European Energy Holding ApS

Annual report 2019

The annual report has been presented and approved at the Company's annual general meeting on 3 June 2020

Jan Paulsen
Chairman

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

Contents

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 2019.

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 2019 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 2019.

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, 3 June 2020

Executive Board:

Knud Erik Andersen

Independent auditor's 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 2019 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 2019 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 2019 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.

Independent auditor's report

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.
- 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.

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, 3 June 2020
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised Public Accountant
MNE No. mne32271

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 3 June 2020.

Management's review

EUR'000	2019	2018	2017	2016	2015

Key figures

Revenue	238,799	96,439	187,065	143,632	73,559
Direct costs	-190,468	-60,589	-147,361	-107,281	-57,531
Gross profit	48,331	35,850	39,704	36,351	16,028
Operating profit	36,035	25,575	28,532	27,209	7,548
Net financial income and expenses	1,739	190	-1,692	-6,647	-1,198
Profit for the year	**36,215**	**22,366**	**22,056**	**18,328**	**3,462**
Non-controlling interests' share of profit for the year	-15,945	-6,385	-7,844	-4,220	-715
The Group's share of profit for the year	**20,270**	**15,981**	**14,212**	**14,108**	**2,747**

Total assets	608,164	443,749	284,742	213,729	215,683
Equity	**140,238**	**103,386**	**86,855**	**58,986**	**49,114**

Cash flow from operating activities	12,673	-151,215	-14,133	6,785	-17,028
Net cash flow from investing activities	-3,729	-490	3,588	724	-5,484
Portion relating to investment in property, plant and equipment, net	28,307	-12,576	-815	-6,848	-98
Cash flow from financing activities	36,934	161,857	43,992	-8,022	20,004
Total cash flow	**45,878**	**10,152**	**33,447**	**-513**	**-2,508**

Financial ratios

Gross margin	20,2%	37.2%	21.2%	25.3%	21.8%
Operating margin	15,1%	26.5%	15.3%	18.9%	10.3%
Equity ratio	23.1%	17.8%	30.5%	27.6%	22.8%
Return on equity	29.7%	23.5%	30.2%	33.9%	8.2%

Average number of full-time employees	117	95	74	64	53

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

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.
The most significant part of the activities in the Group are related to the subsidiary European Energy A/S.

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, construction and divestment
- sale of electricity from operational assets
- asset management

Reference is made to the Annual Report of European Energy A/S for a comprehensive description of the business model etc. of the European Energy A/S Group.

Development of Operations

European Energy Holding ApS has provided security in the form of parent company guarantees in order to secure certain subsidiaries’ financial obligations towards third parties during the construction of facilities related to renewable energy projects etc. The company has on the top of the activitites in the subsidiary European Energy A/S 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

Group structure of European Energy Holding

European Energy Holding ApS is the parent company of the European Energy Holding Group and owns several subsidiaries and associates. The most significant part of the activities in the Group are related to the subsidiary European Energy A/S.

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

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

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

Management's review

Financial performance

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

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

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

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

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

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

Profit and loss

The Group delivered the best results ever, in a year where the strategy of being more an IPP (independent power producer) led to having a gross profit with electricity sale generating a 45% share and sale of energy parks 33%.

Revenue

The revenue for 2019 was recognised at EUR 238.8 million compared to EUR 96.4 million in 2018.

The increase in revenue was mainly in the sale of energy farms segment, which can be seen in note 3 to the Annual Report. Revenue from the sale of energy farms in 2019 was EUR 205.2 million as opposed to EUR 73.6 million in 2018. In 2018, the Group had more sales of associated companies than in 2019, and the recognition of such sale of shares is treated as a net transaction compared to the sale of controlled companies, which is treated gross.

Looking at the enterprise values for the energy parks sold in 2018 and 2019, the growth in revenue is not just related to accounting differences. The enterprise value of parks sold was in 2018 approx. EUR 180 million, while it was EUR 267 million in 2019. (Enterprise value refers to the gross value of the energy park.)

The increased focus in the Group on maintaining energy assets has led to increased electricity sales. Management is glad to see that the volume increase from 2017 (EUR 10.1 million) to 2018 (EUR 19.8 million) has continued in 2019 where the electricity sales reached EUR 30.5 million.

Management's review

The asset management and other fees increased in 2019 to EUR 3.1 million compared to 2018 where the revenue for this segment was EUR 3.0 million.

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

Equity-accounted companies
The profit from equity-accounted investments was EUR 2.5 million compared to EUR 5.8 million in 2018. In 2018, some of the profit came from the sale of energy parks in joint ventures (JVs) and associated companies. In 2019, there was no sale of energy parks in the equity-accounted companies.

It can be difficult to evaluate the total size of business in the Group when only part of the sales of electricity or energy parks are recognised in the revenue lines in the profit and loss statement, and a major part recognised only through the after-tax results in the line for profit from equity-accounted investments. In the Annual Report, we have tried to accommodate for this, showing i.e. the Group's net share of electricity sales including all companies both controlled, JVs and associated companies. The net total electricity sale in 2019 for the Group is EUR 43.8 million where it was EUR 35.1 million in 2018.

Sale of energy parks in associated companies for 2019 was EUR 0, while it was EUR 41.2 million in 2018, which contributed to the results in the equity-accounted investments.
At 1 December 2019, the Group added the cluster of wind energy parks, Heidelberg, to its fully consolidated portfolio. (See note 2 for more info).
Since the recognition changed from being associated companies to now fully consolidated the Heidelberg Group has consequently been evaluated to market value.
The increase in value for the Group's ownership share was equivalent to an income of EUR 2.5 million, which has been recognised as results from equity accounted investments.

The Heidelberg Group has added EUR 84.6 million to the balance sheet end of 2019.

Other income
In other income for 2019, there have been the following recognitions:

The Group's other investments in shares includes share holdings of less than 20% in companies with energy parks. These shares are evaluated to market value. In 2019, the Group has increased the recognised ownership of one wind park in Germany to more than 20%. The market value calculations for the new share of ownership showed an excess value, which was recognised in other income with a net after tax profit of EUR 2.1 million.
There have been no other market valuation changes to companies in other investments during 2019.
The total adjustments made in 2018 resulted in an income of EUR 1.2 million.

In July 2019, the Group concluded a strategic investment through the acquisition of 100% of the shares in the German group of companies, AEZ.

Management’s review

The companies included additions of wind-energy assets of EUR 56.5 million and a total addition to the Group’s balance of EUR 70.7 million.
The purchase price allocation can be seen in details in note 11.

Using IFRS 3, the fair value calculation ended with a gain from a bargain purchase of EUR 4.6 million, which was recognised in other income.

The Group’s investment in 5 Spanish solar parks constructed by the Group in 2009 ended finally in mid-2019 with a sale to a Spanish capital fund.
The sale was recognised as a net transaction with EUR 0.1 million of profit in other income.
The Group has maintained the arbitration case against the Spanish Government for the retroactive cut in tariffs made in 2010-2011. The potential gain from this arbitration has not been recognised in the books, and it is expected that it will take at least another 4 years before a conclusion is made.

The total other income for 2019 amounted in total to EUR 6.8 million; in 2018, the amount was EUR 1.2 million and was related to the profit on a market re-evaluation on a wind park in Italy with ownership of less than 20%.

Direct costs
With directs costs of EUR 190.5 million in 2019, the Group achieved a total gross profit of EUR 48.3 million compared to direct costs of EUR 60.6 million and a gross profit of EUR 35.9 million in 2018. The gross revenue from the sale of fully consolidated companies in the year clearly outweighed the upward effect on the gross margin that the addition of the increase in electricity sales had on the yearly result. Result was a decreasing gross margin from 37% in 2018 to 20% in 2019.

Other external costs
Other external costs increased during 2019 to EUR 6.5 million from EUR 3.9 million in 2018. The increase mainly relates to the accrual of EUR 2.1 million of VAT expenses and “lønsumsafgift”. The Group has had an audit of the VAT statements in Denmark, and the Danish authorities, SKAT, claim that when the Group is disposing the energy farms in separate SPVs, a proportional share of the other external costs of the Group cannot be regarded as liable for VAT. Therefore, the Group must adjust the VAT, and not deduct the part of costs related to the financial business of divesting companies.
The Group will also have to pay “lønsumsafgift”, calculated as a percentage of the staff costs related to the sale of companies plus the taxable result for the parent company.
The Group has calculated the total costs for the years 2017-2019 to be EUR 2.1 million.

Management's review

Staff costs
The staff costs increased from EUR 5.0 million in 2018 to EUR 6.7 million in 2019. The part of the staff costs that is related to the construction of energy parks are capitalised as part of the inventory. When the energy parks are sold, the capitalised amount of staff costs for the specific park is expensed in direct costs. Staff costs are specified in note 4.

Depreciation
The Group has in 2019 added several wind parks to the balance of power-producing assets owned by the Group i.e. the purchase of the AEZ companies and the addition of the Heidelberg companies.
As a result of this, the depreciation has increased from EUR 2.5 million in 2019 to EUR 5.9 million in 2019.

Financial income
In July 2019, the Group made a refinance of the bond loan at NASDAQ. The modification of the old bond loan of EUR 85 million to the new bond loan of EUR 140 million was succeeded with approximately 78% of the former investors also being investors in the new bond. The new bond has an interest of 5.35% compared to the old interest of 7% (both has an addition of Euribor 3 months' interest, but since this is negative and floored at zero, there is no addition).
The modification gain has been calculated to EUR 5.6 million, which is recognised as financial income.
Dividends received in 2019 were EUR 0.8 million compared to EUR 0.2 million in 2018.

The level of currency gains increased from 0.6 million in 2018 to EUR 2.7 million in 2019.

The financial income for the year ended with a total of EUR 12.1 million compared to EUR 3.6 million in 2018.

Financial expenses
The increase in bond loans from EUR 85 million in 2018 up to EUR 200 million in 2019 has raised the interest on bonds for the year from EUR 5.7 million in 2018 to EUR 7.9 million in 2019.

The currency losses increased from EUR 0.5 million in 2018 to EUR 2.5 million in 2019.

In total the financial expenses increased from EUR 9.2 million in 2018 to EUR 12.8 million in 2019.

Tax
Tax in the Group was recognised to EUR 1.6 million in 2019, with EUR 0.5 million in paid tax.
For 2018, the numbers were EUR 3.4 million in tax expenses and EUR 0.8 million in paid tax. The Group has paid tax in Spain, Germany and Denmark.
The major reason for the relative drop in tax expenses is the recognition of a tax income of EUR 2.2 million in December 2019 relating to a settlement with the German tax authorities regarding brought-forward tax losses in a wind park, in Germany.

The Group recognises income from the sale of power in all controlled energy parks, and thus also tax expenses. When the parks are sold, the tax is accrued and is part of the balance of the sold company, and will in the end be paid by the buyer. The amount of paid tax for the Group will consequently always be considerably less than the tax expenses in the profit and loss statement.

The balance sheet

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

The increase comes from the acquisitions of the German wind parks in the AEZ Group and the consolidation of the Heidelberg Group with a total addition of EUR 87.0 million.

During the year, 5 Spanish solar parks constructed by the Group in 2009 were sold and resulted in a disposal of EUR 40.1 million.

In total, PPE increased from EUR 85.9 million in 2018 to EUR 134.2 million in 2019.

Equity-accounted investments
Equity-accounted investments (joint ventures and associates) totalled EUR 24.8 million; up from EUR 20.6 million in 2018. The increase in investment value comes from the net addition of German energy parks and further investment in solar parks in Brazil.
The equity-accounted investments had a result in the year of EUR 2.5 million, whereof EUR 2.4 million was paid out as dividends.

Other investments
Other investments for the Group are normally shareholdings with less than 20% ownership. These investments are recognised at market value. In 2019, shareholdings in a wind park in Germany, which were previously recognised as other investments were reclassified to associated companies after the Group had settled with a previous minority share owner that had prevented the Group from having material influence on the results of the wind park.

The value of other investments decreased accordingly during the year to EUR 4.4 million from 6.8 million in 2018.

Loans to related parties
Loans to related parties increased by EUR 8.5 million in 2019 to a total of EUR 35.2 million. The increase comes primarily from the loans to 3 solar parks in Brazil, and represents the Group's equity part of the construction costs for these parks.

Management's review

Trade receivables and contract assets
According to IFRS 15, receivables from customers, 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 into this category.
The Group sells turnkey assets, and the recognition of revenue is typically done at the close of the sale of the energy farms when the major part of the sale price for the shares is paid. This minimises the trade receivables and contract assets.

Trade receivables and contract assets (current and non-current) increased in total by EUR 7.7 million to EUR 21.2 million in 2019 from EUR 13.4 million in 2018.

The increase relates to the acquisition of the AEZ and Heidelberg wind parks with a total of EUR 3.7 million in trade receivables at the end of 2019.
Also, the recognition of an earn-out of EUR 2.0 million, related to the sale of the 5 Spanish solar parks is a part of the increase. The amount was received in January 2020.

Inventories
Inventories increased to EUR 227.1 million from EUR 202.2 million in 2018.
EUR 132 million of the inventories was energy farms under construction; in 2018 the value was EUR 55.6 million.

European Energy is evaluating the likelihood of a project's success and the projects are reviewed on an ongoing basis with the aim of making impairments, if needed. A special focus is placed on projects in the early development stages (before construction).
In 2019, this led to a EUR 7.9 million impairment of inventory. In 2018, the impairment was EUR 1.0 million.

The increase in write-downs should be seen as a result of the increase in investment in projects in the early development stages. The inventory value in these projects, before write-downs, increased from EUR 21.8 million in 2018 to EUR 56.4 million in 2019.

Deferred tax
Net deferred taxes in the balance sheet increased from a net liability of EUR 1.2 million in 2018 to a net liability of EUR 7.8 million in 2019. The increase was primarily from the acquisition of AEZ and Heidelberg wind parks with an addition of EUR 7.8 million at the end of 2019.

Other receivables
Other receivables (current and non-current in total) increased in 2019 from EUR 13.8 million to EUR 23.4 million. Again, the increase comes primarily from the acquisition of AEZ and Heidelberg wind parks with an addition of EUR 7.1 million at the end of 2019. The main part hereof was from VAT receivables due to the ongoing construction projects in the Heidelberg Group.

Management's review

Non-controlling interests
The non-controlling interests increased from EUR 33.9 million in 2018 to EUR 47.9 million in 2019. The increase comes mainly from the minority shareholders part of the result, in 2019, of EUR 15.9 million; plus, the addition of new minority shareholding in Heidelberg of EUR 2.5 million. Finally, dividends have been paid out to minority shareholders of EUR 3.9 million from Group companies other than the parent company.

Equity
Total equity including the parent company and the non-controlling interests increased from EUR 103.4 million in 2018 to EUR 140.2 in 2019

Other equity movements
In 2019, the Group recognised a power purchase agreement with Apple for a solar energy park in Jutland. The contract is structured as a contract for difference and is, as such, a financial instrument, which is recognised in the other comprehensive income part of the consolidated statement. The market value regulation of the PPA was at the end of 2019, EUR 2.3 million.
During 2019, the sale of energy parks with interest SWAP agreements resulted in another comprehensive income related to the hedging of EUR 1.3 million.
Including hedging of currency, the total value adjustments on hedging instruments for 2019 ended at EUR 3.5 million, with a tax value of EUR -0.6 million. In 2018, the adjustment of hedging instruments was EUR 1.0 million with tax value of EUR -0.3 million

Bond loan
The bond loan increased, during 2019, from EUR 85 million to EUR 200 million, and was recognised at the end of 2019 as net of debt-issue costs and modification gain to EUR 192.0 million vs EUR 83.7 million in 2018.

Project financing
Project financing (short and long-term) decreased from EUR 213.8 million in 2018 to EUR 207.5 million in 2019. The Group is cooperating with several financial institutions for project financing, depending on the geographic area of the construction site, the size of the project and the co-investors, if any. The loans are partly financing the PPE and partly the inventory. These assets have increased during 2019 by EUR 73.2 million, but the project financing has decreased by EUR 6.3 million. The reason is the increase in the bond loan. The Group has used the excess cash from the increase in the bond loan as project financing.

Trade payables
Trade payables decreased from EUR 10.3 million in 2018 to EUR 9.2 million at the end of 2019. The Group had excess cash at the end of 2019, and with the negative interest rates on cash, the Group tries to keep trade payables at a minimum.

Payables to related parties
Payables to related parties is unchanged from EUR 0.5 million in 2018 to EUR 0.5 million in 2019.

Management's review

Other payables
Total non-current and current other payables increased in 2019 to EUR 18.2 million compared to EUR 18.5 million in 2018. Again, the increase comes primarily from the acquisition of AEZ and Heidelberg wind parks with an addition of EUR 2.3 million at the end of 2019.

Cash flow statement

Operating cash flow
The cash flow from operations in 2019 was EUR 12.6 million. The operating cash flow in 2018 was EUR -151.2 million. The major difference between the years is that, in 2018, the Group increased the inventory resulting in a change in networking capital of EUR -172.2 million and the increase in inventory in 2019 has been considerably less, resulting in a change in networking capital of EUR -21.1 million.

The Group expects that the activity increase in the coming years will lead to more increased inventory than the operating cash flow from the results of the year, and thus negative operating cash flow.

Purchase of Plants and Equipment
In 2019, the Group sold the 5 Spanish solar parks creating the main part of the positive cash flow of EUR 28.3 million from purchase/disposal of plant and equipment. The amount is shown as a net amount but in the note 2.3 in the disclosures, the additions and disposals can be seen for each category under PPE.

Acquisition of subsidiaries
The purchase sum of the AEZ Group amounted to EUR 27.3 million. See the note 2 for more specification on the purchase sum allocation.

Equity-accounted investments
The cash flow from equity accounted investments was EUR -1.5 million compared to a positive cash flow of EUR 3.8 million in 2018.

Loans to related parties
In 2019, the company used EUR 11.9 million as loans-to-equity-accounted investments. Compared to 2018, when there was a positive cash flow of loans being repaid to the Group of EUR 4.7 million. The major part of the remaining loans on the balance sheet at the end of year relates to the Brazilian investment in 3 solar parks.

Investing activities
The total cash flow of investing activities ended at EUR -3.7 million compared to EUR -0.5 million in 2018.

Management's review

Bonds
In 2019, the Group issued new bond loans of EUR 200.0 million, and repaid the existing bond loan of EUR 85.0 million. The proceeds were EUR 200.5 million after debt-issue costs (part of the bonds were sold to a value higher than par). The costs for repayment of bonds were EUR 88.4, which were EUR 3.4 million more than par due to early redemption fees.
In 2018, the Group had new bond launch proceeds of EUR 25.1 million, and bond repayments of EUR 7.6 million

Project financing
To finance the increase in the inventory, the Group added project financing of EUR 88.6 million during 2019, and repaid EUR 160.4 million. In 2018, the proceeds from borrowings were EUR 191.6 million and the repayment was EUR 49.7 million.

Loans to associated companies
The loans to related parties increased during 2019 and gave a net contribution of cash to the Group of EUR 1.6 million, compared to 2018 where the Group repaid debt to related parties of EUR 4.4 million.

Non-controlling interests
The dividends paid out in companies within the Group with non-controlling interests, and other transactions with NCI, gave negative contribution from transactions with NCI of EUR 4.6 million in 2019. In 2018, the amount was a positive contribution of EUR 6.9 million primarily related to capital increases in Group companies from non-controlling interests.

Total cash flow
In total, the financing activities had a positive cash flow of EUR 36.9 million and the cash from acquired companies amounted to EUR 9.9 million.
This resulted in a total positive net cash flow for 2019 of EUR 55.8 million compared to 2018 with EUR 10.2 million.

Capital management

The parent company of the Group, European Energy A/S, is financed primarily through the bond market. European Energy's policy is to maintain a strong capital base that enables it to attract investors and other creditors. European Energy A/S cannot pay out dividends until the EUR 200 million bonds are repaid in September 2023.

The EUR 200 million bond loan has three covenants related to the Group's equity, total assets, total cash and cash equivalents. In some of our subsidiaries, we have covenants related to Debt Service Cover Rate (DSCR). No default exists.

The Group constantly monitors liquidity in order to mitigate any shortage of funds. The Group aims to maintain a balance between funding continuity and flexibility using revolving credit facilities, bank loans and bond issues. The Group currently funds construction costs partly through bank loans, which are replaced by non-recourse project financing when the project goes into operation. The EUR 200 million bonds are used to finance some construction projects as well as investments in projects not yet at the construction phase. The bonds fund a major portion of the Group's activities, and thus represent a concentration of risk.

Management's review

Given that market conditions for refinancing the bonds are considered positive, Management foresees several possibilities for replacing or repaying the bonds, and assesses the risk that the bonds cannot be refinanced in 2023 as low.

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

At the end of 2019, the Group's cash balance was EUR 114.8 million, of which EUR 91.7 million was free cash (in 2018 the cash balance was EUR 59.0 million with EUR 51.1 million in free cash). Management and the Board of Directors evaluate that the Group has sufficient available cash.

Uncertainty with regard to recognition and measurement

Revenue recognition

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

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

Inventory/projects valuation

Evaluating inventory, especially projects still under development, involves a risk relating to the likelihood of a project's success. Management continuously evaluates all projects on the basis of their financial viability and feasibility. In 2019, this led to a EUR 7.9 million impairment of inventory (write-off or write-down), as explained in the disclosure note 18. In 2018, the impairment was EUR 1.0 million.

Management's review

Outlook

Looking back on expectations for 2019

In the Annual Report for 2018, the Management expected an EBITDA for the Group in the range of EUR 40-45 million and a profit before tax in the range of EUR 30-35 million.

In December 2019, the outlook was narrowed to an EBITDA of EUR 45-47 million and a profit before tax of EUR 35-37 million.

With a final EBITDA for the year of EUR 42 million, the original target for the year was reached. The Group performed better than the original target for profit before tax with EUR 37.8 million for 2019. The good results for the year were driven by an increase in electricity sales but also by the bargain purchase of the German group of companies, AEZ, and the gain from the EE Group's modification of its Bond loan, going from an interest rate of 7.0% to 5.35%.

Outlook for 2020

EBITDA for 2020 is expected to be EUR 52-58 million. The profit before tax in 2020 is expected to be EUR 35-39 million.

At the moment we do not see any reason to change our outlook for 2020 due to the crisis created by COVID-19. There is still a need for green electricity from our power plants, we are still seeing demand for our assets from institutional investors and funding for our projects still seem to be available. We will keep a close eye on how the situation unfolds in order to adjust if we see changes in demand or supply.

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

Management's review

Significant events after the reporting period

On 23 March 2020, the Group closed the divestment of three turbines at the Svindbaek Wind Farm with Aquila European Renewables Income Fund, the London-listed investment company advised by Aquila Capital Investmentgesellschaft mbh. The acquisition of the three turbines completed the acquisition of all wind turbines associated with the Svindbaek wind farm by Aquila European Renewables Income Fund. The turbines provide 9.6 MW of installed capacity and have been operating since 2018. The three turbines cover the electricity consumption of approximately 7000 Danish households. The sale will contribute positively to the statement of profit in Q1 2020

Regarding the COVID-19 crisis:
There is still a need for green electricity from our power plants, we are still seeing demand for our assets from institutional investors and funding for our projects still seems to be available. We will keep a close eye on how the situation unfolds in order to adjust if we see changes in demand or supply.
Across our markets, activity levels have dropped in industries and societies as a whole and consequently power consumption has also dropped. This short-term reduction in demand is having a limited effect on us, as the vast majority of our power sales is done through long-term offtake agreements.

In Brazil, COVID-19 and a polarised political environment negatively have affected the value of Brazilian currency during Q1 2020. This had a significant impact on European Energy's projects in Coremas, which resulted in an impairment of EUR 4.4 million.

We do not foresee any issues regarding the financing of our construction activities, primarily because we have a strong cash position coming out of 2019. The main short-term risks for us are delays in the delivery of materials to our construction projects. We have been in close contact with our key suppliers, and with our longstanding relationships in mind, we have not seen a significant impact. Some construction sites have experienced very short interruptions to the activity, while the health authorities fine-tuned their new guidelines.
We are confident that the world will still have an increasing need for green electricity and green generating capacity – because the fight against climate change will still be a high priority on the other side of the COVID-19 crisis.

Risk management

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

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

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

Management's review

COVID-19 crisis
The spread of COVID-19 and the mitigations from government in order to minimise the impacts of the disease could have an impact on the construction processes when establishing power plants. Also, the crisis could alter the situation on the financial markets where it could lead to difficulties in obtaining financing for construction purposes on time, or to increased interest rates.

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

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

Operational risks
European Energy develops greenfield projects, acquires predeveloped renewable energy projects, which are at different stages of their development cycle, and participates in repowering projects.

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

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

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

Management's review

Financial risks

Liquidity risks

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

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

Foreign currency risks

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

The Group is not hedging the exposure for the investment in operating parks when the Group is not in control, unless there is a plan for selling the park within the next 12 months. As part of a joint-controlled company, the Group is constructing 3 solar parks in Brazil, with a total exposure to Brazilian real equivalent of EUR 28 million. The exposure is not covered by any currency hedges. If it is decided to divest the parks after going into operation, the exposure will be covered by a currency hedge.

Interest rate risks

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

Management's review

Political, regulatory and legal risks

The successful development of renewable energy projects is dependent on the political and regulatory environment. While renewable energy has already reached market price competitiveness with conventional forms of energy production in favourable climate conditions, it still relies on state subsidies in many regions and countries. In order to reduce European Energy's exposure to country-specific changes in government policies and subsidy-related regulation, it follows geographic and technological diversification. In 2019, European Energy was active in 14 different countries across the globe. Furthermore, in order to decrease its political risks in relatively higher risk countries outside Europe, European Energy strives for joint venture developments in collaboration with local partners

Responsibilities and compliance

The Company has no significant activities besides being a holding company and therefore has no employees, administrative functions etc. As a result, the company has no policies itself. Reference is made to the policies of the European Energy Group. Please refer to below overviews as to where to locate the relevant disclosures, as they are all given on the European Energy Group website.

Responsibility

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

Management diversity

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

Corporate governance

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

Managerial positions

A complete list of Management positions at Group companies, Equity companies, and other companies is included in note 4.10 to the financial statements og the subsidiary European Energy A/S.

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

Income statement

		Consolidated		Parent company	
EUR'000	Note	2019	2018	2019	2018
Revenue	3	238,799	96,439	153	270
Direct costs		-190,468	-60,589	0	0
Gross profit		48,331	35,850	153	270
Other income	2	6,835	1,182	0	0
Staff costs	4	-6,695	-5,030	0	0
Other external costs	5	-6,542	-3,937	-23	-16
Depreciation		-5,894	-2,490	0	0
Operating profit		36,035	25,575	126	255
Profit from subsidiaries		0	0	20,035	16,133
Profit from associates	2	2,504	5,795	0	0
Financial income	6	12,070	3,566	645	200
Financial expenses	7	-12,835	-9,171	-442	-612
Profit before tax		37,774	25,765	20,368	15,976
Tax	8	-1,559	-3,399	-98	5
Profit for the year	9	36,215	22,366	20,270	15,981

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

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2019	2018	2019	2018
ASSETS					
Non-current assets					
Property, plant and equipment					
Land and buildings	10	5,325	1,921	0	0
Wind power generating assets	10	124,959	39,990	0	0
Solar power generating assets	10	3,258	43,596	0	0
Tools and equipment	10	670	439	0	0
Lease assets		9,091	0	0	0
		143,303	85,946	0	0
Investments					
Investments in subsidiaries	11	0	0	89,774	73,741
Investments in associates	12	24,806	20,581	0	0
Other investments	13	4,395	6,765	0	0
Loans to related parties	14	693	0	249	0
Receivables from subsidiaries	14	0	0	0	0
Receivables from associates	14	35,173	26,701	0	0
Trade receivables and contract assets	15	4,241	4,131	0	0
Other receivables	16	15,766	5,587	634	2,485
Prepayments	17	3,923	9,937	0	0
		88,997	73,702	90,657	76,226
Total non-current assets		232,300	159,648	90,657	76,226
Current assets					
Inventories	18	227,131	202,193	0	0
Receivables					
Trade receivables and contract assets		16,920	9,319	0	2
Receivables from subsidiaries		0	0	1,647	
Deferred tax asset	19	2,407	1,810	115	226
Other receivables		8,277	10,734	7	0
Corporation tax		0	0	0	9
Prepayments	17	6,321	1,028	205	0
		33,925	22,891	1,974	237
Cash and cash equivalents		114,808	59,017	1,232	431
Total current assets		375,864	284,101	3,206	668
TOTAL ASSETS		608,164	443,749	93,863	76,894

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

Balance sheet

EUR'000	Note	Consolidated 2019	Consolidated 2018	Parent company 2019	Parent company 2018
EQUITY AND LIABILITIES					
Equity					
Share capital		17	17	17	17
Reserve for net revaluation according to the equity method		0	0	88,361	71,368
Dividend		0	0	2,500	0
Retained earnings		92,339	69,422	1,478	-1,946
Equity attributable to the shareholder of the Company		92,356	69,439	92,356	69,439
Non-controlling interests		47,882	33,947	0	0
Total equity		140,238	103,386	92,356	69,439
Provisions					
Other provisions	20	6,096	3,066	0	0
Deferred tax	19	10,241	2,986	0	0
Total provisions		16,337	6,052	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	21				
Bond loan		192,017	83,670	0	0
Credit institutions, project financing		140,743	157,666	0	0
Amount owed to subsidiaries		0	0	0	6,478
Loans from related parties		0	63	0	63
Other payables		932	1,482	0	585
Lease liabilities		13,037	0	0	0
		346,731	242,882	0	7,126

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

Balance sheet

EUR'000	Note	Consolidated 2019	Consolidated 2018	Parent company 2019	Parent company 2018
EQUITY AND LIABILITIES (CONTINUED)					
Current liabilities other than provisions					
Credit institutions, project financing	21	66,772	56,111	0	0
Other debt, partnerships	21	2,070	411	0	0
Lease liabilities	21	1,493	0	0	0
Trade payables		9,249	10,314	268	327
Payables to associates		468	482	0	0
Corporation tax		4,777	1,185	0	0
Provisions	20	2,800	0	0	0
Contract liabilities		0	5,960	0	0
Other payables		17,230	16,968	1,240	2
		104,859	91,431	1,507	329
Total liabilities other than provisions		451,590	334,312	1,507	7,455
TOTAL EQUITY AND LIABILITIES		608,164	443,749	93,863	76,894

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

Equity

Consolidated EUR'000	Share capital	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 1 January 2018	17	53,855	53,872	32,985	86,857
Profit for the year	0	15,981	15,981	6,385	22,366
Value adjustments of hedging instruments	0	-483	-483	-137	-620
Other adjustments	0	70	70	-328	-258
Additions	0	0	0	7,455	7,455
Disposals	0	0	0	12,412	12,412
Equity at 31 December 2018	17	69,422	69,439	33,947	103,386
Equity at 1 January 2019	17	69,422	69,439	33,947	103,386
Profit for the year	0	20,270	20,270	15,945	36,214
Transactions with NCI	0	0	0	-5,709	-5,709
Value adjustments of hedging instruments	0	2,924	2,924	830	3,754
Other adjustments	0	-276	-276	-13	-289
Additions	0	0	0	4,127	4,127
Disposals	0	0	0	-1,245	-1,245
Equity at 31 December 2019	17	92,339	92,356	47,882	140,237

Parent company EUR'000	Share capital	Reserve for net revaluation according to the equity method	Dividend	Retained earnings	Total
Equity at 1 January 2018	17	55,651	0	-1,796	53,872
Profit for the year	0	16,133	0	-152	15,981
Value adjustments of hedging instruments	0	-483	0	0	-483
Other adjustments	0	67	0	3	70
Equity at 31 December 2018	17	71,368	0	-1,943	69,439
Equity at 1 January 2019	17	71,368	0	-1,943	69,439
Profit for the year	0	20,035	2,500	-2,366	20,270
Dividend	0	-5,622	0	5,622	0
Disposal	0	417	0	-417	0
Value adjustments of hedging instruments	0	2,924	0	0	2,924
Other adjustments	0	-761	0	482	-276
Equity at 31 December 2019	17	88,361	2,500	1,478	92,356

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

	Consolidated	
EUR'000	2019	2018
Profit/Loss before tax	37,774	25,765
Adjustments for:		
Financial income	-12,070	-3,566
Financial expenses	13,285	9,171
Depreciations	5,894	2,490
Profit from equity-accounted companies	-2,504	-5,795
Change in net working capital	-21,107	-172,176
Interest paid on lease liabilities	-152	0
Other non-cash items	-2,927	-1,263
Cash generated from operation before financial items and tax	19,048	-145,374
Taxes paid	-534	-776
Interest paid and realised currency losses	-11,627	-8,334
Interest received and realised currency gains	5,786	3,269
Cash flow from operating activities	12,673	-151,215
Purchase of Property, plant and equipment	28,307	-12,576
Proceeds from disposal of equity-accounted investments	2,224	3,161
Acquisition of subsidiaries	-27,276	0
Investment/loans in equity-accounted investments	-1,479	8,508
Purchase/disposal of other investments	65	252
Loans to related parties	-11,893	0
Dividends	7,178	165
Cash flow from investing activities	-3,729	-490
Proceeds from issue of bonds	200,535	25,107
Repayment of bonds	-88,400	-7,600
Proceeds from borrowings	88,551	191,594
Repayment of borrowings	-160,358	-49,729
Repayment of lease liabilities	-467	0
Changes in payables to associates	1,636	-4,367
Non-controlling interests' share of capital increase or disposal of subsidiaries	-4,563	6,852
Cash flow from financing activities	36,934	161,857
Change in cash and cash equivalents	55,790	10,152
Cash and cash equivalents at beginning of period	59,017	48,865
Cash and cash equivalents end of period	114,808	59,017
Of which restricted cash and cash equivalents	-23,108	-7,868
Non-restricted cash and cash equivalents end of year	91,700	51,149

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 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 2019, the EUR/DKK rate was 7,4697 (31 December 2018: 7,4679).

Changes in accounting policies and disclosures

IFRS 16 Leases

The Danish Financial Statements Act allows the Group to use certain IFRS standards to interpret the act. Effective from 1 January 2019, the Group have implemented IFRS 16 Leases.

IFRS 16 Leases was implemented 1 January 2019. Implementation of IFRS 16 did not have material impact on the Group's financial statements. Most of the contracts have previously been classified as offbalance operating leases under IAS 17 but have now been capitalised and recognised as right-of-use assets and lease liabilities.

Consequently, reported operating profits have increased, as previous operating lease expenses have been replaced by depreciation and interest expenses. However, the net impact on profit for the period is neutral over time. The total net effect on cash flow related to the increase in lease assets and liabilities is limited.

The Group transitioned to IFRS 16 as per 1 January 2019 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. In the context of the transition to IFRS 16, right-of-use assets of EUR 7.2 million (property, plant and equipment EUR 2.2 million and Inventory EUR 5.0 million) and lease liabilities of EUR 7.2 million were recognised as at 1 January 2019. The Group also elected to apply the practical expedient for short-term leases to leases for which the lease term ends within 12 months of the date of initial application. Operating leases have been recognised in the income statement for 2019 at the amount of EUR 0.8 million (2018: 0.9 million), with contingent rents constituting EUR 0.3 million (2018: EUR 0.3 million)., land lease EUR 0.3 million and land lease with variable payments of EUR 0.2 million. The interest expenses paid on lease liabilities have been recognised in the statement of profit or loss as EUR 0.2 million. The terms for land lease contracts are typically 25 years and have to be extended 6 months before the original lease ends.

Application and practical expedients applied

IFRS 16 has been applied following the modified retrospective approach with the cumulative effect of applying the standard recognised in the opening balance of retained earnings. Comparative figures have not been restated and are presented in accordance with the previous IFRS standard on leases (IAS 17) as disclosed in the 2018 Annual Report.

Right-of-use assets and lease liabilities have been presented as separate line items in the balance sheet. For existing leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments discounted using an appropriate incremental borrowing rate at 1 January 2019. Right-of-use assets have been measured as if IFRS 16 had been applied since the lease commencement date and discounted using an appropriate incremental borrowing rate on 1 January 2019.

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

The following practical expedients have been applied in implementing the standard

Existing assessments of whether a contract contains a lease in accordance with IAS 17 have been maintained. No reassessment of existing lease contracts has been made at the commencement date.

The Group also elected to apply the practical expedient for shortterm leases to leases for which the lease term ends within 12 months of the date of initial application.

Except for the changes above, the accounting policies remain unchanged compared to the Annual Report for the year ended 31 December 2018, to which reference is made.

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.

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

Functional currency and presentation currency

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

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

Translation into presentation currency

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

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

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

Derivative and hedge accounting

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

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

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

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

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

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

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

Basis of consolidation

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

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

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

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

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 European Energy has substantive rights over the project does not distinguish between rights arising from European Energy as a shareholder of the project or as an operator.

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

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

Business combination

Enterprises acquired during the year are recognised in the consolidated financial statements from the date of acquisition. The acquisition date is the date when the parent company effectively obtains control of the acquired enterprise. Enterprises disposed of are recognised in the consolidated income statement until the disposal date.

For acquisitions of new enterprises in which the parent company is able to exercise control over the acquired enterprise, the purchase method is used. The acquired enterprise's identifiable assets, liabilities and contingent liabilities are measured at fair value at the acquisition date. Identifiable intangible assets are recognised if they are separable or arise from a contractual right. Deferred tax on revaluations is recognised.

Goodwill is initially measured at cost, being the excess of the consideration transferred, over the Group net identifiable assets acquired, and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement as a gain from a bargain purchase. After initial recognition, goodwill 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. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group cash-generating units that are expected to benefit from the combination. Goodwill is tested for impairment at year-end or more frequently when impairment indicators are identified.

The cost of a business combination comprises the fair value of the consideration agreed upon. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the amount of thatadjustment is included in the cost of the combination if the adjustment is probable and can be measured in a reliable manner. Subsequent changes to contingentconsiderations are recognised in the income statement. If uncertainties regarding the measurement of identifiable assets, liabilities and contingent liabilities exist at the acquisition date, initial recognition will take place on the basis of preliminary fair values. If identifiable assets, liabilities and contingent liabilities are subsequently determined to have different fair value at the acquisition date than first assumed, goodwill is adjusted up to twelve months after the acquisition. The effect of the adjustments is recognised in the opening balance of equity and the comparative figures are restated accordingly.

When acquiring a controlling interest in stages, European Energy assesses the fair value of the acquired net assets at the time control is obtained. At such time, interests acquired previously are also adjusted to fair value. The difference between the fair value and the carrying amount is recognised in the statement of profit and loss.

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:

- Sale of energy farms and projects
- Sale of electricity
- Asset management and Other fees

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:

Sale of energy farms and projects

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

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

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

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

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

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

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

Sale of electricity

Revenue from sale of produced electricity is recognised when 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.

Government grants for sale of electricity are intended as a compensation for the price of power and recognized under revenue in step with the power generation and the related revenue. Government grants are recognized when there is reasonable assurance that the grants will be received.

Asset management and Other fees

Revenue from Asset management and Other fees is recognised when the services are delivered. The services include commercial management and operational facility supervision on behalf of a third party. 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 farms and projects, direct costs comprise the construction costs plus costs directly related to the disposal.

Direct costs also comprise operating costs related to wind and solar power generating assets.

Other income

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

Staff costs

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

Share-based payment

The fair value of warrants at grant date is recognized as an expense in the income statement over the vesting period. Subsequently, the fair value is not re measured. Such compensation expenses represent calculated values of warrants granted and do not represent actual cash expenditures. A corresponding amount is recognized in shareholders' equity as the warrant program is designated as equity-settled share-based payment transaction.

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

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 on which 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 power-generating plant (Wind farms)	25-30 years
Solar power-generating plant (Solar farms)	40 years
Fixtures and fittings, tools and equipment	3-5 years

On disposal of property, plant and equipment, the net selling price is recognised as revenue and the carrying amount of the assets is recognised as direct costs.

Lease assets and liabilities

Lease

Whether or not a contract contains a lease is assessed at contract inception. If we can identify an asset and the customer has the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use and has the right to operate the asset without having the right to change those operating instructions, the contract contains a lease. For identified leases, a right-of-use asset and corresponding lease liability are recognised on the lease commencement date. Upon initial recognition, the right-of-use asset is measured at cost corresponding to the lease liability recognised, adjusted for any lease prepayments or directly related costs, including dismantling and restoration costs. The lease liability is measured at the present value of lease payments of the leasing period discounted using the interest rate implicit in the lease contract. In cases where the implicit interest rate cannot be determined, an appropriate incremental European Energy borrowing rate is used from 1.7%-6.0% depending on the borrowing rate used in the country-specific project. In determining the lease period extension, options are only included if it is reasonably certain they will be utilised. At subsequent measurement, the right-of-use asset is measured less accumulated depreciations and impairment losses and adjusted for any remeasurements of the lease liability. Depreciations are done following the straight-line method over the lease term or the useful life of the right-of-use asset, whichever is shortest. The lease liability is measured at amortised cost using the effective interest method and adjusted for any remeasurements or modifications made to the contract. Right-of-use assets and lease liabilities are not recognised for low-value lease assets or leases with a term of 12 months or less. These are recognised as an expense on a straight-line basis over the term of the lease. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Investments in subsidiaries and associates

Income statement

The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the parent company's income statement after the full elimination of intra-group gains/losses and less amortisation of goodwill.

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

Balance sheet

Subsidiaries and associates are measured at the proportionate share of the entities' net asset values calculated according to the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated according to acquisition method.

Subsidiaries and associates with negative net asset values are measured at EUR 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value if the amount owed is deemed irrecoverable. To the extent that the negative net asset value exceeds the receivable, the residual 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 farms, 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 with value adjustments recognised in the income statement.

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 comprise energy farm projects under development and construction and as well as energy farms that have been developed for the purpose of sale and not for revenue generation from the sale of electricity production. The projects can be categorised as follows:

- Projects under development
- Projects under construction
- Operating projects for the purpose of sale

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and estimated selling costs. Changes in inventory write-downs are recognised in direct costs.

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

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.

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.

Operating projects for the purpose of sale comprise projects for which construction has completed. Cost comprises costs incurred in the development phase and in the construction phase.

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.

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

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

Corporation tax and deferred tax

In accordance with the Danish 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.

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

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised 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 at the tax rates expected to apply in the year when the asset is realised or the liability is settled on the basis of the tax rates (and tax legislation) in force at the date of the statement of financial position.

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 flow from operating activities

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

Cash flow from investing activities

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

Cash flow from financing activities

Cash flow from financing activities include proceeds from bond issues, drawdowns, new project loans and repayment on borrowings from credit institutions.

Cash and cash equivalents

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

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

Notes

2 Special items

EUR'000	Consolidated 2019	2018
Gain from a bargain purchase	4,561	0
Unrealised value adjustment – stepwise acquisition of German Wind Park	2,184	0
Total special items included in Other income	6,745	0
Unrealised value adjustment – stepwise acquisition of Driftsselskabet Heidelberg A/S	2.475	0
Total special items included in Profit after tax from equity-accounted investments	2.475	0

3 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.

2019	Consolidated				
EUR'000	Wind	Solar	Total before elim.	Elim.	Total
Sale of energy farms and projects	205,274	-108	205,166	0	205,166
Sale of electricity	27,241	3,253	30,434	0	30,494
Asset management	1,937	780	2,717	0	2,717
Other fees	207	220	427	0	427
Revenue to external customers	234,659	4,145	238,804	0	238,804
Inter-segment revenue	1,175	2,651	3,826	-3,826	0
Revenue	235,834	6,796	242,630	-3,826	238,804

2018	Consolidated				
EUR'000	Wind	Solar	Total before elim.	Elim.	Total
Sale of energy farms and projects	19,045	54,596	76,641	0	73,641
Sale of electricity	10,722	9,097	19,819	0	19,819
Asset management	2,181	698	2,879	-13	2,866
Other fees	97	16	113	0	113
Revenue to external customers	32,045	64,407	96,452	-13	96,439
Inter-segment revenue	6,169	1,161	7,330	-7,330	0
Revenue	38,214	65,568	103,782	-7,343	96,439

Notes

		Consolidated	
	EUR'000	2019	2018
3	**Geographical information**		
	Denmark	87,545	76,490
	Northern/Central Europe	74,992	12,048
	South America	34	0
	Southern Europe (incl Maldives)	76,228	7,901
	Total revenue	238,799	96,439

		2019	2018
4	**Staff costs**		
	Wages, salaries and remuneration	13,847	11,231
	Share-based compensation	444	197
	Pensions	12	35
	Other social security costs	167	101
	Other staff costs	714	554
	Capitalised salaries on inventories	-8,489	-7,091
	Total staff costs	6,695	5,030
	Average number of full-time employees	117	95
	Number of full-time employees end of period	148	96

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

Notes

4 Staff costs (continued)

Share-based payment

Warrant program

European Energy A/S has granted warrants to management, board members and individual selected staff members based on years of employment and profession.

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

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

For 2019, the second year of the program, the board has approved the second issuance of warrants equal to 3 million shares.

Weighted Average Remaining contractual life for outstanding war-rants at year-end is 8 years.

For exercised warrants in 2019 the weighted average share price during the period amounted to DKK 5,29 (2018: DKK 3,10).

Outstanding warrants at the end of 2019 may be exercised at a price that increase by 5% per year, i.e. at the range of DKK 5,36 - 7,40.

Valuation assumptions for warrants granted

Based on a weighted average fair value per warrant of DKK 1,37 the total fair value of warrants granted in 2019 amounted to EUR 0.5M, of which EUR 0.4M is recognized in the income statement at 31 December 2019.

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

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

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

5 Audit fees

EUR'000	Consolidated	
	2019	2018
Statutory audit	248	232
Assurance other than audit	5	0
Tax advice	18	5
Other non-audit services	70	97
Total to the auditors appointed by the Annual General Meeting	342	334

Notes

	Consolidated		Parent company	
EUR'000	2019	2018	2019	2018
6 Financial income				
Interest income, financial assets measured at amortised costs	892	962	156	200
Interest income, group enterprises and associates	3,132	1,839	16	0
Interest income, bonds	0	34	0	0
Interest income, banks	7	0	0	0
Modification gain	5,573	0	0	0
Dividends	802	165	0	0
Currency gains	2,679	566	0	0
Guarantee provisions	0	0	473	0
Financial income that have been capitalised on inventories	-1,015	0	0	0
	12,070	3,566	645	200
7 Financial expenses				
Interest on bonds	7,869	5,733	0	0
Interest expense, bank	3,977	4,026	146	2
Interest expense, subsidiaries and associates	76	96	241	548
Financial expenses that have been capitalised on inventories	-5,682	-2,219	0	0
Amortisation of debt issue costs	865	531	0	0
Amortisation of modification gain	655	0	0	0
Early redemption fee	908	0	0	0
Other financial expenses	1,623	543	53	61
Currency losses	2,544	460	2	0
	12,835	9,171	442	612
8 Tax				
Tax on profit for the year	2,530	1,683	0	-9
Change in deferred tax	1,425	1,622	70	30
Adjustment in deferred tax regarding prior years	-2,443	0	42	0
Adjustment to tax relating to previous years	47	93	-13	-26
	1,559	3,399	98	-5

EUR'000	Consolidated 2019	Consolidated 2018	Parent company 2019	Parent company 2018
9 Proposed profit appropriation				
Reserve for net revaluation according to the equity method	0	0	20,035	16.133
Non-controlling interests' share of profit for the year	15,945	6.385	0	0
Proposed dividend for the year	0	0	2,500	0
Retained earnings	20,270	15.981	-2,266	-152
	36,215	22,366	20,270	15,981

10 Property, plant and equipment

Consolidated

EUR'000	Land and Buildings	Wind power generating assets	Solar power generating assets	Tools and equipment	Total
Cost at 1 January 2019	1,921	41,453	58,039	1,326	102,739
Exchange rate adjustments	0	-5	0	0	-5
Additions	758	50	79	443	1,330
Disposals	-618	-35	-54,093	0	-54,746
Consildated acquired entities	768	86,951	0	53	87,772
Deconsolidated entities	0	0	0	-11	-11
Transfer from inventory	2,496	2,677	0	0	5,173
Cost at 31 December 2019	5,325	131,091	4,025	1,811	142,252
Depreciation and impairment losses at 1 January 2019	0	-1,463	-14,443	-887	-16,793
Depreciation	0	-4,669	-358	-256	-5,283
Disposals	0	0	14,038	2	14,035
Depreciation and impairment losses at 31 December 2019	0	-6,132	-767	-1,141	-8,040
Carrying amount at 31 December 2019	5,325	124,959	3,258	670	134,212
Depreciated over		25-30 years	40 years	3-5 years	

Notes

11 Investments in subsidiaries

	Parent company	
EUR'000	2019	2018
Cost at 1 January	2,372	2,372
Additions for the year	41	0
Disposals for the year	-1,001	0
Cost at 31 December	1,412	2,372
Value adjustments at 1 January	71,368	55,648
Disposals for the year	417	0
Share of profit for the year	20,035	16,133
Hedges, net of tax	2,927	-483
Dividends received	-5,622	-3
Other value adjustments	-764	73
Value adjustments at 31 December	88,362	71,368
Carrying amount at 31 December	89,774	73,741

Acquisition of the AEZ Group:

The Group concluded a strategic investment on 10 July, through the acquisition of 100% of the shares and all voting rights in the AEZ Group located in Leipzig, Germany, with an operational pipeline, a development pipeline and with a staff of 8 employees. The purpose of the acquisition is to expand and secure European Energy’s sales channel in the German market. The investment under-lines our strong focus on the important German market. AEZ has 30 operating wind turbines. AEZ has 92 wind turbines under technical and commercial asset management and a development and repowering pipeline of more than 100 MW wind. Closing of the investment was made on 10 July 2019. The expected outcomes are new production benefits from economies of scale and securing a permanent office in Germany.

The acquisition has been made by EE Dupp ApS, a 100%-owned subsidiary in European Energy A/S including all voting rights. European Energy A/S thereby obtained control of AEZ Group.

The total purchase price amounted to EUR 30.7 million, including a shareholder loan of EUR 3.4 million, which European Energy A/S has taken over. The net purchase price regarding shares amounts to EUR 27.5 million, which is made up of the price paid to the seller of EUR 27.3 million and trans-action costs of EUR 0.2 million, which have been expensed as other external costs. The purchase price includes a contingent consideration of EUR 0 million.

Total assets and liabilities were recognised at fair value according to IFRS 3.

The purchase price of property, plant and equipment has been ad-justed by EUR 9.2 million based on the estimated future capacity of generating cash flow by the wind farms. The fair value of property, plant and equipment amounts to EUR 56.5 million. The discounting rate used is 4.5% equal to the discounting rate used in our other German wind projects.

The fair value of other current assets and other non-current assets amounts to EUR 5.8 million.

Other non-current assets of EUR 2.7 million comprise a bonus origi-nating from sales of wind turbines prior to the acquisition. The fair value is calculated as net present value of future expected contractu-al bonus payments. The discounting rate used is 7.5% including ex-pected credit loss.

Other current assets of EUR 3.1 million comprise trade receivables, other receivables and pre-payments.

Restricted cash amounts to EUR 2.8 million and free cash amounts to EUR 3.1 million.

The project financing, recognised at fair value at the transaction date, is EUR 28.0 million.

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

Notes

The transaction generated a gain from a bargain purchase of EUR 4.6 million recognised as other income in the consolidated statement of profit or loss. Before recognising the gain, the purchase price allocation has been re-visited to make sure that all assets and liabilities have been identified, assessed and recognised correct, cf. in the table below.

The reason for obtaining a gain from a bargain purchase is that the seller had the possibility to sell their life's work to a strong investor, European Energy A/S, who is already well-known as an important developer and investor in the local market – thereby securing that the company and its employees were able to keep on working for a fossil-free society. European Energy will continue to invest in the development pipeline and will benefit from taking over 8 talented employees in the attractive German market. The AEZ Group is com-plementary to our business in European Energy Group and we see synergies we can benefit from on both a short and long-term basis because we are already operating 18 turbines in the same area.

The figures in the table below, regarding identifiable assets acquired, liabilities and consideration transferred, are based on the initial recognition of the preliminary fair values that can be adjusted up until 12 months after the acquisition.

If the wind farms in AEZ Group were fully consolidated as of January 1 2019 to 31 December 2019, the Revenue of European Energy Group would have been EUR 244.5 million, the EBITDA EUR 48.8 million and the profit/loss before tax EUR 39.6 million. The total estimated yearly revenue is EUR 10.4 million, the total estimated EBITDA is EUR 7.7 million and the total estimated Profit for the year is EUR 2.1 million related to the acquisition of AEZ Group.

The share of revenue and profit (loss) for the year from the acquisi-tion date (10 July to 31 December 2019) of European Energy Group is a revenue of EUR 4.7 million, the EBITDA EUR 3.2 million and the profit/loss before tax EUR -0.1 million. The loss is related to low production in the period due to expected seasonal fluctuations.

Business combination
As of 10 July 2019

Identifiable assets acquired, liabilities assumed and consideration transferred	**EUR '000**
	Fair value (Post-PPA)
Property, plant and equipment	56,547
Lease assets	2,485
Other non-current assets	2,650
Other current assets	3,124
Cash	5,922
Total assets	**70,728**
Non-controlling interests	445
Project financing	28,011
Lease liabilities	2,485
Provisions	840
Deferred tax	2,171
Payables to related parties	3,465
Other liabilities	1,474
Total liabilities	**38,891**
Fair value of identified net assets	**31,837**
Gain from a bargain purchase	-4,561
Cash consideration paid	27,276

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Notes

Stepwise acquisition of Driftsselskabet Heidelberg A/S:

When acquiring a controlling interest in stages, European Energy assesses the fair value of the acquired net assets at the time control is obtained. At such time, interests acquired previously are also adjusted to fair value. The difference between the fair value and the carrying amount is recognised in the statement of profit and loss.

On 1 December 2019, European Energy A/S obtained control of Driftsselskabet Heidelberg A/S through the acquisition of further 1% of the shares and a changed agreement with the financing bank of the company. European Energy A/S held a non-controlling equity interest in the company of 49.5% before the date of acquisition and before the changed agreement with the financing bank. The carrying amount of the investment in the associate before the date of acquisition was EUR 0 thousand. The purchase price of 1% of the shares amounted to EUR 50 thousand. The purchase price comprises a contingent consideration of EUR 0 million.

The non-controlling equity interest in the acquiree, held immediately before obtaining control (49.5%) is remeasured at fair value, which results in a gain of EUR 2.5 million. In the consolidated financial statement for the Group, the gain, recognised as profit after tax from equity-accounted investments in the statement of profit or loss, is EUR 2.5 million.

European Energy Group have acquired property, plant and equipment in Driftsselskabet Heidelberg A/S of EUR 85 thousand minus total liabili-ties of EUR 35 thousand equals the fair value of identified net assets in the acquire recognised in profit or loss statement of EUR 50 thou-sand. Cash consideration paid is EUR 50 thousand.

The Heidelberg acquisition will strengthen European Energy's position in the German market and is complementary to our business in European Energy Group and we see synergies that we can benefit from on both a short and long-term basis.

Ownership shares:

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2019
European Energy A/S	DK	75.9633%
European Energy Trading A/s	DK	76%
AEZ Dienstleistungs GmbH	DE	100,0%
AEZ Planungs GmbH & Co KG	DE	100,0%
AEZ Verwaltung GmbH	DE	100,0%
Bjornasen Vind AB	SE	100,0%
Blue Viking Alexandra S.L	ES	100,0%
Blue Viking Beatrice S.L.	ES	100,0%
Blue Viking Solar S.L.	ES	100,0%
Blue Viking Ayora S.L.	ES	70,0%
Blue Viking Cristina S.L.	ES	100,0%
Blue Viking Gabriela S.L.	ES	100,0%
Blue Viking Matilda S.L.	ES	100,0%
Blue Viking Hildur S.L.	ES	100,0%
Blue Viking Violeta S.L.	ES	100,0%
Blue Viking Raquel S.L.	ES	100,0%
Blue Viking Linea S.L.	ES	100,0%
Blue Viking Fernanda S.L.U.	ES	100,0%
Blue Viking Diana S.L.U.	ES	100,0%

Notes

11 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2019
Blue Viking Ventures S.L.U.	ES	100,0%
Solcon Terrenos 2006 S.L.U.	ES	100,0%
Blue Viking Emilia S.L.	ES	100,0%
Blue Viking Lindsey S.L.	ES	100,0%
Blue Viking Lisa S.L.	ES	100,0%
Blue Viking Lya S.L.	ES	100,0%
Blue Viking Maria S.L.	ES	100,0%
Blue Viking Nieves S.L.	ES	100,0%
Blue Viking Pili S.L.	ES	100,0%
Blue Viking Rosa S.L.	ES	100,0%
Blue Viking Samara S.L.	ES	100,0%
Blue Viking Sandra S.L.	ES	100,0%
Blue Viking Sarah S.L.	ES	100,0%
Blue Viking Sofia S.L.	ES	100,0%
Blue Viking Tara S.L.	ES	100,0%
Blue Viking Elena S.L.U.	ES	100,0%
Blue Viking Elizabeth S.L.	ES	100,0%
Blue Viking Esther S.L.	ES	100,0%
Blue Viking Glenda S.L.	ES	100,0%
Blue Viking Gretchen S.L.	ES	100,0%
Blue Viking Isabella S.L.	ES	100,0%
Blue Viking Julia S.L.	ES	100,0%
Blue Viking Kira S.L.	ES	100,0%
Blue Viking Laura S.L.	ES	100,0%
Blue Viking Linda S.L.	ES	100,0%
Blue Viking Indira S.L.	ES	100,0%
Blue Viking Matias S.L.	ES	100,0%
Blue Viking Mikael S.L.	ES	100,0%
Blue Viking Santiago S.L.	ES	100,0%
Blue Viking Barbara S.L.	ES	100,0%
Blue Viking Clara S.L.	ES	100,0%
Blue Viking Eden S.L.	ES	100,0%
Boa Hora Solar ApS	DK	100,0%
Blåhøj Wind Park ApS	DK	73,5%
Cerano Energreen S.r.l.	IT	51,0%
Cocamba Stage One Holding Pty Ltd	AU	84,0%
Cocamba Stage One Project Pty Ltd	AU	84,0%
Doras Production EPE	GR	97,0%
Driftsselskabet Heidelberg ApS	DK	50,5%
e.n.o. Kabeltrasse GbR Grosstreben	DE	37,9%
EE Oderwald GmbH & Co. KG	DE	35,4%
EE Oderwald Verwaltungs GmbH	DE	35,4%

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11 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2019
EE Cocamba ApS	DK	100,0%
EE Projekte Teuchern Gmbh	DE	100,0%
EE Construction Germany GmbH & Co. KG	DE	100,0%
EE Dupp ApS	DK	100,0%
EE France ApS	DK	100,0%
EE Fanais SAS	FR	100,0%
EE Finland OY	FI	100,0%
EE Italy Greenfield PV S.r.l.	IT	100,0%
EE Keiko ApS & Co. KG	DE	100,0%
EE PV Holding ApS	DK	100,0%
EE PV 2 ApS	DK	100,0%
EE Sweden AB	SE	100,0%
EE Schönelinde ApS & Co. KG	DE	100,0%
EE Sprogø OWF ApS	DK	100,0%
EE Svindbæk Køberetsselskab ApS	DK	67,0%
EE Teuchern GmbH & Co KG	DE	100,0%
EE Urja ApS & Co. KG	DE	100,0%
EE Viertkamp ApS & Co. KG	DE	50,5%
EE Verwaltung ApS	DK	100,0%
Ejendomsselskabet Kappel ApS	DK	67,0%
Enerteq ApS	DK	100,0%
Eolica Ouro Branco 1 S.A	BR	80,0%
Eolica Ouro Branco 2 S.A	BR	80,0%
Eolica Quatro Ventos S.A	BR	80,0%
ESF Spanien 01 GmbH	DE	100,0%
ESF Spanien 0423 S.L.U.	ES	100,0%
ESF Spanien 0428 S.L.U.	ES	100,0%
ESF Spanien 05 S.L.U.	ES	100,0%
ESF Spanien 09 GmbH	DE	100,0%
European Energy Buy Back Bond ApS	DK	100,0%
European Energy Byg ApS	DK	100,0%
European Energy Giga Storage A/S	DK	100,0%
European Energy Italy PV Holding S.r.l.	IT	100,0%
EE Sarna ApS & CO. KG	DE	100,0%
European Energy Lithauania UAB	LT	100,0%
UAB Degaiciy Vejas	LT	100,0%
UAB Geotyrimy Centras	LT	100,0%
UAB Rasveja	LT	100,0%
UAB Anyksciy vejas	LT	100,0%
UAB Rokveja	LT	100,0%
European Energy Offshore A/S	DK	72,0%
European Energy Photovoltaics Limited	UK	100,0%

Notes

11 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2019
European Energy Systems II ApS	DK	100,0%
European Solar Farms A/S	DK	100,0%
European Solar Farms Greece ApS	DK	100,0%
European Solar Farms Italy ApS	DK	100,0%
European Solar Farms Spain ApS	DK	100,0%
E&U GmbH & Co. KabelZeitz KG	DE	50,6%
European Wind Farms A/S	DK	100,0%
European Wind Farms Bulgaria ApS	DK	100,0%
European Wind Farms Denmark A/S	DK	100,0%
European Wind Farms Deutschland GmbH	DE	100,0%
European Wind Farms DOO	HR	70,0%
European Wind Farms Greece ApS	DK	100,0%
European Wind Farms Italy ApS	DK	100,0%
European Wind Farms Komp GmbH	DE	100,0%
European Wind Farms Kåre 1 AB	SE	100,0%
European Wind Farms Verwaltungsgesellschaft mbH	DE	100,0%
EWF Energy Hellas Epe	GR	97,0%
EWF Vier Sechs GmbH & Co. KG, Güstow	DE	100,0%
Farma Wiatrowa Kolobrzeg sp. z o.o	PL	100,0%
Farma Wiatrowa SIEMYŚL sp. z o.o.	PL	100,0%
Fimmerstad Vindpark AB	SE	100,0%
Farma Wiatrowa Drawsko II sp.z.o.o.	PL	100,0%
Frederikshavn OWF ApS	DK	85,0%
FWE Windpark TIS K/S	DK	50,5%
FWE Windpark Wittstedt K/S	DK	50,5%
FWE Windpark Wulfshagen K/S	DK	50,5%
FWE Windpark 3 Standorte K/S	DK	50,5%
FWE Windpark Kranenburg K/S	DK	50,5%
FWE Windpark Scheddebrock K/S	DK	50,5%
FWE Windpark Westerberg K/S	DK	50,5%
Greenwatt Koiramäki Oy AB	FI	100,0%
Greenwatt Mustalamminmäki Oy AB	FI	100,0%
Grevekulla Vindpark AB	SE	100,0%
Hanstholmvej Ejendomsselskab ApS	DK	100,0%
Hanstholmvej Infrastrukturselskab ApS	DK	100,0%
Hanstholmvej Holding ApS	DK	100,0%
Holmen II Holding ApS	DK	67,0%
Holmen II Vindkraft I/S	DK	37,3%
Holmen II V90 ApS	DK	67,0%
Horskær Wind Park ApS	DK	67,0%
Infrastrukturgesellschaft Windfeld 19/24 GmbH & Co. KG	DE	82,4%

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11 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2019
Infrastrukturgesellschaft Windfeld 19/24 Verwaltungs-GmbH	DE	82,4%
Iridanos Production EPE	GR	97,0%
Italy Energy Holding S.r.l.	IT	100,0%
K/S Solkraftværket GPI Mando 29	DK	80,0%
Komplementarselskabet EE PV Denmark Aps	DK	100,0%
Kipheus Production EPE	GR	97,0%
Komp. Sprogø OWF ApS	DK	44,8%
Komplementarselskabet Heidelberg ApS	DK	50,5%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS	DK	80,0%
Komplementarselskabet Vindtestcenter Måde ApS	DK	100,0%
Licodia Energia S.r.l.	IT	100,0%
KS Svindbæk WTG 8-9	DK	67,0%
Lidegaard ApS	DK	100,0%
Mando Solarkraftwerke Nr. 29 GmbH & Co. KG	DE	76,0%
Mineo Energia S.r.l.	IT	100,0%
Måde Wind Park ApS	DK	100,0%
Måde WTG 1-2 K/S	DK	98,0%
Netzanbindung Tewel OHG	DE	38,0%
Næssundvej Ejendomsselskab ApS	DK	100,0%
Næssundvej Holding ApS	DK	100,0%
Omnia Vind ApS	DK	67,0%
Omø South Nearshore A/S	DK	72,0%
Palo Holding S.r.l.	IT	100,0%
Palo Energia s.r.l.	IT	100,0%
Piano Energia s.r.l.	IT	100,0%
Reese Solar S.L.U.	ES	100,0%
Renewables Insight ApS (prev. European Energy Systems I ApS)	DK	100,0%
Ramacca Energia S.r.l.	IT	100,0%
Rødby Fjord Vindkraft Mølle 3 I/S	DK	33,6%
SF Ibiza ApS	DK	100,0%
SF La Pobla ApS	DK	100,0%
Sicily Green Power S.R.L.	IT	100,0%
Solar Park Ålbæk ApS	DK	100,0%
Solar Park Agersted ApS	DK	100,0%
Solar Park Evetofte ApS	DK	100,0%
Solar Park Hanstholmvej ApS	DK	84,0%
Solar Park Harre ApS	DK	100,0%
Solar Park Holmen ApS	DK	100,0%
Solar Park Næssundvej ApS	DK	84,0%
Solar Park Rødby Fjord ApS	DK	73,5%
Solar Power 7 Islas S.L.U.	ES	100,0%

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Notes

11 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2019
Sprogø OWF K/S	DK	44,8%
Sun Project S.r.l.	IT	51,0%
Svindbæk Holding ApS	DK	67,0%
Svindbæk Komplementar ApS	DK	67,0%
Svindbæk Køberetsselskab I/S	DK	66,6%
Tjele Wind park ApS	DK	73,5%
Trædeskov Bøge Wind Park ApS	DK	67,0%
Traversa Energia s.r.l.	IT	100,0%
ASI Troia FV 1 S.r.l.	IT	100,0%
Vindtestcenter Måde K/S	DK	100,0%
Vores Sol Ejendomsselskab IVS	DK	100,0%
Västanby Vindbruksgrupp i Fjelie 2 AB	SE	100,0%
Vizzini Holding S.r.l.	IT	100,0%
Windpark Prittitz GmbH & Co KG	DE	50,5%
Windpark Prittitz Verwaltungsgesellschaft mbH	DE	50,5%
Windpark Tornitz GmbH & CO. KG	DE	100,0%
WP SA Sud 6 GmbH & Co KG	DE	100,0%
WP SA Sud 12 GmbH & Co KG	DE	100,0%
WP SA Sud 13 GmbH & Co KG	DE	100,0%
WP SA Sud 23 GmbH & Co KG	DE	100,0%
WP SA Sud 24 GmbH & Co KG	DE	100,0%
WP Vier Berge GmbH & Co. KG	DE	50,5%
Zinkgruvan Vind AB	SE	100,0%

Notes

12 Investments in associates

	Consolidated	
EUR'000	2019	2018
Cost at 1 January	16,052	17,745
Additions for the year	2,670	623
Disposals for the year	-467	-1,707
Transfer	2,368	-608
Cost at 31 December	20,624	16.052
Value adjustments at 1 January	2,100	2,559
Profit for the year	2,504	5,795
Reversed value adjustments on disposals and transfers	-2,688	-1,863
Transfer	2,204	0
Dividend and other value adjustments	-2,155	-4,391
Value adjustments at 31 December	1,964	2,100
Carrying amount at 31 December	22,588	18,152
Investment in associates	24,806	20,581
Set-off against receivables from associates	-2,217	-2,429
Total	22,588	18,152

Notes

21 Investments in associates (continued)

Ownership shares in associates can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2019
NPP Brazil I K/S	DK	51,0%
NPP Brazil II K/S	DK	51,0%
Nordic Power Partners P/S	DK	51,0%
NPP Komplementar ApS	DK	51,0%
EE Sieben Drei GmbH & Co. KG	DE	50,0%
EE Sieben Null GmbH & Co. KG	DE	50,0%
EE Sieben Zwei GmbH & Co. KG	DE	50,0%
EE Süstedt ApS & Co KG	DE	50,0%
EEA Renewables A/S	DK	50,0%
EEA Stormy ApS	DK	50,0%
EEA SWEPOL A/S	DK	50,0%
EEA Verwaltungs GmbH	DE	50,0%
EEGW Persano ApS	DK	50,0%
EWF Eins Sieben GmbH & Co. KG, Germany	DE	50,0%
EWF Fünf Vier GmbH & Co. KG, Wittstock	DE	50,0%
Greenwatt Ahvenneva Oy Ab	FI	50,0%
Greenwatt Honkakangas Oy Ab	FI	50,0%
GWE Contractors K/S	DK	50,0%
Jammerland Bay Nearshore A/S	DK	50,0%
Komplementarselskabet GWE Contractors ApS	DK	50,0%
Komplementarselskabet Mexico Ventures ApS	DK	50,0%
Mexico Partnership P/S	DK	50,0%
Solarpark Vandel Services ApS	DK	50,0%
Süstedt Komplementar ApS	DK	50,0%
Vergil ApS & Co KG	DE	50,0%
Windcom Sp. z o.o.	PL	50,0%
Windpark Hellberge GmbH & CO KG	DE	50,0%
EE Haseloff ApS & Co. KG	DE	50,0%
Limes 1 S.r.l.	IT	50,0%
Limes 2 S.r.l.	IT	50,0%
Limes 20 S.r.l.	IT	50,0%
Limes 24 S.r.l.	IT	50,0%
Limes 25 S.r.l.	IT	50,0%
Wind Energy OOD	BG	49,0%
Wind Power 2 OOD	BG	49,0%
Wind Stream OOD	BG	49,0%
Wind Systems OOD	BG	49,0%
Umspannungswerk Westerberg GmbH & Co. OHG	DE	45,0%
UW Gilmerdingen GmbH & C. KG	DE	40,0%
UW Lohkamp ApS & Co KG	DE	40,0%
WK Ottenhausen GmbH & Co. KG	DE	39,4%
European Wind Farms Invest No. 2 A/S	DK	36,6%
Nøjsomheds Odde WTG 2-3 ApS	DK	33,5%
WK Gommern GmbH & Co. KG	DE	33,4%
UAB Potentia Industriae	LIT	30,0%
Parco Eolico Carpinaccio Srl.	IT	26,3%
EWF Fünf Eins GmbH & Co. KG	DE	25,0%
UW Nessa GmbH & Co. KF	DE	45,7%

Notes

12 Investments in associates (continued)

Name	Country of place of business	Ownership % 31/12 2019
Associates transferred to subsidiaries in 2019		
Omø South Nearshore A/S	DK	100,0%
Komp. Sprogø OWF ApS	DK	44,8%
Driftsselskabet Heidelberg ApS **)	DK	50,5%
Komplementarselskabet Heidelberg ApS **)	DK	50,5%
Associates sold or liquidated in 2019		
ESF Spanien 0424 GmbH	DE	0,0%

13 Other investments

	Consolidated	
EUR'000	2019	2018
Cost at 1 January	4,544	3,561
Additions for the year	239	1.299
Disposals for the year	-346	-316
Transferred	-2,262	0
Cost at 31 December	2,175	4,544
Value adjustments at 1 January	2,221	1,400
Value adjustments during the year	2,183	821
Transferred	-2,184	0
Value adjustments at 31 December	2,220	2,221
Carrying amount at 31 December	4,395	6,765

Notes

14 Loans to related parties

Non-current receivables have no specific repayment terms. The loans are established as a part of the financing of wind and solar farms, and will typically be repaid when a project is sold.

15 Trade receivables and contract assets

Out of non-current trade receivables EUR 2,001 thousand (2018: EUR 459 thousand) is expected to be recovered more than 5 years after the balance sheet date.

16 Other receivables

	Consolidated		Parent company	
EUR'000	2019	2018	2019	2018
Interest-bearing loan to MDP Invest ApS and JPZ Assistance ApS	0	1,900	0	1,900
Interest-bearing loan to Vores Sol Nakskov I-VI K/S	634	585	634	585
Interest-bearing loan to business partner for the acquisition of energy farms	3,317	3,102	0	0
VAT receivable	9,377	0	0	0
Fair value PPA hedge contract	2,269	0	0	0
Corporation tax receivable	170	0	0	0
Total other receivables (non-current assets)	15,766	5,587	634	2,485

There is no exact repayment date of loans in the parent company.

17 Prepayments

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

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18 Inventories

EUR'000	Consolidated 2019	2018
Cost at 1 January	210,120	110,698
Lease assets at 1 January	4,936	0
Additions for the year	172,773	259,113
Disposal of the year (transferred to Property, Plant and Equipment)	-5,173	-26,089
Disposal of the year (recognised as direct cost)	-173,315	-57,654
Disposal of the year (lease assets)	-3,690	0
Consolidated acquired entities	37,282	0
Deconsolidated entities	0	-74,943
Transfer/reclassification	0	-922
Write offs of the year	-1,541	-83
Cost at 31 December	241,392	210,120
Write-downs at 1 January	-7,927	-8,901
Transfer/reclassification	0	922
Disposals of the year	1,541	861
Deconsolidated entitites	0	165
Write-downs for the year	-7,875	-974
Write-downs at 31 December	-14,261	-7,927
Carrying amount at 31 December	227,131	202,193

Inventory at 31 December comprises:

	2019	2018
Operating	52,971	132,778
Under development	42,140	13,825
Under construction	132,020	55,590
Total inventory at 31 December	227,131	202,193
Total wind farms	120,860	197,160
Total solar farms	106,271	5,033
Total inventory at 31 December	227,131	202,193

Notes

19 Deferred tax

	Consolidated		Parent company	
EUR'000	2019	2018	2019	2018
Deferred tax at 1 January	-1,176	882	227	257
Change in deferred tax recognised in income statement	1,018	-1,622	-112	-29
Deferred tax on changes in equity	-645	276	0	0
Adjustment relating to the disposal/purchase of equity-accounted investments	-6,712	-550	0	0
Other equity regulation / joint taxation contribution	-319	-161	0	0
	-7,833	-1,176	115	226
Deferred tax is recognised as follows:				
Deferred tax asset	2,407	1,810	115	226
Deferred tax liability	-10,241	-2,986	0	0
	-7,833	-1,176	115	226

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 2.1 mio. (2018: EUR 0.3 mio.).

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

20 Other provisions

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

Other provisions
The Danish Authorities have questioned whether the parent company has the right to fully deduct VAT on external costs, and has added that the Group will also have to pay VAT (“Lønsumsafgift”) on the part of the Group staff costs that are related to the sale of shares. In addition, provision is made for a warranty claim regarding a sale of a power generating asset. Management has no reason to believe that the final payment will exceed the provision. Based upon Management's expectations for the maturity of the provisions, the provisions are recognised as current liabilities.

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Notes

20 Other provisions (continued)

Share purchase earn-out
The current part of the provisions at the end of 2018 was related to a share purchase earn-out. The parent company acquired a stake of approx. 50% in a company in 2009. The earn-out amount of EUR (‘000) 1,985 was settled with the seller during the year. The final payment did not exceed the provision.

21 Financial liabilities

Consolidated EUR'000	Debt at 1/1 2019	Total debt at 31/12 2019	Current portion	Non-current portion	Outstanding debt after 5 years
Issued bonds	83,670	192,017	0	192,017	0
Project financing	213,777	207,515	66,772	140,743	52,406
Other debt relating to acquisitions of companies	1,309	2,975	2,070	905	303
Loans from related parties	63	63	0	63	0
Other debt	585	634	0	634	0
Lease liabilities	0	14,530	1,493	13,037	12,034
	299,404	417,671	70,335	347,336	64,743

European Energy A/S has 20 June 2019 listed a EUR 140 million green bond on Nasdaq Copenhagen and has successfully issued and settled a tap issuance of EUR 60 million on 30 September 2019 and is now total EUR 200 million. The issued bonds carry variable interest based upon a fixed spread and a variable part related to the Euribor.

The bonds have a four-year and 3 months’ life cycle and are traded on the Nasdaq, Copenhagen. The interest rate was fixed at 5.35% compared to the old 7.0% EUR 85 million bond. The redemption and the repayment of the old EUR 85 million bond was 3 July 2019.

Parent company EUR'000					
Amount owed to subsidiaries	6,478	0	0	0	0
Loans from related parties	63	0	0	0	0
Other debt	585	634	0	634	0
	7,126	634	0	634	0

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

Notes

22 Derivative financial instruments

Interest rate swaps

EUR'000	Consolidated	
	2019	2018
Maturity less than 1 year	0	7,104
Maturity 1-5 years	8,258	0
Maturity more than 5 years	0	35,928
Total Nominal value	8,258	43,032
Fair value liability, included in Project financing	576	1,779
Change in fair value recognized in Equity	2,162	-903

Forward currency exchange contracts

EUR'000	Consolidated	
	2019	2018
Maturity less than 1 year	0	14,500
Maturity 1-5 years	0	0
Maturity more than 5 years	0	0
Total Nominal value	0	14,500
Average hedged rate per 1 EUR	-	4.5 BRL
Fair value liability, included in Other payables	0	90
Change in fair value recognized in Equity	0	90

22 Derivative financial instruments (continued)

Other financial instruments

EUR'000	Consolidated	
	2019	2018
Fair value 1 January	0	0
Value adjustments of hedging instruments recognized in equity during the year, unrealised	2,269	0
Total fair value recognized in equitye	0	00
Fair value, included in non-current other receivables	2,269	0
Change in fair value recognized in Equity	2,269	0

Other financial instruments with fair value assets of EUR 2.3 million as of 31 December 2019 have been recognised in 2019. Other financial instruments are included in non-current other receivables. Value adjustment is recognized in Equity, as the relevant criteria for hedge accounting are met.

Other financial instruments comprise contract for difference derivatives (CFD) related to long-term power purchase agreements. Power purchase agreements have a duration of up to 15 years.

The fair value of CFD derivatives is measured on the basis of Level 3 within the fair value hierarchy since one or more of the significant inputs is not based on observable market data. The valuation technique used is discounted cash flow.

23 Mortgages and collateral

Contingent Liabilities and Other Financial Liabilities

EUR million	Consolidated	
	2019	2018
Guarantees related to contracts with deferred payments (excl. VAT)	40	7
Guarantees related to financing agreements	11	15
Guarantees, warranties and other liabilities related to SPA’s	82	6
	133	28

Leases

EUR million	Consolidated	
	2019	2018
0-1 year	-	0.9
1-5 years	-	1.6
After 5 years	-	3.7
	-	6.2

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

The European Energy Group transitioned to IFRS 16 as per 1 January 2019 in accordance with the modified retrospective approach. The prior-year figures were not adjusted.

Notes

23 Mortgages and collateral (continued)

Security for debt

Assets provided as security
Wind and solar farms with a carrying amount of EUR 84 million (2018: EUR 41 million) are pledged as security for the Group's debt to credit institutions, etc., a total of EUR 100 million, (2018: EUR 25 million). Moreover, specific cash at bank of EUR 23 million (2018: EUR 8 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 41 million (2018: EUR 72 million). The parent company and certain subsidiaries have provided ordinary declarations of subordination to lenders to the subsidiaries with the effect that intra-group loans granted to certain Group companies are subordinated to the external debt. In addition, dividends from certain German limited partnerships are contingent on adequate account balances in collateral accounts in accordance with agreements concluded with German credit institutions financing first mortgages. Furthermore, European Energy A/S has provided some of the subsidiaries with a letter of subordination.

24 Contractual obligations and contingencies

Contingent liabilities

Pending lawsuits

The Group is a party in minor pending lawsuits with claims up to EUR 4 million 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 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.

European Energy A/S has in 2017 entered a contract obligating the company for a 15-year period to deliver green certificates and guarantee the counterparty's fixed price for buying electricity (financial instrument). Necessary permits for building the associated renewable energy plants have not been received and could delay and breach European Energy A/S performance obligations. Given the uncertainty linked with the outstanding permits, execution of the financial instrument is uncertain and has not been recognised in the consolidated financial statements as at 31 December 2019. The Company has provided the counterparty with guarantees of EUR 3.2 million to cover the company's performance obligations.

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

24 Contractual obligations and contingencies (continued)

Contingent liabilities (continued)

Pledges and guarantees related to financing agreements

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

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

Contractual obligations

The parent company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and unlimited liability for Danish corporation taxes, etc. The corporation tax payable including taxes to other jurisdictions by the parent company is EUR 0.3 million in 2019 (2018: EUR 1 million).

Contingent assets

On 5 December 2018, European Solar Farms A/S ("ESF"), a company within the Group, filed a request for arbitration against the Kingdom of Spain. The procedure is still pending. This concerns 101 solar PV plants located in Spain, with a combined capacity of 9.7 MW. ESF invested more than EUR 57 million in these projects in reliance on Spain´s express guarantees that the plants would receive a feed-in tariff for the entire operating lives of the plants. However, these feed-in tariffs were discontinued due to certain changes to the relevant Spanish energy regulations starting 2010. ESF has made claims for compensation against the Kingdom of Spain based on these changes to the incentive-scheme regimes. If ESF succeed, this would have a net positive impact on the Group in the range of EUR 20-30 million in total.

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

Notes

25 Related party disclosures

Related parties

Related parties in European Energy Holding ApS include the following:

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

Related party transactions

The transactions with related parties for the year are set out as below.

	Consolidated		Parent company	
EUR'000	2019	2018	2019	2018
Related party transactions				
Sale of services to affiliates	710	37	146	3
Cost of services from affiliates	-834	0	-12	-11
Interest income from affiliates	17	1	16	1
Interest expenses to affiliates	-48	-69	-294	-610
Loans to related parties				
Loans to affiliates, carrying amount	693	0	1.896	0
Loans from related parties				
Loans from affiliates, carrying amount	634	648	634	7.126

Controlling interest

The shareholder Knud Erik Andersen has the controlling interest of the company through:

- KEA Holding I ApS, Gyngemose Parkvej 50, 2860 Søborg

Consolidated financial statement

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