KEA Holding I ApS

Annual report 2021

The annual report has been presented and approved at the Company's annual general meeting on 1 July 2022

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 2021.

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 2021 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 2021.

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, 1 July 2022

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 2021 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 2021 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 2021 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, 1 July 2022
KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Jon Wilson Beck
State Authorised Public Accountant
MNE No. mne32169

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 2017
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 2021	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)
InnoVent Brake GmbH & Co. KG	DE	35,0%	Associated
European Wind Farms Invest No. 2 A/S	DK	5,74% (+indirect ownership)	Associated

Management's review

EUR'000	2021	2020	2019	2018*	2017*
Key figures					
Revenue	328,757	207,310	239,239	96,439	187,065
Direct costs	-226,514	-133,168	-190,905	-60,589	-147,340
Gross profit	102,243	74,142	48,334	35,850	39,725
Operating profit	62,376	53,843	35,985	25,654	28,514
Net financial income and expense	261	-16,278	1,857	346	-1,648
Profit for the year	**57,544**	**29,464**	**37,370**	**22,574**	**22,070**
Non-controlling interests' share of profit for the year	-14,464	-11,531	-14,300	-6,498	-7,866
The Group's share of profit for the year	**43,079**	**17,933**	**23,070**	**16,077**	**14,205**
Total assets	1,178,179	744,690	609,108	445,391	287,035
Equity	**362,155**	**239,318**	**141,590**	**104,829**	**88,090**
Cash flows from operating activities	-123,280	-35,677	12,277	-150,083	-15,001
Net cash flows from investing activities	-55,703	-23,470	-3,167	-490	3,588
Portion relating to investment in property, plant and equipment, net	-46,022	-4,317	28,307	-12,576	-815
Cash flows from financing activities	283,359	66,961	36,821	160,764	44,335
Cash and cash equivalents related to acquired companies	0	0	9,912	0	0
Total cash flows	**104,377**	**7,814**	**55,843**	**10,191**	**32,922**
Financial ratios					
Gross margin	31.1%	35.8%	20.2%	37.2%	21.2%
Operating margin	19.0%	26.0%	15.5%	26.6%	15.2%
Equity ratio	30.7%	32.1%	23.2%	23.5%	30.7%
Return on equity	19.1%	15.5%	30.3%	23.4%	29.6%
Average number of full-time employees	266	169	117	95	74

*IFRS 16, Leases, was implemented as of 1 January 2019. Comparative figures for 2017-2018 have not been restated.

Financial ratios

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

The financial ratios have been calculated as follows:

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

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

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

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

Management's review

Management Report for KEA Holding I ApS

The Company’s Main Activities

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

Development of Operations

The most significant part of the activities in the Group are related to European Energy A/S, that is consolidated in the subgroup European Energy Holding ApS. Furthermore, the Group has activities in the subgroup KEA II Holding ApS relating to solar parks in Denmark and wind parks in Germany.
The company has on the top of the activitites in the subsidiary European Energy A/S only minor 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 A/S 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 two subsidiaries, hereof two subgroups.

The subgroup European Energy Holding ApS includes European Energy A/S. Description of the group structure below is primarily based on the description of Group structure in European Energy A/S financial statement 2021, as this subgroup has the most significant part of the activities in the Group.

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

The number of companies is relatively high because many of European Energy’s wind and solar farms are held by special purpose vehicles (SPV). The sole purpose of an SPV is the acquisition, financing and construction of particular wind and solar farms. The SPV usually has an asset/liability structure and legal status that makes its obligations secure even if the parent company becomes insolvent. Financing is obtained through the SPV, and, together with equity provided by its owners, this is how the SPV obtains funds to construct the assets.

Management's review

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, which own additional subsidiaries.

Financial performance

Description of the financial performance is based on the description in European Energy A/S financial statement 2021, as this is the most significant part of the activities in the Group.

Income statement

Revenue
Revenue for 2021 took a step up by 59% to EUR 328.8m (2020: EUR 207.3m).

Higher revenue was primarily driven by the sale of energy parks, which totalled EUR 268.1m, an increase of 68% (2020: EUR 160.3m) and mirrored the high interest levels from buyers, that showed appetite to acquire both turn-key projects and projects at earlier stages. Especially during the latter part of the year, we closed several divestments including the sale of a 186 MW wind project in Lithuania, our largest divestment to date.

The sale of power increased 29% to EUR 55.5m (2020: EUR 42.9m). The growth was driven by new capacity and record-high power prices although wind-speeds were historically low.

Asset management and other fees rose 25% and totalled EUR 5.2m (2020: EUR 4.2m). The increase was due to new assets becoming operational with new service contracts in place, and land leases from land acquired for future projects.

Gross profit
Gross profit amounts to EUR 102.2m an increase of 41% (2020: EUR 74.1m.) Project sales contributes to total gross profit in 2021 with EUR 52.5m and power sales contribute with EUR 44.6m.

EBITDA
EBITDA totalled EUR 81.1m, a step up of 33% (2020: EUR 60.6m). The increase was a direct consequence of higher revenue from both project sales and power sales. EBITDA from project sales contributed 46% of total EBITDA (2020: 48%), while EBITDA from power sales contributed 50% (2020: 52%).

The improvement was driven by gross profit increase, partly offset by increases in staff cost and other external costs. The increase in staff costs was due to the number of new employees onboarded during the year. The increase in other external costs should be seen in the light of the group expansion, which has added cost in the entering of new markets, new projects and establishing of new offices.

The EBITDA margin was 25% (2020: 29%). The main reason for the decline was mainly attributable to the mix of revenue, as the share of project sales were larger than the share of power sales.

Profit before tax
Profit before tax amounted to EUR 62.6m (2020: 37.6m), an increase of 66%. The increase was mainly driven by the improved project and power sales. Additionally, increases in depreciation and impairment were more than outweighed by improved net financial items.

Depreciation and impairment were up 49% to EUR 17.4m (2020: EUR 11.7m). The increase in the depreciation was expected as during the second half of 2021 we acquired several parks across Europe to our powerproducing assets portfolio.

The net financial expenses were EUR 1.0m (2020: EUR 11.4m expense). The low level of net financial expenses was due to a combination of modification gains recognised as part of the refinancing of financial debt, higher currency gains and increased capitalisation of interest expenses.

Tax for the year amounted to EUR 5.1m in 2021 (2020: EUR 8.1m). The Group has paid tax in Germany, Sweden, Greece, and Denmark to a total of EUR 4.6m (2020: EUR 3.7m).

The balance sheet

Property, plants & equipment
The value by the end of 2021 was EUR 157.8m (2020: EUR 131.1m). The higher value was mainly due to acquisitions of operational parks.

Inventories
Inventories measured at cost increased to EUR 524.8m (2020: EUR 325.8m).

EUR 215.5m (2020: EUR 199.6m) of the inventories were energy farms in operation. These energy farms are producing power and contributing to power sales by the Group. The farms will eventually be sold but the Group has concluded it more profitable to keep the parks until full value has been revealed. It requires a certain amount of realised power sales to give solid proof for performance. The value of the project is expected to increase, and, in the meantime, the Group will make earnings on power sales.

The value of energy farms in construction increased to EUR 197.5m in 2021 from EUR 36.1m in 2020. The large increase is a result of high activity levels and the Group's focus and hard work on expanding its project pipeline in earlier years. European Energy evaluates the likelihood of a project's success and projects are reviewed on an ongoing basis with the aim of making impairments if needed. A special focus is placed on projects in their early development stages (before construction). At the end of 2021, the value of projects in the phases before construction increased to EUR 111.8m (2020: EUR 90.2m) as a result of the Group's continued focus on expanding the pipeline of development projects, preparing to deliver more than 1 GW of clean energy farms each year.

Management's review

In 2021, this led to an impairment of inventory of EUR 13.2m (2020: EUR 2.4m). Writeoffs during the year amounted to EUR 1.7m (2020: EUR 0.3m).

The increase in write-downs should be seen as a result of the investment increase in early-stage development. The inventory value of these projects, before write-downs, increased from EUR 106.4m in 2020 to EUR 135.1m in 2021.
Due to the growing project pipeline, the write down of inventories increased to EUR 24.5m (2020: EUR 11.8m), mainly to reflect increased volume in the development pipeline but also due to projects abandoned due to lack of permits etc.

Equity
By the end of 2021, equity amounted to EUR 362.2m (2020: EUR 239.3m). The increase came from mainly 2 factors: realised earnings during 2021 and the tap of our existing hybrid bond of EUR 75.0m (2020: EUR 75.0m).

The non-controlling interests increased to EUR 58.6m (2020: 50.0m).

During 2021, the result of hedging of power prices, currencies and interests resulted in a net loss of EUR 6.3m (2020: EUR 0m loss) with a corresponding tax expense of EUR 1.3m (2020: EUR 0.4m). Deferred tax has not been reflected for the losses on power price hedging.

Bond loan
The book value of outstanding senior bonds increased in 2021 to EUR 285.4m (EUR 194.1m). In 2021, the bond was refinanced, and the principal amount was raised from EUR 200 million to EUR 300 million in a new senior unsecured bond with reset terms.

Project financing
Project financing (current and non-current) increased to EUR 347m (2020: EUR 221.4m). We are cooperating with several financial institutions for project financing depending on the geographic area of the construction site, size of the project and co-investors, if any. During 2021, project financing increased by EUR 106.9m, whereas the combined value of financed assets – primarily PPE and inventories - rose by EUR 226.3m. The remainder of investments in assets were financed by the parent company with the proceeds from the increased senior bond, hybrid capital and results from operation.

Management's review

Cash flow statement

Cash flow from operating activities
Cash flow from operating activities ended at negative EUR-123.3m (2020: EUR -35.7m).

The main driver for the negative operating cash flow was the inventory increase of EUR 188.7m (2020: EUR 92.4m).

Excluding changes to inventories, operating cash flows from operation totalled a satisfactory EUR 65.4m (2020: EUR 56.8m).

The inventory increase should be seen in the light of our efforts in growing the development pipeline and the all-time high number of MW under construction. Our operating assets recognised as inventory did not solely tie up cash but was significantly contributing to the power sales during the year. The farms are for sale and while they are in operation the parks will provide a solid proof of performance.

Cash flow from investing activities
Cash flow from investing activities was negative with EUR -55.7m (2020: EUR -23.5m).

Most significantly we acquired assets amounting to EUR 46.0m (2020: EUR 4.3m). The assets acquired were primarily wind assets located across Europe.

In 2021, new loans to related parties totalled EUR 12.1m (2020: EUR 17.4m) and related mainly to loans to Polish joint ventures.

Cash flow from financing activities
Cash flow from financing activities ended with a significant surplus of EUR 283.4m (2020: EUR 67.0m).

The positive impact came primarily from 3 sources:

The tap of our hybrid bond of EUR 75m, the refinancing of the green bond of EUR 300m and increased project financing.

The net proceeds from the hybrid bond tap issued in 2021 was EUR 76.0m. During the year coupon payments to bond holders were made at the amount of EUR 6.6m. The coupon payments are considered dividend and not interests.

Additionally, a new senior bond of EUR 300m with reset terms was issued during the year. The net proceeds were EUR 297.8m. On the back of this transaction, our outstanding EUR 200m senior secured bond was redeemed.

Project financing activity has also been high during the year, and we added new loans of EUR 232.3m (2020: EUR 206.0m) and repaid loans of EUR 106.7m (2020: EUR 201.4m) in relation to e.g., the divestment of energy parks.

Total cash flow
During the year the cash and cash equivalents increased by EUR 104.4m (2020: EUR 7.9m) and resulted in a cash position of EUR 227.8m (including cash with restrictions) compared to EUR 123.5m by the end of 2020.

Management's review

Capital management

The Group operates a two-layered capital structure. European Energy A/S constitutes the top-layer of the capital structure, which includes funding that is unsecured and structurally subordinated to project-level financing at the bottom.

The latter is predominantly secured bank financing of renewable energy projects either under construction or in operation.

The Group's financial policy is defined by a set of financial maintenance covenants included in the terms and conditions of the senior unsecured bonds issued by the parent company. These are:

1. A minimum parent company equity to total assets (excl. cash) of 25%
2. A maximum group project financing to group project assets (PPE and Inventories) of 75%

In short, these financial covenants stipulate that

1. parent capitalisation must be 1 times equity to 3 times debt, and;
2. that parent company on an aggregate basis should contribute with a minimum 25% equity to the project-level layer.

Debt funding of the parent company is based entirely through Nasdaq Copenhagenlisted bonds with "Nordic"-style documentation and issued under the company's green financing framework:

1. EUR 150m hybrid capital security with stated maturity in 3020, a coupon of 6.125% p.a. until First Call Date on September 22, 2023.

2. EUR 300m senior unsecured bond with maturity in September 2025 and a coupon of EURIBOR 3M plus a margin of 3.75%.

3. EUR 45m revolving credit facility maturing in 2026 at the latest with three major Nordic relationship banks. The terms largely mirror those of the senior unsecured bond.

Project level financing consists of construction (while under construction) or project (when projects are in operation) financing primarily with Danish and international banks, yet also with infrastructure debt asset managers.

European Energy runs on a continuous basis, financial planning on short- and mediumterm basis alike with the aim of securing:

- Adequate short-term liquidity to fund planned projects with parent equity and project debt
- Adequate capitalisation of the parent company to fund medium-term project pipelines and the timely refinancing of existing outstanding debt
- Quarterly compliance with financial covenants in senior secured bonds issued by the parent company and any project level debt covenants

Annually, in connection with approval of the Budget, the Board of Directors reviews and approves the funding plan of budgeted activities for the coming year.

Management's review

Uncertainty with regard to recognition and measurement

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 2021:

Revenue measurement

When divesting power plants the transaction price may comprise both a fixed and a variable element. The variable consideration may take various forms, most commonly the variability may relate to an agreed IRR for the sold project or an earn-out or production guarantee linked to future production. Additionally, the variable consideration may relate to various milestones for construction progress, completion, project economy or similar. The milestones may to some extent depend on external conditions, like weather, local authorities, etc., which creates an inherit uncertainty in the estimates. To the extent possible we use external or historical data to support our estimates, or other factors considered relevant.

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 9 for more details related to the impairment test.

Inventory/projects valuation

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

An impairment test is performed on the carrying amount.

Management's review

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.

Measurement of Power Purchase Agreements

When measuring the fair value of our portfolio of power purchase agreements we are aiming for the use of quoted prices (level 1 in the fair value hierarchy). However, this is not always possible since we have entered PPA’s on power markets where the future forward prices are not available throughout the entire contract lifetime. If the forward prices are not available for the entire contract period on the specific power market then the contract is measured according to a non-observable input (level 3 in the fair value hierarchy). The non-observable inputs used when measuring the fair value are compromised of quotes to the market for similar contracts, inflation and other market expectations.

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.

Management's review

Outlook

Reaching 2021 targets
EBITDA and Profit before tax were expected at EUR 80m and EUR 50m, respectively.

The 2021 outlook for the European Energy A/S group was revised on 23 December 2021 where the expectation to Profit before tax was adjusted upwards to EUR 60m. The expectation to EBITDA was maintained.

The outlook was revised due to a number of factors. We experienced higher power sales and profits from our operations all over Europe due to the material increasing power prices as well as better results from divestment of energy parks. The positives were counterbalanced by higher staff and other external costs as a result of the high activity level and growing number of employees. The net financial expenses were also considerably less than planned partly due to gains recognised as part of debt modification, partly due to lower interest in operating energy parks.

With a final EBITDA for the year of EUR 81.1m and a profit before tax of EUR 62.6m, the targets for the year were reached.

Outlook for 2022
We expect a significant growth in our financial results for 2022 compared to 2021 which is the result of the accelerated growth in European Energy's activity level. In 2021, we increased our MW under construction from 0.6 GW at the beginning of the year to 0.8 GW at the end and expect this number to grow even further towards 1.5 GW during 2022.

Our outlook is based on a balanced set of assumptions however there are factors associated with developing and constructing solar and wind projects which we assess could impact realized results by a margin of +/- 10% compared to outlook. On the risk side, construction activity can once again be impacted by supply chain issues from the COVID -19 pandemic and cost inflation. Other factors which could have negative impacts on the Group 's capability of meeting its goals is the success in obtaining necessary building permits, environmental impact assessments, the development in the supply of power purchasing agreements, delay in planned timing of plant divestments and the overall electricity price for the markets the Group are operating in.

Based on the above, we expect an EBITDA of EUR 135m and a Profit before tax of EUR 100m for 2022.

Management's review

Significant events after the reporting period

Divestment of solar parks in Denmark and Italy

On 28 December 2021 we announced the divestment of Solar Park Rødby Fjord ApS which was signed in December 2021. The transaction was recognised at closing on 14 February 2022. Solar Park Rødby Fjord has an energy capacity of 71 MW. On 14 January 2022 we announced the divestment of Solar Parks Troia and Palo, located in Italy. The solar parks have a combined energy capacity of 121 MW. The closing of the divestment occurred on 16 February 2022. The combined profit from the transactions is expected to be in the range of EUR 45-50m.

Acquisition of shares in Polish joint ventures

On 1 January 2022 we obtained control over a former joint venture with an onshore wind portfolio located in Poland.

Acquisition of REintegrate

On 2 January 2022 we acquired 27% of the shares in REintegrate, after which we own 100% of the share capital and voting rights.

Acquisition of Vinkel Bioenergi

On 7 January 2022, we announced the acquisition of Vinkel Bioenergi together with multi-family office Maigaard & Molbech. Europen Energy acquired a 6% minority shareholding of Vinkel Bioenergi. This acquisition constitutes a supply of Biogenic Co2 which is an important component of e-fuels needed in the production of e-methanol.

Wind turbine in Lithuania collapsed

During Q1 2022, a wind turbine in Lithuania related to a project sale concluded in 2021, collapsed. Thorough investigations are currently undergoing to identify any effects that the incident may have upon our financial statements. At the time of signing the Annual Report for 2021, our best estimates conclude that revenue recognised from the divestment fairly represents the consideration we will receive. Therefore, we do not expect any financial impact from the event in 2022.

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. European Energy’s risk management is intended to continuously identify, assess, and manage business and financial risks to reduce and secure an acceptable level of impact on financial results, the company’s value, and financial covenants in financing arrangements. 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 financial risks consist of liquidity risk, foreign currency risk, and interest rate risk. The primary risks and associated risk management measures are addressed below in line with these risk categories.

Management's review

Market risks

The sale of electricity and divestment of wind and solar farms involves exposure to fluctuating electricity prices in the market. To mitigate this market risk, European Energy enters into long-term power purchase agreements (PPAs) or secures long-term feed-in tariffs for the majority of power production for its projects that are under construction or in operation. Furthermore, geographical diversification of in development and operational projects alike ensures that electricity market price risk is spread across multiple electricity markets.

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

Operational risks

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

To be able to continuously realise new, profitable projects, European Energy relies on a broad project development pipeline, ensuring cross-border market intelligence, agility, and responsiveness during instances that 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 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 via 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 top-tier technology providers only.

Financial risks

Liquidity risks

As a developer of large-scale renewable-energy projects, European Energy naturally relies on sufficiently large amounts of liquid capital to finance construction activities. When projects enter the construction phase in particular, they rely on timely construction financing with equity capital (normally provided by the parent company, European Energy) and debt capital (normally provided by a bank through 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 projects may be delayed or jeopardised altogether.

Management's review

In order for European Energy to mitigate underlying liquidity risks, it dedicates considerable efforts to ongoing liquidity monitoring and forecasting of 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 across the entire construction cycle and securing construction financing with renowned and trusted banks as early as possible.

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 local currencies. European Energy assesses the need for hedging purchase orders from suppliers if the orders have substantial value and are not in the local currency – this is to ensure that budgeted construction costs are not exceeded. When projects are being constructed with the aim of being divested, European Energy assesses the need and possibility for hedging the entire enterprise value of the project to protect the value of European Energy's equity contribution to the project.

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

Inflation risks
An increase in inflation will impact the construction costs for new energy farms. In order to mitigate this the Group enter into procurement agreements for the vast part of the capital expenditure for new parks shortly after final investment decision is made. At the same time the power purchase agreements will be made, and thereby securing the value of the energy park. It is anticipated that an increased inflation will also impact the power prices, and thereby there is a build in hedge for the Group.

Political, Regulatory and Legal Risks

The successful development of renewable energy projects is dependent on the political and regulatory environment. While renewable energy in favourable climate conditions has already reached market price competitiveness with conventional forms of energy production, it still to some degree relies on state subsidies in many regions and countries. To reduce European Energy's exposure to country-specific changes in government policies and subsidy-related regulation, we pursue a geographic and technological diversification strategy. In 2021, European Energy was active in 19 different countries, mainly across Europe. To decrease its political risks in relatively higher risk countries outside of Europe, European Energy strives for joint venture developments in collaboration with local partners.

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 4.9 of the financial statements for European Energy A/S.

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

Income statement

		Consolidated		Parent company	
EUR'000	Note	2021	2020	2021	2020
Revenue	2	328,757	207,310	0	0
Direct costs		-226,514	-133,168	-3	-52
Gross profit		102,243	74,142	-3	-52
Other income		995	4,455	0	0
Staff costs	3	-12,105	-7,467	0	0
Other external costs	4	-11,332	-5,613	-6	-86
Depreciation		-17,425	-11,674	0	0
Operating profit/loss		62,376	53,843	-9	-138
Profit from subsidiaries		0	0	43,173	18,075
Profit from associates		1,275	-4,878	0	0
Financial income	5	12,973	3,266	77	4
Financial expenses	6	-13,987	-14,666	-147	-52
Profit before tax		62,637	37,565	43,094	17,889
Tax	7	-5,093	-8,101	-15	45
Profit for the year	8	57,544	29,464	43,079	17,934

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

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2021	2020	2021	2020
ASSETS					
Non-current assets					
Intangible assets					
Goodwill		4,528	0	0	0
		4,528	0	0	0
Property, plant and equipment					
Land and buildings	9	6,112	9,345	495	495
Wind power generating assets	9	138,036	118,049	0	0
Solar power generating assets	9	11,711	3,070	0	0
Tools and equipment	9	1,919	625	0	0
Lease assets		9,875	9,396	0	0
		167,653	140,485	495	495
Investments					
Investments in subsidiaries	10	0	0	150,126	111,693
Investments in associates	11	31,226	25,917	179	120
Other investments	12	8,492	7,524	222	222
Receivables from subsidiaries	13	0	0	1,321	630
Receivables from associates	13	59,160	46,133	1,179	864
Trade receivables and contract assets	14	10,731	2,907	0	0
Other receivables	15	3,447	12,898	0	0
Corporation tax receivable		163	468	0	0
		113,219	95,847	153,027	113,530
Total non-current assets		285,400	236,332	153,522	114,025
Current assets					
Inventories	17	524,830	325,827	0	0
Receivables					
Trade receivables and contract assets		56,845	26,514	0	0
Deferred tax asset	18	6,425	5,192	3	41
Other receivables		31,072	22,439	67	8
Corporation tax receivable		0	0	122	0
Prepayments		45,815	4,925	1	0
		140,157	59,070	184	49
Cash and cash equivalents		227,792	123,461	175	1,124
Total current assets		892,779	508,358	359	1,173
TOTAL ASSETS		1,178,179	744,690	153,881	115,198

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

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2021	2020	2021	2020
EQUITY AND LIABILITIES					
Equity					
Share capital	20	84	84	84	84
Reserve for net revaluation according to the equity method		0	0	148,786	110,336
Proposed dividend for the year		0	0	11	11
Retained earnings		153,524	114,232	4,727	3,885
Equity attributable to the shareholder of the Company		153,608	114,316	153,608	114,316
Hybrid capital	19	150,000	75,000	0	0
Non-controlling interests		58,547	50,002	0	0
Total equity		362,155	239,318	153,608	114,316
Provisions					
Other provisions	21	23,868	20,390	0	0
Deferred tax	18	12,378	12,002	0	0
Total provisions		36,246	32,392	0	0
Liabilities other than provisions					
Non-current liabilities other than provisions	22				
Bond loan		285,383	194,144	0	0
Credit institutions, project financing		301,409	187,917	0	0
Amount owed to share holder		3	7	3	7
Amount owed to subsidiaries		0	0	117	630
Other payables		12,377	2,147	153	192
Lease liabilities		9,220	8,307	0	0
		608,413	392,522	272	829

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

Balance sheet

EUR'000	Note	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020
Current liabilities other than provisions					
Credit institutions, project financing	22	45,589	33,504	0	0
Other debt, partnerships	22	0	5,186	0	0
Lease liabilities	22	2,123	1,739	0	0
Trade payables		62,774	12,031	0	53
Payables to associates		3,677	182	0	0
Corporation tax		9,766	6,904	0	0
Provisions		4,254	4,400	0	0
Contract liabilities		4,239	2,822	0	0
Other payables		38,963	13,690	0	0
		171,385	80,458	0	53
Total liabilities other than provisions		779,777	472,980	273	882
TOTAL EQUITY AND LIABILITIES		1,178,179	744,690	153,881	115,198

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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 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
Equity at 1 January 2021	84	114,232	114,316	75,000	50,002	239,318
Profit for the year	0	43,079	43,015	0	14,464	57,544
Value adjustments of hedging instruments	0	-4,772	-4,772	0	-1,581	-6,353
Other adjustments	0	984	984	0	84	1,068
Transactions with NCI	0	0	0	0	-1,398	-1,398
Additions	0	0	0	0	3,243	3,243
Disposals	0	0	0	0	-6,267	-6,267
Issue of hybrid capital	0	0	0	75,000	0	75,000
Equity at 31 December 2021	84	153,524	153,608	150,000	58,547	362,154

Parent company EUR'000	Share capital	Reserve for net revaluation according to the equity method	Proposed dividend	Retained earnings	Total
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
Equity at 1 January 2021	84	110,336	11	3,885	114,316
Paid dividend	0	0	-11	0	-11
Profit for the year	0	43,173	11	-104	43,079
Value adjustments of hedging instruments	0	-4,771	0	0	-4,771
Other adjustments	0	998	0	-4	994
Dividends	0	-950	0	950	0
Equity at 31 December 2021	84	148,786	11	4,727	153,608

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

Cash flow statement

EUR'000	Consolidated 2021	Consolidated 2020
Profit/Loss before tax	62,623	37,566
Adjustments for:		
Financial income	-12,973	-3,266
Financial expenses	13,987	14,666
Depreciations	17,425	11,674
Profit from equity-accounted companies	-1,275	4,878
Change in net working capital	138	9,815
Change in inventories	-188,724	-92,446
Interest paid on lease liabilities	-401	-413
Dividends	107	-887
Other non-cash items	-337	-4,243
Cash generated from operation before financial items and tax	-109,416	-22,657
Taxes paid	-4,374	-3,685
Interest paid and realised currency losses	-14,240	-10,235
Interest received and realised currency gains	4,750	946
Cash flow from operating activities	-123,280	-35,630
Purchase/disposal of Property, plant and equipment	-46,022	-4,317
Proceeds from disposal of equity-accounted investments	19	0
Purchase/disposal of other investments	0	-224
Acquisition of enterprises	-35	0
Cash and cash equivalents related to acquired companies	-1,331	0
Investment/loans in equity-accounted investments	3,788	-1,549
Loans to related parties	-12,122	-17,380
Cash flow from investing activities	-55,703	-23,470
Proceeds from issue of bonds	297,750	0
Repayment of bonds	-205,035	0
Proceeds from borrowings	232,302	205,952
Repayment of borrowings	-106,725	-201,371
Repayment of lease liabilities	-1,516	-2,000
Changes in payables to associates	30	-2,106
Capital increase	130	404
Purchase of treasury shares	-21	0
Cash from issue of hybrid capital	75,967	73,391
Coupon payment, hybrid capital	-6,608	0
Transactions with non-controlling interests	-2,915	-7,309
Cash flow from financing activities	283,359	66,961
Change in cash and cash equivalents	104,376	7,861
Cash and cash equivalents at beginning of period	123,416	115,599
Cash and cash equivalents end of period	227,792	123,461
Of which restricted cash and cash equivalents	-53,643	-35,121
Non-restricted cash and cash equivalents end of year	174,149	88,340

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 2021, the EUR/DKK rate was 7,4365 (31 December 2020: 7,4393).

The accounting policies remain unchanged compared to the annual report for the year ended 31 December 2020.

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

The group determines a functional currency for each reporting entity in the group. Group entities that are special purpose vehicles, established with the limited purpose to hold all activities related to a specific development project, are considered integrated entities in European Energy. Such special purpose vehicles have the same functional currency as the ultimate parent company, European Energy Holding. Where entities are not considered integrated entities in European Energy 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 or loss under finance income and finance costs.

Presentation currency

The consolidated financial statements are presented in Euro (EUR).

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

Businesses acquired are recognised in the consolidated financial statements from the date of acquisition, which is the date when the group obtains control of the acquired business.

Upon acquisition of a business of which we obtain control, the acquisition method is applied, according to which the identifiable assets, liabilities and contingent liabilities are measured at their fair values. Identifiable intangible assets are recognised if they meet either the separability criterion or the contractual/legal criterion. Deferred tax on revaluations is recognised.

The cost of a business combination comprises the fair value of the consideration agreed upon, including deferred and contingent consideration.

Subsequent changes to contingent considerationsare 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. Such estimated values may be adjusted, or additional assets or liabilities may be recognised up to 12 months after the acquisition date.

Transaction costs are recognised directly in the statement of profit and loss as incurred as other external expenses.

Basis of consolidation

The consolidated financial statements comprise the parent company, KEA Holding I ApS, and subsidiaries over which KEA Holding I ApS exercises control.

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.

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

Notes

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.

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

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

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

Accounting judgement upon initial classification of hybrid capital

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

The issued EUR 150m 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.

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

Notes

Power Purchase Agreements

When determining the accounting treatment of purchase price agreement (PPA's) management performs a range of judgments. Management has judged that PPA's entered with energy traders and or utility companies regarding physical offtake and where the counterparty can offtake physical delivery of the power from the meter point in the grid is considered physical contract and will be recognized accordingly. Other PPA's entered with corporates or counterparties which cannot physically offtake the power from the grid even though the contract entered is physical in nature is recognized as financial derivates in accordance with IFRS 9

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 2021:

Revenue measurement

When divesting power plants the transaction price may comprise both a fixed and a variable element. The variable consideration may take various forms, most commonly the variability may relate to an agreed IRR for the sold project or an earn-out or production guarantee linked to future production. Additionally, the variable consideration may relate to various milestones for construction progress, completion, project economy or similar. The milestones may to some extent depend on external conditions, like weather, local authorities, etc., which creates an inherit uncertainty in the estimates. To the extent possible we use external or historical data to support our estimates, or other factors considered relevant.

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 and sensitivity analysis

The key assumptions supporting recoverable amounts mainly comprise discount rate (WACC) and expectations regarding future production and unit prices. Please refer to note 9 for more details related to the impairment test.

Inventories

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

An impairment test is performed on the carrying amount.

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

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

Notes

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.

Measurement of Power Purchase Agreements

When measuring the fair value of our portfolio of power purchase agreements we are aiming for the use of quoted prices (level 1 in the fair value hierarchy). However, this is not always possible since we have entered PPA's on power markets where the future forward prices are not available throughout the entire contract lifetime. If the forward prices are not available for the entire contract period on the specific power market then the contract is measured according to a non-observable input (level 3 in the fair value hierarchy). The non-observable inputs used when measuring the fair value are compromised of quotes to the market for similar contracts, inflation and other market expectations.

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 but also projects in various stages of development and construction.

The group is divesting turn-key energy parks as well as projects in various stages of development and construction. Special purpose vehicles (SPVs) organised as subsidiaries, joint ventures or associates in the group carry out development and construction activities, and holds all relevant permits. When divesting energy parks or projects we sell the shares in a SPV.

Notes

To fulfil the performance obligation, whether it is a turnkey energy park or a project under development or construction, it is usual that the transaction as a minimum includes an agreement for the transfer of the shares in the SPV as well as an agreement for the development and/or construction of the energy park. These, and if relevant, more agreements are evaluated to assess if they are to be treated as combined contracts when determining the performance obligations and the transaction prices, respectively.

Revenue is recognised when control has been transferred to the buyer. This usually occurs at the point in time when the buyer accepts the takeover, depending on the terms and conditions of the contracts. In a turn-key sale it takes up to five years from the beginning of a project until the sale is completed and recognised. During this time European Energy develops, constructs and makes the plant operational. Consequently, there is a substantial time difference between European Energy's value creation in the project and the timing of the revenue recognition.

The revenue from sale of power generating assets in fully controlled subsidiaries is measured as total construction costs in the SPV at the time of divestment plus net profit from sale of the shares (a gross transaction).

The revenue from sale of power generating assets in joint ventures or associates is measured as the net profit from the sale of the shares in the SPVs, and no direct costs related (a net transaction). The transaction price is normally agreed in one or more milestone payments.

The transaction price normally includes a fixed and a variable consideration, determined by the project's expected future cash flow based on buyer's and seller's agreement on expected return on invested capital (ROIC).

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

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

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

Sale of power

Revenue from sale of produced electricity is recognised over time as supplied to the purchaser's network. Payment is linked to the supply of electricity based on the agreed payment terms.

Government grants comprise subsidies for sale of electricity. Subsidies for sale of electricity are intended as a compensation for the price of power. Government grants in 2021 primarily relates to subsidies received related to sale of electricity in Germany, Italy and Denmark. Government grants account for 17% (2020: 50%) of total electricity revenues. The decrease in the share of electricity revenues compared to 2020 is due to multiple factors including increasing power prices across all of Europe and our newer PV parks are subsidy free. This has a direct impact on the subsidies received.

Asset management and other fees

Revenue from asset management is recognised when the services are delivered over time. The service includes technical and commercial asset management and operation and maintenance service. Other services may be recognised at a point in time dependent on the terms and conditions of the agreements. Payment is linked to the services provided, either based on a hours spend or a fixed milestone schedule.

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.

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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 employees, including members of the Executive Board and the Board of Directors. Bonus agreements for key Management personnel are included in the total remuneration and depend on the profit for the period.

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

Finance income and expenses comprise interest income and expense, gains and losses on other investments, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc. Capitalised interests on inventories are calculated at a rate of 3-8% where the interest rate level is dependent on whether it is interest on construction financing or shareholder loans. The interest on shareholder loans is a weighted share of the EUR 300m bond, and the equity used for financing of the inventories.

Tax

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

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

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

Balance sheet

Goodwill

Goodwill arising from business acquisitions is recognised in the financial statements. Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less accumulated depreciation. Depreciation is provided on a straight-line basis over the expected useful life of the goodwill. The expected useful life is 10 years.

Notes

Depreciation is provided over the useful life of the investment in the subsidiary based on the business case determined at the time of the acquisition.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Depreciation and impairment losses are presented in a separate line in the income statement.

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

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

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

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
Land	No depreciation
Buildings	25-50 years

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

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

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

Gains and losses on the disposal of property, plant and equipment are stated as the difference between the selling price and the carrying amount at the date of disposal.

Gains and losses are recognised in the consolidated statement of profit or loss as other operating income or operating costs in the period of disposal.

Lease assets and liabilities

Lease

Whether a contract contains a lease is assessed at contract inception. If an asset is identified and the customer have the right to obtain substantially all the economic benefits from the use of the asset throughout the period of use and have 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 cann ot be determined, an appropriate incremental European Energy borrowing rate is used from 1.7%- 6.0% depending on the borrowing rate used in the country specific project.

In determining the lease period extension, options are only included if it is reasonably certain they will be utilised.

At subsequent measurement, the right-of-use asset is measured less accumulated depreciations and impairment losses and adjusted for any remeasurements of the lease liability. Depreciations are done following the straight-line method over the lease term or the useful life of the right-of-use asset, whichever is shortest.

The lease liability is measured at amortised cost using the effective interest method and adjusted for any remeasurements or modifications made to the contract. Right-of-use assets and lease liabilities are not recognised for low value lease assets or leases with a term of 12 months or less. These are recognised as an expense on a straight-line basis over the term of the lease. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Investments in subsidiaries and associates

Income statement

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

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

Balance sheet

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

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

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

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

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

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

Other investments

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

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

Impairment of assets

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

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

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

Inventories

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

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.

Borrowing costs, salaries and other external expenses directly attributable to the acquisition or construction of an energy farm are capitalised as part of the cost of the assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest expenses and other expenses that the group incurs in borrowing funds.

Inventories also comprise contingent consideration on acquired projects, where the consideration to the seller is depending on certain future events (earn-out). The purchase liabilities (earn-out) are recognised as provision when it is probable that the projects will be realised.

Purchase liabilities are measured at fair value at cost accumulation method based on the size of the acquired project (MW) and an estimated standard price per MW for comparable projects. When future events that trigger payment of purchase liabilities (earn-out) occur, the fair value is adjusted. Subsequent adjustments of purchase liabilities (fair value adjustments) are considered part of the cost of the acquired projects and is recognised as part of the purchase price.

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

The impairment analysis for 2021 has led to an additional impairment of EUR 13.2m (2020: EUR 1.1m). Impairment write-downs from earlier years of EUR 0.6m have been reversed, as they have been finally written off, caused by projects being abandoned, lack of permits, etc. The net write-down for the year amounted to EUR 12.6m. The increased write down mainly reflects increased volume in the development pipeline. Management finds the impairment appropriate.

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.

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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.

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.

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.

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

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

Liabilities other than provisions

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

Other liabilities are measured at net realisable value.

Cash flow statement

The 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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Notes

2 Segment information

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

2021	Consolidated					
EUR'000	Wind	Solar	Other	Total before elim.	Elim.	Total
Sale of energy farms and projects	175,565	92,520	0	268,085	0	268,085
Sale of electricity	37,646	17,882	0	55,528	0	55,528
Asset management	2,995	1,996	162	5,153	-30	5,123
Other fees	7	15	0	21	0	21
Revenue to external customers	216,213	112,413	162	328,788	-30	328,757
Inter-segment revenue	4,887	3,993	0	8,880	-8,880	0
Revenue	221,100	116,406	162	337,668	-8,910	328,757

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

Geographical information

	Consolidated	
EUR'000	2021	2020
Denmark	119,848	78,245
Northern/central Europe	175,329	119,675
South America	17,726	0
Southern Europe (incl. Maldives)	15,854	9,390
Total revenue	328,757	207,310

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EUR'000	Consolidated 2021	Consolidated 2020
3 Staff costs		
Wages, salaries and remuneration	30,628	18,381
Share-based compensation	1,030	322
Pensions	73	26
Other social security costs	733	306
Other staff costs	1,347	721
Capitalised salaries on inventories	-21,704	-12,289
	12,105	7,467
Average number of employees	266	169
Number of full-time employees end of period	344	185

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

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Notes

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 10 years, and the total number of shares in the program equals up to 10 % of the company capital base, equal to 30 million shares.

The annual granting includes up to 1% of the comapny capital or 3 million warrants.

The scheme is based on issuance of warrants that give the right to apply for new shares in European Energy in the future.

The board has approved to issue approx. 3 million warrants in 2022. Hereafter the outstanding amount of warrants to be allocated under the program is approx. 15 million.

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.

Weighted average remaining contractual life for outstanding warrants at year-end is 6 years.

For exercised warrants in 2021 the weighted average share price during the period amounted to DKK 5,21 (2020: DKK 4,07).

Outstanding warrants at the end of 2021 may be exercised at a price that increase by 5% per year, i.e. at the range of DKK 11,03 – 14,18.

Valuation assumptions for warrants granted

Based on a weighted average fair value per warrant of DKK 3.67 (2020: DKK 0.82) the total fair value of warrants granted in 2021 amounted to EUR 1.3m (2020: EUR 0.3m), of which EUR 0.9m is recognized in the income statement at 31 December 2021 (2020: EUR 0.2m).

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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EUR'000	Consolidated 2021	Consolidated 2020		

4 Audit fees

EUR'000	2021	2020
Fee relating to the statutory audit	332	253
Assurance other than audit	24	10
Tax advice	0	36
Non-audit services	62	50
	418	349

5 Financial income

EUR'000	2021	2020		
Interest income, financial assets measured at amortised costs	896	1,066	0	0
Interest income, group enterprises and associates	1,755	1,275	55	-5
Modification gain	6,640	0	0	0
Dividends	341	234	0	0
Currency gains	3,572	906	22	9
Financial income that have been capitalised on inventories	-230	-216	0	0
	12,973	3,266	77	4

6 Financial expenses

EUR'000	2021	2020		
Interest on bonds	10,578	10,908	0	0
Interest expense, bank	6,941	5,389	1	3
Interest expense, shareholder	1	1	0	0
Interest expense, subsidiaries and associates	140	-3	101	41
Financial expenses that have been capitalised on inventories	-12,830	-6,930	0	0
Amortisation of debt issue costs	4,034	597	0	0
Amortisation of modification gain	1,020	655	0	0
Early redemption fee	0	908	0	0
Other financial expenses	2,677	2,013	45	8
Currency losses	1,425	1,127	0	0
	13,987	14,666	147	52

7 Tax on profit for the year

EUR'000	2021	2020		
Tax on profit for the year	3,673	6,251	0	0
Change in deferred tax	-160	988	-37	39
Adjustment in deferred tax regarding prior years	-328	604	0	0
Adjustment to tax relating to previous years	1,909	257	22	5
	5,093	8,101	-15	45

Notes

EUR'000	Consolidated 2021	Consolidated 2020	Parent company 2021	Parent company 2020

8 Proposed profit appropriation

Reserve for net revaluation according to the equity method	0	0	43,173	18,075
Non-controlling interests' share of profit for the year	14,464	11,531	0	0
Proposed dividend for the year	0	0	11	11
Retained earnings	43,079	17,934	-105	-153
	57,544	29,465	43,079	17,934

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 2021	9,355	133,543	4,026	2,107	149,030
Exchange rate adjustments	2	7	0	0	9
Additions	455	35,176	9,078	1,775	46,484
Transfer from inventory	-3,094	0	0	0	-3,094
Disposals	-600	0	-5	-2	-607
Cost at 31 December 2021	6,118	168,726	13,098	3,880	191,822
Depreciation and impairment losses at 1 January 2021	-10	-15,494	-955	-1,482	-17,941
Depreciation	-12	-11,526	-430	-478	-12,446
Deconsolidation	0	-3	-2	-1	-6
Depreciation – sold companies	-125	-3,667	0	0	-3,792
Transfer/reclassification	9	0	0	0	9
Disposals	132	0	0	0	132
Depreciation and impairment losses at 31 December 2021	-6	-30,690	-1,387	-1,961	-34,044
Carrying amount at 31 December 2021	6,112	138,036	11,711	1,919	157,778
Depreciated over	25-50 years*	25-30 years	40 years	3-5 years	

*Buildings only

Notes

Impairment test of property, plant and equipment and sensitivity analysis

During 2021, Management performed impairment assessments on the carrying amount of property, plant and equipment. The group assesses at each reporting date whether there is an indication that an asset in operation should be impaired. The impairment test performed in 2021 shows excess value for the Danish and German wind farms.

The book value of the solar farms amounts to 7% (2020: 2%) of the total book value of property, plant and equipment. The book value of wind farms in Germany and Denmark amounts to 88% (2020: 90%) of the total value.

For the purpose of impairment testing of the wind farms, Management has made the following key assumptions in estimating the value in use, with its comments regarding WACC below: Impairment test assumptions are generally affected by changes in the economic situation in the countries, where the group is present and has development activities.

Increasing interest levels and inflation rates affects the expected cost to develop, construct and operate energy farm projects, the required rate of return from investors as well as the expectations for future electricity prices.

In 2021, the group has recorded significantly increasing electricity prices, also positively affecting the long-term price expectations. At the same time, the group has recorded increasing commodity prices and freight rates.

Until now, the group has seen that the overall effect of the development is an increase in the expected sales prices for projects and in the sales already recorded. Discount rate after tax (WACC) used for Danish and German wind farms is 4.0-5.0% (2020: 4.0-5.0%). The impairment tests are based on budgets for the remaining life of wind farms. The discount rate for the DCF model is the posttax weighted average cost of capital (WACC). Country-specific risk (tariff stability, interest-rate levels, average risk-free interest rate applied to reduce the volatility, etc.) are taken into consideration. For 2021 the impairment tests show that a few assets needs to be impaired, since the recoverable amount is less than the carrying amount. The total impairment booked in 2021 amounts to EUR 3.7m (2020. Reversal of prior year EUR 0.3m impairment loss).

Management performed sensitivity analysis on the result of the impairment tests made for the individual wind farms, based on the main assumptions.

The wind farms in AEZ Group and Driftsselskabet Heidelberg are all recognised at fair value after being consolidated for the first time in 2019 and reassessed in 2020. At year end there are no excess value and any increase in WACC will result in impairment regarding these wind farms.

For the remaining Danish wind farms the first impairment indication shows at a WACC of 6.5% at an individual level.

10 Investments in subsidiaries

	Parent company	
EUR'000	2021	2020
Cost at 1 January	1,357	1,357
Additions for the year	0	0
Disposals for the year	-17	0
Cost at 31 December	1,340	1,357
Value adjustments at 1 January	94,812	94,812
Share of profit for the year	43,173	18,075
Hedges, net of tax	-4,771	543
Dividends received	-950	-2,600
Other value adjustments	998	-494
Value adjustments at 31 December	148,786	110,336
Carrying amount at 31 December	150,126	111,693

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

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Stepwise acquisition of REintegrate

The group has obtained control of the former associate REintegrate, which is a Danish Power-to-X company located in Jutland. REintegrate has developed a technology that converts renewable energy and CO2 emissions into convenient and competitive e-fuels and chemicals. A new decentralized production technology will provide green emethanol identical to fossil methanol from renewable sources and CO2 from bio-waste. The emethanol is supporting the green transition for e.g. the transport sector and chemical industry, through convenient and environmentally friendly fuels and chemicals.

The acquisition underpins our strong focus on Power-to-X. The business of REintegrate is complementary to the business of European Energy as it provides flexibility in the value chain of green energy, from the production of renewable electricity to higher value products such as green hydrogen and e-methanol. In Q4-2020 the group acquired 24% of the ownership interests in REintegrate. In Q2-2021 European Energy acquired 15% voting rights. In Q3-2021 European Energy acquired additional 16% of the ownership interests in REintegrate through one transaction, with the acquisition date 18 August 2021, resulting in the group obtaining control of REintegrate. Further acquisition has been made in Q3 and Q4 2021, resulting in the accumulated ownership interest at the reporting date of 73%.

The non-controlling interest in Reintegrate including the interest held immediately before obtaining control has been remeasured at fair value which is based on the transaction price when obtaining control. The remeasurement on the non-controlling interest held before obtaining control has resulted in a gain of EUR 0.6 million, which was recognised as an income from equity-accounted investments.

The fair value of the identifiable assets was EUR 0.8 million, which include other receivables EUR 0.3 million, where the fair value has been assessed to be the same as the contractual amount receivable. All contractual amount receivables expect to be collected. The total transaction price was EUR 5.3 million of which EUR 4,5 million has been allocated to goodwill. The goodwill is not tax deductible.

The acquired business has currently no significant revenues or earnings or has realized any after the group obtained control.

The purchase price of the additional 49% ownership interests has been paid partly in cash during Q3-2021. The cash payment totalled EUR 1.3 million with additional EUR 0.3 million being deferred with the last payment to be made in second half of 2022. The group has paid no transaction costs.

The preliminary purchase price allocation has yet not been completed. The identifiable assets acquired and liabilities transferred are based on the initial recognition of the preliminary fair values that can be adjusted up until 12 months after the acquisition date.

Ownership shares:

Investments in subsidiaries, directly as well as indirectly, at 31 December 2021 comprise:

Name	Country of place of business	Ownership 31/12 2021
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 Trading A/s	DK	100,0%
AEZ Dienstleistungs GmbH	DE	100,0%
AEZ Planungs GmbH & Co KG	DE	100,0%
AEZ Verwaltung GmbH	DE	100,0%
Bjornasen Vind AB	SE	100,0%
Blue Viking Alexandra S.L	ES	100,0%

Blue Viking Alexandra S.L	ES	100,0%

10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2021
Blue Viking Beatrice S.L.	ES	100,0%
Blue Viking Solar S.L.	ES	100,0%
Blue Viking Ayora S.L.	ES	70,0%
Blue Viking Cristina S.L.	ES	100,0%
Blue Viking Gabriela S.L.	ES	100,0%
Blue Viking Matilda S.L.	ES	100,0%
Blue Viking Hildur S.L.	ES	100,0%
Blue Viking Violeta S.L.	ES	100,0%
Blue Viking Raquel S.L.	ES	100,0%
Blue Viking Linea S.L.	ES	100,0%
Blue Viking Fernanda S.L.U.	ES	100,0%
Blue Viking Diana S.L.U.	ES	100,0%
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%

Notes

10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2021
Blue Viking Mikael S.L.	ES	100,0%
Blue Viking Santiago S.L.	ES	100,0%
Blue Viking Barbara S.L.	ES	100,0%
Blue Viking Clara S.L.	ES	100,0%
Blue Viking Eden S.L.	ES	100,0%
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	100,0%
e.n.o. Kabeltrasse GbR Grosstreben	DE	75,0%
EE Beesem GmbH & Co. KG	DE	100,0%
EE Bloosballich GmbH & Co. KG	DE	100,0%
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	70,0%
EE Oderwald Verwaltungs GmbH	DE	70,0%
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%

Notes

10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2021
EE Ronica sp. z o.o.	PL	100,0%
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 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	99,30%
Eolica Ouro Branco 2 S.A	BR	99,36%
Eolica Quatro Ventos S.A	BR	99,40%
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%
UAB Degaiciy Vejas	LT	100,0%
UAB Rasveja	LT	100,0%
European Energy Development Limited	UK	100,0%
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%

Notes

10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2021
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 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%
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	100,0%
FWE Windpark Wittstedt K/S	DK	100,0%
FWE Windpark Wulfshagen K/S	DK	100,0%
FWE Windpark 3 Standorte K/S	DK	100,0%
FWE Windpark Kranenburg K/S	DK	100,0%
FWE Windpark Scheddebrock K/S	DK	100,0%
FWE Windpark Westerberg K/S	DK	100,0%
Gadir Energiaki MEPE	GR	100,0%
Gatton Solar Farm Holding Pty Ltd	AU	100,0%
Gatton Solar Farm Pty Ltd	AU	100,0%
Grevekulla Vindpark AB	SE	100,0%
Hanstholmvej Ejendomsselskab ApS	DK	100,0%
Hanstholmvej Infrastrukturselskab ApS	DK	100,0%
Hanstholmvej Holding ApS	DK	100,0%
Holmen II Holding ApS	DK	67,0%
Holmen II Vindkraft I/S	DK	37,3%
Holmen II V90 ApS	DK	67,0%
H&R Wind Parks ApS	DK	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 2021
Infrastrukturgesellschaft Windfeld 19/24 GmbH & Co. KG	DE	94,4%
Infrastrukturgesellschaft Windfeld 19/24 Verwaltungs-GmbH	DE	94,4%
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	100,0%
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%
Limes 1 S.r.l.	IT	100,0%
Limes 2 S.r.l.	IT	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	75,3%
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%
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%

Notes

10 Investments in subsidiaries, continued

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2021
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 La Pobla ApS	DK	100,0%
Shardana Energetica S.r.l	IT	100,0%
SF Ibiza ApS	DK	100,0%
Sicily Green Power S.R.L.	IT	100,0%
Solar Park Agersted ApS	DK	89,0%
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 Kassø ApS	DK	92,8%
Solar Park Rødby Fjord ApS	DK	73,5%
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%
ASI Troia FV 1 S.r.l.	IT	100,0%
Vindtestcenter Måde K/S	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	100,0%
Windpark Prittitz Verwaltungsgesellschaft mbH	DE	100,0%
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%

Notes

10 **10** **Investments in subsidiaries, continued**

Ownership shares in subsidiaries can be specified as follows:

Name	Country of place of business	Ownership % 31/12 2021
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%
REintegrate ApS	DK	73,4%
REintegrate Skive ApS	DK	73,4%
Agersted Køberetsselskab I/S	DK	89,0%
Allier Agrisolaire SAS	FR	100,0%
Barreiras ApS	DK	100,0%
Boa Hora 4 Geradora de Energia Solar S.A.	BR	80,0%
Boa Hora 5 Geradora de Energia Solar S.A.	BR	80,0%
Boa Hora 6 Geradora de Energia Solar S.A.	BR	80,0%
Church Farm Energy Centre Limited	UK	50,0%
Contino Delta sp. z o.o.	PL	100,0%
Drinkstone Energy Centre Limited	UK	50,0%
East Coast Solar LLC	US	55,0%
EE Agrisolaire 03 SAS	FR	100,0%
EE Agrisolaire 04 SAS	FR	100,0%
EE Agrisolaire 05 SAS	FR	100,0%
EE Bonin Sp. z.o.o.	PL	100,0%
EE Bulgaria EOOD	BG	100,0%
EE Croatia ApS	DK	100,0%
EE Estonia ApS	DK	100,0%
EE GC Projects Holding sp. z o.o	PL	99,0%
EE Latvia ApS	DK	100,0%
EE Lithuania Emerald ApS	DK	100,0%
EE Beresti Wind S.R.L.	RO	100,0%
EE Debnica Kaszubska sp. z o.o.	PL	100,0%
EE Deinste Hagen ApS & Co. KG	DE	100,0%
EE Guldborgsund ApS	DK	73,5%
EE Heating (UK) Ltd	UK	100,0%
EE Nautschketal GmbH & Co. KG	DE	100,0%
EE Grunhof GmbH	DE	100,0%
EE Sunvalley Sp. z.o.o.	PL	100,0%
EE Fuhne ApS & Co. KG	DE	100,0%
EE Green 1 sp. z o.o.	PL	99,0%
EE Green 2 sp. z o.o.	PL	99,0%
EE Green 3 sp. z o.o.	PL	99,0%
EE Kappa Solar S.R.L	IT	100,0%
EE Krassen EOOD	BG	100,0%
EE Krzecin sp. z o.o.	PL	100,0%
EE Latvia SIA	LT	100,0%
EE Lithuania UAB	LT	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 2021
EE Lithuania Holding UAB	LT	100,0%
EE Liskowo Sp. z.o.o.	PL	100,0%
EE Lobez sp. z o.o.	PL	100,0%
EE Netherlands ApS	DK	100,0%
EE Omicron Solar SRL	RO	100,0%
EE Projekt Sp. z.o.o.	PL	100,0%
EE Real Estate EOOD	BG	100,0%
EE Romania Development SRL	RO	100,0%
EE Ribbendorf ApS & Co. KG	DE	100,0%
EE Sinningen ApS & Co. KG	DE	100,0%
European Energy Svedberga AB	SE	100,0%
EE Sulimierz sp. z o.o.	PL	100,0%
EE Solar Cottbus Nord GmbH	DE	100,0%
EE Solar US LLC	US	100,0%
EE Telsiai Holding UAB	LT	100,0%
EE Zarnowiec Sp. z.o.o.	PL	100,0%
EE Zwackelmann GmbH & Co. KG	DE	100,0%
European Energy Byg II ApS	DK	100,0%
European Energia Estonia OU	EST	100,0%
European Energy Trading A/S	DK	100,0%
Farma Wiatrowa Drawsko Sp. z o.o.	PL	100,0%
Glenwhan Wind Farm Limited	UK	100,0%
Guldborgsund Energi ApS	DK	44,1%
James Blyth Three Ltd	UK	100,0%
James Blyth Four Ltd	UK	100,0%
Kincraig Energy Centre Limited	UK	50,0%
Landgoed Colusdijk B.V.	NL	100,0%
Lennig Road Solar LLC	US	55,0%
Meadowbrook Road LLC	US	55,0%
Montalto Energy S.r.l.	IT	100,0%
Monteto Verdo SIA	LT	100,0%
Montreathmont Energy Centre Limited	UK	50,0%
Nievre Agrisolaire SAS	FR	100,0%
Old Hall Energy Centre Limited	UK	50,0%
Onuba Energeiaki Ltd Liability Co	GR	100,0%
Pendine Wind Farm Limited	UK	100,0%
Pinaceae One Limited	UK	100,0%
Parc Cynog Wind Farm Limited	UK	100,0%
Prospect Road Solar LLC	US	55,0%
Puddledock Road LLC	US	55,0%
Pumping Hill Road Solar LLC	US	55,0%
REP I Toftlundvej 7 DK KS	DK	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 2021
Route 34 Solar LLC	US	55,0%
Rødby Fjord Køberetsselskab I/S	DK	73,5%
Sablokesto OU	EST	100,0%
Selms Muir Energy Centre Limited	UK	50,0%
Shireoaks Energy Centre Ltd	UK	50,0%
Smeralda Floro SIA	LT	100,0%
Solar Park De Bjirmen B.V.	NL	100,0%
Solar Park Gindeskovgård ApS	DK	100,0%
Solar Park Holmen II ApS	DK	100,0%
Solar Park Kvosted ApS	DK	100,0%
Solar Park Lidsø ApS	DK	90,0%
Solar Park Milbakken ApS	DK	100,0%
Solar Park Skodsebølle ApS	DK	100,0%
Solar Park Stouby ApS	DK	100,0%
Stelo Orienta SIA	LT	100,0%
Strathruddie Energy Centre Limited	UK	50,0%
Tacaimbo 1 ApS	BR	100,0%
Tanaga Wind S.r.l.	IT	51,0%
Teindland Wind Farm Limited	UK	100,0%
UAB Anyksciai PV	LT	100,0%
EE Heating A/S	DK	42,9%
EE Heating Holding ApS	DK	42,9%
Windenergie Rauschenberg A/S	DK	90,0%
Windpark Enkhuizen B.V.	NL	100,0%
B.V. Windpark De Bjirmen	NL	100,0%
Yellow Viking Development LLC	US	100,0%

11 Investments in associates

EUR'000	Consolidated 2021	Consolidated 2020
Cost at 1 January	17,425	18,783
Additions for the year	4,482	1,509
Disposals for the year	-184	-1,008
Transfer	-632	-1.858
Cost at 31 December	21,091	17,425
Value adjustments at 1 January	1,380	4,142
Profit for the year	1,275	-4,878
Reversed value adjustments on disposal	0	829
Transfer	-608	6
Dividends and other adjustments	362	-1,479
Value adjustments at 31 December	-352	-1,380
Carrying amount at 31 December	20,739	16,046
Investment in associates	31,226	25,917
Set-off against receivables from associates	-10,488	-9,871
Total	20,739	16,046

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11 Investments in associates (continued)

Ownership shares in associates can be specified as follows:

Name	Country of place of business	Ownership 31/12 2021
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 Null GmbH & Co. KG	DE	50,0%
EE Sieben Zwei GmbH & Co. KG	DE	50,0%
EE Süstedt ApS & Co KG	DE	50,0%
EEA Renewables A/S	DK	50,0%
EEA Stormy ApS	DK	50,0%
EEA SWEPOL A/S	DK	50,0%
EEA Verwaltungs GmbH	DE	50,0%
EEGW Persano ApS	DK	50,0%
EWF Eins Sieben GmbH & Co. KG, Germany	DE	50,0%
EWF Fünf Vier GmbH & Co. KG, Wittstock	DE	50,0%
Greenwatt Ahvenneva Oy Ab	FI	50,0%
Greenwatt Honkakangas Oy Ab	FI	50,0%
GWE Contractors K/S	DK	50,0%
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 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%

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11 Investments in associates (continued)

Name	Country of place of business	Ownership % 31/12 2021
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%
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%
EE Barbassee ApS & Co. KG	DE	50,0%
Kronborg Solpark ApS	DK	50,0%
PES 12 Sp.zoo	PL	50,0%
PES 13 Sp.zoo	PL	50,0%
PES 20 Sp. z o.o.	PL	50,0%
PES 21 Sp. z o.o.	PL	50,0%
PES 30 Sp.zoo	PL	50,0%
PES 32 Sp.zoo	PL	50,0%
PES 33 Sp.zoo	PL	50,0%
PES 34 Sp.zoo	PL	50,0%
PES 35 Sp.zoo	PL	50,0%
PES 36 Sp.zoo	PL	50,0%
PES 40 Sp.zoo	PL	50,0%
PES 41 Sp.zoo	PL	50,0%
PES 42 Sp.zoo	PL	50,0%
Renewable Energy Partnership I GP ApS	DK	33,3%
Renewable Energy Partnership Management GP ApS	DK	33,3%
Renewable Energy Partnership P/S	DK	33,3%
Repowering Gunthersdorf Trebitz GmbH & Co. KG	DE	50,0%
UAB Taupi energija	LT	20,0%
UW Nessa II GmbH & Co. KG	DE	50,0%
WP Repowering Wernikow EE-DW GmbH & Co. KG	DE	50,0%
Zonnepark Nederweert B.V.	NL	50,0%
Coremas I Geracao de Energia SPE LTDA.	BR	43,3%
Coremas II Geracao de Energia SPE LTDA.	BR	43,3%
Coremas III Geracao de Energia SPE LTDA.	BR	43,3%
Fundo de Investimento em participacoes conjunto Coremas - Multiestrategia	DK	43,3%
Associates sold or liquidated in 2021		
Energy 3 DOO	BA	0,0%
EE Sieben Drei GmbH & Co. KG	DE	0,0%

Notes

12 Other investments

EUR'000	Consolidated 2021	Consolidated 2020
Cost at 1 January	3,086	2,175
Additions for the year	30	920
Transferred	-91	0
Consolidated acquired entities	0	16
Disposals for the year	-1	-26
Cost at 31 December	3,024	3,086
Value adjustments at 1 January	4,438	2,220
Value adjustments during the year	996	2,208
Consolidated acquired entities	0	11
Disposals for the year	-3	0
Transferred	36	0
Value adjustments at 31 December	5,468	4,438
Carrying amount at 31 December	8,492	7,524

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 1,7m (2020: EUR 1,8m) is expected to be recovered more than 5 years after the balance sheet date.

15 Other receivables

	Consolidated		Parent company	
EUR'000	2021	2020	2021	2020
Interest-bearing loan to Vores Sol Nakskov I-VI K/S	522	592	0	0
Interest-bearing loan to business partner for the acquisition of energy farms	2,925	3,318	0	0
VAT receivable	0	5,742	0	0
Fair value PPA hedge contract	0	3,247	0	0
Total other receivables (non-current assets)	3,447	12,898	0	0

Notes

16 Prepayments

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

17 Inventories

	Consolidated	
EUR'000	2021	2020
Cost at 1 January	337,676	241,681
Additions for the year	410,834	220,408
Transferred to/from Property, Plant and Equipment	2,988	-21
Disposals for the year (recognised as direct cost)	-200,443	-125,742
Disposal of the year (lease assets)	0	-5,387
Deconsolidated entities	0	-3,987
Consolidated acquired entities	0	10,896
Write offs of the year	-1,745	-262
Cost at 31 December	549,310	337,676
Write-downs at 1 January	-11,849	-14,261
Write-downs for the year, addition	-13,213	2.412
Disposal of the year	582	0
Write-downs at 31 December	-24,480	-11,849
Carrying amount at 31 December	524,830	325,827

Inventory at 31 December comprises:

Operating	215,521	199,578
Under development	111,820	90,174
Under construction	197,489	36,075
Total inventory at 31 December	524,830	325,827
Total wind farms	171,861	187,158
Total solar farms	352,969	138,053
Other projects	0	616
Total inventory at 31 December	524,830	325,827

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18 Deferred tax

	Consolidated		Parent company	
EUR'000	2021	2020	2021	2020
Deferred tax at 1 January	-6,810	-7,829	41	2
Change in deferred tax recognised in income statement	614	-1,593	-37	39
Deferred tax on changes in equity	-256	-364	0	0
Adjustment relating to the disposal of subsidiaries, etc.	514	3,796	0	0
Transferred to joint taxation contribution, etc.	-138	0	0	0
Other equity regulation / joint taxation	123	-819	0	0
	-5,953	-6,810	3	41
Deferred tax is recognised as follows:				
Deferred tax asset	5,192	5,192	3	41
Deferred tax liability	-12,002	-12,002	0	0
	-6,810	-6,810	3	41

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

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

Deferred tax assets not recognised in the group balance sheet amounts to EUR 1.8 mio. (2020: EUR 0.1 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 and a subsequent tap of Eur 75m on 15 April 2021, all which is subordinated to other creditors but preceded by the share capital.

The capital increase as of 15 April, 2021 had an issue price of 101,75% plus accrued interest and resulted in a premium of net EUR 4.5m.

In Q3 coupon payments were paid. The payments amounts to EUR 9.2m less of accrued interest of EUR 2.6m. Net interest payment of EUR 6.6m is accounted for as dividends.

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.

Notes

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.

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 2017.

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 European Energy A/S 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.

Notes

22 Financial liabilities

Consolidated EUR'000	Debt at 1/1 2021	Total debt at 31/12 2021	Current portion	Non- current portion	Outstanding debt after 5 years
Issued bonds	194,144	285,383	0	285,383	0
Project financing	221,421	346,998	45,589	301,409	166,678
Amount owed to share holder	7	3	0	3	0
Other debt relating to acquisitions of companies	7,325	12,377	0	12,377	0
Lease liabilities	10,046	11,343	2,123	9,220	6,591
	432,943	656,105	47,712	608,393	173,269

In September 2021, a new EUR 300m senior bond was issued where terms were optimised, taking market standard and peer terms into consideration while maintaining satisfactory investor protection. Through a new set of financial covenants, our capital structure was made scalable to allow more parent debt as the company grows. Realising our growth strategy requires the ability to incur an increasing amount of debt at parent level to cover development activities and the equity share of construction activities and the operating portfolio. On the back of this transaction, our outstanding EUR 200m senior secured bond was redeemed.

Parent Company EUR'000	Debt at 1/1 2021	Total debt at 31/12 2021	Current portion	Non- current portion	Outstanding debt after 5 years
Amount owed to share holder	7	3	0	3	0
Amount owed to subsidiaries	630	117	0	117	0
	637	120	0	120	0

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

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23 Derivative financial instruments

Interest rate swaps

EUR'000	Consolidated	
	2021	2020
Maturity less than 1 year	1,277	2,753
Maturity 1-5 years	6,621	0
Maturity more than 5 years	20,001	0
Total Nominal value	27,898	2,753
Fair value liability, included in Project financing	38	185
Change in fair value recognized in Equity	147	391

Forward currency exchange contracts

Average hedged rate per 1 EUR	6.6 BRL	6.4 BRL
Maturity less than 1 year	30,579	25,000
Average hedged rate per 1 EUR	1.1 USD	1.2 USD
Maturity less than 1 year	94,881	8,955
Maturity less than 1 year	124,460	33,955
Maturity 1-5 years	0	0
Maturity more than 5 years	0	0
Total Nominal value	99,435	33,955
Fair value asset, included in Other receivables	4,713	389
Fair value liability, included in Other payables	-677	558
Change in fair value recognized in Equity	4,743	-30
Change in fair value recognized in profit or loss	-1,938	-139

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

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23 Derivative financial instruments, continued

Other financial instruments

EUR'000	Consolidated	
	2021	2020
Fair value 1 January	2,812	2,269
Value adjustments of hedging instruments recognized in equity during the year, unrealised	-5,683	2,671
Value adjustments of hedging instruments recognized in equity during the year, realised	0	-2,127
Total fair value recognized in equitye	-2,870	2,812
Fair value, included in non-current contract assets	1,663	2,812
Fair value, included in current other receivables	6,358	0
Fair value, included in non-current other debt	-6,554	0
Fair value, included in current other payables	-4,337	0
Change in fair value recognized in Equity	-5,683	2,812

Value adjustment is recognized in Equity, as the relevant criteria for hedge accounting are met.

Other financial instruments comprise both contract for difference derivatives (CFD's) related to long-term power purchase agreements and other 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 Levels 1 and 3 within the fair value hierarchy. We have entered contracts where a market quoted price is available. When assessing and calculating the fair value of the contracts where no quoted market prices are available the used valuation technique is the discounted cash flow.

24 Mortgages and collateral

Contingent Liabilities and Other Financial Liabilities

EUR million	Consolidated	
	2021	2020
Guarantees related to financing agreements	0	0
Warranties regarding potential acquisition of new projects	20	25
Grid connection guarantees	101	78
Warranties regarding Power Purchase Agreements	55	22
Warranties regarding divestment of energy parks	53	43
Claims regarding divested energy parks	8	8
	236	176

Notes

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 and European Energy A/S has provided security (in the form of parent company guarantees and share pledges) up to EUR 121m (2020: EUR 60m) in order to secure certain subsidiaries' financial obligations towards third parties during the construction of facilities related to renewable energy projects.

Assets provided as security

For the subsidiaries, shares and assets of wind and solar farms with a carrying amount of EUR 468m (2020: EUR 79m) are pledged as security for the group's debt to credit institutions of EUR 278m (2020: EUR 52m).

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.

25 Contractual obligations and contingencies

Contingent liabilities

Guarantees, warranties and other liabilities related to divestments

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

In some cases, in addition to customary warranties and guarantees European Energy A/S may also provide a buyer with specific indemnities that relate to specific issues that cannot be resolved until the sale is completed. This could, for instance, be related to the company's ensuring that certain project-related contracts are amended. Guarantees, warranties and specific indemnities are only included with an amount below to the extent they relate to circumstances that the company either cannot control or is unaware of or where the company knows that an obligation exists, but its amount is unknown.

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

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 1.3 million in 2021 (2020: 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 A/S is often required to provide financial guarantees when entering the necessary grid connection agreement with the grid company The guarantees are meant to remove the financial risk of the grid company, for the case where the grid company has started their works related to the grid connection, and the developer (European Energy) for some reason should choose to abandon the specific project after having entered the grid connection agreement. This situation is very rare, as a major success factor of European Energy is to complete projects.

Guarantees regarding Power Purchase Agrements

The Group is entering Power Purchase Agreements (PPA's) which are mainly long-term contracts with the purpose of securing the revenue from our power production. In in addition to the delivery of power we are often also delivering green certificates of origin (GOs).

We are providing our counterparties with guarantees to cover the performance obligations set out in the PPA's. As long as we are delivering the power and transferring any relevant amount of GOs in accordance with the PPA's there will no payment commitments for the Group.

Warranties regarding divestment of energy parks

For the energy parks which we have divested we have in most cases provided warranties as part of the SPA. The group does not expect to incur any material costs and actual payment commitments related to our divestment of energy parks, and the total amount included in the warranties is listed in note 23.

Claims regarding pending disputes in divested energy parks

The group is a party in minor pending disputes and lawsuits with claims where EUR 3m is currently provided for as part of the provision and further EUR 7.7m (2020: EUR 7.7m) is currently also reported as contingent liabilities. In Management's opinion, the outcome of the dispute 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	2021	2020	2021	2020
Related party transactions				
Cost of services from affiliates	0	0	-12	-12
Interest income from affiliates	0	0	38	38
Interest expenses to affiliates	-1	0	-30	-30
Purchases of shares from affiliates	0	0	0	0
Sale of shares to affiliates	26	0	9	0
Loans to related parties				
Loans to affiliates, carrying amount	2,319	0	2,201	630
Loans from related parties				
Loans from affiliates and shareholder, carrying amount	206	7	120	637

Controlling interest

The following shareholder has controlling interest:

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