	59
Total	**-276**	**59**
Tax rate used	25%	25%
The hedging instruments are SWAP agreements regarding loans to operating projects and Non Deliverable Forwards (NDF's) regarding hedging of currency risks.		

4.1 Tax continued

Effective tax rate for the Group:
The Group does business in many different countries around the world. The tax rates are influenced on the blend of income in each year. In 2018 the effective tax rate decreased compared to 2017, this relates primarily to high taxation for the sales of 3 Brazilian solar projects in 2017, and the reversal of impairments of deferred tax assets in 2018 related to Danish brought forward tax losses.

The recognition of deferred tax assets is based on an analysis of future income in the next three to five years. The analysis is based on an expectation of steady development and, in general, reasonable assumptions.

Deferred tax assets are substantially attributable to tax losses carried forward.

Deferred tax liabilities are substantially attributable to temporary differences on wind and solar power generating assets.

The Group is taxed not only through its companies but also through the many tax-transparent vehicles that are either recognised as joint ventures, associates or other investments.

EUR ´000

Deferred tax specification	2018	2017
Deferred tax start of period	-625	-1,313
Deferred tax for the year recognised in the income statement	1,592	1,215
Deferred tax for the year recognised in other comprehensive income	-276	59
Adjustment relating to the disposal/purchase of equity-accounted investments	550	-747
Other equity regulations / Joint taxation	161	161
Deferred tax end of period	**1,402**	**-625**
Deferred tax is recognised as follows:		
Deferred tax assets	-1,584	-2,826
Deferred tax liability	2,986	2,201
Total recognised deferred tax in the balance	**1,402**	**-625**
Deferred tax assets not recognised in the balance sheet:		
Total value of temporary differences and tax losses	-1,096	-2,826
Net Deferred Tax Assets recognised in the balance sheet	1,402	2,201
Deferred tax assets not recognised in the balance sheet	**306**	**-625**

Split of various temporary differences recognised in the balance sheet		
Tax loss carried forward	-12,488	-10,593
Differences of plant & equipment	14,868	10,230
Dismantling provisions	20	45
Differences related to other assets or liabilities	-998	-307
Total	**1,402**	**-625**

4.2 Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other costs regarding the employees, including members of the Executive Board and the Board of Directors. Bonus agreements for key Management personnel are included in the total remuneration and depend on the profit for the period.

EUR '000

	2018	2017
Wages, salaries and remuneration	11,233	9,061
Share-based compensation	197	-
Contributions to defined contribution plans	35	50
Other social security costs	101	86
Other staff costs	554	418
Capitalised salaries on inventories	-7,091	-2,645
Total	**5,030**	**6,970**
Average number of full-time employees	95	74
Number of full-time employees end of period	96	77

Management Remuneration:

EUR '000

2018	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	31	-	-	-	-	31
Executive board	194	414	16	-	-	624
Other key management personnel	1,246	1,181	82	5	-	2,514

2017	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	32	-	-	-	-	32
Executive board	179	175	-	-	-	354
Other key management personnel	1,128	936	-	16	-	2,080

4.2.1 Share-based payment

Accounting policy

The parent company has granted warrants to management, board members and individual selected staff members based on years of employment and profession. The incentive scheme is based on issuance of warrants that give the right to apply for new shares in European Energy in the future. The group applies IFRS 2, according to which the fair value of the warrants at grant date is recognized as an expense in the income statement over the vesting period. Subsequently, the fair value is not re-measured. Such compensation expenses represent calculated values of warrants granted and do not represent actual cash expenditures. A corresponding amount is recognized in shareholders' equity as the warrant program is designated as equity-settled share-based payment transaction.

Valuation assumptions for warrants granted

Based on a weighted average fair value per warrant of DKK 0.89 the total fair value of warrants granted in 2018 amounted to EUR 0.3M, of which EUR 0.2M is recognized in the income statement at 31 December 2018.

The fair value of warrants granted is calculated using the Binomial model with the following assumptions at the time of grant:

Year of grant	2018
Estimated Share price	DKK 3.20
Volatility, based on two years historical volatility for the peer group *)	28.8 %
Risk free rate, based on Danish government bonds	0.5 %
Vesting schedule	36 months
Exercise price	DKK 3.10 increased with 5 % per year beginning on 1 January 2019
Exercise periods, two annual exercise periods following the publication of (i) the annual report and (ii) the six-month interim report	May 2018 - May 2028
Expected dividends **)	-
Expected life of warrants	Up to 10 years
Fair value per warrant on grant date	DKK 0.89

*) Peer Group: Athena Investments A/S, Global EcoPower Société Anonyme, EDP Renováveis, S.A., Terna Energy Societe Anonyme Commercial Technical Company S.A., Falck Renewables S.p.A., Voltalia SA, Eolus Vind AB, Audax Renovables, S.A., Arise AB (publ), Energiekontor AG, PNE Wind AG, Scatec Solar ASA, Photon Energy N.V., Alerion Clean Power S.p.A., Encavis AG.

**) Due to the covenants of the EUR 85 million bond loan dividends cannot be paid out until the bond is repaid in 05/2021

4.2.1 Share-based payment continued

Warrant Program

The warrant program runs up to 5 years, and the total number of shares in the program equals up to 5 % of the company share capital or DKK 15M (EUR 2M). The scheme is based on issuance of warrants that give the right to apply for new shares in European Energy in the future.

Subscription for new shares by exercise of issued warrants must be made by paying cash contribution to European Energy A/S. Vested warrants may be exercised in two annual exercise periods that run for 21 days from and including the day after the publication of (i) the annual report and (ii) the six-month interim report.

In case more than 50% of the share capital in European Energy is sold (not subscribed or issued) or is part of a share swap European Energy may choose one of the following possibilities:

— The warrant holder may exercise all non-exercised warrants (inclusive of warrants not yet vested).
— Share instruments in the acquiring company of a corresponding value shall replace the issued warrants.
— All warrants continue unchanged.

For 2018, the starting year for the program, the board has approved the first issuance of warrants up to a total of 1% of the shares equal to 3M shares.

Weighted Average Remaining contractual life for outstanding warrants at year-end is 9 years.

For exercised warrants in 2018 the weighted average share price during the period amounted to DKK 3.10.
Outstanding warrants at the end of 2018 may be exercised at a price that increase by 5% per year, i.e. at the range of DKK 3.26 – 4.65.

The warrant activity in 2018 is outlined below:

	Number of warrants held by						
2018	Board of directors	Executive board	Other key management personnel	Other employees	Former employees	Total Outstanding Warrants	Weighted Average Exercise Price DKK
Outstanding warrants at 1 January	-	-	-	-	-	-	-
Granted	-	200,000	1,000,000	1,128,100	270,000	2,598,100	3.31
Exercised	-	-	-	-35,746	-4,444	-40,190	3.10
Cancelled	-	-	-	-	-200,555	-58,333	3.10
Outstanding warrants at 31 December	-	200,000	1,000,000	1,092,354	65,001	2,499,577	3.35
Exercisable at year end	-	66,667	333,333	340,287	65,001	805,288	3.26

4.3 Audit fees

Other external costs include the total fees paid to the auditors appointed at the Annual General Meeting for auditing the financial statements for the financial year under review and for services rendered.

EUR'000

	2018	2017
Statutory audit	227	277
Tax advice	5	22
Other non-audit services*	97	173
Total to the auditors appointed by the Annual General Meeting	**329**	**472**

*Other non-audit services are primarily related to assistance concerning the adoption of the two new IFRS standards, IFRS 9 and IFRS 16 and other assistance related to existing IFRS standards.

4.4 Leases

Accounting policy

Leases that substantially transfer all risks and rewards incidental to ownership of the asset to the Group are finance leases. All other leases are operating leases. Lease payments under operating leases are recognised in the income statement as an expense on a straight-line basis over the term of the lease. The Group has only leases classified as operating leases.

Operating leases have been recognised in the income statement for 2018 at the amount of EUR 925 thousand (2017: 676 thousand), with contingent rents constituting EUR 306 thousand (2017: EUR 367 thousand). The rental contract related to buildings has to be extended and renegotiated in 2020. The terms for land lease contracts are typically 25 years and have to be extended 6 months before the original lease ends.

EUR '000

	2018	2017
0-1 year	893	567
1-5 years	1,646	1,301
After 5 years	3,693	3,936
Total land and buildings	**6,232**	**5,804**

4.5 Related parties

Ownership

The shareholder Knud Erik Andersen has the controlling interest of the company through European Energy Holding A/S, Gyngemose Parkvej 50, 2860 Søborg. MDP Invest ApS and JPZ Assistance ApS are classified as related parties with significant influence on the company. The Group is included in the consolidated financial statements of European Energy Holding ApS.

Related parties include subsidiaries, Joint Ventures and associates in which European Energy has controlling or significant interest as well as the Executive Board, other key management, the Board of Directors and companies owned by these.

The loans to subsidiaries and other related parties have no specific repayment terms. The loans are established as a part of the financing of wind and solar farms, and will typically be repaid when a project is sold. In 2018 provision for impairment is made in relation to projects in Mexico and Poland.

Except as set out above, no transactions were made during the period with members of the Board of Directors, the Management Board or any other related parties. Reference is made to note 4.10 for an overview of the Group's joint ventures and associates. Remuneration to the Board of Directors and Management is disclosed in note 4.2. Related party transactions are made on arm's length terms.

EUR '000

Related party transactions	Group 2018	Group 2017
Sale of services to Joint Ventures	328	3,511
Sale of services to Associates	748	1,807
Sale of services to Owners	9,055	7,339
Cost of services from Joint Ventures	-489	-1,400
Cost of services from Owners	-	-1,817
Interest, income from Joint Ventures	1,467	344
Interest, income from Associates	208	266
Interest, income from Owners	541	726
Interest, expenses to Joint Ventures	-89	-
Loans to related parties		
Loans to European Energy Holding ApS	6,478	6,910
Loans to Associates and Joint Ventures	29,706	12,788
Loans to related parties at 31 December	36,184	19,698
Provision for impairment at 1 January	-1,747	-
Provision for impairment for the year	-1,258	-1,747
Provision for impairment at 31 December	**-3,005**	**-1,747**
Carrying amount at 31 December	**33,179**	**17,951**
Loans from related parties		
Loans from Associates and Joint Ventures	**481**	**4,848**

4.5 Related parties continued

Share of ownership to related parties

The table below shows the share of ownership for Executive Board members and key personnel in companies within the European Energy Group structure. Ownership is either directly by the person, or through a holding company. The companies listed could have additional subsidiaries, joint ventures, associated companies or other investments as investments. These indirect ownerships are not listed.

EUR '000

2018	Knud Erik Andersen	Mikael Dystrup Pedersen	Jens-Peter Zink	Thomas Hvalsø Hansen
European Energy A/S	76.0%	14.0%	10.0%	0.0%
European Solar Farms A/S	13.9%	1.1%	4.9%	0.0%
EEAR Olleria II ApS	0.0%	0.0%	0.0%	10.0%
Komplementarselskabet Heidelberg ApS	35.5%	0.0%	15.0%	0.0%
Driftsselskabet Heidelberg ApS	35.5%	0.0%	15.0%	0.0%
Vindpark Straldja ApS	30.0%	0.0%	20.0%	0.0%
European Wind Farms Invest No.2 A/S	10.5%	0.0%	0.0%	0.0%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%
K/S Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%

2017	Knud Erik Andersen	Mikael Dystrup Pedersen	Jens-Peter Zink	Thomas Hvalsø Hansen
European Energy A/S	76.0%	14.0%	10.0%	0.0%
European Solar Farms A/S	13.9%	1.1%	4.9%	0.0%
EEAR Olleria II ApS	0.0%	0.0%	0.0%	10.0%
Komplementarselskabet Heidelberg ApS	35.5%	0.0%	15.0%	0.0%
Driftsselskabet Heidelberg ApS	35.5%	0.0%	15.0%	0.0%
Vindpark Straldja ApS	30.0%	0.0%	20.0%	0.0%
European Wind Farms Invest No.2 A/S	5.7%	0.0%	0.0%	0.0%
European Solar Farms Polska Sp. Z.o.o.	1.0%	0.0%	0.0%	0.0%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%
K/S Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%
GWE Stormy ApS	0.0%	0.0%	0.0%	86.1%

4.6 Contingent liabilities and assets

Accounting policy

Contingent liabilities comprise obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the entity; or present obligations that arise from past events but are not recognised because the outflow of resources embodying economic benefits will probably not be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities

PENDING LAWSUITS

The Group is a party in minor pending lawsuits regarding the Group's current operations. In Management's opinion, the outcome of these lawsuits will not affect the Group's financial position to any significant extent other than that already recognised in the assets and liabilities in the Group's balance sheet at the end of the period.

GUARANTEES, WARRANTIES AND OTHER LIABILITIES RELATED TO DIVESTMENTS

When selling directly owned subsidiaries, the company provides customary warranties and guarantees to the purchaser, including warranties and guarantees related to the corporate status of the subsidiary, taxes, environmental matters, rights and permits of the project concerned etc. The warranties and guarantees are often provided for a period of two to five years. Furthermore, the company has in some instances provided similar customary warranties and guarantees in favour of the purchaser when indirect subsidiaries have been sold. In these cases, the warranties and guarantees are provided in addition to similar warranties and guarantees provided by the selling subsidiary itself.

In some cases, in addition to customary warranties and guarantees the company may also provide a buyer with specific indemnities that relate to specific issues that cannot be resolved until the sale is completed. This could, for instance, be related to the company's ensuring that certain project-related contracts are amended.

Guarantees, warranties and specific indemnities are only included with an amount below to the extent they relate to circumstances that the company either cannot control or is unaware of or where the company knows that an obligation exists, but its amount is unknown (for instance, an indemnity related to a reduction in a wind farm's production in those cases where a reduction is certain to occur, but the exact size is uncertain).

European Energy A/S has in 2017 entered a contract obligating the company for a 15-year period to deliver green certificates and guarantee the counterparty's fixed price for buying electricity (financial instrument). Necessary permits for building the associated renewable energy plants have not been received and could delay and breach European Energy A/S performance obligations. Given the uncertainty linked with the outstanding permits execution of the financial instrument is uncertain and has not been recognized in the consolidated financial statements as at 31 December 2018. The Company has provided the counterparty with guarantees of EUR 2.1 million in cover of the Company's performance obligations.

Earn-outs included in sales agreements that relate, e.g., to the performance of a park are not treated as contingent liabilities but affect the valuation of the corresponding receivables; see note 2.7.

PLEDGES AND GUARANTEES RELATED TO FINANCING AGREEMENTS

The company has provided security (in the form of parent company guarantees and share pledges) in order to secure certain subsidiaries' financial obligations towards third parties during the construction of facilities related to renewable energy projects. Additionally, the company has also guaranteed other loans obtained by certain subsidiaries to the extent permitted by the terms and conditions governing the bonds issued by the company.

A number of the company's subsidiaries that act as project vehicles (i.e., subsidiaries in which the development and construction of wind farms and PV plants take place) have provided security to their lenders in order to secure their debt. The securities typically encompass all assets of the company itself, including pledges regarding the operating assets; reserve accounts; trade receivables, including insurance pay-outs; VAT receivables; real estate, if any; and right of subrogation into agreements covering the project construction and operation, including agreements regarding land leases, cable rights and grid connection. In some cases, the security provided may be less inclusive and only cover a specific asset or asset class.

CONTRACTUAL OBLIGATIONS

The parent company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and unlimited liability for Danish corporation taxes, etc. The corporation tax payable by the parent company is EUR x million in 2018 (2017: EUR 1 million).

Contingent assets

A number of Group companies that own solar photovoltaic plants in Spain have dispatched a notice to the Spanish government under Article 26 of the Energy Charter Treaty, requesting that the government settle an alleged breach amicably. Should the dispute amicably, the Group companies may submit the dispute for resolution in accordance with the Energy Charter Treaty. The size of the claims has not been ultimately established but will likely be in the range of EUR 40-60 million. However, if the companies are successful, the anticipated financial impact on the Group will be less than the aggregate size of the claims, as the costs associated with arguing the case are substantial, possibly as much as 30-40% of the damages awarded. The notice to the Kingdom of Spain regarding the Group's lost revenue due to retroactive changes in the legislative system for solar PV is not recognised as an asset in the balance sheet at the end of the period.

4.6 Contingent liabilities and assets continued

Contingent liabilities and other financial liabilities

EUR million	2018	2017
Guarantees related to contracts with deferred payments (excl. VAT)	7	86
Guarantees related to financing agreements	15	24
Guarantees, warranties and other liabilities related to SPA's	6	3
Total	**28**	**113**

Security for debt

ASSETS PROVIDED AS SECURITY

Wind and solar farms with a carrying amount of EUR 41 million (2017: EUR 42 million) are pledged as security for the Group's debt to Credit Institutions, etc., a total of EUR 25 million, (2017: EUR 28 million). Moreover, specific cash at bank of EUR 8 million (2017: EUR 6 million) have been provided as collateral. The Group has provided a pledge in shares of local SPV's for the project financing loan of EUR 72 million (2017: EUR 77 million).

The parent company and certain subsidiaries have provided ordinary declarations of subordination to lenders to the subsidiaries with the effect that intra-group loans granted to certain group companies are subordinated to the external debt. In addition, dividends from certain German limited partnerships are contingent on adequate account balances in collateral accounts in accordance with agreements concluded with German credit institutions financing first mortgages. Furthermore, the parent company has provided some of the subsidiaries with a letter of subordination.

4.7 Events after the balance sheet date

In March 2019, European Energy completed the divestment of two wind farms.

The first divestment is a wind farm in Denmark with a total capacity of 18MW to Aquila Capital, a German alternative investment manager.

The wind farm is located in the municipality of Ringkøbing-Skjern, Denmark. The wind farm was commissioned in early 2018 and consists of a total of 6 Vestas V126-3.6 MW turbines. The buyer has acquired 5 turbines, while the remaining turbine will remain in the ownership of European Energy A/S.

The second divestment, also completed in March 2019, is a divestment of a wind farm in Italy with a total capacity of 39 MW to Quercus Italian Wind 2 S.r.l, a Group company of Quercus Assets Selection S.C.A SICA.V-SIF, a Luxemburg's fund.

The wind farm is located in the municipalities of Tolve and Vaglio in the Basilicata region, Italy. The wind farm was commissioned in 2018 and consists of a total of 13 Siemens SWT 3.0-113 MW turbines.

Parent Company

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

EUR '000

Note	Parent Company	2018	2017
	Revenue	64,798	110,809
2.5.0	Profit after tax from subsidiaries	6,933	5,304
2.5.3	Profit after tax from associates and JV's	4,251	5,219
	Direct costs	-47,753	-92,750
	Gross profit	**29,875**	**28,582**
4.2	Staff costs	-4,823	-6,569
	Other external costs	-3,188	-2,564
	EBITDA	**21,864**	**19,449**
2.3	Depreciation & impairment	-134	-55
	Operating profit	**21,730**	**19,394**
3.1	Finance income	7,048	4,881
3.1	Finance expenses	-6,518	-6,230
	Profit/loss before tax	**22,260**	**18,045**
4.1	Tax	-932	-470
	Profit/loss for the year	**21,328**	**17,575**
	Statement of comprehensive income		
	Profit/loss for the year	21,328	17,575
	Items that may be reclassified to profit or loss		
	Value adjustments of hedging instruments	-1,018	186
4.1	Tax of value adjustments of hedging instruments	283	-45
	Currency differences on translating foreign operations	12	-77
	Other comprehensive income for the period	**-723**	**64**
	Comprehensive income for the year	**20,605**	**17,639**

Statement of financial position

As of 31 December 2018

EUR '000

Note	Parent Company	2018	2017
	ASSETS		
	Non-current assets		
2.3	Property, plant and equipment	906	253
2.5.0	Investment in subsidiaries	54,345	42,396
2.5.1	Joint Venture investments	10,304	8,215
2.5.2	Associated companies investments	3,802	4,713
2.6	Other investments	2,473	327
4.5	Loans to subsidiaries	79,014	57,928
4.5	Loans to related parties	31,522	14,239
2.7	Trade receivables and contract assets	3,813	5,739
4.1	Deferred tax	935	995
	Total non-current assets	**187,114**	**134,805**
	Current assets		
2.4	Inventories	225	358
2.7	Trade receivables and contract assets	2,653	2,864
2.7	Other receivables	1,168	597
	Prepayments from goods and services	378	283
3.2	Cash and cash equivalents	29,165	11,943
	Total current assets	**33,589**	**16,045**
	TOTAL ASSETS	220,703	150,850

Statement of financial position continued

EUR '000

Note	Parent Company	2018	2017
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	40,316	40,311
	Reserves (equity methods)	21,379	20,748
	Hedging reserve	-70	-
	Retained earnings	34,463	14,254
	Total Equity	**96,088**	**75,313**
	Liabilities		
3.3	Bond loan	83,670	58,924
4.5	Other debt to subsidiaries	17,500	415
4.1	Deferred tax	1,252	882
	Total non-current liabilities	**102,422**	**60,221**
	Trade payables	435	1,190
4.5	Payables to subsidiaries	4,534	9,445
4.5	Payables to related parties	1,490	61
	Corporation tax	913	605
	Contract liabilities	5,960	
	Other payables	8,861	4,015
	Total current liabilities	**22,193**	**15,316**
	Total liabilities	**124,615**	**75,537**
	TOTAL EQUITY AND LIABILITIES	220,703	150,850

Statement of cash flow

As of 31 December 2018

EUR '000

Note	Parent Company	2018	2017
	Cash flow from operating activities		
	Profit/loss before tax	22,260	18,045
	Adjustments for:		
	Financial income	-7,048	-4,881
	Financial expenses	6,518	6,230
	Depreciations	134	55
	Other non-cash movements	-12,881	-10,523
2.9	Change in net working capital	7,152	-1,464
	Cash generated from operation before financial items and tax	**16,135**	**7,462**
	Taxes paid	-160	-362
	Interest paid and realised currency losses	-5,823	-5,665
	Interest received and realised currency gains	7,016	4,839
	Cash flow from operating activities	**17,168**	**6,274**
	Cash flow from investing activities		
	Purchase of Property, plant and equipment	-787	-201
	Proceeds from disposal of subsidiaries, equity-accounted investments	3,161	-
	Addition/disposal of other investments	258	120
	Investment/loans in equity-accounted investments	-27,685	-14,833
	Dividends received	-	31
	Cash flow from investing activities	**-25,053**	**-14,883**
	Cash flow from financing activities		
	Proceeds from issue of bonds	25,107	58,785
	Repayment of bonds	-	-45,000
	Cash flow from financing activities	**25,107**	**13,785**
	Change in cash and cash equivalents	**17,222**	**5,176**
	Cash and cash equivalents at beginning of period	11,943	6,767
	Cash and cash equivalents end of period	**29,165**	**11,943**
	Of which restricted cash and cash equivalents	-4,796	-4,152
3.2	**Non-restricted cash and cash equivalents end of year**	**24,369**	**7,791**

Statement of changes in equity

As of 31 December 2018

EUR '000

Parent Company	Share capital	Reserves (equity methods)	Hedging reserve	Retained earnings	Total
Equity at 1 January 2018	**40,311**	**20,748**		**14,254**	**75,313**
Profit/loss for the year	-	11,184	-	10,144	21,328
Value adjustments of hedging instruments	-	-928	-90	-	-1,018
Tax of value adjustments of hedging instruments	-	263	20	-	283
Currency differences on translating foreign operations	-	-110	-	122	12
Other comprehensive income	**-**	**-775**	**-70**	**122**	**-723**
Total comprehensive income	**-**	**10,409**	**-70**	**10,266**	**20,605**
Regulation on disposal of companies	-	-425	-	425	-
Increase in share capital	5	-	-	-5	-
Other including intergroup profit regulations	-	8	-	-35	-27
Exercise of warrants	-	-	-	16	16
Expenses related to capital increases	-	-	-	-16	-16
Dividends received	-	-9,361	-	9,558	197
Total other regulation on equity	**5**	**-9,778**	**-**	**9,943**	**170**
Equity at 31 December 2018	**40,316**	**21,379**	**-70**	**34,463**	**96,088**

The share capital consists of nom. 300,040,190 shares of DKK 1 each, corresponding to EUR 40,316 thousand. The share capital is fully paid in.

Parent Company	Share capital	Reserves (equity methods)	Hedging reserve	Retained earnings	Total
Equity at 1 January 2017	**1,340**	**13,443**	**-**	**42,891**	**57,674**
Profit/loss for the year	-	10,523	-	7,052	17,575
Value adjustments of hedging instruments	-	186	-	-	186
Tax of value adjustments of hedging instruments	-	-45	-	-	-45
Currency differences on translating foreign operations	-	-77	-	-	-77
Other comprehensive income	**-**	**64**	**-**	**-**	**64**
Total comprehensive income	**-**	**10,587**	**-**	**7,052**	**17,639**
Regulation on disposal of companies	-	-108	-	108	-
Increase in share capital	38,971	-	-	-38,971	-
Dividends received	-	-3,174	-	3,174	-
Total other regulation on equity	**38,971**	**-3,282**	**-**	**-35,689**	**-**
Equity at 31 December 2017	**40,311**	**20,748**	**-**	**14,254**	**75,313**

The share capital consists of nom. 300,000,000 shares of DKK 1 each, corresponding to EUR 40,311 thousand. The share capital is fully paid in.

The number of shares has increased from 10 million to 300 million in 2017 by insurance of bonus shares, EUR 38,971 thousand. All shares have the same rights. The costs related to the capital increase equal EUR 7 thousand.

Notes

1.0 Basis for preparation

General information

The parent company's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with additional Danish disclosure requirements for annual reports.

Compared to the accounting policies applied in the consolidated financial statement (see Note 1.0 to the consolidated financial statements), the parent company's accounting policies only deviate in the following items:

Investment in subsidiaries

Subsidiaries are measured at the proportionate share of the entities' net asset value calculated according to the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated according to the acquisition method. The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the parent company's income statement after the full elimination of intra-group gains/losses.

Dividends are recognised as a reduction from the carrying amount of the investment in the entity.

Equity investments in group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised under provisions.

1.1 Segment information

Accounting Policy

Please refer to note 1.1 for the Group.

EUR '000

2018:	Wind	Solar	Total
Sale of energy farms and projects	6,493	54,534	61,027
Asset management	2,196	973	3,169
Other fees	590	12	602
Revenue	**9,279**	**55,519**	**64,798**

2017:	Wind	Solar	Total
Sale of energy farms and projects	107,622	1,836	109,458
Asset management	864	365	1,229
Other fees	120	2	122
Revenue	**108,606**	**2,203**	**110,809**

2018: Secured revenue regarding signed SPA contracts	2019	2020-2038	Total
Commercial management agreements (CMAs)	1,199	943	2,141
Total secured revenue	**1,199**	**943**	**2,141**

2017: Secured revenue regarding signed SPA contracts	2018	2019-2037	Total
Commercial management agreements (CMAs)	698	1,097	1,794
Total secured revenue	**698**	**1,097**	**1,794**

2.3 Property, plant and equipment

Accounting Policy

Please refer to note 2.3 for the Group.

EUR ´000

	Solar power generating assets	Tools and equip ment	Total
Cost			
Balance at 1 January 2018	-	1,030	1,030
Additions	490	297	787
Cost at 31 December 2018	**490**	**1,327**	**1,817**
Accumulated depreciation and impairment losses			
Balance at 1 January 2018	-	-777	-777
Depreciation	-24	-110	-134
Accumulated depreciation at 31 December 2018	**-24**	**-887**	**-911**
Carrying amount at 31 December 2018	**466**	**440**	**906**
Cost			
Balance at 1 January 2017	-	829	829
Additions	-	201	201
Cost at 31 December 2017	**-**	**1,030**	**1,030**
Accumulated depreciation and impairment losses			
Balance at 1 January 2017	-	-722	-722
Depreciation	-	-55	-55
Accumulated depreciation at 31 December 2017	**-**	**-777**	**-777**
Carrying amount at 31 December 2017	**-**	**253**	**253**

2.4 Inventories

Accounting Policy

Please refer to note 2.4 for the Group.

EUR ´000

Wind farms for sale	2018	2017
Under development		
Solar farms for sale	-	262
Wind farms for sale	225	96
Total inventory	**225**	**358**
Change in inventory write-downs		
Inventory write-downs at 1 January	-1,012	-
Write-downs for the year	-	-1,012
Transfer/reclassification	1,012	
Total inventory write-downs	-	-1,012
Amount of inventory recognised in profit or loss		
Write-offs for the year	-9	-226
Write-downs for the year	-	-1,012
Total	**-9**	**-1,238**

The management has looked at the total portfolio of projects under development and diversified this into segments depending upon maturity of the project and the time elapsed since the project was started. This segment analysis has led to no impairment in 2018. The management finds the impairment to reflect the risk of the total portfolio well.

2.4 Inventories continued

EUR ´000

Specification of movement on the inventory	2018	2017
Cost at 1 January	1,370	807
Additions for the year	76	1,581
Disposals for the year	-209	-1,018
Transfer/reclassification	-1,012	
Cost at 31 December	**225**	**1,370**
Write-downs at 1 January	-1,012	-
Write-downs for the year	-	-1,012
Transfer/reclassification	1,012	-
Value adjustments at 31 December	**-**	**-1,012**
Carrying amount at 31 December	**225**	**358**

2.5.0 Investment in subsidiaries

Accounting policy

Initially, investments in subsidiaries are recognised at cost.
They are subsequently measured according to the equity method.

EUR'000

	2018	2017
Cost at 1 January	23,910	13,053
Additions for the year	25,631	14,072
Transferred to associates	-1,084	-3,072
Disposal of year	-11,860	-143
Cost at 31 December	**36,597**	**23,910**
Value adjustments at 1 January	18,425	13,643
Share of profit for the year	6,933	5,304
Hedges net of tax	-668	140
Dividends received from subsidiaries	-6,111	-475
Reversed value adjustments on disposals and transfers	-1,057	-123
Other value adjustments	11	-64
Value adjustments at 31 December	**17,533**	**18,425**
Carrying amount at 31 December	**54,130**	**42,335**
Investments in subsidiaries at 31 December	54,345	42,396
Set-off against receivables from subsidiaries	-215	-61
Total	**54,130**	**42,335**

2.5.0 Investment in subsidiaries continued

Ownership shares in subsidiaries can be specified as follows:

Name	Ownership share at 31 Dec 2018	Ownership share at 31 Dec 2017
Björnasen Vind AB	100%	0%
Blue Viking Alexandra S.L .	100%	0%
Blue Viking Beatrice S.L.	100%	0%
Blue Viking Solar S.L.	100%	0%
Boa Hora Solar ApS, Denmark	100%	100%
EE Cocamba GmbH	100%	0%
EE Giga Storage A/S, Denmark	100%	100%
EE Keiko ApS & Co. KG	100%	0%
EE Offshore Wind A/S, Denmark	0%	100%
EE Offshore A/S, Denmark	72%	72%
EE PV 1 Aps, Denmark	0%	100%
EE PV 2 Aps, Denmark	100%	100%
EE Sprogø OWF ApS	100%	0%
EE Urja ApS & Co. KG	100%	0%
EE Verwaltung ApS, Denmark	100%	100%
Ejendomsselskabet Kappel ApS, Denmark	67%	67%
Enerteq ApS, Denmark	56%	56%
Eolica Ouro Branco 1 S.A.	80%	0%
Eolica Ouro Branco 2 S.A.	80%	0%
Eolica Quatro Ventos S.A.	80%	0%
European Energy Bond Buy Back ApS, Denmark	100%	100%
European Energy Byg ApS	100%	0%
European Energy Italy PV Holding S.r.l.	100%	0%
European Energy Lithuania UAB	100%	0%
European Energy Systems II ApS, Denmark	100%	100%
European Solar Farms A/S, Denmark	80%	80%
European Wind Farm Denmark A/S, Denmark	100%	100%
European Wind Farm No. 2 A/S, Denmark	100%	100%
European Wind Farms A/S, Denmark	72%	72%
Holmen II Holding ApS, Denmark	67%	67%
K/S Solkraftværket GPI Mando 29, Denmark	80%	80%
Kappel Vind IVS, Denmark	0%	100%
Komplementarselskabet EE PV Denmark ApS, Denmark	0%	100%
Komplementarselskabet Rødby Fjord WTG 3 ApS , Denmark	0%	100%

2.5.0 Investment in subsidiaries continued

Ownership shares in subsidiaries (continued):

Name	Ownership share at 31 Dec 2018	Ownership share at 31 Dec 2017
Komplementarselskabet Solkraftværket GPI Mando 29 ApS, Denmark	80%	80%
Omnia Vind, Denmark	67%	67%
Renewables Insight ApS, Denmark	100%	100%
Svindbæk Holding ApS, Denmark	67%	67%
EE Finland OY, Finland	100%	100%
Bond II Erste GmbH & Co. KG, Germany	0%	100%
Bond II Zweite GmbH & Co. KG, Germany	0%	100%
EE Construction Germany GmbH & Co. KG, Germany	100%	100%
EE PV Denmark Holding GmbH, Germany	0%	100%
EE Schönelinde ApS & Co. KG, Germany	100%	100%
EE Sieben Fünf GmbH & Co. KG, Germany	100%	100%
EWF Deutschland GmbH, Germany	100%	100%
EWF Verwaltung GmbH, Germany	100%	100%
EWF Vier Sechs GmbH & Co. KG, Germany	100%	100%
Solar Park Evetofte ApS	100%	0%
Solar Park Hanstholmvej ApS	100%	0%
Solar Park Næssundvej ApS	100%	0%
Solar Park Rødby Fjord ApS	74%	0%
Tjele Wind park ApS	74%	0%
Vores Sol Ejendomsselskab IVS	100%	0%
Windpark Bosco GmbH	100%	0%
Windpark Tornitz GmbH & CO. KG, Germany	100%	100%
WP Vier Berge GmbH & Co. KG, Germany	0%	100%
Lucania Wind Energy S.r.l., Italy	0%	100%
EWF Kåre 1 AB, Sweden	100%	100%
Fimmerstad Vindpark AB, Sweden	100%	100%
Grevekulla Vindpark AB, Sweden	100%	100%
Våstanby Vindbruksgrupp i Fjelie 2 AB, Sweden	100%	100%
Zinkgruvan Vind AB	100%	0%
Zinkgruvan Vindkraft AB	100%	0%

2.5.1 Investments in joint ventures

EUR'000

		2018	2017
Cost at 1 January		5,317	5,279
Additions for the year		4	38
Disposals for the year		-	-
Transferred to subsidiaries/other investment		1,084	-
Cost at 31 December		**6,405**	**5,317**
Value adjustments at 1 January		2,898	104
Share of profit for the year		4,421	4,486
Dividends received from joint ventures		-3,250	
Other value adjustments including transfers		-176	-1,692
Value adjustments at 31 December		**3,893**	**2,898**
Carrying amount at 31 December		**10,298**	**8,215**
Investments in joint ventures at 31 December		10,304	8,215
Set-off against receivables from joint ventures		-6	-
Total		**10,298**	**8,215**

2.5.1 Investments in joint ventures continued

Ownership shares in joint ventures can be specified as follows:	31 Dec 2018	31 Dec 2017
EEA Renewables A/S, Denmark	50%	50%
EEA Stormy ApS, Denmark	50%	50%
EEA SWEPOL A/S, Denmark	50%	50%
EEGW Persano ApS, Denmark	50%	50%
GWE Contractors K/S, Denmark	50%	50%
Komp. GWE Contractors ApS, Denmark	50%	50%
Mexico Partnership P/S, Denmark	50%	50%
Mexico Ventures ApS, Denmark	50%	50%
Solarpark Vandel Services ApS, Denmark	50%	50%
EE Sieben Null GmbH & Co. KG, Germany	50%	50%
EE Sieben Zwei GmbH & Co. KG, Germany	50%	50%
EE Sieben Drei GmbH & Co. KG, Germany	50%	50%
EEA Verwaltungs GmbH, Germany	50%	50%
EWF Fünf Vier GmbH & Co. KG, Germany	50%	50%
NPP Brazil I1 K/S	51%	51%
NPP Brazil II K/S	51%	51%
Nordic Power Partners P/S	51%	51%
NPP Komplementar ApS	51%	51%
Süstedt Komplementar ApS	50%	0%
EE Süstedt ApS & Co. KG	50%	0%
Vergil ApS & Co KG, Germany	50%	50%
Windpark Hellberge GmbH & Co. KG, Germany	50%	50%

2.5.2 Investments in associates

EUR'000

		2018	2017
Cost at 1 January		5,287	5,287
Additions for the year		612	-
Transferred to subsidiaries/other investment		-1,186	709
Disposal of year		-864	-709
Cost at 31 December		**3,849**	**5,287**
Value adjustments at 1 January		-575	-304
Share of profit for the year		-170	733
Reversed value adjustments on disposals and transfers		691	-
Dividend and other value adjustments		7	-1,004
Value adjustments at 31 December		**-47**	**-575**
Carrying amount at 31 December		**3,802**	**4,712**
Investments in associates at 31 December		3,802	4,713
Set-off against receivables from associates		-	-1
Total		**3,802**	**4,712**

Ownership shares in associates can be specified as follows:		31 Dec 2018	31 Dec 2017
Wind Energy EOOD, Bulgaria		49.00%	49.00%
Wind Power 2 EOOD, Bulgaria		49.00%	49.00%
Wind Stream EOOD, Bulgaria		49.00%	49.00%
Wind Systems EOOD, Bulgaria		49.00%	49.00%
Driftsselskabet Heidelberg ApS, Denmark		49.50%	49.50%
GWE Stormy ApS, Denmark		0.00%	13.89%
EWF Fünf Eins GmbH & Co. KG, Germany		25.00%	25.00%
EWF Invest No. 2 A/S		36.55%	5.74%
Solarpark Vandel GmbH, Germany		42.50%	42.50%
UW Gilmerdingen GmbH & C KG, Germany		40.00%	40.00%
UW Lohkamp ApS & Co KG, Germany		40.00%	40.00%
Windpark Wriezener Höhe GmbH & Co. KG, Germany		0.00%	15.00%
WK Ottenhausen GmbH & Co. KG, Germany		14.42%	8.33%
Västanby Vindbruksgrupp i Fjelie AB, Sweden		0.00%	40.00%

2.5.3 Investments in joint ventures and associated companies

EUR ´000

	Note	2018	2017
Results in joint ventures	2.5.1	4,421	4,486
Results in associates	2.5.2	-170	733
Total		**4,251**	**5,219**

2.6 Other investments in wind and solar power generating assets

EUR ´000

	2018	2017
Cost at 1 January	327	446
Additions for the year	1,133	168
Disposals for the year	-308	-287
Cost at 31 December	**1,151**	**327**
Value adjustments at 1 January	-	-
Other value adjustments, unrealised	1,322	-
Value adjustments at 31 December	**1,322**	**-**
Total Fair Value through Profit & Loss (FVTPL)	**2,473**	**327**
Investments related to:		
Wind power generating assets	2,471	325
Solar power generating assets	2	2
Total	**2,473**	**327**

2.7 Trade receivables, contract assets and other receivables

	2018	2017
		EUR ´000
Trade receivables and contract assets	6,466	8,603
Other receivables (non-interest bearing)	1,168	597
Total receivables	**7,634**	**9,200**
No impairment losses are recognised relating to doubtful receivables		
Exposure:		
Receivables not due	7,240	9,046
Receivables past due, but not impaired:		
1-30 days	186	52
31-90 days	142	25
>90 days	66	77
Total Receivables	**7,634**	**9,200**

No receivables are due more than 5 years after the balance sheet date.

		EUR '000
Contract assets	2018	2017
Contract assets at 1 January	6,782	5,337
Movements during the year:		
Received during the year	-2,551	-813
Addition new contract assets	196	1,907
Other changes	-35	351
Contract assets end of year	4,392	6,782
Non-current contract assets	3,660	4,248
Current contract assets	732	2,534
Total contract assets	**4,392**	**6,782**

2.9 Change in working capital

Accounting Policy

Please refer to note 2.9 for the Group.

EUR ´000

	2018	2017
Trade receivables and contract assets	2,137	241
Other receivable	-571	3,289
Inventories/project portfolio	-888	449
Prepayments	-95	764
Trade payables	-755	-4,665
Other payables	7,324	-1,542
Total change in working capital	**7,152**	**-1,464**

3.1 Financial income and expenses

Accounting Policy

Please refer to note 3.1 for the Group.

EUR ´000

Finance income - Parent Company	2018	2017
Interest income, on financial assets measured at amortised costs	6,591	4,673
Dividends, other investments	-	31
Other financial income	36	18
Currency gains realised	389	147
Currency gains unrealised	32	12
Financial income	**7,048**	**4,881**

Finance expenses - Parent Company		
Interest on bonds	5,622	3,898
Finance expenses from financial liabilities measured at amortised cost	143	688
Debt issue costs	495	409
Other financial expenses	5	95
Currency losses realised	54	1,013
Currency losses unrealised	199	127
Financial expenses	**6,518**	**6,230**

3.2 Capital management

Please refer to note 3.2 for the Group.

3.3 Foreign currency risks

Accounting policy

For capital management and financial risk management objectives and policies please refer to note 3.2 and 3.3 for the Group.

The parent company's exposure to currency risk arises from transactions with its subsidiaries and associated companies that are not made in EUR (the parent company's functional currency). The parent company provides funding and services to its subsidiaries and associated companies, generally in the local currency of the subsidiary.

The parent's exposure to currency risk is as follows:

A corresponding reduction in the cross rate would have an equivalent opposite effect on profit before tax and equity. The sensitivity analysis has been prepared at the balance sheet date on the basis of the exposure to the listed currencies at the balance sheet date including hedges, without taking into account potential effects on interest rate levels, effect on other currencies etc.

Please refer to note 3.3 for the Group for further information.

EUR '000

2018 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	279	2,589	-
BRL/EUR	302	373	-758

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	1%	29	22
BRL/EUR	1%	-1	-1

2017 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	-	2,634	-
USD/EUR	-	1,341	-

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	1%	26	21
USD/EUR	1%	13	10

3.3 Foreign currency risks - continued

2018 Forward currency exchange contracts	Total
Nominal value EUR	14,500
Average hedged rate	4.5 BRL/1 EUR
Maturity less than 1 year	14,500
Fair value liability, included in Other payables	90
Change in fair value recognised in OCI	90
Change in fair value recognised in profit/loss	-

European Energy A/S has hedged currency risk related to Brazilian investments in joint ventures.

3.3.1 Liquidity risks

EUR ´000

2018	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	99,280	5,950	93,330	-	-

2017	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	74,280	4,200	8,400	61,680	-

EUR ’000

2018	Non-current financing liabilities	Current financing lia-bilities	In total
Liabilities from financing activities at 1 January 2018	59,339	-	59,339
Proceeds from issue of bonds	25,107	-	25,107
Repayment of borrowings	-415	-	-415
Subtotal	84,031	-	84,031
Non-cash changes in financing activities	-361	-	-361
Contingent liabilities from financing activities at 31 December 2018	83,670	-	83,670

EUR ’000

2017	Non-current financing liabilities	Current financing lia-bilities	In total
Liabilities from financing activities at 1 January 2018	44,700	-	44,700
Proceeds from issue of bonds	58,785	-	58,785
Repayment of bonds	-45,000	-	-45,000
Proceeds from borrowings	415	-	415
Subtotal	58,900	-	58,900
Non-cash changes in financing activities	439	-	439
Contingent liabilities from financing activities at 31 December 2018	59,339	-	59,339

3.3.2 Interest rate risks

Interest rate risk is the risk that interest rates may increase which could harm the profitability of individual projects because most of the project sum is debt-funded. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange at specified intervals, the difference between fixed and variable rate interest amounts calculated with reference to an agreed-upon notional principal amount.

Sensitivity analyses

An interest increase of 1% would have the following impact on the results for the year and the equity:

EUR '000

	2018		2017	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Bonds	-587	-457	-403	-314

The impact on equity is net of tax 22% in Denmark.

3.4 Financial instruments by category

EUR ´000

	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at FVTPL	2,473	2,473	327	327
Loans and receivables	118,170	118,170	81,367	81,367
Financial liabilities measured at amortised cost	107,194	108,469	68,845	70,645
Trade payables	435	435	1,190	1,190

4.1 Tax

Accounting Policy

Please refer to note 4.1 for the Group.

Parent company

EUR ´000

Statement of profit or loss	2018	2017
Current income tax:		
Current income tax charge	490	416
Adjustments in respect of current tax in previous year	12	-78
Total current income tax for the year	**502**	**338**
Deferred tax:		
Relating to origination and reversal of temporary differences	430	132
Total adjustments to deferred tax during the year	**430**	**132**
Tax on profit/loss can be explained as follows:		
Income tax expense reported in the statement of profit or loss	932	470
Effective tax rate	4%	3%
Tax on other comprehensive income		
Fair value adjustments of hedging instruments	-20	45
Total	**-20**	**45**

4.1 Tax continued

Deferred tax is recognised as follows:	2018	2017
Deferred tax assets	-935	-995
Deferred tax liability	1,252	882
Total recognised deferred tax in the balance	**317**	**-113**

Deferred tax		
Deferred tax can be specified as follows:		
Deferred tax at 1 January	-113	-245
Deferred tax for the year recognised in the income statement	430	132
Deferred tax at 31 December	**317**	**-113**

Deferred tax assets not recognised in the balance sheet		
Value of tax losses not recognised in the balance sheet	233	1,000

We expect to utilize the tax loss carry forward within 3 years. The recognition of deferred tax assets is based on an analysis of future income in the next 5 years. The analysis is based on an expectation on a steady development compared with previous years and in general reasonable assumptions.

Effective tax rate:
The parent company has interests in numerous subsidiaries and associated companies. The income from these is taxed in each company. For the year EUR 11.2 million (2017: EUR 10.5 million) of the EUR 22.3 million (2017: EUR 18.0 million) profit before tax is profit which is already taxed locally.

4.1 Tax continued

Deferred tax specification
Accounting Policy

Deferred tax assets are substantially attributable to tax losses carried forward. Deferred tax liabilities are substantially attributable to temporary differences on wind and solar power generating assets. The Group is taxed not only through its companies but also through the many tax-transparent vehicles that are either recognised as joint ventures, associates or other investments.

The deferred tax assets and liabilities recognised are allocated to the following items:

Split of deferred tax assets recognised in the balance sheet

	2018	2017
Tax loss carried forward	-1,136	-593
Differences of plants & equipment	1,684	961
Dismantling provisions (Germany)	34	23
Other differences	-265	-504
Total	**317**	**-113**

4.2 Staff costs

Accounting Policy

Please refer to note 4.2 for the Group.

EUR '000

	2018	2017
Wages, salaries and remuneration	10,575	8,368
Share-based compensation	197	-
Contributions to defined contribution plans	21	35
Other social security costs	96	81
Other staff costs	544	410
Part of salaries recognised in direct cost (Indirect product costs)	-2,758	-500
Part of salaries recognised as less loans to subsidiaries (Indirect product costs capitalized)	-3,852	-1,825
	4,823	**6,569**
Average number of full-time employees	90	69
Number of full-time employees at end of period	96	73

2018	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	31	-	-	-	-	31
Executive board	194	414	16	-	-	624
Other key management personel	1,246	1,181	82	5	-	2,514

2017	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	32	-	-	-	-	32
Executive board	179	175	-	-	-	354
Other key management personel	1,128	936	-	16	-	2,080

4.2.1 Share-based payment

Please refer to note 4.2.1 for the Group.

4.3 Audit fees

Other external costs include the total fees paid to the auditors appointed at the Annual General Meeting for auditing the financial statements for the financial year under review and for services rendered.

EUR '000

	2018	2017
Statutory audit	63	61
Tax advice	5	22
Non-audit services*	97	173
Total to the auditors appointed by the Annual General Meeting	**165**	**256**

*Other non-audit services are primarily related to assistance concerning the adoption of the two new IFRS standards, IFRS 9 and IFRS 16 and other assistance related to existing IFRS standards.

4.4 Leases

Accounting policy

Please refer to note 4.4 for the Group.

Operating leases have been recognised in the income statement for 2018 at the amount of EUR 306 thousand (2017: 367 thousand), with contingent rents constituting EUR 344 thousand (2017: EUR 358 thousand). The rental contract related to buildings has to be extended and renegotiated in 2020.

EUR '000

	2018	2017
0-1 year	308	326
1-5 years	308	308
After 5 years	-	-
Total Buildings	**616**	**634**

4.5 Related parties

Accounting Policy

Please refer to note 4.5 for the Group.

EUR ´000

Related party transactions	2018	2017
Sale of services to Joint Ventures	610	3,388
Sale of services to Associates	424	1,531
Sale of services to Owners	2,049	633
Cost of services from Joint Ventures	-	-1,400
Cost of services from Owners	-	-200
Interest, income from Joint Ventures	1,886	141
Interest, income from Associates	61	100
Interest, income from Owners	541	726
Interest, expenses to Joint Ventures	-80	-

Loans to related parties		
Loans to subsidiaries	79,014	57,928
Loans to European Energy Holding ApS	6,478	6,910
Loans to other related parties	26,220	7,329
Loans to related parties at 31 December	32,698	14,239
Provision for impairment for the year	-1,176	-
Provision for impairment at 31 December	**-1,176**	**-**
Carrying amount at 31 December	**31,522**	**14,239**

The loans to subsidiaries and other related parties has not specific repayment terms. The loans are established as a part of financing for development of wind and solar parks, and will typically be repayed when a project is sold.

Loans from related parties		
Loans from subsidiaries - non current	17,500	415
Loans from subsidiaries - current	4,534	9,445
Loans from Associates and Joint Ventures	1,490	61
Total loans to related parties	**23,524**	**9,921**

4.6 Contingent liabilities and assets

Accounting policy

Please refer to note 4.6 regarding the accounting policy for the Group.

Contingent liabilities and other financial liabilities in parent company

EUR million	2018	2017
Guarantees related to contracts with deferred payments (excl. VAT)	4	59
Guarantees related to financing agreements	11	19
Guarantees, warranties and other liabilities related to SPA's	3	3
Total	**18**	**81**

For other contingent matters reference is made to note 4.6 in the consolidated statements.

4.7 Events after the balance sheet date

Please refer to note 4.7 for the Group.

4.10 Group structure in European Energy A/S according to IFRS and executive functions of the Board members

Of the 318 companies (2017: 345) within the Group, 180 (2017: 210) are controlled subsidiaries and 128 (2017: 123) are partnerships in the form of joint ventures, associated companies or companies owned by these entities. These partnerships enable the Group to maintain a diversified portfolio while also reducing risk. In addition, the Group has 10 investments (2017: 12 investments) in companies where its ownership is below 20%, none of which are material investments for the Group.

At the end of 2018, the total number of subsidiaries directly or indirectly owned by the parent company was 180 (2017: 210), all of which were consolidated line by line in the consolidated income statement.

The 128 joint ventures (2017: 123 joint ventures), associated companies and companies owned by these entities are recognised in one line as "equity-accounted investments" in the gross profit section of the consolidated income statement. In the balance sheet, they are recognised in the line for joint venture investments or in the line for the associated companies investment, both under non-current assets. As regards to the 10 companies (2017: 12 companies) where the Group has no material ownership, the investments are recognised at cost and are stated in the balance sheet as other investments.

S = Subsidiaries

A = Associates

JV = Joint ventures

NC = Non-consolidated

KEA = Knud Erik Andersen

JPZ = Jens-Peter Zink

MDP = Mikael Dystrup Pedersen

CDY = Claus Dyhr

JHE = Jesper Helmuth

Parent company and subsidiaries directly owned by parent

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
1	Parent	European Energy A/S	DK	Parent company			JPZ	KEA, MDP, CDY, JHE	KEA
2	S	Bjornasen Vind AB	SE	Wind Power	100.00%	0.00%		KEA, JPZ	
3	S	Blue Viking Alexandra S.L	ES	Solar Power	100.00%	0.00%			
4	S	Blue Viking Beatrice S.L.	ES	Solar Power	100.00%	0.00%			
5	S	Blue Viking Solar S.L.	ES	Solar Power	100.00%	0.00%			
6	S	Boa Hora Solar ApS	DK	Solar Power	100.00%	100.00%			KEA/JPZ
7	S	Doras Production EPE	GR	Solar Power	77.51%	77.33%			KEA
8	S	EE Cocamba Gmbh	DE	Solar Power	100.00%	0.00%			KEA
9	S	EE Construction Germany GmbH & Co. KG	DE	Wind Power	100.00%	100.00%			KEA
10	S	EE Finland OY	FI	Wind Power	100.00%	100.00%	JPZ	KEA	
11	S	EE Italy Greenfield PV S.r.l.	IT	Wind Power	71.53%	64.38%			
12	S	EE Keiko ApS & Co. KG	DE	Wind Power	100.00%	0.00%			KEA,JPZ
13	S	EE PV 2 ApS	DK	Solar Power	100.00%	100.00%			KEA/JPZ
14	S	EE Schönelinde ApS & Co. KG	DE	Wind Power	100.00%	100.00%			KEA
15	S	EE Sieben Fünf GmbH & Co. KG	DE	Wind Power	100.00%	100.00%			KEA
16	S	EE Sprogø OWF ApS	DK	Wind Power	100.00%	0.00%			KEA
17	S	EE Svindbæk Køberetsselskab ApS	DK	Wind Power	66.59%	0.00%			KEA
18	S	EE Urja ApS & Co. KG	DE	Wind Power	100.00%	0.00%			KEA,JPZ
19	S	EE Verwaltung ApS	DK	Wind Power	100.00%	100.00%			KEA,JPZ
20	S	Ejendomsselskabet Kappel ApS	DK	Wind Power	67.00%	67.00%	JPZ	KEA	KEA
21	S	Enerteq ApS	DK	Wind Power	87.37%	87.37%			KEA
22	S	Eolica Ouro Branco 1 S.A	BR	Wind Power	80.00%	0.00%			
23	S	Eolica Ouro Branco 2 S.A	BR	Wind Power	80.00%	0.00%			
24	S	Eolica Quatro Ventos S.A	BR	Wind Power	80.00%	0.00%			
25	S	ESF Rooftop Ltd.	UK	Solar Power	79.91%	79.72%			KEA
26	S	ESF Spanien 01 GmbH	DE	Solar Power	79.91%	79.72%			KEA
27	S	ESF Spanien 01 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
28	S	ESF Spanien 0101 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
29	S	ESF Spanien 0102 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
30	S	ESF Spanien 0103 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
31	S	ESF Spanien 0104 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
32	S	ESF Spanien 0105 S.L.U	ES	Solar Power	79.91%	79.72%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
33	S	ESF Spanien 0106 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
34	S	ESF Spanien 0107 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
35	S	ESF Spanien 0108 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
36	S	ESF Spanien 0109 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
37	S	ESF Spanien 0110 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
38	S	ESF Spanien 0111 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
39	S	ESF Spanien 0112 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
40	S	ESF Spanien 0113 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
41	S	ESF Spanien 0114 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
42	S	ESF Spanien 0115 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
43	S	ESF Spanien 02 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
44	S	ESF Spanien 0201 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
45	S	ESF Spanien 0202 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
46	S	ESF Spanien 0203 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
47	S	ESF Spanien 0204 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
48	S	ESF Spanien 0205 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
49	S	ESF Spanien 0206 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
50	S	ESF Spanien 0207 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
51	S	ESF Spanien 0208 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
52	S	ESF Spanien 03 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
53	S	ESF Spanien 0301 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
54	S	ESF Spanien 0302 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
55	S	ESF Spanien 0303 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
56	S	ESF Spanien 0304 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
57	S	ESF Spanien 0305 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
58	S	ESF Spanien 0306 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
59	S	ESF Spanien 0307 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
60	S	ESF Spanien 0308 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
61	S	ESF Spanien 0309 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
62	S	ESF Spanien 0310 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
63	S	ESF Spanien 0311 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
64	S	ESF Spanien 04 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
65	S	ESF Spanien 0401 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
66	S	ESF Spanien 0402 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
67	S	ESF Spanien 0403 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
68	S	ESF Spanien 0404 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
69	S	ESF Spanien 0405 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
70	S	ESF Spanien 0406 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
71	S	ESF Spanien 0407 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
72	S	ESF Spanien 0408 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
73	S	ESF Spanien 0409 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
74	S	ESF Spanien 0410 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
75	S	ESF Spanien 0411 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
76	S	ESF Spanien 0412 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
77	S	ESF Spanien 0413 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
78	S	ESF Spanien 0414 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
79	S	ESF Spanien 0415 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
80	S	ESF Spanien 0416 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
81	S	ESF Spanien 0417 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
82	S	ESF Spanien 0418 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
83	S	ESF Spanien 0419 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
84	S	ESF Spanien 0420 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
85	S	ESF Spanien 0423 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
86	S	ESF Spanien 0428 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
87	S	ESF Spanien 05 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
88	S	ESF Spanien 09 GmbH	DE	Solar Power	79.91%	79.72%			KEA
89	S	ESF Spanien 0901 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
90	S	ESF Spanien 0902 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
91	S	ESF Spanien 0903 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
92	S	ESF Spanien 0904 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
93	S	ESF Spanien 0905 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
94	S	ESF Spanien 0906 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
95	S	ESF Spanien 0907 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
96	S	ESF Spanien 0908 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
97	S	ESF Spanien 0909 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
98	S	ESF Spanien 0910 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
99	S	ESF Spanien 0911 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
100	S	ESF Spanien 0912 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
101	S	ESF Spanien 0913 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
102	S	ESF Spanien 0914 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
103	S	ESF Spanien 0915 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
104	S	ESF Spanien 0916 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
105	S	ESF Spanien 0917 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
106	S	ESF Spanien 0918 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
107	S	ESF Spanien 0919 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
108	S	ESF Spanien 0920 S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
109	S	ESF Spanien L´Olleria I C.B.	ES	Solar Power	79.91%	79.72%			
110	S	European Energy Buy Back Bond ApS	DK	Adminstration	100.00%	100.00%			KEA
111	S	European Energy Byg ApS	DK	Adminstration	100.00%	0.00%			KEA
112	S	European Energy Giga Storage A/S	DK	Adminstration	100.00%	100.00%	JPZ	KEA	KEA
113	S	European Energy Italy PV Holding S.r.l.	IT	Solar Power	100.00%	0.00%			
114	S	European Energy Lithauania UAB	LT	Wind Power	100.00%	0.00%			KEA
115	S	European Energy Offshore A/S	DK	Wind Power	72.00%	72.00%	JPZ	KEA	KEA
116	S	European Energy Photovoltaics Limited	UK	Solar Power	79.91%	79.72%			KEA/JPZ
117	S	European Energy Systems II ApS	DK	Adminstration	100.00%	100.00%			KEA/JPZ
118	S	European Solar Farms A/S	DK	Adminstration	79.91%	79.72%	KEA	JPZ, MDP	JPZ
119	S	European Solar Farms Development ApS	DK	Solar Power	79.91%	79.72%			KEA/JPZ
120	S	European Solar Farms Greece ApS	DK	Solar Power	79.91%	79.72%			KEA/JPZ
121	S	European Solar Farms Italy ApS	DK	Solar Power	79.91%	79.72%			KEA/JPZ
122	S	European Solar Farms Spain ApS	DK	Solar Power	79.91%	79.72%			KEA/JPZ
123	S	European Wind Farms A/S	DK	Adminstration	71.53%	71.53%	JPZ	KEA, MDP	KEA
124	S	European Wind Farms Bulgaria ApS	DK	Wind Power	71.53%	71.53%			KEA/JPZ
125	S	European Wind Farms Denmark A/S	DK	Wind Power	100.00%	100.00%	JPZ	KEA	KEA
126	S	European Wind Farms Deutschland GmbH	DE	Wind Power	100.00%	100.00%			KEA
127	S	European Wind Farms DOO	HR	Wind Power	50.07%	50.07%			
128	S	European Wind Farms Greece ApS	DK	Wind Power	71.53%	71.53%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
129	S	European Wind Farms Italy ApS	DK	Wind Power	71.53%	71.53%			KEA/JPZ
130	S	European Wind Farms Komp GmbH	DE	Wind Power	71.53%	71.53%			KEA
131	S	European Wind Farms Kåre 1 AB	SE	Wind Power	100.00%	100.00%		KEA, JPZ	JPZ
132	S	European Wind Farms No.2 A/S	DK	Wind Power	100.00%	100.00%	JPZ	KEA, MDP	KEA
133	S	European Wind Farms Verwaltungsgesellschaft mbH	DE	Wind Power	100.00%	100.00%			KEA
134	S	EWF Energy Hellas Epe	GR	Wind Power	69.38%	69.38%			JPZ
135	S	EWF Vier Sechs GmbH & Co. KG, Güstow	DE	Wind Power	100.00%	100.00%			KEA
136	S	Fimmerstad Vindpark AB	SE	Wind Power	100.00%	100.00%	JPZ	KEA	
137	S	Greenwatt Koiramäki Oy AB	FI	Wind Power	100.00%	50.00%			
138	S	Greenwatt Mustalamminmäki Oy AB	FI	Wind Power	100.00%	50.00%			
139	S	Grevekulla Vindpark AB	SE	Wind Power	100.00%	100.00%	JPZ	KEA	
140	S	Holmen II Holding ApS	DK	Wind Power	67.00%	67.00%			KEA/JPZ
141	S	Holmen II V90 ApS	DK	Wind Power	67.00%	0.00%			KEA/JPZ
142	S	Holmen II Wind Park ApS	DK	Wind Power	67.00%	67.00%			KEA/JPZ
143	S	Horskær Wind Park ApS	DK	Wind Power	67.00%	67.00%			KEA
144	S	Iridanos Production EPE	GR	Solar Power	77.51%	77.33%			KEA
145	S	K/S Solkraftværket GPI Mando 29	DK	Solar Power	80.00%	80.00%			JPZ
146	S	K/S Svindbæk Vindkraft	DK	Wind Power	67.00%	67.00%			KEA/JPZ
147	S	Kipheus Production EPE	GR	Solar Power	77.51%	77.33%			KEA
148	S	Komplementarselskabet Solkraftværket GPI Mando 29 ApS	DK	Solar Power	80.00%	80.00%			KEA/JPZ
149	S	Komplementarselskabet Vindtestcenter Måde ApS	DK	Wind Power	100.00%	47.00%			KEA
150	S	KS Svindbæk WTG 8-9	DK	Wind Power	67.00%	0.00%			KEA
151	S	Lidegaard ApS	DK	Solar Power	79.91%	79.72%			KEA/JPZ
152	S	Lucania Wind Energy Srl	IT	Wind Power	100.00%	100.00%			
153	S	Mando Solarkraftwerke Nr. 29 GmbH & Co. KG	DE	Solar Power	76.00%	76.00%			
154	S	Måde Wind Park ApS	DK	Wind Power	100.00%	47.00%			KEA
155	S	Måde WTG 1-2 K/S	DK	Wind Power	98.00%	0.00%			KEA
156	S	Omnia Vind ApS	DK	Wind Power	67.00%	67.00%			KEA
157	S	Reese Solar S.L.U.	ES	Solar Power	79.91%	79.72%			KEA/JPZ
158	S	Renewables Insight ApS (prev. European Energy Systems I ApS)	DK	Adminstration	100.00%	100.00%			KEA/JPZ
159	S	Rødby Fjord Vindkraft Mølle 3 I/S	DK	Wind Power	33.58%	34.16%			KEA/JPZ
160	S	SF Ibiza ApS	DK	Solar Power	79.91%	79.72%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
161	S	SF La Pobla ApS	DK	Solar Power	79.91%	79.72%			KEA/JPZ
162	S	Solar Park Evetofte ApS	DK	Solar Power	100.00%	0.00%			KEA/JPZ
163	S	Solar Park Hanstholmvej ApS	DK	Solar Power	100.00%	0.00%			KEA/JPZ
164	S	Solar Park Næssundvej ApS	DK	Solar Power	100.00%	0.00%			KEA/JPZ
165	S	Solar Park Rødby Fjord ApS	DK	Solar Power	73.50%	0.00%			KEA/JPZ
166	S	Solar Power 7 Islas S.L.U.	ES	Solar Power	79.91%	79.72%			
167	S	Sprogø OWF K/S	DK	Wind Power	44.75%	0.00%			KEA
168	S	Svindbæk Holding ApS	DK	Wind Power	67.00%	67.00%			KEA
169	S	Svindbæk Komplementar ApS	DK	Wind Power	67.00%	67.00%			KEA/JPZ
170	S	Svindbæk Køberetsselskab I/S	DK	Wind Power	66.60%	0.00%	KEA	JPZ	
171	S	Tjele Wind park ApS	DK	Wind Power	73.50%	0.00%			KEA
172	S	Trædeskov Bøge Wind Park ApS	DK	Wind Power	67.00%	67.00%			KEA
173	S	Vindtestcenter Måde K/S	DK	Wind Power	100.00%	46.91%			KEA
174	S	Vores Sol Ejendomsselskab IVS	DK	Solar Power	100.00%	0.00%	KEA	JPZ	JPZ
175	S	Västanby Vindbruksgrupp i Fjelie 2 AB	SE	Wind Power	100.00%	100.00%	JPZ	KEA	
176	S	Windcom Sp. z o.o.	PL	Wind Power	35.77%	57.22%	KEA		KEA
177	S	Windpark Bosco GmbH	DE	Wind Power	100.00%	0.00%			KEA
178	S	Windpark Tornitz GmbH & CO. KG	DE	Wind Power	100.00%	100.00%			KEA
179	S	Zinkgruvan Vind AB	SE	Wind Power	100.00%	0.00%		KEA, JPZ	
180	S	Zinkgruvan Vindkraft AB	SE	Wind Power	100.00%	0.00%		KEA, JPZ	

Joint ventures, associated companies and Other Investments not owned directly by the parent

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
1	A	ASPI Energy EOOD	BG	Wind Power	12.50%	12.50%			
2	A	BH 1 Geradora de Energia Solar S.A	BR	Solar Power	40.80%	0.00%			
3	A	BH 2 Geradora de Energia Solar S.A	BR	Solar Power	40.80%	0.00%			
4	A	BH 3 Geradora de Energia Solar S.A	BR	Solar Power	40.80%	0.00%			
5	A	Coremas I Geracao de Energia SPE LTDA.	BR	Solar Power	39.21%	35.70%		KEA	
6	A	Coremas II Geracao de Energia SPE LTDA.	BR	Solar Power	39.21%	35.70%		KEA	
7	A	Coremas III Geracao de Energia SPE LTDA.	BR	Solar Power	39.21%	35.70%		KEA	
8	A	Driftsselskabet Heidelberg ApS	DK	Wind Power	49.50%	49.50%			KEA
9	A	e.n.o. Kabeltrasse GbR Grosstreben	DE	Wind Power	37.13%	37.13%			KEA
10	A	EE Oderwald GmbH & Co. KG	DE	Wind Power	34.65%	0.00%			
11	A	EE Oderwald Verwaltungs GmbH	DE	Wind Power	34.65%	0.00%			
12	JV	EE Sieben Drei GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
13	JV	EE Sieben Null GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
14	JV	EE Sieben Zwei GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
15	JV	EE Süstedt ApS & Co. KG	DE	Wind Power	50.00%	0.00%		JPZ	
16	A	EE Viertkamp ApS & Co. KG	DE	Wind Power	49.50%	49.50%			KEA/JPZ
17	JV	EEA Renewables A/S	DK	Adminstration	50.00%	50.00%		JPZ, KEA	KEA
18	JV	EEA Stormy ApS	DK	Adminstration	50.00%	50.00%			KEA
19	JV	EEA Swepol A/S	DK	Adminstration	50.00%	50.00%		KEA	KEA
20	JV	EEA Verwaltungs GmbH	DE	Wind Power	50.00%	50.00%			KEA
21	A	EEAR Olleria II ApS*	DK	Solar Power	45.00%	45.00%		KEA	
22	JV	EEGW Persano ApS	DK	Adminstration	50.00%	50.00%		KEA , JPZ	KEA
23	JV	Elios 102 Srl Soleto	IT	Solar Power	50.00%	50.00%			
24	A	Energy 3 DOO	BA	Wind Power	25.50%	25.50%			
25	A	ESF Spanien 0424 GmbH	DE	Solar Power	16.64%	16.60%			KEA
26	A	ESF Spanien 0424 S.L.U.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
27	A	ESF Spanien 0427 S.L.	ES	Solar Power	45.00%	45.00%			KEA/JPZ
28	JV	European Energy Italy Holding Srl	IT	Wind Power	50.00%	50.00%			
29	A	European Wind Farms Invest No.2 A/S	DK	Wind Power	36.55%	5.74%	JPZ	KEA	KEA
30	JV	European Wind Farms Polen ApS	DK	Wind Power	50.00%	50.00%			KEA/JPZ
31	JV	European Wind Farms Polska Sp. z o.o.	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ
32	JV	European Wind Farms Polska Sp. z o.o. Bialogard Sp. k	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
33	JV	European Wind Farms Polska Sp. z o.o. Grzmiaca Sp. k	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ
34	JV	European Wind Farms Polska Sp. z o.o. Rabino Sp. k	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ
35	JV	European Wind Farms Sverige AB	SE	Wind Power	50.00%	50.00%		KEA, JPZ	JPZ
36	JV	EWF Eins Sieben GmbH & Co. KG, UW Eichow GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
37	A	EWF Fünf Eins ApS & Co. KG	DE	Wind Power	25.00%	25.00%			KEA/JPZ
38	JV	EWF Fünf Vier GmbH & Co. KG, Wittstock	DE	Wind Power	50.00%	50.00%			KEA
39	A	Fundo de Investimento em participacoes conjunto Coremas - Multiestrategia	DK	Solar Power	39.21%	0.00%			
40	A	FWE Windpark TIS K/S	DK	Wind Power	49.50%	49.50%		KEA, JPZ	KEA
41	A	FWE Windpark Wittstedt K/S	DK	Wind Power	49.50%	49.50%		KEA, JPZ	KEA
42	A	FWE Windpark Wulfshagen K/S	DK	Wind Power	49.50%	49.50%		KEA, JPZ	KEA
43	A	FWE Windpark 3 Standorte K/S	DK	Wind Power	49.50%	49.50%		KEA, JPZ	KEA
44	A	FWE Windpark Kranenburg K/S	DK	Wind Power	49.50%	49.50%		KEA, JPZ	KEA
45	A	FWE Windpark Scheddebrock K/S	DK	Wind Power	49.50%	49.50%		KEA, JPZ	KEA
46	A	FWE Windpark Westerberg K/S	DK	Wind Power	49.50%	49.50%		KEA, JPZ	KEA
47	JV	Greenwatt Ahvenneva Oy AB	FI	Wind Power	50.00%	50.00%			
48	JV	Greenwatt Honkakangas Oy AB	FI	Wind Power	50.00%	50.00%			
49	A	GW Energi A/S *)	DK	Wind Power	25.00%	31.95%	KEA	JPZ	
50	JV	GWE Contractors K/S	DK	Wind Power	50.00%	50.00%			KEA
51	A	GWE Holding af 14. November 2011 ApS *)	DK	Wind Power	25.00%	31.95%		KEA	
52	A	GWE VerwaltungsGmbH	DE	Wind Power	25.00%	31.95%			
53	A	Herrera Solar Fotovoltaica num. 29, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
54	A	Herrera Solar Fotovoltaica num. 30, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
55	A	Herrera Solar Fotovoltaica num. 31, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
56	A	Herrera Solar Fotovoltaica num. 32, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
57	A	Herrera Solar Fotovoltaica num. 33, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
58	A	Herrera Solar Fotovoltaica num. 34, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
59	A	Herrera Solar Fotovoltaica num. 35, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
60	A	Herrera Solar Fotovoltaica num. 38, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
61	A	Holmen II Vindkraft I/S	DK	Wind Power	37.28%	38.03%	KEA	JPZ	
62	A	Infrastrukturgesellschaft Windfeld 19/24 GmbH & Co. KG	DE	Wind Power	21.04%	21.04%			
63	A	Infrastrukturgesellschaft Windfeld 19/24 Verwaltungs-GmbH	DE	Wind Power	21.04%	21.04%			

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
64	A	Jammerland Bay Nearshore A/S	DK	Wind Power	36.00%	36.00%	JPZ		KEA
65	A	K/S Losheim *)	DK	Wind Power	25.00%	31.95%		KEA	
66	A	Komp. Sprogø OWF ApS	DK	Wind Power	44.75%	0.00%			KEA
67	JV	Komplementar Mexico Ventures ApS	DK	Wind Power	50.00%	50.00%			KEA
68	JV	Komplementarselskabet EEAR ApS	DK	Adminstration	50.00%	50.00%			KEA
69	JV	Komplementarselskabet GWE Contractors ApS	DK	Wind Power	50.00%	50.00%			KEA
70	A	Komplementarselskabet Heidelberg ApS	DK	Wind Power	49.50%	49.50%			KEA
71	A	Komplementarselskabet Losheim ApS	DK	Wind Power	25.00%	31.95%			
72	A	MBBF windpark Letchin GmbH KG Betriebs I	DE	Wind Power	49.50%	49.50%			KEA
73	A	MBBF windpark Letchin GmbH KG Betriebs II	DE	Wind Power	49.50%	49.50%			KEA
74	A	MBBF windpark Letchin GmbH KG Betriebs III	DE	Wind Power	49.50%	49.50%			KEA
75	JV	Mexico Investments l ApS	DK	Solar Power	50.00%	0.00%		KEA/JPZ	KEA
76	JV	Mexico Partnership P/S	DK	Wind Power	50.00%	50.00%		KEA/JPZ	KEA
77	A	Netzanbindung Tewel OHG	DE	Wind Power	36.38%	36.14%			
78	JV	Nordic Power Partners P/S	DK	Adminstration	51.00%	51.00%	KEA	JPZ	
79	JV	NPP Brazil I K/S	DK	Solar Power	51.00%	51.00%	KEA	JPZ	
80	JV	NPP Brazil II K/S	DK	Solar Power	51.00%	51.00%	KEA	JPZ	
81	JV	NPP Komplementar ApS	DK	Adminstration	51.00%	51.00%	KEA	JPZ	JPZ
82	JV	NPP Maldives Private Ltd.	MV	Solar Power	51.49%	51.49%		JPZ	
83	A	Nøjsomheds Odde WTG 2-3 ApS	DK	Wind Power	33.50%	0.00%			KEA, HBL
84	A	Omø South Nearshore A/S	DK	Wind Power	36.00%	36.00%	JPZ		KEA
85	A	Parco Eolico Carpinaccio Srl	IT	Wind Power	22.96%	22.96%		KEA	
86	JV	Parco Fotovoltaico Fauglia SRL	IT	Solar Power	50.00%	50.00%			
87	JV	Solarpark Vandel Services ApS	DK	Solar Power	50.00%	50.00%			KEA
88	A	Sun Invest Iberia Cincuenta , S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
89	A	Sun Invest Iberia Cincuenta Y Cuatro, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
90	A	Sun Invest Iberia Cincuenta Y Dos, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
91	A	Sun Invest Iberia Cincuenta Y Tres, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
92	A	Sun Invest Iberia Cincuenta Y Uno,S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
93	A	Sun Invest Iberia Cuarenta Y Cinco, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
94	A	Sun Invest Iberia Cuarenta Y Cuatro, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
95	A	Sun Invest Iberia Cuarenta Y Nueve, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
96	A	Sun Invest Iberia Cuarenta Y Ocho, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
97	A	Sun Invest Iberia Cuarenta Y Seis, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
98	A	Sun Invest Iberia Cuarenta Y Siete, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
99	A	Sun Invest Iberia Cuarenta Y Tres, S.L.	ES	Solar Power	16.64%	16.60%			KEA/JPZ
100	JV	Süstedt Komplementar ApS	DK	Wind Power	50.00%	0.00%		JPZ	
101	A	Umspannwerk Westerberg GmbH & Co OHG	DE	Wind Power	22.28%	22.28%			
102	A	UW Gilmerdingen GmbH & C. KG	DE	Wind Power	40.00%	69.70%			KEA
103	A	UW Lohkamp ApS & Co. KG	DE	Wind Power	40.00%	69.70%			KEA/JPZ
104	A	Vento Erste Windparkbeteiligungsgesellschaft mbH & Co. KG	DE	Wind Power	47.37%	47.37%			KEA
105	JV	Vergil ApS & Co. KG	DE	Wind Power	50.00%	50.00%			
106	A	Vindpark Straldja ApS	DK	Wind Power	25.00%	25.00%			KEA
107	A	WHP Windpark Hurrel/Plietenberg GmbH & Co. KG	DE	Wind Power	25.00%	31.95%			
108	A	Wind Energy OOD	BG	Wind Power	49.00%	49.00%			JPZ
109	A	Wind Power 2 OOD	BG	Wind Power	49.00%	49.00%			JPZ
110	A	Wind Pro Energy Sp. z o.o.	PL	Wind Power	25.05%	25.05%		JPZ	JPZ
111	A	Wind Stream OOD	BG	Wind Power	49.00%	49.00%			JPZ
112	A	Wind Systems OOD	BG	Wind Power	49.00%	49.00%			JPZ
113	A	Windkraft Gommern GmbH & Co. KG	DE	Wind Power	9.90%	4.77%			
114	A	Windkraft Ottenhausen GmbH & Co. KG	DE	Wind Power	32.30%	34.21%			
115	A	Windpark Emskirchen GmbH & Co KG	DE	Wind Power	25.00%	31.95%			
116	JV	Windpark Hellberge GmbH & CO KG	DE	Wind Power	50.00%	50.00%			KEA
117	JV	Windpark Losheim Nr. 30 ApS & Co. KG	DE	Wind Power	25.00%	31.95%			
118	A	Windpark Prignitz GmbH & Co. KG	DE	Wind Power	25.00%	31.95%			
119	A	Windpark Prittitz GmbH & Co KG	DE	Wind Power	49.50%	49.50%			KEA
120	A	Windpark Prittitz Verwaltungsgesellschaft mbH	DE	Wind Power	49.50%	49.50%			KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
121	A	Windpark Wriezener Höhe GmbH & Co. KG	DE	Wind Power	15.00%	15.00%			KEA
122	A	WP Vier Berge GmbH & Co. KG	DE	Wind Power	49.50%	100.00%			MDP
123	A	WP Vormark Generalunternehmer GmbH & Co. KG	DE	Wind Power	12.50%	15.97%			
124	A	WP Vormark GmbH	DE	Wind Power	12.50%	15.97%			
125	A	WP Vormark Infrastruktur GbR	DE	Wind Power	8.33%	15.97%			
126	A	WP Vormark UW GmbH & Co. KG	DE	Wind Power	5.60%	15.97%			
127	A	WP Vormark WEA 1 GmbH & Co. KG	DE	Wind Power	12.50%	15.97%			
128	A	WP Vormark WEA 2 GmbH & Co. KG	DE	Wind Power	25.00%	31.95%			

Other Investments with ownership below 20%

No.	Group Structure	Name	Country of place of business	Principal activity	€ 0	€ 0	Chairman	Other boardmember	Director-ships
129	NC	Einspeisegemeinschaft Klein Mutz-Timpberg GmbH &Co. OHG	DE	Wind Power	5.00%	5.00%			
130	NC	EWF Fünf Fünf GmbH & Co. KG, Wittstock	DE	Wind Power	7.15%	7.15%			KEA
131	NC	Green Wind Energy GmbH & Co. Umspannwerk Altlandsberg KG	DE	Wind Power	8.40%	8.40%			
132	NC	Netzanschluss Badingen GbR	DE	Wind Power	3.32%	3.32%			
133	NC	Parco Eolico Riparbella Srl	IT	Wind Power	9.70%	9.70%		KEA	
134	NC	TEN Verwaltungs GmbH	DE	Wind Power	15.00%	15.00%			KEA
135	NC	UW Eichow GmbH & Co. KG	DE	Wind Power	8.33%	8.33%			KEA
136	NC	UW Schäcksdorf GmbH & Co. KG	DE	Wind Power	6.25%	6.25%			KEA
137	NC	Windpark Mildenberg GbR	DE	Wind Power	8.76%	8.76%			
138	NC	Windpark Wittstock-Papenbruch GbR	DE	Wind Power	19.05%	16.67%			

Companies outside European Energy Group (administrative entities with executive functions of the Board members)

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
1		AJ Vaccines	DK					JHE	JHE
2		Autohuset Frederikssund A/S	DK					CDY	
3		Autohuset Glostrup A/S	DK					CDY	
4		Autohuset Glostrup-Valby A/S	DK					CDY	
5		Autohuset Ringsted A/S	DK					CDY	
6		Capviva Solarpark Vandel Holding ApS	DK						KEA
7		Car Holding A/S	DK					CDY	
8		Dikman Invest ApS	DK						JHE
9		EE Primus OY	FI				JPZ	KEA	
10		EE Sieben Vier GmbH & Co. KG	DE						KEA
11		Ejendomsselskabet Læsø K/S	DK						KEA
12		Ejendomsselskabet Stubbekøbing K/S	DK						KEA
13		Ejendomsselskabet Øster Toreby K/S	DK						KEA
14		ESF Spanien 0426 S.L.U.	ES						KEA/JPZ
15		European Energy Holding ApS	DK						KEA
16		EWF Eins Acht GmbH & Co. KG	DE						KEA
17		EWF Eins Fünf GmbH & Co. KG	DE						KEA
18		EWF Eins Neun GmbH & Co. KG	DE						KEA
19		EWF Eins Sechs GmbH & Co. KG	DE						KEA
20		EWF Fünf Acht GmbH & Co. KG	DE						KEA
21		EWF Fünf Zwei GmbH & Co. KG	DE						KEA
22		EWF Sechs Sieben GmbH & Co. KG	DE						KEA
23		EWF Vier Sieben GmbH & Co. KG	DE						KEA
24		EWF Zwei Fünf GmbH & Co. KG	DE						KEA
25		EWF Zwei Null GmbH & Co. KG	DE						KEA
26		EWF Zwei Vier GmbH & Co. KG	DE						KEA
27		Flensbjergvej Infrastrukturselskab ApS	DK						KEA/JPZ
28		innoVent Windkraft Brake GmbH & Co. KG	DE						KEA
29		JPZ Assistance ApS	DK						JPZ
30		JPZ Assistance II ApS (prev. European Solar Farms Denmark ApS)	DK						JPZ
31		KEA Holding I ApS	DK						KEA
32		KEA II Holding ApS	DK						KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
33		Komplementarselskabet Sydlolland Vindmøllelaug ApS	DK						KEA
34		Komplementarselskabet Vores Sol ApS	DK						KEA
35		Kronborg Auto A/S	DK					CDY	
36		Malmøvej Infrastrukturselskab ApS	DK						KEA/JPZ
37		MDP Invest	DK				MDP	MDP	MDP
38		MDP Verwaltungsgesellschaft mbH	DE						MDP
39		Meldgaard Architechts & Development A/S	DK					KEA/JPZ	KEA
40		Nor Power ApS *)	DK				KEA	JPZ, MDP	
41		Plasticueros ApS *)	DK						KEA
42		Repræsentantskabet for Nykredit	DK					CDY	
43		Solarpark Vandel ApS	DK						KEA
44		Totaltec Oilfield Services Limited	UK					JHE	
45		ToTec Holding ApS	DK					JHE	
46		Tønder PV K/S	DK						KEA
47		UW Nielitz GmbH & Co. KG	DE						KEA
48		Vihreässaari Wind OY	FI				JPZ	KEA	
49		Vores Sol A/S	DK				KEA	JPZ	JPZ
50		Vores Sol A1 K/S	DK				JPZ	KEA	KEA
51		Vores Sol A10 K/S	DK				JPZ	KEA	KEA
52		Vores Sol A2 K/S	DK				JPZ	KEA	KEA
53		Vores Sol A3 K/S	DK				JPZ	KEA	KEA
54		Vores Sol A4 K/S	DK				JPZ	KEA	KEA
55		Vores Sol A5 K/S	DK				JPZ	KEA	KEA
56		Vores Sol A6 K/S	DK				JPZ	KEA	KEA
57		Vores Sol A7 K/S	DK				JPZ	KEA	KEA
58		Vores Sol A8 K/S	DK				JPZ	KEA	KEA
59		Vores Sol A9 K/S	DK				JPZ	KEA	KEA
60		Vores Sol Nakskov I K/S	DK				JPZ	KEA	KEA
61		Vores Sol Nakskov II K/S	DK				JPZ	KEA	KEA
62		Vores Sol Nakskov III K/S	DK				JPZ	KEA	KEA
63		Vores Sol Nakskov IV K/S	DK				JPZ	KEA	KEA
64		Vores Sol Nakskov V K/S	DK				JPZ	KEA	KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2018	Ownership 2017	Chairman	Other boardmember	Director-ships
65		Vores Sol Nakskov VI K/S	DK				JPZ	KEA	KEA
66		Vores Sol Nakskov XIV K/S	DK				JPZ	KEA	KEA
67		Vores Sol Nakskov XV K/S	DK				JPZ	KEA	KEA
68		Vores Sol Nakskov XVI K/S	DK				JPZ	KEA	KEA
69		Vores Sol Nakskov XVII K/S	DK				JPZ	KEA	KEA
70		Vores Sol Nakskov XVIII K/S	DK				JPZ	KEA	KEA
71		Windenergie Erik Andersen Verwaltungsgesellschaft mbH	DE						KEA

*) According to Section 105,1 in Danish Financial Statement Act we can inform that 6 of the company's in European Energy Group have been audited by a local Danish auditing company named Pryds Statsautoriseret Revisionsfirma.

Disclaimer and cautionary statement

This document contains forward-looking statements concerning
European Energy's financial condition, results of operations and business.

All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on Management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning new potential accounting standards and policies, and
European Energy's potential exposure to market risks and statements expressing Management's expectations, beliefs, estimates, forecasts, projections,

and assumptions. There are a number of factors that could affect European Energy's future operations and could cause European
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c. changes in demand for European Energy's products;

d. currency and interest rate fluctuations;

e. loss of market share and industry competition;

f. environmental and physical risks;

g. legislative, fiscal and regulatory developments, including changes in tax or accounting policies;

h. economic and financial market conditions in various countries and regions;

i. political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects; ability to enforce patents;

j. project development risks;

k. cost of commodities;

l. customer credit risks;

m. supply of components from suppliers and vendors; and

n. customer readiness and ability to accept delivery and installation of products and transfer of risk.

All forward-looking statements contained in this document are
expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Each forward-looking statement speaks only as of the date

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