European Energy Holding ApS

Annual report 2016

The annual report has been presented and approved at the Company's annual general meeting on 28 June 2017

Knud Erik Andersen
Chairman

CVR no. 25 62 56 76
Gyngemose Parkvej 50, 2860 Søborg

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Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of European Energy Holding ApS for the financial year 1 January – 31 December 2016.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

In my opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016.

Further, in my opinion, the Management's review gives a fair review of the development in the Group's and the Parent Company's activities and financial matters, of the results for the year and of the Group's and the Parent Company's financial position.

I recommend that the annual report be approved at the annual general meeting.

Søborg, 28 June 2017
Executive Board:

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Knud Erik Andersen

Independent auditors' report

To the shareholder of European Energy Holding ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of European Energy Holding ApS for the financial year 1 January – 31 December 2016 comprising income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group as well as for the Parent Company and a cash flow statement for the Group. The consolidated financial statements and parent company financial statements are prepared in accordance with 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's and the Parent Company's assets, liabilities and financial position at 31 December 2016 and of the results of the Group's and the Parent Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with 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 consolidated financial statements and the parent company financial statements" section of our report. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibility for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's 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 in preparing the consolidated financial statements and the parent company financial statements unless Management either intends to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements

Our objectives are to obtain reasonable assurance as to whether the consolidated financial statements and the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 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 financial statement users made on the basis of these consolidated financial statements and parent company 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 consolidated financial statements and the parent company 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's 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.

Independent auditors' report

- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements 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's 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 consolidated financial statements and the parent company 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 Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the disclosures, and whether the consolidated financial statements and the parent company 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any form of assurance conclusion thereon.

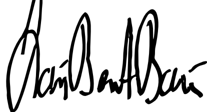
In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company 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's review provides the information required under the Danish Financial Statements Act.

Independent auditors' report

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

Copenhagen, 28 June 2017
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98



Lau Bent Baun	**Martin Eiler**
State Authorised	State Authorised
Public Accountant	Public Accountant

Management's review

Company details

European Energy Holding ApS
Gyngemose Parkvej 50
DK-2860 Søborg

CVR no.:	25 62 56 76
Established:	30 August 2000
Registered office:	Gladsaxe
Financial year:	1 January – 31 December

Executive Board

Knud Erik Andersen

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Annual general meeting

The annual general meeting will be held on 28 June 2017.

Management's review

EUR'000	2016	2015	2014 *	2013 *	2012 *

Key figures

	2016	2015	2014 *	2013 *	2012 *
Revenue	143,632	73,559	62,947	29,963	35,682
Direct costs	-107,281	-57,531	-44,115	-13,257	-20,554
Gross profit	36,351	16,028	18,832	16,706	15,128
Operating profit	27,209	7,548	11,634	8,987	7,815
Loss from financial income and expense	-6,647	-1,198	-5,542	-5,156	-3,666
The Group's share of profit for the year	**14,108**	**2,747**	**5,175**	**2,558**	**4,233**
Total assets	213,729	215,683	191,602	137,780	127,064
Equity	**39,587**	**25,383**	**34,891**	**30,644**	**27,886**
Cash flows from operating activities	6,785	-17,028	-6,161	-1,432	5,996
Net cash flows from investing activities	724	-5484	-4,650	3,230	4,754
Portion relating to investment in property, plant and equipment, net	-6,848	-98	-5,563	-7	-301
Cash flows from financing activities	-8,022	20,004	18,860	-2,986	-12,189
Total cash flows	**-513**	**-2,508**	**8,049**	**-1,188**	**-1,439**
Financial ratios					
Gross margin	25,3%	21,8%	29,9%	55.8%	42.4%
Operating margin	18,9%	10,3%	18,5%	30.0%	21.9%
Equity ratio	18,5%	11,8%	18,2%	22.2%	21.9%
Return on equity	43,4%	11,4%	15,8%	8.7%	16.4%
Average number of full-time employees	64	53	46	41	38

Figures for 2012 - 2014 have not been adjusted to the changed revenue recognition implemented in 2016, cf. explanation in section ‘Accounting Polices’.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios have been calculated as follows:

Gross margin $$\frac{\text{Gross profit x 100}}{\text{Revenue}}$$

Operating margin $$\frac{\text{Operating profit x 100}}{\text{Revenue}}$$

Equity ratio $$\frac{\text{Equity at year end x 100}}{\text{Total equity and liabilities at year end}}$$

Return on equity $$\frac{\text{Profit after tax x 100}}{\text{Average equity}}$$

Management's review

Management Report for European Energy Holding ApS

The Company's Main Activities
The main focus of the European Energy Holding Group is developing and constructing wind turbines and solar parks. Another focus of the Group is purchasing existing renewable energy parks and the financing of these for either disposal or operation.

Development of Operations
The most significant part of the activities in the Group are related to the subsidiary European Energy A/S. European Energy Holding ApS has developed, constructed and sold one wind farm in Denmark in coporation with European Energy A/S and one other project developer. On the top of the activities in the subsidiary European Energy A/S and the project in Denmark, there are only a few other balance sheet items in the Group related to non-current assets (Other receivables), current assets (deferred tax asset) and to liabilities (Other payables).

Management's review

Business model

Since 2004, European Energy has acquired considerable know-how in all 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 (increasingly late stage), financing, construction and divestment of wind and solar farms
- sale of electricity from operational wind and solar farms
- asset management

Development, construction and divestment

Generally, the process of creating a wind or solar farm can be divided into four stages:
1. Development and/or acquisition of the project
2. Securing bridge or long-term financing
3. Construction of the project
4. Complete or partial divestment

Stage 1: Development and project acquisition

In the development phase, European Energy starts by assessing the wind or solar resource at a potential site – 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. The current development portfolio also includes the repowering of existing wind farms. Repowering involves replacing aging, small turbines with newer, more efficient ones. European Energy expects repowering to account for an increasing share of activities as the market for wind power matures.

European Energy's development portfolio comprises a mix of solar farms as well as onshore and nearshore wind farms. In total, it consists of 2,045 MW of potential projects in 10 countries. The geographic diversity, varying stages of development and focus on different technologies ensures a continuous cycle of activity and broad range of investment opportunities. Following through on a strategic decision, European Energy is increasingly entering projects at a later stage of development and completing them in tandem with the initial developer. Project screening, selection and completion are based on in-house project development competencies. The benefits of this approach include bigger certainty of project realisation, shorter investment cycles and significantly greater agility in entering new markets where long-term investors have shown increased interest.

Stage 2: Project financing

Financing is an integral part of the development and construction phase. 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 banks, which in turn facilitates the process of securing further project financing. European Energy has significant experience with both bridge financing and long-term project

financing. Other developers have invited European Energy to participate in wind or solar projects, as its experience can aid in obtaining financing. In these circumstances, a co-ownership structure is often adopted.

Stage 3: 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 where many of European Energy's competencies lie. 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 the turning of the first soil through to grid connection.

Stage 4: 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 already during the construction phase, generally on a fixed price, turnkey basis. This reduces the risks attached to constructing the project 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. All these contracts are to a large degree interdependent, as long-term investors usually require a turnkey investment with the integrated management of all major risks.

European Energy benefits from its employees' knowledge of the key markets, which eases the development, approval and realisation process on wind and solar projects. When projects move into the construction phase, European Energy can rely on its cutting-edge technological insight to select the optimal technology for any project at hand. The M&A department has the market insight it takes for European Energy to match project-financing banks and long-term investors with varying risk profiles with the right projects and to conduct due diligence processes.

Production and sale of electricity

As an independent power producer European Energy owns or co-owns 46 operational solar and wind farms in six countries with a total capacity of 405 MW. In 2016, these decentralized operating assets delivered a combined production of approximately 200 GWh of renewable energy to European consumers. The sale of this electricity generates continuous revenue and yield. Income from electricity sales is therefore an important part of European Energy's business model.

The sale of electricity contributes greatly 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 comprehensive income". Instead, the

main part is included under the "Profit after tax from shares in equity accounted investments".

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 that prioritise choosing a business partner with the ability not only to construct a plant but also to 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. Thereby, the asset management business creates value to European Energy through collected fees, improved operational performance of the asset portfolio, better access to financial investors and to new business opportunities. For this reason, the importance of this business area cannot be measured solely on revenue generated.

European Energy's three main sources of income are: divestment, sale of electricity and asset management. Sale of electricity includes revenues of companies owned in joint ventures, associated companies or other investments.

Management's review

Group structure of European Energy

The European Energy group has a structure consisting of 353 companies (as at the end of 2016) with European Energy A/S as the parent company (Group). European Energy A/S owns several subsidiaries, associates and joint venture companies, which in turn own additional subsidiaries, associates or joint venture companies.

One reason for the large number of Group companies is that many of European Energy's wind and solar projects are held by project-specific special purpose vehicles (SPV). The SPVs provide the platform for developing and constructing a project. The SPV then becomes a self-contained vehicle that can be more easily sold to investors, either after the power plant goes into operation or at an earlier stage of development. The SPVs take the form of either a limited company or a tax-transparent company.

Of the 353 companies within the the subsidiary European Energy A/S, 117 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 12 investments in companies where its ownership is below 20% which are not material investments to the Group.

At the end of 2016 the total number of subsidiaries directly or indirectly owned by the parent company was 223, all of which were consolidated line by line in the consolidated income statement.

The 117 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 joint venture investments line or the associated companies investment line, both under non-current assets. As regards to the 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.

Management’s review

Financial performance

In late 2016, European Energy decided to adopt the International Financial Reporting Standard 15 (IFRS 15) before the mandatory implementation in 2018. IFRS 15 was implemented following a dialogue with the Danish Business Authority regarding European Energy’s previous accounting policy for recognising sales revenue from wind and solar farms under IAS 18. The Danish Business Authority disagreed with European Energy’s interpretation of IAS 18. As a result, Management has decided to align the European Energy’s accounting policy with the Danish Business Authority’s assessment. It is Management’s opinion that the framework of IFRS 15 is in line with the Danish Business Authority’s interpretation of IAS 18, and therefore the company automatically complies with the requested way of revenue recognition by implementing IFRS 15.

Value creation and revenue recognition

The substantial part of European Energy’s income is derived from sales of developed and constructed solar and wind farms.

From idea to divestment of a project

European Energy typically manages the project development by identifying suitable project sites, securing all necessary permits and contracting with suppliers and contractors before construction begins. Rather than develop projects on its own, European Energy is increasingly opting to acquire the rights to projects that are partly or wholly developed, thus shortening the development period and reducing the risk that a project will not reach completion.

Consequently, the costs of development depend on when European Energy decides to enter the project. However, the combined costs are limited compared to the liquidity-intensive construction phase that follows.

All permits, rights and contracts necessary to construct and operate a project are typically placed in a SPV, which facilitates project financing as well as the sales process.

European Energy’s value creation in the process lies primarily in the work leading up to the construction phase, which is mainly handled by external suppliers on behalf of the SPV. European Energy is typically responsible for delivering a turnkey project to the SPV. European Energy retains the principal risk but passes the construction-related risks down to the sub-contractors on a back-to-back basis, where possible.

European Energy typically initiates the sales process and identifies potential investors when the project rights and permits are secured. The process can thereby lead to a sale of the SPV to the buyer during the construction phase contingent upon the successful construction of the project. European Energy’s performance obligations in relation to the project development and construction are typically covered by an engineering, procurement and construction management agreement (EPCM agreement) with the SPV plus a conditional share sale and purchase agreement (SPA) with the buyer regarding the transfer of the SPV. These two agreements are considered as one combined delivery to the buyer.

Management's review

Revenue recognition of developed and constructed 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 plant, 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 management not exceeding a given amount, the variable amount is only included if it is highly likely that a sub-stantial part of the amount is not to be repaid subsequently. If not, the income is not recognised until a later point in time where all performance obligations have been satisfied.

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

Profit and loss

2016 was a good year for European Energy Holding ApS. Earnings before interest, taxes, depreciation and amortisation (EBITDA) came to EUR 28.8 million and the profit for the year totalled EUR 18.3 million (up from EUR 3.5 million in 2015). In 2016, the Group handed over a large number of wind and solar farms to customers, and as the revenue recognition is now linked to the final closing date, at which time all performance obligations have been fulfilled, the revenue and profit from these sales is recognised in this year.

Due to the change in revenue recognition, the revenue from some wind and solar farms sold in 2015 or previous years is reclassified to 2016.

In total a revenue of EUR 42.0 million, originally accounted for in previous years, has been deferred to the revenue in 2016. Additionally IAS 8 corrections have added EUR 35.6 million to the revenue (the same amount has been added to the direct costs). The net profit after tax added to the 2016 result from previous years was EUR 18.8 million. At the same time a total of EUR 51.1 million of revenue and EUR 9.3 million of net profit after tax has been postponed to 2017, corresponding to the profit from three wind farms in Finland, eight wind turbines in Germany and two solar farms in the UK that were sold (but not delivered). Under the former method of revenue recognition this would have resulted in net profit after tax in 2016 of EUR 9.1 million. Management is very satisfied with this performance, in particular because European Energy has succeeded in developing, constructing and divesting wind and solar farms in core markets as well as acquiring new projects over the course of the year.

Revenue totalled EUR 143.6 million (up from EUR 73.6 million in 2015). The revenue was generated by the divestment of wind and solar farms, the sale of electricity, asset management and other fees.

The Group's most important revenue source is the divestment of wind and solar farms. This revenue increased from EUR 64.9 million in 2015 to EUR 133.0 million in 2016. The wind

and solar farms delivered in 2016 were larger than in 2015, and especially in Denmark, the numbers of divestments increased compared to 2015.

The revenue from electricity sales increased to EUR 8.9 million from EUR 5.8 million in 2015. This was mainly due to electricity sold from six UK solar farms, which are a part of the inventory. In 2017, three of these solar farms have been sold. The remaining three solar farms are also expected to be sold in 2017. This is also a consequence of the change in revenue recognition we will see in the future. When the recognition date for the sale of wind or solar farms has been postponed, the revenue from electricity sales in the period between grid- connection and final handover to the customer will be added to the sale of electricity in the segment analysis, where it was previously added to the revenue from sale of wind and solar farms.

A smaller increase of EUR 0.5 million in the sale of electricity came from the addition of projects in Denmark and Germany.

The asset management fee was EUR 1.2 million in 2016, the same as in 2015.

Some of the equity-accounted investments are in development companies that have no operational assets as yet but have been established with purpose of constructing and later divesting a wind or solar farm. These companies are SPVs not controlled by the Group. None of these companies were divested during 2016, but write downs carried out for a part of the project portfolio led to a negative result in the development companies of EUR 2.5 million for the year. In 2015 the result was EUR 45 thousand. Profit after tax on equity-accounted investments (joint ventures and associated companies) came to EUR 1.5 million compared to EUR 1.8 million in 2015. In terms of wind resources 2016 was not as good as 2015. This decline is primarily reflected in this line, as most of European Energy's investments in joint ventures and associates are wind farms.

Direct costs totalled EUR 107.3 million, which includes IAS 8 corrections for the recognition of the divestment of two wind parks of EUR 35.6 million. In 2015, the direct cost was EUR 57.5 million.
The profit before tax more than doubled in 2016 to EUR 20.6 million, up from EUR 6.4 million in 2015.

The balance sheet

The change in accounting policy also influenced the balance sheet. As revenue recognition for a sale of a project was deferred for three to nine months the equity and the receivables from customers decreased and the inventory increased at the transition date 1 January 2016.

Property, plant and equipment increased from EUR 45.5 million in 2015 to EUR 51.3 million in 2016. The Group's aim is for all constructions or acquisitions carried out to be for the purpose of sale. The vast majority of acquisitions are therefore presented in inventories. The value of plants on the balance sheet only increases when investments are made with no immediate expectation of a future sale of the project.

Equity-accounted investments (joint ventures and associates) totalled EUR 18.2 million, down from EUR 19.0 million in 2015. The decrease is attributable to the fact that the equity accounted companies realised a total deficit of EUR 1.0 million for 2016, attributable to

write-downs of inventory in development companies, and a net acquisition of associated companies.

Loans to related parties decreased by EUR 1.6 million to a total of EUR 13.2 million.

According to IFRS 15, receivables from customers which 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 increased to EUR 17.1 million in 2016 from a total of EUR 15.4 million in 2015. The long-term part hereof decreased to EUR 5.5 million from EUR 9.0 million in 2015.

Inventories decreased to EUR 72.2 million from EUR 75.7 million in 2015. This is not a sign of the Group's activity stalling, but rather a result of the fact that the number of inventory days decreased after the implementation of a strategy to buy more ready-to-build projects instead of developing projects from greenfield.

European Energy focuses on evaluating the likelihood of a project's success and reviews projects on an ongoing basis with the aim of making impairments, if needed. A special focus is put on projects in the early stages (before construction). The net value of inventory under development decreased from EUR 9.6 million in 2015 to EUR 5.4 in 2016.

The total balance decreased to EUR 213.7 million in 2016 (down from EUR 215.7 million in 2015).

Cash flow statement

The higher activity level has led to a positive cash flow from operations of EUR 6.8 million (EUR -17.0 million in 2015). The profit before tax of EUR 20.6 million (EUR 6.4 million in 2015) was counterbalanced by a change in net working capital of EUR -14.0 million (EUR -20.4 million in 2015), which includes a net payment of trade payables of EUR 6.3 million (in 2015 the major net cash driver in working capital was the net use of cash to increase inventory of EUR 30.2 million).

Net cash flow from operations and from investing activities totalled EUR 7.5 million (EUR -22.5 million in 2015), and the amount was used to pay minority shareholders for their part of the bridge financing used for the construction of a wind farm sold in 2016. This resulted in a negative cash flow from financing activities of EUR 8.0 million giving a net change in cash for the year of minus EUR 0.5 million. In 2015 the cash flow from financing activities was positive with EUR 20.0 million and the net change in cash was negative with EUR 2.5 million.

Uncertainty with regard to recognition and measurement

Revenue recognition

Some sales contracts regarding power plants comprise of 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.

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 2016 this led to a EUR 2.4 million impairment of inventory (write-off or write-down).

Divestment

The wind and solar farms divested by European Energy in 2016 had a cumulative enterprise value of EUR 230 million (including EUR 115 million restated from 2015), including third party equity interests and a total capacity of 252 MW.

Because of the adoption of IFRS 15, European Energy recognises both sales concluded in 2016 and the restatement of certain sales from 2015. In total, European Energy concluded divestments of six onshore wind farms in Denmark and Germany as well as the solar farm in Vandel, Denmark. The projects represented a total capacity of 169 MW and they produce enough energy to power more than 70,000 Danish households.

Additionally, the joint venture Nordic Power Partner sold its entire 20% ownership share in the 82-MW onshore wind development project, Al Rajef, in Jordan. The ownership share was sold to a local industrial buyer after securing a power purchase agreement with the Jordanian government.

Securing long-term non-recourse project financing is decisive for establishing the most interesting and profitable turn-key projects that institutional investors acquire. In 2016, European Energy and its partners succeeded in closing several project financing facilities for projects under construction for a total of EUR 140 million.

The projects financed are two German wind farms totalling 60 MW, three Finnish wind farms totalling 17 MW and an Italian wind farm of 20 MW. European Energy has already signed a sales agreement on the Finnish projects, while the German and Italian projects are part of the short-term divestment pipeline. The project finance agreements are expected to contribute substantially to the market value of the projects.

All in all, when combining own developments, partnerships and project acquisition, European Energy had 166 MW of wind and solar farms in the construction phase as at the end of 2016 on which sales agreements have been signed for 17 MW. The portfolio of ready to build projects consists of 242 MW of both wind and solar farms. As such, 149 MW of projects under construction and 242 MW of projects ready to build totalling 391 MW collectively constitute European Energy's sales pipeline in the short- to medium-term.

Sale of electricity

At end-2016, European Energy owned wind and solar power generating assets with a net capacity of 156 MW, delivering renewable energy to consumers in Germany, the UK,

Denmark, Italy, Bulgaria and Spain. The total electricity production amounted to 200 GWh in 2016, enough energy to power around 50,000 households. The sale of electricity grew by 5.2% to EUR 24.3 million in 2016. This growth is mainly due to the acquisition and construction of new capacity, as the wind ressources in 2016 were weaker than in 2015.

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 them. The repowering process involves replacing aging, small turbines with newer, more efficient ones.

Power prices continued the trend with low prices across the board for all 2016. Electricity prices are highly likely to remain low in 2017. However, thanks to long-term power purchase agreements and long-term feed-in tariffs, the low market prices have a limited impact on European Energy's revenue. To the extent possible and where economically feasible, European Energy sells the produced electricity by way of power purchase agreements. At the same time, most German wind turbines, representing 65% of European Energy's power generating assets, receive a predetermined feed-in tariff for 20 years after commissioning.

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.

2016 results

In 2016, European Energy managed a portfolio of power generating assets totalling 324 wind turbines and 22 solar farms. The power generating assets under management produced a total of 805,219 MWh in 2016, which is enough energy to power more than 200,000 Danish households. The capacity of power generating assets under management amounts to 710 MW, of which 156 MW are owned directly and indirectly by European Energy. The revenue generated from asset management amounted to EUR 1.2 million in 2016.

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 financial reporting, accounting and taxmanagement, legal compliance and negotiating with insurance companies and power traders.

Management's review

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.

Development and construction

2016 was another 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 164 million. In total, European Energy has developed, constructed and acquired approximately 800 MW valued at more than EUR 1 billion since its beginning in 2004. European Energy's dedicated employees have developed the majority of these projects from the greenfield stage. The construction of several other projects is well underway, and with a development portfolio of more than 2 GW of additional project rights, construction activities are set to expand in the years to come.

Construction activities in 2016

In 2016, European Energy extended its construction activities to cover six countries, being responsible for construction activities in Denmark, the UK, Germany, Italy, Finland and Brazil. By the end of 2016, projects with a capacity of 108 MW at eight different sites had been constructed. Projects with a capacity of 166 MW were under construction as at end-2016, and are expected to become grid-connected in 2017 and 2018.

Wind farms

In 2016, European Energy finished construction and grid-connected five wind farms. Two major wind farms, Rødby Fjord and Ulvemosen, with a combined capacity of 73 MW were constructed and grid-connected in Denmark. In Germany, European Energy continued its construction activities and connected the wind farms Vetschau, Mönchsrot and Frehne with a total capacity of 21 MW to the grid. In total, European Energy connected 93 MW of wind energy capacity to the grid in 2016, which now delivers approximately 293,000 MWh per year of renewable energy. This is enough to power more than 70,000 Danish households.

At the end of 2016, construction activities at additional sites were ongoing and expected to be completed in 2017. In Denmark, European Energy completed the construction and grid-connection of a wind farm with a capacity of 25 MW at the Kappel site in April 2017.

In Finland, European Energy began the construction of three wind farms at the sites of Jeppo, Haukineva and Vihreäsaari for a combined capacity of 17 MW. These projects are expected to become operational during the first half of 2017. Other interesting opportunities are likely to unfold in the Finnish market in the short- to medium-term.

In Germany, several wind farms are under construction and expected to become grid-connected in 2017. In total, European Energy is building at five different German sites with a total capacity of 74 MW. In 2016, the German government adopted a new renewable energy act, known as the "Erneuerbare-Energien-Gesetz 2017" or "EEG 2017". The newly introduced auction system for all renewable energy sources and an annual volume cap of 2,800 MW for onshore wind are expected to bring down the prices per kWh. However, experience from other countries' auction systems and the strong project pipeline in Germany mean that European Energy expects to develop many new wind farms in Germany in the years to come.

Management's review

In Italy, European Energy constructed the Oppido wind farm only eight months after acquiring the project from an Italian developer. The wind farm became operational a few days into 2017. In general, the Italian market currently presents interesting opportunities, which are being carefully monitored and could lead to additional engagements in the market. All in all, European Energy had construction activities regarding wind farms with a total capacity of 136 MW at the end of 2016.

Solar farms

During 2016, European Energy completed the construction of three additional solar farms in the UK with a total capacity of 15 MW. Two of the sites, West End Farm and Canewdon, were constructed under the Community Interest Company (CIC) scheme. The CICs are required to donate two thirds of their profit to charity. The third site was constructed in cooperation with the car manufacturer Nissan and will power its production of electric cars etc. In total, European Energy has built eight solar farms in the UK over the course of three years.

European Energy also 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 the developing countries as well as additional financing from IFU/DCIF.

Nordic Power Partners started construction on the first of three 30-MW solar farms in Paraíba, a state in northeastern Brazil, and two other projects are ready to build. The projects have been developed together with a local partner and have secured a 20-year power purchase agreement with the Brazilian government. All three projects are expected to be connected to the grid by the end of 2018.

Ready-to-build projects and development activities

European Energy is on the 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. In 2016, European Energy considerably reduced the project portfolio from 2,975 MW by the end of 2015 to 2,045 MW at the end of 2016. Besides the addition of new projects European Energy succeeded in completing the construction of approximately 100 MW from the project portfolio in 2016, but the considerable reduction in portfolio capacity was mainly attributable to the removal of some of the Danish near- and offshore wind farms from the portfolio.

Ready-to-build projects

By the end of 2016, European Energy had secured the rights and permits to build a significant number of projects expected to be realised in 2017. The projects considered ready to build are spread over several European countries and Brazil. The total capacity of European Energy's portfolio of ready-to-build projects is 242 MW and includes both wind and solar farms.

Management's review

Among the projects ready to build are solar farms with a capacity of 50 MW in Denmark. In 2016, European Energy successfully tendered the projects, winning the German government's 50-MW pilot tender for solar power, which allowed the participation of projects located outside of Germany. European Energy will construct the solar farms in the first half of 2018.

Following a highly successful year in terms of new solar farms in Denmark, the Danish Government decided in 2016 to cap the distribution of subsidies for new solar farms. Before the solar programme was closed down, European Energy managed to secure feed-in tariffs for a number of solar farms totalling 22 MW of capacity and now ready for construction in the coming year.

At the Måde site, European Energy is in the process of expanding an existing wind farm constructed in 2015 with 8 MW to a total of 24 MW.

Brazil is also expected to be an interesting market for European Energy, having ready-to-build projects with a total capacity of 150 MW as well as Coremas 2, a 30-MW project already under construction.

Development activities

At end-2016, European Energy's main markets for development projects are Denmark, Finland, Germany and Sweden. The project portfolio comprises both solar power as well as onshore and nearshore wind farms. European Energy expects the same high level of activity in 2017, with construction of development portfolio projects already in progress and new projects in the pipeline. Opportunities like the Italian wind farm, Oppido, demonstrate European Energy's ability to take on new projects and ensure their effective completion even when they are not part of the existing development portfolio. Consequently, 2017 is likely to offer new and diverse project opportunities for European Energy.

Near- and offshore wind

European Energy and its partners participated in two near- and offshore wind tenders conducted by the Danish Energy Agency in 2016. European Energy and its partners were one of three prequalified bidders in the 350-MW tender process for nearshore wind sites, and one of seven prequalified bidders in the 600-MW tender for the offshore site known as Kriegers Flak. Competition for the offshore tender was substantial, with the other six prequalified contenders being Hofor/WPD, DONG, EnBW, Vattenfall, E.ON/Statoil and ScottishPower.

European Energy prepared its participation during late 2015 and most of 2016, becoming a strong competitor in each of the tenders. However, Vattenfall won both with record-low prices. The nearshore auction achieved a price of 0.475 DKK/kWh during 50,000 full load hours (equivalent to approximately 0.0638 EUR/kWh), and the offshore tender was won with a bid of 0.372 DKK/kWh during 50,000 full load hours (equivalent to approximately 0.0499 EUR/kWh) – the world's lowest price to date.

European Energy still expects to develop its nearshore portfolio under the Danish government's "Open Door" procedure, initiated in 2012. The two sites of Omø South and Jammerland Bay, with a combined capacity of up to 560 MW, are in the process of obtaining

Environment Impact Assessment approval. European Energy has also applied to develop the nearshore site Mejl Flak, situated off the coast of Aarhus, Denmark's second largest city.

Outlook and expectations

Revenue for 2017 is expected to be in the range of EUR 130-170 million. The profit before tax is expected to be in the range of EUR 17-22 million. Management looks 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 thus also depend on factors such as environmental impact assess-ments, building permits, sudden changes in incentive schemes and the Group's success at renewable energy auctions.

Significant events after the reporting period

On 17 February 2017, the European Energy Group signed and closed an agreement for the sale of a 28-MW wind farm in Germany to a German buyer. The wind farm is part of the 48-MW Vormark project located in Gross Pankow in the state of Brandenburg and has been co-developed with the local partner Green Wind Energy GmbH. The European Energy Group owns a total of 16% of the wind farm sold, which was connected to the grid in the first quarter of 2017. The sale will enhance European Energy's financial position.

On 02 March 2017, the European Energy Group signed a term sheet with a German investor for the negotiation of a binding agreement on the sale of the 20-MW wind farm in Oppido, Italy. European Energy owns half of the wind farm to be sold which has been in operation since the beginning of 2017. The term sheet sets out the main conditions for the sales agreement, expected to be exclusively negotiated and signed in the second quarter of 2017.

Closing of the sales agreement will be subject to a number of customary conditions precedent, including that the long-term financing of the project must be in place. Completion of the envisaged sale will improve European Energy's financial position.

On 29 March 2017, the European Energy Group signed a term sheet with a German investor for the negotiation of binding agreements for the sale of two wind farms in Germany. Lüdersdorf with total capacity of 6.6 MW and Gilmerdingen with a total capacity of 12 MW. The wind farms are located in the German regions of Brandenburg and Lower Saxony and are scheduled to come into operation in May and July 2017, respectively. The European Energy Group wholly owns the 6.6-MW wind farm and just under 50% of the 12-MW wind farm. The term sheet sets out the main conditions for the sales agreements, expected to be exclusively negotiated and signed in the second quarter of 2017. Closing of the sales agreements will be subject to a number of customary conditions precedent. Completion of the envisaged sale will improve European Energy's financial position.

On 30 April 2017, the European Energy Group signed an agreement for the sale of a wind farm with a gross capacity of 25 MW in Denmark to a German buyer. The wind farm is located in Kappel on the Danish island of Lolland and is developed by European Energy. The European Energy Group owns a total of 100% of the wind farm sold, which was connected to the grid in April 2017. The sale will enhance European Energy's financial position.

Management's review

On 31 March 2017, the maturity of the bond series with a total nominal value of EUR 7.6 million has been prolonged to May 2018.

On 27 June 2017 the company has announced the fulfilment of the conditions of early redemption of its outstanding EUR 2018 Bonds of EUR 45 million, and the completion and pricing of the issurance of new EUR bonds for EUR 60 million.

Risk management

As a developer of renewable energy projects, European Energy faces a number of risks that are a natural part of its business.
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.
European Energy is currently in the process of establishing a project risk committee to be tasked with evaluating potential development projects from the technical, legal and financial perspectives and thus ensuring that a decision to proceed is based on sound assumptions.

Political regulation

Electricity production and prices are subject to political regulation in every country around the world. Key political risks include political instability, potential and retrospective legislative changes and corruption levels.
European Energy mitigates these risks by being geographically and technologically diverse and by inviting partners to join development activities in markets considered high risk. Diversification lies at the heart of European Energy's risk management. Consequently, European Energy is active in 11 countries, thus minimising the amount of risk associated with country-specific changes in government policy and legislation. European Energy also closely follows political developments and can thus react quickly to new risks and take steps to mitigate them.

Development and construction risks

Value creation in new projects largely depends on selecting the right technical and commercial solutions to ensure that construction goes according to plan and budget and that production commences as expected.

Development

The cost of developing a project depends on when European Energy decides to enter the project. The decision is based on an assessment of risks against costs and the ability to optimise the project.
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. Moreover, when acquiring development projects or entering into partnerships on them, European Energy limits its exposure to certain risks by focusing on having the development risks appropriately shared between the original project developer and European Energy.

Construction

All relevant permits need to be obtained before commencement of construction. The construction phase is sensitive to weather conditions. Abnormal or harsh weather conditions

(such as storms, heavy rain, etc.) and wildlife issues may delay construction, with the consequence being an overall cost increase or loss of revenue.
European Energy reduces these risks by drawing on its considerable experience in successfully constructing previous projects and by using only top-tier technology suppliers. European Energy also seeks to reduce risks by budgeting with an appropriate reserve for unforeseen expenses.

Power prices and weather

The sale of electricity and divestment of wind and solar farms involve exposure to fluctuating power prices. European Energy mitigates this risk by entering into long-term power purchase agreements or securing long-term feed-in tariffs.
Markets such as Denmark and Sweden are exposed to variations in the power market price. Declining power prices may negatively affect the sales prices of projects in these markets, but might also increase the demand for and value of projects in markets with long-term feed-in tariffs like Germany. The opposite may be true if power market prices increase. Geographical diversification therefore reduces the risk of variations in power prices.
Weather conditions also have an impact on revenue from the sale of electricity, and factors like a poor year for wind or sun influence the portfolio of operational wind and solar farms. Technological and geographical diversification reduces the risk of weather fluctuations. Because wind and solar yield assessments are reliable, short-term weather variations do not affect sales prices significantly.

Financial risks

Liquidity

European Energy finances a substantial portion of its renewable energy projects with debt. A large part of these activities are financed through non-recourse financing with well-known financial institutions. If sufficient financing is unavailable, the development of some projects may be delayed or cancelled.
Cash flows may be affected if construction financing for a project has been secured but the corresponding long-term financing has not. However, European Energy usually enters into a conditional sales agreement before long-term project financing is required.
Many of European Energy's activities require liquidity, although the timing of the income generated by such activities can be somewhat unpredictable. For instance, if the construction of a project is delayed, the income from the electricity produced will also be delayed. Similarly, if the project is divested, the payment of the purchase price may be postponed until construction is completed. Consequently, European Energy effectively monitors current and future cash flows to ensure coherent liquidity management.

Foreign currency risks

European Energy 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. In 2016, the most significant risk has been linked to the British Pound, European Energy's having constructed several solar farms in the UK. To mitigate foreign currency risk, 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 rates

Increasing interest rate may harm the profitability of individual projects, because the majority of projects are funded by debt. European Energy manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

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: http://europeanenergy.dk/en/investor-relations/financial-information/.

Management diversity

A disclosure of European Energy's diversity policy, targets and current performance is available at European Energy's website: http://europeanenergy.dk/en/investor-relations/financial-information/.

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: http://europeanenergy.dk/en/investor-relations/financial-information/.

Management's review

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

European Energy has decided to implement an early adoption of the International Financial Reporting Standard, IFRS 15 Revenue from contracts with customers in 2016 as introduced above.
Revenue is recognised when the Group has fulfilled its contractual performance obligations towards the buyer. The accounting policy is described in detail under Segment information. Some sales contracts regarding power plants comprise of 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

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 EE has substantive rights over the project does not distinguish between rights arising from EE 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.

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 2016:

Impairment test property, plant and equipment
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
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
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 recorded. 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 Group's future tax planning strategies.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Income statement

		Consolidated		Parent company	
EUR'000	Note	2016	2015	2016	2015
Revenue	2	143,632	73,559	13,395	0
Direct costs		-107,281	-57,531	-10,544	0
Gross profit		36,351	16,028	2,851	0
Other income		0	269	0	0
Staff costs	3	-4,949	-5,178	0	0
Other external costs		-2,583	-2,076	-5	-3
Depreciation, amortisation and impairment losses		-1,610	-1,495	0	0
Operating profit/loss		27,209	7,548	2,846	-3
Profit from subsidiaries		0	0	11,425	2,765
Profit from associates		-1,043	1,713	0	0
Financial income	4	3,384	3,787	101	436
Financial expenses	5	-8,988	-6,698	-290	-441
Profit before tax		20,562	6,350	14,082	2,756
Tax on profit for the year	6	-2,234	-2,888	26	-9
Profit for the year		18,328	3,462	14,108	2,747
Non-controlling interests' share of profit for the year		-4,220	-715	0	0
The Group's share of profit for the year		14,108	2,747	14,108	2,747

Proposed profit appropriation

	2016	2015
Net revaluation according to the equity method	11,425	2,765
Retained earnings	2,683	-18
	14,108	2,747

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2016	2015	2016	2015
ASSETS					
Non-current assets					
Property, plant and equipment	7				
Wind energy farms		4,526	382	0	0
Solar energy farms		46,683	45,015	0	0
Tools and equipment		111	112	0	0
		51,320	45,509	0	0
Investments					
Investments in subsidiaries	8	0	0	44,605	33,076
Investments in associates	9	18,208	19,002	0	0
Other investments	10	3,512	3,505	0	0
Loan to related parties		20	0	20	0
Receivables from subsidiaries		0	0	3,684	0
Receivables from associates	11	13,158	14,821	0	0
Trade receivables	12	5,547	9,047	0	0
Other receivables	13	10,587	10,600	2,446	2,966
		51,032	56,975	50,756	36,042
Total non-current assets		102,352	102,484	50,756	36,042
Current assets					
Inventories	14	72,201	75,679	0	0
Receivables					
Trade receivables		11,552	6,394	2	0
Deferred tax asset	15	4,371	6,014	439	406
Other receivables		5,938	7,371	0	0
Prepayments		1,896	1,810	0	0
		23,757	21,589	441	406
Cash at bank and in hand		15,419	15,931	342	1
Total current assets		111,377	113,199	783	407
TOTAL ASSETS		213,729	215,683	51,539	36,449

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

		Consolidated		Parent company	
EUR'000	Note	2016	2015	2016	2015
EQUITY AND LIABILITIES					
Equity					
Share capital		17	17	17	17
Reserve for net revaluation according to the equity method		0	0	42,237	30,716
Retained earnings		39,570	25,366	-2,668	-5,350
Total equity		39,587	25,383	39,587	25,383
Non-controlling interests	16	19,401	23,731	0	0
Provisions					
Other provisions	17	556	0	0	0
Deferred tax	15	2,618	1,681	0	0
Total provisions		3,174	1,681	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	18				
Liabilities related to the issue of bonds		44,700	52,040	0	0
Credit institutions, project financing		55,501	55,780	0	0
Amount owed to subsidiaries		0	0	11,630	10,760
Other debt relating to the acquisition of companies		1,402	4,275	0	0
		101,603	112,095	11,630	10,760

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

		Consolidated		Parent company	
EUR'000	Note	2016	2015	2016	2015
Current liabilities other than provisions					
Bond loan	18	7,600	0	0	0
Credit institutions	18	15,726	15,007	0	0
Other debt relating to the acquisition of companies	18	4,782	1,777	0	0
Trade payables		11,740	18,187	308	307
Payables to associates		835	408	0	0
Corporation tax		934	1,866	14	0
Contract liabilities		0	2,575	0	0
Other payables		8,347	12,973	0	0
		49,964	52,793	322	307
Total liabilities other than provisions		151,567	164,888	11,952	11,067
TOTAL EQUITY AND LIABILITIES		213,729	215,683	51,539	36,449
Mortgages and collateral	19				
Contractual obligations and contingencies	20				
Related party disclosures	21				
Effect of changes to the accounting policy	22				

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Equity

Consolidated EUR'000	Share capital	Retained earnings	Total
Equity at 1 January 2015	17	34,874	34,891
Effect of change in accounting policy at 1 January 2015	0	-12,215	-12,215
Equity at 1 January 2015 after transition	17	22,659	22,676
Profit for the year	0	2,748	2,748
Value adjustments of hedging instruments	0	85	85
Other adjustments	0	-127	-127
Equity at 31 December 2015	17	25,366	25,383
Equity at 1 January 2016	17	25,366	25,383
Profit for the year	0	14,108	14,108
Value adjustments of hedging instruments	0	35	35
Other adjustments	0	61	61
Equity at 31 December 2016	17	39,570	39,587

Parent company EUR'000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity at 1 January 2015	17	40,198	-5,324	34,891
Effect of change in accounting policy at 1 January 2015	0	-12,215	0	-12,215
Equity at 1 January 2015 after transition	17	27,983	-5,324	22,676
Profit for the year	0	2,765	-17	2,748
Value adjustments of hedging instruments	0	85	0	85
Other adjustments	0	-118	-9	-127
Equity at 31 December 2015	17	30,716	-5,350	25,383
Equity at 1 January 2016	17	30,716	-5,350	25,383
Profit for the year	0	11,425	2,683	14,108
Value adjustments of hedging instruments	0	35	0	35
Other adjustments	0	61	0	61
Equity at 31 December 2016	17	42,237	-2,668	39,587

The share capital consists of nom. 125,000 shares of DKK 1 each, corresponding to EUR 17 thousand.

The share capital has remained unchanged for the last 5 years.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Cash flow statement

EUR'000	Consolidated 2016	Consolidated 2015
Profit/Loss before tax	20,561	6,351
Adjustments for:		
Financial income	-3,385	-3,787
Financial expenses	8,988	6,697
Depreciations	1,610	1,495
Other non-cash movements	1,043	-1,713
Change in net working capital	-14,031	-20,457
Other non-cash items	0	-269
Cash generated from operation before financial items and tax	14,786	-11,683
Taxes paid	-1,469	-2,203
Interest paid and realised currency losses	-8,495	-6,694
Interest received and realised currency gains	1,963	3,552
Cash flow from operating activities	6,785	-17,028
Purchase of Property, pland and equipment	-6,848	-98
Proceeds from disposal of subsidiaries, equity-accounted investments	1,999	1,376
Investment/loans in equity-accounted investments	5,521	-6,850
Dividends	52	88
Cash flow from investing activities	724	-5,484
Proceeds from borrowings	40,437	33,956
Repayment of borrowings	-39,998	-25,748
Changes in payables to associates	427	351
Non-controlling interests' share of capital increase or disposal of subsidiaries	-8,888	11,445
Cash flow from financing activities	-8,022	20,004
Change in cash and cash equivalents	-513	-2,508
Cash and cash equivalents at beginning of period	15,931	18,439
Cash and cash equivalents end of period	15,419	15,931
Of which restricted cash and cash equivalents	-5,169	-3,029
Non-restricted cash and cash equivalents end of year	10,250	12,902

The cash flow statement cannot be directly derived from the other components of the consolidated and parent company financial statements.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

1 Accounting policies

The annual report of European Energy Holding ApS has been prepared in accordance with the provisions applying to reporting class C (large) enterprises under the Danish Financial Statements Act. The managements interpretation of IAS 18 comply in general with the early adoption of IFRS 15 in the subsidiary European Energy A/S.

The annual report is presented in EUR, and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated. Each amount is rounded individually, and therefore minor differences between total amounts and the sum of underlying amounts may occur. At 31 December 2016, the EUR/DKK rate was 7.43 (31 December 2015: 7.46).

The accounting policies used are consistent with those of last year except for early adoption of IFRS 15 adopted in the significant subsidiary European Energy A/S in accordance with the Danish Financial Statements Act and that estimated future demolition costs for wind and solar farms has been presented gross in the balance sheet as a provision instead of an offsetting against the assets at year end. This has increased total assets with the same amount as the provision at year end. Due to immateriality comparative figures has not been changed. Furthermore, as the Company expect the scrap value of the assets to equal estimated demolition costs, there is no effect on the profit and loss for the year.

In late 2016, the subsidiary European Energy A/S decided to adopt the International Financial Reporting Standard 15 (IFRS 15) before the mandatory implementation in 2018. IFRS 15 was implemented following a dialogue with the Danish Business Authority regarding European Energy's previous accounting policy for recognising sales revenue from wind and solar farms under IAS 18. The Danish Business Authority disagreed with European Energy's interpretation of IAS 18. As a result, Management has decided to align the subsidiary European Energy's accounting policy with the Danish Business Authority's assessment. It is Management's opinion that the framework of IFRS 15 is in line with the Danish Business Authority's interpretation of IAS 18, and therefore the company automatically complies with the requested way of revenue recognition by implementing IFRS 15.

The adoption of IFRS 15 in European Energy A/S means that revenue from contracts regarding the sale of solar and wind farms will be recognised on the basis of contractual performance obligations. In the future revenue from sale of wind and solar farms will usually be recognised when the asset is constructed and delivered to the buyer, the buyer has accepted the acquisition and the sale has been completed on the closing date. The adoption of IFRS 15, has resulted in that revenue typically is recognised three to nine months later than revenue was recognised under the previous revenue recognition policy.

The implications of the change in revenue recognition policy are shown in the tables in note 22. The implications correspond to the Danish Business Authority's recommended changes to the revenue recognition policy in the subsidiary European Energy A/S.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the interim financial statements that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the period's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the transaction date and at the date of payment are recognised in profit or loss as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest annual report is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies are translated at the exchange rate at the transactions date.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and payables, respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as other receivables or other payables in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously recognised in equity are recognised in the income statement in the period in which the hedged item affects the profit/loss for the year.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Consolidated financial statements

The consolidated financial statements comprise the parent company, European Energy Holding ApS, and subsidiaries in which European Energy Holding ApS directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Income statement

Revenue

The Group has the following income-generating activities:

- Disposal of energy projects
- Disposal of solar and wind farms
- Sale of electricity
- Sale of services

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:

Disposal of energy projects and solar and wind farms

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 and potential buyers identified. 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 revenue recognised is highly unlikely to occur when the uncertainty associated with the variable consideration is subsequently resolved.

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

In projects where the Group does not act as a turnkey project developer, 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.

Sale of electricity

Revenue from the sale of electricity is recognised in the income statement at the amount paid by the purchaser as the electricity is generated and supplied to the purchaser's network provided that the electricity generation has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Sale of services

Revenue from the sale of services is recognised in the income statement as the services are provided and in accordance with agreements entered into. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Direct costs

Direct costs comprise costs incurred in generating the revenue for the year.

On disposal of energy projects and solar and wind farms placed in independent legal entities, direct costs comprise the carrying amount of the equity investments disposed of, etc., plus costs directly related to the disposal.

In addition, direct costs comprise operating costs related to constructed energy plants.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other costs regarding the Company's employees, including members of the Executive Board.

Other external costs

Other external costs comprise administrative expenses.

Depreciation and amortisation

Depreciation and amortisation comprise depreciation on property, plant and equipment as well as gains and losses on the disposal of other non-current assets than energy projects and wind and solar energy farms.

Financial income and expenses

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

Tax on profit for the year

The parent company is subject to the Danish rules on joint taxation of the Group's Danish companies.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contributions from companies that have used these losses to reduce their own taxable profits (full absorption).

Tax for the year comprises tax on profit for the year, joint taxation contributions for the year and changes in deferred tax, including changes as a result of a change in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to changes directly recognised in equity is recognised directly in equity.

Balance sheet

Property, plant and equipment

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

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Wind energy farms	25 years
Solar energy farms	40 years
Tools and equipment	3-5 years

On disposal of wind energy farms and solar energy farms, the net selling price of the energy farm is recognised in the income statement as revenue and carrying amount of the assets is recognised in the income statement as direct costs.

Gains or losses on disposal of tools and equipment are recognised in the income statement as depreciation.

Investments in subsidiaries and associates

Income statement

The proportionate share of the results after tax of the individual subsidiaries is recognised in the income statement after full elimination of intra-group profits/losses and less amortisation of goodwill.

The proportionate share of the results after tax of associates is recognised in the income statement after elimination of the proportionate share of intra-group profits/losses.

Balance sheet

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Subsidiaries and associates with negative net asset value are measured at EUR 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the subsidiary's deficit.

Net revaluation of investments in subsidiaries and associates is transferred to the reserve for net revaluation in equity according to the equity method to the extent that the carrying amount exceeds cost.

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.

On disposal of subsidiaries and associates containing energy projects or wind and solar energy plants, the net selling price of the equity investments is recognised in the income statement as revenue, and the carrying amount of the equity investments is recognised in the income statement as direct costs.

Gains or losses on disposal of other subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus anticipated disposal costs. These gains and losses are recognised as a separate line item in the income statement.

Other investments

Other investments recognised under non-current assets are measured at fair value. Other investments are recognised at cost if the fair value cannot be determined reliably. If cost exceeds the net realisable value, write-down is made to this lower value.

Impairment of assets

The carrying amount of property, plant and equipment and investments is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

When there is an indication of impairment, each asset or a group of assets is 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 net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Inventories

Inventories comprises projects in progress within development and construction of renewable wind and solar farms. The projects can be categorised as follows:

- Projects under development
- Projects under construction

Projects under construction are transferred to property, plant and equipment, when the plant is put into commercial operation.

Inventories are measured at the lower of cost and net realisable value.

Projects under development

Projects under development comprise projects for which construction has not yet been commenced.

Cost comprises direct and indirect costs incurred in respect of development of projects, including interest in the project period.

On disposal of projects under development, the net selling price of the project is recognised in the income statement as revenue, and the carrying amount of the projects is recognised in the income statement as direct costs.

Projects under construction

Projects under construction comprise projects for which construction has begun but has not yet been completed.

Cost comprises costs incurred in the development phase (projects under development) and costs in relation to the construction phase, which comprises direct and indirect costs for Subcontractors, project management and financing as well as interest in the construction period.

On disposal of projects under construction, the net selling price of the project is recognised in the income statement as revenue, and the carrying amount of the projects is recognised in the income statement as direct costs.

Receivables

Receivables are measured at amortised cost. Write-down is made for expected losses at the net realisable value.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Equity – dividends

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

Provisions

Provisions are recognised when past events mean that the Company has a legal or a constructive obligation and to settle the obligation may incur an outflow of resources embodying economic benefits. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

Corporation tax and deferred tax

In accordance with the joint taxation rules, the administration company assumes the liability for payment to the tax authorities of the Group's corporation taxes as the joint taxation contributions are received.

Payable and receivable joint taxation contributions are recognised under balances with group companies.

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 carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Company's cash and cash equivalents at the beginning and end of the year. Pursuant to section 86(4) of the Danish Financial Statement Act, information on the cash flow statement for the parent company has been omitted.

Cash flows from operating activities

Cash flows from operating activities are calculated as the profit for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

2 Segment information

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

2016			Consolidated		
EUR'000	Wind	Solar	Total before elim.	Elim.	Total
Sale of energy farms and projects	127,389	16,168	143,557	-10,552	133,005
Sale of electricity	414	8,468	8,882	0	8,882
Asset management	806	372	1,178	0	1,178
Other fees	501	65	566	0	566
Revenue to external customers	129,110	25,074	154,184	-10,552	143,632
Inter-segment revenue	2,466	195	2,661	-2,661	0
Revenue	131,576	25,268	156,844	-13,213	143,632

2015			Consolidated		
EUR'000	Wind	Solar	Total before elim.	Elim.	Total
Sale of energy farms and projects	15,517	49,513	64,930	0	64,930
Sale of electricity	186	5,635	5,821	0	5,821
Asset management	568	621	1,189	0	1,189
Other fees	866	753	1,619	0	1,619
Revenue to external customers	17,137	56,422	73,559	0	73,559
Inter-segment revenue	4,740	557	5,297	-5,297	0
Revenue	21,877	56,979	78,856	-5,297	73,559

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

Notes

EUR'000	Consolidated 2016	Consolidated 2015
2 Geographical information		
Denmark	59,288	49,564
Northern/central Europe	78,896	18,739
Southern Europe	5,448	5,256
Total revenue	143,632	73,559

EUR'000	Consolidated 2016	Consolidated 2015
3 Staff costs		
Wages and salaries	4,449	4,807
Pensions	48	39
Other social security costs	67	59
Other staff costs	385	273
	4,949	5,178
Average number of employees	64	53

Pursuant to section 98b(3)(ii) of the Danish Financial Statements Act, information on remuneration of the Executive Board has been omitted.

Audit fees

EUR'000	Consolidated 2016	Consolidated 2015
Fee relating to the statutory audit	219	189
Tax advice	15	1
Non-audit services	118	0
	352	190

Notes

EUR'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
4 Financial income				
Interest income, bank	2	1	0	0
Interest income, group enterprises and associates	353	513	0	0
Interest income, bonds	16	69	0	69
Dividends, other investments	52	88	0	0
Exchange gains	1,872	1,965	1	0
Other financial income	1,089	1,151	83	367
	3,384	3,787	101	436

EUR'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
5 Financial expenses				
Interest expense, bank	3,071	2,616	0	0
Interest expense, subsidiaries and associates	0	23	278	324
Interest expense, corporate bonds	3,759	3,742	0	0
Financial expenses that have been capitalised on inventories	-536	-448	0	0
Exchange losses	1,886	530	0	1
Other financial expenses	807	234	11	116
	8,988	6,698	290	441

EUR'000	Consolidated 2016	Consolidated 2015	Parent company 2016	Parent company 2015
6 Tax on profit for the year				
Tax on profit for the year	651	719	0	0
Change in deferred tax	328	1,966	-40	24
The financial effect related to IFRS 15 adjustments in European Energy A/S group	1,422	-1,422	0	0
Adjustment to tax relating to previous years	-167	1,625	14	-15
	2,234	2,888	-26	9

The adjustment made in 2015 regarding previous years is related to a tax audit for the years 2006-2009 in Germany. The audit has been ongoing for 3 years, and the Group has been in negotiations with the German tax authorities regarding the proposed changes to the income for the German subsidiaries' for these years. The total tax charge with interest for eight years ended however substantially higher. The changes made to the income relate to the fact that the German tax authorities do not accept double tax treaty between Denmark and Germany.

Notes

7 Property, plant and equipment

Consolidated

EUR'000	Wind energy farms	Solar energy farms	Tools and equipment	Total
Cost at 1 January 2016	635	54,968	800	56,403
Exchange rate adjustments	0	26	0	26
Additions for the year	4,253	3,107	35	7,395
Disposals for the year	0	0	0	0
Cost at 31 December 2016	4,888	58,102	835	63,824
Depreciation and impairment losses at 1 January 2016	-253	-9,953	-688	-10,894
Depreciation for the year	-109	-1,466	-36	-1,610
Disposals for the year	0	0	0	0
Depreciation and impairment losses at 31 December 2016	-362	-11,419	-724	-12,505
Carrying amount at 31 December 2016	4,526	46,683	111	51,320
Depreciated over	25 years	40 years	3-5 years	

8 Investments in subsidiaries

	Parent company	
EUR'000	2016	2015
Cost at 1 January	2,362	2,367
Additions for the year	11	0
Disposals for the year	0	-5
Cost at 31 December	2,372	2,362
Value adjustments at 1 January	30,714	27,983
Additions for the year	-3	0
Share of profit for the year	11,425	2,765
Hedges, net of tax	35	86
Disposals for the year	0	7
Other value adjustments	61	-127
Value adjustments at 31 December	42,233	30,714
Carrying amount at 31 December	44,605	33,076

8 Investments in subsidiaries (continued)

Investments in subsidiaries at 31 December 2016 comprise:

EUR'000 Name	Country of place of business	Ownership %	Profit/loss for the year	Equity
European Energy A/S	DK	76.00%	15,103	57,674
European Solar Farms A/S **)	DK	13.88%	-376	5,522
Komplementarselskabet Sydlolland Vindmøllelaug ApS	DK	100,00%	-1	8
Windpark Primus GmbH & Co. KG *)	DE	100,00%	0	0

*) The company is consolidated in the European Energy group due to the exercise of control.

**) The company's directly owned share capital of European Solar Farms A/S amounts to 13,88%. Through the subsidiary European Energy A/S the company has majority control of European Solar Farms A/S.

9 Investments in associates

	Consolidated	
EUR'000	2016	2015
Cost at 1 January	16,204	15,138
Additions for the year	11,656	1,112
Disposals for the year	-10,785	-46
Transfer	-133	0
Cost at 31 December	16,940	16,204
Value adjustments at 1 January	2,798	1,250
Profit for the year	-1,043	1,713
Reversed value adjustments on disposal	90	-51
Other adjustments	-1,447	-114
Value adjustments at 31 December	399	2,798
Carrying amount at 31 December	17,339	19,002
Investment in associates	18,208	19,002
Set-off against receivables from associates	-869	0
Total	17,339	19,002

Notes

9 Investments in associates (continued)

Investments in associates at 31 December 2016 comprise:

EUR'000 Name	Country of place of business	Ownership %	Profit/loss for the year	Equity
EEA Stormy ApS	DK	50,0%	557	3.789
Jammerland Bay Nearshore A/S	DK	50,0%	-12	3.586
EEA SWEPOL A/S	DK	50,0%	-589	2.507
Windpark Hellberge GmbH & CO KG	DE	50,0%	86	1.387
EE Sieben Null GmbH & Co. KG	DE	50,0%	132	1.149
EWF Fünf Vier GmbH & Co. KG, Wittstock	DE	50,0%	39	970
EWF Eins Sieben GmbH & Co. KG, Germany	DE	50,0%	-8	849
EE Sieben Zwei GmbH & Co. KG	DE	50,0%	9	378
EEGW Persano ApS	DK	50,0%	-857	341
EE Sieben Drei GmbH & Co. KG	DE	50,0%	72	200
Solarpark Vandel Services ApS	DK	50,0%	101	107
Greenwatt Koiramäki Oy Ab	FI	50,0%	0	99
Greenwatt Mustalamminmäki Oy Ab	FI	50,0%	0	99
EEA Verwaltungs GmbH	DE	50,0%	8	68
Greenwatt Ahvenneva Oy Ab	FI	50,0%	0	51
Greenwatt Honkakangas Oy Ab	FI	50,0%	0	51
Omø South Nearshore A/S	DK	50,0%	-19	28
European Energy Nearshore Consortium P/S	DK	50,0%	-57	10
Komplementar EEOC ApS	DK	50,0%	1	8
Komplementar EENC ApS	DK	50,0%	1	8
Nøjsomheds Odde Wind Park ApS	DK	50,0%	-1	6
Energy 3 DOO	BA	50,0%	-29	-48
EEA Renewables A/S	DK	50,0%	-3.051	-87
European Energy Offshore Consortium P/S	DK	50,0%	-384	-317
Windcom Sp. z o.o.	PL	50,0%	-36	-1.278
Driftsselskabet Heidelberg ApS **)	DK	49,5%	-	-
Wind Energy OOD	BG	49,0%	-11	1.299
Wind Power 2 OOD	BG	49,0%	-18	1.184
Wind Systems OOD	BG	49,0%	-18	1.076
Wind Stream OOD	BG	49,0%	-2	954
Måde Wind Park ApS	DK	47,0%	499	1.834
Solarpark Vandel GmbH	DE	42,5%	94	117
Västanby Vindbruksgrupp i Fjelie AB	SE	40,0%	0	5
UW Gilmerdingen GmbH & C. KG	DE	40,0%	-2	-2
WK Ottenhausen GmbH & Co. KG	DE	34,3%	439	5.656
Parco Eolico Carpinaccio Srl.	IT	26,3%	820	8.096
EWF Fünf Eins GmbH & Co. KG	DE	25,0%	213	3.141
ESF Spanien 0424 GmbH	DE	20,8%	276	2.722
Windpark Unseburg Nord GmbH & Co. KG	DE	20,0%	195	6.582
Windpark Wriezener Höhe GmbH & Co. KG *)	DE	15,0%	948	6.929
GWE Stormy ApS *)	DK	13,9%	438	438
Sydlolland Vindmøllelaug K/S (sold)	DK	0,0%	5	0

* The company is included as an associated company due to the exercise of significant influence.

** The parent company is not liable for the negative equity in Driftsselskabet Heidelberg ApS, and consequently the company has not been consolidated.

Notes

10 Other investments

EUR'000	Consolidated
Cost at 1 January 2016	3,505
Additions for the year	8
Disposals for the year	-1
Cost at 31 December 2016	3,512
Value adjustments at 1 January /31 December 2016	0
Carrying amount at 31 December 2016	3,512

11 Receivables from associates

Non-current receivables has 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.

12 Trade receivables

Out of non-current trade receivables EUR 946 thousand (2015: 1,120) is expected to be recovered more than 5 years after the balance sheet date.

13 Other receivables

	Consolidated		Parent company	
EUR'000	2016	2015	2016	2015
Interest-bearing loan to MDP Invest ApS and JPZ Assistance ApS	2,446	2,966	2,446	2,966
Interest-bearing loan to business partner for the acquisition of power generating assets	8,141	7,634	0	0
Total other receivables (non-current assets)	10,587	10,600	2,446	2,966

There is no exact repayment date of loan EUR 2,446 thousand in the parent company.

14 Inventories

EUR'000	Consolidated 2016	Consolidated 2015
Inventory at 1 January	82,911	52,692
Additions for the year	90,317	70,317
Disposals for the year (recognised as direct cost)	-93,421	-39,655
Write offs of the year	-275	-443
Cost at 31 December	79,532	82,911
Write-downs at 1 January	-7,232	-2,695
Write-downs for the year	-2,091	-4,537
Transferred to associates	1,993	0
Write-downs at 31 December	-7,331	-7,232
Total inventory at 31 December	72,201	75,679
Inventory at 31 December comprises:		
Operating	37,369	17,500
Under development	5,394	9,584
Under construction	29,438	48,595
Total inventory at 31 December	72,201	75,679
Total wind farms	32,045	52,038
Total solar farms	40,156	23,641
Total inventory at 31 December	72,201	75,679

Notes

15 Deferred tax

	Consolidated		Parent company	
EUR'000	2016	2015	2016	2015
Deferred tax at 1 January	4,331	4,844	406	429
Change in deferred tax recognised in income statement	-1,750	-544	40	-9
Deferred tax on changes in equity	-14	-45	0	0
Adjustment relating to the disposal of subsidiaries, etc.	-61	77	0	-14
Transferred to joint taxation contribution, etc.	-6	0	-6	0
Other equity regulation / joint taxation	-748	0	0	0
	1,753	4,331	439	406

Deferred tax is recognised as follows:

	2016	2015	2016	2015
Deferred tax asset	4,371	6,014	439	406
Deferred tax liability	-2,618	-1,681	0	0
	1,753	4,333	439	406

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.

Tax losses carried forward not recognised in the balance sheet amounts to EUR 1.0 mio. (2015: EUR 1.7 mio.).

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

16 Non-controlling interests

EUR'000	Consolidated	
	2016	2015
Balance at 1 January	23,731	11,549
Additions for the year	1,435	11,367
Disposals for the year	-11,839	-227
Non-controlling interests' share of profit for the year	4,220	715
Non-controlling interests' share of changes in equity	1,854	327
	19,401	23,731

Notes

17 Other provisions

Demolition costs

Provision regarding demolition comprises expected costs to dismantling and disposal of wind and solar farms. These provisions are recognised, when the Company on the date for the accounting period has a legal and actual liability, and it is possible, that fulfilment will include a consumption of the Company's economic resources. Provisions, which are expected to be fulfilled more than a year from the balance day, are measured to net present value of the expected payments. Other liabilities are measured to net realized value. The value of the demolition costs is recognised as a part of the fixed assets and is depreciated together with the relevant assets. The annual accounts include provision to future costs related to dismantling and disposal of wind and solar farms. Based upon Management's expectation to the provisions maturities, the provision is recognised as a non-current liability.

In 2016, the estimated future demolition costs for wind and solar farms of EUR 0.6 million have been presented gross in the balance sheet as "Provision" under non-current liabilities instead of an offsetting in the assets at year-end. This has increased total assets with the same amount as the provision at year-end. Due to immateriality comparative figures has not been changed. Furthermore, as the Company expects the scrap value of the assets to equal estimated demolition costs, there is no effect on the profit and loss for the year.

18 Financial liabilities

Consolidated EUR'000	Debt at 1/1 2016	Total debt at 31/12 2016	Current portion	Non-current portion	Outstanding debt after 5 years
Liabilities related to the issue of bonds	52,040	52,300	7,600	44,700	0
Project financing	59,318	64,825	15,726	49,098	17,610
Other debt to credit institutions	11,468	6,402	0	6,402	0
Other debt relating to acquisitions of companies	6,052	6,183	4,782	1,402	0
	128,879	129,711	28,108	101,602	17,610

In 2008, the Group issued own bond series with a total nominal value of EUR 7,600 thousand. The issued bonds carry variable interest of 4-11% per year. The interest rate is dependent on the energy generation in certain German wind parks. On 31 March 2017, the maturity of the bond series with a total nominel value of EUR 7.6 million has been prolonged to May 2018.

In 2014, the Group issued own bond series with a total nominal value of EUR 45,000 thousand. The issued bonds carry variable interests based upon a fixed spread and a variable part related to the Euribor. The bonds has a 4 year lifecycle, and was noted for trade on the OMX Stock Exchange on March 4th 2015 and has to be repaid in March 2018.

Parent company EUR'000	Debt at 1/1 2016	Total debt at 31/12 2016	Current portion	Non-current portion	Outstanding debt after 5 years
Amount owed to subsidiaries	10,760	13,531	0	13,531	0

No specific conditions for repayment of outstanding balances with subsidiaries have been agreed.

19 Mortgages and collateral

Contingent Liabilities and Other Financial Liabilities

EUR million	Consolidated	
	2016	2015
Guarantees related to financing agreements	82	48
Guarantees, warranties and other liabilities related to SPA's	3	3
	85	51

Comparative figures are adjusted in 2015 for customary warranties EUR 86 million which has decreased the contingent liabilities.

Security for debt

Assets provided as security

Wind and solar farms with a carrying amount of EUR 44 million (2015: EUR 45 million) are pledged as security for the Group's debt to Credit Institutions, etc., a total of EUR 30 million, (2015: EUR 32 million). Moreover, investment in Associates of EUR 1 million (2015: EUR 1 million) and specific cash at bank of EUR 2 million (2015: EUR 2 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 65 million (2015: EUR 63 million).

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20 Contractual obligations and contingencies

Contingent liabilities

Pending lawsuits

The Group is a party in 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).

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.

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.

Notes

20 Contractual obligations and contingencies (continued)

Contractual obligations
The parent company is jointly taxed with the Danish subsidiaries and the parent company. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes, etc. The corporation tax payable by the parent company is EUR 1 million in 2016 (2015: 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 the government to settle an alleged breach amicably. Should the dispute not be possible to settle 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.

21 Related party disclosures

Related parties in European Energy Holding ApS include the following:

- Subsidiaries in European Energy Holding
- Subsidiaries and associates in European Energy Group
- Board members in European Energy A/S

European Energy Holding ApS is included in the consolidated financial statement for KEA Holding I ApS, Gyngemose Parkvej 50, 2860 Søborg.

22 Effect of changes to the accounting policy
Parent company:

Effect of change in accounting policy for the Parent company in 2016 is a change in profit from subsidiaries EUR 4,977 thousand (2015: EUR -2,108 thousand), Investment in subsidiaries EUR -9,345 (31/12 2015: EUR -14,322 thousand, 1/1 2015: EUR -12,215 thousand) and change in Equity EUR 9,345 (31/12 2015: EUR -14,322 thousand, 1/1 2015: EUR -12,215 thousand).

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

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Consolidated figures:

Effect of change in accounting policy for the consolidated figures in 2016 and 2015 in Income statement and balance sheet is shown below.

Income statement

	Consolidated				Consolidated			
EUR'000	2016 before transition		Effect of change in accounting policy *)	2016 after transition	Annual report 2015		Effect of change in accounting policy *)	2015 after transition
Revenue	117,177	a)	26,455	143,632	58,799	b)	14,760	73,559
Direct costs	-91,314	a)	-15,967	-107,281	-37,973		-19,558	-57,531
Gross profit	25,863		10,488	36,351	20,826		-4,798	16,028
Other income	0		0	0	269		0	269
Staff costs	-4,949		0	-4,949	-5,780	b)	602	-5,178
Other external costs	-2,583		0	-2,583	-2,076		0	-2,076
Depreciation, amortisation and impairment losses	-1,610		0	-1,610	-1,495		0	-1,495
Operating profit/loss	16,721		10,488	27,209	11,744		-4,196	7,548
Profit from associates	657		-1,700	-1,043	1,713		0	1,713
Financial income	3,384		0	3,384	3,787		0	3,787
Financial expenses	-8,988		0	-8,988	-6,698		0	-6,698
Profit before tax	11,774		8,788	20,562	10,546		-4,196	6,350
Tax on profit for the year	-2,743		509	-2,234	-4,310		1,422	-2,888
Profit for the year	9,031		9,297	18,328	6,236		-2,774	3,462
Non-controlling interests' share of profit for the year	100		-4,320	-4,220	-1,381		666	-715
The Group's share of profit for the year	9,131		4,977	14,108	4,855		-2,108	2,747

*) All changes in accounting policies are related to the effect of early adoption of IFRS 15 except of the following adjustments, cf litra a-c:

a) Revenue of EUR 35,565 thousands has been added primarily as a result of consolidation of a 0% owned SPV controlled by the management. Direct cost is affected by the same amount EUR 35.565 thousands. Net effect on gross profit is EUR 0.

b) EUR 602 thousands have been reclassified from revenue to staff costs. The amount relates to an internal sale of services from the parent company to a SPV. The SPV has capitalized the cost as a part of the construction cost for a wind farm. The recognition standard for the Group is that such costs are shown as less staff costs.

Consolidated financial statements and parent company financial statements for the period 1 January – 31 December

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22 Effect of changes to accounting policy (continued)

Balance sheet

	Consolidated			Consolidated		
EUR'000	2016 before transition	Effect of change in accounting policy *)	2016 after transition	Annual report 2015	Effect of change in accounting policy *)	2015 after transition
ASSETS						
Non-current assets						
Property, plant and equipment						
Wind energy farms	4,526	0	4,526	382		382
Solar energy farms	46,683	0	46,683	62,515	c) -17,500	45,015
Tools and equipment	111	0	111	112	0	112
	51,320	0	51,320	63,009	-17,500	45,509
Investments						
Investments in associates	19,907	-1,700	18,208	18,943	59	19,002
Other investments	3,512	0	3,512	3,505	0	3,505
Amounts owed by parent company	20	0	20	0	0	0
Receivables from associates	13,158	0	13,158	9,233	5,588	14,821
Trade receivables	56,668	-51,121	5,547	9,047	0	9,047
Other receivables	10,587	0	10,587	10,600	0	10,600
	103,853	-52,821	51,032	51,328	5,647	56,975
Total non-current assets	155,173	-52,821	102,352	114,337	-11,853	102,484
Current assets						
Inventories	30,859	41,342	72,201	41,507	c) 34,172	75,679
Receivables						
Trade receivables	11,552	0	11,552	46,476	-40,082	6,394
Deferred tax asset	2,440	1,931	4,371	4,645	1,369	6,014
Other receivables	5,938	0	5,938	5,918	1,453	7,371
Prepayments	1,896	0	1,896	1,810	0	1,810
	21,826	1,931	23,757	58,849	-37,260	21,589
Cash at bank and in hand	15,419	0	15,419	12,326	3,605	15,931
Total current assets	68,103	43,273	111,377	112,682	517	113,199
TOTAL ASSETS	223,276	-9,548	213,729	227,019	-11,336	215,683

*) All changes in accounting policies are related to the effect of early adoption of IFRS 15 except of the following adjustments, cf litra a-c:

c) The Group invests in wind and solar farms in order to divest these with a profit. As a consequence of this fully constructed projects are not classified as property, plant and equipment (PPE), but as inventory instead. The correction of EUR 17,500 thousands from PPE to inventory relates to solar parks build in 2015 and originally shown as PPE. The projects are built with the purpose of sale, and are reclassified to inventory. The cash flow effect is less cash in from changes in working capital and less cash used to purchase PPE, both with the same amount of EUR 17,500 thousands..

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22 Effect of changes to accounting policy (continued)

EUR'000	Consolidated 2016 before transition	Consolidated Effect of change in accounting policy *)	Consolidated 2016 after transition	Consolidated Annual report 2015	Consolidated Effect of change in accounting policy *)	Consolidated 2015 after transition
EQUITY AND LIABILITIES						
Equity						
Share capital	17	0	17	17	0	17
Retained earnings	48,915	-9,345	39,570	39,688	-14,322	25,366
Total equity	48,932	-9,345	39,587	39,705	-14,322	25,383
Non-controlling interests	18,502	899	19,401	16,412	7,319	23,731
Provisions						
Other provisions	556	0	556	0	0	0
Deferred tax	2,618	0	2,618	1,735	-54	1,681
Total provisions	3,174	0	3,174	1,735	-54	1,681
Liabilities other than provisions						
Non-current liabilities other than provisions						
Liabilities related to the issue of bonds	44,700	0	44,700	52,040	0	52,040
Credit institutions, project financing	55,501	0	55,501	55,780	0	55,780
Other debt relating to the acquisition of companies	1,402	0	1,402	4,275	0	4,275
	101,603	0	101,603	112,095	0	112,095
Current liabilities other than provisions						
Bond loan	7,600	0	7,600	0	0	0
Credit institutions	15,726	0	15,726	6,759	8,248	15,007
Other debt relating to the acquisition of companies	4,782	0	4,782	4,720	-2,943	1,777
Trade payables	11,740	0	11,740	29,935	-11,748	18,187
Payables to associates	835	0	835	408	0	408
Corporation tax	934	0	934	1,866	0	1,866
Contract liabilities	0	0	0	0	2,575	2,575
Other payables	9,449	-1,102	8,347	13,384	-411	12,973
	51,066	-1,102	49,964	57,072	-4,279	52,793
Total liabilities other than provisions	152,669	-1,102	151,567	169,167	-4,279	164,888
TOTAL EQUITY AND LIABILITIES	223,277	-9,548	213,729	227,019	-11,336	215,683

*) All changes in accounting policies are related to the effect of early adoption of IFRS 15 except of the adjustments, cf litra a-c above.