

Solar Park Hanstholmvej ApS

**Gyngemose Parkvej 50
2860 Søborg**

CVR no. 40 03 84 93

Annual report for 2018/19

(1st Financial year)

Adopted at the annual general
meeting on 11 June 2020

Jan Paulsen
chairman

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Statement by management on the annual report

The executive board has today discussed and approved the annual report of Solar Park Hanstholmvej ApS for the financial year 16 November 2018 - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 16 November 2018 - 31 December 2019.

In our opinion, management's review includes a fair review of the matters dealt with in the management's review.

Management recommends that the annual report should be approved by the company in general meeting.

Søborg, 11 June 2020

Executive board

Knud Erik Andersen
CEO

Jens-Peter Zink
director

Independent auditor's report

To the shareholders of Solar Park Hanstholmvej ApS

Opinion

We have audited the financial statements of Solar Park Hanstholmvej ApS for the financial year 16 November 2018 - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The financial statements are prepared under the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2019 and of the results of the company's operations for the financial year 16 November 2018 - 31 December 2019 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the company 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 requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

In preparing the financial statements, management is responsible for assessing the 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 financial statements unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Independent auditor's report

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 applicable in Denmark will always detect a material misstatement when it exists. Misstatements can 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 users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 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 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 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 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent auditor's report

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 management's review

Management is responsible for management's review.

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

In connection with our audit of the financial statements, our responsibility is to read management's review and, in doing so, consider whether management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether management's review provides the information required under the Danish Financial Statements Act.

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

København Ø, 11 June 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Martin Eiler
state-authorized public accountant
MNE no. mne32271

Company details

The company

Solar Park Hanstholmvej ApS
Gyngemose Parkvej 50
2860 Søborg

CVR no.: 40 03 84 93

Reporting period: 16 November 2018 - 31 December 2019

Incorporated: 16. November 2018

Domicile: Gladsaxe

Executive board

Knud Erik Andersen, CEO
Jens-Peter Zink, director

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Dampfærgevej 28
2100 København Ø

Consolidated financial statements

The company is reflected in the group report of European Energy A/S

The group report of can be obtained at the following address:

www.europeanenergy.dk

Management's review

Business review

The purpose of the company is, directly or through ownership shares in other companies within the energy industry, to develop, finance, operate and sell renewable energy.

Financial review

The company's income statement for the year ended 31 December 2019 shows a loss of DKK 789.174, and the balance sheet at 31 December 2019 shows equity of DKK 12.489.771.

The loss in the year is due to the fact, that the first financial year is a start up year. The company expects that the operation will be profitable from the financial year 2020 and going forward.

The company has entered into a PPA (Power Purchase Agreement) regarding sale of electricity generated from the company's solar farms for the period from COD in December 2019 and the next 15 (fifteen) years. Through this agreement, the company has secured the future electricity sales price and cash flows from the operation.

Financing

The company has entered into a construction financing agreement with Den Jyske Sparekasse, which falls due by the end of 2020. The company expects to have obtained long term financing before the end of the construction finance agreement.

The ultimate mother company has confirmed its continued financial support to the company with a letter of subordination regarding the mother company's receivable and in addition to that, confirmed its pledge to provide the company with sufficient liquidity to pay the creditors as they fall due.

On that background, management considers the capital base and liquidity to be adequate.

Significant events occurring after the end of the financial year

After the balance sheet date, the society in general is impacted by COVID-19. Up until now, the company's activities are not impacted by the situation.

The company's operation is dependent on several conditions, but should special circumstances occur, for example government initiatives, this might affect the company's revenue and therewith the company's financial position.

No other events have occurred after the balance sheet, which should significantly affect the company's financial position.

Accounting policies

The annual report of Solar Park Hanstholmvej ApS for 2018/19 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected provisions as regards larger entities.

The annual report for 2018/19 is presented in DKK

As 2018/19 is the company's first reporting period, no comparatives have been presented.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including amortisation, depreciation and impairment losses, are also recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company and the value of the liability can be measured reliably.

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

Certain financial assets and liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated as the historic cost less any installments and plus/less the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, allowance is made for predictable losses and risks which occur before the annual report is presented and which confirm or invalidate matters existing at the balance sheet date.

Accounting policies

Hedge accounting

Fair value adjustments of financial instruments that are designated and qualify as fair value hedges of recognised assets or liabilities are recognised in the income statement together with any fair value adjustments of the hedged asset or liability that can be attributed to the hedged risk.

Changes in the fair value of financial instruments that are designated and qualify as hedges of expected future transactions are recognised in equity under retained earnings as regards the effective portion of the hedge. The ineffective portion of the hedge is recognised in the income statement. If the hedged transaction results in an asset or a liability, amounts deferred under equity are transferred to the cost of the asset or liability. If the hedged transaction results in income or expenses, amounts deferred under equity are transferred to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

Changes in the fair value of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, while the ineffective portion is recognised in the income statement.

Income statement

Gross profit

In pursuance of section 32 of the Danish Financial Statements Act, the company does not disclose its revenue.

Gross profit reflects an aggregation of revenue and other operating income less direct costs and other external expenses.

Revenue

Income from the sale of electricity is recognised in the income statement with the amount that is paid from the receiver of the electricity, as the electricity is produced and delivered to the receivers grid, provided the production has taken place before the end of the year and that the income can be measured reliably and is expected to be received.

Revenue is measured at the fair value of the agreed consideration, excluding VAT and other indirect taxes. Revenue is net of all types of discounts granted.

Accounting policies

Direct costs

Direct costs include the direct attributable costs used in generating the year's revenue.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Depreciation and impairment losses

Depreciation and impairment losses comprise the year's amortisation, depreciation and impairment of property, plant and equipment.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year. Net financials include interest income and expenses, financial expenses relating to finance leases, realised and unrealised capital/exchange gains and losses on securities and foreign currency transactions, amortisation of mortgage loans and surcharges and allowances under the advance-payment-of-tax scheme, etc.

Tax on profit/loss for the year

The company is subject to the Danish rules on compulsory joint taxation.

On payment of joint taxation contributions, the current Danish income tax is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use tax losses to reduce their own taxable profits.

Tax for the year, which comprises the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Accounting policies

Balance sheet

Tangible assets

Items of plant and machinery and fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

The depreciable amount is cost less the expected residual value at the end of the useful life.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Interest expenses on loans obtained specifically for the purpose of financing the manufacturing of items of property, plant and equipment are included in cost over the manufacturing period. All indirect, attributable borrowing costs are recognised in the income statement.

Straight-line depreciation is provided on the basis of the following estimated useful lives of the assets:

	Useful life	Residual value
Solar farms	30 years	0-5 %

The useful life and residual value of the company's property, plant and equipment is reassessed annually.

Gains or losses from the disposal of property, plant and equipment are recognised in the income statement as other operating income or other operating expenses, respectively.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Positive and negative fair values of derivative financial instruments are included in 'Other receivables' or 'Other payables', respectively.

Accounting policies

Impairment of fixed assets

The carrying amount of property, plant and equipment is tested for impairment, other than what is reflected through normal amortisation and depreciation, on an annual basis.

Where there is evidence of impairment, an impairment test is performed for each individual asset or group of assets, respectively. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price and the value in use. The value in use is determined as the present value of the anticipated net cash flows from the use of the asset or group of assets and the anticipated net cash flows from the disposal of the asset or group of assets after the end of their useful life.

Receivables

Receivables are measured at amortised cost.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable is impaired, an impairment loss for that individual asset is recognised.

Prepayments

Prepayments recognised under 'Current assets' comprises expenses incurred concerning subsequent financial years.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term securities whose remaining life is less than three months and which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Accounting policies

Provisions

The provision relates to expected demolition costs to dismantle and remove solar farms. These provisions are recognised when the company has a legal and constructive obligation at the date of the statement of financial position and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation. Provisions that are expected to be settled more than a year from the date of the statement of financial position, are measured at net realisable value.

The value of the dismantling costs is recognised in the value of non-current assets and is depreciated together with the relevant assets. The financial statements include a provision for future costs arising from the demolition costs and removal of wind and solar farms.

Based upon Management's expectations for the maturity of the provisions, the provision is recognised as a non-current liability.

Income tax and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as the estimated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured according to the liability method in respect of temporary differences between the carrying amount of assets and liabilities and their tax base, calculated on the basis of the planned use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax losses allowed for carry forward, are measured at the value to which the asset is expected to be realised, either as a set-off against tax on future income or as a set-off against deferred tax liabilities within the same legal tax entity. Any deferred net tax assets are measured at net realisable value.

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax adjustments resulting from changes in tax rates are recognised in the income statement, with the exception of items taken directly to equity.

Accounting policies

Liabilities

Liabilities, which include trade payables, payables to group entities and other payables, are measured at amortised cost, which is usually equivalent to nominal value.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses. If foreign currency transactions are considered cash flow hedges, the value adjustments are taken directly to equity.

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

Fixed assets acquired in foreign currencies are measured at the exchange rate at the transaction date.

Income statement 16 November - 31 December

	<u>Note</u>	<u>2018/2019</u> DKK
Gross profit		-170.529
Depreciation and impairment of property, plant and equipment		<u>-505.245</u>
Profit/loss before net financials		-675.774
Financial income	2	244.095
Financial costs	3	<u>-526.957</u>
Profit/loss before tax		-958.636
Tax on profit/loss for the year	4	<u>169.462</u>
Profit/loss for the year		<u><u>-789.174</u></u>
 Recommended appropriation of profit/loss		
Retained earnings		<u>-789.174</u>
		<u><u>-789.174</u></u>

Balance sheet 31 December

	<u>Note</u>	<u>2018/19</u> DKK
Assets		
Solar farms		191.592.906
Tangible assets	5	<u>191.592.906</u>
Deposit of Funds	11	16.000.000
Derivatives	12	16.947.366
Fixed asset investments		<u>32.947.366</u>
Total non-current assets		<u>224.540.272</u>
Trade receivables		92.343
Receivables from affiliates		17.214.495
Other receivables		5.094.537
Prepayments		24.678
Receivables		<u>22.426.053</u>
Cash at bank		<u>1.154.534</u>
Total current assets		<u>23.580.587</u>
Total assets		<u>248.120.859</u>

Balance sheet 31 December

	<u>Note</u>	<u>2018/19</u> DKK
Equity and liabilities		
Share capital		60.000
Reserve for current value of hedging		13.218.945
Retained earnings		-789.174
Equity	6	<u>12.489.771</u>
Provision for deferred tax	7	3.558.959
Other provisions	8	9.910.000
Total provisions		<u>13.468.959</u>
Payables to affiliates		79.315.821
Total non-current liabilities	9	<u>79.315.821</u>
Banks	9	137.869.818
Trade payables		4.976.490
Total current liabilities		<u>142.846.308</u>
Total liabilities		<u>222.162.129</u>
Total equity and liabilities		<u>248.120.859</u>
Contingent liabilities	10	
Mortgages and collateral	11	
Financial instruments	12	
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Statement of changes in equity

	<u>Share capital</u>	<u>Reserve for current value of hedging</u>	<u>Retained earnings</u>	<u>Total</u>
Cash payments concerning formation of entity at 16 November 2018	50.000	0	0	50.000
Cash capital increase	10.000	0	0	10.000
Fair value adjustment of hedging instruments	0	16.947.366	0	16.947.366
Net profit/loss for the year	0	0	-789.174	-789.174
Changes in equity of tax	0	-3.728.421	0	-3.728.421
Equity at 31 December 2019	<u>60.000</u>	<u>13.218.945</u>	<u>-789.174</u>	<u>12.489.771</u>

Notes

	<u>2018/2019</u> DKK
1 Staff costs	
Average number of employees	<u>0</u>
The company has no employees besides the management. The company does not pay salary to the management.	
2 Financial income	
Interest received from affiliates	244.095
Other financial income	400.927
Exchange adjustments	4.790.337
Financial income capitalised to fixed assets	<u>-5.191.264</u>
	<u>244.095</u>
3 Financial costs	
Financial expenses, group entities	2.436.795
Other financial costs	1.286.316
Exchange adjustments costs	2.733.096
Financial expenses capitalised to fixed assets	<u>-5.929.250</u>
	<u>526.957</u>
4 Tax on profit/loss for the year	
Deferred tax for the year	<u>-169.462</u>
	<u>-169.462</u>

Notes

5 Tangible assets

	<u>Solar farms</u>
Cost at 16 November 2018	0
Additions for the year	209.068.551
Disposals for the year	<u>-16.970.400</u>
Cost at 31 December 2019	<u>192.098.151</u>
Depreciation for the year	<u>505.245</u>
Impairment losses and depreciation at 31 December 2019	<u>505.245</u>
Carrying amount at 31 December 2019	<u><u>191.592.906</u></u>
Capitalised financial expenses in 2019	<u>5.929.251</u>
Capitalised financial income in 2019	<u>5.191.264</u>

6 Equity

The share capital consists of 60.000 shares of a nominal value of DKK 1. No shares carry any special rights.

	<u>2018/19</u>
	DKK
7 Provision for deferred tax	
Deferred tax recognised in income statement	-169.462
Deferred tax recognised in equity	<u>3.728.421</u>
Provision for deferred tax at 31 December 2019	<u><u>3.558.959</u></u>

Notes

	<u>2018/19</u> DKK
8 Other provisions	
Provision in year	<u>9.910.000</u>
Balance at 31 December 2019	<u>9.910.000</u>

The provision recognized in the Annual Report is related to future costs for decommissioning of the solar plant based on an estimation. Based on the management's expectations on the maturity of the liability, the provision is recognised as a long-term liability.

9 Long term debt

	Debt at 16 November 2018	Debt at 31 December 2019	Instalment next year	Debt outstanding after 5 years
Banks	0	137.869.818	137.869.818	0
Payables to affiliates	0	<u>79.315.821</u>	<u>0</u>	<u>0</u>
	<u>0</u>	<u>217.185.639</u>	<u>137.869.818</u>	<u>0</u>

The company has entered into a construction financing agreement with Den Jyske Sparekasse, which falls due by the end of 2020. The company expects to have obtained long term financing before the end of the construction finance agreement.

The ultimate mother company has confirmed its continued financial support to the company with a letter of subordination regarding the mother company's receivable and in addition to that, confirmed its pledge to provide the company with sufficient liquidity to pay the creditors as they fall due

Notes

10 Contingent liabilities

The company has, under the agreed Power Purchase Agreement (PPA), issued an availability guarantee towards the counterparty, under which the company guarantees that the solar farm's inverters will have a time based availability of not less than 90% in the first contract year and 95% in each subsequent contract year.

Should the availability in any year be lower than the guaranteed availability, the company will have to pay liquidated damages to the counterparty calculated as a percentage of the agreed PPA price.

In compliance with the PPA, the company's bank has provided a bank guarantee towards the counterparty of DKK 16 million DKK for any payments under the performance guarantee.

The availability since grid connection of the solar park has been over 99% and the company expects the availability to stay over 99% throughout the course of the PPA. Therefore the company does not expect the guarantee to materialize into actual payments to the counterparty.

Joint taxation

The company is jointly taxed with its parent company, KEA Holding I A/S (management company), and has limited and secondary liability together with other jointly taxed entities for payment of income taxes for income year 2018 onwards as well as for payment of withholding taxes on dividends, interest and royalties.

Contingent liabilities related to group enterprises

The company has entered into a land lease agreement with a group enterprise with an agreed termination period of 6 months from the leaseholder. The rent in the termination period amounts to DKK 99 thousand.

From the owners side, the agreement can be terminated with 30 years written notice.

11 Mortgages and collateral

Cash in an escrow account at a carrying of amount of DKK 16 million have been put up as deposit for the bank guarantee provided by the bank towards the performance guarantee under the PPA agreed for the sale of the electricity produced by the company.

Notes

12 Financial instruments

Power purchase agreement (PPA)

Solar Park Hanstholmvej ApS hedges electricity price cash flow risks in respect of sales of electricity through a forward PPA (Power Purchase Agreement) contract in the year. The contract is for a period of 15 years from COD and the contract secures cash flows from power sales via an agreed price (Contract for Difference).

DKK	Period	Fair value at balance date		Gains and losses recognised in equity	
		2018/2019	2017/2018	2018/2019	2017/2018
PPA - Power sales cash flow hedge	2019-2034	16.947.366	0	16.947.366	0
		16.947.366	0	16.947.366	0

13 Related parties and ownership structure

According to the company's register of shareholders, the following shareholder holds at least 5% of the votes or at least 5% of the share capital:

Hanstholmvej Holding ApS, Gyngemose Parkvej 50, 2860 Søborg
Dansk Erhvervsbørs A/S, Østergade 60. 7900 Nykøbing M

Consolidated financial statements

The company is reflected in the group report of European Energy A/S

The group report of can be obtained at the following address:

www.europeanenergy.dk