KEA Holding I ApS

Annual report 2018

The annual report has been presented and approved at the Company's annual general meeting on 7 June 2019

Jan Paulsen
Chairman

CVR no. 37 45 96 74
Gyngemose Parkvej 50, 2860 Søborg

Contents

Statement by the Executive Board

The Executive Board has today discussed and approved the annual report of KEA Holding I ApS for the financial year 1 January – 31 December 2018.

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 2018 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 2018.

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, 7 June 2019

Executive Board:

Knud Erik Andersen

Independent auditors' report

To the shareholder of KEA Holding I ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of KEA Holding I ApS for the financial year 1 January – 31 December 2018 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 2018 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 2018 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 auditors' 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.

Independent auditors' report

- 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, 7 June 2019
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
MNE No. 32271

Management's review

Company details

KEA Holding I ApS
Gyngemose Parkvej 50
DK-2860 Søborg

CVR no.:	37 45 96 74
Established:	1 January 2016
Registered office:	Gladsaxe
Financial year:	1 January – 31 December

Executive Board

Knud Erik Andersen

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
DK-2100 Copenhagen

Group structure (directly owned companies)

Name	Country of place of business	Ownership 31/12 2018	Group structure
KEA Holding I ApS	DK		Parent
European Energy Holding ApS	DK	100,0%	Subsidiary (subgroup)
KEA II Holding ApS	DK	100,0%	Subsidiary (subgroup)
Meldgaard Architechts & Development A/S	DK	100,0%	Subsidiary

Management's review

EUR'000	2018	2017	2016

Key figures

Revenue	96,439	187,065	147,841
Direct costs	-60,589	-147,340	-109,310
Gross profit	35,850	39,725	38,531
Operating profit	25,654	28,514	29,371
Net financial income and expense	346	-1,648	-6,456
The Group's share of profit for the year	**16,077**	**14,205**	**15,027**

Total assets	445,391	287,035	214,375
Equity	**70,492**	**54,829**	**40,549**

Cash flows from operating activities	-150,083	-15,001	5,515
Net cash flows from investing activities	-490	3,588	747
Portion relating to investment in property, plant and equipment, net	-12,576	-815	-6,848
Cash flows from financing activities	160,764	44,335	-8,022
Total cash flows	**10,191**	**32,922**	**-1,760**

Financial ratios

Gross margin	37,2%	21,2%	26,1%
Operating margin	26,6%	15,2%	19,9%
Equity ratio	15,8%	19,1%	18,9%
Return on equity	25,7%	29,8%	45,6%

Average number of full-time employees	95	74	64

Financial ratios

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

The financial ratios have been calculated as follows:

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

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

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

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

Management's review

Management Report for KEA Holding I ApS

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

Development of Operations
The most significant part of the activities in the Group are related to European Energy A/S, that is consolidated in the subgroup European Energy Holding ApS. Furthermore, the Group has activities in the subgroup KEA II Holding APS relating to solar parks in Denmark and wind parks in Germany.

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.

Group structure
KEA Holding I ApS is a holding company for three subsidiaries, hereof two subgroups.

The subgroup European Energy Holding ApS includes European Energy. Description of the group structure below is primarily based on the description of Group structure in European Energy A/S financial statement 2018, as this subgroup has the most significant part of the activities in the Group.

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.

The subgroup KEA II Holding ApS includes one subsidiary and two associates, which in turn own additional subsidiaries and associates.

The subsidiary Meldgaard Architechts & Development A/S' main activity is to construct and restore houses.

Financial performance

Description of the financial performance is based on the description in European Energy A/S financial statement 2018, as this is the most significant part of the activities in the Group.

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 subsequently repaid. If it is not highly likely, the income is not recognised until a later point in time when all performance obligations have been fulfilled.

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

Profit and loss

2018 was a good year for KEA Holding I ApS.

The most significant part of the postitive result in the Group is related to the European Energy subgroup, and the review is therefore primarily based on Management's review in the Financial Statement 2018 for European Energy A/S.

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

Management's review

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

Revenue
The revenue for 2018 was recognised at EUR 96.4 million compared to EUR 187.1 million in 2017.

The decrease in revenue was in the sale of energy farms segment, which can be seen in note 2 to the annual report. Revenue from the sale of energy farms in 2018 was EUR 73.6 million as opposed to EUR 175.3 million in 2017. In 2018 there have been more sales of associated companies than in 2017, and the recognition of such sale of shares is treated as a net transaction compared to sale of controlled companies, which is treated as gross.

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

The increase in construction of energy parks has contributed to the sale of electricity for the Group.

As a result of this, revenue from electricity sales increased to EUR 19.8 million from EUR 10.1 million in 2017.

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

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

Equity-accounted companies
The profit from equity-accounted investments increased in 2018 to EUR 5.9 million compared to EUR 5.4 million in 2017. Again, this year, some of the profit came from development and construction in joint ventures (JVs) and associated companies. It can be difficult to evaluate the total size of business in the Group when only a part of the sale of electricity or energy parks are recognized gross in the revenue lines in the profit and loss statement, and a major part is recognised only through the after-tax results in the line for profit from equity-accounted investments. In the annual report of the subsidiary European Energy A/S, we have tried to accommodate for this, showing i.e. the Group's share of electricity sales including all companies both controlled, JVs and associated companies (please see "Sale of electricity"). The net total electricity sale for the Group is EUR 35.1 million.

Management's review

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

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

Direct costs
With directs costs of EUR 60.6 million in 2018, the Group achieved a total gross profit of EUR 35.9 million compared to direct costs of EUR 147.4 million and a gross profit of EUR 39.7 million in 2017. The revenue from sale of fully consolidated companies in the year, in addition to the increase in electricity sales, resulted in an increase in the gross margin from 21% in 2017 to 37% in 2018.

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

Depreciation
The Group has, in 2018, added two wind parks to the balance of power-producing assets owned by the Group. One of them was the offshore park, Sprogø. As a result of this, the depreciation has increased from EUR 1.7 million in 2017 to EUR 2.5 in 2018.

Financial income
The total financial income increased from EUR 2.7 million in 2017 to EUR 3.6 million in 2018. The level of currency gains being almost the same, the increase came from increasing interests. This development was expected since the increasing equity gives the Group the possibility of being a greater part of the financing of the construction of the energy parks. This creates interest income for the parent company, while the interest expenses are a part of the capital expenditure for the energy parks.

Financial expenses
The financial expenses on the other hand decreased from EUR 9.8 million in 2017 to EUR 9.2 million in 2018. The decrease comes primarily from a decrease in currency losses.

Tax
Tax in the Group was recognised to EUR 3.4 million in 2018, with EUR 0.8 million in paid tax. For 2017, the numbers were EUR 4.8 million in tax expenses and EUR 3.7 million in paid tax. The Group has paid tax in Spain, Germany and Denmark.
Profit after tax amounted to EUR 22.6 million in 2018, compared to EUR 22.1 in 2017.

Non-controlling interests
The non-controlling interests (minority shareholders) part of the profit was EUR 6.5 million in 2018 and EUR 7.9 million in 2017. The majority of the profit allocated to minority shareholders in 2018 was related to sale of electricity in Denmark while the minority

shareholders' share of the 2017 result was closely related to the sale of 3 solar projects in Brazil – projects realised in cooperation with the Danish Climate Investment Fund.

The balance sheet

Property, plants & equipment

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

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

Equity-accounted investments

Equity-accounted investments (associates) totalled EUR 20.6 million; down from EUR 22.5 million in 2017. The equity-accounted companies had a profit after tax of EUR 5.9 million, but due to disposals of companies and dividends, the Group managed to decrease the volume of the investments.

Other investments

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

Receivables from associates

Receivables from associates increased by EUR 15.9 million to a total of EUR 26.9 million. The increase comes primarily from the loans to 3 solar parks in Brazil, and represents the Group's part of the construction costs for these parks.

Trade receivables and contract assets

Trade receivables and contract assets (current and non-current) decreased in total by EUR 1.2 million to EUR 13.5 million in 2018 from EUR 14.7 million in 2017.

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

Inventories

Inventories increased to EUR 202.9 million from EUR 103.3 million in 2017. The main part of the inventory at the end of 2018 was energy farms, which were constructed and had been taken into operation. The total year-end value of energy parks in operation was EUR 132.8 million compared to EUR 0 in 2017. The increase in finished goods in inventory has given optimal conditions for the Group to increase the expected sale of energy parks in 2019, which is the reason for the increased outlook for the results for the coming financial year.

Management's review

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

The Group has, over the year, increased the focus on acquiring projects in the early stages of development. Together with the ongoing practice of buying ready-to-build projects, this diversifies the risk to the Group. During the year, the value of projects under development increased from EUR 3.3 million in 2017 to EUR 13.8 million in 2018. At the end of 2018, the energy farms under construction were worth EUR 56.3 million compared to EUR 99.9 million in 2017.

Deferred tax
Net deferred taxes in the balance sheet fell from a net asset of EUR 0.9 million in 2017 to a liability of EUR 1.2 million in 2018. The decrease was caused by the use of tax losses in countries where European Energy had profitable activities during the year.

Other receivables
Other receivables (current and non-current in total) decreased in 2018 from EUR 27.1 million to EUR 16.3 million. The decrease is partly related to the deconsolidation of the Brazilian solar farms where loans to non-controlling interests mainly regarding the construction of solar farms in Brazil, is no longer part of the other receivables. The Group also received the repayment of loans to business partners in connection with the repayment of the bond loan of EUR 7.6 million.

Non-controlling interests
The non-controlling interests increased from EUR 33.3 million in 2017 to EUR 34.3 million in 2018. The increase comes mainly from the positive result of the subsidiary European Energy A/S.

Bond loan
The bond loan increased, during 2017, from EUR 60 million to EUR 85 million, and was recognised at the end of 2018 as net of debt issue costs to EUR 83.7 million vs EUR 66.5 million in 2017.

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

Project financing
Project financing (short and long-term) has, as a result of the increased inventory level and the increase in loans to related parties, also increased from EUR 92.7 million in 2017 to EUR 213.8 million in 2018. The Group is cooperating with several financial institutions for project financing, depending on the geographic area of the construction site, the size of the project and the co-investors.

Management's review

Trade payables
Trade payables decreased from EUR 16.6 million in 2017 to EUR 10.4 million at the end of 2018. At the end of 2017, the Group was constructing several energy parks, while the level of parks under construction was down by the end of 2018. This has contributed to the decrease in trade payables.

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

Other payables
Total non-current and current other payables increased in 2018 to EUR 18.4 million compared to EUR 12.4 million in 2017.

Cash flow statement

Operating cash flow
The cash flow from operations in 2018 was EUR -150.1 million. The negative cash flow was due to changes in working capital of EUR -171.2 million of which the increased investment in inventory counts for EUR 201.8 million. The operating cash flow in 2017 was EUR -15.0 million. Also in 2017, the increase in inventories was the reason for the negative cash flow with EUR -29.6 million.

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

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

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

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

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

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

Management's review

Project financing
To finance the increase in the inventory, the Group added project financing of EUR 190.5 million during 2018, and repaid EUR 49.7 million. In 2017, the proceeds from borrowings were EUR 127.1 million and the repayment was EUR 105.5 million.

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

Non-controlling interests
The capital increases in companies with a non-controlling interest, gave the Group a positive cash flow of EUR 6.9 million, where the figure in 2017 was EUR 5.0 million.

Total cash flow
In total, the financing activities had a positive cash flow of EUR 160.8 million.
This resulted in a total positive net cash flow for 2018 of EUR 10.2 million compared to 2017 with EUR 32.9 million.

Uncertainty with regard to recognition and measurement

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

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

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

Management's review

Outlook

Looking back on expectations for 2018

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

Actual revenue for 2018 was EUR 96.4 million. The delay of the closing of a sale of a wind park in Italy combined with the technical elimination of the revenue from a sale to an associated company of the Group of 3 solar parks under construction accounted for some of the reduction in revenue compared to the original outlook.

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

The actual profit before tax for 2018 was EUR 26.0 million, which was in the range expected in the annual report for 2017.

Outlook for 2019

The profit before tax in 2019 is expected to be EUR 30-35 million (in 2018 the profit before tax was EUR 26 million).

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

Management's review

Significant events after the reporting period

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

The first divestment is a wind farm in Denmark with a total capacity of 18MW to Aquila Capital, a German alternative investment manager. The wind farm is located in the municipality of Ringkøbing-Skjern, Denmark. The wind farm was commissioned in early 2018 and consists of a total of 6 Vestas V126-3.6 MW turbines. The buyer has acquired 5 turbines, while the remaining turbine will remain in the ownership of European Energy A/S.

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

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

Risk management

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

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

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

Market risks

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

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

Management's review

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

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

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

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

Financial risks

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

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

Management's review

Foreign currency risks

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

Interest rate risks

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

Political, regulatory and legal risks

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

Management's review

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, 2, of the Danish Financial Statements Act is available at European Energy’s website:
https://www.europeanenergy.dk/en/financial-reports/

Managerial positions

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

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

Income statement

EUR'000	Note	Consolidated 2018	Consolidated 2017	Parent company 2018	Parent company 2017
Revenue	2	96,439	187,065	0	0
Direct costs		-60,589	-147,340	0	0
Gross profit		35,850	39,725	0	0
Other income		1,182	1,400	0	0
Staff costs	3	-5,030	-6,970	0	0
Other external costs	4	-3,858	-3,918	-24	-27
Depreciation		-2,490	-1,723	0	0
Operating profit/loss		25,654	28,514	-24	-27
Profit from subsidiaries		0	0	16,067	14,241
Profit from associates		5,890	5,437	0	0
Financial income	5	3,568	2,694	55	13
Financial expenses	6	-9,112	-9,779	-20	-30
Profit before tax		26,000	26,866	16,078	14,197
Tax	7	-3,426	-4,796	-1	8
Profit for the year		22,574	22,070	16,077	14,205
Non-controlling interests' share of profit for the year		-6,498	-7,866	0	0
The Group's share of profit for the year	8	16,077	14,205	16,077	14,205

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

Balance sheet

EUR'000	Note	Consolidated 2018	Consolidated 2017	Parent company 2018	Parent company 2017
ASSETS					
Non-current assets					
Property, plant and equipment	9				
Land and buildings		1,921	352	0	0
Wind power generating assets		39,990	4,309	0	0
Solar power generating assets		43,596	45,423	0	0
Tools and equipment		439	256	0	0
		85,946	50,340	0	0
Investments					
Investments in subsidiaries	10	0	0	70,246	54,893
Investments in associates	11	20,581	22,484	0	0
Other investments	12	6,765	4,961	0	0
Receivables from subsidiaries	13	0	0	1,147	857
Receivables from associates	13	26,899	11,042	0	0
Trade receivables and contract assets	14	4,131	5,153	0	0
Other receivables	15	5,587	11,156	0	0
Prepayments	16	9,937	0	0	0
		73,900	54,797	71,393	55,750
Total non-current assets		159,847	105,137	71,393	55,750
Current assets					
Inventories	17	202,882	103,277	0	0
Receivables					
Trade receivables and contract assets		9,319	9,534	0	0
Deferred tax asset	18	1,821	3,095	1	5
Other receivables		10,736	15,953	0	33
Prepayments		1,029	473	0	0
		22,905	29,055	1	38
Cash and cash equivalents		59,757	49,566	107	40
Total current assets		285,544	181,898	108	78
TOTAL ASSETS		445,391	287,035	71,501	55,828

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

Balance sheet

EUR'000	Note	Consolidated 2018	Consolidated 2017	Parent company 2018	Parent company 2017
EQUITY AND LIABILITIES					
Equity					
Share capital	19	84	84	84	84
Reserve for net revaluation according to the equity method		0	0	68,888	53,536
Retained earnings		70,409	54,745	1,520	1,209
Equity attributable to the shareholder of the Company		70,492	54,829	70,492	54,829
Non-controlling interests		34,336	33,261	0	0
Total equity		104,828	88,090	70,492	54,829
Provisions					
Other provisions	20	3,066	798	0	0
Provision regarding associated companies with negative equity		0	76	0	0
Deferred tax	18	2,986	2,201	0	0
Total provisions		6,052	3,075	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	21				
Bond loan		83,670	58,924	0	0
Credit institutions, project financing		157,666	53,310	0	0
Amount owed to share holder		208	300	125	155
Amount owed to subsidiaries		0	0	340	812
Other payables		898	597	0	0
		242,441	113,131	465	967

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

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2018	2017	2018	2017
Current liabilities other than provisions					
Bond loan	21	0	7,600	0	0
Credit institutions, project financing	21	56,111	39,456	0	0
Other debt, partnerships	21	411	1,624	0	0
Trade payables		10,426	16,593	50	32
Payables to associates		481	4,850	0	0
Corporation tax		1,218	823	0	0
Contract liabilities		5,960	0	0	0
Other payables		17,462	11,793	495	0
		92,069	82,739	545	32
Total liabilities other than provisions		334,511	195,870	1,009	999
TOTAL EQUITY AND LIABILITIES		445,391	287,035	71,501	55,828

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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 2017	84	40,465	40,549	20,406	60,955
Profit for the year	0	14,205	14,205	7,865	22,070
Value adjustments of hedging instruments	0	131	131	25	156
Other adjustments	0	-57	-57	-11	-68
Additions	0	0	0	6,480	6,480
Disposals	0	0	0	-1,505	-1,505
Equity at 31 December 2017	84	54,745	54,829	33,261	88,090
Equity at 1 January 2018	84	54,745	54,829	33,261	88,090
Profit for the year	0	16,077	16,077	6,498	22,575
Value adjustments of hedging instruments	0	-486	-486	-137	-623
Other adjustments	0	73	73	-328	-255
Additions	0	0	0	7,455	7,455
Disposals	0	0	0	-12,413	-12,413
Equity at 31 December 2018	84	70,409	70,492	34,336	104,828

Parent company EUR'000	Share capital	Reserve for net revalua-tion accor-ding to the equity method	Retained earnings	Total
Equity at 1 January 2017	84	39,220	1,245	40,549
Profit for the year	0	14,241	-35	14,205
Value adjustments of hedging instruments	0	131	0	131
Other adjustments	0	-57	0	-57
Equity at 31 December 2017	84	53,536	1,210	54,829
Equity at 1 January 2018	84	53,535	1,210	54,829
Profit for the year	0	15,767	310	16,077
Value adjustments of hedging instruments	0	-487	0	-487
Other adjustments	0	73	0	73
Equity at 31 December 2018	84	68,888	1,520	70,492

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

Cash flow statement

EUR'000	Consolidated 2018	Consolidated 2017
Profit/Loss before tax	26,000	26,866
Adjustments for:		
Financial income	-3,568	-2,694
Financial expenses	9,111	9,779
Depreciations	2,490	1,723
Profit from equity-accounted companies	-5,890	-5,437
Change in net working capital	-171,174	-33,732
Other non-cash items	-1,260	-1,400
Cash generated from operation before financial items and tax	-144,290	-4,896
Taxes paid	-789	-3,744
Interest paid and realised currency losses	-8,274	-8,831
Interest received and realised currency gains	3,271	2,469
Cash flow from operating activities	-150,083	-15,001
Purchase of Property, plant and equipment	-12,576	-815
Proceeds from disposal of equity-accounted investments	3,161	69
Purchase/disposal of other investments	252	0
Investment/loans in equity-accounted investments	8,508	4,303
Dividends	165	31
Cash flow from investing activities	-490	3,588
Proceeds from issue of bonds	25,107	58,785
Repayment of bonds	-7,600	-45,000
Proceeds from borrowings	190,501	127,067
Repayment of borrowings	-49,729	-105,527
Changes in payables to associates	-4,367	4,013
Non-controlling interests' share of capital increase or disposal of subsidiaries	6,852	4,997
Cash flow from financing activities	160,764	44,335
Change in cash and cash equivalents	10,191	32,922
Cash and cash equivalents at beginning of period	49,566	16,644
Cash and cash equivalents end of period	59,757	49,566
Of which restricted cash and cash equivalents	-7,868	-6,429
Non-restricted cash and cash equivalents end of year	51,889	43,137

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 KEA Holding I 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 2018, the EUR/DKK rate was 7.4679 (31 December 2017: 7.4449).

The accounting policies used are consistent with those of last year.

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

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

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

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

Derivative financial instruments

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

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

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

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

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

Notes

Consolidated financial statements

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

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

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

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

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

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

Non-controlling interests

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

Income statement

Revenue

The Group has the following income-generating activities:

- 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.

Notes

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.

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

Notes

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 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.

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.

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

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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 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.

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

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

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.

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

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

Deferred tax assets, including the tax value of tax loss 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.

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Cash flow statement

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

Cash flows from operating activities

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

Cash flows from investing activities

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

Cash flows from financing activities

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

Cash and cash equivalents

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

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

Notes

2 Segment information

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

2018	Consolidated				
EUR'000	Wind	Solar	Total before elim.	Elim.	Total
Sale of energy farms and projects	19,045	54,597	73,642	0	73,642
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	15	112	0	112
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

2017	Consolidated				
EUR'000	Wind	Solar	Total before elim.	Elim.	Total
Sale of energy farms and projects	120,027	56,891	176,917	-1,617	175,300
Sale of electricity	2,918	7,149	10,067	0	10,067
Asset management	1,005	575	1,580	0	1,580
Other fees	112	6	118	0	118
Revenue to external customers	124,061	64,621	188,682	-1,617	187,065
Inter-segment revenue	4,218	2,684	6,902	-6,902	0
Revenue	128,279	67,305	195,584	-8,519	187,065

Geographical information

	Consolidated	
EUR'000	2018	2017
Denmark	76,490	53,928
Northern/central Europe	12,048	111,557
South America	0	16,089
Southern Europe (incl. Maldives)	7,901	5,491
Total revenue	96,439	187,065

Notes

			Consolidated	
	EUR'000		2018	2017
3	**Staff costs**			
	Wages, salaries and remuneration		11,233	9,061
	Share-based compensation		197	0
	Pensions		35	50
	Other social security costs		101	86
	Other staff costs		554	418
	Capitalised salaries on inventories		-7,091	-2,645
			5,030	6,970
	Average number of employees		95	74
	Number of full-time employees end of period		96	77

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

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 European Energy A/S' 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. Vesting schedule is 36 months. 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 2018, the starting year for the program, the board in European Energy A/S has approved the first issuance of warrants up to a total of 1% of the shares equal to 3M shares.

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

For exercised warrants in 2018 the weighted average share price during the period amounted to DKK 3,10.

Outstanding warrants at the end of 2018 may be exercised at a price that increase by 5% per year, i.e. at the range of DKK 3,26 – 4,65.

Valuation assumptions for warrants granted
Based on a weighted average fair value per warrant of DKK 0,89 the total fair value of warrants granted in 2018 amounted to EUR 0.3M, of which EUR 0.2M is recognized in the income statement at 31 December 2018.

The fair value of warrants granted is calculated using the Binomial model. 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.

Notes

EUR'000	Consolidated 2018	Consolidated 2017	Parent company 2018	Parent company 2017
4 Audit fees				
Fee relating to the statutory audit	247	294		
Tax advice	5	22		
Non-audit services	97	174		
	350	490		
5 Financial income				
Interest income, financial assets measured at amortised costs	964	1,225	1	0
Interest income, group enterprises and associates	1,839	622	54	13
Interest income, bonds	34	32	0	0
Dividends	165	31	0	0
Currency gains	566	784	0	0
	3,568	2,694	55	13
6 Financial expenses				
Interest on bonds	5,733	4,202	0	0
Interest expense, bank	4,028	2,947	0	1
Interest expense, shareholder	4	5	4	4
Interest expense, subsidiaries and associates	89	0	13	9
Financial expenses that have been capitalised on inventories	-2,229	-991	0	0
Amortisation of debt issue costs	531	571	0	0
Other financial expenses	495	1,280	3	16
Currency losses	461	1,764	0	0
	9,112	9,779	20	30
7 Tax on profit for the year				
Tax on profit for the year	1,716	3,377	0	0
Change in deferred tax	1,621	1,347	4	-8
Adjustment to tax relating to previous years	89	72	-3	0
	3,426	4,796	1	-8

EUR'000	Consolidated 2018	Consolidated 2017	Parent company 2018	Parent company 2017

8 Proposed profit appropriation

	Consolidated 2018	Consolidated 2017	Parent company 2018	Parent company 2017
Reserve for net revaluation according to the equity method	0	0	15,767	14,241
Non-controlling interests' share of profit for the year	6,498	7,865	0	0
Retained earnings	16,077	14.205	310	-36
	22,574	22,070	16,077	14,205

9 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 2018	352	4,865	58,431	1,038	64,686
Exchange rate adjustments	0	-13	2	0	-11
Additions	0	12,081	195	300	12,576
Deconsolidated entities	0	0	-588	-12	-600
Transfer from inventory	1,569	24,520	0	0	26,089
Cost at 31 December 2018	1,921	41,453	58,040	1,326	102,740
Depreciation and impairment losses at 1 January 2018	0	-556	-13,008	-782	-14,346
Depreciation	0	-907	-1,473	-110	-2,490
Deconsolidation	0	0	38	5	43
Depreciation and impairment losses at 31 December 2018	0	-1,463	-14,443	-887	-16,793
Carrying amount at 31 December 2018	1,921	39,990	43,596	439	85,946
Depreciated over		25 years	40 years	3-5 years	

Notes

10 Investments in subsidiaries

	Parent company	
EUR'000	2018	2017
Cost at 1 January	1,357	1,357
Additions for the year	0	0
Cost at 31 December	1,357	1,357
Value adjustments at 1 January	53,536	39,220
Share of profit for the year	16,067	14,241
Hedges, net of tax	-487	131
Dividends received	-300	0
Other value adjustments	73	-57
Value adjustments at 31 December	68,889	53,536
Carrying amount at 31 December	70,246	54,893
Investment in subsidiaries	70,246	54,893
Set-off against receivables from subsidiaries	0	0
Total	70,246	54,893

Investments in subsidiaries at 31 December 2018 comprise:

Name	Country of place of business	Ownership 31/12 2018
European Energy Holding ApS	DK	100,00%
KEA II Holding ApS	DK	100,00%
Meldgaard Architechts & Development A/S	DK	100,00%

The following indirect subsidiary has no activity in 2018 and has therefore abstained from preparing annual report for 2018 in accordance with the Danish Financial Statements Act § 6. The company is consolidated in the KEA Holding I Group:

European Energy Bond Buy Back ApS	DK	100,00%

Notes

11 Investments in associates

EUR'000	Consolidated 2018	2017
Cost at 1 January	17,745	16,940
Additions for the year	622	40
Disposals for the year	-1,707	-710
Transfer	-608	1,474
Cost at 31 December	16,052	17,745
Value adjustments at 1 January	2,423	257
Profit for the year	5,890	5,437
Reversed value adjustments on disposal	-1,863	0
Dividends and other adjustments	-4,391	-3,271
Value adjustments at 31 December	2,058	2,423
Carrying amount at 31 December	18,110	20,168
Investment in associates	20,581	22,484
Set-off against receivables from associates	-2,470	-2,241
Provision for associates with negative equity exceeding receivables	0	-76
Total	18,110	20,168

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

Notes

11 Investments in associates (continued)

Ownership shares in associates can be specified as follows:

Name	Country of place of business	Ownership 31/12 2018
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%
Nor Power ApS	DK	50,0%
Omø South Nearshore A/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%
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%
Komplementarselskabet Sprogø OWF ApS	DK	44,8%
Solarpark Vandel GmbH	DE	42,5%
UW Gilmerdingen GmbH & Co. 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%
Parco Eolico Carpinaccio Srl.	IT	26,3%
Energy 3 DOO	BA	25,5%
EWF Fünf Eins GmbH & Co. KG	DE	25,0%
ESF Spanien 0424 GmbH	DE	20,8%
Driftsselskabet Heidelberg ApS **)	DK	73,1%
Komplementarselskabet Heidelberg ApS **)	DK	73,1%
Associates transferred to other investments in 2018		
Windpark Wriezener Höhe GmbH & Co. KG	DE	15,0%

Notes

Associates sold or liquidated in 2018		
European Energy Nearshore Consortium P/S	DK	0,0%
European Energy Offshore Consortium P/S	DK	0,0%
GWE Stormy ApS	DK	0,0%
Komplementar EENC ApS	DK	0,0%
Komplementar EEOC ApS	DK	0,0%
Nøjsomheds Odde Wind Park ApS	DK	0,0%
Windpark Unseburg Nord GmbH & Co. KG	DE	0,0%

*) In 2018, European Energy lost control of the companies as a consequence of a change in the management of the subsidiaries. Therefore, the companies were deconsolidated, and classified as associates in the group. The deconsolidation has no cash flow effect and is adjusted for in the consolidated statement of cash flow.

**) Driftsselskabet Heidelberg ApS and Komplementarselskabet Heidelberg ApS are due to cross ownership in the KEA Holding I Group legally owned with total 73,1%. The KEA Holding I Group does not have control, and therefore the companies are recognized as associates. KEA Holding I ApS is not liable for the negative equity in the companies, and consequently the companies have not been recognized.

12 Other investments

	Consolidated	
EUR'000	2018	2017
Cost at 1 January	3,561	3,512
Additions for the year	1,299	219
Disposals for the year	-316	-170
Cost at 31 December	4,544	3,561
Value adjustments at 1 January	1,400	0
Value adjustments during the year	821	1,400
Value adjustments at 31 December	2,221	1,400
Carrying amount at 31 December	6,765	4,961

13 Loans to related parties

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

14 Trade receivables and contract assets

Out of non-current trade receivables EUR 469 thousand (2017: EUR 759 thousand) is expected to be recovered more than 5 years after the balance sheet date.

15 Other receivables

	Consolidated		Parent company	
EUR'000	2018	2017	2018	2017
Interest-bearing loan to MDP Invest ApS and JPZ Assistance ApS	1,901	1,837	0	0
Interest-bearing loan to business partner for the acquisition of energy farms	3,687	9,319	0	0
Total other receivables (non-current assets)	5,587	11,156	0	0

There is no exact repayment date of loan EUR 1,901 thousand (2017: EUR 1,837 thousand).

16 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.

Notes

17 Inventories

	Consolidated	
EUR'000	2018	2017
Cost at 1 January	112,178	79,532
Additions for the year	258,322	160,160
Transferred to Property, Plant and Equipment	-26,089	-352
Disposals for the year (recognised as direct cost)	-57,654	-126,625
Deconsolidated entities	-74,943	0
Transfer/reclassification	-922	-162
Write offs of the year	-83	-375
Cost at 31 December	210,809	112,178
Write-downs at 1 January	-8,901	-7,331
Transfer/reclassification	922	162
Write-downs for the year, addition	-974	-3,541
Disposal of the year	861	0
Deconsolidated entities	165	0
Transferred to associates	0	1,809
Write-downs at 31 December	-7,927	-8,901
Carrying amount at 31 December	202,882	103,277
Inventory at 31 December comprises:		
Operating	132,778	0
Under development	13,826	3,292
Under construction	56,279	99,985
Total inventory at 31 December	202,882	103,277
Total wind farms	197,161	62,623
Total solar farms	5,033	40,213
Other projects	689	440
Total inventory at 31 December	202,882	103,277

Notes

18 Deferred tax

	Consolidated		Parent company	
EUR'000	2018	2017	2018	2017
Deferred tax at 1 January	894	1,755	5	0
Change in deferred tax recognised in income statement	-1,621	-1,347	-4	8
Deferred tax on changes in equity	276	-59	0	0
Adjustment relating to the disposal of subsidiaries, etc.	-553	749	0	0
Transferred to joint taxation contribution, etc.	0	-4	0	-4
Other equity regulation / joint taxation	-161	-198	0	0
	-1,165	894	1	5
Deferred tax is recognised as follows:				
Deferred tax asset	1,821	3,095	1	5
Deferred tax liability	-2,986	-2,201	0	0
	-1,165	894	1	5

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 0.3 mio. (2017: EUR 1.7 mio).

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

19 Share capital

The share capital consists of nom. 625,000 shares of DKK 1 each, corresponding to EUR 84 thousand.

The share capital has remained unchanged since foundation of the company 1 January 2016.

20 Other provisions

Demolition costs
The provision relates to expected demolition costs to dismantle and remove wind and solar farms. These provisions are recognised when the Company has a legal and constructive obligation at the date of the statement of financial position and it is probable that there may be outflow of resources embodying economic benefits to settle the obligation. Provisions that are expected to be settled more than 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.

21 Financial liabilities

Consolidated EUR'000	Debt at 1/1 2018	Total debt at 31/12 2018	Current portion	Non-current portion	Outstanding debt after 5 years
Issued bonds	66,524	83,670	0	83,670	0
Project financing	92,483	213,777	56,111	157,666	49,627
Other debt to credit institutions	283	0	0	0	0
Amount owed to share holder	300	208	0	208	0
Other debt relating to acquisitions of companies	2,221	1,309	411	898	303
	161,811	298,963	56,522	242,441	49,930

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

Parent company EUR'000					
Amount owed to share holder	155	125	0	125	0
Amount owed to subsidiaries	812	340	0	340	0
	967	465	0	465	0

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

22 Derivative financial instruments

Interest rate swaps

EUR'000	Consolidated	
	2018	2017
Maturity less than 1 year	7,104	0
Maturity 1-5 years	0	4,885
Maturity more than 5 years	35,928	0
Total Nominal value	43,032	4,885
Fair value liability, included in Project financing	1,779	876
Change in fair value recognized in Equity	-903	230

Notes

22 Derivative financial instruments (continued)

Forward currency exchange contracts

EUR'000	Consolidated	
	2018	2017
Maturity less than 1 year	14,500	0
Maturity 1-5 years	0	0
Maturity more than 5 years	0	0
Total Nominal value	14,500	0
Average hedged rate per 1 EUR	4.5 BRL	
Fair value liability, included in Other payables	90	0
Change in fair value recognized in Equity	90	0

European Energy A/S has hedged currency risk related to Brazilian investments in associated companies.

23 Mortgages and collateral

Contingent Liabilities and Other Financial Liabilities

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

Leases

EUR million	Consolidated	
	2018	2017
Maturity less than 1 year	0.9	0.6
Maturity 1-5 years	1.6	1.3
Maturity more than 5 years	3.7	3.9
	6.2	5.8

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

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

23 Mortgages and collateral (continued)

Security for debt

Assets provided as security

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

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

24 Contractual obligations and contingencies

Contingent liabilities

Pending lawsuits

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

Guarantees, warranties and other liabilities related to divestments

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

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

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

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

Notes

24 Contractual obligations and contingencies (continued)

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

Pledges and guarantees related to financing agreements

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

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

Contractual obligations

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

Contingent assets

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

Notes

25 Related party disclosures

Related parties

Related parties in KEA Holding I ApS include the following:

- Subsidiaries and associates in KEA Holding I
- 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	2018	2017	2018	2017
Related party transactions				
Sale of services to affiliates	0	0	0	0
Cost of services from affiliates	0	0	-18	-18
Interest income from affiliates	0	0	54	13
Interest expenses to affiliates	-4	-5	-17	-13
Loans to related parties				
Loans to affiliates, carrying amount	0	0	1,147	857
Loans from related parties				
Loans from affiliates, carrying amount	208	300	465	967

Controlling interest

The following shareholder has controlling interest:

- Knud Erik Andersen, Peter Rørdams Vej 30, 2800 Kgs. Lyngby