KEA Holding I ApS

Annual report 2020

The annual report has been presented and approved at the Company's annual general meeting on 13 July 2021

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 2020.

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 2020 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 2020.

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, 13 July 2021

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 2020 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 2020 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 2020 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, 13 July 2021
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
State Authorised
Public Accountant
MNE No. mne32271

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 2020	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 (sold in 2021)	DK	100,0%	Subsidiary

Management's review

EUR'000	**2020**	**2019**	**2018**	**2017**	**2016**

Key figures

Revenue	207,310	239,239	96,439	187,065	147,841
Direct costs	-133,168	-190,905	-60,589	-147,340	-109,310
Gross profit	74,142	48,334	35,850	39,725	38,531
Operating profit	53,843	35,985	25,654	28,514	29,371
Net financial income and expense	-16,278	1,857	346	-1,648	-6,456
Profit for the year	**29,464**	**37,370**	**22,574**	**22,070**	**20,196**
Non-controlling interests' share of profit for the year	-11,531	-14,300	-6,498	-7,866	-5,170
The Group's share of profit for the year	**17,933**	**23,070**	**16,077**	**14,205**	**15,027**

Total assets	744,690	609,108	445,391	287,035	214,375
Equity	**239,318**	**141,590**	**104,829**	**88,090**	**60,955**

Cash flows from operating activities	-35,630	12,277	-150,083	-15,001	5,515
Net cash flows from investing activities	-23,470	-3,167	-490	3,588	747
Portion relating to investment in property, plant and equipment, net	-4,317	28,307	-12,576	-815	-6,848
Cash flows from financing activities	66,961	36,821	160,764	44,335	-8,022
Cash and cash equivalents related to acquired companies	0	9,912	0	0	0
Total cash flows	**55,843**	**55,843**	**10,191**	**32,922**	**-1,760**

Financial ratios

Gross margin	35.8%	20.2%	37.2%	21.2%	26.1%
Operating margin	26.0%	15.5%	26.6%	15.2%	19.9%
Equity ratio	32.1%	23.2%	23.5%	30.7%	28.4%
Return on equity	15.5%	30.3%	23.4%	29.6%	36.7%

Average number of full-time employees	169	117	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 2017".

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, which in the financial year has started new activities in the subsidiary European Energy Trading A/S, which is a trading company, trading with commodities within the renewable energy sector.
Furthermore, the Group has activities in the subgroup KEA II Holding APS relating to solar parks in Denmark and wind parks in Germany.
European Energy Holding ApS has provided security in the form of parent company guarantees in order to secure certain subsidiaries' financial obligations towards third parties during the construction of facilities related to renewable energy projects etc. The company has on the top of the activitites in the subsidiary European Energy A/S only a few other balance sheet items in the Group related to non-current assets (Other receivables), current assets (deferred tax asset) and to liabilities (Other payables).

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 A/S and European Energy Trading A/S. Description of the group structure below is primarily based on the description of Group structure in European Energy A/S financial statement 2020, 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.

Management's review

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 2020, as this is the most significant part of the activities in the Group.

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

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

The above method of revenue recognition is used when the Group is selling a turn-key project, because the point in time where all performance obligations are met will be when the park is fully operational and delivering electricity into the grid.
It is indeed possible to divest a project before or in the middle of the construction phase and recognise the profit. This requires that the investor takes over the project and that the divested company has construction management agreements with the EE Group. The takeover should be without any possibility for handing back the company

Profit and loss

In 2020 the Group has expanded its business to many new countries, grown the pipeline of renewable projects extensively and, despite the Corona lockdown, been able to increase the

Management's review

number of personnel by nearly 40%. In other words, the Group has followed a plan of becoming a major player in the renewable industry.

We are very proud that at the same time we have also succeeded in constructing approximately 250 MW of power plants, selling more power than ever and increased our asset management business. On top of this, the Group created a result before tax in line with our guidance to the market, and with a higher EBITDA than originally forecasted.

European Energy is a green company, and everybody working for the Group feels the urge to deliver good results, because we know that only a very profitable company can grow fast enough to really make a difference for the climate.
The money earned is used in new projects and the solvency of the Group is solid. This is important as we construct even more power plants in close cooperation with both financial institutions providing project finance, and the investors in the bonds listed on Nasdaq.

To further strengthen its solvency, the Group issued a hybrid green bond on Nasdaq in 2020 of EUR 75 million. The bond is recognised as part of equity as the bondholders are stepping back for all other debt. The interests amount to 6.1 % yearly and will be booked as dividends when paid.

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.

In the Financial performance section below, the 2019 numbers will be in brackets.

Revenue
The revenue for 2020 was recognised at EUR 207.0 million (239.2).
The decrease in revenue was in the sale of energy farms segment, which can be seen in note 3 in the Annual Report. Revenue from the sale of energy farms in 2020 was EUR 160.3 million (205.3).

The increased focus in the Group on keeping energy assets has led to increased electricity sales. Management is satisfied to see that the volume increased from 2019, where the electricity sales reached EUR 30.5 million, to EUR 42.9 million in 2020, which is a total increase of more than 40%.

Asset management and other fees increased in 2020 to EUR 4.1 million (3.1).
The asset management fee is only a small part of the Group's total revenue, but represents added value to the Group's results as 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 captures additional revenue.

Equity-accounted companies
The profit from equity-accounted investments was EUR -4,9 million (3.7).
The 2020 result is materially impacted by a EUR 8.4 million negative result in the Brazilian project Coremas. The negative result comes from a foreign exchange impairment due to the deroute of the Brazilian Real during the year. Apart from this, the equity accounted investments had a good year delivering profits in nearly all operational parks.

Management's review

Other income
The Group's other investments in shares includes share holdings of less than 20% in companies with energy parks. These shares are measured at market value. In 2020, the Group made an adjustment of the value of two wind parks with a total income of EUR 2.3 million (2.1).

In July 2019, the Group concluded a strategic investment with the acquisition of 100% of the shares in the German group of companies, AEZ.
The companies included additions of wind-energy assets of EUR 56.5 million and a total addition to the Group's balance of EUR 70.7 million. In connection with the purchase price allocation, a bargain purchase of EUR 4.6 million was recognised in other income.
Within a 12 month period from the purchase it is possible to re-evaluate the purchase price allocation, and the Group has in 2020 increased this bargain purchase with EUR 2.5 million.
The total other income for 2020 amounted to EUR 4.5 million (6.8).

Direct costs
With directs costs of EUR 133.2 million (190.9) in 2020, the Group achieved a total gross profit of EUR 74.1 million (48.3). Gross profit from power sales counts for 47% (45) of total gross profit.

Staff costs
The staff costs increased to EUR 7,5 million (6.7) in 2020. The part of the staff costs that is related to the construction of energy parks is capitalised as part of the inventory. When the energy parks are sold, the capitalised amount of staff costs for the specific park is expensed in direct costs. Staff costs are specified in note 4.

Other external costs
Other external costs decreased to EUR 5.6 million (6.6). The decrease mainly relates to an expense of EUR 2.1 million of VAT adjustments in 2019 (see annual report for 2019 for more info). A part of other external costs is capitalised as part of the inventory and expensed when the energy parks are sold, in line with the method for staff costs.

Depreciation
The Group has in the second half of 2019 added several wind parks to the balance of power-producing assets owned by the Group, i.e. the purchase of the AEZ companies and the addition of the Heidelberg companies. As a result of this, the depreciation in 2020 increased to EUR 11.7 million in 2020 (5.9).

Financial income
The financial income in the Group mainly comes from interests on shareholders loans to associated companies within the Group. In 2020, this income has dropped to EUR 1.9 million (3.1) due to a halt on recognising the interest on loans to the Brazilian companies, where the Group already has impaired the value on the shares. The interest will not be recognised until an impairment test will show excess value.

In total, the financial income reached EUR 3.3 million (12.1).
In 2019, the financial income included a modification gain on bonds of EUR 5.6 million which counts for the main part of the difference compared to 2020.

Management's review

Financial expenses
Financial expenses for 2020 ended on EUR 14.7 million (12.8). Included in this number is amortisation of the modification gain of EUR 5.6 million from 2019, which is expensed over the lifecycle of the bond, 4 years.
Interest expenses related to establishing the new energy parks are part of the capital expenditure of the projects and is not recognised in the P/L. This amount in 2020 was EUR 6.9 million (5.7)

Tax
Tax in the Group was recognised to EUR 8.1 million in 2020 (1.6). The Group has paid tax in Spain, Germany, Sweden and Denmark of a total of EUR 3.7 million (0.5).

The Group recognises income from the sale of power in all controlled energy parks, and thus also tax expenses. When the parks are sold, the accrued tax is part of the balance of the sold company, and will in the end be paid by the buyer. The amount of paid tax for the Group will consequently always be considerably less than the tax expenses in the profit and loss statement. The difference, sold taxes, can be seen in the disclosures in tax note 8.

Non-controlling interests
The non-controlling interests (minority shareholders) part of the profit for the year was EUR 11.5 million in 2020 (14.3).

The balance sheet

Property, plants & equipment
Development, construction and acquisitions are presented in the inventories, since the aim is to divest the majority of energy parks constructed. This is important as the Group needs the capital to invest in new projects. The Group aims to keep projects but must also ensure a reasonable solvency to keep growing.
The value of plants 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 kept for strategic reasons, will also increase the PPE.
In 2020 the PPE amounts to EUR 140.5 million (143.3).

Equity-accounted investments
Equity-accounted investments (associates) totalled EUR 25.9 million (25.1) in 2020. The equity-accounted investments had a result in the year of EUR -4.9 million (2.5), whereof EUR 1.3 million (2.4) was paid to the Group as dividends.

Receivables from associates
Loans to related parties increased to a total of EUR 46.1 million (35.3) in 2020. The increase comes primarily from the loans to investment in joint ventures in Poland and represents the Group’s equity part of the construction costs for a number of new wind energy parks.

Trade receivables and contract assets
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 minimizes the trade receivables and contract assets.
Trade receivables and contract assets (current and non-current) increased to EUR 29.4 million (21.2). The increase is mainly due to the 41 % increase in power sales.

Management's review

Inventories
Inventories increased to EUR 325.8 million (227.4).
EUR 199.6 million (53.0) of the inventories were energy farms in operation. These energy farms are producing power and are contributing to the power sales of the Group. The farms will eventually be sold, but the Group has concluded that it is more profitable to keep the parks until the full value has been revealed. It requires a certain amount of realised power sales to give a solid proof for performance. The value of the project is expected to increase and the Group earns on the power sales in the meantime.

European Energy evaluates the likelihood of a project's success and the projects are reviewed on an ongoing basis with the aim of making impairments, if needed. A special focus is placed on projects in the early development stages (before construction).

At the end of 2020, the value of projects in the phase before construction increased to EUR 90.1 million (42.1) as a result of the Group's expansion, getting ready for delivering more than 1 GW of clean energy farms each year.

Despite the increase in projects, the impairments led to a EUR 2.7 million of positive adjustment, which relates to the reversal of impairments made previously on several projects which came "in the money". Some of these projects are already in construction.
Write-offs during the year amounted to EUR 0.4 million. In 2019, the Group had a deficit of EUR 7.9 million of impairments of which EUR 1.5 million was write-offs. Please see the disclosure note 18 for more information.

Deferred tax
Net deferred taxes in the balance sheet decreased to EUR 6.8 million (7.8). The decrease mainly relates to the divestment of companies with deferred tax of EUR 3.5 million, and the reversal of an impairment made in 2019 of EUR 1.7 million of brought forward tax losses.

The positive adjustments on deferred tax have offset the increase in deferred tax from the power sales.

Other receivables
Other receivables (current and non-current in total) increased to EUR 35.8 million (24.1).
The increase comes primarily from increase in VAT receivables in the ongoing construction projects.

Share capital
The share capital for the parent has not changed in the year.

Non-controlling interests
The non-controlling interests increased to EUR 50.0 million (45.2). The increase comes from the minority shareholders part of the result in 2020 of EUR 11.5 million (14.3) and dividends in subsidiaries to the Group paid out to minority shareholders of EUR 5.1 million (5.7). In 2020 the Group divested companies with minority shareholdings of EUR 2.1 million (1.4).

Equity
In 2020, the parent company in the Group issued a hybrid bond loan of EUR 75.0 million (0) increasing the equity to EUR 239.3 million (141.6).

During 2020, the hedging of power, currency and interests via SWAP agreements gave an income of EUR 1.7 million (3.5) with a corresponding tax expense of EUR 0.4 million (0.6).

Management's review

Total income through the equity amounted to EUR 1.3 million (3.0).

Bond loan
The bond loan increased in 2020 to EUR 194,1 million (192.0) solely related to amortisation of debt issue costs.

Project financing
Project financing (short and long-term) increased to EUR 221.4 million (207.5).
The Group is cooperating with several financial institutions for project financing, depending on the geographic area of the construction site, the size of the project and the co-investors, if any. The loans are partly financing the PPE and partly the inventory. These assets have increased during 2020 by EUR 94.5 million (73.2), but the project financing has only increased by EUR 13.9 million (-6.3).
The reason is the issue of the EUR 75.0 million hybrid bond loan. The Group has used the bond proceeds as project financing.

Cash flow statement

Operating cash flow
The cash flow from operations in 2020 was EUR -35.6 million (12.2). The major difference between the years is that, in 2020, the Group increased the inventory resulting in a change in networking capital of EUR 9.8 million and the increase in inventory in 2019 was considerably less, resulting in a change in networking capital of EUR -20.7 million. The Group expects that the activity increase in the coming years will lead to more increased inventory than the operating cash flow from the results of the year, and thus negative operating cash flow.

Purchase/disposal of Plants and Equipment
In 2020 the Group bought land to be used for future solar parks. The land is a part of PPE since it is expected that the land will be leased to the solar parks. The total amount of net purchase of PPE equals EUR -4.3 million in negative cash flow.
In 2019, the Group sold 5 Spanish solar parks and the proceeds were the main part of the positive cash flow of EUR 28.3 million from purchase/disposal of plant and equipment.

Loans to related parties
In 2020, the company used EUR 17.4 million (11.9) to loan to equity-accounted investments. The increase relates mainly to loans to Polish and Brazilian investments in energy parks.

Investing activities
The total cash flow of investing activities ended at EUR -23.0 million (-11.6).

Bonds
In 2020 the Group did not issue any new senior bonds while in 2019, the Group issued new bonds with proceeds of EUR 200.5 million, and repaid the existing bond loans with EUR 88.4 million.

Project financing
The Group added new loans of EUR 206.0 million (88.6) and repaid loans of EUR 201.4 million (160.4) in relation to the divestment of energy parks, and by replacing bridge construction financing with long term project financing.

Management's review

Total cash flow
In total, the financing activities had a positive cash flow of EUR 67.0 million (36.9) and the cash from acquired companies amounted to EUR 0 million (9.9).
This resulted in a total positive net cash flow for 2020 of EUR 7.9 million (55.8).

Capital management

The parent company of the main Subgroup, European Energy A/S, is financed primarily through the bond market.
European Energy's policy is to maintain a strong capital base that enables it to attract investors and other creditors. European Energy A/S cannot pay out dividends before the bond loans are repaid.
The EUR 200 million bond loan has three covenants related to the Group's equity, total assets, total cash and cash equivalents.
In some subsidiaries with operational assets, there are covenants related to Debt Service Cover Rate (DSCR). No default exists or has existed.

The Group constantly monitor liquidity in order to mitigate any shortage of funds. The Group aims to maintain a balance between funding continuity and flexibility using revolving credit facilities, bank loans and bond issues. The Group currently funds construction costs partly through bank loans, which are replaced by non-recourse project financing when projects go into operation. The EUR 275 million bonds are used to finance some construction projects as well as investments in projects not yet in the construction phase. The bonds fund a major portion of the Group's activities, and thus represent a concentration of risk.

Given that market conditions for refinancing the bonds are considered positive, Management foresees several possibilities for replacing or repaying the bonds, and assesses the risk that the bonds cannot be refinanced in 2023 (senior bond EUR 200 mill) as low.
The hybrid bond of EUR 75 million is considered equity due to the 1000-year lifecycle. There is a step-up in interest of 5% in case the bond loan is not repaid within 3 years from the issue date in September 2020.
Also for this loan the management assesses the risk that the bonds cannot be refinanced as low.

Management views the non-recourse loans in operating wind and solar farms as low risk. The overdrafts used to finance the construction projects are also low risk for the Group, as the projects are on track and highly likely to be divested at least at cost value.
At the end of 2020, the Group's cash balance was EUR 123.5 (115.6) million, of which EUR 88.3 million (92.5) was free cash.
Management and the Board of Directors evaluate that the Group has sufficient available cash.

Management's review

Uncertainty with regard to recognition and measurement

Revenue recognition
When selling turn-key projects, revenue is recognised at a point-in-time when control and all material risks and rewards have been transferred to the buyer. Determining the point-in-time require judgment regarding open matters/conditions and whether such, if any, are material or not. Some sales contracts regarding power plants comprise a fixed and a variable consideration. The latter normally relates to an earn-out or production guarantee linked to actual future production. The uncertainty about measurement relates essentially to this variable consideration and allocation of revenue between different performance obligations. This measurement requires management judgement applying assumptions and estimates.

Inventory/projects valuation
Evaluating inventory, especially projects still under development, involves a risk relating to the likelihood of a project’s success. Management continuously evaluates all projects on the basis of their financial viability and feasibility. In 2020, this led to an income of EUR 2.1 million (-7.9) impairment of inventory (write-off or write-down), as explained in the disclosure note 18.

Management's review

Outlook

Looking back on expectations for 2020

The Group announced the financial outlook for 2020 in the Annual Report for 2019: EBITDA for was expected to be EUR 52-58 million. The profit before tax in 2020 was expected to be EUR 35-39 million.

In mid-January 2021, the expectations for the European Energy A/S Group for 2020 final results were estimated to be an EBITDA of EUR 60 million and a result before tax of EUR 37 million.

With a final EBITDA for the year of EUR 61.2 million, the original target for the year was more than reached.
The Group performed according to the original target for profit before tax with EUR 37.8 million for 2020. The good results for the year were driven by an increase in electricity sales and profitable divestments of energy parks.

Outlook for 2021

EBITDA for 2021 is expected to be EUR 80 million. The profit before tax in 2021 is expected to be EUR 50 million.

The Management is looking forward to another year of good results. However, there are risk factors associated with developing and constructing solar and wind projects. The construction activity in 2020 was impacted by the COVID-19 pandemic with delays as a result. Restrictions for travelling between countries could again cause delays for our construction of solar plants in Denmark, and this could lead to less energy plants finalised within the year. We have also seen that the closing of offices has led to a longer lead time for receiving the needed building permits and permits for grid connections, and this could delay construction for both wind and solar parks.

Other factors which could have negative impacts on the Group's capability of meeting its goals are the success in renewable energy auctions, environmental impact assessments, the development in the supply of power purchasing agreements and the overall electricity price for the markets the Group are operating in.

Management's review

Significant events after the reporting period

Thor
14 January 2021: Swan Wind, a new company owned by Dutch energy company Eneco and European Energy qualifies by the Danish Energy Agency for the Thor offshore wind farm tender. The combination of the two partners brings well documented experience in building large-scale offshore wind farms with low cost, high quality and deep and acknowledged local market insight into the competition.

Victor
26 February 2021: European Energy moves into green heating industry by taking part in the company Victor Energy Solutions with the aim of supplying heat pump solutions to Danish and European costumers.

Risk management
As a global wind and solar developer and asset manager of renewable energy projects, we are exposed to a variety of risks inherent in our daily business operations and value creation. Managing these risks by reducing the likelihood of occurrence, as well as the financial impact to an acceptable level, are a vital part of our managing activities.

European Energy’s risk management is intended to continuously identify, assess and manage business and financial risks in order to minimise their level and number. The financial risks consist of liquidity risk, foreign currency risk, interest rate risk and credit risk.

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 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 partnerships, ensuring that development risks are appropriately shared between European Energy and its partners, which, for example, can be the original project developers.

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

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

Financial risks

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

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

Management's review

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 altogether by engaging in interest rate hedges that cover the full maturity of the project-related loans.

Credit risks

The Group's credit risks mainly relate to trade receivables. The Group is not dependent on particular customer segments or any specific customers, and all customers are subjected to individual credit assessments in accordance with the Group's Financial Risk Policy. As a result, the credit risk of the Group is generally considered insignificant.

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 to some degree 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 2020, European Energy was active in 16 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.

Risks related to Covid-19

The construction activity in 2020 was impacted by the Covid-19 pandemic with delays as a result. Restrictions for travelling between countries could again cause delays for our construction of solar plants in Denmark, and this could lead to less energy plants finalized within the year.
We have also seen that the close down of offices has led to longer lead-times for receiving necessary building permits and permits for grid connections, and this could delay constructions for both wind and solar parks.
The plan for both initiated and finalized construction for 2021 and 2022 is very ambitious, with 750 MW in 2020 and more than 1 GW in 2022. The Management has mandated that extra focus must be given to supplying the necessary information to the authorities for permitting in order to speed up the process. Furthermore, there is focus on securing the labour force needed to build the huge amount of solar parks included in the building programme for the year.

Management's review

Responsibilities and compliance

Responsibility

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

Corporate governance

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

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

Income statement

		Consolidated		Parent company	
EUR'000	Note	2020	2019	2020	2019
Revenue	2	207,310	239,239	0	0
Direct costs		-133,168	-190,905	-52	0
Gross profit		74,142	48,334	-52	0
Other income		4,455	6,835	0	0
Staff costs	3	-7,467	-6,695	0	0
Other external costs	4	-5,613	-6,595	-86	-28
Depreciation		-11,674	-5,894	0	0
Operating profit/loss		53,843	35,985	-138	-28
Profit from subsidiaries		0	0	18,075	23,143
Profit from associates		-4,878	3,720	0	0
Financial income	5	3,266	12,072	4	39
Financial expenses	6	-14,666	-12,805	-52	-43
Profit before tax		37,565	38,972	17,889	23,111
Tax	7	-8,101	-1,603	45	-42
Profit for the year	8	29,464	37,369	17,934	23,069

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

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2020	2019	2020	2019
ASSETS					
Non-current assets					
Property, plant and equipment					
Land and buildings	9	9,345	5,325	495	0
Wind power generating assets	9	118,049	124,959	0	0
Solar power generating assets	9	3,070	3,259	0	0
Tools and equipment	9	625	670	0	0
Lease assets		9,396	9,091	0	0
		140,485	143,303	495	0
Investments					
Investments in subsidiaries	10	0	0	111,693	96,169
Investments in associates	11	25,917	25,148	120	120
Other investments	12	7,524	4,395	222	222
Receivables from subsidiaries	13	0	0	630	806
Receivables from associates	13	46,133	35,299	864	0
Trade receivables and contract assets	14	2,907	4,241	0	0
Other receivables	15	12,898	15,596	0	0
Corporation tax receivable		468	170	0	0
Prepayments	16	0	3,923	0	0
		95,847	88,772	113,530	97,317
Total non-current assets		236,332	232,076	114,025	97,317
Current assets					
Inventories	17	325,827	227,420	0	0
Receivables					
Trade receivables and contract assets		26,514	16,921	0	0
Deferred tax asset	18	5,192	2,414	41	2
Other receivables		22,439	8,357	8	78
Prepayments		4,925	6,321	0	0
		59,070	34,013	49	80
Cash and cash equivalents		123,461	115,599	1,124	536
Total current assets		508,358	377,032	1,173	616
TOTAL ASSETS		744,690	609,108	115,198	97,933

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

Balance sheet

EUR'000	Note	Consolidated 2020	Consolidated 2019	Parent company 2020	Parent company 2019
EQUITY AND LIABILITIES					
Equity					
Share capital	20	84	84	84	84
Reserve for net revaluation according to the equity method		0	0	110,336	92,212
Proposed dividend for the year		0	0	11	7
Retained earnings		114,232	96,257	3,885	4,038
Equity attributable to the shareholder of the Company		114,316	96,341	114,316	96,341
Hybrid capital	19	75,000	0	0	0
Non-controlling interests		50,002	45,249	0	0
Total equity		239,318	141,590	114,316	96,341
Provisions					
Other provisions	21	20,390	6,096	0	0
Deferred tax	18	12,002	10,242	0	0
Total provisions		32,392	16,338	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	22				
Bond loan		194,144	192,017	0	0
Credit institutions, project financing		187,917	140,743	0	0
Amount owed to share holder		0	0	7	0
Amount owed to subsidiaries		0	0	630	1,295
Other payables		2,147	905	192	178
Lease liabilities		8,307	13,037	0	0
		392,514	346,702	829	1,473

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

Balance sheet

EUR'000	Note	Consolidated 2020	Consolidated 2019	Parent company 2020	Parent company 2019
Current liabilities other than provisions					
Credit institutions, project financing	22	33,504	66,772	0	0
Other debt, partnerships	22	5,186	2,070	0	0
Lease liabilities	22	1,739	1,493	0	0
Trade payables		12,031	9,342	53	56
Payables to associates		182	465	0	0
Corporation tax		6,904	4,778	0	0
Provisions		4,400	2,800	0	0
Contract liabilities		2,822	0	0	0
Other payables		13,690	16,757	0	63
		80,458	104,477	53	119
Total liabilities other than provisions		472,980	451,179	882	1,592
TOTAL EQUITY AND LIABILITIES		744,690	609,108	115,198	97,933

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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	Hybrid capital	Non-controlling interests	Total equity
Equity at 1 January 2019	84	70,409	70,492		34,336	104,828
Profit for the year	0	23,069	23,069		14,300	37,368
Value adjustments of hedging instruments	0	3,059	3,059		698	3,757
Other adjustments	0	-279	-279		-13	-292
Transactions with NCI	0	0	0		-5,709	-5,709
Additions	0	0	0		2,996	2,996
Disposals	0	0	0		-1,358	-1,358
Equity at 31 December 2019	84	96,257	96,341		45,249	141,590
Equity at 1 January 2020	84	96,257	96,341	0	45,249	141,590
Profit for the year	0	17,934	17,934	0	11,336	29,270
Value adjustments of hedging instruments	0	-7	-7	0	0	-7
Other adjustments	0	49	49	0	57	105
Transactions with NCI	0	0	0	0	-5,145	-5,145
Additions	0	0	0	0	594	594
Disposals	0	0	0	0	-2,090	-2,090
Issue of hybrid capital	0	0	0	75,000	0	75,000
Equity at 31 December 2020	84	114,232	114,316	75,000	50,002	239,318

Parent company EUR'000	Share capital	Reserve for net revalua-tion accor-ding to the equity method	Proposed dividend	Retained earnings	Total
Equity at 1 January 2019	84	68,888	0	1,520	70,492
Profit for the year	0	23,143	7	-81	23,069
Value adjustments of hedging instruments	0	3,060	0	0	3,060
Other adjustments	0	-2,600	0	2,600	0
Transactions with NCI	0	-279	0	0	-279
Equity at 31 December 2019	84	92,212	7	4,038	96,341
Equity at 1 January 2020	84	92,212	7	4,038	96,341
Paid dividend	0	0	-7	0	-7
Profit for the year	0	18,075	11	-153	17,934
Value adjustments of hedging instruments	0	543	0	0	543
Other adjustments	0	0	0	0	0
Transactions with NCI	0	-494	0	0	-494
Equity at 31 December 2020	84	110,336	11	3,885	114,316

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

Cash flow statement

	Consolidated	
EUR'000	2020	2019
Profit/Loss before tax	37,566	39,567
Adjustments for:		
Financial income	-3,266	-12,069
Financial expenses	14,666	13,255
Depreciations	11,674	5,894
Profit from equity-accounted companies	4,878	-3,721
Change in net working capital	9,815	-20,733
Change in inventories	-92,446	0
Interest paid on lease liabilities	-413	-152
Dividends	-887	0
Other non-cash items	-4,243	-3,107
Cash generated from operation before financial items and tax	-22,657	18,934
Taxes paid	-3,685	-846
Interest paid and realised currency losses	-10,235	-11,597
Interest received and realised currency gains	946	5,785
Cash flow from operating activities	-35,630	12,277
Purchase/disposal of Property, plant and equipment	-4,317	28,307
Proceeds from disposal of equity-accounted investments	0	2,274
Purchase/disposal of other investments	-224	-157
Acquisition of subsidiaries	-0	-27,276
Investment/loans in equity-accounted investments	-1,549	-1,599
Loans to related parties	-17,380	-11,893
Dividends	0	7,178
Cash flow from investing activities	-23,470	-3,167
Proceeds from issue of bonds	0	200,535
Repayment of bonds	0	-88,400
Proceeds from borrowings	205,952	88,551
Repayment of borrowings	-201,371	-160,358
Repayment of lease liabilities	-2,000	-467
Changes in payables to associates	-2,106	1,636
Capital increase	404	0
Cash from issue of hybrid capital	73,391	0
Non-controlling interests' share of capital increase or disposal of subsidiaries	-7,309	-4,676
Cash flow from financing activities	66,961	36,821
Cash and cash equivalents related to acquired companies	0	9,912
Change in cash and cash equivalents	7,861	55,842
Cash and cash equivalents at beginning of period	115,599	59,757
Cash and cash equivalents end of period	123,461	115,599
Of which restricted cash and cash equivalents	-35,121	-23,108
Non-restricted cash and cash equivalents end of year	88,340	92,491

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 2020, the EUR/DKK rate was 7,4393 (31 December 2019: 7,4697).

The accounting policies remain unchanged compared to the annual report for the year ended 31 December 2019.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

Functional currency and presentation currency

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

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

Translation into presentation currency

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

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

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

Notes

Derivative and hedge accounting

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

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

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

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

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

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

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

Business combination

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

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

Goodwill is initially measured at cost, being the excess of the consideration transferred, over the Group net identifiable assets acquired, and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the income statement as a gain from a bargain purchase. After initial recognition, goodwill recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group cash-generating units that are expected to benefit from the combination. Goodwill is tested for impairment at year-end or more frequently when impairment indicators are identified.

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

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

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

Notes

Basis of consolidation

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

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

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

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

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

Use of judgements and estimates

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

In accounting for lease contracts various judgements are applied in determining right-of-use assets and lease liabilities. Judgements include assessment of lease periods, utilisation of extension options and applicable discount rates.

Judgements

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

Revenue recognition

When selling turn-key projects revenue is recognised at a point-in-time when control and all material risks and rewards have been transferred to the buyer. Determining the point-in-time require judgement regarding open matters/conditions and whether such if any are material or not.

Assessment of classification – whether the group has control, significant influence or joint control)

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

a. Power over the investee;

b. Exposure, or rights, to variable returns from its involvement with the investee; and

c. The ability to use its power to affect the amount of its returns.

The assessment of control is based on European Energy's actual ability to direct the activities of the project rather than on the legal form of the ability. Consequently, the determination of whether European Energy has substantive rights over the project does not distinguish between rights arising from European Energy as a shareholder of the project or as an operator.

Notes

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

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

Accounting judgement upon initial classification of hybrid capital

Classification of the hybrid capital is subject to significant accounting judgement.

The issued EUR 75 million callable subordinated green capital securities due 3020 are accounted for as a hybrid capital reserve in equity. The classification is based on the special characteristics of the hybrid bond, where the bond holders are subordinate to other creditors and European Energy A/S may defer and ultimately decide not to pay the coupons.

As the principal of the securities ultimately falls due in 3020, its discounted fair value at initial recognition is nil due to the terms of the hybrid bond, and therefore a liability of nil has been recognised in the balance sheet, and the full amount of the proceeds have been recognised as equity. Coupon payments are recognised in the statement of cash flows in the same way as dividend payments within financing activities.

Assumptions and estimation uncertainties

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

The following provides information about assumptions and estimation uncertainties with a significant risk of resulting in a material adjustment in the year ending 31 December 2020:

Revenue measurement

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

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

Business combination

In applying the acquisition method of accounting, estimates are an integral part of assessing fair values of identifiable assets acquired and liabilities assumed, as observable market prices are typically not available.

The purchase price of property, plant and equipment includes estimates on future capacity of generating cash flow by the wind and solar farms.

Valuation techniques where estimates are applied typically relate to determining the present value of future uncertain cash flows or assessing other events in which the outcome is uncertain at the date of acquisition.

More significant estimates are typically applied in accounting for property, plant and equipment, customer relationships, trade receivables, deferred tax, debt and contingent liabilities. As a result of the uncertainties inherent in fair value estimation, measurement period adjustments may be applied.

Impairment test of property, plant and equipment)

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

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Inventories

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

An impairment test is performed on the carrying amount.

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

Provisions

Management continually assesses provisions, including contingencies and the likely outcome of pending and potential legal proceedings. The outcome of such proceedings depends on future events, which are, by nature, uncertain.

When considering provisions involving significant estimates, opinions and estimates by external legal experts and existing case law are applied in assessing the probable outcome of material legal proceedings, etc.

Tax

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

Share-based payment

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 A/S (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.

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.

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

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

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

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

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

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

Sale of electricity

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

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

Asset management and Other fees

Revenue from Asset management and Other fees is recognised when the services are delivered. The services include commercial management and operational facility supervision on behalf of a third party. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Direct costs

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

On disposal of energy farms and projects, direct costs comprise the construction costs plus costs directly related to the disposal.

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

Other income

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

Staff costs

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

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Share-based payment

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

Other external costs

Other external costs comprise administrative expenses.

Depreciation and amortisation

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

Financial income and expenses

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

Tax

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

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

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

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Balance sheet

Property, plant and equipment

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

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

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

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

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

Lease assets and liabilities

Lease

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

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Investments in subsidiaries and associates

Income statement

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

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

Balance sheet

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

Subsidiaries and associates with negative net asset values are measured at EUR 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value if the amount owed is deemed irrecoverable. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the subsidiary´s deficit.

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

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

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

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

Other investments

Other investments recognised under non-current assets are measured at fair value with value adjustments recognised in the income statement.

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

Impairment of assets

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

When there is an indication of impairment, each asset or a group of assets is impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

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Inventories

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

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

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

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

Projects under development comprise projects for which construction has not yet been commenced. Cost comprises direct and indirect costs incurred in respect of development of projects, including interest in the project period.

Projects under construction comprise projects for which construction has begun but has not yet been completed. Cost comprises costs incurred in the development phase (projects under development) and costs in relation to the construction phase, which comprises direct and indirect costs for Subcontractors, project management and financing as well as interest in the construction period.

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

Receivables

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

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Reserve for net revaluation according to the equity method
Net revaluation of investments in subsidiaries and associates is recognized under Shareholders' equity in the Revaluation reserve according to the equity method. The reserve is reduced by payments of dividends to the parent company and adjusted to reflect other changes in the equity og subsidiaries.

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.

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Hybrid capital

Hybrid capital is treated in accordance with the rules on compound financial instruments based on the special characteristics of the bonds. The notional amount, which constitutes a liability, is initially recognised at present value, and equity has been increased by the difference between the net proceeds received and the present value of the discounted liability (fair value). The part of the hybrid capital that is accounted for as a liability is measured at amortised cost. The carrying amount of the liability component amount to nil on initial recognition and due to the 1,000-year term of the hybrid capital, amortisation charges will only have an impact on profit or loss for the years towards the end of the 1,000-year term.

Coupon payments are accounted for as dividends and are recognized directly in equity when the obligation to pay arises. The obligation to pay coupon payments is at the discretion of European Energy A/S and any outstanding deferred coupon payments will be automatically cancelled upon maturity of the hybrid capital. Coupon payments are recognised in the statement of cash flows in the same way as dividend payments within financing activities.

Payments of interest on the hybrid bond (treated as dividend) is according to current tax legislation deductible for income tax purposes. The tax effect is recorded in the income statement as this is considered distribution of earnings and not in equity where the effect of the dividends paid is recorded.

On redemption of the hybrid capital, the payment will be distributed between liability and equity, applying the same principles as used when the hybrid capital was issued. The difference between the payment on redemption and the net proceeds received on issue is recognized directly in equity as the debt portion of the existing hybrid issues will be nil during the first part of the life of the hybrid capital.

On the date when European Energy A/S decides to exercise an option to redeem the hybrid capital, the part of the hybrid capital that will be redeemed will be reclassified from equity to bond loans. The reclassification will be made at market value of the hybrid capital at the date the decision is made. Following the reclassification, coupon payments will be recognised in profit or loss as financial expenses

Provisions

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

Corporation tax and deferred tax

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

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

Deferred tax assets, including the tax value of tax loss carry forwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax is measured at the tax rates expected to apply in the year when the asset is realised or the liability is settled on the basis of the tax rates (and tax legislation) in force at the date of the statement of financial position.

Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

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Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

Cash flow statement

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

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

Other non-cash items primarily comprise reversal of gain from disposing non-current assets, reversal of value adjustments made in relation to other investment assets and reversal of recognised income from bargain purchase related to acquisition of companies and reversal of share of profit (loss) from equity-accounted investments.

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

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

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

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

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

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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.

2020	Consolidated					
EUR'000	Wind	Solar	Other	Total before elim.	Elim.	Total
Sale of energy farms and projects	109,018	51,292	0	160,310	0	160,310
Sale of electricity	31,088	11,777	0	42,865	-7	42,858
Asset management	2,637	1,246	0	3,883	-15	3,868
Other fees	125	149	0	274	0	274
Revenue to external customers	142,868	64,464	0	207,332	-22	207,310
Inter-segment revenue	29,958	103	0	30,061	-30,061	0
Revenue	172,826	64,567	0	237,393	-30,083	207,310

2019				Consolidated		
EUR'000	Wind	Solar	Other	Total before elim.	Elim.	Total
Sale of energy farms and projects	205,420	-107	0	205,313	-146	205,167
Sale of electricity	27,241	3,253	0	30,494	0	30,494
Asset management	1,937	780	0	2,717	-12	2,705
Other fees	214	220	439	873	0	873
Revenue to external customers	234,812	4,146	439	239,397	-158	239,239
Inter-segment revenue	1,175	2,651	0	3,826	-3,826	0
Revenue	235,987	65,568	439	243,223	-3,984	239,239

Geographical information

	Consolidated	
EUR'000	2020	2019
Denmark	78,245	87,985
Northern/central Europe	119,675	74,992
South America	0	34
Southern Europe (incl. Maldives)	9,390	76,228
Total revenue	207,310	239,239

Notes

		Consolidated	
	EUR'000	2020	2019
3	**Staff costs**		
	Wages, salaries and remuneration	18,381	13,847
	Share-based compensation	322	444
	Pensions	26	12
	Other social security costs	306	167
	Other staff costs	721	714
	Capitalised salaries on inventories	-12,289	-8,489
		7,467	6,695
	Average number of employees	169	117
	Number of full-time employees end of period	185	148

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 the company share capital or DKK 15M (EUR 2M). The scheme is based on issuance of warrants that give the right to apply for new shares in European Energy in the future.

Subscription for new shares by exercise of issued warrants must be made by paying cash contribution to European Energy A/S. Vested warrants may be exercised in two annual exercise periods that run for 21 days from and including the day after the ordinary general meeting where the annual report is adopted. Until 2019 there was also an exercise period following the publication of the six-month interim report.

For 2020, the third year of the program, the board has approved the third issuance of warrants equal to 2.4 million shares.

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

For exercised warrants in 2020 the weighted average share price during the period amounted to DKK 4,32 (2019: DKK 5,29).

Outstanding warrants at the end of 2020 may be exercised at a price that increase by 5% per year, i.e. at the range of DKK 4.54 – 6.05.

Valuation assumptions for warrants granted

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.

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		Consolidated			
	EUR'000	2020	2019		
4	**Audit fees**				
	Fee relating to the statutory audit	253	263		
	Assurance other than audit	10	5		
	Tax advice	36	18		
	Non-audit services	50	70		
		349	356		
5	**Financial income**				
	Interest income, financial assets measured at amortised costs	1,066	899	0	0
	Interest income, group enterprises and associates	1,275	3,131	-5	38
	Interest income, bonds	0	0	0	0
	Modification gain	0	5,573	0	0
	Dividends	234	802	0	0
	Currency gains	906	2,682	9	1
	Financial income that have been capitalised on inventories	-216	-1,015	0	0
		3,266	12,072	4	39
6	**Financial expenses**				
	Interest on bonds	10,908	7,869	0	0
	Interest expense, bank	5,389	3,980	3	1
	Interest expense, shareholder	1	1	0	0
	Interest expense, subsidiaries and associates	-3	91	41	30
	Financial expenses that have been capitalised on inventories	-6,930	-5,682	0	0
	Amortisation of debt issue costs	597	865	0	0
	Amortisation of modification gain	655	655	0	0
	Early redemption fee	908	908	0	0
	Other financial expenses	2,103	1,589	8	12
	Currency losses	1,127	2,529	0	0
		14,666	12,805	52	43
7	**Tax on profit for the year**				
	Tax on profit for the year	6,251	2,530	0	0
	Change in deferred tax	988	1,388	39	-1
	Adjustment in deferred tax regarding prior years	604	-2,401	0	0
	Adjustment to tax relating to previous years	257	85	5	43
		8,101	1,603	45	42

EUR'000	Consolidated 2020	Consolidated 2019	Parent company 2020	Parent company 2019

8 Proposed profit appropriation

Reserve for net revaluation according to the equity method	0	0	18,075	23,143
Non-controlling interests' share of profit for the year	11,531	14,300	0	0
Proposed dividend for the year	0	0	11	7
Retained earnings	17,934	23,069	-153	-81
	29,465	37,370	17,934	23,069

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 2020	5,325	131,091	4,026	1,811	142,253
Exchange rate adjustments	14	76	0	1	91
Additions	3,995	36	0	295	4,326
Deconsolidated entities	0	0	0	0	0
Transfer from inventory	21	3	0	0	24
Disposals	0	-902	0	0	-902
Consolidated acquired entities	0	3,239	0	0	3,239
Cost at 31 December 2020	9,355	133,543	4,026	2,107	149,030
Depreciation and impairment losses at 1 January 2020	0	-6,132	-767	-1,141	-8,040
Depreciation	0	-10,079	-187	-341	-10,607
Deconsolidation	0	-8	-1	0	-9
epreciation – sold companies	0	320	0	0	320
Transfer/reclassification	0	-3	0	0	-3
Disposals	-10	408	0	0	398
Depreciation and impairment losses at 31 December 2020	-10	-15,494	-955	-1,482	-17,941
Carrying amount at 31 December 2020	9,345	118,049	3,070	625	131,089
Depreciated over		25-30 years	40 years	3-5 years	

Notes

10 Investments in subsidiaries

	Parent company	
EUR'000	2020	2019
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	94,812	68,889
Share of profit for the year	18,075	23,143
Hedges, net of tax	543	3,060
Dividends received	-2,600	0
Other value adjustments	-494	-279
Value adjustments at 31 December	110,336	94,812
Carrying amount at 31 December	111,693	96,169

Nearshore windparks Jammerland and Omø acquired in 2020:

European Energy Offshore A/S has obtained control of two Joint Venture nearshore wind parks: Jammerland on 9 January 2020 and Omø on 31 January 2019, through acquisition of the remaining 50% of the shares, both accounted for in 2020.

The carrying amount of the investments in the Joint Ventures before the date of acquisition was EUR 1.8 million.

The purchase price of 50% of the shares amounted to EUR 3.2 million. The purchase price comprises a contingent consideration of EUR 2.8 million of which EUR 1.3 million is related to receipt of approvals and EUR 1.5 million is related to a variable earn-out depending on sale of the projects.

The non-controlling equity interests in the acquirees, held immediately before obtaining control (50%), is remeasured at fair value, which results in a gain of EUR 1.5 million in European Energy Offshore A/S.

The companies are in the process of obtaining approvals and licenses from the authorities. The companies expect to obtain the necessary approvals and licenses, hence the valuations of the acquisitions are based on this expectation. The gain from remeasurement is linked to the projects under development.

Revenue and profit or loss in the acquirees is EUR 0 million in 2020 due to the companies are in the developing phase.

The figures are based on the initial recognition of the preliminary fair values that can be adjusted up until 12 months after the acquisition.

The Nearshore windparks Jammerland and Omø acquisitions will strengthen European Energy's position in the Danish market and is complementary to the business of the Group. Management believes that the acquisition includes synergies that the Group can benefit from on both a short and long-term basis.

European Energy got the opportunity to acquire back 50% and used it in order to get full control of the future direction for development of the wind farms. This puts the Group in a position where development can be accelerated further. Management sees the nearshore projects as a stepstone towards expanding in that area outside of Denmark.

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Acquisition of the AEZ Group in 2019:

In July 2019 the Group concluded a strategic investment in AEZ Group located in Leipzig, Germany.

The transaction generated a gain from a bargain purchase of EUR 4.6 million in 2019. The preliminary fair values are adjusted within the measurement period of one year with EUR 2.6 million related to repowering projects, EUR 1.0 million related to project financing, deferred tax EUR -0.5 million and EUR -0.6 million related to cash consideration (purchase price) in 2020. The effect of the adjustment is recognised as other income with EUR 2.5 million in 2020.

Stepwise acquisition of Driftsselskabet Heidelberg A/S in 2019:

On 1 December 2019, European Energy A/S obtained control of Driftsselskabet Heidelberg A/S through the acquisition of further 1% of the shares and a changed agreement with the financing bank of the company.

European Energy A/S held a non-controlling equity interest in the company of 49.5% before the date of acquisition and before the changed agreement with the financing bank.

The carrying amount of the investment in the Associate before the date of acquisition was EUR 0 thousand. The purchase price of 1% of the shares amounted to EUR 50 thousand.

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

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

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

The preliminary fair values are adjusted within the measurement period of one year with net EUR -0.8 million (loss) which is recognised as net result after tax from equity-accounted investments in 2020.

Ownership shares:

Investments in subsidiaries at 31 December 2020 comprise:

Name	Country of place of business	Ownership 31/12 2020
European Energy Holding ApS	DK	100,0%
KEA II Holding ApS	DK	100,0%
Meldgaard Architechts & Development A/S	DK	100,0%
Vores Sol A/S	DK	50,0%
Nor Power ApS	DK	33,33%
Komplementarselskabet Vores Sol ApS	DK	50,0%
European Energy A/S	DK	75.78%
European Energy Trading A/s	DK	76%
AEZ Dienstleistungs GmbH	DE	100,0%
AEZ Planungs GmbH & Co KG	DE	100,0%
AEZ Verwaltung GmbH	DE	100,0%
Bjornasen Vind AB	SE	100,0%
Blue Viking Alexandra S.L	ES	100,0%

Notes

10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2020
Blue Viking Beatrice S.L.	ES	100,0%
Blue Viking Solar S.L.	ES	100,0%
Blue Viking Ayora S.L.	ES	70,0%
Blue Viking Cristina S.L.	ES	100,0%
Blue Viking Gabriela S.L.	ES	100,0%
Blue Viking Matilda S.L.	ES	100,0%
Blue Viking Violeta S.L.	ES	100,0%
Blue Viking Raquel S.L.	ES	100,0%
Blue Viking Linea S.L.	ES	100,0%
Blue Viking Fernanda S.L.U.	ES	100,0%
Blue Viking Diana S.L.U.	ES	100,0%
Blue Viking Ventures S.L.U.	ES	100,0%
Solcon Terrenos 2006 S.L.U.	ES	100,0%
Blue Viking Emilia S.L.	ES	100,0%
Blue Viking Lindsey S.L.	ES	100,0%
Blue Viking Lisa S.L.	ES	100,0%
Blue Viking Lya S.L.	ES	100,0%
Blue Viking Maria S.L.	ES	100,0%
Blue Viking Nieves S.L.	ES	100,0%
Blue Viking Pili S.L.	ES	100,0%
Blue Viking Rosa S.L.	ES	100,0%
Blue Viking Samara S.L.	ES	100,0%
Blue Viking Sandra S.L.	ES	100,0%
Blue Viking Sarah S.L.	ES	100,0%
Blue Viking Sofia S.L.	ES	100,0%
Blue Viking Tara S.L.	ES	100,0%
Blue Viking Elena S.L.U.	ES	100,0%
Blue Viking Elizabeth S.L.	ES	100,0%
Blue Viking Esther S.L.	ES	100,0%
Blue Viking Glenda S.L.	ES	100,0%
Blue Viking Gretchen S.L.	ES	100,0%
Blue Viking Isabella S.L.	ES	100,0%
Blue Viking Julia S.L.	ES	100,0%
Blue Viking Kira S.L.	ES	100,0%
Blue Viking Laura S.L.	ES	100,0%
Blue Viking Linda S.L.	ES	100,0%
Blue Viking Indira S.L.	ES	100,0%
Blue Viking Matias S.L.	ES	100,0%
Blue Viking Mikael S.L.	ES	100,0%

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10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2020
Blue Viking Santiago S.L.	ES	100,0%
Blue Viking Barbara S.L.	ES	100,0%
Blue Viking Clara S.L.	ES	100,0%
Blue Viking Eden S.L.	ES	100,0%
EE Boleszkowice sp. z o.o.	PL	100,0%
Blåhøj Wind Park ApS	DK	73,5%
Branco Vind ApS	DK	100,0%
Cerano Energreen S.r.l.	IT	51,0%
Cocamba Stage One Holding Pty Ltd	AU	84,0%
Cocamba Stage One Project Pty Ltd	AU	84,0%
Doras Production EPE	GR	97,0%
Driftsselskabet Heidelberg ApS	DK	50,5%
e.n.o. Kabeltrasse GbR Grosstreben	DE	37,9%
EE Beesem GmbH & Co. KG	DE	100,0%
EE Bloosballich GmbH & Co. KG	DE	50,5%
EE Bonde GmbH & Co. KG	DE	100,0%
EE Brod sp. z o.o.	PL	100,0%
EE Construction DK ApS	DK	100,0%
EE Oderwald GmbH & Co. KG	DE	35,4%
EE Oderwald Verwaltungs GmbH	DE	35,4%
EE Cocamba ApS	DK	100,0%
EE Projekte Teuchern Gmbh	DE	100,0%
EE Construction Germany GmbH & Co. KG	DE	100,0%
EE Drei Hugel GmbH & Co. KG	DE	100,0%
EE Dupp ApS	DK	100,0%
EE Ejendomme ApS	DK	100,0%
EE Finland Holding ApS	DK	100,0%
EE France ApS	DK	100,0%
EE Fanais SAS	FR	100,0%
EE Finland OY	FI	100,0%
EE Gornsee ApS & Co. KG	DE	100,0%
EE Italy Greenfield PV S.r.l.	IT	100,0%
EE Keiko ApS & Co. KG	DE	100,0%
EE Lithuania Holding ApS	DK	100,0%
EE Lieberose ApS & Co. KG	DE	100,0%
EE Nordic Holding 1 ApS	DK	100,0%
EE Nordic Holding 2 ApS	DK	100,0%
EE Nordic Holding 3 ApS	DK	100,0%
European Energy Norge AS	NO	100,0%
EE MSF ApS	DK	100,0%
EE Polska ApS	DK	100,0%
EE Ronica sp. z o.o.	PL	100,0%

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10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2020
EE PV Holding ApS	DK	100,0%
EE Romania ApS	DK	100,0%
EE Sweden AB	SE	100,0%
EE Schönelinde ApS & Co. KG	DE	100,0%
EE Schelm GmbH & Co. KG	DE	100,0%
EE Sommersdorf ApS & Co. KG	DE	100,0%
EE Sprogø OWF ApS	DK	100,0%
EE Sweden Holding ApS	DK	100,0%
EE Solenergia Sp. z.o.o.	PL	100,0%
EE Svindbæk Køberetsselskab ApS	DK	67,0%
EE Tucze sp. z o.o.	PL	100,0%
EE Teuchern GmbH & Co KG	DE	100,0%
EE Urja ApS & Co. KG	DE	100,0%
EE Viertkamp ApS & Co. KG	DE	50,5%
EE Verwaltung ApS	DK	100,0%
EE Waabs GmbH & Co. KG	DE	100,0%
EE Wuggelmühle ApS & Co. KG	DE	100,0%
EE Zwei Gipfel GmbH & Co. KG	DE	100,0%
Ejendomsselskabet Kappel ApS	DK	67,0%
Energetica Campidano S.r.l	IT	100,0%
Energetica Iglesiente S.r.l	IT	100,0%
Enerteq ApS	DK	100,0%
Eolica Ouro Branco 1 S.A	BR	98,77%
Eolica Ouro Branco 2 S.A	BR	98,76%
Eolica Quatro Ventos S.A	BR	98,74%
ESF Spanien 01 GmbH	DE	100,0%
ESF Spanien 0423 S.L.U.	ES	100,0%
ESF Spanien 0428 S.L.U.	ES	100,0%
ESF Spanien 05 S.L.U.	ES	100,0%
ESF Spanien 09 GmbH	DE	100,0%
European Energy Buy Back Bond ApS	DK	100,0%
European Energy Byg ApS	DK	100,0%
European Energy Giga Storage A/S	DK	100,0%
European Energy Italy PV Holding S.r.l.	IT	100,0%
EE Sarna ApS & CO. KG	DE	100,0%
European Energy Lithauania UAB	LT	100,0%
UAB Degaiciy Vejas	LT	100,0%
UAB Geotyrimy Centras	LT	100,0%
UAB Rasveja	LT	100,0%
UAB Anyksciy vejas	LT	100,0%
UAB Rokveja	LT	100,0%
European Energy Development Limited	UK	100,0%

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10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2020
European Energy Global Offshore ApS	DK	100,0%
European Energy Hamburg GmbH	DE	100,0%
European Energy Italia S.r.l.	IT	100,0%
EE Jelonki sp. z o.o..	PL	100,0%
European Energy Offshore A/S	DK	72,0%
European Energy Photovoltaics Limited	UK	100,0%
European Energy Systems II ApS	DK	100,0%
European Solar Farms A/S	DK	100,0%
European Solar Farms Greece ApS	DK	100,0%
European Solar Farms Italy ApS	DK	100,0%
European Solar Farms Spain ApS	DK	100,0%
E&U GmbH & Co. KabelZeitz KG	DE	50,6%
European Wind Farms A/S	DK	100,0%
European Wind Farms Bulgaria ApS	DK	100,0%
European Wind Farms Denmark A/S	DK	100,0%
European Wind Farms Deutschland GmbH	DE	100,0%
European Wind Farms DOO	HR	70,0%
European Wind Farms Greece ApS	DK	100,0%
European Wind Farms Italy ApS	DK	100,0%
European Wind Farms Komp GmbH	DE	100,0%
European Wind Farms Kåre 1 AB	SE	100,0%
European Wind Farms Verwaltungsgesellschaft mbH	DE	100,0%
EWF Energy Hellas Epe	GR	97,0%
EWF Vier Sechs GmbH & Co. KG, Güstow	DE	100,0%
Farma Wiatrowa Kolobrzeg sp. z o.o	PL	100,0%
Farma Wiatrowa SIEMYŚL sp. z o.o.	PL	100,0%
Fimmerstad Vindpark AB	SE	100,0%
Floating PV Solutions ApS	DK	100,0%
Farma Wiatrowa Drawsko II sp.z.o.o.	PL	100,0%
Frederikshavn OWF ApS	DK	85,0%
FWE Windpark TIS K/S	DK	50,5%
FWE Windpark Wittstedt K/S	DK	50,5%
FWE Windpark Wulfshagen K/S	DK	50,5%
FWE Windpark 3 Standorte K/S	DK	50,5%
FWE Windpark Kranenburg K/S	DK	50,5%
FWE Windpark Scheddebrock K/S	DK	50,5%
FWE Windpark Westerberg K/S	DK	50,5%
Gadir Energiaki MEPE	GR	100,0%
Gatton Solar Farm Holding Pty Ltd	AU	100,0%
Gatton Solar Farm Pty Ltd	AU	100,0%
Greenwatt Koiramäki Oy AB	FI	100,0%
Greenwatt Mustalamminmäki Oy AB	FI	100,0%

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

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10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2020
Grevekulla Vindpark AB	SE	100,0%
Hanstholmvej Ejendomsselskab ApS	DK	100,0%
Hanstholmvej Infrastrukturselskab ApS	DK	100,0%
Hanstholmvej Holding ApS	DK	100,0%
Holmen II Holding ApS	DK	67,0%
Holmen II Vindkraft I/S	DK	37,3%
Holmen II V90 ApS	DK	67,0%
Horskær Wind Park ApS	DK	67,0%
Infrastrukturgesellschaft Windfeld 19/24 GmbH & Co. KG	DE	82,4%
Infrastrukturgesellschaft Windfeld 19/24 Verwaltungs-GmbH	DE	82,4%
Inchclett Wind Farm Limited	UK	100,0%
Iridanos Production EPE	GR	97,0%
Is Concias Energetica S.r.l	IT	100,0%
Italy Energy Holding S.r.l.	IT	100,0%
K/S Solkraftværket GPI Mando 29	DK	80,0%
Kallinikis Single Member P C	GR	100,0%
Komplementarselskabet EE PV Denmark Aps	DK	100,0%
Kipheus Production EPE	GR	97,0%
Komp. Sprogø OWF ApS	DK	44,8%
Komplementarselskabet Heidelberg ApS	DK	50,5%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS	DK	80,0%
Komplementarselskabet Vindtestcenter Måde ApS	DK	100,0%
Lakkikeidas PV Oy	FI	100,0%
Licodia Energia S.r.l.	IT	100,0%
KS Svindbæk WTG 8-9	DK	67,0%
Lidegaard ApS	DK	100,0%
Mando Solarkraftwerke Nr. 29 GmbH & Co. KG	DE	76,0%
Mineo Energia S.r.l.	IT	100,0%
Måde Wind Park ApS	DK	100,0%
Måde WTG 1-2 K/S	DK	98,0%
Nafsinikos Single Member P C	GR	100,0%
Netzanbindung Tewel OHG	DE	38,0%
Niritis Single Member P C	GR	100,0%
North America Holding ApS	DK	100,0%
Næssundvej Ejendomsselskab ApS	DK	100,0%
Næssundvej Holding ApS	DK	100,0%
Omnia Vind ApS	DK	67,0%
Omø South Nearshore A/S	DK	72,0%
Palo Holding S.r.l.	IT	100,0%
Palo Energia s.r.l.	IT	100,0%
Piano Energia s.r.l.	IT	100,0%
Piscinas Energetica S.r.l	IT	100,0%

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

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10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2020
Puglia Holding S.r.l.	IT	100,0%
QSF Holding Pty Ltd	AU	80,0%
Quandong Solar Farm Pty Ltd	AU	80,0%
Reese Solar S.L.U.	ES	100,0%
Renewables Insight ApS (prev. European Energy Systems I ApS)	DK	100,0%
Ramacca Energia S.r.l.	IT	100,0%
Ringo JV S.r.l.	IT	100,0%
Rødby Fjord Vindkraft Mølle 3 I/S	DK	33,6%
Rødkilde PV Holding ApS	DK	100,0%
SF Ibiza ApS	DK	100,0%
SF La Pobla ApS	DK	100,0%
Shardana Energetica S.r.l	IT	100,0%
Sicily Green Power S.R.L.	IT	100,0%
Solar Park Ålbæk ApS	DK	100,0%
Solar Park Agersted ApS	DK	100,0%
Solar Park Barmosen ApS	DK	100,0%
Solar Park DK 1 ApS	DK	100,0%
Solar Park DK 2 ApS	DK	100,0%
Solar Park DK 3 ApS	DK	100,0%
Solar Park DK 4 ApS	DK	100,0%
Solar Park DK 5 ApS	DK	100,0%
Solar Park Evetofte ApS	DK	100,0%
Solar Park Freerslev ApS	DK	100,0%
Solar Park Harre ApS	DK	84,0%
Solar Park Holmen ApS	DK	84,0%
Solar Park Kassø ApS	DK	100,0%
Solar Park Rødby Fjord ApS	DK	73,5%
Solar Park Svinningegården	DK	100,0%
Solar Power 7 Islas S.L.U.	ES	100,0%
Solleone Energia S.r.l.	IT	100,0%
Sprogø OWF K/S	DK	44,8%
Sulcis Energetica S.r.l	IT	100,0%
Sun Project S.r.l.	IT	51,0%
Svedberga PV AB	SE	100,0%
Svindbæk Holding ApS	DK	67,0%
Thor Holding P/S	DK	100,0%
Thor Holding 1 ApS	DK	100,0%
Thor Holding Komplementar ApS	DK	100,0%
Tjele Wind park ApS	DK	73,5%
Tolstrup Wind Park ApS	DK	73,5%
Trædeskov Bøge Wind Park ApS	DK	67,0%
Traversa Energia s.r.l.	IT	100,0%

Notes

10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2020
ASI Troia FV 1 S.r.l.	IT	100,0%
Vindtestcenter Måde K/S	DK	100,0%
Vores Sol Ejendomsselskab IVS	DK	100,0%
Västanby Vindbruksgrupp i Fjelie 2 AB	SE	100,0%
Vizzini Holding S.r.l.	IT	100,0%
Windpark Prittitz GmbH & Co KG	DE	50,5%
Windpark Prittitz Verwaltungsgesellschaft mbH	DE	50,5%
Windpark Tornitz GmbH & CO. KG	DE	100,0%
WP SA Sud 6 GmbH & Co KG	DE	100,0%
WP SA Sud 12 GmbH & Co KG	DE	100,0%
WP SA Sud 13 GmbH & Co KG	DE	100,0%
WP SA Sud 23 GmbH & Co KG	DE	100,0%
WP SA Sud 24 GmbH & Co KG	DE	100,0%
Yellow Viking Development One, LLC	US	100,0%

11 Investments in associates

	Consolidated	
EUR'000	2020	2019
Cost at 1 January	18,783	16,052
Additions for the year	1,509	3,013
Disposals for the year	-1,008	-467
Transfer	-1.858	184
Cost at 31 December	17,425	18,783
Value adjustments at 1 January	4,142	2,058
Profit for the year	-4,878	2,539
Reversed value adjustments on disposal	829	-2,688
Transfer	6	2,204
Dividends and other adjustments	-1,479	29
Value adjustments at 31 December	-1,380	4,142
Carrying amount at 31 December	16,046	22,925
Investment in associates	25,917	25,148
Set-off against receivables from associates	-9,871	-2,223
Total	16,046	22,925

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 2020
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 under frivillig likvidation	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%
Komplementarselskabet GWE Contractors ApS	DK	50,0%
Solarpark Vandel Services ApS	DK	50,0%
Süstedt Komplementar ApS	DK	50,0%
Vergil ApS & Co KG	DE	50,0%
Windcom Sp. z o.o.	PL	50,0%
Windpark Hellberge GmbH & CO KG	DE	50,0%
EE Haseloff ApS & Co. KG	DE	50,0%
Limes 1 S.r.l.	IT	50,0%
Limes 2 S.r.l.	IT	50,0%
Limes 20 S.r.l.	IT	50,0%
Limes 24 S.r.l.	IT	50,0%
Limes 25 S.r.l.	IT	50,0%
Wind Energy OOD	BG	49,0%
Wind Power 2 OOD	BG	49,0%
Wind Stream OOD	BG	49,0%
Wind Systems OOD	BG	49,0%
Umspannungswerk Westerberg GmbH & Co. OHG	DE	45,0%
UW Gilmerdingen GmbH & C. KG	DE	40,0%
UW Lohkamp ApS & Co KG	DE	40,0%
WK Ottenhausen GmbH & Co. KG	DE	39,4%
European Wind Farms Invest No. 2 A/S	DK	36,6%
Nøjsomheds Odde WTG 2-3 ApS	DK	33,5%
WK Gommern GmbH & Co. KG	DE	33,4%
Parco Eolico Carpinaccio Srl.	IT	26,3%
EWF Fünf Eins GmbH & Co. KG	DE	25,0%
UW Nessa GmbH & Co. KF	DE	45,7%
UAB VEVP	LIT	40,0%
Trinity Solar Farm Limited	UK	50,0%
Halesfield Energy Centre Limited	UK	50,0%
National Reserve Limited	UK	50,0%
Mannington Energy Centre Limited	UK	50,0%
Melksham Energy Centre One Limited	UK	50,0%
Melksham Energy Centre Two Limited	UK	50,0%

Notes

11 Investments in associates (continued)

Name	Country of place of business	Ownership % 31/12 2020
Mythop Renewables Limited	UK	50,0%
Great House Energy Centre Limited	UK	50,0%
Marden Energy Centre Limited	UK	50,0%
Marden Energy Centre Limited	UK	50,0%
Marden Energy Centre Limited	UK	50,0%
Chads Farm Energy Centre Limited	UK	50,0%
Marksbury Energy Centre Limited	UK	50,0%
Northington Energy Centre Limited	UK	50,0%
Northington Energy Centre Limited	UK	50,0%
Northington Energy Centre Limited	UK	50,0%
REintegrate ApS	DK	23,9%
Maisemore Court Farm Energy Centre Limited	UK	50,0%
South Park Energy Centre Ltd	UK	50,0%
Vicarage Drove Energy Centre Limited	UK	50,0%
Elisa ApS	DK	20,0%
Swan Wind P/S	DK	20,0%
EE Pommerania ApS	DK	50,0%
Associates transferred to subsidiaries in 2020		
Jammerland Bay Nearshore A/S	DK	72,0%
UAB Potentia Industriae	LIT	100,0%
Rynkeby Sol ApS	DK	100,0%
Branco Vind ApS	DK	100,0%
Associates sold or liquidated in 2020		
Mexico Partnership P/S	DK	0,0%
Komplementar Mexico Ventures ApS	DK	0,0%

12 Other investments

	Consolidated	
EUR'000	2020	2019
Cost at 1 January	2,175	4,544
Additions for the year	920	239
Transferred	0	-2,262
Consolidated acquired entities	16	0
Disposals for the year	-26	-346
Cost at 31 December	3,086	2,175
Value adjustments at 1 January	2,220	2,221
Value adjustments during the year	2,208	2,183
Consolidated acquired entities	11	0
Transferred	0	-2,184
Value adjustments at 31 December	4,438	2,220
Carrying amount at 31 December	7,524	4,395

Notes

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 1,837 thousand (2019: EUR 2,001 thousand) is expected to be recovered more than 5 years after the balance sheet date.

15 Other receivables

	Consolidated		Parent company	
EUR'000	2020	2019	2020	2019
Interest-bearing loan to Vores Sol Nakskov I-VI K/S	592	634	0	0
Interest-bearing loan to business partner for the acquisition of energy farms	3,318	3,317	0	0
VAT receivable	5,742	9,377	0	0
Fair value PPA hedge contract	3,247	2,269	0	0
Total other receivables (non-current assets)	12,898	15,596	0	0

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

EUR'000	Consolidated 2020	2019
Cost at 1 January	241,681	210,809
Lease assets at 1 January	0	4,936
Additions for the year	220,408	172,809
Transferred to Property, Plant and Equipment	-21	-5,173
Disposals for the year (recognised as direct cost)	-125,742	-173,751
Disposal of the year (lease assets)	-5,387	-3,690
Deconsolidated entities	-3,987	0
Consolidated acquired entities	10,896	37,282
Write offs of the year	-262	-1,541
Cost at 31 December	337,676	241,681
Write-downs at 1 January	-14,261	-7,927
Write-downs for the year, addition	2.412	-7,875
Disposal of the year	0	1,541
Write-downs at 31 December	-11,849	-14,261
Carrying amount at 31 December	325,827	227,420

Inventory at 31 December comprises:

	2020	2019
Operating	199,578	52,971
Under development	90,174	42,140
Under construction	36,075	132,309
Total inventory at 31 December	325,827	227,420
Total wind farms	187,158	106,271
Total solar farms	138,053	120,860
Other projects	616	289
Total inventory at 31 December	325,827	227,420

Notes

18 Deferred tax

	Consolidated		Parent company	
EUR'000	2020	2019	2020	2019
Deferred tax at 1 January	-7,829	-1,165	2	1
Change in deferred tax recognised in income statement	-1,593	1,013	39	1
Deferred tax on changes in equity	-364	-645	0	0
Adjustment relating to the disposal of subsidiaries, etc.	3,796	-6,712	0	0
Transferred to joint taxation contribution, etc.	0	0	0	0
Other equity regulation / joint taxation	-819	-320	0	0
	-6,810	-7,829	41	2
Deferred tax is recognised as follows:				
Deferred tax asset	5,192	2,414	41	2
Deferred tax liability	-12,002	-10,242	0	0
	-6,810	-7,829	41	2

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 0.1 mio. (2019: EUR 2.1 mio.).

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

19 Hybrid capital

Terms and conditions
Hybrid capital comprise issued green bonds from 22 September 2020 of EUR 75 million, which is subordinated to other creditors but preceded by the share capital. The hybrid capital rank in priority only to any loans made after the first issue date by any major shareholder (Subordinated Shareholder Funding).
The hybrid security bears an initial coupon of 6.125% until the first call date on 22 September 2023, after which the coupon resets to the 3-year EUR swap rate prevailing at that time plus margin of 11.585%, which is the sum of initial margin 6.585% and step-up margin 5.0%. It has a final maturity on 22 September 3020.

European Energy has the option for early redemption at par (100%) on or after the first call date.

Coupon payments may be deferred at the discretion of European Energy A/S and ultimately any deferred coupons outstanding in 3020 will be cancelled. However, deferred coupon payments become payable if European Energy A/S decides to pay dividends to shareholders or makes payment in respect of any Subordinated Shareholder Funding.

As a consequence of the terms of the hybrid security the net proceed is initially recognised directly in equity. Coupon payments are also recognised in equity.

Fair value disclosures
As the principal of the hybrid bond ultimately falls due in 3020, its discounted fair value is nil due to the terms of the securities, and therefore a liability of nil has been recognised in the balance sheet.

Subsequently, the liability part is measured at amortised costs and will only impact profit or loss for the year towards the end of the 1,000-year term of the hybrid capital.

Notes

When a formal decision on redemption has been made European Energy has a contractual obligation to repay the principal, and thus the hybrid bond is reclassified from equity to financial liability.

On the date of reclassification, the financial liability is measured at market value of the hybrid capital. The hybrid bond is listed at NASDAQ, Copenhagen, and traded at market value.

20 Share capital

The share capital consists of nom. 625,000 shares of DKK 1 each, corresponding to EUR 84 thousand. The share capital is divided in nom. 62,500 A-shares of DKK 1 each and nom. 562,500 B-shares of DKK 1 each.

Every A-share of nom. DKK 1 equals one vote in the Genenral Assembly. B-shares have no voting rights.

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

21 Other provisions

Demolition costs liabilities
The provision relates to earn-out related to inventory and expected demolition costs to dismantle and remove wind and solar farms. These provisions are recognised when the Group 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.

Contingent consideration on acquired projects
The provision relates to contingent consideration regarding projects acquired from developers, where the consideration to the seller is depending on certain future events (earn-out). The fair value of purchase liabilities (earn-out) is recognised as provision when it is probable that the projects will be realised.

The contingent consideration transfers from provision to other payables when the future events that trigger payment of purchase liabilities (earn-out) occur.

Other provisions
The Danish Authorities have assessed that the parent company does not have the right to fully deduct VAT on external costs, as VAT related to expenses from sale of shares are not deductable. There is a provision for VAT adjustment from previous years included in Other provisions.

In addition, provision is made for a warranty claim regarding a sale of a power generating asset. Management has no reason to believe that the final payment will exceed the provision. Based upon Management's expectations for the maturity of the provisions, the provisions are recognised as current liabilities.

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22 Financial liabilities

Consolidated EUR'000	Debt at 1/1 2020	Total debt at 31/12 2020	Current portion	Non-current portion	Outstanding debt after 5 years
Issued bonds	192,017	194,144	0	194,144	0
Project financing	207,515	221,421	33,504	187,917	106,559
Amount owed to share holder	0	7	0	7	0
Other debt relating to acquisitions of companies	2,975	7,325	5,186	2,139	0
Lease liabilities	14,530	10,046	1,739	8,307	5,066
	417,037	432,943	40,429	392,514	111,625

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

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

Consolidated EUR'000	Debt at 1/1 2020	Total debt at 31/12 2020	Current portion	Non-current portion	Outstanding debt after 5 years
Amount owed to share holder	0	7	0	7	0
Amount owed to subsidiaries	1,295	630	0	630	0
	1,295	637	0	637	0

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

Notes

23 Derivative financial instruments

Interest rate swaps

EUR'000	Consolidated	
	2020	2019
Maturity less than 1 year	2,753	0
Maturity 1-5 years	0	8,258
Maturity more than 5 years	0	0
Total Nominal value	2,753	8,258
Fair value liability, included in Project financing	185	576
Change in fair value recognized in Equity	391	2,162

Forward currency exchange contracts

EUR'000	Consolidated	
	2020	2019
Average hedged rate per 1 EUR	6.4 BRL	-
Maturity less than 1 year	25,000	0
Average hedged rate per 1 EUR	1.2 USD	-
Maturity less than 1 year	8,955	0
Maturity less than 1 year	33,955	0
Maturity 1-5 years	0	0
Maturity more than 5 years	0	0
Total Nominal value	33,955	0
Fair value asset, included in Other receivables	389	0
Fair value liability, included in Other payables	558	0
Change in fair value recognized in Equity	-30	0
Change in fair value recognized in profit or loss	-139	0

European Energy A/S has hedged currency risk related to Brazilian investments in Joint Ventures and subsidiaries and has hedged purchase orders from suppliers

Notes

23 Derivative financial instruments, continued

Other financial instruments

EUR'000	Consolidated	
	2020	2019
Fair value 1 January	2,269	0
Value adjustments of hedging instruments recognized in equity during the year, unrealised	2,671	2,269
Value adjustments of hedging instruments recognized in equity during the year, realised	-2,127	0
Total fair value recognized in equitye	2,812	2,269
Fair value, included in non-current other receivables	2,812	2,269
Change in fair value recognized in Equity	2,812	2,269

Other financial instruments with fair value assets of EUR 2.8 million as of 31 December 2020 have been recognised in 2020. Other financial instruments are included in non-current other receivables. Value adjustment is recognized in Equity, as the relevant criteria for hedge accounting are met.

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

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

24 Mortgages and collateral

Contingent Liabilities and Other Financial Liabilities

EUR million	Consolidated	
	2020	2019
Guarantees related to financing agreements	0	11
Warranties regarding potential acquisition of new projects	25	1
Grid connection guarantees	78	61
Warranties regarding Power Purchase Agreements	22	4
Warranties regarding divestment of energy parks	43	12
Claims regarding divested energy parks	8	4
	176	93

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

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24 Mortgages and collateral, continued

Leases

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

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

Security for debt

Pledges and guarantees related to financing agreements
The company has provided security (in the form of parent company guarantees and share pledges) up to EUR 60 million 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.

Assets provided as security
Wind and solar farms with a carrying amount of EUR 79 million (2019: EUR 82 million) are pledged as security for the Group's debt to Credit Institutions, etc., a total of EUR 52 million (2019: EUR 73 million).

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

25 Contractual obligations and contingencies

Contingent liabilities

Contractual obligations

The parent company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and unlimited liability for Danish corporation taxes, etc. The corporation tax payable including taxes to other jurisdictions by the parent company is EUR 0.3 million in 2020 (2019: EUR 0.3 million).

Warranties regarding potential acquisition of new projects

Contingent liabilities arising from potential acquisition of new projects are related to the purchase of Brownfield projects for solar or wind energy, for which it is not probable that an outflow of resources will be required to settle the obligation. The amounts are not recognised but disclosed with indication of uncertainties relating to amounts and timing involved.

Grid connection guarantees

European Energy is often required to provide guarantees in connection with accomplishing necessary grid connection permits. If the company does not get the grid connection permits the guarantees will be released without any further payment commitments for the company. The guarantees will only be payable if the Group receives the grid connection, and decides not to build the project. This is thus very unlikely, since one of the major success factors in establishing new projects in Europe is the possibility to get grid connection. The main part of the grid connection guarantees is related to projects in Spain.

25 Contractual obligations and contingencies, continued

Warranties regarding Power Purchase Agrements

Most projects planned to be divested are already constructed, and the sale of electricity has been secured with long-term power purchase agreements. As long as the company delivers the agreed electricity there will be no payment commitments for the company.

Warranties regarding divestment of energy parks

Most projects planned to be divested are regulated in the share purchase agreements. The company does not see any material costs and actual payment commitments related to our divestment of energy parks.

Claims regarding pending disputes in divested energy parks

The Group is a party in minor pending disputes and lawsuits with claims up to EUR 12 million (2019: EUR 4 million) regarding the Group's current operations. In Management's opinion, the outcome of these disputes 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.

Contingent assets

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

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26 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	2020	2019	2020	2019
Related party transactions				
Cost of services from affiliates	0	0	-12	-12
Interest income from affiliates	0	0	38	38
Interest expenses to affiliates	0	-1	-30	-30
Purchases of shares from affiliates	0	-222	0	-222
Loans to related parties				
Loans to affiliates, carrying amount	0	0	630	806
Loans from related parties				
Loans from affiliates and shareholder, carrying amount	7	0	637	1,295

Controlling interest

The following shareholder has controlling interest:

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