Annual report 2019

EUROPEAN ENERGY

EUROPEAN ENERGY A/S – GYNGEMOSE PARKVEJ 50 – 2860 SØBORG – DENMARK – COMPANY REG.NO. 18351331

Front page:
Svindbæk, Denmark, 33MW

Sarah Korth and Kevni Iljazovski

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Our vision and mission

European Energy aims to be a significant force in the global transition to a fossil-free society.

European Energy utilises wind and solar resources in combination with the latest technology to create value for partners and society as a whole. We use our industry expertise, local knowledge and innovative approach to deliver worldclass projects.

Letter from the CEO

Dear reader,

Normally, I would use this space to give an overview of the events of the past year and the prospects for the year we have begun. However, writing this at the end of March 2020, means COVID-19 and all the related effects are top-of-mind for everybody. Therefore, allow me to start there.

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

Across our markets, activity levels have dropped in industries and societies as a whole and consequently power consumption has also dropped. This short-term reduction in demand is having a limited effect on us, as the vast majority of our power sales is done through long-term offtake agreements.

We do not foresee any issues regarding the financing of our construction activities, primarily because we have a strong cash position coming out of 2019. The main short-term risks for us are delays in the delivery of materials for our construction projects. We have been in close contact with our key suppliers, and with our longstanding relationships in mind, we have not seen significant impacts. Some construction sites have experienced very short interruptions in activity, while the health authorities fine-tuned their new guidelines.

We are confident that the world will still have an increasing need for green electricity and green generating capacity – because the fight against climate change will still be a high priority on the other side of the COVID-19 crisis.

Looking back to 2019 and a world untroubled by coronavirus, we continued to grow as company. We have a growing number of employees; we are developing and constructing new projects at a very high pace. As of 31 December 2019, we had 6,534 MW in development, 606 MW in ready-to-build status and 218 MW under construction. Last year we completed the construction of 273 MW solar PV and wind. Every year, those energy plants will save the planet 536,445 tons of CO_2 emissions, equivalent to the consumption of 144,000 households every year.

2019 marked our shift from being solely a developer of renewable projects, and the transition to becoming partly a developer and partly an independent power producer (IPP), as electricity sales for the first time generated more profit for us than the sale of energy plants. The recurring revenue from power sales means we no longer need to divest power plants in order to make a healthy profit.

Financially, we delivered a result for 2019 of EUR 37 million in profit before tax. The result is significantly better than the result for 2018 of EUR 25.9 million. Our EBITDA reached EUR 44 million, and our return on equity was at 29.3%.

We are proud of our financial results. We need to have a tight focus on our financials and secure profits for our shareholders and bondholders. That will support the stream of new projects and the green transition.

We are one of the companies that stand ready with the solutions to fight global warming. The most effective way to reduce CO_2 emissions is to replace lignite or coal-fired energy generation with solar, wind or hydro. Solar and wind are by far the cleanest, cheapest and the most scalable solutions to energy production. Online, we are using the hashtag #solutionsready, because it really is that simple – the solution is right in front of us: solar and wind.

Let me end with a thank you to all my colleagues – you are the reason for our success and the reason why European Energy is a very special place. Thank you.

Knud Erik Andersen
CEO

Key information

REVENUE

Revenue has more than doubled since last year and has grown by 225% from 2015 to 2019. Sale of electricity increased from EUR 20 million in 2018 to EUR 30 million in 2019.

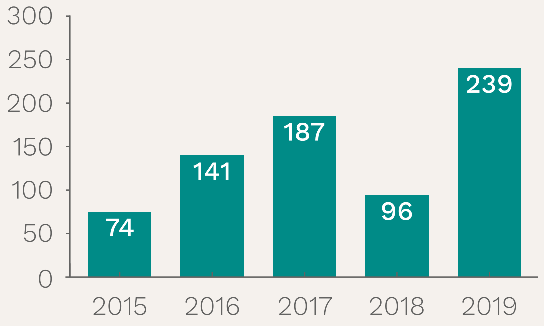
EBITDA

EBITDA has increased 32% from 2018 to 2019 and has quadrupled from 2015 to 2019. The growth is due to the increased activity level.

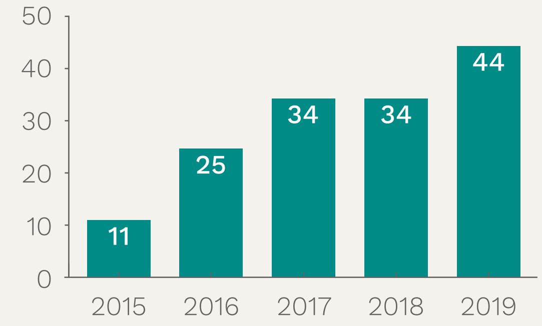
PROFIT BEFORE TAX

Profit before tax has increased 44% from 2018 to 2019 and is at its highest level in the company´s history.

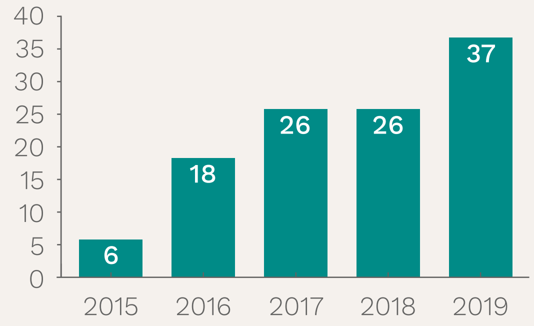
EUR million



EUR million



EUR million



EQUITY

The increase in equity reflects that the profit for the year is used for consolidation of the company. The equity ratio is 22.7%.

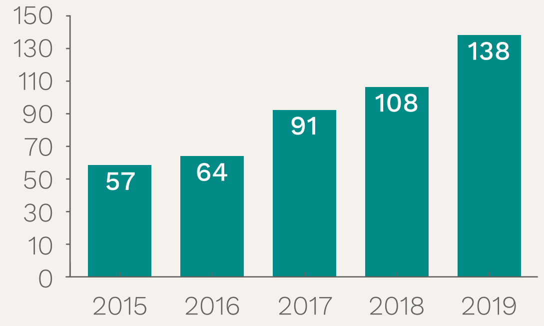
UNDER CONSTRUCTION OR READY-TO-BUILD

The 823 MW is spread over 8 countries, of which 228 MW are Danish projects. Wind counts for 46% and Solar for 54%.

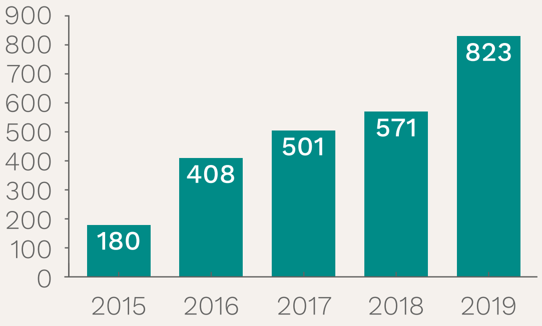
EMPLOYEES AT YEAR-END

The number of employees has increased by 54% from the end of 2018 to the end of 2019, which reflects an increased level of activity and the need to strengthen the organisation to meet expected growth in the future.

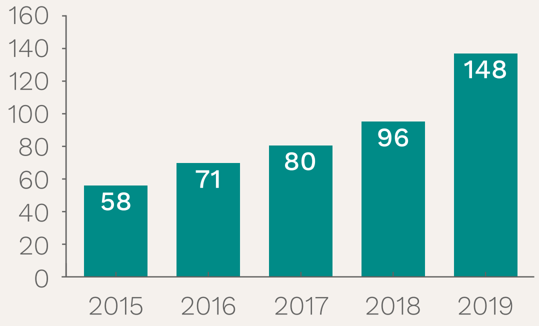
EUR million



MW



Employees



Five-year summary and key ratios

Key figures (EUR '000)	2019	2018 *)	2017 *)	2016 *)	2015 *)
Revenue	238,804	96,182	186,716	140,788	73,559
Direct costs	-190,614	-60,589	-148,550	-107,289	-57,533
Gross profit	57,529	42,570	44,998	32,456	18,008
EBITDA	44,305	33,607	34,174	24,929	10,759
Operating profit (EBIT)	38,411	31,117	32,451	23,319	9,264
Financial income and expenses, net	-969	-5,193	-6,662	-5,414	-2,904
Profit/loss before tax	37,442	25,924	25,789	17,905	6,360
Tax	-1,461	-3,403	-4,600	-2,260	-2,879
The Group's share of profit for the year	**35,981**	**22,521**	**21,189**	**15,645**	**3,481**
Investments in property, plant and equipment	1,330	12,576	480	7,395	725
Total assets	605,671	447,081	287,764	218,535	223,186
Equity	**137,603**	**107,685**	**91,000**	**64,000**	**56,807**
Cash flow from operating activities	18,128	-150,961	-14,476	7,306	-17,096
Net cash flow from investing activities	-10,038	-490	3,588	-138	-5,415
Cash flow from financing activities	36,934	161,857	43,992	-8,022	20,004
Change in cash and cash equivalents	54,936	10,406	33,104	-854	-2,507
Financial ratios					
Gross margin	24%	44%	24%	23%	24%
EBITDA margin	19%	35%	18%	18%	15%
EBIT margin	16%	32%	17%	17%	13%
Solvency ratio	23%	24%	32%	29%	25%
Net interest-bearing debt/EBITDA	6.8	7.1	3.0	4.0	9.9
Return on equity	29%	23%	27%	26%	7%
Gearing	302%	276%	174%	193%	216%
Share Ratios					
Earnings per share, EUR (EPS Basic)	0.09	0.07	0.06	1.52	0.36
Earnings per share, EUR (EPS Diluted)	0.09	0.07	0.06	1.52	0.36
Number of outstanding shares, 31 December, '000	300,145	300,040	300,000	10,000	10,000
Average number of full-time employees	117	95	74	64	53

The financial ratios have been computed in accordance with the latest Guidelines issued by the Danish Finance Society except for Earnings per share, basic and diluted, which are calculated according to IAS 33.

*) The key figures from 2015 to 2018 have not been restated to IFRS 16 Leases.

Definitions

Gross margin
Gross profit/loss as a percentage of revenue.

EBITDA margin
Profit/Loss before depreciation and amortisation, financial income and expenses and tax as a percentage of revenue.

EBIT margin
Profit/loss before financial income and expenses and tax as a percentage of revenue.

Solvency ratio
Equity at year-end divided by total assets.

Net interest-bearing debt/EBITDA
Net interest-bearing debt divided by profit/loss before depreciation and amortisation, financial income and expenses and tax.

Return on equity
Profit/loss after tax for the year divided by average equity.

Gearing
Interest-bearing liabilities at year-end divided by equity at year-end.

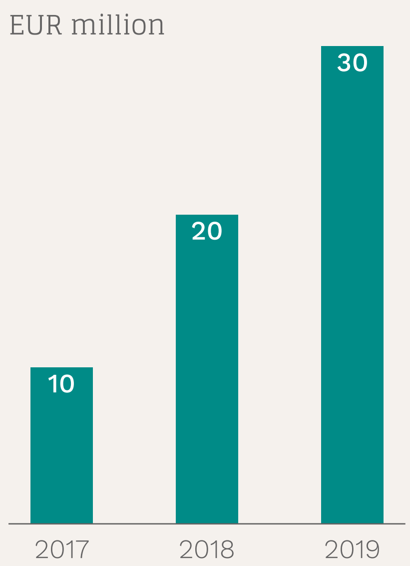
Earnings per share (EPS)
Profit attributable to the shareholders of European Energy A/S for the year divided by the average numbers of shares.

Earnings per share diluted (EPS)
Profit attributable to the shareholders of European Energy A/S for the year divided by the average numbers of shares diluted.

Troia I, Italy, 62 MW

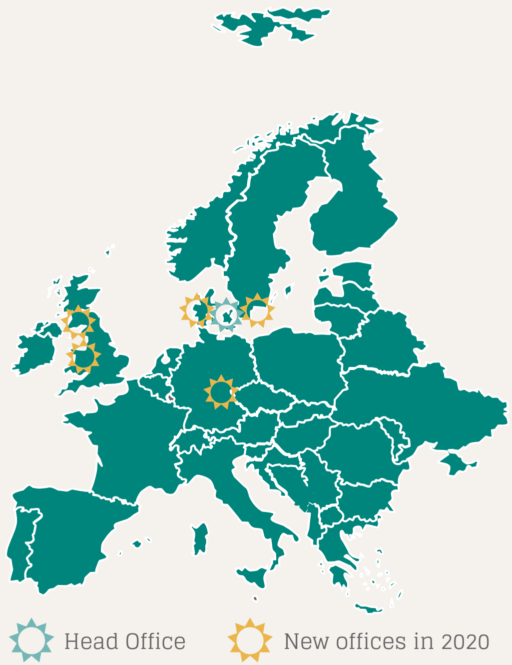
2019 Highlights

Increase in power sales



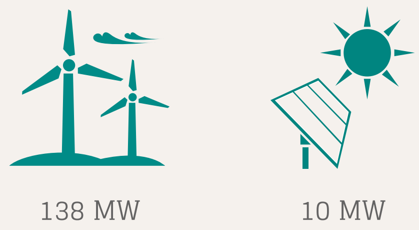
54% increase in power sales in 2019 compared to the year before.

International expansion

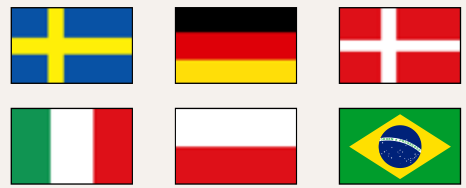


First time European Energy opens regional and international offices.

Sale of 148 MW



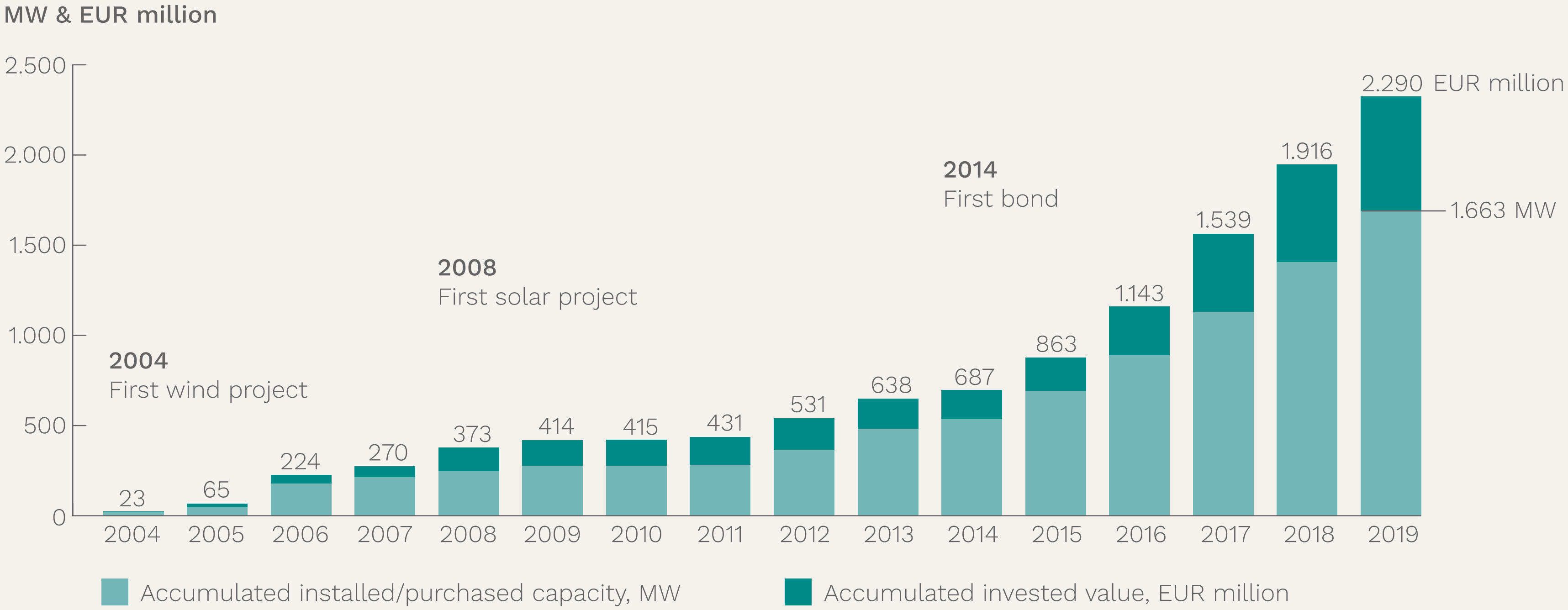
Construction in:



Never before has European Energy had construction activities in six countries in the same year.

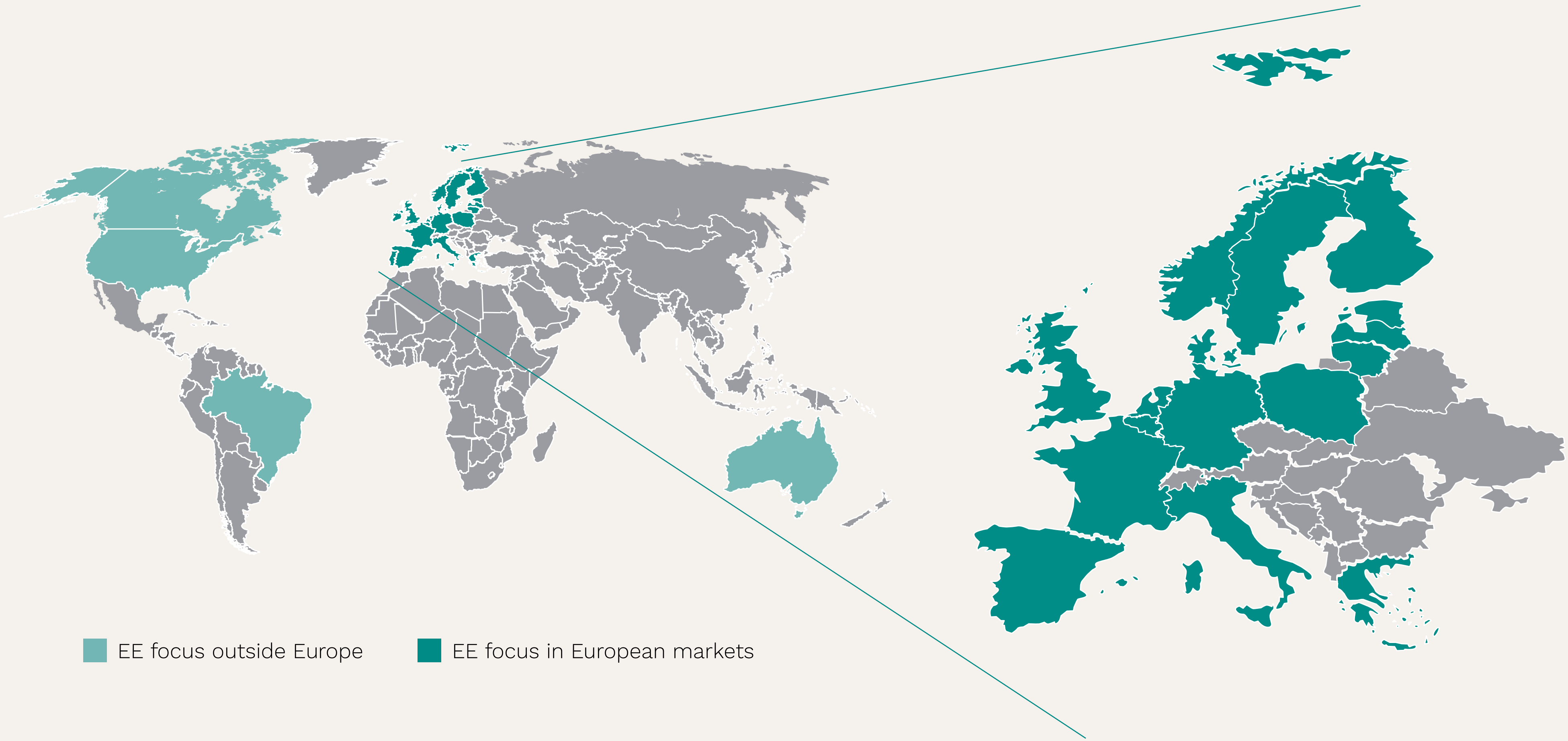
The European Energy growth story in numbers

2019 saw the growth of European Energy continue, both in investment and constructed capacity.



Developed, constructed & acquired power generation assets 2004-2019, Including 3rd party interests

Global outlook

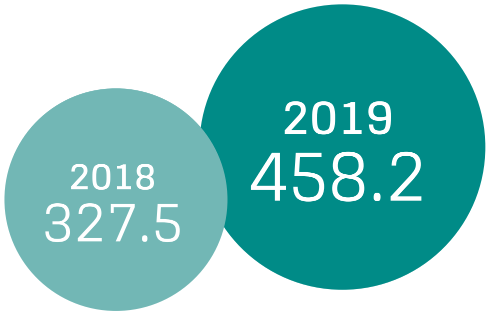


EE focus outside Europe   EE focus in European markets

Our efforts to halt climate change

With record-high power production and high construction activity, in 2019 European Energy made the largest ever contribution to fighting climate change.

Power produktion (GWh)



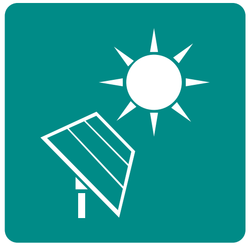
The electricity consumption of 110,000 households.

358,000 ton of CO_2 displaced.

278 MW

new green capacity constructed or acquired by European Energy in 2019

159 MW



119 MW

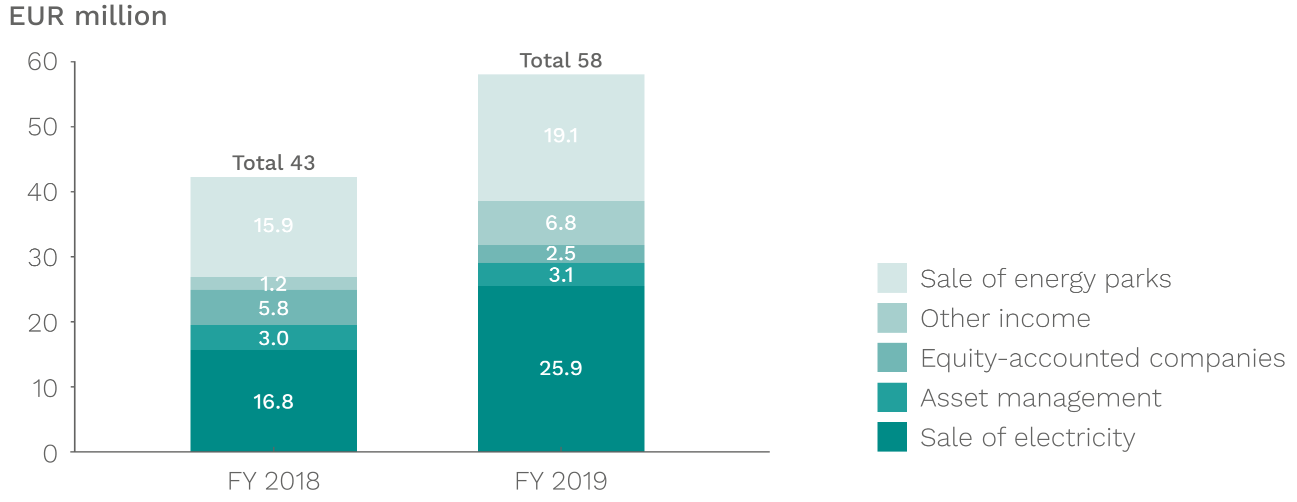
536,000 ton of CO_2 displaced every year.

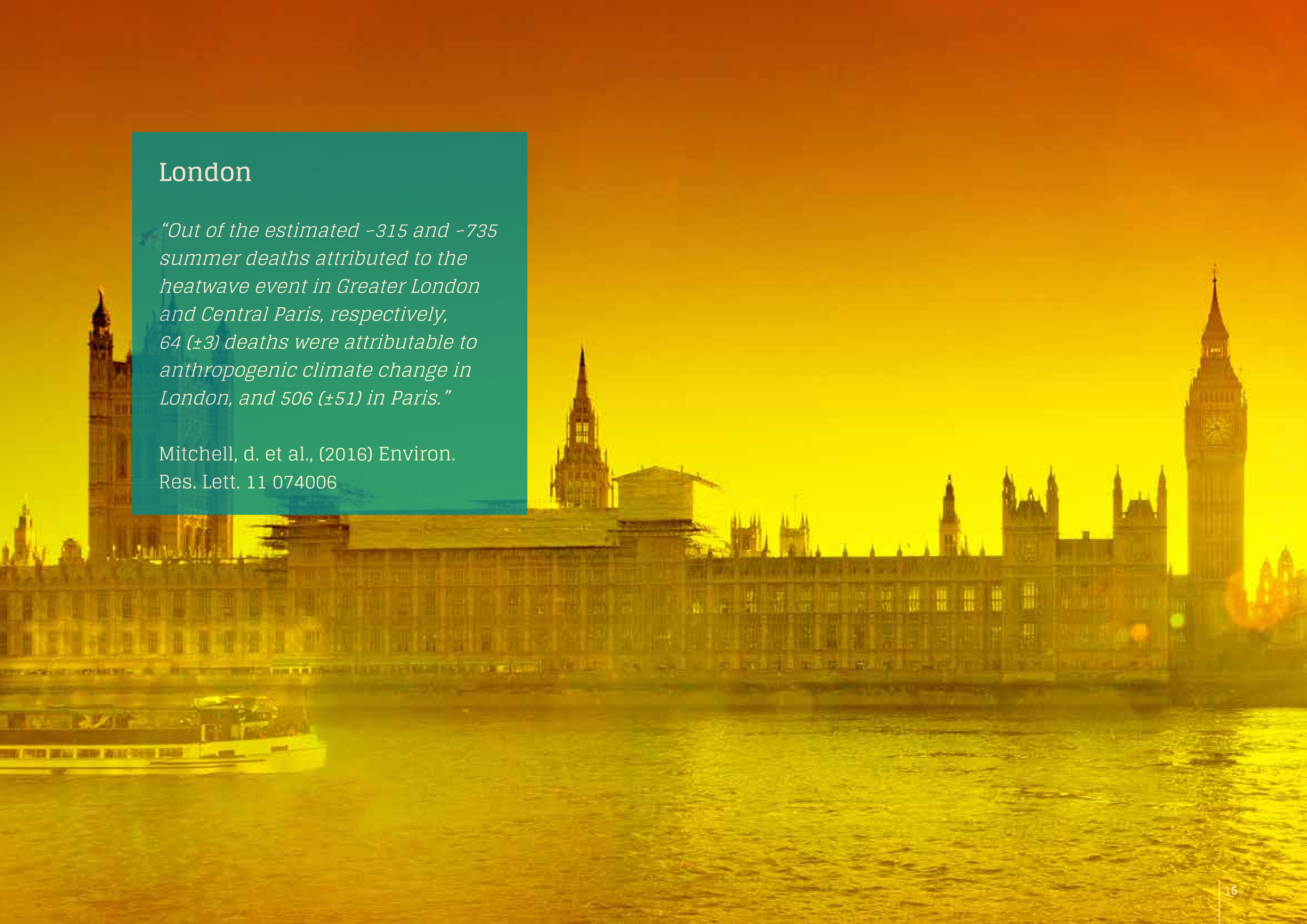
Hanstholmvej, Denmark, 42 MW

Gross profit

Year-on-year, European Energy experienced healthy growth in the three main business areas: electricity sales, sale of energy plants and asset management. Since 2018, the income from power sales has been higher than the total running cost of European Energy. The result from European Energy without any sales of energy parks is up from EUR 6 million in 2018 to EUR 15 million in 2019. This shows that dependency of sales of assets is declining.

Gross profit split 2019





London

“Out of the estimated ~315 and ~735 summer deaths attributed to the heatwave event in Greater London and Central Paris, respectively, 64 (±3) deaths were attributable to anthropogenic climate change in London, and 506 (±51) in Paris.”

Mitchell, d. et al., (2016) Environ. Res. Lett. 11 074006

Næssundvej, Denmark, 27 MW

Outlook 2020

Looking back on expectations for 2019

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

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

With a final EBITDA for the year of EUR 44.3 million, the original target for the year was reached. The Group performed better than the original target for profit before tax with EUR 37.4 million for 2019. The good results for the year were driven by an increase in electricity sales but also by the bargain purchase of the German group of companies, AEZ, and the gain from the EE Group's modification of its Bond loan, going from an interest rate of 7.0% to 5.35%.

Outlook for 2020

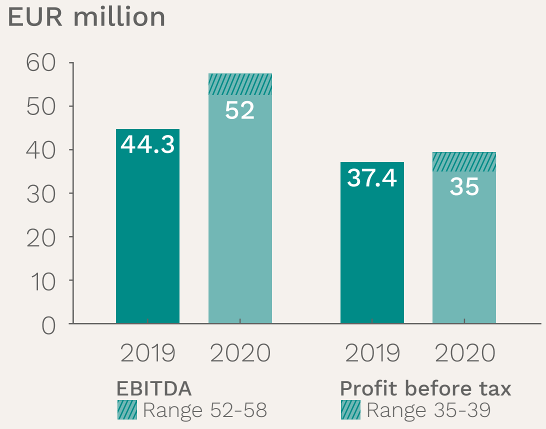
The Group announced the financial outlook for 2020 in the Q4 Financial Report of 28 February:

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

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

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

Actual 2019 and Outlook 2020



Extract from Financial statement

Consolidated statement of profit or loss

For the year ended 31 December 2019

EUR '000

Note		2019	2018 *)
1.1	Revenue	238,804	96,182
2.5	Profit after tax from equity-accounted investments	2,504	5,795
1.1	Other income	6,835	1,182
1.1	Direct costs	-190,614	-60,589
	Gross profit	**57,529**	**42,570**
4.2	Staff costs	-6,695	-5,030
4.3	Other external costs	-6,529	-3,933
	EBITDA	**44,305**	**33,607**
2.3	Depreciation	-5,894	-2,490
	Operating profit	**38,411**	**31,117**
3.1	Finance income	12,148	3,907
3.1	Finance expenses	-13,117	-9,100
	Profit before tax	**37,442**	**25,924**
4.1	Tax	-1,461	-3,403
	Profit for the year	**35,981**	**22,521**
	Attributable to:		
	Shareholders of the Company	26,654	21,328
	Non-controlling interests (NCI)	9,327	1,193
	Profit for the year	**35,981**	**22,521**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of financial position

As of 31 December 2019

EUR '000

Note	Balance Sheet	2019	2018 *)
	ASSETS		
	Non-current assets		
2.3	Property, plant and equipment	134,213	85,947
2.3.1	Lease assets	9,091	-
2.5.1	Joint venture investments	11,112	11,938
2.5.2	Associated companies' investments	13,693	8,643
2.6	Other investments	4,394	6,764
4.5	Loans to related parties	35,620	33,179
2.7	Trade receivables and contract assets	4,241	4,131
2.7	Other receivables	15,133	3,101
4.1	Deferred tax	2,292	1,584
2.7	Prepayments	3,923	9,937
	Total non-current assets	**233,712**	**165,224**
	Current assets		
2.4	Inventories	227,131	202,193
2.7	Trade receivables and contract assets	16,920	9,317
2.7	Other receivables	8,270	10,734
2.7	Prepayments	6,116	1,027
3.2	Free cash and cash equivalents	90,414	50,718
3.2	Restricted cash and cash equivalents	23,108	7,868
	Total current assets	**371,959**	**281,857**
	TOTAL ASSETS	**605,671**	**447,081**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of financial position – continued

EUR '000

Note	Balance Sheet	2019	2018 *)
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	40,331	40,316
	Retained earnings and reserves	77,797	55,772
	Equity attributable to shareholders of the Company	**118,128**	**96,088**
	Non-controlling interests	19,475	11,597
	Total Equity	**137,603**	**107,685**
	Liabilities		
3.3	Bond loan	192,017	83,670
3.3	Project financing	140,743	157,666
	Other debt	905	898
2.3.1	Lease liabilities	13,037	-
2.8	Provisions	6,096	3,066
4.1	Deferred tax	10,241	2,986
	Total non-current liabilities	**363,039**	**248,286**
3.3	Project financing	66,772	56,111
2.3.1	Lease liabilities	1,493	-
	Trade payables	8,981	9,987
	Payables to related parties	2,117	481
	Corporation tax	4,777	1,194
2.8	Provisions	2,800	1,985
	Contract liabilities	-	5,960
	Other payables	18,089	15,392
	Total current liabilities	**105,029**	**91,110**
	Total liabilities	**468,068**	**339,396**
	TOTAL EQUITY AND LIABILITIES	**605,671**	**447,081**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Zinkgruvan, Sweden, 53.2 MW

Our business

Development and construction

2019 was a busy year at European Energy with regard to development and construction activities. European Energy developed, constructed and acquired wind and solar farms with a value of EUR 374 million. In total, European Energy has developed, constructed and acquired approximately 1,663 MW valued at more than EUR 2,290 million since the company's foundation in 2004. European Energy's dedicated employees have developed the majority of these projects from the green-field stage. The construction of several other projects is well underway, and with an increasing development portfolio, construction activities are set to expand in the years to come.

Construction activities in 2019

During 2019, European Energy had construction activities covering six countries: Denmark, Sweden, Germany, Poland, Italy and Brazil. Projects with a capacity of 118 MW at four different sites were completed and connected to the grid during the year. In total, the capacity connected to the grid in 2019 delivers more than 237,000 MWh per year of renewable energy. This is enough to power more than 57,000 Danish households.

By the end of the year, projects with a capacity of 218 MW were under construction. The projects are expected to become grid-connected in 2020. In addition, 25 projects with a capacity of 606 MW were ready to build.

WIND FARMS

In 2019, European Energy finished the construction and grid-connected three wind farms. Two wind farms – Zinkgruvan and Västanby – with a total capacity of 63.2 MW were constructed and grid-connected in Sweden. In Germany, one repowering project, Jetsch, with a capacity of 2.05 MW, was grid-connected.

At the end of 2019, European Energy had 49.65 MW wind projects under construction. The construction activities are taking place on three sites in Germany (Oberbarnim, Vier Berge 1 and Viertkamp) and one site in Poland (Grzmiaca). All four projects are expected to become operational during 2020.

Wind farms completed and grid-connected during 2019

Country	Site	MV*
Germany	Jetsch	2.1
Sweden	Västanby	10.0
Sweden	Zinkgruvan	53.2
Total		**65.3**

* Including 3rd-party equity interests

Our business

- European Energy had construction activity in six countries in 2019
- The pipeline of new potential projects grew substantially
- Sale of electricity rose again and was the largest income source for European Energy
- The revenue generated from asset management and other fees amounted to EUR 3.1
- 148 MW capacity divested in four countries

In Germany, the level of construction activities was high throughout the year. One wind farm was grid-connected and divested in 2019 and by the end of 2019, another three German wind projects were under construction. European Energy expects to continue to develop new wind farms in Germany in the years to come, based on the strong project pipeline and secured tariffs from participation in auctions during the year.

In 2020, European Energy plans to continue its strong track record of construction activities in regards to wind projects in both Germany, Poland and Brazil.

Wind farms under construction at end-2019

Country	Site	MV*
Germany	Oberbarnim**	3.5
Germany	Vier Berge 1	25.8
Germany	Viertkamp**	14.4
Poland	Grzmiaca	6.0
Total		**49.7**

* Including 3rd-party equity interests
** Grid-connected in 2019

SOLAR FARMS

In 2019, European Energy started construction of two large-scale solar projects in Denmark. The projects, Næssundvej and Hanstholmvej (Thisted Lufthavn), have a capacity of 33 and 53 MW respectively. Hanstholmvej (Thisted Lufthavn) was completed and grid-connected in Q4, while Næssundvej is expected to be completed and grid connected in Q2 2020. Furthermore, two Italian solar projects, Troia I and Troia II, began construction in 2019. The projects are expected to be completed in Q1 and Q2 2020 respectively.

Solar farms completed and grid-connected during 2019

Country	Site	MV*
Denmark	Hanstholmvej (Thisted Lufthavn)	53.0
Total		**53.0**

* Including 3rd-party equity interests

European Energy also has activities in emerging markets through its joint venture, Nordic Power Partners, with the Danish Climate Investment Fund (DCIF). The Investment Fund for Developing Countries (IFU) manages the DCIF. The underlying logic of the partnership is that Nordic Power Partners benefits from the project development experience of European Energy and from the access to local knowledge in developing countries as well as additional financing from IFU/DCIF.

Together with its partner NPP, European Energy has its third 31 MW solar farm in Paraíba, a state in north-eastern Brazil, under construction at year-end 2019. The other two solar farms in the same area were constructed and grid-connected in 2018. All three projects have been developed together with a local partner and have secured a 20-year power purchase agreement with the Brazilian government.

In 2020, European Energy plans to further intensify construction activities related to solar projects. Construction of solar plants in Denmark, Italy and the UK, amounting to several hundred MW-capacity, are in the planning.

Solar farms under construction at end-2019

Country	Site	MV*
Brazil	Coremas III	31.0
Denmark	Næssundvej	33.0
Italy	Troia I**	63.0
Italy	Troia II	41.0
Total		**168.0**

* Including 3rd-party equity interests
** Grid-connected in 2019

Ready-to-build projects and development activities

European Energy is constantly looking to expand its development pipeline. The aim is to maintain a broad range of future investment opportunities by growing a geographically and technologically diverse portfolio. By the end of 2019, European Energy´s project portfolio included projects in 15 countries. The total capacity of projects under development, ready to build and under construction amounted to 7,358 MW. Of these, 606 MW capacity relate to projects that are ready-to-build from a permitting point of view and 218 MW capacity to projects under construction. During 2019, European Energy continued its efforts to develop new projects in OECD countries.

READY-TO-BUILD PROJECTS

European Energy´s project pipeline includes 16 ready-to-build wind projects in five countries with a total capacity of 328 MW. Among these are the Polish projects Bialogard, Drawsko, Kolobrzeg and Siemsyl with a total capacity of 40.6 MW. They have all won subsidies at auctions in Poland. The projects have a total capacity of 40.6 MW. The projects are expected to enter into construction during 2020.

A pipeline of 93 MW wind in Sweden is ready to build and this is also the case for four projects with a total capacity of 100 MW in Finland. Part of the North Eastern European project pipeline will enter into construction during 2021.
Three wind projects in Brazil, which has become an increasingly interesting market for European Energy, are ready to build. All three projects have won auctions in Brazil. Construction of the projects is planned to start within the first half of 2020.

With regards to solar PV projects, European Energy has a pipeline of 277 MW ready-to-build projects divided into nine projects in three different countries.

Denmark and Italy are important markets for European Energy´s solar PV activities. The project pipeline in both countries is significant and included by the end of 2019, a total of 195 MW and 36 MW ready-to-build respectively.

DEVELOPMENT ACTIVITIES

At end-2019, European Energy's main markets for development projects are Denmark, Sweden, Finland, Germany, Poland, Lithuania, and Italy. The project portfolio comprises both solar PV as well as onshore and offshore wind farms. European Energy expects the same high level of activity in 2020.

In 2020, European Energy will continue already initiated efforts with regards to new market opportunities in North America and Australia as well as in selected European countries. European Energy is constantly looking for attractive greenfield as well as late-stage development projects and is ready to take on new projects.

Ready-to-build at end-2019

Country	Site	Technology	MV*
Brazil	Ouro Branco 1	Wind	34.0
Brazil	Ouro Branco 2	Wind	34.0
Brazil	Quatro Ventos	Wind	21.0
Denmark	Evetofte	Solar PV	8.0
Denmark	Rødbyfjord	Solar PV	65.0
Denmark	Agersted	Solar PV	30.0
Denmark	Harre – Salling	Solar PV	47.0
Denmark	Ålbæk	Solar PV	20.0
Denmark	Holmen II	Solar PV	25.0
Finland	Mustalamminmäki	Wind	30.0
Finland	Koiramäki	Wind	30.0
Finland	Honkakangas	Wind	22.0
Finland	Ahvenneva	Wind	17.0
Germany	Tornitz	Wind	3.6
Germany	Güstow	Wind	3.0
Italy	Palo	Solar PV	19.0
Italy	Tuscania	Solar PV	17.3
Poland	Białogard	Wind	7.9
Poland	Kolobrzeg	Wind	19.5
Poland	Drawsko II	Wind	6.9
Poland	Siemsyl	Wind	6.3
Spain	Bolbaite	Solar PV	46.0
Sweden	Fimmerstad	Wind	21.2
Sweden	Skåramåla	Wind	45.0
Sweden	Kingebol	Wind	27.0
Total			605.7

* Including 3rd-party equity interests

Offshore wind

European Energy is developing four offshore wind farms with a total capacity of approximately 700 MW. The portfolio is developed under the Danish government's "Open Door" procedure. Two of the projects, Omø South and Jammerland Bay, with a combined capacity of up to 560 MW, are in the final phase of obtaining Environment Impact Assessment approval. The approvals are expected in 2020. European Energy is also developing an offshore test site outside Frederikshavn, where – when established – new offshore wind technology will be tested. Finally, European Energy is developing the 80 MW offshore wind farm Mejl Flak, situated off the coast of Aarhus, Denmark's second largest city.

Seamona, Denmark

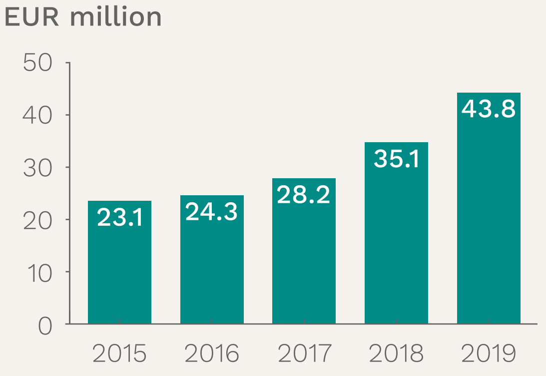
Sale of electricity

At end-2019, the European Energy Group and associated companies owned wind and solar power-generating assets with a net capacity of 363 MW, delivering renewable energy to consumers in Germany, Denmark, Italy, Bulgaria, Spain, Sweden and Brazil. The total electricity production amounted to 459 GWh in 2019, enough energy to power around 110,000 households.

The sale of electricity grew by 24.8% to EUR 43.8 million in 2019. This growth is mainly due to the acquisition and construction of new capacity. The production from wind increased significantly in 2019 due to additions to the portfolio. This more than compensated for a decrease in the revenue from solar PV production. The revenue in solar PV reflects a slightly higher production in terms of GWh but lower average power prices compared to 2018. European Energy often co-owns assets with partners ranging from utilities to private Danish investors. The portfolio primarily consists of assets constructed by European Energy as well as older operational parks acquired with the aim of repowering. The repowering process involves replacing ageing, small turbines with newer, more efficient ones.

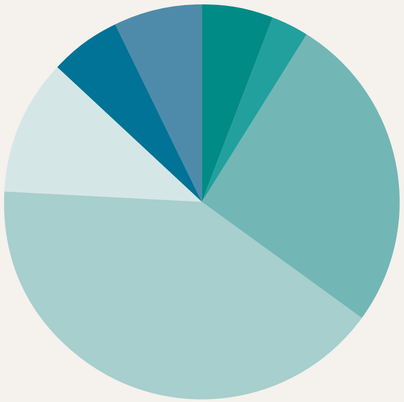
Due to long-term power purchase agreements and long-term subsidies, spot market power prices will have a limited effect on the profit from the sale of electricity. To the greatest extent possible and where economically feasible, European Energy sells the electricity produced by way of power purchase agreements. At the same time, most German wind turbines, representing 49% of European Energy's power generating assets, receive a predetermined feed-in tariff for 20 years after commissioning.

Sale of electricity*



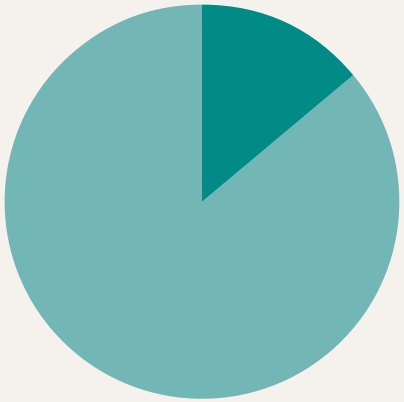
*Including non-consolidated equity interests

Distribution on countries (% of revenue)



- Brazil (6%)
- Bulgaria (3%)
- Denmark (26%)
- Germany (41%)
- Italy (11%)
- Spain (6%)
- Sweden (7%)

Distribution on technology (% of revenue)



- Solar PV (14%)
- Wind (86%)

Power-generating assets

Equity interests in wind*

Country	Name	Gross MV	Equity interests	Net MW
Bulgaria	Krupen	12.0	49.0%	5.9
Bulgaria	Straldja	2.4	12.5%	0.3
Denmark	Holmen II Vindkraft	3.6	37.3%	1.3
Denmark	Holmen V90	3.0	67.0%	2.0
Denmark	Måde	16.0	47.0%	7.5
Denmark	Nøjsomheds Odde	32.4	33.5%	10.9
Denmark	Rødby Fjord	3.5	33.6%	1.2
Denmark	Sprogø	21.0	44.8%	9.4
Denmark	Svindbæk	9.6	66.9%	6.4
Germany	3 Standorte (Grosstreben)	3.9	50.5%	2.0
Germany	3 Standorte (Letschin)	1.8	50.5%	0.9
Germany	Altlandsberg	14.0	15.0%	2.1
Germany	Bad Iburg	6.1	25.0%	1.5
Germany	EE Teuchern	10.5	100.0%	10.5
Germany	Eichow	12.0	30.0%	3.6
Germany	Emskirchen	6.0	25.0%	1.5
Germany	Gommern I	18.0	33.4%	6.0
Germany	Gommern II	4.0	33.4%	1.3
Germany	Güstow	1.2	100.0%	1.2
Germany	Kranenburg	9.0	50.5%	4.5
Germany	Losheim	7.5	25.0%	1.9
Germany	Mildenberg	8.0	15.0%	1.2
Germany	Ottenhausen	16.0	39.4%	6.3
Germany	Prignitz	4.5	25.0%	1.1
Germany	Prittitz	27.0	50.5%	13.6
Germany	Salingen	1.5	50.5%	0.7
Germany	Scheddebrock	7.5	50.5%	3.8
Germany	Schäcksdorf 6	2.0	50.0%	1.0
Germany	Süd-12	2.0	100.0%	2.0
Germany	Süd-13	4.0	100.0%	4.0
Germany	Süd-23	2.0	100.0%	2.0
Germany	Süd-24	2.0	100.0%	2.0
Germany	Süd-6	36.0	100.0%	36.0
Germany	Timpberg 10	2.0	50.0%	1.0
Germany	Timpberg 9	2.0	50.0%	1.0
Germany	TIS (Ilhorn)	4.0	50.5%	2.0
Germany	TIS (Söhlingen)	8.0	50.5%	4.0
Germany	TIS (Tewel)	10.0	50.5%	5.1
Germany	Urja (Lüdersdorf 38)	3.5	100.0%	3.5
Germany	Viertkamp	14.4	50.5%	7.3
Germany	Vormark	13.8	18.8%	2.6
Germany	Wernikow	11.4	50.0%	5.7
Germany	Westerberg	18.0	50.5%	9.1
Germany	Wittstedt	3.0	50.5%	1.5
Germany	Wittstock-Papenbruch	5.1	30.0%	1.5
Germany	Wriezener Höhe	26.0	15.0%	3.9
Germany	Wulfshagen	11.0	50.5%	5.6
Italy	Carpinaccio	13.6	26.0%	3.5
Italy	Riparbella	20.0	11.1%	2.2
Sweden	Västanby	10.0	100.0%	10.0
Total wind		**485.7**		**225.1**

* Including 3rd-party equity interests

Equity interests in solar PV*

Country	Name	Gross MV	Equity interests	Net MW
Brazil	Coremas I	30.0	40.0%	12.0
Brazil	Coremas II	30.0	40.0%	12.0
Denmark	Hanstholmvej	49.1	100.0%	49.1
Germany	Mando 29	0.9	76.0%	0.7
Italy	Soleto	1.0	50.0%	0.5
Italy	Troia I	63.0	100.0%	63.0
Spain	Ibiza	0.2	100.0%	0.2
Spain	La Pobla	0.2	100.0%	0.2
Spain	L'Ollería II	1.2	45.0%	0.5
Total solar PV		**175.6**		**138.2**

Total wind and solar PV		**661.3**		**363.3**

* Including 3rd-party equity interests

Asset management

Revenue from wind and solar farms is contingent upon factors beyond the technology installed, weather conditions and electricity prices. Since renewables are long-term investments, their overall return also greatly depends on reliable asset operation and maintenance. To this end, European Energy's asset management team dedicates its resources to optimising the operation of wind and solar farms. The asset management department offers investors a full spectrum of asset management services. Investors can therefore make passive investments without worrying about the operation and maintenance of the wind or solar farm concerned.

2019 results

In 2019, European Energy managed a portfolio of power-generating assets totalling 433 wind turbines and 27 solar farms. The power-generating assets under management produced 1.8 TWh in 2019, which is enough energy to power more than 360,000 Danish households. The capacity of power-generating assets under management amounts to 1,179 MW, of which 371 MW are owned by European Energy. The revenue generated from asset management amounted to EUR 3.1 million in 2019.

How European Energy carries out asset management

European Energy's approach to asset management is to monitor and analyse asset performance with a view to implementing the optimal strategies regarding production, cost structure, refinancing and repowering. European Energy also ensures legal, technical and safety compliance and consistent reporting to stakeholders such as investors and financing banks. Services range from ensuring access to turbines requiring maintenance, through conducting operation and management tasks, to bookkeeping and negotiating with insurance companies and power traders.

European Energy aims to identify risks early and thus to reduce the impact on hardware as well as on the performance and production of the assets. This is achieved through a combination of remote monitoring and site visits.


Metmast at Grevekulla, Sweden

Johannes von Dechend

Divestment

2019 was dominated by the divestment of wind farms in the Nordic market and characterised by few but larger transactions.

The sales in Denmark consist of wind farms built and connected under the old subsidy regime. In Sweden, the divestment consists of a 53 MW plant with a 10-year offtake agreement located near Linköping, Sweden.

The wind and solar farms divested by European Energy in 2019 had a cumulative enterprise value of approximately EUR 263 million (2018: 178 million), including 3rd-party equity interests, and had a total capacity of 160 MW. An increase in enterprise value of almost 50% compared to the previous year

Divestments were concluded on wind farms in Denmark, Sweden, Italy and Germany. The divested projects in Denmark produce enough energy to supply more than 27,000 Danish households and the project in Sweden approximately 40,000 Swedish households.

At the end of 2019, European Energy had 218 MW of wind and solar farms under construction and 80 MW in operation ready for sale. The portfolio of ready-to-build projects has a capacity of 606 MW and includes both wind and solar farms. As such, European Energy's sales pipeline in the short to medium term consists of 904 MW.

As in 2018, long-term project financing agreements were secured in 2019. For each project, European

Energy considers whether external project financing is relevant and project financing is used if it contributes positively to the profit of a project. When obtaining project financing, the finance is secured prior to the transfer of wind and solar farms to institutional investors. All long-term project financing is on a non-recourse basis. European Energy cooperates with many local and international banks in order to choose the optimal loan package for each project.

Wind farms divested in 2019

Site	Country	MW*
Holmen II	Denmark	18.0
Svindbæk	Denmark	25.2
Zinkgruvan	Italy	53.2
Bosco	Italy	39.0
Jestch	Germany	2.1
Total		**137.5**

*Including 3rd-party equity interests

Solar farms divested in 2019

Site	Country	MW*
Beniarbeig	Spain	2.0
Campllong	Spain	1.0
L'Olleriaa	Spain	1.5
Monovar	Spain	2.0
Ocana	Spain	1.2
Villanueva de la Jara	Spain	2.4
Total		**10.1**

*Including 3rd-party equity interests

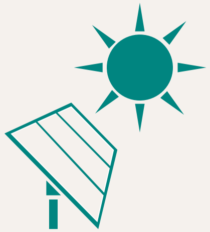
Trends

Megatrends

in 2019, the world finally woke up and openly began to discuss the problems we face due to climate change. We felt the fundamentals of public opinion changed as the tectonic plates of the public discussion realigned.

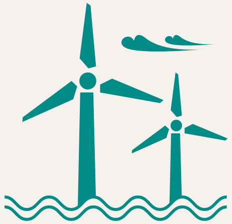
That plays into the path of European Energy. We are one of the companies that stand ready with the solutions to global warming. The most effective way of reducing emissions of greenhouse gasses is to replace lignite or coal fired energy generation with solar, wind or hydro.

Market trends

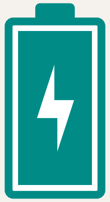


- Prices to continue to drop
- Technology efficiency improvements
- Heavy investments to continue
- European Energy expect 15-25% global growth
- India and China largest global markets
- Spain largest European market.

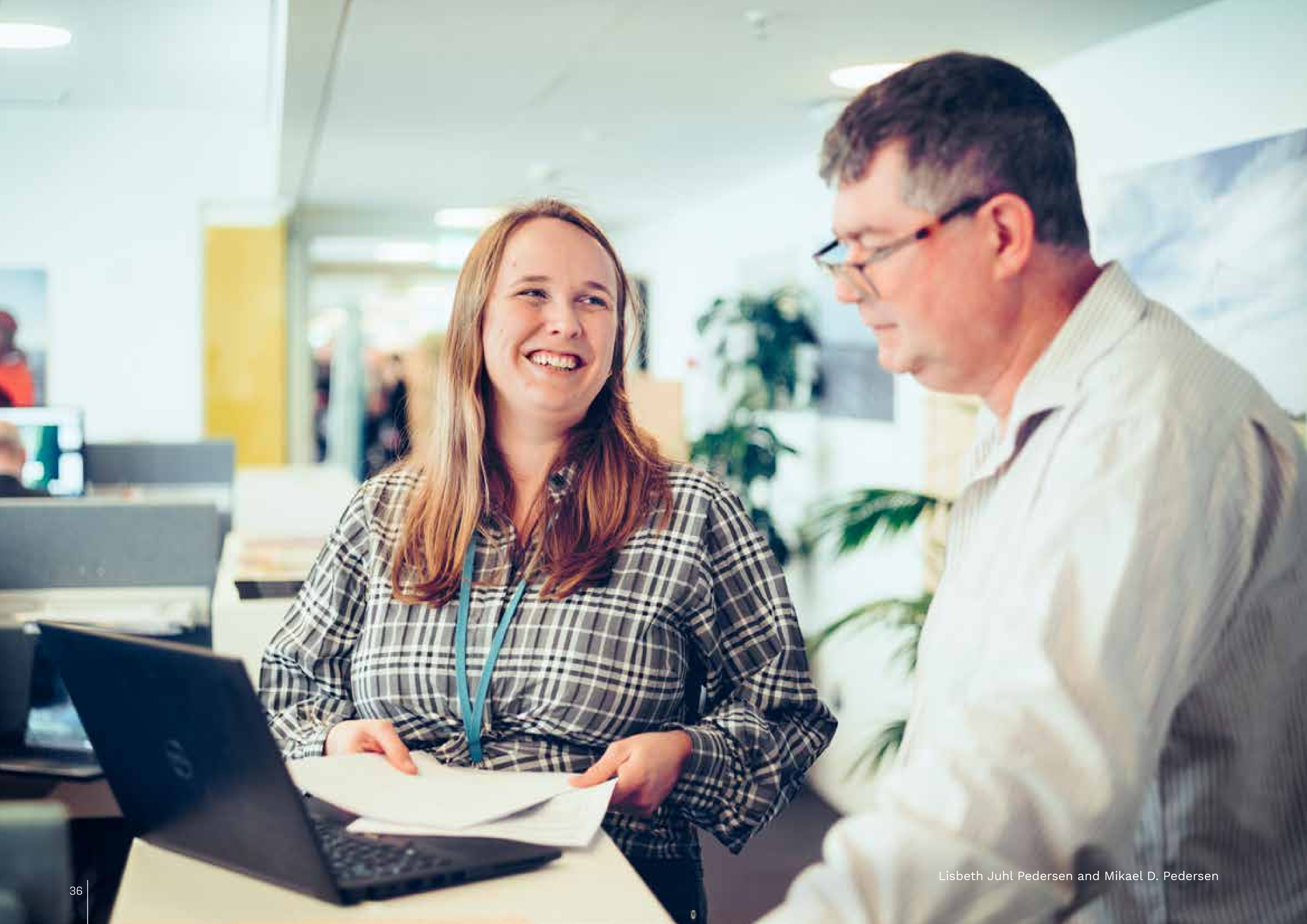
- New 5-6 MW platform with significant impact across the value chain
- Substantial investments to continue
- Mature markets primarily driven by repowering
- Spain and Sweden largest European markets.



- Market size still approximately 10% of onshore market
- Supply chain to become more global
- Taiwan, USA to continue to ramp up
- UK and Germany largest European markets.



- Battery prices to continue to drop at high pace
- Installed global battery capacity is expected to multiply exponentially
- Growth in “Power-to-X” technologies where hydrogen is used as a base product
- “Power-to-X” depends on cheap wind and solar power to succeed.



Lisbeth Juhl Pedersen and Mikael D. Pedersen

An inside perspective

An inside perspective

European Energy is a multicultural organisation with employees from 19 different national backgrounds. By end-2019, the European Energy Group expanded with 148 highly skilled employees. Of these employees, 40% were women, and 60% were men. Having a diverse cultural and educational background allows European Energy to cover the entire spectrum of activities and to pursue complex business opportunities, primarily by leveraging the in-house competencies that ensure European Energy a competitive advantage.

Growth

In 2019, we had a record number of new hires due to entering new markets and great market opportunities. We have hired newly educated talents to more senior positions with various educational and cultural backgrounds in order to strengthen our organisation further.

The growth in European Energy can also be seen with the expansion of our newly established offices. In 2019, we established four new offices in Denmark, the United Kingdom, Sweden and Germany in order to be closer to some of our markets. Even though we are growing at a high pace, we are doing our best to remain an agile organization and maintain our entrepreneurial mindset.

Employee retention

With knowledge and experience as one of European Energy's main value drivers, employee retention is crucial for the long-term success of the company. Therefore, a new on-boarding programme has been implemented with the aim of securing new employees the best possible start into our company. European Energy's onboarding process is a systematic approach to integrating new employees by customizing a template for providing a professional onboarding experience to all new employees. This has so far been a tremendous success as the newcomers have received a head start on their journey with us.

Since European Energy is a fast-growing company represented by many different nationalities and cultures, European Energy prioritises social activities both in and outside the office as a means of fostering the company's culture, and the company encourages team-building trips abroad. In 2019, we went to Sweden to see one of our great wind projects. Besides experiencing the project live on site, the aim of the trip was also to strengthen the cooperation between the different departments and to meet new colleagues working from our new offices. The fact that so many employees have a non-Danish background makes it especially important to focus on social activities.

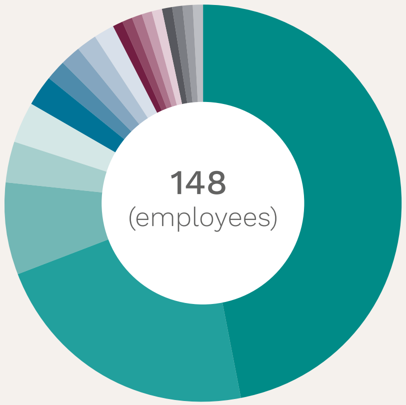
- High growth in recruitment
- New offices across markets: Great Britain, Germany, Sweden and Denmark
- Focus on employee retention and onboarding

In addition, we encourage everyone to maintain a balanced, healthy lifestyle by offering the opportunity of a healthy and varied lunch and free access to the fitness centre at company headquarters, plus easy access to private health insurance. European Energy and its employees organise weekly sporting activities with an external coach twice a week. We also have a football club and a running club and we have joined several running events.

We conducted a workplace evaluation in 2019 in order to solve potential problems, and to ensure that we always have a healthy and safe working environment. The evaluation provided good insight into areas we can improve and things we already have improved. Follow-up on the outcome and improvement objectives will continue in 2020.

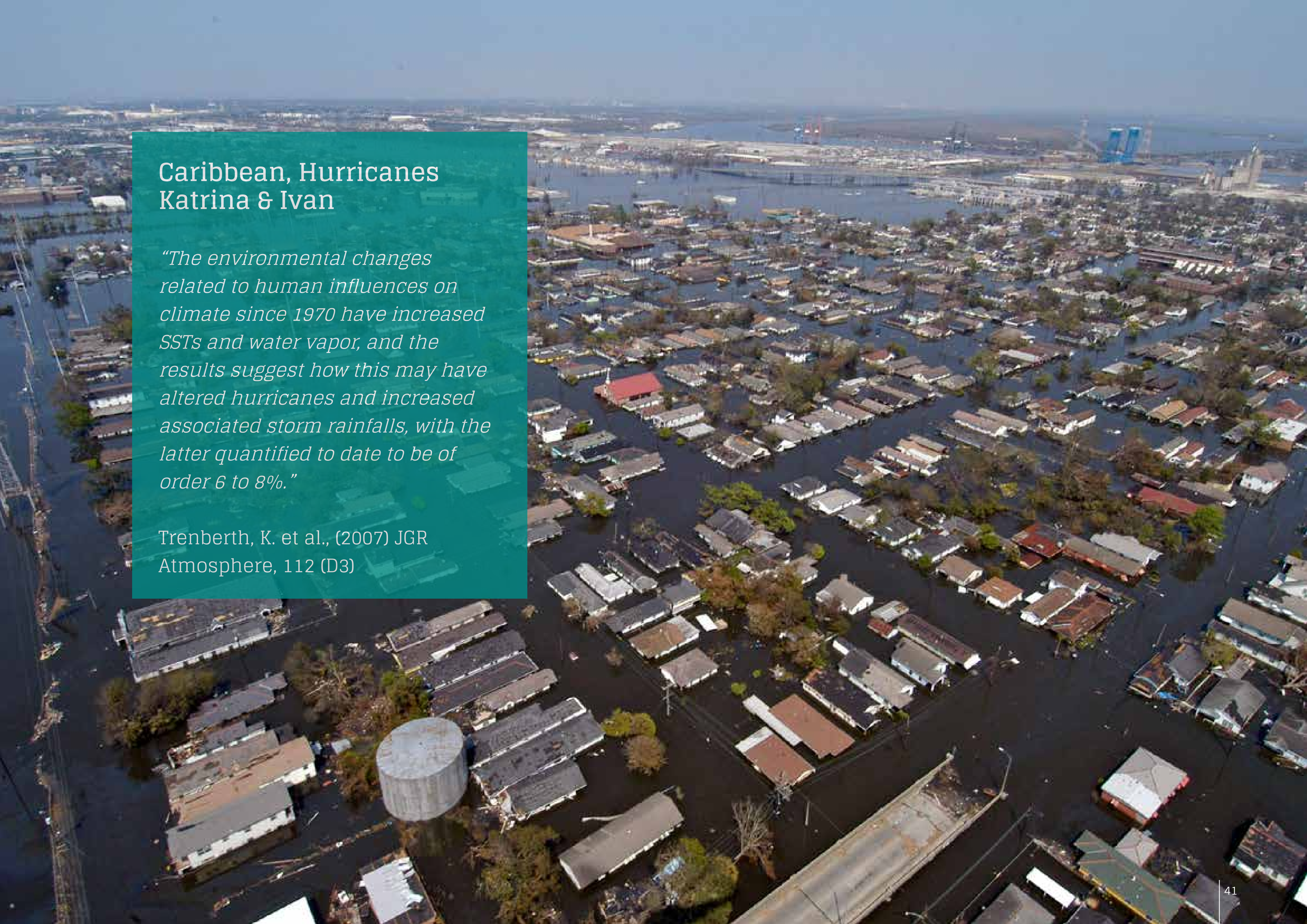
Simon Gerling

Nationalities at year-end 2019



- Denmark (84)
- Germany (27)
- Italy (9)
- Sweden (4)
- Greece (4)
- Brazil (3)
- Poland (2)
- Australia (2)
- France (2)
- Great Britain (2)
- China (1)
- Finland (1)
- Georgia (1)
- India (1)
- Lithuania (1)
- Norway (1)
- Peru (1)
- Portugal (1)
- USA (1)

Business model



Caribbean, Hurricanes Katrina & Ivan

"The environmental changes related to human influences on climate since 1970 have increased SSTs and water vapor, and the results suggest how this may have altered hurricanes and increased associated storm rainfalls, with the latter quantified to date to be of order 6 to 8%."

Trenberth, K. et al., (2007) JGR Atmosphere, 112 (D3)

The business model

European Energy has three main business areas:
— development, construction and divestment
— sale of electricity from operational assets
— asset management

Development, construction and divestment

Generally, the process of creating a wind or solar farm can be divided into the following stages:
1. Development and/or acquisition of the project
2. Construction of the project incl. project financing and securing PPA
3. Divestment

STAGE 1: DEVELOPMENT AND PROJECT ACQUISITION
In the development phase European Energy secures the land rights, conducts environmental studies, obtains the requisite planning and building permits, investigates grid connection and prepares production estimates. When all the essential rights and permits necessary to initiate the construction phase have been acquired, the project is considered ready to build. The current development portfolio also includes the repowering of existing wind farms.

STAGE 2: CONSTRUCTION
During this phase, European Energy manages the process from breaking the ground through to grid-connection. The choice of technology significantly impacts wind or solar farm efficiency, bankability and demands from long-term investors. Financing is an integral part of the pre-construction and construction activities as well as securing a PPA (Power Purchase Agreement).

STAGE 3: DIVESTMENT OF WIND AND SOLAR FARMS
European Energy assesses each project individually and, taking the risk-and-reward profile into account, divests the project to long-term investors at the optimal time. In most cases, European Energy concludes sales agreements during the construction phase, generally on a fixed price, turnkey basis. This reduces the construction risks and maintains European Energy's ability to participate in new development and construction activities.

Sale of electricity

As an independent power producer, European Energy owns or co-owns 59 operational solar and wind farms in seven countries with a total capacity of 661 MW of which the Group's share of the net capacity amounts to 363 MW. The Group's share of the renewable energy production from these operating assets was 459 GWh in 2019.

Asset management

Asset management is integral to the core business of European Energy, whose customers are often institutional investors who prioritise choosing a business partner with the ability to construct a plant, optimise production output, and minimise operating costs on their behalf.

- European Energy has a full business model that covers all value creation in the processes of developing, constructing and operating renewable-energy facilities
- Securing offtake agreements for projects now an integrated process

Financial performance

Financial performance of the Group

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

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

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

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

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

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

Profit and loss

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

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

REVENUE

The revenue for 2019 was recognised at EUR 238.8 million compared to EUR 96.2 million in 2018.

The increase in revenue was mainly in the sale of energy farms segment, which can be seen in note 1.1 to the Annual Report. Revenue from the sale of energy farms in 2019 was EUR 205.2 million as opposed to EUR 73.4 million in 2018. In 2018, the Group had more sales of associated companies than in 2019, and the recognition of such sale of shares is treated as a net transaction compared to the sale of controlled companies, which is treated gross.

- Best result ever with profit before tax at EUR 37 million
- Significant increase in revenue in 2019, due to an increase in sale of companies where European Energy was a majority shareholder compared to 2018.
- The enterprise value of the energy plants divested rose from EUR 178 million in 2018 to EUR 263 million in 2019
- European Energy refinanced its bond loan and increased the bond from EUR 85 million to EUR 140 million. Later in 2019, European Energy made a further increase by EUR 60 million to a total of EUR 200 million.

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

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

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

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

EQUITY-ACCOUNTED COMPANIES

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

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

Sale of energy parks in associated companies for 2019 was EUR 0, while it was EUR 41.2 million in 2018, which contributed to the results in the equity-accounted investments.

At 1 December 2019, the Group added the cluster of wind energy parks, Heidelberg, to its fully consolidated portfolio. (See disclosure section for more info).

Since the recognition changed from being associated companies to now fully consolidated the Heidelberg Group has consequently been evaluated to market value.

The increase in value for the Group's ownership share was equivalent to an income of EUR 2.5 million, which has been recognised as results from equity accounted investments.

The Heidelberg Group has added EUR 84.6 million to the balance sheet of the total European Energy Group end of 2019

OTHER INCOME

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

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

In July 2019, the Group concluded a strategic investment through the acquisition of 100% of the shares in the German group of companies, AEZ.
The companies included additions of wind-energy assets of EUR 56.5 million and a total addition to the Group's balance of EUR 70.7 million.

The purchase price allocation can be seen in details in the disclosures in the Business Combination section.

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

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

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

DIRECT COSTS

With directs costs of EUR 190.6 million in 2019, the Group achieved a total gross profit of EUR 57.5 million compared to direct costs of EUR 60.6 million and a gross profit of EUR 42.6 million in 2018. The gross revenue from the sale of fully consolidated companies in the year clearly out-weighed the upward effect on the gross margin that the addition of the increase in electricity sales had on the yearly result. Result was a decreasing gross margin from 44% in 2018 to 24% in 2019.

The segment splits for the gross profit are shown in the figures. The share of gross profit related to electricity sale has increased from 39% in 2018 to 45% in 2019, while the share of gross profit from the sale of energy parks has decreased from 37% in 2018 to 33% in 2019.

OTHER EXTERNAL COSTS

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

STAFF COSTS

The staff costs increased from EUR 5.0 million in 2018 to EUR 6.7 million in 2019. The part of the staff costs that is related to the construction of energy parks are capitalised as part of the inventory. When the energy parks are sold, the capitalised amount of staff costs for the specific park is expensed in direct costs. Staff costs are specified in note 4.2.

DEPRECIATION

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

FINANCIAL INCOME

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

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

Interest income was fairly stable at EUR 3.1 million compared to EUR 3.2 million in 2018.

The financial income for the year ended with a total of EUR 12.1 million compared to EUR 3.9 million in 2018.

FINANCIAL EXPENSES

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

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

In total the financial expenses increased from EUR 9.1 million in 2018 to EUR 13.1 million in 2019.

TAX

Tax in the Group was recognised to EUR 1.5 million in 2019, with EUR 0.5 million in paid tax.
For 2018, the numbers were EUR 3.4 million in tax expenses and EUR 0.8 million in paid tax. The Group has paid tax in Spain, Germany and Denmark.
The major reason for the relative drop in tax expenses is the recognition of a tax income of EUR 2.2 million in December 2019 relating to a settlement with the German tax authorities regarding brought-forward tax losses in a wind park, in Germany.

The Group recognises income from the sale of power in all controlled energy parks, and thus also tax expenses. When the parks are sold, the tax is accrued and is part of the balance of the sold company, and will in the end be paid by the buyer. The amount of paid tax for the Group will consequently always be considerably less than the tax expenses in the profit and loss statement. The difference, sold taxes, can be seen in the disclosures in the note 4.1 Tax.

OTHER COMPREHENSIVE INCOME

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

NON-CONTROLLING INTERESTS

The non-controlling interests (minority shareholders) part of the total comprehensive income was EUR 9.5 million in 2019 and EUR 1.2 million in 2018. The majority of the profit allocated to minority shareholders in 2019 was related to the sale of energy parks and electricity in Denmark and totalled EUR 8.0 million. In 2018 the majority of income to the minority shareholders was generated from the sale of electricity in Denmark.

Hanstholmvej, Denmark, 42 MW

The balance sheet

PROPERTY, PLANTS & EQUIPMENT

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

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

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

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

EQUITY-ACCOUNTED INVESTMENTS

Equity-accounted investments (joint ventures and associates) totalled EUR 24.8 million; up from EUR 20.6 million in 2018. The increase in investment value comes from the net addition of German energy parks and further investment in solar parks in Brazil.

The equity-accounted investments had a result in the year of EUR 2.5 million, whereof EUR 2.4 million was paid out as dividends.

OTHER INVESTMENTS

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

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

LOANS TO RELATED PARTIES

Loans to related parties increased by EUR 2.4 million in 2019 to a total of EUR 35.6 million. The increase comes primarily from the loans to 3 solar parks in Brazil, and represents the Group's equity part of the construction costs for these parks.

TRADE RECEIVABLES AND CONTRACT ASSETS

According to IFRS 15, receivables from customers, regulated by a contract and for which the exact size of the receivables depends upon future events, are recognised as contract assets. Earn-outs fall into this category.

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

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

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

INVENTORIES

Inventories increased to EUR 227.1 million from EUR 202.2 million in 2018.

EUR 132 million of the inventories was energy farms under construction; in 2018 the value was EUR 55.6 million.

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

In 2019, this led to a EUR 7.9 million impairment of inventory, as explained in the disclosure note 2.4. In 2018, the impairment was EUR 1.0 million.

The increase in write-downs should be seen as a result of the increase in investment in projects in the early development stages. The inventory value in these projects, before write-downs, increased from EUR 21.8 million in 2018 to EUR 56.4 million in 2019.
Please see the disclosure section 2.4 for more information

DEFERRED TAX

Net deferred taxes in the balance sheet increased from a net liability of EUR 1.4 million in 2018 to a net liability of EUR 7.9 million in 2019. The increase was primarily from the acquisition of AEZ and Heidelberg wind parks with an addition of EUR 7.8 million at the end of 2019.

OTHER RECEIVABLES

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

SHARE CAPITAL

The share capital increased during the year by EUR 15,000 all related to the warrant programme, where some employees decided to exercise their warrants. The share capital for the parent company was EUR 40.3 million by year-end 2019; in 2018 the share capital was EUR 40.3 million.

NON-CONTROLLING INTERESTS

The non-controlling interests increased from EUR 11.6 million in 2018 to EUR 19.5 million in 2019. The increase comes mainly from the minority shareholders part of the result in 2019 of EUR 9.5 million; plus, the addition of new minority shareholding in Heidelberg of EUR 2.5 million. Finally, dividends have been paid out dividends to minority shareholders of EUR 3.9 million from Group companies other than the parent company.

EQUITY

In 2019, the parent company in the Group made a non-cash dividend in compliance with the bond terms. The dividend amounting to EUR 7.4 million was off-set against a liability to the shareholders.

Total equity including the parent company and the non-controlling interests increased from EUR 107.7 million in 2018 to EUR 137.6 in 2019.

BOND LOAN

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

PROJECT FINANCING

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

TRADE PAYABLES

Trade payables decreased from EUR 10.0 million in 2018 to EUR 9.0 million at the end of 2019. The Group had excess cash at the end of 2019, and with the negative interest rates on cash, the Group tries to keep trade payables at a minimum.

PAYABLES TO RELATED PARTIES

Payables to related parties increased from EUR 0.5 million in 2018 to EUR 2.1 million in 2019. The increase relates to the expenses for a guarantee issued from a related company on behalf of the Group for power purchase agreements.

OTHER PAYABLES

Total non-current and current other payables increased in 2019 to EUR 19.0 million compared to EUR 16.3 million in 2018. Again, the increase comes primarily from the acquisition of AEZ and Heidelberg wind parks with an addition of EUR 2.3 million at the end of 2019.

Cash flow statement

OPERATING CASH FLOW

The cash flow from operations in 2019 was EUR 18.1 million. The operating cash flow in 2018 was EUR -151.0 million. The major difference between the years is that, in 2018, the Group increased the inventory resulting in a change in networking capital of EUR -172.1 million and the increase in inventory in 2019 has been considerably less, resulting in a change in networking capital of EUR -14.4 million.

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

PURCHASE/DISPOSAL OF PLANT AND EQUIPMENT

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

ACQUISITION OF SUBSIDIARIES

The purchase sum of the AEZ Group amounted to EUR 27.3 million. See the note 2.1 for more specification on the purchase sum allocation.

EQUITY-ACCOUNTED INVESTMENTS

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

LOANS TO RELATED PARTIES

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

INVESTING ACTIVITIES

The total cash flow of investing activities ended at EUR -10.0 million compared to EUR -0.5 million in 2018.

BONDS

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

In 2018, the Group had new bonds launch proceeds of EUR 25.1 million, and bond repayments of EUR 7.6 million.

PROJECT FINANCING

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

LOANS TO ASSOCIATED COMPANIES

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

NON-CONTROLLING INTERESTS

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

TOTAL CASH FLOW

In total, the financing activities had a positive cash flow of EUR 36.9 million and the cash from acquired companies amounted to EUR 9.9 million.
This resulted in a total positive net cash flow for 2019 of EUR 54.9 million compared to 2018 with EUR 10.4 million.

Capital management

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

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

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

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

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

At the end of 2019, the Group's cash balance was EUR 113.5 million, of which EUR 90.4 million was free cash (in 2018 the cash balance was EUR 58.6 million with EUR 50.7 million in free cash). Management and the Board of Directors evaluate that the Group has sufficient available cash.

Uncertainty with regard to recognition and measurement

REVENUE RECOGNITION

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

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

INVENTORY/PROJECTS VALUATION

Evaluating inventory, especially projects still under development, involves a risk relating to the likelihood of a project's success. Management continuously evaluates all projects on the basis of their financial viability and feasibility. In 2019, this led to a EUR 7.9 million impairment of inventory (write-off or write-down), as explained in the disclosure note 2.4. In 2018, the impairment was EUR 1.0 million.

Ulvemosen, Denmark, 34.5 MW

Financial performance of the Parent Company

Profit and loss

REVENUE

The revenue of the Group's parent company, European Energy A/S, totalled EUR 150.5 million in 2019 (EUR 64.8 million in 2018).

EUR 146.5 million of the total revenue relates to the sale of power plants and to project management fees for projects within the Group where the company has had the overall management of the construction of power plants (2018: EUR 61.0 million) The company had electricity sales of 0.9 million euro (2018: EUR 0.2 million) and asset management fees of EUR 3.1 million (2018: EUR 3.6 million).

EQUITY-ACCOUNTED INVESTMENTS

Profit after tax for equity-accounted investments totalled EUR 25.3 million, up from EUR 11.2 million in 2018.

OTHER INCOME

In 2019, there was no other income in the parent company. In 2018, a wind park in Germany was evaluated to market price as the park was reclassified from an associated company to other investments. This regulation was the major reason for the other income in 2018 of EUR 1.6 million.

DIRECTS COSTS AND GROSS PROFIT

With a direct cost for the year of EUR 142.3, the parent company had a gross profit of 33.5 million, compared to a direct cost of EUR 47.8 million and a gross profit of EUR 29.9 million in 2018.

STAFF COSTS

The staff costs of the parent company closely resemble those of the Group, as 95% of the staff during the year was employed by the parent company. Staff costs totalled EUR 6.4 million versus EUR 4.8 million in 2018.
Total staff costs for the parent company amounted to EUR 14.8 million but EUR 8.5 million was capitalised and classified as indirect product costs. In the balance statement this amount is treated as loans to equity accounted investments. When the parent company issues the project management agreement fees regarding the work done on each project, and when the project has been recognised as sold according to IFRS 15, the proportional capitalised staff costs for the energy park is expensed as part of direct costs.
During the year, EUR 5.3 million was expensed as direct costs.

OTHER EXTERNAL COSTS

Other external costs increased to EUR 5.6 million from EUR 3.2 million. During the year, accruals have been made for additional VAT expenses relating to the years 2017-2019 of EUR 2.1 million. Please see the comment under the other external costs in financial performance for the Group.

NET FINANCIAL INCOME

Net financial income was a profit of EUR 4.9 million in 2019 compared to 2018 when it was an income of EUR 0.5 million. The increase in financial revenue is related to the recognised modification gain obtained when the company refinanced the bond loan with 78% of the same investors and with a decreased interest rate from 7.0% on the old loan to 5.35% on the new. The net present value of the saved interest over the next 4 years has been recognised as an income, which will be expensed during the lifecycle of the bond. The total modification gain booked in 2019 was EUR 5.6 million.

PROFIT BEFORE TAX

Profit before tax totalled EUR 26.1 million up from EUR 22.3 million in 2018.

TAX

The taxes for the year totalled an income of EUR 0.6 million, a decrease from an expense of EUR 0.9 million in 2018.
Of the EUR 26.1 million in results before tax, the profit from equity-accounted investments equalled EUR 25.3 million and this profit is already taxed in these companies. This is the major reason for the low effective tax rate in the company.

OTHER COMPREHENSIVE INCOME

In 2019, the company recognised EUR 3.3 million in value adjustments of hedging instruments with a tax value of EUR -0.6 million. The income came from the market value adjustment of a power purchase agreement for a solar park, and the positive adjustments for the disposal of companies with negative SWAP-interest agreements.

TOTAL COMPREHENSIVE INCOME

In total, the comprehensive and other comprehensive income for 2019 was EUR 29.5 million; in 2018, the profit was EUR 20.6 million.

The balance sheet

PLANT AND EQUIPMENT

All operating activities, sale of electricity and ownership of power-generating assets are structured in operating companies, i.e. subsidiaries, JVs, associated companies or other investments of the parent company.

But no rule without an exception, the parent company has installed a test installation of different solar panels in a collaboration with the Danish Technical University at the Risø Campus.

The test centre is the first of its kind in Europe. Tests that will be conducted over the life of the centre include the newest solar cell technologies combined with various tracker structures and energy-storage technologies, and the performance of bi-facial solar panels (which absorb energy on both sides of the panel).

The value of the installation end of 2019 is recognised at EUR 0.4 million, in 2018 it was EUR 0.5 million.

The value of equipment was EUR 0.5 million, with EUR 0.4 million in 2018.

SUBSIDIARIES

Investment in subsidiaries increased to EUR 73.2 million (EUR 54.3 million in 2018). The increase is attributable to the acquisition of new companies with ready-to-build projects, capital increases in existing subsidiaries, dividends and disposal of companies. The major part, though, comes from the result for 2019 in subsidiaries of EUR 23.7 million.

JOINT VENTURES

Joint venture investments decreased from EUR 10.3 million in 2018 to EUR 9.1 million in 2019 due to the results for the year of EUR -1.6 million.

ASSOCIATED COMPANIES

Investments in associated companies increased from EUR 3.8 million in 2018 to EUR 4.4 million in 2019. For these companies, the result for the year after tax was positive with EUR 3.3 million, mainly from the recognition of the market value regulation regarding the Heidelberg shares of EUR 2.5 million The Heidelberg Group has, however, been transferred to subsidiaries, so the increase in value for the associated companies in 2019 is equivalent to the earnings of all companies minus the value of Heidelberg Group.

LOANS TO SUBSIDIARIES

Loans to subsidiaries was EUR 79.0 million in 2018 and increased to EUR 157.5 million in 2019. The increase relates to financing of ongoing construction projects in subsidiaries and to the purchase of ready-to-build projects in subsidiaries.

LOANS TO RELATED PARTIES

Loans to related parties increased from EUR 31.5 million in 2018 to EUR 34.4 million in 2019, mainly due to loans to the solar parks in Brazil.

TRADE RECEIVABLES AND CONTRACT ASSETS

Total non-current and current trade receivables and contract assets increased to EUR 7.3 million from EUR 6.5 million in 2018. The increase relates to increased asset management fees and receivables regarding the sale of energy plants.

CASH AND CASH EQUIVALENTS

The cash position increased for the parent company from EUR 29.2 million in 2018 to EUR 37.3 million in 2019.

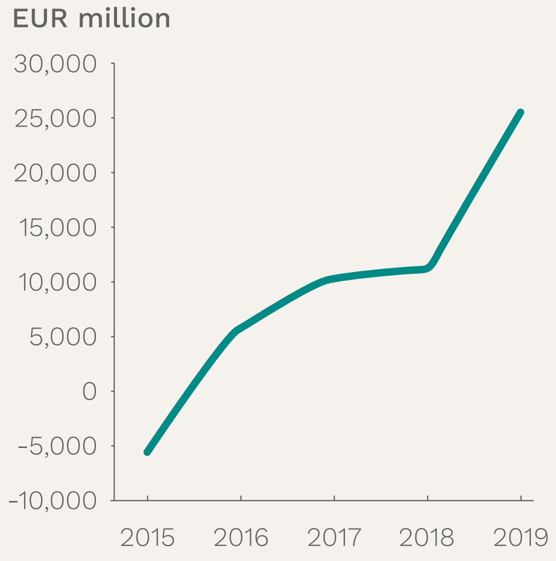
EQUITY

On the liability side, the share capital increased during the year by EUR 15,000, all related to the warrant programme, where some employees decided to exercise their warrants. The share capital for the parent company was EUR 40.3 million by year-end; in 2018, the share capital was EUR 40.3 million.

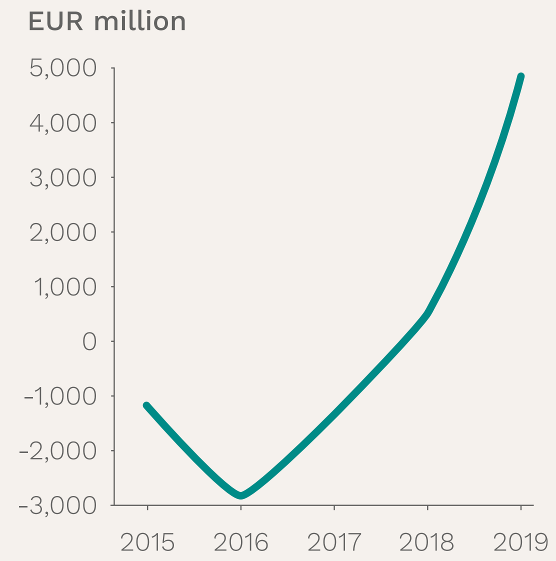
The bond terms have a no-dividend clause, but the company had the option to settle a debt to the shareholders of EUR 7.4 million in a non-cash dividend. This was done during 2019.

The total equity at year-end was EUR 118.1 million compared to EUR 96.1 million in 2018.

Results of equity-accounted companies



Net financial income



BOND LOAN
The bond loan increased, during 2018, from EUR 85.0 million to EUR 200.0 million, and was recognised at the end of 2019 as net of debt issue costs and modification gain to EUR 192.0 million vs EUR 83.7 million in 2018.

DEBT TO SUBSIDIARIES (NON-CURRENT)
In 2018, the parent company had a payable to a subsidiary of EUR 17.5 million. The loan has been repaid and, at the end of 2019, the value of loans to subsidiaries are EUR 0.

PROVISIONS
The provisions at the end of 2019 was EUR 2.8 million; in 2018 the amount was EUR 0.

The increase mainly relates to the accrual of EUR 2.1 million of VAT expenses and "lønsumsafgift". See more under the "Other external costs" section in the Financial Performance of the Group.

CONTRACT LIABILITIES
In 2018, the parent company had a contract liability of EUR 6.0 million related to a down payment for the wind park, Bosco, which was not yet recognised as sold. The parent company has no contract liabilities at the end of 2019.

EQUITY RATIO
The equity ratio decreased from 44% to 36% in 2019 due to the increase in the bond loan. The parent company has made no dividend proposal to its shareholders. Due to the covenants of the EUR 200 million bonds listed on the NASDAQ stock exchange in Copenhagen, European Energy A/S cannot pay out dividends until the bond is repaid.

Cash flow statement

CASH FLOW FROM OPERATING ACTIVITIES
The operating cash flow was EUR -5.0 million in 2019 compared to EUR 17.2 million in 2018.
In 2019, the major part of the income in the parent company was from earnings in the equity-accounted companies and this part in non-cash movements. In 2018, a bigger part of the income from sale of energy parks was in the parent company and generated operating cash flow.

CASH FLOW FROM INVESTING ACTIVITIES
In 2019, the negative cash flow regarding investment in equity accounted companies was EUR 15.8 million; in 2018 the amount was EUR 12.5 million.

In 2019, the company increased the bond loan, and the proceeds from that were lend out to subsidiaries to either purchase ready-to-build projects or to finance the ongoing construction of energy parks. This gave a negative cash flow in loans to subsidiaries of EUR 79.1 million and to related parties of EUR 10.2 million. In 2018, the amounts were also negative with EUR 0.9 million and EUR 17.3 million.

The dividends received were EUR 6.4 million in 2019 compared to EUR 3.1 million in 2019.

In total, the cash flow from investing activities was negative in 2019 with EUR 99.0 million; in 2018 the negative amount was EUR 25.0 million.

CASH FLOW FROM FINANCING ACTIVITIES

In 2019, the company had proceeds from the issue of bonds totalling EUR 200.5 million; in 2018 the amount was EUR 25.1 million.
Repayment of bonds was EUR 88.4 million in 2019 and EUR 0 in 2018.
In total, the cash flow from financing activities ended at EUR 112.1 million in 2019 and EUR 25.1 million in 2018.

TOTAL CHANGE IN CASH

The total change in cash and cash equivalents for 2019 was EUR 8.2 million; in 2018 the change was EUR 17.2 million

Risk management

Risk management

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

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

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

Market risks

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

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

Operational risks

European Energy develops greenfield projects, acquires pre-developed renewable energy projects, which are at different stages of their development cycle, and participates in repowering projects.
In order to be able to continuously realise new profitable projects, European Energy relies on a broad worldwide project development pipeline, which ensures cross-border market intelligence and agility and responsiveness in the instance that market conditions change in individual markets. European Energy limits its risk exposure to specific projects or countries by selectively entering into partnerships, ensuring that development risks are appropriately shared between European Energy and

- Offtake agreements with corporates and utilities mitigate fluctuating power prices
- Diversification between both solar and wind limits market and technology risks
- European Energy's extensive experience means a reduced construction risk
- Political, regulatory and legal risks are mitigated by diversification through interests in a variety of markets.

its partners, which, for example, can be the original project developers.

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

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

Financial risks

LIQUIDITY RISKS

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

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

FOREIGN CURRENCY RISKS

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

INTEREST RATE RISKS

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

CREDIT RISKS

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

Political, regulatory and legal risks

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

Audit Committee

The Audit Committee assists the Board of Directors in overseeing the financial reporting process, financial and business-related risks, internal controls and compliance with statutory and other requirements from the public authorities. Moreover, the Audit Committee decides the framework for engaging European Energy's external auditors and evaluates their independence and qualifications.

For the 2019 financial year, the Board of Directors appointed Jesper Helmuth Larsen as chairman of the Audit Committee, and Claus Dyhr and Jens-Peter Zink as members. There have been no changes in the members of the Audit Committee since the committee was established in 2016. The members meet the requirements concerning independence, experience, expertise and accounting skills, as set out in the Danish recommendations on corporate governance, and the committee as a whole therefore possesses the necessary competence.

MOST IMPORTANT TASKS OF THE AUDIT COMMITTEE IN 2019

— Review of the Interim Financial Reports and the Annual Report of the Group

— Monitoring and approval of Non-Audit Services

— Review of the accounting treatment of risk and/or significant areas, which primarily comprise use of judgements/estimates, complex accounting matters, revenue, tax, impairment tests etc.

— Monitoring of the Financial Department's progress, reporting, quality and compliance

— Monitoring the internal controls for the Group

Vier Berge, Germany, 25 MW

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://www.europeanenergy.dk/en/financial-reports/

Management diversity

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

Corporate governance

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

Managerial positions

A complete list of Management positions at Group companies, Equity companies, and other companies is included in note 4.10 of the financial statements.

Events

Events after the balance sheet date

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

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

We do not foresee any issues regarding the financing of our construction activities, primarily because we have a strong cash position coming out of 2019. The main short-term risks for us are delays in the delivery of materials to our construction projects. We have been in close contact with our key suppliers, and with our longstanding relationships in mind, we have not seen s significant impact. Some construction sites have experienced very short interruptions to the activity, while the health authorities fine-tuned their new guidelines.

We are confident that the world will still have an increasing need for green electricity and green generating capacity – because the fight against climate change will still be a high priority on the other side of the COVID-19 crisis.

Hanstholmvej, Denmark, 42 MW

Statements


Lars Bo Jørgensen
Simon Bjørnholt
Thomas Hvalsø Hansen
Mikael D. Pedersen
Knud Erik Andersen
Claus Dyhr
Jesper Helmuth Larsen
Jens-Peter Zink
Thorvald Spanggaard
Jonny Thorsted Jonasson

Board of directors and Management group

Board of directors

Jens-Peter Zink
Chairman

Knud Erik Andersen

Mikael Dystrup Pedersen

Jesper Helmuth Larsen

Claus Dyhr

Management group

Knud Erik Andersen
Chief Executive Officer

Jens-Peter Zink
Executive Vice President

Mikael Dystrup Pedersen
Chief Technology Officer

Jonny Thorsted Jonasson
Chief Financial Officer

Thomas Hvalsø Hansen
Chief Operating Officer

Lars Bo Jørgensen
Head of Transaction Services & Project Economy

Thorvald Spanggaard
Project Director

Simon Bjørnholt
Legal Director

Statement by Board of Directors and Management

The Board of Directors and the Management Board have discussed and approved the Annual Report of European Energy A/S for the financial year ended 31 December 2019. The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and with further disclosure requirements in 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 and the parent company's financial position at 31 December 2019, and of the results of the Group and the parent company's operations and cash flow for the financial year then ended.

In our opinion, the Management Review includes a true and fair review of the development in the Group and the parent company's operations and financial matters, the results for the year, and the parent company's financial position, and the position as a whole of the entities included in the consolidated financial statements, as well as a review of the more significant risks and uncertainties faced by the Group and the parent company.

We recommend that the Annual Report is approved at the Annual General Meeting.

Søborg, 16 April 2020

Executive Board

Knud Erik Andersen

Board of Directors

Jens-Peter Zink

Knud Erik Andersen

Mikael Dystrup Pedersen

Jesper Helmuth Larsen

Claus Dyhr

Independent auditor’s report

To the shareholders of European Energy A/S.

Opinion

In our opinion, the consolidated financial statements and the Parent Company’s separate financial statements give a true and fair view of the Group and the Parent Company's assets, liabilities and financial position at 31 December 2019 and of the results of the Group and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2019 in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

Our opinion is consistent with our long-form audit report to the Board of Directors and the Audit Committee.

AUDITED FINANCIAL STATEMENTS

European Energy A/S's consolidated financial statements and separate financial statements for the financial year 1 January – 31 December 2019 comprise the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flow, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company (the financial statements).

The financial statements are prepared in accordance with the International Finance Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statement Act.

Basis for opinion

We conducted our audit in accordance with the 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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 declare, to the best of our knowledge and belief, that we have not provided any prohibited non-audit services referred to in Article 5(1) of the Regulation (EU) 537/2014 and that we remained independent in conducting the audit.

We were appointed auditors of European Energy A/S for the first time on 26 October 2015 for the financial year 2015. We have been re-elected annually by resolution passed at the Annual General Meeting for a total consecutive engagement period of 5 years up to and including the 2019 financial year.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the 2019 financial year. These matters were addressed in the context of our audit of the financial statements as a whole, and in the forming of our opinion thereon. We do not provide a separate opinion on these matters.

Key Audit Matter

RECOGNITION OF REVENUE FROM SALE OF ENERGY FARMS

Determining the point in time when the sale of energy farms should be recognised is key to the reported financial performance of European Energy.

Furthermore, sales contracts often comprise multiple performance obligations, variable consideration and different contract conditions that involve judgement when determining the amount of revenue to be recognised.

Due to the significance and complexity associated with the above, revenue recognition from sale of energy farms is considered a Key Audit Matter.

Further reference is made to notes 1.0 and 1.1 in the consolidated financial statements and note 1.1 in the Parent Company financial statements.

How our audit addressed the Key Audit Matter

Through testing of contracts on a sample basis and by reviewing Management's IFRS 15 analysis, we have verified that:

- variable consideration is based on the most likely consideration that European Energy is entitled to and that it is highly probable that a significant reversal will not be made in subsequent periods
- performance obligations in the sales contracts have been appropriately identified and that the considerations have been fairly allocated in comparison with stand-alone selling prices
- revenue related to the different performance obligations is recognised when all material risks and rewards as stipulated in the sales contracts have been passed to the buyer.

We have read notes 1.0 and 1.1 in the consolidated financial statements and note 1.1 in the Parent Company financial statements and assessed if the notes are fairly presented.

Key Audit Matter

VALUATION OF RENEWABLE ENERGY PROJECTS AND RELATED INVESTMENTS AND LOAN RECEIVABLES

Projects comprises development projects, projects under construction and completed projects ready for sale in the group and in investments. Projects comprise both greenfield and purchased projects.

The valuation risk associated with development projects is considered high, especially as to whether or not a project will be completed or cancelled. This assessment depends on financial criteria (estimated net realisable value, including estimate of return on invested capital requirements) as well as non-financial criteria (permits, financing, finding a buyer, etc.).

For projects under construction or completed projects ready for sale, the valuation risk is generally considered medium. Furthermore, specific circumstances, e.g. geographical and/or political, can though lead to increased risk. When a sales agreement has been concluded, the risk is considered low.

The valuation of loan receivables from related parties is dependent on the valuation of the risk associated with the underlying renewable energy projects.

Management's assessment of whether development projects should be written off or not and whether projects under construction, or completed projects ready for sale, should be written down to a lower net realisable value is considered a Key Audit Matter.

Further reference is made to notes 1.0, 2.4 and 2.5.1. in the consolidated financial statements and in the Parent Company financial statements.

How our audit addressed the Key Audit Matter

We have, on sample basis, obtained an understanding of the risks and stage of completion of the individual projects, Management's expectation of project success, the financial expectations and whether or not a sales agreement has been concluded or is expected to be concluded in the near future.

For material and high-risk projects under development, we have reviewed Management's valuation analysis and verified Management's assessment of significant financial and non-financial criteria (success expectation).

For projects under construction or completed projects ready for sale, we have reviewed concluded sales agreements. Where no sales agreements have been entered into, we have reviewed Management's valuation analysis.

We have read notes 1.0, 2.4 and 2.5.1 in the consolidated financial statements and in the Parent Company financial statements and assessed their fair presentation.

Key Audit Matter

FINANCING

Apart from individual non-recourse loans in European Energy's subsidiaries, the Group is primarily financed through a EUR 200 million bond loan.

The terms of the bond loan require the Group to comply with certain loan covenants.

Maintaining the bond loan is essential to the Group's financing and ability to continue as a going concern and is therefore considered a Key Audit Matter.

Further reference is made to note 3.2 in the consolidated financial statements.

How our audit addressed the Key Audit Matter

We have compared the bond loan's covenants with audited values at 31 December 2019 in order to verify whether the Group was in compliance therewith. We have also reviewed Management's quarterly covenant compliance reporting in 2019.

We have compared the bond loan's covenants with the budget for 2020 in order to assess if the Group is expected to be in compliance with the covenants in 2020.

We have assessed the reliability of the budget for 2020 by comparing it with signed but not completed contracts, project pipeline and the recent financial track record of the Group.

We have read note 3.2 in the consolidated financial statements and assessed if it is fairly presented.

Statement on the Management Review

Management is responsible for the Management Review.

Our opinion on the financial statements does not cover the Management 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 the Management Review and, in doing so, consider whether the Management 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 the Management Review provides the information required under the Danish Financial Statements Act.

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

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of 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 Group 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 unless Management either intends to liquidate the Group or the Parent company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor 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 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 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 judgement and maintain professional scepticism 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 Group 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 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 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 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 Parent 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.
- 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.

We also provide those charged with government with a statement that we have complied with relevant ethical requirements regarding independence, and communicate to them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and therefore the key audit matters. We describe these matters in our Auditor's Report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determined that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Copenhagen, April 16, 2020

KPMG
Statsautoriseret Revisionspartnerselskab
CVR no. 25 57 81 98

Lau Bent Baun	Martin Eiler
State Authorised	State Authorised
Public Accountant	Public Accountant
MNE No. 26708	MNE No. 32271

Financial statements

Group

Consolidated statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

EUR '000

Note		2019	2018 *)
1.1	Revenue	238,804	96,182
2.5	Profit after tax from equity-accounted investments	2,504	5,795
1.1	Other income	6,835	1,182
1.1	Direct costs	-190,614	-60,589
	Gross profit	**57,529**	**42,570**
4.2	Staff costs	-6,695	-5,030
4.3	Other external costs	-6,529	-3,933
	EBITDA	**44,305**	**33,607**
2.3	Depreciation	-5,894	-2,490
	Operating profit	**38,411**	**31,117**
3.1	Finance income	12,148	3,907
3.1	Finance expenses	-13,117	-9,100
	Profit before tax	**37,442**	**25,924**
4.1	Tax	-1,461	-3,403
	Profit for the year	**35,981**	**22,521**
	Attributable to:		
	Shareholders of the Company	26,654	21,328
	Non-controlling interests (NCI)	9,327	1,193
	Profit for the year	**35,981**	**22,521**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of profit or loss and other comprehensive income - continued

For the year ended 31 December 2019

EUR '000

Note	Profit or loss and OCI	2019	2018 *)
	Statement of comprehensive income		
	Profit for the year	35,981	22,521
	Items that may be reclassified to profit or loss		
	Value adjustments of hedging instruments	3,477	-991
4.1	Tax of value adjustments of hedging instruments	-645	276
	Currency differences on translating foreign operations	210	-11
	Other comprehensive income for the period	**3,042**	**-726**
	Comprehensive income for the year	**39,023**	**21,795**
	Attributable to:		
	Shareholders of the Company	29,511	20,605
	Non-controlling interests (NCI)	9,512	1,190
	Comprehensive income for the year	**39,023**	**21,795**
	Interim dividends:		
	Non-cash distribution to shareholders		
	Interim dividends	7,400	-
	Total Interim dividends	7,400	-

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of financial position

As of 31 December 2019

EUR '000

Note	Balance Sheet	2019	2018 *)
	ASSETS		
	Non-current assets		
2.3	Property, plant and equipment	134,213	85,947
2.3.1	Lease assets	9,091	-
2.5.1	Joint venture investments	11,112	11,938
2.5.2	Associated companies investments	13,693	8,643
2.6	Other investments	4,394	6,764
4.5	Loans to related parties	35,620	33,179
2.7	Trade receivables and contract assets	4,241	4,131
2.7	Other receivables	15,133	3,101
4.1	Deferred tax	2,292	1,584
2.7	Prepayments	3,923	9,937
	Total non-current assets	**233,712**	**165,224**
	Current assets		
2.4	Inventories	227,131	202,193
2.7	Trade receivables and contract assets	16,920	9,317
2.7	Other receivables	8,270	10,734
2.7	Prepayments	6,116	1,027
3.2	Free cash and cash equivalents	90,414	50,718
3.2	Restricted cash and cash equivalents	23,108	7,868
	Total current assets	**371,959**	**281,857**
	TOTAL ASSETS	**605,671**	**447,081**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of financial position - continued

EUR '000

Note	Balance Sheet	2019	2018 *)
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	40,331	40,316
	Retained earnings and reserves	77,797	55,772
	Equity attributable to shareholders of the Company	**118,128**	**96,088**
	Non-controlling interests	19,475	11,597
	Total Equity	**137,603**	**107,685**
	Liabilities		
3.3	Bond loan	192,017	83,670
3.3	Project financing	140,743	157,666
	Other debt	905	898
2.3.1	Lease liabilities	13,037	-
2.8	Provisions	6,096	3,066
4.1	Deferred tax	10,241	2,986
	Total non-current liabilities	**363,039**	**248,286**
3.3	Project financing	66,772	56,111
2.3.1	Lease liabilities	1,493	-
	Trade payables	8,981	9,987
	Payables to related parties	2,117	481
	Corporation tax	4,777	1,194
2.8	Provisions	2,800	1,985
	Contract liabilities	-	5,960
	Other payables	18,089	15,392
	Total current liabilities	**105,029**	**91,110**
	Total liabilities	**468,068**	**339,396**
	TOTAL EQUITY AND LIABILITIES	**605,671**	**447,081**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of cash flow

For the year ended 31 December 2019

EUR '000

Note	Cash flow from operating activities	2019	2018 *)
	Profit before tax	37,442	25,924
	Adjustments for:		
	Financial income	-12,148	-3,907
	Financial expenses	13,117	9,100
	Depreciations	5,894	2,490
	Profit from equity-accounted companies	-2,504	-5,795
2.9	Change in net working capital	-14,408	-172,106
	Interest paid on lease liabilities	-152	-
	Other non-cash items	-2,980	-1,263
	Cash generated from operation before financial items and tax	**24,261**	**-145,557**
	Dividends received		
	Taxes paid	-538	-751
	Interest paid and realised currency losses	-11,459	-8,263
	Interest received and realised currency gains	5,864	3,610
	Cash flow from operating activities	**18,128**	**-150,961**
	Cash flow from investing activities		
	Purchase of property, plant and equipment	28,307	-12,576
	Proceeds from disposal of equity-accounted investments	682	3,161
	Purchase/disposal of other investments	65	252
2.1	Acquisition of subsidiaries	-27,276	-
	Investment in equity-accounted investments	-1,479	3,768
	Loans to related parties	-11,893	4,740
	Dividends	1,556	165
	Cash flow from investing activities	**-10,038**	**-490**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of cash flow - continued

EUR '000

Note		2019	2018 *)
	Cash flow from financing activities		
	Proceeds from issue of bonds	200,535	25,107
	Repayment of bonds	-88,400	-7,600
	Proceeds from borrowings	88,551	191,594
	Repayment of borrowings	-160,358	-49,729
	Repayment of lease liabilities	-467	-
	Changes in payables to associates	1,636	-4,367
	Non-controlling interests' share of capital increase or disposal of subsidiaries	-4,563	6,852
	Cash flow from financing activities	**36,934**	**161,857**
	Cash and cash equivalents related to acquired companies	9,912	-
	Change in cash and cash equivalents	**54,936**	**10,406**
	Cash and cash equivalents at beginning of period	58,586	48,180
	Cash and cash equivalents end of period	**113,522**	**58,586**
	Of which restricted cash and cash equivalents	**-23,108**	**-7,868**
3.2	**Non-restricted cash and cash equivalents at end-of-year**	**90,414**	**50,718**

*) The Group applied IFRS 16 at 1 January 2019 using the modified retrospective approach why comparative information is not restated.

Consolidated statement of changes in equity

As of 31 December 2019

EUR '000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Equity at 1 January 2019	**40,316**	**-5**	**5**	**-1,257**	**57,029**	**96,088**	**11,597**	**107,685**
Profit for the period	-	-	-	-	26,654	26,654	9,327	35,981
Other comprehensive income								
Value adjustments of hedging instruments	-	-	-	2,802	485	3,287	190	3,477
Tax of value adjustments of hedging instruments	-	-	-	-645	-	-645	-	-645
Currency differences on translating foreign operations	-	-	211	-	4	215	-5	210
Other comprehensive income	**-**	**-**	**211**	**2,157**	**489**	**2,857**	**185**	**3,042**
Total comprehensive income	**-**	**-**	**211**	**2,157**	**27,143**	**29,511**	**9,512**	**39,023**
Transactions with owners								
Dividends	-	-	-	-	-7,400	-7,400	-	-7,400
Transactions with NCI	-	-	-	-	-572	-572	-3,931	-4,503
Exercise of warrants	15	42	-	-	-	57	-	57
Expenses related to capital increases	-	-	-	-	-	-	-	-
Share-based compensation expenses	-	-	-	-	444	444	-	444
Additions	-	-	-	-	-	-	4,130	4,130
Disposals	-	-	-	-	-	-	-1,833	-1,833
Total transactions with owners	**15**	**42**	**-**	**-**	**-7,528**	**-7,471**	**-1,634**	**-9,105**
Equity at 31 December 2019	**40,331**	**37**	**216**	**900**	**76,644**	**118,128**	**19,475**	**137,603**

The share capital consists of nom. 300,145,075 shares of DKK 1 each, corresponding to EUR 40,331 thousand. The share capital is fully paid in.

*Non-cash dividends have been settled against a receivables against shareholders. Non-cash dividend is EUR 0.0246 per share.

Consolidated statement of changes in equity - continued

As of 31 December 2018

EUR '000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Equity at 1 January 2018	**40,311**	**-**	**-50**	**-522**	**35,574**	**75,313**	**15,687**	**91,000**
Profit for the period	-	-	-	-	21,328	21,328	1,193	22,521
Other comprehensive income								
Value adjustments of hedging instruments	-	-	-	-1,018	-	-1,018	27	-991
Tax of value adjustments of hedging instruments	-	-	-	283	-	283	-7	276
Currency differences on translating foreign operations	-	-	55	-	-43	12	-23	-11
Other comprehensive income	**-**	**-**	**55**	**-735**	**-43**	**-723**	**-3**	**-726**
Total comprehensive income	**-**	**-**	**55**	**-735**	**21,285**	**20,605**	**1,190**	**21,795**
Transactions with owners								
Transactions with NCI	-	-	-	-	-27	-27	-	-27
Exercise of warrants	5	11	-	-	-	16	-	16
Expenses related to capital increases	-	-16	-	-	-	-16	-	-16
Share-based compensation expenses	-	-	-	-	197	197	-	197
Additions	-	-	-	-	-	-	7,471	7,471
Disposals	-	-	-	-	-	-	-12,751	-12,751
Total transactions with owners	**5**	**-5**	**-**	**-**	**170**	**170**	**-5,280**	**-5,110**
Equity at 31 December 2018	**40,316**	**-5**	**5**	**-1,257**	**57,029**	**96,088**	**11,597**	**107,685**

The share capital consists of nom. 300,040,190 shares of DKK 1 each, corresponding to EUR 40,316 thousand. The share capital is fully paid in.

Notes

1.0 Basis for preparation

General information

The annual consolidated financial statements comprise the parent company European Energy A/S and its subsidiaries (the Group) for the year ended 31 December 2019. The Group's main operations consist of project development, financing, sales and acquisitions, construction supervision and management of wind and solar farms. Geographically, the Group focuses on Northern European markets.

The parent company is a limited liability company incorporated and domiciled in Denmark. The company's registered office address is Gyngemose Parkvej 50, DK-2860 Søborg.

Corporate bonds issued by the parent company are listed on NASDAQ Copenhagen in July 2019. On 30 April 2020, the Board of Directors approves the 2019 Annual Report.

Basis for preparation

The Annual Report for the year ended 31 December 2019 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and additional requirements in EU.

The European Energy Group has adopted all new, amended or revised accounting standards and interpretations (IFRS) as published by the IASB effective as of 1 January 2019, as well as those endorsed by the EU.

The Annual Report is presented in EUR, and all values are rounded to the nearest thousand (EUR '000), except when otherwise indicated.

Changes in accounting policies and disclosures

Of the new standards and amendments implemented in 2019, only IFRS 16 Leases has had impact on the Group's financial statements, cf. in note 2.3.1.

IFRS 16 LEASES

IFRS 16 Leases was implemented 1 January 2019. Implementation of IFRS 16 did not have material impact on the Group's financial statements. Most of the contracts have previously been classified as off-balance operating leases under IAS 17 but have now been capitalised and recognised as right-of-use assets and lease liabilities. Consequently, reported operating profits have increased, as previous operating lease expenses have been replaced by depreciation and interest expenses. However, the net impact on profit for the period is neutral over time. The total net effect on cash flow related to the increase in lease assets and liabilities is limited.

APPLICATION AND PRACTICAL EXPEDIENTS APPLIED

IFRS 16 has been applied following the modified retrospective approach with the cumulative effect of applying the standard recognised in the opening balance of retained earnings. Comparative figures have not been restated and are presented in accordance with the previous IFRS standard on leases (IAS 17) as disclosed in the 2018 Annual Report. Right-of-use assets and lease liabilities have been presented as separate line items in the balance sheet. For existing leases classified as operating leases under IAS 17, lease liabilities have been measured at the present value of the remaining lease payments discounted using an appropriate incremental borrowing rate at 1 January 2019. Right-of-use assets have been measured as if IFRS 16 had been applied since the lease commencement date and discounted using an appropriate incremental borrowing rate on 1 January 2019.

THE FOLLOWING PRACTICAL EXPEDIENTS HAVE BEEN APPLIED IN IMPLEMENTING THE STANDARD:

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

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

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

New accounting standards not yet adopted

The IASB has issued a number of new or amended accounting standards and interpretations, effective after 31 December 2019. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the Group company.

Management does not expect the remaining new or amended standards and IFRICs to materially affect the coming financial years.

Basis of consolidation

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

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

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

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

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

Foreign currency translation

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

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

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

TRANSLATION INTO PRESENTATION CURRENCY

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

Presentation of cash flow statement

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

Cash flow from operating activities are impacted by leases payments of EUR 0.5 million and cash flow from investing activities are impacted by EUR 0.2 million related to interest paid on lease liabilities related to the adoption of IFRS 16 regarding Lease in the cash flow statement for 2019.

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 sells 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.

Covenants.

In respect of the testing period ending of December 2019 for covenants, Management confirms that no default exists.

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, cf. in note 2.3.1. In addition, significant estimates have been applied in determining these in relation to the implementation of IFRS 16.

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:

ASSESSMENT OF CLASSIFICATION – WHETHER THE GROUP HAS CONTROL, SIGNIFICANT INFLUENCE OR JOINT CONTROL (NOTE 2.5.1 AND 2.5.2)

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

a. Power over the investee;
b. Exposure, or rights, to variable returns from its involvement with the investee; and
c. The ability to use its power to affect the amount of its returns. The assessment of control is based on European Energy's actual ability to direct the activities of the project rather than on the legal form of the ability. Consequently, the determination of whether European Energy has substantive rights over the project does not distinguish between rights arising from European Energy as a shareholder of the project or as an operator.

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

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

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 2019:

REVENUE RECOGNITION (NOTE 1.1)

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

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

BUSINESS COMBINATION (NOTE 2.1)

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 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 PROPERTY, PLANT AND EQUIPMENT (NOTE 2.3)

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

INVENTORIES (NOTE 2.4)

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

An impairment test is performed on the carrying amount.

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

PROVISIONS (NOTE 2.8)

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

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

TAX (NOTE 4.1)

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 annually, 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 (NOTE 4.2.1)

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.

1.1 Segment information

Accounting policy

REVENUE RECOGNITION

Revenue is recognised when the Group has fulfilled its contractual performance obligations towards the buyer.

Revenue from sale of solar and wind power generating assets is recognised at a point in time.

Revenue from sale of electricity and asset management is recognised over time.

The following further explains revenue recognition for the Group's revenue streams:

REVENUE FROM SALE OF SOLAR AND WIND POWER GENERATING ASSETS

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

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

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

The revenue from sale of power generating assets in fully controlled subsidiaries is measured as total construction costs in the SPV *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 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 ELECTRICITY

Revenue from sale of produced electricity is recognised when supplied to the purchaser's network.

ASSET MANAGEMENT

Revenue from asset management is recognised when the services are delivered. The service includes commercial management and operational facility supervision on behalf of a third party.

OTHER INCOME

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

DIRECT COSTS

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

On disposal of energy projects placed in fully controlled subsidiaries, direct costs comprise capital expenditures directly related to the constructed power generating assets that are disposed of and other costs directly related to the disposal.

Direct costs related to sale of electricity comprise operating costs related to constructed and operating energy farms.

CHIEF OPERATING DECISION-MAKER

Operating segments are recognised in the manner that corresponds to the internal reporting to the chief operating decision-maker (CODM).

The CODM is the function responsible for allocating the Group's resources and assessing the performance of the operating segments. The Group's CODM has been identified as the Board of Directors. European Energy's segments are:

a. Wind
b. Solar

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

1.1 Segment information - continued

EUR '000

Segment information (2019)	Wind	Solar	Total before elimination	Eliminations	2019 Group
Sale of energy farms and projects	205,274	-108	205,166		205,166
Sale of electricity	27,241	3,253	30,494		30,494
Asset management	1,937	780	2,717		2,717
Other fees	207	220	427		427
Revenue to external customers	**234,659**	**4,145**	**238,804**	**-**	**238,804**
Inter-segment revenue	**1,175**	**2,651**	**3,826**	**-3,826**	
Revenue	**235,834**	**6,796**	**242,630**	**-3,826**	**238,804**
Profit after tax from shares in equity accounted investments	4,532	-2,028	2,504	-	2,504
Other income	6,724	111	6,835	-	6,835
Direct costs	-183,878	-6,736	-190,614	-	-190,614
Staff costs	-4,682	-2,013	-6,695	-	-6,695
Other costs	-5,131	-1,398	-6,529	-	-6,529
Depreciation	-5,238	-656	-5,894	-	-5,894
Inter-group costs	-1,175	-2,651	-3,826	3,826	-
Segment profit (Operating profit)	**46,986**	**-8,575**	**38,411**	**-**	**38,411**
Finance income	7,333	4,815	12,148		12,148
Finance expenses	-11,540	-1,577	-13,117		-13,117
Profit/loss before tax	**42,779**	**-5,337**	**37,442**	**-**	**37,442**
Tax	-2,473	1,012	-1,461		-1,461
Profit/loss for the year	**40,306**	**-4,325**	**35,981**	**-**	**35,981**
Total assets	**426,068**	**179,603**	**605,671**		**605,671**
Total liabilities	**322,216**	**145,852**	**468,068**		**468,068**

1.1 Segment information - continued

EUR '000

Segment information (2018)	Wind	Solar	Total before elimination	Eliminations	2018 Group
Sale of energy farms and projects	18,784	54,594	73,378	-	73,378
Sale of electricity	10,722	9,097	19,819	-	19,819
Asset management	2,181	698	2,879	-	2,879
Other fees	90	16	106	-	106
Revenue to external customers	**31,777**	**64,405**	**96,182**	**-**	**96,182**
Inter-segment revenue	**6,169**	**1,161**	**7,330**	**-7,330**	**-**
Revenue	**37,946**	**65,566**	**103,512**	**-7,330**	**96,182**
Profit after tax from shares in equity accounted investments	4,208	1,587	5,795	-	5,795
Other income	1,182	-	1,182	-	1,182
Direct costs	-15,513	-45,076	-60,589	-	-60,589
Staff costs	-3,345	-1,685	-5,030	-	-5,030
Other costs	-2,317	-1,616	-3,933	-	-3,933
Depreciation	-988	-1,502	-2,490	-	-2,490
Inter-group costs	-6,169	-1,161	-7,330	7,330	-
Segment profit (Operating profit)	**15,004**	**16,113**	**31,117**	**-**	**31,117**
Finance income	2,466	1,441	3,907	-	3,907
Finance expenses	-6,404	-2,696	-9,100	-	-9,100
Profit/loss before tax	**11,066**	**14,858**	**25,924**	**-**	**25,924**
Tax	-2,546	-857	-3,403	-	-3,403
Profit/loss for the year	**8,520**	**14,001**	**22,521**	**-**	**22,521**
Total assets	**337,443**	**109,638**	**447,081**	**-**	**447,081**
Total liabilities	**262,560**	**76,836**	**339,396**	**-**	**339,396**

1.1 Segment information - continued

Information about sale to customers more than 10% of revenue:

EUR '000

Revenue from material customers	2019	2018
Customer #1 (Wind)	71,350	
Customer #2 (Wind)	69,033	
Customer #3 (Wind)	61,241	
Customer #4 (Solar)		54,550
Total revenue from material customers	**201,624**	**54,550**

EUR '000

	Revenue from external customers		Non-current assets	
Geographic information	**2019**	**2018**	**2019**	**2018**
Denmark	87,550	76,233	64,839	56,816
Northern/Central Europe	74,992	12,048	114,259	42,383
South America	34	-	30,142	5,960
Southern Europe	76,228	7,901	24,472	50,128
Total	**238,804**	**96,182**	**233,712**	**155,287**

The geographic information is based on the physical location of the projects sold.

1.1 Segment information - continued

UNSATISFIED PERFORMANCE OBLIGATIONS

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting date equals EUR 124.1 million (2018: EUR 268.5 million)..

CONTRACT LIABILITIES

Revenue recognised in 2019 that was included in the Contract liability balance at the beginning of the period amounts to EUR 5.9 million (2018: EUR 0).

EUR '000

2019:

Secured revenue regarding signed contracts	2020	2021-2039	Total
Share purchase agreements (SPAs)	-	-	-
Commercial management agreements (CMAs)	1,247	802	2,049
Electricity sale	23,157	98,908	122,065
Total secured revenue to be recognised in 2020-2039	**24,405**	**99,709**	**124,114**

2018:

Secured revenue regarding signed contracts	2019	2020-2038	Total
Share purchase agreements (SPAs)	75,000	-	75,000
Commercial management agreements (CMAs)	1,199	943	2,141
Electricity sale	17,433	173,889	191,322
Total secured revenue to be recognised in 2019-2038	**93,632**	**174,832**	**268,464**

1.2 Government grants

Accounting policy

Government grants comprise grants for sale of electricity.

Grants for sale of electricity are intended as a compensation for the price of power and recognised under revenue in step with the power generation and the related revenue. Government grants are recognised when there is reasonable assurance that the grants will be received. Government grants in 2019 mainly relate to sale of electricity in Germany, Spain and Denmark.

EUR '000

Government grants	2019	2018
Government grants recognised in Profit Loss for the year under revenue	10,161	6,620

2.1 Business combination

Accounting policy

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

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

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

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

Acquisition of the AEZ Group:

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

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

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

Total assets and liabilities were recognised at fair value according to IFRS 3.
The purchase price of property, plant and equipment has been adjusted by EUR 9.2 million based on the estimated future capacity of generating cash flow by the wind farms. The fair value of property, plant and equipment amounts to EUR 56.5 million. The discounting rate used is 4.5% equal to the discounting rate used in our other German wind projects.

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

Other non-current assets of EUR 2.7 million comprise a bonus originating from sales of wind turbines prior to the acquisition. The fair value is calculated as net present value of future expected contractual bonus payments. The discounting rate used is 7.5% including expected credit loss.
Other current assets of EUR 3.1 million comprise trade receivables, other receivables and pre-payments.

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

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

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

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

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

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

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

2.1 Business combination - continued

Business combination

As of 10 July 2019

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

2.2 Stepwise acquisition of controlling interest

Stepwise acquisition of Driftsselskabet Heidelberg A/S:

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

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

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

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

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

2.3 Property, plant and equipment

Accounting policy

Property, plant and equipment comprises wind power-generating plants and solar power-generating plants.

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

Cost comprises the purchase price any costs directly attributable to the acquisition until the date on which the assets 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/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:

a) Wind power-generating plant (Wind farms) – 25-30 years
b) Solar power-generating plant (Solar farms) - 40 years
c) Tools and equipment – 3-5 years
d) Land - no depreciation

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.

Impairment of non-current assets

The carrying amount of non-current assets is tested for impairment when there is an indication that they may be 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 fair value less selling costs and its value in use. For the purpose of the impairment testing, assets are grouped at the lowest level at which cash flows are separately identifiable (cash-generating units).

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, less depreciation, has no impairment loss been recognised.

Impairment test on property, plant and equipment and sensitivity analysis

During 2019, 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 2019 shows excess value for the Danish and German wind farms.

The book value of the solar farms consists of 2% (2018: 51%) of the total book value of property, plant and equipment. For the wind farms, the book value of the wind farms in Germany and Denmark consists of 93% (2018: 47%). The solar farms in Spain have been sold and wind farms have been bought in Germany related to the purchase AEZ Group and Driftsselskabet Heidelberg.

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:
Discount rate after tax (WACC) used for Danish and German wind farms is 4.5-5.0% (2018: 4.5-5.0%).

The prepared impairment tests are based on budgets for the remaining life of wind farms.

The discount rate for the DCF model is the post-tax 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 2019 (and 2018), the impairment tests show that the estimated recoverable amount exceeds the carrying amount.

Sensitivity analysis

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

The addition of the acquired wind farms in AEZ Group and Driftsselskabet Heidelberg are all recognised at fair value by impairment testing as stated in Note 2.1 and Note 2.2. This means any increase in WACC will result in impairment regarding these wind farms.

For the remaining Danish and German wind farms, the first impairment indication shows at a WACC of 10% and 13% respectively at an individual level.

2.3 Property, plant and equipment - continued

EUR '000

Assets in operation 2019	Wind power generating assets	Solar power generating assets	Tools and equipment	Land and Buildings	Total
Cost					
Balance at 1 January 2019	41,453	58,039	1,327	1,921	102,740
Exchange rate adjustments	-5	-	-	-	-5
Additions	50	79	443	758	1,330
Disposals	-35	-54,093	-11	-618	-54,757
Transfer from Inventory	2,677	-	-	2,496	5,173
Consolidated acquired entities	86,951	-	53	768	87,772
Cost at 31 December 2019	**131,091**	**4,025**	**1,812**	**5,325**	**142,253**
Accumulated depreciation and impairment losses					
Balance at 1 January 2019	-1,463	-14,443	-887	-	-16,793
Disposals	-	14,034	2	-	14,036
Depreciation	-4,669	-358	-256	-	-5,283
Accumulated dep/impairment at 31 December 2019	**-6,132**	**-767**	**-1,141**	**-**	**-8,040**
Carrying amount at 31 December 2019	**124,959**	**3,258**	**671**	**5,325**	**134,213**

Assets in operation 2018	Wind power generating assets	Solar power generating assets	Tools and equipment	Land and Buildings	Total
Cost					
Balance at 1 January 2018	4,865	58,430	1,039	352	64,686
Exchange rate adjustments	-13	2	-	-	-11
Additions	12,081	195	300	-	12,576
Deconsolidated entities	-	-588	-12	-	-600
Transfer from Inventory	24,520	-	-	1,569	26,089
Cost at 31 December 2018	**41,453**	**58,039**	**1,327**	**1,921**	**102,740**
Accumulated depreciation and impairment losses					
Balance at 1 January 2018	-556	-13,008	-782	-	-14,346
Deconsolidated entities	-	38	5	-	43
Depreciation	-907	-1,473	-110	-	-2,490
Accumulated dep/impairment at 31 December 2018	**-1,463**	**-14,443**	**-887**	**-**	**-16,793**
Carrying amount at 31 December 2018	**39,990**	**43,596**	**440**	**1,921**	**85,947**

2.3.1 Lease assets and liabilities

Accounting policy from 1 January 2019

LEASE

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

LEASE 2019

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.In the context of the transition to IFRS 16, right-of-use assets of EUR 7.2 million (property, plant and equipment EUR 2.2 million and Inventory EUR 5.0 million) and lease liabilities of EUR 7.2 million were recognised as at 1 January 2019. The Group also elected to apply the practical expedient for short-term leases to leases for which the lease term ends within 12 months of the date of initial application. Operating leases have been recognised in the income statement for 2019 at the amount of EUR 0.8 million (2018: 0.9 million), with contingent rents constituting EUR 0.3 million (2018: EUR 0.3 million)., land lease EUR 0.3 million and land lease with variable payments of EUR 0.2 million. The interest expenses paid on lease liabilities have been recognised in the statement of profit or loss as EUR 0.2 million. The terms for land lease contracts are typically 25 years and have to be extended 6 months before the original lease ends.

EURm

	Lease assets as part of Inventory	Lease assets Property, plant and equipment	FY 2019
1 January 2019	5.0	2.2	7.2
Depreciations	-	-0.2	-0.2
Additions	4.9	8.3	13.2
Disposals, divestments	-3.7	-2.2	-5.9
Effect of IFRS 16, lease assets 31 December 2019	6.2	8.1	14.3
Effect of IFRS 16 on lease assets, property, plant and equipment			
Lease assets reclassified from prepayments	3.3	1.0	4.3
Lease assets recognised in the balance sheet 31 December 2019	9.5	9.1	18.6

EURm

	Lease liabilities, Inventory	Lease liabilities, Property, plant and equipment	FY 2019
1 January 2019	5.0	2.2	7.2
Additions	4.8	8.3	13.1
Disposals, divestments	-3.7	-1.6	-5.3
Lease payments	-0.1	-0.4	-0.5
Effect of IFRS 16, lease liabilities 31 December 2019	6.0	8.5	14.5
Lease liabilities recognised in the balance sheet:			
Non-current lease liabilities	5.6	7.4	13.0
Current lease liabilities	0.4	1.1	1.5
Lease liabilities recognised in the balance sheet 31 December 2019	6.0	8.5	14.5

Please refer to note 3.3.3 Liquidity risk for the analysis of lease liabilities showing the remaining contractual maturities.

2.4 Inventories

Accounting policy

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 and salaries directly attributable to the acquisition or construction of an energy farm are capitalised as part of the cost of the respective 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.

EUR '000

Inventories	2019	2018
Operating		
Solar farms	26,130	2,631
Wind farms	26,841	130,147
Under construction		
Solar farms	86,266	-
Wind farms	45,754	55,590
Under development		
Solar farms	8,464	2,401
Wind farms	33,676	11,424
Total inventory	**227,131**	**202,193**
Total solar farms	120,860	5,032
Total wind farms	106,271	197,161
Total inventory	**227,131**	**202,193**
Amount of inventory recognised in profit or loss		
Disposals	-173,315	-57,654
Write-offs for the year	-1,541	-83
Write-downs for the year	-6,334	-974
Total	**-181,190**	**-58,711**
Currency exposure based on the functional currencies of the individual Group companies		
EUR (incl. currencies fixed with EUR)	207,756	146,383
SEK	11,367	53,702
PLN	4,181	-
BRL	3,533	1,746
Other currencies	294	362
Total	**227,131**	**202,193**

2.4 Inventories - continued

The inventory is reviewed annually 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.

The impairment analysis for 2019 has led to an additional impairment of EUR 7.9 million (2018: EUR 1.0 million). Impairment write-downs from earlier years of EUR 1.5 million have been reversed and finally written off, resulting in a net write-down for the year of EUR 6.3 million. Management finds the impairment to reflect the risk of the total portfolio comfortable.

As per 31 December 2018, the Group had already signed sale-and-purchase agreements for energy parks with a total inventory value of EUR 67. The sale was realised in the first quarter of 2019.
As per 31 December 2019, there were no signed sale-and-purchase agreements.

EUR '000

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

2.5 Investments

Accounting policy

Equity-accounted investments comprise the Group's equity investments in associates and joint ventures. Equity investments in associates and joint ventures relate to investments in wind and solar energy farms and are part of the Group's core business.

An associate is an entity over which the Group exercises significant influence. Significant influence is the power to participate in the financial and operating policy decisions but not control them.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have the right to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

To determine significant influence or joint control, Management considers factors similar to those necessary to determine control over subsidiaries. The most important considerations and judgements made by Management for classification purposes are described under critical choices and judgements in the accounting policies and critical accounting estimates. Under the equity method, the investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or the joint venture since the acquisition date.

The consolidated statement of profit or loss reflects the Group's share of the results of the associate's or joint venture's operations. Any change in other comprehensive income of these investees is presented as part of the Group's other comprehensive income. In addition, when a change has been recognised directly in the equity of the associate or the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses on transactions between the Group and the joint venture are eliminated to the extent of the Group's interest in the associate or joint venture. Associates and joint ventures with negative net asset values are offset in the loans to the related party to the extent possible, and if not, they are measured at nil. If the Group has a legal or constructive obligation to cover the negative balance of the associate or joint venture, and the negative balance cannot be offset in the shareholders' loans to the entity, the obligation is recognised as a liability.

The material associated companies and joint venture companies are shown below. The companies have been chosen according to their contribution to the current and future revenue of the Group.

EUR '000

Note	Results in equity-accounted investments	2019	2018
2.5.1	Results in joint ventures	-1,464	4,361
2.5.2	Results in associated companies	3,968	1,434
	Total	**2,504**	**5,795**
	Investments in equity-accounted investments		
2.5.1	Investments in joint ventures	11,112	11,938
2.5.2	investments in associated companies	13,693	8,643
	Total	**24,805**	**20,581**

2.5.1 Investments in joint ventures

Disclosures about material joint ventures

The following is summarised financial information for each of the Group's joint ventures that are material to the Group and equity accounted. The joint ventures listed account for more than 1% of total revenue for the Group or more than 1% of total asset value for the Group. Joint ventures that management assess are material to the Group, but do not meet the criteria, are also listed. The figures are corrected in respect of accounting policy differences.

2018 criteria for material joint ventures was 10% of total revenue or 10% of total asset value or 10% of total equity measured on basis of the totals for all joint ventures.

Joint ventures and associated companies are financed with share capital and shareholder loans. The companies allocate funds to the owners through loan repayment, and, subsequently, dividends. Repayments and dividends are restricted to free cash and can only be paid out if the covenants for the project loans are not in breach. There are no other restrictions regarding withdrawal of the companies' free cash

Overall financial information for all joint ventures that are not individually material, are recognised according to the equity method:

EUR '000

	2019	2018
Cost at 1 January	8,794	7,741
Additions for the year	2,355	5
Disposal for the year	-	-74
Transfer	-33	1,122
Cost at 31 December	**11,116**	**8,794**
Value adjustments at 1 January	1,025	57
Share of profit for the year	-1,464	4,361
Reversed value adjustments on disposals	-	117
Transfer	20	-350
Dividend and other value adjustments	-1,664	-3,160
Value adjustments at 31 December	**-2,083**	**1,025**
Carrying amount at 31 December	**9,033**	**9,819**

Investments in joint ventures at 31 December	11,112	11,938
Set-off against receivables from joint ventures	-2,079	-2,119
Total	**9,033**	**9,819**

2.5.1 Investments in joint ventures – continued

	2019					
	NPP Brazil I K/S *)	NPP Brazil II K/S *)	Nordic Power Partners P/S (Group)	EEA Stormy A/S **)	EEA Renewables A/S **)	Jammerland Bay Nearshore A/S **)
	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark
Ownership %	51%	51%	51%	50%	50%	50%
Comprehensive income statement						
Revenue	-	-	270	-	793	-
Depreciation	-	-	-21	-	-314	-
Interest income	-	-	5,800	-	3	0
Interest expenses	-530	-530	-5,409	-2	-67	-0
Income tax	-	-	-16	2	-505	5
Profit for the year (continuing operations)	-617	-617	-596	694	-320	-19
Total comprehensive income	**-617**	**-617**	**-593**	**694**	**-343**	**-19**
The Group's share of comprehensive income	**-315**	**-315**	**-302**	**347**	**-172**	**-9**
Balance sheet						
Non-current assets	22,650	22,650	9,311	4,456	3,650	3,596
Current-assets	2,027	2,038	6,772	70	2,069	139
Non-current liabilities	22,980	22,980	12,602	-	1,809	186
Current liabilities	1,510	1,521	228	516	307	20
Cash and cash equivalents	1,855	1,877	2,389	67	1,262	76
Non-current liabilities (excluding trade and other payables and provisions)	22,980	22,980	12,588	-	1,398	186
Equity	187	187	3,252	4,009	3,603	3,530
Carrying amount of interest in investee end of period	**95**	**95**	**1,659**	**2,004**	**1,802**	**1,765**

*) NPP Brazil I K/S and NPP Brazil II K/S each hold non-controlling equity interests in a Brazilian holding company, which holds controlling interests in Coremas I-III. Coremas I-III are Brazilian project companies with total 93 MW solar farms. Project portfolio in Coremas I-III amounts total EUR 87 million at 31 December 2019.

The non-current liabilities in NPP Brazil I and II and NPP are shareholders loans. As a shareholder of 51 % European Energy's part of this comprises EUR 28 million, which all relates to the funding of the project portfolio in Coremas I-III. The project is divided into 3 phases, where phase 1 and 2 in total is 60 MW and completed in 2019. The energy parks are operating, and are delivering electricity according to budget. The third park is under construction and is expected in operation in May 2020. Due to COVID-19 mitigations, it could be postponed up to 3-4 weeks. As per 31.12.2019, an impairment test of the project value has been carried out, and an expense of EUR 2.5 million has been recognised in the profit and loss statement.

**) Joint ventures that management assess are material to the Group, but do not meet the criteria of 1% of total revenue for the Group or 1% of total asset value for the Group.

2.5.1 Investments in joint ventures – continued

	2018						
	Nordic Power Partners P/S (Group)	NPP Brazil I K/S	NPP Brazil II K/S	Jammerland Bay Nearshore A/S	EEA Stormy A/S	EEA Renewables A/S	GWE Contractors K/S
	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark	Denmark
Ownership %	51%	51%	51%	50%	50%	50%	50%
Comprehensive income statement							
Revenue	24,378	-	-	-	-	43,287	-
Depreciation	-18	-	-	-	-	-74	-
Interest income	1,643	-	-	-	196	2	-
Interest expenses	-1,653	-5	-5	-	-1	-210	-
Income tax	-5	-	-	5	-41	-84	-
Profit for the year (continuing operations)	84	491	491	-19	2,027	4,072	250
Total comprehensive income	**84**	**491**	**491**	**-19**	**2,027**	**4,072**	**250**
The Group's share of comprehensive income	**43**	**250**	**250**	**-10**	**1,014**	**2,036**	**125**
Balance sheet							
Non-current assets	37,009	14,556	14,556	3,284	3,756	4,009	-
Current-assets	4,496	1,210	1,210	306	78	3,551	3,134
Non-current liabilities	40,694	14,034	14,034	-	-	1,966	-
Current liabilities	-1,024	1,712	1,712	41	519	448	984
Cash and cash equivalents	393	1,060	1,060	242	76	2,421	-
Non-current liabilities (excluding trade and other payables and provisions)	40,694	14,034	14,034	-	-	1,579	-
Equity	1,830	512	512	3,549	3,315	5,146	2,150
Carrying amount of interest in investee end of period	**933**	**261**	**261**	**1,774**	**1,658**	**2,573**	**1,075**

2.5.1 Investments in joint ventures - continued

Overall financial information for all joint ventures that are not individually material and that are recognised according to the equity method:

EUR '000

Carrying amount of interest in joint ventures	2019	2018
The Group's share of:		
Profit/loss of material joint ventures	-766	3,714
Profit/loss for the year of other joint ventures	-698	647
Total comprehensive income	**-1,464**	**4,361**
Investments in joint ventures:		
Investments in material joint ventures	7,420	8,535
Other joint ventures	3,692	3,403
Total Investments in joint ventures	**11,112**	**11,938**

2.5.2 Investments in associates

EUR ´000

	2019	2018
Cost at 1 January	7,259	10,090
Additions for the year	315	618
Transferred from/to subsidiaries/other investment	2,401	-1,816
Disposal for the year	-467	-1,633
Cost at 31 December	**9,508**	**7,259**
Value adjustments at 1 January	1,074	2,416
Share of profit for the year	3,968	1,434
Reversed value adjustments on disposals and transfers	-2,688	-1,630
Transferred from subsidiaries/other investment	2,184	-
Dividend and other value adjustments	-491	-1,146
Value adjustments at 31 December	**4,047**	**1,074**
Carrying amount at 31 December	**13,555**	**8,333**
Investments in associates at 31 December	13,693	8,643
Set-off against receivables from associates	-138	-310
Total	**13,555**	**8,333**

2.5.2 Investments in associates - continued

Disclosures about material associates

The following is summarised financial information for each of European Energy's associated investments that are material to the Group and equity accounted. The associated investments listed account for more than 1% of total revenue for the Group or more than 1% of total asset value for the Group. Associated investments that management assess are material to the Group, but do not meet the criteria, are also listed. The figures are corrected in respect of differences in accounting policies.

2018 criteria for material associated investments was 10% of total revenue or 10% of total asset value or 10% of total equity measured on basis of the total for all associated investments.

Joint ventures and associated companies are financed with share capital and shareholder loans. The companies allocate funds to the owners through loan repayment, and, subsequently, dividends. Repayments and dividends are restricted to free cash and can only be paid out if the covenants for the project loans are not in breach. There are no other restrictions regarding withdrawal of the companies' free cash.

EUR '000

	2019		
	WK Gommern GmbH & Co. KG	Ottenhausen GmbH & Co.KG	Parco Eolico Carpinaccio Srl. *)
	Germany	Germany	Italy
Ownership %	33.4%	39.4%	26.3%
Comprehensive income statement			
Revenue	2,711	2,609	2,994
Depreciation	-1,455	-924	-1,037
Profit for the year (continuing operations)	253	662	1,171
Total comprehensive income	**253**	**662**	**1,171**
The Group's share of comprehensive income	**84**	**261**	**308**
Balance sheet			
Non-current assets	26,313	12,504	18,709
Current-assets	3,163	2,907	1,342
Non-current liabilities	8,827	5,986	6,442
Current liabilities	2,338	1,628	1,788
Equity	15,908	6,902	11,104
Carrying amount of interest in investee end of period	**5,317**	**2,721**	**2,918**

*) Associate that management assesses is material to the Group, but does not meet the criteria of 1% of total revenue for the Group or 1% of total asset value for the Group.

2.5.2 Investments in associates - continued

EUR '000

	2018				
	Ottenhausen GmbH & Co.KG Germany	Parco Eolico Carpinaccio Srl. Italy	EWF Fünf Eins ApS & Co KG	Nøjsomheds Odde WTG 2-3 ApS	ESF Spanien 0424 GmbH
Ownership %	39.4%	26.3%	25.0%	33.5%	20.8%
Comprehensive income statement					
Revenue	2,313	2,392	703	958	1,433
Depreciation	-924	-1,001	-289	-102	-342
Profit for the year (continuing operations)	-322	626	150	477	297
Total comprehensive income	**-322**	**626**	**150**	**477**	**297**
The Group's share of comprehensive income	**-127**	**165**	**38**	**160**	**62**
Balance sheet					
Non-current assets	13,374	19,731	3,706	9,855	10,099
Current-assets	2,684	1,830	967	236	1,035
Non-current liabilities	8,368	8,676	579	7,986	4,851
Current liabilities	600	2,687	391	2,898	2,387
Equity	6,362	9,933	3,404	-925	3,205
Carrying amount of interest in investee end of period	**2,508**	**2,610**	**851**	**-310**	**667**

2.5.2 Investments in associates - continued

Overall financial information for all associates that are not individually material and that are recognised according to the equity method:

		EUR '000
Carrying amount of interest in associates	**2019**	**2018**
The Group's share of:		
Profit/loss for the year material investments	653	297
Profit/loss for the year of other associates	840	1,137
Gain from remeasurement of previous held equity interest in associate	2,475	-
Total comprehensive income	**3,968**	**1,434**
Investments in associates:		
Investments in individually material associates	10,956	6,326
Other associates	2,737	2,317
Total Investments in associates	**13,693**	**8,643**

2.5.3 Material Non-Controlling Interests (NCIs)

Financial information related to each of European Energy's subsidiaries that has material non-controlling interests:

EUR '000

	2019				
	Driftsselskabet Heidelberg ApS (Group)	Svindbæk Holding ApS (Group)	Sprogø OWF K/S	Holmen II Vind-kraft I/S	Holmen II Hold-ing ApS (Group)
	Denmark	Denmark	Denmark	Denmark	Denmark
NCI Ownership %	49.50%	33.00%	55.25%	44.35%	33.00%
Comprehensive income statement (100%)					
Revenue	1,497	34,506	2,072	804	41,021
Depreciation and amortisation	-244	-	-715	-	-44
Interest income	147	19	0	1	4
Profit for the year (continuing operations)	3,135	7,619	939	689	13,256
NCI's share of profit for the year	1,552	2,514	519	306	4,375
Balance sheet					
Non-current assets	72,662	8,788	10,801	4,845	7,514
Current-assets	11,919	11,828	1,161	550	2,733
Non-current liabilities	51,636	4,304	4,488	-	3,717
Current liabilities	22,177	8,334	604	9	904
Equity (incl non-controlling interests)	8,531	7,978	4,594	5,385	5,598
Carrying amount of NCI	4,223	2,633	2,538	2,389	1,847
Contingent liability	**-**	**11,477**	**-**	**-**	**478**

On 1 December 2019, European Energy A/S obtained control of Driftsselskabet Heidelberg A/S through the acquisition of further 1% of the shares and a changed agreement with the financing bank of the company. Therefore, the company is now classified as a subsidiary and fully consolidated in the Group. The consolidation is adjusted in the consolidated cash flow statement and has no impact on the cash flows. At the date of gain of control, the fair value of the Heidelberg Groups net assets (equity) was EUR 5 million.

Carrying amount of Material non-controlling interests	2019	2018
Income attributable to NCI		
Profit/loss attributable to Material NCI specified above	9,265	545
Profit/loss attributable to other NCI	62	648
Total Profit/loss attributable to NCI	**9,327**	**1,193**
Material non-controlling interests		
Material NCI specified above	13,629	8,479
Other NCI	5,846	3,118
Total non-controlling interests	**19,475**	**11,597**

2.5.3 Material Non-Controlling Interests (NCIs) - continued

Financial information related to each of European Energy's subsidiaries that has material non-controlling interests:

EUR '000

	2018				
	Holmen II Vind-kraft I/S	Sprogø OWF K/S	Rødby Fjord Vindkraft Mølle 3 I/S	ESF A/S	Ejendoms-selskabet Kappel ApS
	Denmark	Denmark	Denmark	Denmark	Denmark
NCI Ownership %	44.36%	55.25%	49.89%	20.09%	33.00%
Comprehensive income statement (100%)					
Revenue	579	1,160	764	5,546	36
Depreciation and amortisation	-	-428	-168	-1,379	-
Interest income	-	-	1	165	238
Profit for the year (continuing operations)	482	265	465	-511	168
NCI's share of profit for the year	214	146	232	-103	55
Balance sheet					
Non-current assets	4,846	11,409	3,773	44,081	2,092
Current-assets	733	969	113	6,884	1,682
Non-current liabilities	-	7,590	29	23,600	1,170
Current liabilities	29	729	57	22,171	74
Equity (incl non-controlling interests)	5,550	4,059	3,800	5,194	2,529
Carrying amount of NCI	2,462	2,243	1,896	1,044	835

2.6 Other investments in Wind and Solar farms

Accounting policy

Other investments comprise a range of non-controlling interests in wind and solar farms. The investments typically arise when a major stake in a SPV is sold to an investor, and an immaterial part of the shares is retained.

Under IFRS 9, Other investments are measured at fair value with value adjustments recognised in Profit/Loss (FVTPL) as other income. The classification is made as per 1 January 2018 with reference to IFRS 9 transition rules and is made retrospectively. The classification does not have any effect on financial figures previous years.

The fair value of other investments is measured on the basis of level 3 within the fair value hierarchy.

The fair value is determined by discounting estimated future cash flows. The key assumptions comprise discount rate and expectations regarding future production and unit prices.

The Group increased the ownership of a German wind park during the second quarter of 2019, which resulted in a shift in classification from other investments to associated companies. Fair value of the wind park transferred to the associated company is EUR 4.6 million. Unrealised value adjustment recognised as other income is EUR 2.2 million in 2019.

EUR '000

	2019	2018
Cost at 1 January	**4,544**	**3,597**
Additions for the year	239	1,264
Transferred to/from subsidiaries/associated companies	-2,262	-
Disposal of year	-346	-317
Cost at 31 December	**2,175**	**4,544**
Value adjustment at 1 January	2,220	1,363
Value adjustments during the year, unrealised	2,183	857
Transferred to/from subsidiaries/associated companies	-2,184	-
Value adjustments at 31 December	**2,219**	**2,220**
Total Fair Value through Profit & Loss (FVTPL)	**4,394**	**6,764**
The investments relate to:		
Investments related to solar power generating assets	-	2
Investments related to wind power generating assets	4,394	6,762
Other investments at 31 December	**4,394**	**6,764**
Dividend received from other investments	-	48

2.7 Trade receivables, contract assets, prepayments and other receivables

Receivables are measured at amortised cost less expected credit losses. The 'expected credit loss' model under IFRS 9 is described in more detail below.

Contract assets comprise the value of earn-outs measured based on contract terms agreed with the buyers of power plants. Given the nature of earn-outs, the consideration is based on estimates and thereby variable.

The measurement of variable consideration from sale of power plants is based on the most likely consideration that European Energy will be entitled to and where it is highly likely that a significant reversal will not be made in subsequent periods. The estimated value is discounted where relevant.

The Group's track record of actual received variable consideration generally shows positive subsequent adjustments. Earn-outs are described in more detail below.

Credit risk and expected credit loss

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its obligations, and arises principally from the Group's trade receivables, contract assets and other receivables.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the default risk associated with the industry and country in which the customer operates.

The Group considers its credit risks as rather low, both with regard to its customers and with regard to the development of renewable energy projects.

There are two major groups of customers: off-takers for the electricity produced by the Group's wind and solar projects and buyers acquiring such projects from the Group. The first category mainly consists of public bodies or publicly regulated entities implementing public tariff schemes (such as grid operators). The second category mainly consists of financially sound entities, such as pension or investment funds. The structure of such transactions usually further mitigates the credit risk related to project sales, as assets are only transferred against the payment of the relevant purchase price on closing. No formal credit rating of customers is made.

The Group does not require collateral in respect of trade and other receivables.

With regard to credit risks associated with project development, projects are generally not carried out unless project financing is in place.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime-expected loss allowance for all trade receivables and contract assets.

The Group assesses the risk of loss mainly based on (but not limited to) external ratings, audited financial statements, management accounts and cash flow projections, geographic region, available press information and applying Management's experienced credit judgement. The assessments take actual incurred historical data into consideration together with Management's assessment of the effect of the political situation in a region, e.g. political elections.

EUR '000

	2019	2018
Loans to business partner for the acquisitions of energy farms	-	1,437
Total interest-bearing receivables	**-**	**1,437**
Trade receivables and contract assets	21,161	13,448
Other receivables (non-interest bearing)	23,403	12,398
Total non-interest-bearing receivables	**44,564**	**25,846**
Total receivables	**44,564**	**27,283**
No impairment losses are recognised relating to doubtful receivables.		
Exposure:		
Receivables not due	44,526	26,889
Receivables past due, but not impaired:		
1-30 days	11	186
31-90 days	-	142
>90 days	27	66
Total receivables	**44,564**	**27,283**

2.7 Trade receivables, contract assets, prepayments and other receivables - continued

The Group monitors changes in credit risk by following the political situation in the geographic regions where the Group is involved, tracking changed external ratings and reviewing updated financial information.

An impairment analysis is performed at each reporting date on an individual basis for major clients. Expected credit loss rates are based on actual credit loss experiences over the past three years.

Earn-out

When renewable energy projects are sold, some of the sale proceeds can be governed by an earn-out model. The Group generally only agrees to earn-out models that provide for an increase of the proceeds. Earn-out models link the sales proceeds to updated values of certain budgeted parameters; in most cases either the actual production data of the relevant project or the revenue generated by the project company.

At the end of 2019, a total of EUR 7.5 million (2018: EUR 2.4 million) of the receivables were part of an earn-out agreement. Of this, EUR 3.9 million (2018: EUR 1.6 million) are due after more than one year. None of the amounts are due more than five years after the sale.

Receivables

Out of EUR 44,564 thousand (2018: EUR 27,283 thousand) an amount of EUR 2,001 thousand (2018: EUR 469 thousand) is expected to be recovered more than 5 years after the balance sheet date.

Prepayments

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

EUR '000

Contract assets	2019	2018
Contract assets at 1 January	7,181	11,543
Movements during the year:		
Received during the year	-4,934	-6,210
Addition new contract assets	5,546	1,447
Consolidated acquired entities	3,089	-
Other changes	223	402
Contract assets end of year	11,105	7,181
Non-current contract assets	4,241	4,131
Current contract assets	6,864	3,050
Total contract assets	**11,105**	**7,181**

EUR '000

Credit Loss	Loss (%)	Receivables	Total
Receivables not due	0.0%	44,526	44,526
Receivable past due:			
1-30 days	0.0%	11	11
31-90 days	0.0%	-	-
>90 days	0.0%	27	27
Total receivables		**44,564**	**44,564**

2.8 Provisions

Accounting policy

Provisions are recognised when, as a result of past events, the company has a legal or a constructive obligation, and it is probable that there may be an 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 financial cost.

Demolition costs liabilities

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

Other provisions

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

Share purchase earn-out

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

EUR '000

	2019	2018
Provision at 1 January	**5,051**	**2,062**
Additions	3,393	3,050
Consolidated acquired entities	3,077	-
Disposals	-2,625	-61
Provisions end of year	**8,896**	**5,051**
Hereof current liabilities	**2,800**	**1,985**
Non-current liabilities		
Demolition costs included in provision at 1 January	**3,066**	**798**
Addition/disposal during the year	3,030	2,268
Provisions end of year	**6,096**	**3,066**

2.9 Change in working capital

The overall changes in working capital were EUR -14.4 million in 2019, and EUR -172.1 million in 2018.

In 2019, the most significant change in working capital was related to negative changes in other receivables of EUR -9.6 million (2018: EUR 9.4 million).

EUR '000

	2019	2018
Trade receivables and contract assets	-7,713	1,239
Other receivables	-9,568	9,395
Inventories	153	-201,768
Prepayments from goods and services	925	-10,511
Trade payables	-999	17,334
Contract liabilities	-5,960	5,960
Other payables	8,754	6,245
Total change in working capital	**-14,408**	**-172,106**

3.1 Finance income and expenses

Accounting policy

Finance income and expenses comprise interest income and expenses, 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%.

The interest is a weighted share of the EUR 200 million (2018: EUR 85 million) bond loan, and the equity used for financing of the inventories.

Modification gain

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

The interest rate of the new bond is 5.35% compared to 7.0% on the old bond. 78% of the proceeds were from current bond investors investing in the new bond and 22% was from new investors. The Group has calculated the net financial impact from the modification of the loan to be a gain of EUR 5.6 million, which will be expensed over the life cycle of the bond. The gain is recognised in 2019 as finance income in the statement of profit or loss. Capital loss and cost related to the 22% of the redemption of the EUR 85m loan, EUR 0.9 million, is recognised as finance expenses in 2019.

Lease

The interest expenses paid on lease liabilities have been recognised in the statement of profit or loss with EUR 0.2 million and is included in Other financial expenses of EUR 1.9 million in the above specification.

EUR '000

Finance income	2019	2018
Interest income, on financial assets measured at amortised costs	3,094	3,176
Modification gain	5,573	-
Dividends	802	165
Currency gains realised	961	425
Currency gains unrealised	1,718	141
Finance income	**12,148**	**3,907**

Finance expenses	2019	2018
Interest on bonds	7,869	5,733
Finance expenses from financial liabilities measured at amortised costs	4,083	4,113
Financial expenses that have been capitalised on inventories	-5,682	-2,219
Amortisation of debt issue costs	865	531
Amortisation of modification gain	655	-
Early redemption fee	908	-
Other financial expenses	1,877	482
Currency losses realised	984	129
Currency losses unrealised	1,558	331
Finance expenses	**13,117**	**9,100**

3.2 Capital management

European Energy has a bond loan of EUR 200 million. The bond loan has 3 covenants related to maintaining a minimum equity of EUR 80 million; ensuring the Group's total assets don't fall below EUR 230 million; and securing that the Group's total cash is, as a minimum, at least equal to an amount of interest payable for three consecutive interest periods by reference to the interest payable in the latest interest period.

The Group and the parent company consider the combined equity as capital. The parent company, European Energy A/S, is financed primarily through the bond market in Denmark. The company's policy is to maintain a strong capital base that enables it to maintain investors and other creditors. European Energy A/S may not pay out dividends besides the non-cash distribution to shareholders in 2019 of EUR 7.4 million until the EUR 200 million in bonds is repaid.

The Group and the parent company are generally not governed by any external requirements concerning the capital, except concerning minimum paid in share capital according to the rules for limited companies under Danish jurisdiction. At the end of 2019, the free cash in the Group was EUR 90.4 million (2018: EUR 50.7 million). The Management and the Board of Directors evaluate that the Group has sufficient available cash to meet the Group's short-term liabilities.

3.3 Financial risks and financial instruments

Accounting policy

FINANCIAL ASSETS AND FINANCIAL LIABILITIES

At initial recognition, financial assets are stated at amortised cost, fair value through profit/loss or at fair value through other comprehensive income (hedging instruments).

Financial assets held to collect are initially recognised at amortised costs. The Group's financial assets held to collect include cash and cash equivalents, trade receivables and contract assets, loans and other receivables.

Other investments are measured at fair value with value adjustments recognised in profit/loss. Other investments comprise non-controlling interests.

At initial recognition, financial liabilities are stated at amortised costs. Financial liabilities, except derivatives, are initially recognised at amortised costs and net of directly attributable transaction costs. In subsequent periods, any difference between cost and redemption value is recognised in the consolidated statement of profit or loss over the term of the loan by means of the effective interest method (EIR).

Gains and losses are recognised in profit/loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is stated by taking into account any discount or premium on acquisition and fees or costs integral to the EIR. EIR amortisation is recognised as finance costs in the consolidated statement of profit or loss.

The Group's financial liabilities include trade and other payables, loans and borrowings, including bank overdrafts and derivative financial instruments.

DERIVATIVES 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 other comprehensive income.

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 other comprehensive income 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 other comprehensive income 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.

The Group’s risk policy is described in more detail in note 3.3.1 to 3.3.4.

3.3.1 Financial risk management

The main purpose of the Groups financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group also enters into derivative transactions.

The Group is exposed to financial risk, consisting of liquidity risk, foreign currency risk, interest risk and credit risk that affect its earnings. Group management oversees the management of these risks, including overseeing that the Group's financial risk activities are governed by the policies and procedures outlined by Management and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks.

Credit risks are described in Note 2.7, Financial risks in Note 3.3, Foreign currency risks in Note 3.3.2, Liquidity risk in note 3.3.3, Interest rate risks in note 3.3.4 and finally political risk described in note 3.3.6.

3.3.2 Foreign currency risks

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of variations in foreign currency rates.

The Group is exposed to currency risk to the extent that transactions are denominated in a currency other than the functional currency. Except for the parent company, all foreign entities' transactions are generally denominated in local currency which is also the foreign entities' functional currency. Consequently, the Group is only exposed insignificantly to foreign currency risks.

The Group's risk policy is to hedge up to 75% of foreign currency exposure in respect of forecast sales and purchase orders of substantial value. The hedge rate in % is determined based on (i) EUR zone and countries that have a fixed rate policy against EUR, (ii) other advanced economies and (iii) growth and developing economies. The Group uses forward exchange contracts to hedge currency risks, most with a maturity of less than one year.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. An economic relationship exists when the value of the hedged item and hedging instrument typically will move in opposite directions in response to movements in currency rate fluctuations.

Main sources of ineffectiveness in these hedge relationships are (i) changes in the timing of the hedged transactions and (ii) there is no effective market for pricing the derivative.

The Group is exposed to translation risk from translating the results and financial position of foreign entities into the Group's presentation currency. Currency rate adjustments related to the translation into the Group's presentation currency are recognised in other comprehensive income.

The Group's foreign entities are exposed to currency risk to the extent that income and costs are not settled in the functional currency of the individual entity. The foreign entities are primarily exposed to fluctuations in GBP, SEK and BRL.

The table shows currency exposure to each currency as at the balance sheet date based on the functional currencies of the individual Group companies. A corresponding reduction in the cross rate would have an equivalent opposite effect on profit before tax and equity. The sensitivity analysis was prepared at the balance sheet date on the basis of the exposure to the listed currencies at the balance sheet date including hedges, without taking into account potential effects on interest rate levels, effect on other currencies, etc.

European Energy has a shareholders' loan of EUR 28 million to the jointly controlled solar parks of Coremas in Brazil. The Group has made impairment write-downs for the value of the investment of EUR 2.5 million. This indicates that a future loss on the real currency to Euro would mean that the Group will have to impair the receivable. Even though the loan is in Euro, the loan represents as a consequence full exposure of risk to the real. A drop of 1 % in the real would therefore mean a loss of EUR 280,000.

EUR '000

2019 Nominal position	Cash/equivalents	Receivables	Debt
USD/EUR	9,231	-	-
GBP/EUR	1,254	809	-48
SEK/EUR	460	1,574	-222
BRL/EUR	178	-	-76

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
USD/EUR	1%	92	72
GBP/EUR	1%	20	16
SEK/EUR	1%	18	14
BRL/EUR	1%	1	1

2018 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	718	3,367	-380
SEK/EUR	726	3,225	-5,109
BRL/EUR	302	373	-758

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	1%	37	29
SEK/EUR	1%	-12	-9
BRL/EUR	1%	-1	-1

3.3.3 Liquidity risk

The Group's objective is to maintain a balance between funding continuity and flexibility through the use of bank overdrafts, bank loans and bonds issue. The Management assessed the concentration of risk with respect to refinancing its debt and concluded it to be low. Access to sources of funding is sufficiently available.

European Energy A/S has 20 June 2019 listed a EUR 140 million green bond on Nasdaq Copenhagen and has successfully issued and settled a tap issuance of EUR 60 million on 30 September 2019 and is now total EUR 200 million. The issued bonds carry variable interest based upon a fixed spread and a variable part related to the Euribor. The bonds have a four-year and 3 months life cycle and are traded at Nasdaq, Copenhagen. The interest rate was fixed at 5.35% compared to the old 7.0% EUR 85 million bond. The redemption and the repayment of the old EUR 85 million bond was 3 July 2019.

The Group finances a large part of its activities through non-recourse financing with financial institutions. Typically, the loans are serial loans with a fixed interest rate for the first 10 years of the financing period. The loans are governed by covenants that the Group closely monitors to ensure compliance with the loan agreements.

The maturity profiles of bond loans, project financing and credit facilities as well as derivatives are provided in the table.

The Group monitors its risk of a shortage of funds by means of a liquidity planning tool.

EUR '000

2019	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	239,828	10,700	21,400	207,728	-
Project financing	226,085	72,044	32,807	68,829	52,406
Lease liabilities	19,422	1,469	2,969	2,950	12,034
Interest rate swap (cash flow hedge)	363	290	73	-	-

The maturity profiles are based on undiscounted cash flows including estimated interest payments.

2018	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	99,280	5,950	93,330	-	-
Project financing	230,684	61,179	97,992	16,922	54,591
Interest rate swap (cash flow hedge)	3,739	284	509	421	2,526

The maturity profiles are based on undiscounted cash flows including estimated interest payments.

3.3.3 Liquidity risk - continued

Development in financing activities in 2019	Non-current financing activities	Current financing activities	In total
Liabilities from financing activities at 1 January 2019	241,336	56,111	297,447
Lease liabilities 1 January 2019, effect of IFRS 16	6,476	740	7,216
Proceeds from issue of bonds	200,535	-	200,535
Repayment of bonds	-88,400	-	-88,400
Proceeds from borrowings	77,890	10,661	88,551
Borrowings and lease liabilities in disposed subsidiaries	-163,192	-283	-163,476
Consolidated acquired entities	93,135	1,284	94,419
Additions from IFRS 16, lease liabilities	561	43	604
Repayment of borrowings and leasing	-18,755	-291	-19,046
Subtotal	349,585	68,265	417,850
Non-cash changes in financing liabilities	-3,788	-	-3,788
Liabilities from financing activities at 31 December 2019	345,797	68,265	414,062

Development in financing activities in 2018			In total
Liabilities from financing activities at 1 January 2018	112,234	45,963	158,197
Proceeds from issue of bonds	25,107	-	25,107
Repayment of bonds	-	-7,600	-7,600
Proceeds from borrowings	173,846	17,748	191,594
Borrowings in disposed subsidiaries	-46,459	-	-46,459
Deconsolidated entities	-19,761	-	-19,761
Repayment of borrowings	-3,270	-	-3,270
Subtotal	241,697	56,111	297,808
Non-cash changes in financing liabilities	-361	-	-361
Liabilities from financing activities at 31 December 2018	241,336	56,111	297,447

3.3.4 Interest rate risks

Interest rate risk is the risk that interest rates increase which may harm the profitability of individual projects because most of the project sum is debt-funded. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable-rate loans and borrowings. The Group's risk policy is to ensure that at least 75% of long-term project financing is at a fixed interest rate and at least 75% of short-term bridge financing is at floating rates. To manage this, the Group enters into interest rate swaps, in which it agrees to exchange at specified intervals, the difference between fixed and variable-rate interest amounts calculated with reference to an agreed-upon notional principal amount.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, repricing dates, maturities and the notional amounts. An economic relationship exists when changes in fair value of the hedging instrument will move in opposite directions in response to movements in cash flows of the hedged item due to movements in interest rate fluctuations.

Main sources of ineffectiveness in these hedge relationships are (i) differences in repricing dates between the swaps and the borrowings and (ii) there is no effective market for pricing the derivative. The Group do not have any new sources of hedge ineffectiveness in hedging relationships.

Bond loans

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

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

Other loans and credit facilities

Other loans and credit facilities consist of project financing in different credit institutions.

Sensitivity analysis

An interest rate increase of 1% would have the following impact on the results for the year and the equity:

EUR '000

	2019		2018	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Bonds	-1,242	-969	-587	-457
Project financing	-2,075	-1,619	-2,138	-1,667
Interest rate swap	-	69	-	2,143

The impact on equity is net of tax 22% in Denmark.
The interest rate swaps will be affected by a general interest rate increase. The impact on equity is the estimated value decrease on the swap value.

Interest rate swaps in European Energy at Level 2	2019	2018
Nominal value	8,258	43,032
Maturity less than 1 year	-	7,104
Maturity 1-5 years	8,258	-
Maturity more than 5 years	-	35,928
Fair value liability, included in Project financing	576	1,779
Change in fair value recognised in OCI	2,162	-903
Change in fair value recognised in profit/loss	-	-

Interest rate swaps

Interest rate swaps with fair value liability of EUR 1.8 million, as of 31 December 2018, have been disposed in the first half year of 2019 after the closing of the sale of a wind farm in Italy and the sale of 5 solar parks in Spain. The fair value of interest rate swaps is measured on the basis of Level 2 within the fair value hierarchy.

3.3.5 Other financial instruments

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

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

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

The main inputs used are:

a. Contracted prices
b. Non-contracted market prices
c. Non-contracted market prices

SIGNIFICANT NON-OBSERVABLE INPUTS

Non-contracted market prices are normally available for a maximum of three to 10 years, after which an active market no longer exists. Power purchase agreements have a duration of up to 15 years. When market prices are no longer available, the last known observation is held for further tenors, only adjusted for average inflation in electricity prices for non-household consumers (Eurostat). To compensate for the uncertainty, a floor for the average inflation is set at 0%.

VALUATION PRINCIPLES

Market values are determined by European Energy's PPA function which reports to the Chief Executive Officer. The development in market values is monitored on a continuous basis and reported to the Chief Financial Officer.

SENSITIVITY ON NON-OBSERVABLE INPUTS

The most significant non-observable input is non-contracted long-term prices, where market prices are no longer available.

The table below shows the impact on the fair value of other financial instruments if the non-observable inputs increase by 1% per year, which is considered reasonable probable alternatives.

EUR '000

Other financial instruments	2019	2018
Fair value at 1 January	-	-
Value adjustments of hedging instruments through other comprehensive income during the year, unrealised	2,269	-
Total Fair Value through Other Comprehensive Income (FVTOCI)	**2,269**	**-**

The fair value of other financial instruments is included in non-current other receivables.

EUR '000

Sensitivity analysis of significant non-observable inputs	Last known observation held for further tenors EUR/MWh	+1% increase per year	Impact on fair value
Nasdaq Commodities Nordic System price, 2030-2034	32.91	33.24 - 34.59	-246
Difference between Nordic System Price and Local Zone price (EPAD), 2023-2034	5.40	5.45 - 6.08	-219

3.3.6 Political risks

The company's investment calculations are based on the laws and settlement terms applying at the time the individual investment decision is made. Political decisions that lead to a change in preconditions could impact the profitability of the individual investment. In 2017 and 2018, European Energy entered the Brazilian market, with the purpose of developing solar farms to be subsidised by way of guaranteed tariffs for the first 20 years of the project.

3.4 Financial instruments by category

IFRS 9 - FINANCIAL INSTRUMENTS

The IFRS 9 standard introduces new requirements for the classification, recognition and measurement of financial assets and liabilities. The new model will not drive significant changes for the Group. Furthermore, the standard introduces a new expected credit loss model for calculating impairment on financial assets.

The hedge accounting model has been introduced, which will align the way that the Group undertakes risk-management activities with the hedge-accounting qualification criteria. The changed hedge-accounting model has not had significant impact on the consolidated financial statements.

EUR '000

	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at FVTPL	4,394	4,394	6,764	6,764
Financial assets measured at FVTOCI *)	2,269	2,269	-	-
Loans and receivables	77,915	77,915	60,462	60,462
Financial liabilities measured at amortised cost	402,554	413,054	298,826	300,101
Trade payables	8,981	8,981	9,987	9,987

*) Included in non-current other receivables

3.5 Determination of fair value

The Group uses fair value for certain disclosures and measurement of financial instruments and other investments. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, presuming that they are acting in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, thus maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, described as follows, on the basis of the lowest level input that is significant to the fair value measurement as a whole.

Level 1
Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2
Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3
Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The fair value of interest rate swaps is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Fair value of the issued bonds is equal to the listed bond price at the balance sheet date.

4.1 Tax

Accounting policy

INCOME TAX
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.

CURRENT INCOME 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.

The tax rates applied are those in force at the date of statement of financial position.

DEFERRED TAX
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 to the extent that future taxable income is likely to be available against which the differences can be used – either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax assets are examined at each reporting date and are recognised only to the extent that future taxable profits are likely to allow the re-cover of the deferred tax asset.

Deferred tax assets and deferred tax liabilities are 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. Deferred tax assets and deferred tax liabilities are set off if a legal right to do so exists, and the deferred tax is attributable to the same legal tax entity.

EUR ´000

Consolidated statement of profit or loss

Current income tax	2019	2018
Current income tax charge	2,530	1,691
Adjustments previous years' foreign tax	61	120
Total current income tax for the year	**2,591**	**1,811**
Deferred tax		
Relating to origination and reversal of temporary differences	1,313	1,592
Adjustment previous years *)	-2,443	-
Total adjustments to deferred tax during the year	**-1,130**	**1,592**
Income tax expense recognised in the statement of profit or loss	**1,461**	**3,403**
Effective tax rate	4%	13%
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in other comprehensive income during the year	645	-276
Deferred tax charged to other comprehensive income	645	-276
Tax on other comprehensive income		
Tax on adjustments of hedging instruments with local tax rate	645	-276
Total	**645**	**-276**
Tax rate used	23%	25%

The hedging instruments are power purchase agreements structured as Contract for Difference's (CFD's), SWAP agreements regarding loans to operating projects and Non-Deliverable Forwards (NDF's) regarding hedging of currency risks.

*) Adjustment for previous years in deferred tax relates to the recognition of a tax income of EUR 2.2 million in the wind park Westerberg in Germany, the authorities had in connection with the acquisition of the wind park in 2013 announced that the tax losses brought forward could no longer be accepted due to change of control. Fortunately, the Group has now, after a long appeal process, received an announcement, that the tax losses are intact.

4.1 Tax - continued

Effective tax rate for the Group:
The Group does business in many different countries around the world. The tax rates are influenced on the blend of income in each year. In 2019, the tax rate used is 23% compared to 25% in 2018.

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

The Group is taxed not only through its companies but also through the many tax-transparent vehicles that are either recognised as joint ventures, associates or other investments.

EUR ´000

Deferred tax specification	2019	2018
Deferred tax start of period	1,402	-625
Deferred tax for the year recognised in the income statement	-1,130	1,592
Deferred tax for the year recognised in other comprehensive income	645	-276
Adjustment relating to the disposal/purchase of equity-accounted investments	6,712	550
Other equity regulations / Joint taxation	320	161
Deferred tax end of period	**7,949**	**1,402**
Deferred tax is recognised as follows:		
Deferred tax assets	-2,292	-1,584
Deferred tax liability	10,241	2,986
Total recognised deferred tax in the balance	**7,949**	**1,402**
Deferred tax assets not recognised in the balance sheet:		
Total value of temporary differences and tax losses	-5,896	-1,096
Net Deferred Tax Assets recognised in the balance sheet	7,949	1,402
Deferred tax assets not recognised in the balance sheet	**2,053**	**306**
Split of various temporary differences recognised in the balance sheet		
Tax loss carried forward	-9,223	-12,488
Differences of plant & equipment	17,809	14,868
Dismantling provisions	-146	20
Differences related to other assets or liabilities	-491	-998
Total	**7,949**	**1,402**

4.2 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.

EUR '000

	2019	2018
Wages, salaries and remuneration	13,848	11,233
Share-based compensation	444	197
Contributions to defined contribution plans	12	35
Other social security costs	167	101
Other staff costs	713	554
Capitalised salaries on inventories	-8,489	-7,091
Total	**6,695**	**5,030**

Average number of full-time employees	117	95
Number of full-time employees end of year	148	96

Management Remuneration:

2019	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	31	-	-	-	-	31
Executive board	218	504	31	-	-	753
Other key management personnel	1,330	1,383	181	-	-	2,894

2018	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	31	-	-	-	-	31
Executive board	194	414	16	-	-	624
Other key management personnel	1,246	1,181	82	5	-	2,514

4.2.1 Share-based payment

Accounting policy

The parent company has granted warrants to management, board members and individual selected staff members based on years of employment and profession. The incentive scheme is based on issuance of warrants that give the right to apply for new shares in European Energy in the future. The group applies IFRS 2, according to which the fair value of the warrants at grant date is recognised 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 recognised in shareholders' equity as the warrant program is designated as an equity-settled share-based payment transaction.

Valuation assumptions for warrants granted

Based on a weighted average fair value per warrant of DKK 1.37 the total fair value of warrants granted in 2019 amounted to EUR 0.5 million, of which EUR 0.4 million is recognised in the income statement at 31 December 2019.

The fair value of warrants granted is calculated using the Binomial model with the following assumptions at the time of grant:

Year of grant	2019	2018
Estimated Share price	DKK 5.29	DKK 3.20
Volatility, based on two years historical volatility for the peer group *)	28.8 %	28.8 %
Risk-free rate, based on Danish government bonds	0.5 %	0.5 %
Vesting schedule	36 months	36 months
Exercise price	DKK 5.29 increased with 5 % per year beginning on 1 January 2020	DKK 3.10 increased with 5 % per year beginning on 1 January 2019
Exercise price of outstanding warrants at the end of 2019	DKK 5.36 - 7.40	DKK 3.21 - 4.37
Exercise periods, two annual exercise periods following the publication of (i) the annual report and (ii) the six-month interim report	May 2019 - May 2028	May 2018 - May 2028
Expected dividends **)	-	-
Expected life of warrants	Up to 9 years	Up to 10 years
Fair value per warrant on grant date	DKK 1.37	DKK 0.89

*) Peer Group: Athena Investments A/S, Global EcoPower Société Anonyme, EDP Renováveis, S.A., Terna Energy Societe Anonyme Commercial Technical Company S.A., Falck Renewables S.p.A., Voltalia SA, Eolus Vind AB, Audax Renovables, S.A., Arise AB (publ), Energiekontor AG, PNE Wind AG, Scatec Solar ASA, Photon Energy N.V., Alerion Clean Power S.p.A., Encavis AG.

**) Due to the covenants of the bond loan dividends cannot be paid out until the bond is repaid.
In 2019, non-cash dividends have been settled against a receivables against shareholders, which has been adjusted in the exercise price.

4.2.1 Share-based payment - continued

Warrant Program

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

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

Should more than 50% of the share capital in European Energy be sold (not subscribed or issued) or form part of a share swap, European Energy may choose one of the following possibilities:

- The warrant holder may exercise all non-exercised warrants (inclusive of warrants not yet vested).
- Share instruments in the acquiring company of a corresponding value shall replace the issued warrants.
- All warrants continue unchanged.

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

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

4.2.1 Share-based payment - continued

The warrant activity is outlined below:

	Number of warrants held by						
2019	Board of directors	Executive board	Other key management personnel	Other employees	Former employees	Total Outstanding Warrants	Weighted Average Exercise Price DKK
Outstanding warrants at 1 January	-	200,000	1,000,000	1,092,354	65,001	2,357,355	3.35
Granted	-	200,000	1,300,000	1,460,000	20,000	2,980,000	5.29
Exercised	-	-	-30,722	-65,274	-8,889	-104,885	3.77
Cancelled	-	-	-	-	-17,222	-17,222	5.29
Outstanding warrants at 31 December	-	400,000	2,269,278	2,487,080	58,890	5,215,248	4.42
Exercisable at year-end	-	200,000	1,069,278	1,137,713	58,890	2,465,881	4.05

	Number of warrants held by						
2018	Board of directors	Executive board	Other key management personnel	Other employees	Former employees	Total Outstanding Warrants	Weighted Average Exercise Price DKK
Outstanding warrants at 1 January	-	-	-	-	-	-	-
Granted	-	200,000	1,000,000	1,128,100	270,000	2,598,100	3.31
Exercised	-	-	-	-35,746	-4,444	-40,190	3.10
Cancelled	-	-	-	-	-200,555	-200,555	3.10
Outstanding warrants at 31 December	-	200,000	1,000,000	1,092,354	65,001	2,357,355	3.35
Exercisable at year-end	-	66,667	333,333	340,287	65,001	805,288	3.26

4.3 Audit fees

Other external costs include the total fees paid to the auditors appointed at the Annual General Meeting for auditing the financial statements for the financial year under review and for services rendered.

EUR'000

	2019	2018
Statutory audit	239	227
Assurance other than audit	5	-
Tax advice	18	5
Other non-audit services*	68	97
Total to the auditors appointed by the Annual General Meeting	**330**	**329**

*Other non-audit services are primarily related to assistance related to existing IFRS standards.

4.4 Leases

Accounting policy before 1 January 2019

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. Please refer to Note 2.3.1 for more information.

EUR '000

	2019	2018
0-1 year	-	893
1-5 years	-	1,646
After 5 years	-	3,693
Total land and buildings	**-**	**6,232**

4.5 Related parties

Ownership

The shareholder Knud Erik Andersen has the controlling interest of the company through European Energy Holding A/S, Gyngemose Parkvej 50, 2860 Søborg. MDP Invest ApS and JPZ Assistance ApS are classified as related parties with significant influence on the company. The Group is included in the consolidated financial statements of European Energy Holding ApS.

Related parties include subsidiaries, joint ventures and associates in which European Energy has controlling or significant interest as well as the Executive Board, other key management, the Board of Directors and companies owned by these.

The loans to subsidiaries will be repaid when the refinancing has been put in place or if the project has been sold to a new buyer. 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.

Except as set out above, no transactions were made during the period with members of the Board of Directors, the Management Board or any other related parties. Reference is made to note 4.10 for an overview of the Group's joint ventures and associates. Remuneration to the Board of Directors and Management is disclosed in note 4.2. Related party transactions are made on arm's length terms.

EUR '000

Related party transactions	Group 2019	Group 2018
Sale of services to Joint Ventures	369	328
Sale of services to Associates	370	748
Sale of services to Owners	1,000	9,055
Cost of services from Joint Ventures	-	-489
Cost of services from Owners	-2,470	-
Interest, income from Joint Ventures	2,843	1,467
Interest, income from Associates	94	208
Interest, income from Owners	242	541
Interest, expenses to Joint Ventures	-109	-89

Loans to related parties		
Loans to European Energy Holding ApS	-	6,478
Loans to Associates and Joint Ventures	39,568	29,706
Loans to related parties at 31 December	39,568	36,184
Provision for impairment at 1 January	-3,005	-1,747
Provision for impairment for the year	68	-1,258
Disposals	-1,011	-
Provision for impairment at 31 December	**-3,948**	**-3,005**
Carrying amount at 31 December	**35,620**	**33,179**

Loans from related parties		
Loans from European Energy Holding ApS	1,647	-
Loans from Associates and Joint Ventures	470	481
Loans from Associates and Joint Ventures	**2,117**	**481**

4.5 Related parties - continued

Share of ownership to related parties

The table below shows the share of ownership/voting rights for Executive Board members and key personnel in companies within the European Energy Group structure. Ownership is either directly by the person, or through a holding company. The companies listed could have additional subsidiaries, joint ventures, associated companies or other investments as investments. These indirect ownerships are not listed.

Reference is made to note 4.10 for an overview of the Group's joint ventures and associates.

EUR '000

2019	Knud Erik Andersen	Mikael Dystrup Pedersen	Jens-Peter Zink	Thomas Hvalsø Hansen
European Energy A/S (voting rights)	76.0%	14.0%	10.0%	0.0%
European Solar Farms A/S	0.0%	0.0%	0.0%	0.0%
EEAR Olleria II ApS	0.0%	0.0%	0.0%	10.0%
Komplementarselskabet Heidelberg ApS	34.5%	0.0%	15.0%	0.0%
Driftsselskabet Heidelberg ApS	34.5%	0.0%	15.0%	0.0%
Vindpark Straldja ApS	30.0%	0.0%	20.0%	0.0%
European Wind Farms Invest No.2 A/S	5.7%	0.0%	0.0%	0.0%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%
K/S Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%

2018	Knud Erik Andersen	Mikael Dystrup Pedersen	Jens-Peter Zink	Thomas Hvalsø Hansen
European Energy A/S	76.0%	14.0%	10.0%	0.0%
European Solar Farms A/S	13.9%	1.1%	4.9%	0.0%
EEAR Olleria II ApS	0.0%	0.0%	0.0%	10.0%
Komplementarselskabet Heidelberg ApS	35.5%	0.0%	15.0%	0.0%
Driftsselskabet Heidelberg ApS	35.5%	0.0%	15.0%	0.0%
Vindpark Straldja ApS	30.0%	0.0%	20.0%	0.0%
European Wind Farms Invest No.2 A/S	10.5%	0.0%	0.0%	0.0%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%
K/S Solkraftværket GPI Mando 29 ApS	0.0%	0.0%	0.0%	20.0%

4.6 Contingent liabilities and assets

Accounting policy

Contingent liabilities comprise obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not fully within the control of the entity; or present obligations that arise from past events but are not recognised because the outflow of resources embodying economic benefits will probably not be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities

PENDING LAWSUITS

The Group is a party in minor pending lawsuits with claims up to EUR 4 million regarding the Group's current operations. In Management's opinion, the outcome of these lawsuits will not affect the Group's financial position to any significant extent other than that already recognised in the assets and liabilities in the Group's balance sheet at the end of the period.

GUARANTEES, WARRANTIES
AND OTHER LIABILITIES RELATED TO DIVESTMENTS

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

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

Guarantees, warranties and specific indemnities are only included with an amount below to the extent they relate to circumstances that the company either cannot control or is unaware of or where the company knows that an obligation exists, but its amount is unknown.

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

Earn-outs included in sales agreements that relate, e.g., to the performance of a park are not treated as contingent liabilities but affect the valuation of the corresponding receivables; see note 2.7.

PLEDGES AND GUARANTEES RELATED TO FINANCING AGREEMENTS

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

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

CONTRACTUAL OBLIGATIONS

The parent company is jointly taxed with the Danish subsidiaries. The companies included in the joint taxation have joint and unlimited liability for Danish corporation taxes, etc. The corporation tax payable including taxes to other jurisdictions by the parent company is EUR 0.3 million in 2018 (2017: EUR 1 million).

Contingent assets

On 5 December 2018, European Solar Farms A/S ("ESF"), a company within the Group, filed a request for arbitration against the Kingdom of Spain. The procedure is still pending.

This concerns 101 solar PV plants located in Spain, with a combined capacity of 9.7 MW. ESF invested more than EUR 57 million in these projects in reliance on Spain´s express guarantees that the plants would receive a feed-in tariff for the entire operating lives of the plants. However, these feed-in tariffs were discontinued due to certain changes to the relevant Spanish energy regulations starting 2010. ESF has made claims for compensation against the Kingdom of Spain based on these changes to the incentive-scheme regimes. If ESF succeed, this would have a net positive impact on the Group in the range of EUR 20-30 million in total.

4.6 Contingent liabilities and assets - continued

Contingent liabilities and other financial liabilities

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

Security for debt

ASSETS PROVIDED AS SECURITY

Wind and solar farms with a carrying amount of EUR 84 million (2018: EUR 41 million) are pledged as security for the Group's debt to credit institutions, etc., a total of EUR 100 million, (2018: EUR 25 million). Moreover, specific cash at bank of EUR 23 million (2018: EUR 8 million) have been provided as collateral. The Group has provided a pledge in shares of local SPV's for the project financing loan of EUR 41 million (2018: EUR 72 million).

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

4.7 Events after the balance sheet date

23 March 2020, the Group closed the divestment of three turbines at the Svindbaek Wind Farm with Aquila European Renewables Income Fund, the London-listed investment company advised by Aquila Capital Investmentgesellschaft mbh. The acquisition of the three turbines completed the acquisition of all wind turbines associated with the Svindbaek wind farm by Aquila European Renewables Income Fund. The turbines provide 9.6 MW of installed capacity and have been operating since 2018. The three turbines will cover the electricity consumption of approximately 7,000 Danish households.
The sale will contribute positively to the statement of profit in Q1 2020.

Regarding the COVID-19 crisis:
There is still a need for green electricity from our power plants; we are still seeing demand for our assets from institutional investors and funding for our projects still seems to be available. We will keep a close eye on how the situation unfolds in order to adjust if we see changes to the demand or supply.

Across our markets, activity levels have dropped in industries and societies as a whole and consequently power consumption has also dropped. This short-term reduction in demand has a limited effect on us, as the vast majority of our power sales is done through long-term offtake agreements.

We do not foresee any issues regarding the financing of our construction activities, primarily because we have a strong cash position coming out of 2019. The main short-term risks for us are delays in deliveries in materials for our construction projects. We have been in close contact with our key suppliers, and with our longstanding relationship in mind, we have not seen significant impacts. Some construction sites have experienced very short interruptions in activity, while the health authorities fine-tuned their new guidelines.

We are confident that the world will still have an increasing need for green electricity and green generating capacity – because the fight against climate change will still be a high priority on the other side of the COVID-19 crisis.

Parent company

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

EUR '000

Note	Parent Company	2019	2018
	Revenue	150,467	64,798
2.5.0	Profit after tax from subsidiaries	23,693	6,933
2.5.3	Profit after tax from associates and JV's	1,648	4,251
	Other income	-	1,646
	Direct costs	-142,308	-47,753
	Gross profit	**33,500**	**29,875**
4.2	Staff costs	-6,352	-4,823
	Other external costs	-5,586	-3,188
	EBITDA	**21,562**	**21,864**
2.3	Depreciation	-346	-134
	Operating profit	**21,216**	**21,730**
3.1	Finance income	16,854	7,048
3.1	Finance expenses	-11,997	-6,518
	Profit before tax	**26,073**	**22,260**
4.1	Tax	581	-932
	Profit for the year	**26,654**	**21,328**
	Statement of comprehensive income		
	Profit for the year	26,654	21,328
	Items that may be reclassified to profit or loss		
	Value adjustments of hedging instruments	3,287	-1,018
4.1	Tax of value adjustments of hedging instruments	-645	283
	Currency differences on translating foreign operations	215	12
	Other comprehensive income for the period	**2,857**	**-723**
	Comprehensive income for the year	**29,511**	**20,605**

Statement of financial position

As of 31 December 2019

EUR '000

Note	Parent Company	2019	2018
	ASSETS		
	Non-current assets		
2.3	Property, plant and equipment	897	906
2.5.0	Investment in subsidiaries	73,189	54,345
2.5.1	Joint Venture investments	9,129	10,304
2.5.2	Associated companies' investments	4,402	3,802
2.6	Other investments	2,471	2,473
4.5	Loans to subsidiaries	157,534	79,014
4.5	Loans to related parties	34,358	31,522
2.7	Trade receivables and contract assets	1,269	3,813
2.7	Other receivables	2,867	-
4.1	Deferred tax	968	935
	Total non-current assets	**287,084**	**187,114**
	Current assets		
2.4	Inventories	708	225
2.7	Trade receivables and contract assets	6,053	2,653
2.7	Other receivables	1,041	1,168
	Prepayments from goods and services	877	378
3.2	Cash and cash equivalents	37,319	29,165
	Total current assets	**45,998**	**33,589**
	TOTAL ASSETS	333,082	220,703

Statement of financial position - continued

Note	Parent Company	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	40,331	40,316
	Reserves (equity methods)	34,080	17,799
	Hedging reserve	1,187	-70
	Retained earnings	42,530	38,043
	Total Equity	**118,128**	**96,088**
	Liabilities		
3.3	Bond loan	192,017	83,670
4.5	Other debt to subsidiaries	-	17,500
4.1	Deferred tax	1,439	1,252
	Other liabilities	421	-
	Total non-current liabilities	**193,877**	**102,422**
	Trade payables	504	435
4.5	Payables to subsidiaries	6,043	4,534
4.5	Payables to related parties	1,649	1,490
	Corporation tax	322	913
2.8	Provisions	2,800	-
	Contract liabilities	-	5,960
	Other payables	9,759	8,861
	Total current liabilities	**21,077**	**22,193**
	Total liabilities	**214,954**	**124,615**
	TOTAL EQUITY AND LIABILITIES	333,082	220,703

Statement of cash flow

As of 31 December 2019

Note	Parent Company	2019	EUR '000 2018
	Cash flow from operating activities		
	Profit before tax	26,073	22,260
	Adjustments for:		
	Financial income	-16,854	-7,048
	Financial expenses	11,997	6,518
	Depreciations	346	134
	Other non-cash movements	-24,753	-12,881
2.9	Change in net working capital	-3,285	7,152
	Cash generated from operation before financial items and tax	**-6,476**	**16,135**
	Taxes paid	-109	-160
	Interest paid and realised currency losses	-12,005	-5,823
	Interest received and realised currency gains	13,632	7,016
	Cash flow from operating activities	**-4,958**	**17,168**
	Cash flow from investing activities		
	Purchase of Property, plant and equipment	-337	-787
	Proceeds from disposal of subsidiaries, equity-accounted investments	-	3,161
	Purchase of other investments	2	258
	Investment/loans in equity-accounted investments	-15,854	-12,508
	Loans to subsidiaries	-79,052	-954
	Loans to related parties	-10,164	-17,283
	Dividends received	6,382	3,060
	Cash flow from investing activities	**-99,023**	**-25,053**
	Cash flow from financing activities		
	Proceeds from issue of bonds	200,535	25,107
	Repayment of bonds	-88,400	-
	Cash flow from financing activities	**112,135**	**25,107**
	Change in cash and cash equivalents	**8,154**	**17,222**
	Cash and cash equivalents at beginning of period	29,165	11,943
	Cash and cash equivalents end of period	**37,319**	**29,165**
	Of which restricted cash and cash equivalents	-7,619	-4,796
3.2	**Non-restricted cash and cash equivalents end of year**	**29,700**	**24,369**

Statement of changes in equity

As of 31 December 2019

EUR '000

Parent Company	Share capital	Reserves (equity methods)	Hedging reserve	Retained earnings	Total
Equity at 1 January 2019	**40,316**	**21,379**	**-70**	**34,463**	**96,088**
Profit for the year	-	25,341	-	1,313	26,654
Value adjustments of hedging instruments	-	1,191	1,611	485	3,287
Tax of value adjustments of hedging instruments	-	-291	-354	-	-645
Currency differences on translating foreign operations	-	303	-	-88	215
Other comprehensive income	**-**	**1,203**	**1,257**	**397**	**2,857**
Total comprehensive income	**-**	**26,544**	**1,257**	**1,710**	**29,511**
Regulation on disposal of companies	-	-3,416	-	3,416	-
Increase in share capital	15	-	-	-15	-
Other including intergroup profit regulations	-	-	-	-572	-572
Exercise of warrants	-	-	-	57	57
Dividends received	-	-10,427	-	3,027	-7,400
Total other regulation on equity	**15**	**-13,843**	**-**	**6,357**	**-7,471**
Equity at 31 December 2019	**40,331**	**34,080**	**1,187**	**42,530**	**118,128**

The share capital consists of nom. 300,145,075 shares of DKK 1 each, corresponding to EUR 40,331 thousand. The share capital is fully paid in.

Parent Company	Share capital	Reserves (equity methods)	Hedging reserve	Retained earnings	Total
Equity at 1 January 2018	**40,311**	**20,748**		**14,254**	**75,313**
Profit for the year	-	11,184	-	10,144	21,328
Value adjustments of hedging instruments	-	-928	-90	-	-1,018
Tax of value adjustments of hedging instruments	-	263	20	-	283
Currency differences on translating foreign operations	-	-110	-	122	12
Other comprehensive income	**-**	**-775**	**-70**	**122**	**-723**
Total comprehensive income	**-**	**10,409**	**-70**	**10,266**	**20,605**
Regulation on disposal of companies	-	-425	-	425	-
Increase in share capital	5	-	-	-5	-
Other including intergroup profit regulations	-	8	-	-35	-27
Exercise of warrants	-	-	-	16	16
Expenses related to capital increases	-	-	-	-16	-16
Dividends received	-	-9,361	-	9,558	197
Total other regulation on equity	**5**	**-9,778**	**-**	**9,943**	**170**
Equity at 31 December 2018	**40,316**	**21,379**	**-70**	**34,463**	**96,088**

The share capital consists of nom. 300,000,000 shares of DKK 1 each, corresponding to EUR 40,311 thousand. The share capital is fully paid in.
The number of shares has increased from 10 million to 300 million in 2017 by insurance of bonus shares, EUR 38,971 thousand. All shares have the same rights. The costs related to the capital increase equal EUR 7 thousand.

Notes

1.0 Basis for preperation

General information

The Annual Report for the year ended 31 December 2019 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with additional Danish disclosure requirements for annual reports.

Compared to the accounting policies applied in the consolidated financial statement (see Note 1.0 to the consolidated financial statements), the parent company's accounting policies only deviate in the following items:

Investment in subsidiaries

Subsidiaries are measured at the proportionate share of the entities' net asset value 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 the acquisition method. 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.

Dividends are recognised as a reduction from the carrying amount of the investment in the entity.

Equity investments in Group entities with negative net asset values are measured at DKK 0, and any receivables from these entities are written down by an amount equivalent to the negative net asset value. To the extent that the negative net asset value exceeds the receivable, the residual amount is recognised under provisions.

1.1 Segment information

Accounting Policy

Please refer to note 1.1 for the Group.

EUR '000

2019:	Wind	Solar	Total
Sale of energy farms and projects	146,659	-168	146,491
Asset management	2,021	808	2,829
Other fees	947	200	1,147
Revenue	**149,627**	**840**	**150,467**

2018:	Wind	Solar	Total
Sale of energy farms and projects	6,493	54,534	61,027
Asset management	2,196	973	3,169
Other fees	590	12	602
Revenue	**9,279**	**55,519**	**64,798**

2019:

Secured revenue regarding signed SPA contracts	2020	2021-2039	Total
Commercial management agreements (CMAs)	1,597	758	2,355
Total secured revenue	**1,597**	**758**	**2,355**

2018:

Secured revenue regarding signed SPA contracts	2019	2020-2038	Total
Commercial management agreements (CMAs)	1,199	943	2,141
Total secured revenue	**1,199**	**943**	**2,141**

2.3 Property, plant and equipment

Accounting Policy

Please refer to note 2.3 for the Group.

EUR ´000

	Solar power generating assets	Tools and equipment	Total
Cost			
Balance at 1 January 2019	490	1,327	1,817
Additions	21	324	344
Disposals	-	-11	-11
Cost at 31 December 2019	**511**	**1,639**	**2,150**
Accumulated depreciation and impairment losses			
Balance at 1 January 2019	-24	-887	-911
Depreciation	-103	-243	-346
Disposals	-	4	4
Accumulated depreciation at 31 December 2019	**-127**	**-1,126**	**-1,253**
Carrying amount at 31 December 2019	**384**	**513**	**897**
Cost			
Balance at 1 January 2018	-	1,030	1,030
Additions	490	297	787
Cost at 31 December 2018	**490**	**1,327**	**1,817**
Accumulated depreciation and impairment losses			
Balance at 1 January 2018	-	-777	-777
Depreciation	-24	-110	-134
Accumulated depreciation at 31 December 2018	**-24**	**-887**	**-911**
Carrying amount at 31 December 2018	**466**	**440**	**906**

2.4 Inventories

Accounting Policy

Please refer to note 2.4 for the Group.

EUR ´000

Inventories	2019	2018
Under development		
Solar farms	27	-
Wind farms	681	225
Total inventory	**708**	**225**
Change in inventory write-downs		
Inventory write-downs at 1 January	-	-1,012
Write-downs for the year	-	-
Transfer/reclassification	-	1,012
Total inventory write-downs	-	-
Amount of inventory recognised in profit or loss		
Write-offs for the year	-	-9
Write-downs for the year	-	-
Total	**-**	**-9**

The management has looked at the total portfolio of projects under development and diversified this into segments depending upon maturity of the project and the time elapsed since the project was started. This segment analysis has led to no impairment in 2019. The management finds the impairment to reflect the risk of the total portfolio well.

2.4 Inventories - continued

EUR ´000

Specification of movement on the inventory	2019	2018
Cost at 1 January	225	1,370
Additions for the year	544	76
Disposals for the year	-61	-209
Transfer/reclassification	-	-1,012
Cost at 31 December	**708**	**225**
Write-downs at 1 January	-	-1,012
Write-downs for the year	-	-
Transfer/reclassification	-	1,012
Value adjustments at 31 December	**-**	**-**
Carrying amount at 31 December	**708**	**225**

2.5.0 Investment in subsidiaries

Accounting policy

Initially, investments in subsidiaries are recognised at cost.
They are subsequently measured according to the equity method.

EUR'000	2019	2018
Cost at 1 January	36,597	23,910
Additions for the year	15,952	25,631
Transferred to associates	-1	-1,084
Disposal of year	-12,241	-11,860
Cost at 31 December	**40,307**	**36,597**
Value adjustments at 1 January	17,533	18,425
Share of profit for the year	23,693	6,933
Hedges net of tax	1,387	-668
Dividends received from subsidiaries	-8,323	-6,111
Reversed value adjustments on disposals and transfers	-2,869	-1,057
Transfer from associates	2,475	-
Other value adjustments	-1,014	11
Value adjustments at 31 December	**32,882**	**17,533**
Carrying amount at 31 December	**73,189**	**54,130**
Investments in subsidiaries at 31 December	73,189	54,345
Set-off against receivables from subsidiaries	-	-215
Total	**73,189**	**54,130**

2.5.0 Investment in subsidiaries - continued

Ownership shares in subsidiaries can be specified as follows:

Name	31 Dec 2019	31 Dec 2018
Björnasen Vind AB, Sweden	100.0%	100.0%
Blue Viking Alexandra S.L., Spain *)	0.0%	100.0%
Blue Viking Beatrice S.L., Spain *)	0.0%	100.0%
Blue Viking Solar S.L., Spain	100.0%	100.0%
Boa Hora Solar ApS, Denmark	100.0%	100.0%
Driftsselskabet Heidelberg ApS, Denmark	50.5%	0.0%
EE Cocamba ApS, Denmark	100.0%	0.0%
EE Projekte Teuchern GmbH, Germany	100.0%	100.0%
EE Dupp ApS, Denmark	100.0%	0.0%
EE Giga Storage A/S, Denmark	100.0%	100.0%
EE Keiko ApS & Co. KG, Denmark	100.0%	100.0%
EE Offshore A/S, Denmark	72.0%	72.0%
EE PV 2 Aps, Denmark	100.0%	100.0%
EE Sprogø OWF ApS, Denmark	100.0%	100.0%
EE Urja ApS & Co. KG, Germany	100.0%	100.0%
EE Verwaltung ApS, Denmark	100.0%	100.0%
Ejendomsselskabet Kappel ApS, Denmark	67.0%	67.0%
Enerteq ApS, Denmark	55.7%	55.7%
Eolica Ouro Branco 1 S.A., Brazil	80.0%	80.0%
Eolica Ouro Branco 2 S.A., Brazil	80.0%	80.0%
Eolica Quatro Ventos S.A., Brazil	80.0%	80.0%

*) Blue Viking Alexandra S.L. and Blue Viking Beatrice S.L. are 100% owned by the subsidiary Blue Viking Solar S.L.

2.5.0 Investment in subsidiaries - continued

Ownership shares in subsidiaries can be specified as follows (continued):

Name	31 Dec 2019	31 Dec 2018
European Energy Bond Buy Back ApS, Denmark	100.0%	100.0%
European Energy Byg ApS, Denmark	100.0%	100.0%
EE Fanais SAS, France	100.0%	0.0%
European Energy Italy PV Holding S.r.l., Italy	100.0%	100.0%
European Energy Lithuania UAB, Lithuania	100.0%	100.0%
EE PV Holding ApS, Denmark	100.0%	0.0%
EE Sweden AB, Sweden	100.0%	0.0%
EE Sarna ApS & CO. KG, Denmark	100.0%	0.0%
European Energy Systems II ApS, Denmark	100.0%	100.0%
European Solar Farms A/S, Denmark	100.0%	79.7%
European Wind Farm Denmark A/S, Denmark	100.0%	100.0%
European Wind Farm No. 2 A/S, Denmark	0.0%	100.0%
European Wind Farms A/S, Denmark	100.0%	72.0%
Frederikshavn OWF ApS, Denmark	85.0%	0.0%
Farma Wiatrowa Drawsko II sp.z.o.o., Poland	100.0%	0.0%
Farma Wiatrowa Kolobrzeg sp. z o.o., Poland	100.0%	0.0%
Farma Wiatrowa SIEMYŚL sp. z o.o., Poland	100.0%	0.0%
Hanstholmvej Holding ApS, Denmark	100.0%	0.0%
Holmen II Holding ApS, Denmark	67.0%	67.0%
Italy Energy Holding S.r.l. , Italy	100.0%	0.0%

2.5.0 Investment in subsidiaries - continued

Ownership shares in subsidiaries can be specified as follows (continued):

Name	31 Dec 2019	31 Dec 2018
K/S Solkraftværket GPI Mando 29, Denmark	80.0%	80.0%
Komplementarselskabet EE PV Denmark ApS, Denmark	100.0%	0.0%
Komplementarselskabet Heidelberg ApS, Denmark	50.5%	0.0%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS, Denmark	80.0%	80.0%
Næssundvej Holding ApS, Denmark	100.0%	0.0%
Omnia Vind, Denmark, Denmark	67.0%	67.0%
Renewables Insight ApS, Denmark	100.0%	100.0%
Svindbæk Holding ApS, Denmark	67.0%	67.0%
EE Finland OY, Finland	100.0%	100.0%
EE Construction Germany GmbH & Co. KG, Germany	100.0%	100.0%
EE Schönelinde ApS & Co. KG, Germany	100.0%	100.0%
EE Sieben Fünf GmbH & Co. KG, Germany	0.0%	100.0%
EWF Deutschland GmbH, Germany	100.0%	100.0%
EWF Verwaltung GmbH, Germany	100.0%	100.0%
EWF Vier Sechs GmbH & Co. KG, Germany	100.0%	100.0%
Sicily Green Power S.R.L., Italy	100.0%	0.0%
Solar Park Evetofte ApS, Denmark	100.0%	100.0%
Solar Park Hanstholmvej ApS, Denmark	0.0%	100.0%
Solar Park Næssundvej ApS, Denmark	0.0%	100.0%
Solar Park Rødby Fjord ApS, Denmark	73.5%	74.0%
Tjele Wind park ApS, Denmark	73.5%	74.0%
Vores Sol Ejendomsselskab IVS, Denmark	100.0%	100.0%
Windpark Bosco GmbH, Italy	0.0%	100.0%
Windpark Tornitz GmbH & CO. KG, Germany	100.0%	100.0%
EWF Kåre 1 AB, Sweden	100.0%	100.0%
Fimmerstad Vindpark AB, Sweden	100.0%	100.0%
Grevekulla Vindpark AB, Sweden	100.0%	100.0%
Våstanby Vindbruksgrupp i Fjelie 2 AB, Sweden	100.0%	100.0%
Zinkgruvan Vind AB, Sweden	100.0%	100.0%
Zinkgruvan Vindkraft AB, Sweden	0.0%	100.0%

2.5.1 Investments in joint ventures

EUR'000

		2019	2018
Cost at 1 January		6,405	5,317
Additions for the year		1,993	4
Disposals for the year		-	-
Transferred to subsidiaries/other investment		1	1,084
Cost at 31 December		**8,399**	**6,405**
Value adjustments at 1 January		3,893	2,898
Share of profit for the year		-1,590	4,421
Dividends received from joint ventures		-1,952	-3,250
Other value adjustments		297	-176
Value adjustments at 31 December		**648**	**3,893**
Carrying amount at 31 December		**9,047**	**10,298**
Investments in joint ventures at 31 December		9,129	10,304
Set-off against receivables from joint ventures		-82	-6
Total		**9,047**	**10,298**

2.5.1 Investments in joint ventures - continued

Ownership shares in joint ventures can be specified as follows:		31 Dec 2019	31 Dec 2018
EEA Renewables A/S, Denmark		50.0%	50.0%
EEA Stormy ApS, Denmark		50.0%	50.0%
EEA SWEPOL A/S, Denmark		50.0%	50.0%
EEGW Persano ApS, Denmark		50.0%	50.0%
EE Haseloff Aps & Co. KG		50.0%	0.0%
GWE Contractors K/S, Denmark		50.0%	50.0%
Komp. GWE Contractors ApS, Denmark		50.0%	50.0%
Mexico Partnership P/S, Denmark		50.0%	50.0%
Mexico Ventures ApS, Denmark		50.0%	50.0%
Solarpark Vandel Services ApS, Denmark		50.0%	50.0%
EE Sieben Null GmbH & Co. KG, Germany		50.0%	50.0%
EE Sieben Zwei GmbH & Co. KG, Germany		50.0%	50.0%
EE Sieben Drei GmbH & Co. KG, Germany		50.0%	50.0%
EEA Verwaltungs GmbH, Germany		50.0%	50.0%
EWF Fünf Vier GmbH & Co. KG, Germany		50.0%	50.0%
NPP Brazil I K/S		51.0%	51.0%
NPP Brazil II K/S		51.0%	51.0%
Nordic Power Partners P/S		51.0%	51.0%
NPP Komplementar ApS		51.0%	51.0%
Süstedt Komplementar ApS		50.0%	50.0%
EE Süstedt ApS & Co. KG		50.0%	50.0%
Vergil ApS & Co KG, Germany		50.0%	50.0%
Windpark Hellberge GmbH & Co. KG, Germany		50.0%	50.0%

2.5.2 Investments in associates

EUR'000

	2019	2018
Cost at 1 January	3,849	5,287
Additions for the year	1	612
Transferred to subsidiaries/other investment	-	-1,186
Disposal of year	-	-864
Cost at 31 December	**3,850**	**3,849**
Value adjustments at 1 January	-47	-575
Share of profit for the year	3,238	-170
Reversed value adjustments on disposals and transfers	-2,475	691
Dividend and other value adjustments	-164	7
Value adjustments at 31 December	**552**	**-47**
Carrying amount at 31 December	**4,402**	**3,802**

Ownership shares in associates can be specified as follows:	31 Dec 2019	31 Dec 2018
Wind Energy EOOD, Bulgaria	49.0%	49.0%
Wind Power 2 EOOD, Bulgaria	49.0%	49.0%
Wind Stream EOOD, Bulgaria	49.0%	49.0%
Wind Systems EOOD, Bulgaria	49.0%	49.0%
Driftsselskabet Heidelberg ApS, Denmark *)	0.0%	49.5%
EWF Fünf Eins GmbH & Co. KG, Germany	25.0%	25.0%
EWF Invest No. 2 A/S, Denmark	36.6%	36.6%
Solarpark Vandel GmbH, Germany	0.0%	42.5%
UW Gilmerdingen GmbH & C KG, Germany	40.0%	40.0%
UW Lohkamp ApS & Co KG, Germany	40.0%	40.0%
WK Ottenhausen GmbH & Co. KG, Germany	14.4%	14.4%
WK Gommern GmbH & Co. KG, Germany	6.1%	0.0%

*) Transfer to subsidiaries after stepwise acquisition

2.5.3 Investments in joint ventures and associated companies

EUR ´000

	Note	2019	2018
Results in joint ventures	2.5.1	-1,590	4,421
Results in associates	2.5.2	3,238	-170
Total		**1,648**	**4,251**

2.6 Other investments in wind and solar farms

EUR ´000

	2019	2018
Cost at 1 January	1,151	327
Additions for the year	-	1,133
Disposals for the year	-1	-308
Cost at 31 December	**1,150**	**1,151**
Value adjustments at 1 January	1,322	-
Other value adjustments, unrealised	-1	1,322
Value adjustments at 31 December	**1,321**	**1,322**
Total Fair Value through Profit & Loss (FVTPL)	**2,471**	**2,473**
Investments related to:		
Wind power generating assets	2,471	2,471
Solar power generating assets		2
Total	**2,471**	**2,473**

2.7 Trade receivables, contract assets and other receivables

	2019	2018
		EUR ´000
Trade receivables and contract assets	7,322	6,466
Other receivables (non-interest bearing)	3,908	1,168
Total receivables	**11,230**	**7,634**

No impairment losses are recognised relating to doubtful receivables

	2019	2018
Exposure:		
Receivables not due	11,192	7,240
Receivables past due, but not impaired:		
1-30 days	11	186
31-90 days	-	142
>90 days	27	66
Total Receivables	**11,230**	**7,634**

No receivables are due more than 5 years after the balance sheet date.

		EUR '000
Contract assets	2019	2018
Contract assets at 1 January	4,392	6,782
Movements during the year:		
Received during the year	-3,321	-2,551
Addition new contract assets	2,657	196
Other changes	1	-35
Contract assets end of year	3,729	4,392
Non-current contract assets	1,270	3,660
Current contract assets	2,459	732
Total contract assets	**3,729**	**4,392**

2.8 Provisions

Accounting Policy

Please refer to note 2.8 for the Group.

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

		EUR '000
	2019	2018
Provision at 1 January	**-**	**-**
Additions	2,800	-
Provisions end of year	**2,800**	**-**
Part of current liabilities	2,800	-

2.9 Change in working capital

Accounting Policy

Please refer to note 2.9 for the Group.

EUR ´000

	2019	2018
Trade receivables and contract assets	-1,546	2,137
Other receivables	150	-571
Inventories/project portfolio	-1,026	-888
Prepayments	-499	-95
Trade payables	69	-755
Other payables	-433	7,324
Total change in working capital	**-3,285**	**7,152**

3.1 Finance income and expenses

Accounting Policy

Please refer to note 3.1 for the Group.

EUR ´000

Finance income - Parent Company	2019	2018
Interest income, on financial assets measured at amortised costs	10,883	6,591
Modification gain	5,573	-
Dividends, other investments	120	-
Other financial income	100	36
Currency gains realised	170	389
Currency gains unrealised	8	32
Finance income	**16,854**	**7,048**

Finance expenses - Parent Company		
Interest on bonds	7,835	5,622
Finance expenses from financial liabilities measured at amortised cost	756	143
Amortisation of debt issue costs	797	495
Amortisation of debt issue costs	655	-
Early redemption fee	908	-
Other financial expenses	465	5
Currency losses realised	14	54
Currency losses unrealised	567	199
Finance expenses	**11,997**	**6,518**

3.2 Capital management

Please refer to note 3.2 for the Group.

3.3 Financial risks and financial instruments

Please refer to note 3.3 for the Group.

3.3.1 Financial risk management

Please refer to note 3.3 for the Group.

3.3.2 Foreign currency risks

Please refer to note 3.3.2 for the Group.

EUR '000

2019 Nominal position	Cash/equivalents	Receivables	Debt
USD/EUR	9,152	-	-
GBP/EUR	1,242	-	-
SEK/EUR	-	1,049	-

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
USD/EUR	1%	92	71
GBP/EUR	1%	12	10
SEK/EUR	1%	10	8

2018 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	279	2,589	-
BRL/EUR	302	373	-758

Sensitivity	Increase in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	1%	29	22
BRL/EUR	1%	-1	-1

3.3.3 Liquidity risks

EUR ´000

2019	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	239,828	10,700	21,400	207,728	-

2018	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	99,280	5,950	93,330	-	-

EUR ’000

Development in financing activities in 2019	Non-current financing activities	Current financing activities	In total
Liabilities from financing activities at 1 January 2019	83,670	-	83,670
Proceeds from issue of bonds	200,535	-	200,535
Repayment of bonds	-88,400	-	-88,400
Subtotal	195,805	-	195,805
Non-cash changes in financing activities	-3,788	-	-3,788
Contingent liabilities from financing activities at 31 December 2019	192,017	-	192,017

EUR ’000

Development in financing activities in 2018	Non-current financing activities	Current financing activities	In total
Liabilities from financing activities at 1 January 2018	59,339	-	59,339
Proceeds from issue of bonds	25,107	-	25,107
Repayment of bonds	-	-	-
Repayment of borrowings	-415	-	-415
Subtotal	84,031	-	84,031
Non-cash changes in financing activities	-361	-	-361
Contingent liabilities from financing activities at 31 December 2018	83,670	-	83,670

3.3.4 Interest rate risks

Sensitivity analyses

An interest rate increase of 1% would have the following impact on the results for the year and the equity:

EUR '000

	2019		2018	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Bonds	-1,242	-969	-587	-457

The impact on equity is net of tax 22% in Denmark.

3.3.5 Other financial instruments

Please refer to note 3.3.5 for the Group.

3.4 Financial instruments by category

	2019		2018	EUR ´000
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets measured at FVTPL	2,471	2,471	2,473	2,473
Financial assets measured at FVTOCI *)	2,269	2,269	-	-
Loans and receivables	197,986	197,986	118,170	118,170
Financial liabilities measured at amortised cost	199,709	210,209	107,194	108,469
Trade payables	504	504	435	435

*) Included in non-current other receivables

4.1 Tax

Accounting Policy

Please refer to note 4.1 for the Group.

Parent Company EUR ´000

Statement of profit or loss	2019	2018
Current income tax:		
Current income tax charge	24	490
Adjustments in respect of current tax in previous year	-353	12
Total current income tax for the year	**-329**	**502**
Deferred tax:		
Relating to origination and reversal of temporary differences	-252	430
Total adjustments to deferred tax during the year	**-252**	**430**
Tax on profit/loss can be explained as follows:		
Income tax expense reported in the statement of profit or loss	-581	932
Effective tax rate	-2%	4%
Tax on other comprehensive income		
Fair value adjustments of hedging instruments	645	-20
Total	**645**	**-20**

4.1 Tax - continued

Deferred tax is recognised as follows:	2019	2018
Deferred tax start of period	317	-935
Deferred tax for the year recognised in the income statement	-252	1,252
Deferred tax for the year recognised in other comprehensive income	645	-
Other equity regulations / Joint taxation	-239	-
Total recognised deferred tax in the balance	**471**	**317**

Deferred tax is recognised as follows:		
Deferred tax assets	-968	-935
Deferred tax liability	1,439	1,252
Total recognised deferred tax in the balance	**471**	**317**

Temporary differences recognised in the balance sheet		
Tax loss carried forward	-245	-1,136
Differences of plant & equipment	1,166	1,684
Dismantling provisions (Germany)	41	34
Other differences	-491	-265
Deferred tax at 31 December	**471**	**317**

Deferred tax assets not recognised in the balance sheet		
Value of tax losses not recognised in the balance sheet	1,721	233

We expect to utilise the tax loss carried forward within 3 years. The recognition of deferred tax assets is based on an analysis of future income in the next 5 years. The analysis is based on an expectation of a steady development compared with previous years and in general reasonable assumptions.

Effective tax rate:
The parent company has interests in numerous subsidiaries and associated companies. The income from these is taxed in each company. For the year, EUR 25.3 million (2018: EUR 11.3 million) of the EUR 26.1 million (2018: EUR 22.3 million) profit before tax is profit which is already taxed locally.

4.1 Tax - continued

Deferred tax specification
Accounting Policy

Deferred tax assets are attributable to tax losses carried forward, and differences for booked and tax value for assets in Denmark.
Deferred tax liabilities are substantially attributable to temporary differences on wind and solar power-generating assets in Germany. The Group is taxed not only through its Companies, but also through the many tax-transparent vehicles that are either recognised as joint ventures, associates or other investments.

The deferred tax assets and liabilities recognised are allocated to the following items:

Split of deferred tax assets recognised in the balance sheet

	2019	2018
Tax loss carried forward	-245	-1,136
Differences of plants & equipment	1,166	1,684
Dismantling provisions (Germany)	41	34
Other differences	-491	-265
Total	**471**	**317**

4.2 Staff costs

Accounting Policy

Please refer to note 4.2 for the Group.

EUR '000

	2019	2018
Wages, salaries and remuneration	13,569	10,575
Share-based compensation	444	197
Contributions to defined contribution plans	12	21
Other social security costs	113	96
Other staff costs	703	544
Part of salaries recognised in direct cost (Indirect product costs)	-5,251	-2,758
Part of salaries recognised as less loans to subsidiaries (Indirect product costs capitalised)	-3,238	-3,852
	6,352	**4,823**
Average number of full-time employees	112	90
Number of full-time employees at end of period	127	96

2019	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	31	-	-	-	-	31
Executive board	218	504	31	-	-	753
Other key management personel	1,330	1,383	181	-	-	2,894

2018	Salary	Bonus	Share-based compensation	Pension	Benefits	Total
Board of directors	31	-	-	-	-	31
Executive board	194	414	16	-	-	624
Other key management personel	1,246	1,181	82	2	-	2,514

4.2.1 Share-based payment

Please refer to note 4.2.1 for the Group.

4.3 Audit fees

Other external costs include the total fees paid to the auditors appointed at the Annual General Meeting for auditing the financial statements for the financial year under review and for services rendered.

EUR '000

	2019	2018
Statutory audit	94	63
Assurance other than audit	5	-
Tax advice	18	5
Non-audit services*	68	97
Total to the auditors appointed by the Annual General Meeting	**185**	**165**

*Other non-audit services are primarily related to assistance related to existing IFRS standards.

4.4 Leases

Accounting policy before 1 January 2019

Please refer to note 2.3.1 for accounting policy after 1. January 2019 for the Group and note 4.4 for the accounting policy before 1 January 2019 for the Group.

Operating leases have been recognised in the income statement for 2019 at the amount of EUR 313 thousand (2018: 306 thousand), with contingent rents constituting EUR 313 thousand (2018: EUR 344 thousand).

EUR '000

	2019	2018
0-1 year	-	308
1-5 years	-	308
After 5 years	-	-
Total Buildings	**-**	**616**

4.5 Related parties

Accounting Policy

Please refer to note 4.5 for the Group.

EUR ´000

Related-party transactions	2019	2018
Sale of services to Joint Ventures	325	610
Sale of services to Associates	314	424
Sale of services to Owners	53	2,049
Cost of services from Owners	-2,470	-
Interest, income from Joint Ventures	2,829	1,886
Interest, income from Associates	66	61
Interest, income from Owners	242	541
Interest, expenses to Joint Ventures	-	-80
Loans to related parties		
Loans to subsidiaries	157,534	79,014
Loans to European Energy Holding ApS	-	6,478
Loans to other related parties	36,439	26,220
Loans to related parties at 31 December	36,439	32,698
Provision for impairment at 1 January	-1,176	-1,176
Provision for impairment for the year	68	-
Disposals	-973	-
Provision for impairment at 31 December	**-2,081**	**-1,176**
Carrying amount at 31 December	**34,358**	**31,522**

The loans to subsidiaries will be repaid when the refinancing has been put in place or if the project has been sold to a new buyer. The loans are established as a part of financing for development of wind and solar parks, and will typically be repaied when a project is sold.

Loans from related parties		
Loans from subsidiaries - non current	-	17,500
Loans from subsidiaries - current	6,043	4,534
Loans from European Energy Holding ApS	1,647	-
Loans from Associates and Joint Ventures	2	1,490
Total loans to related parties	**7,692**	**23,524**

4.6 Contingent liabilities and assets

Accounting policy

Please refer to note 4.6 for the Group.

Contingent liabilities and other financial liabilities in Parent Company

EUR million	2019	2018
Guarantees related to contracts with deferred payments (excl. VAT)	-	4
Guarantees related to financing agreements	10	11
Guarantees, warranties and other liabilities related to SPA's	1	3
Total	**11**	**18**

For other contingent matters reference is made to note 4.6 in the consolidated statements.

4.7 Events after the balance sheet date

Please refer to note 4.7 for the Group.

4.10 Group structure in European Energy A/S according to IFRS and executive functions of the Board members

Of the 307 companies (2018: 318) within the Group, 207 (2018: 180) are controlled subsidiaries and 89 (2018: 128) are partnerships in the form of joint ventures, associated companies or companies owned by these entities. These partnerships enable the Group to maintain a diversified portfolio while also reducing risk. In addition, the Group has 11 investments (2018: 10 investments) in companies where its ownership is below 20%, none of which are material investments for the Group.

At the end of 2019, the total number of subsidiaries directly or indirectly owned by the parent company was 207 (2018: 180), all of which were consolidated line by line in the consolidated income statement.

The 89 joint ventures (2018: 128 joint ventures), associated companies and companies owned by these entities are recognised in one line as "equity-accounted investments" in the gross profit section of the consolidated income statement. In the balance sheet, they are recognised in the line for joint venture investments or in the line for the associated companies investment, both under non-current assets. With regards to the 11 companies (2018: 10 companies) where the Group has no material ownership, the investments are recognised at cost and are stated in the balance sheet as other investments.

S = Subsidiaries

A = Associates

JV = Joint ventures

NC = Non-consolidated

KEA = Knud Erik Andersen

JPZ = Jens-Peter Zink

MDP = Mikael Dystrup Pedersen

CDY = Claus Dyhr

JHE = Jesper Helmuth

Parent Company and subsidiaries, joint ventures or associates owned by parent either directly or indirectly

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
1	Parent	European Energy A/S	DK	Parent company			JPZ	KEA, MDP, CDY, JHE	
2	S	AEZ Dienstleistungs GmbH	DE	Wind Power	100.00%	0.00%			THH
3	S	AEZ Planungs GmbH & Co KG	DE	Wind Power	100.00%	0.00%			
4	S	AEZ Verwaltung GmbH	DE	Wind Power	100.00%	0.00%			
5	S	Bjornasen Vind AB	SE	Wind Power	100.00%	100.00%	JPZ	KEA	JPZ
6	S	Blue Viking Alexandra S.L	ES	Solar Power	100.00%	100.00%			
7	S	Blue Viking Beatrice S.L.	ES	Solar Power	100.00%	100.00%			
8	S	Blue Viking Solar S.L.	ES	Solar Power	100.00%	100.00%			
9	S	Blue Viking Ayora S.L.	ES	Solar Power	70.00%	0.00%			
10	S	Blue Viking Cristina S.L.	ES	Solar Power	100.00%	0.00%			
11	S	Blue Viking Gabriela S.L.	ES	Solar Power	100.00%	0.00%			
12	S	Blue Viking Matilda S.L.	ES	Solar Power	100.00%	0.00%			
13	S	Blue Viking Hildur S.L.	ES	Solar Power	100.00%	0.00%			
14	S	Blue Viking Violeta S.L.	ES	Solar Power	100.00%	0.00%			
15	S	Blue Viking Raquel S.L.	ES	Solar Power	100.00%	0.00%			
16	S	Blue Viking Linea S.L.	ES	Solar Power	100.00%	0.00%			
17	S	Blue Viking Fernanda S.L.U.	ES	Solar Power	100.00%	0.00%			
18	S	Blue Viking Diana S.L.U.	ES	Solar Power	100.00%	0.00%			
19	S	Blue Viking Ventures S.L.U.	ES	Solar Power	100.00%	0.00%			
20	S	Solcon Terrenos 2006 S.L.U.	ES	Solar Power	100.00%	0.00%			
21	S	Blue Viking Emilia S.L.	ES	Solar Power	100.00%	0.00%			
22	S	Blue Viking Lindsey S.L.	ES	Solar Power	100.00%	0.00%			
23	S	Blue Viking Lisa S.L.	ES	Solar Power	100.00%	0.00%			
24	S	Blue Viking Lya S.L.	ES	Solar Power	100.00%	0.00%			
25	S	Blue Viking Maria S.L.	ES	Solar Power	100.00%	0.00%			
26	S	Blue Viking Nieves S.L.	ES	Solar Power	100.00%	0.00%			
27	S	Blue Viking Pili S.L.	ES	Solar Power	100.00%	0.00%			
28	S	Blue Viking Rosa S.L.	ES	Solar Power	100.00%	0.00%			
29	S	Blue Viking Samara S.L.	ES	Solar Power	100.00%	0.00%			
30	S	Blue Viking Sandra S.L.	ES	Solar Power	100.00%	0.00%			
31	S	Blue Viking Sarah S.L.	ES	Solar Power	100.00%	0.00%			
32	S	Blue Viking Sofia S.L.	ES	Solar Power	100.00%	0.00%			

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
33	S	Blue Viking Tara S.L.	ES	Solar Power	100.00%	0.00%			
34	S	Blue Viking Elena S.L.U.	ES	Solar Power	100.00%	0.00%			
35	S	Blue Viking Elizabeth S.L.	ES	Solar Power	100.00%	0.00%			
36	S	Blue Viking Esther S.L.	ES	Solar Power	100.00%	0.00%			
37	S	Blue Viking Glenda S.L.	ES	Solar Power	100.00%	0.00%			
38	S	Blue Viking Gretchen S.L.	ES	Solar Power	100.00%	0.00%			
39	S	Blue Viking Isabella S.L.	ES	Solar Power	100.00%	0.00%			
40	S	Blue Viking Julia S.L.	ES	Solar Power	100.00%	0.00%			
41	S	Blue Viking Kira S.L.	ES	Solar Power	100.00%	0.00%			
42	S	Blue Viking Laura S.L.	ES	Solar Power	100.00%	0.00%			
43	S	Blue Viking Linda S.L.	ES	Solar Power	100.00%	0.00%			
44	S	Blue Viking Indira S.L.	ES	Solar Power	100.00%	0.00%			
45	S	Blue Viking Matias S.L.	ES	Solar Power	100.00%	0.00%			
46	S	Blue Viking Mikael S.L.	ES	Solar Power	100.00%	0.00%			
47	S	Blue Viking Santiago S.L.	ES	Solar Power	100.00%	0.00%			
48	S	Blue Viking Barbara S.L.	ES	Solar Power	100.00%	0.00%			
49	S	Blue Viking Clara S.L.	ES	Solar Power	100.00%	0.00%			
50	S	Blue Viking Eden S.L.	ES	Solar Power	100.00%	0.00%			
51	S	Boa Hora Solar ApS	DK	Solar Power	100.00%	100.00%			KEA/JPZ
52	S	Blåhøj Wind Park ApS	DK	Wind Power	73.50%	0.00%			KEA
53	S	Cerano Energreen S.r.l.	IT	Solar Power	51.00%	0.00%			
54	S	Cocamba Stage One Holding Pty Ltd	AU	Solar Power	84.00%	0.00%			KEA
55	S	Cocamba Stage One Project Pty Ltd	AU	Solar Power	84.00%	0.00%			KEA
56	S	Doras Production EPE	GR	Solar Power	97.00%	77.51%			KEA
57	S	Driftsselskabet Heidelberg ApS	DK	Wind Power	50.50%	49.50%			KEA
58	S	e.n.o. Kabeltrasse GbR Grosstreben	DE	Wind Power	37.88%	37.13%			KEA
59	S	EE Oderwald GmbH & Co. KG	DE	Wind Power	35.35%	34.65%			
60	S	EE Oderwald Verwaltungs GmbH	DE	Wind Power	35.35%	34.65%			
61	S	EE Cocamba ApS	DK	Solar Power	100.00%	0.00%			
62	S	EE Projekte Teuchern Gmbh	DE	Wind Power	100.00%	100.00%			KEA
63	S	EE Construction Germany GmbH & Co. KG	DE	Wind Power	100.00%	100.00%			KEA
64	S	EE Dupp ApS	DK	Wind Power	100.00%	0.00%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
65	S	EE France ApS	DK	Wind Power	100.00%	0.00%			KEA
66	S	EE Fanais SAS	FR	Solar Power	100.00%	0.00%			KEA
67	S	EE Finland OY	FI	Wind Power	100.00%	100.00%	JPZ	KEA	
68	S	EE Italy Greenfield PV S.r.l.	IT	Solar Power	100.00%	71.53%			
69	S	EE Keiko ApS & Co. KG	DE	Wind Power	100.00%	100.00%			KEA,JPZ
70	S	EE PV Holding ApS	DK	Solar Power	100.00%	0.00%			KEA
71	S	EE PV 2 ApS	DK	Solar Power	100.00%	100.00%			KEA/JPZ
72	S	EE Sweden AB	SE	Wind Power	100.00%	0.00%	JPZ	KEA	JPZ
73	S	EE Schönelinde ApS & Co. KG	DE	Wind Power	100.00%	100.00%			KEA
74	S	EE Sprogø OWF ApS	DK	Wind Power	100.00%	100.00%			KEA
75	S	EE Svindbæk Køberetsselskab ApS	DK	Wind Power	67.00%	66.59%			KEA
76	S	EE Teuchern GmbH & Co KG	DE	Wind Power	100.00%	0.00%			
77	S	EE Urja ApS & Co. KG	DE	Wind Power	100.00%	100.00%			KEA,JPZ
78	S	EE Viertkamp ApS & Co. KG	DE	Wind Power	50.50%	49.50%			KEA/JPZ
79	S	EE Verwaltung ApS	DK	Wind Power	100.00%	100.00%			KEA,JPZ
80	S	Ejendomsselskabet Kappel ApS	DK	Wind Power	67.00%	67.00%	JPZ	KEA	KEA
81	S	Enerteq ApS	DK	Wind Power	100.00%	87.37%			KEA
82	S	Eolica Ouro Branco 1 S.A	BR	Wind Power	80.00%	80.00%			
83	S	Eolica Ouro Branco 2 S.A	BR	Wind Power	80.00%	80.00%			
84	S	Eolica Quatro Ventos S.A	BR	Wind Power	80.00%	80.00%			
85	S	ESF Spanien 01 GmbH	DE	Solar Power	100.00%	79.91%			KEA
86	S	ESF Spanien 0423 S.L.U.	ES	Solar Power	100.00%	79.91%			KEA/JPZ
87	S	ESF Spanien 0428 S.L.U.	ES	Solar Power	100.00%	79.91%			KEA/JPZ
88	S	ESF Spanien 05 S.L.U.	ES	Solar Power	100.00%	79.91%			KEA/JPZ
89	S	ESF Spanien 09 GmbH	DE	Solar Power	100.00%	79.91%			KEA
90	S	European Energy Buy Back Bond ApS	DK	Administration	100.00%	100.00%			KEA
91	S	European Energy Byg ApS	DK	Administration	100.00%	100.00%			KEA
92	S	European Energy Giga Storage A/S	DK	Administration	100.00%	100.00%	JPZ	KEA	KEA
93	S	European Energy Italy PV Holding S.r.l.	IT	Solar Power	100.00%	100.00%			
94	S	EE Sarna ApS & CO. KG	DE	Wind Power	100.00%	0.00%			
95	S	European Energy Lithuania UAB	LT	Wind Power	100.00%	100.00%			KEA
96	S	UAB Degaiciy Vejas	LT	Wind Power	100.00%	0.00%			KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
97	S	UAB Geotyrimy Centras	LT	Wind Power	100.00%	0.00%			
98	S	UAB Rasveja	LT	Wind Power	100.00%	0.00%			KEA
99	S	UAB Anyksciy vejas	LT	Wind Power	100.00%	0.00%			KEA
100	S	UAB Rokveja	LT	Wind Power	100.00%	0.00%			KEA
101	S	European Energy Offshore A/S	DK	Wind Power	72.00%	72.00%	JPZ	KEA	KEA
102	S	European Energy Photovoltaics Limited	UK	Solar Power	100.00%	79.91%			KEA/JPZ
103	S	European Energy Systems II ApS	DK	Administration	100.00%	100.00%			KEA/JPZ
104	S	European Solar Farms A/S	DK	Administration	100.00%	79.91%	KEA	KEA, MDP	JPZ
105	S	European Solar Farms Greece ApS	DK	Solar Power	100.00%	79.91%			KEA/JPZ
106	S	European Solar Farms Italy ApS	DK	Solar Power	100.00%	79.91%			KEA/JPZ
107	S	European Solar Farms Spain ApS	DK	Solar Power	100.00%	79.91%			KEA/JPZ
108	S	E&U GmbH & Co. KabelZeitz KG	DE	Wind Power	50.63%	0.00%			
109	S	European Wind Farms A/S	DK	Administration	100.00%	71.53%	JPZ	KEA, MDP	KEA
110	S	European Wind Farms Bulgaria ApS	DK	Wind Power	100.00%	71.53%			KEA/JPZ
111	S	European Wind Farms Denmark A/S	DK	Wind Power	100.00%	100.00%	JPZ	KEA	KEA
112	S	European Wind Farms Deutschland GmbH	DE	Wind Power	100.00%	100.00%			KEA
113	S	European Wind Farms DOO	HR	Wind Power	70.00%	50.07%			
114	S	European Wind Farms Greece ApS	DK	Wind Power	100.00%	71.53%			KEA/JPZ
115	S	European Wind Farms Italy ApS	DK	Wind Power	100.00%	71.53%			KEA/JPZ
116	S	European Wind Farms Komp GmbH	DE	Wind Power	100.00%	71.53%			KEA
117	S	European Wind Farms Kåre 1 AB	SE	Wind Power	100.00%	100.00%		KEA, JPZ	JPZ
118	S	European Wind Farms Verwaltungsgesellschaft mbH	DE	Wind Power	100.00%	100.00%			KEA
119	S	EWF Energy Hellas Epe	GR	Wind Power	97.00%	69.38%			JPZ
120	S	EWF Vier Sechs GmbH & Co. KG, Güstow	DE	Wind Power	100.00%	100.00%			KEA
121	S	Farma Wiatrowa Kolobrzeg sp. z o.o	PL	Wind Power	100.00%	0.00%			JPZ
122	S	Farma Wiatrowa SIEMYŚL sp. z o.o.	PL	Wind Power	100.00%	0.00%			JPZ
123	S	Fimmerstad Vindpark AB	SE	Wind Power	100.00%	100.00%	JPZ	KEA	
124	S	Farma Wiatrowa Drawsko II sp.z.o.o.	PL	Wind Power	100.00%	0.00%		JPZ	JPZ
125	S	Frederikshavn OWF ApS	DK	Wind Power	85.00%	0.00%			KEA
126	S	FWE Windpark TIS K/S	DK	Wind Power	50.50%	49.50%		KEA, JPZ	KEA
127	S	FWE Windpark Wittstedt K/S	DK	Wind Power	50.50%	49.50%		KEA, JPZ	KEA
128	S	FWE Windpark Wulfshagen K/S	DK	Wind Power	50.50%	49.50%		KEA, JPZ	KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
129	S	FWE Windpark 3 Standorte K/S	DK	Wind Power	50.50%	49.50%		KEA, JPZ	KEA
130	S	FWE Windpark Kranenburg K/S	DK	Wind Power	50.50%	49.50%		KEA, JPZ	KEA
131	S	FWE Windpark Scheddebrock K/S	DK	Wind Power	50.50%	49.50%		KEA, JPZ	KEA
132	S	FWE Windpark Westerberg K/S	DK	Wind Power	50.50%	49.50%		KEA, JPZ	KEA
133	S	Greenwatt Koiramäki Oy AB	FI	Wind Power	100.00%	100.00%			
134	S	Greenwatt Mustalamminmäki Oy AB	FI	Wind Power	100.00%	100.00%			
135	S	Grevekulla Vindpark AB	SE	Wind Power	100.00%	100.00%	JPZ	KEA	
136	S	Hanstholmvej Ejendomsselskab ApS	DK	Solar Power	100.00%	0.00%			KEA
137	S	Hanstholmvej Infrastrukturselskab ApS	DK	Solar Power	100.00%	0.00%			KEA
138	S	Hanstholmvej Holding ApS	DK	Solar Power	100.00%	0.00%			KEA
139	S	Holmen II Holding ApS	DK	Wind Power	67.00%	67.00%			KEA/JPZ
140	S	Holmen II Vindkraft I/S	DK	Wind Power	37.28%	37.28%	KEA	JPZ	
141	S	Holmen II V90 ApS	DK	Wind Power	67.00%	67.00%			KEA/JPZ
142	S	Horskær Wind Park ApS	DK	Wind Power	67.00%	67.00%			KEA
143	S	Infrastrukturgesellschaft Windfeld 19/24 GmbH & Co. KG	DE	Wind Power	82.40%	21.04%			
144	S	Infrastrukturgesellschaft Windfeld 19/24 Verwaltungs-GmbH	DE	Wind Power	82.40%	21.04%			
145	S	Iridanos Production EPE	GR	Solar Power	97.00%	77.51%			KEA
146	S	Italy Energy Holding S.r.l.	IT	Solar Power	100.00%	0.00%			
147	S	K/S Solkraftværket GPI Mando 29	DK	Solar Power	80.00%	80.00%			JPZ
148	S	Komplementarselskabet EE PV Denmark Aps	DK	Solar Power	100.00%	0.00%			KEA
149	S	Kipheus Production EPE	GR	Solar Power	97.00%	77.51%			KEA
150	S	Komp. Sprogø OWF ApS	DK	Wind Power	44.75%	44.75%			KEA
151	S	Komplementarselskabet Heidelberg ApS	DK	Wind Power	50.50%	49.50%			KEA
152	S	Komplementarselskabet Solkraftværket GPI Mando 29 ApS	DK	Solar Power	80.00%	80.00%			KEA/JPZ
153	S	Komplementarselskabet Vindtestcenter Måde ApS	DK	Wind Power	100.00%	100.00%			KEA
154	S	Licodia Energia S.r.l.	IT	Solar Power	100.00%	0.00%			
155	S	KS Svindbæk WTG 8-9	DK	Wind Power	67.00%	67.00%			KEA
156	S	Lidegaard ApS	DK	Solar Power	100.00%	79.91%			KEA/JPZ
157	S	Mando Solarkraftwerke Nr. 29 GmbH & Co. KG	DE	Solar Power	76.00%	76.00%			
158	S	Mineo Energia S.r.l.	IT	Solar Power	100.00%	0.00%			
159	S	Måde Wind Park ApS	DK	Wind Power	100.00%	100.00%			KEA
160	S	Måde WTG 1-2 K/S	DK	Wind Power	98.00%	98.00%			KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
161	S	Netzanbindung Tewel OHG	DE	Wind Power	38.01%	36.38%			
162	S	Næssundvej Ejendomsselskab ApS	DK	Solar Power	100.00%	0.00%			KEA
163	S	Næssundvej Holding ApS	DK	Solar Power	100.00%	0.00%			KEA
164	S	Omnia Vind ApS	DK	Wind Power	67.00%	67.00%			KEA
165	S	Omø South Nearshore A/S	DK	Wind Power	72.00%	36.00%	JPZ		KEA
166	S	Palo Holding S.r.l.	IT	Solar Power	100.00%	0.00%			
167	S	Palo Energia s.r.l.	IT	Solar Power	100.00%	0.00%			
168	S	Piano Energia s.r.l.	IT	Solar Power	100.00%	0.00%			
169	S	Reese Solar S.L.U.	ES	Solar Power	100.00%	79.91%			KEA/JPZ
170	S	Renewables Insight ApS (prev. European Energy Systems I ApS)	DK	Administration	100.00%	100.00%			KEA/JPZ
171	S	Ramacca Energia S.r.l.	IT	Solar Power	100.00%	0.00%			
172	S	Rødby Fjord Vindkraft Mølle 3 I/S	DK	Wind Power	33.58%	33.58%			KEA/JPZ
173	S	SF Ibiza ApS	DK	Solar Power	100.00%	79.91%			KEA/JPZ
174	S	SF La Pobla ApS	DK	Solar Power	100.00%	79.91%			KEA/JPZ
175	S	Sicily Green Power S.R.L.	IT	Solar Power	100.00%	0.00%			
176	S	Solar Park Ålbæk ApS	DK	Solar Power	100.00%	0.00%			KEA/JPZ
177	S	Solar Park Agersted ApS	DK	Solar Power	100.00%	0.00%			KEA/JPZ
178	S	Solar Park Evetofte ApS	DK	Solar Power	100.00%	100.00%			KEA/JPZ
179	S	Solar Park Hanstholmvej ApS	DK	Solar Power	84.00%	100.00%			KEA/JPZ
180	S	Solar Park Harre ApS	DK	Solar Power	100.00%	0.00%			KEA/JPZ
181	S	Solar Park Holmen ApS	DK	Solar Power	100.00%	0.00%			KEA
182	S	Solar Park Næssundvej ApS	DK	Solar Power	84.00%	100.00%			KEA/JPZ
183	S	Solar Park Rødby Fjord ApS	DK	Solar Power	73.50%	73.50%			KEA/JPZ
184	S	Solar Power 7 Islas S.L.U.	ES	Solar Power	100.00%	79.91%			
185	S	Sprogø OWF K/S	DK	Wind Power	44.75%	44.75%			KEA
186	S	Sun Project S.r.l.	IT	Solar Power	51.00%	0.00%			
187	S	Svindbæk Holding ApS	DK	Wind Power	67.00%	67.00%			KEA
188	S	Svindbæk Komplementar ApS	DK	Wind Power	67.00%	67.00%			KEA/JPZ
189	S	Svindbæk Køberetsselskab I/S	DK	Wind Power	66.60%	66.60%	KEA	JPZ	
190	S	Tjele Wind park ApS	DK	Wind Power	73.50%	73.50%			KEA
191	S	Trædeskov Bøge Wind Park ApS	DK	Wind Power	67.00%	67.00%			KEA
192	S	Traversa Energia s.r.l.	IT	Solar Power	100.00%	0.00%			

No.	Group Structure	Name	Country of place of business	Principal activity	€ 0	Ownership 2018	Chairman	Other boardmember	Director-ships
193	S	ASI Troia FV 1 S.r.l.	IT	Solar Power	100.00%	0.00%			
194	S	Vindtestcenter Måde K/S	DK	Wind Power	100.00%	100.00%			KEA
195	S	Vores Sol Ejendomsselskab IVS	DK	Solar Power	100.00%	100.00%	KEA	JPZ	JPZ
196	S	Västanby Vindbruksgrupp i Fjelie 2 AB	SE	Wind Power	100.00%	100.00%	JPZ	KEA	
197	S	Vizzini Holding S.r.l.	IT	Solar Power	100.00%	0.00%			
198	S	Windpark Prittitz GmbH & Co KG	DE	Wind Power	50.50%	49.50%			KEA
199	S	Windpark Prittitz Verwaltungsgesellschaft mbH	DE	Wind Power	50.50%	49.50%			KEA
200	S	Windpark Tornitz GmbH & CO. KG	DE	Wind Power	100.00%	100.00%			KEA
201	S	WP SA Sud 6 GmbH & Co KG	DE	Wind Power	100.00%	0.00%			
202	S	WP SA Sud 12 GmbH & Co KG	DE	Wind Power	100.00%	0.00%			
203	S	WP SA Sud 13 GmbH & Co KG	DE	Wind Power	100.00%	0.00%			
204	S	WP SA Sud 23 GmbH & Co KG	DE	Wind Power	100.00%	0.00%			
205	S	WP SA Sud 24 GmbH & Co KG	DE	Wind Power	100.00%	0.00%			
206	S	WP Vier Berge GmbH & Co. KG	DE	Wind Power	50.50%	49.50%			MDP
207	S	Zinkgruvan Vind AB	SE	Wind Power	100.00%	100.00%		KEA, JPZ	

Joint ventures, associated companies and Other Investments not owned directly by the parent

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
1	A	ASPI Energy EOOD	BG	Wind Power	12.50%	12.50%			
2	A	BH 1 Geradora de Energia Solar S.A	BR	Solar Power	40.80%	40.80%			
3	A	BH 2 Geradora de Energia Solar S.A	BR	Solar Power	40.80%	40.80%			
4	A	BH 3 Geradora de Energia Solar S.A	BR	Solar Power	40.80%	40.80%			
5	A	Coremas I Geracao de Energia SPE LTDA.	BR	Solar Power	39.99%	39.21%		KEA	
6	A	Coremas II Geracao de Energia SPE LTDA.	BR	Solar Power	39.99%	39.21%		KEA	
7	A	Coremas III Geracao de Energia SPE LTDA.	BR	Solar Power	39.99%	39.21%		KEA	
8	JV	EE Haseloff Aps & Co. KG (Tidl EE Stuver ApS & Co. KG)	DE	Wind Power	50.00%	0.00%			
9	JV	EE Sieben Drei GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
10	JV	EE Sieben Null GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
11	JV	EE Sieben Zwei GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
12	JV	EE Süstedt ApS & Co. KG	DE	Wind Power	50.00%	50.00%		JPZ	
13	JV	EEA Renewables A/S	DK	Administration	50.00%	50.00%		JPZ, KEA	KEA
14	JV	EEA Stormy ApS	DK	Administration	50.00%	50.00%			KEA
15	JV	EEA Swepol A/S	DK	Administration	50.00%	50.00%		KEA	KEA
16	JV	EEA Verwaltungs GmbH	DE	Wind Power	50.00%	50.00%			KEA
17	A	EEAR Olleria II ApS*	DK	Solar Power	45.00%	45.00%		KEA	
18	JV	EEGW Persano ApS	DK	Administration	50.00%	50.00%		KEA , JPZ	KEA
19	JV	Elios 102 Srl Soleto	IT	Solar Power	50.00%	50.00%			
20	A	Energy 3 DOO	BA	Wind Power	10.20%	25.50%			
21	A	ESF Spanien 0427 S.L.	ES	Solar Power	45.00%	45.00%			KEA/JPZ
22	JV	European Energy Italy Holding Srl	IT	Wind Power	50.00%	50.00%			
23	A	European Wind Farms Invest No.2 A/S	DK	Wind Power	36.55%	36.55%	JPZ	KEA	KEA
24	JV	European Wind Farms Polen ApS	DK	Wind Power	50.00%	50.00%			KEA/JPZ
25	JV	European Wind Farms Polska Sp. z o.o.	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ
26	JV	European Wind Farms Polska Sp. z o.o. Bialogard Sp. k	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ
27	JV	European Wind Farms Polska Sp. z o.o. Grzmiaca Sp. k	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ
28	JV	European Wind Farms Polska Sp. z o.o. Rabino Sp. k	PL	Wind Power	50.00%	50.00%	JPZ	KEA, MDP	JPZ
29	JV	European Wind Farms Sverige AB	SE	Wind Power	50.00%	50.00%		KEA, JPZ	JPZ
30	JV	EWF Eins Sieben GmbH & Co. KG, UW Eichow GmbH & Co. KG	DE	Wind Power	50.00%	50.00%			KEA
31	A	EWF Fünf Eins ApS & Co. KG	DE	Wind Power	25.00%	25.00%			KEA/JPZ
32	JV	EWF Fünf Vier GmbH & Co. KG, Wittstock	DE	Wind Power	50.00%	50.00%			KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
33	A	Fundo de Investimento em participacoes conjunto Coremas - Multiestrategia	DK	Solar Power	39.99%	39.21%			
34	JV	Greenwatt Ahvenneva Oy AB	FI	Wind Power	50.00%	50.00%			
35	JV	Greenwatt Honkakangas Oy AB	FI	Wind Power	50.00%	50.00%			
36	A	GW Energi A/S *)	DK	Wind Power	25.00%	25.00%	KEA	JPZ	THH
37	JV	GWE Contractors K/S	DK	Wind Power	50.00%	50.00%			KEA
38	A	GWE Holding af 14. November 2011 ApS *)	DK	Wind Power	25.00%	25.00%		KEA	
39	A	GWE Verwaltungs GmbH	DE	Wind Power	25.00%	25.00%			THH
40	A	Jammerland Bay Nearshore A/S	DK	Wind Power	36.00%	36.00%	JPZ		KEA
41	JV	Limes 1 S.r.l	IT	Solar Power	50.00%	0.00%			
42	JV	Limes 2 S.r.l	IT	Solar Power	50.00%	0.00%			
43	JV	Limes 20 S.r.l	IT	Solar Power	50.00%	0.00%			
44	JV	Limes 24 S.r.l	IT	Solar Power	50.00%	0.00%			
45	JV	Limes 25 S.r.l	IT	Solar Power	50.00%	0.00%			
46	A	K/S Losheim *)	DK	Wind Power	25.00%	25.00%		KEA	THH
47	JV	Komplementar Mexico Ventures ApS	DK	Wind Power	50.00%	50.00%			KEA
48	JV	Komplementarselskabet EEAR ApS	DK	Administration	50.00%	50.00%			KEA
49	JV	Komplementarselskabet GWE Contractors ApS	DK	Wind Power	50.00%	50.00%			KEA
50	A	Komplementarselskabet Losheim ApS	DK	Wind Power	25.00%	25.00%			
51	JV	Mexico Investments l ApS	DK	Solar Power	50.00%	50.00%		KEA/JPZ	KEA
52	JV	Mexico Partnership P/S	DK	Wind Power	50.00%	50.00%		KEA/JPZ	KEA
53	JV	Nordic Power Partners P/S	DK	Administration	51.00%	51.00%	KEA	JPZ	
54	JV	NPP Brazil I K/S	DK	Solar Power	51.00%	51.00%	KEA	JPZ	
55	JV	NPP Brazil II K/S	DK	Solar Power	51.00%	51.00%	KEA	JPZ	
56	JV	NPP Komplementar ApS	DK	Administration	51.00%	51.00%	KEA	JPZ	JPZ
57	JV	NPP Maldives Private Ltd.	MV	Solar Power	51.49%	51.49%		JPZ	JPZ
58	A	Nøjsomheds Odde WTG 2-3 ApS	DK	Wind Power	33.50%	33.50%			KEA, HBL
59	A	Parco Eolico Carpinaccio Srl	IT	Wind Power	14.63%	22.96%		KEA	
60	JV	Parco Fotovoltaico Fauglia SRL	IT	Solar Power	50.00%	50.00%			
61	JV	Solarpark Vandel Services ApS	DK	Solar Power	50.00%	50.00%			KEA
62	JV	Süstedt Komplementar ApS	DK	Wind Power	50.00%	50.00%		JPZ	
63	A	UAB Potentia Industriae	LT	Wind Power	30.00%	0.00%			

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
64	A	Umspannwerk Westerberg GmbH & Co OHG	DE	Wind Power	22.73%	22.28%			
65	A	UW Gilmerdingen GmbH & C. KG	DE	Wind Power	40.00%	40.00%			KEA
66	A	UW Lohkamp ApS & Co. KG	DE	Wind Power	40.00%	40.00%			KEA/JPZ
67	A	UW Nessa GmbH & Co KG	DE	Wind Power	45.72%	0.00%			
68	A	UW Nessa Verwaltungs-GmbH	DE	Wind Power	45.72%	0.00%			
69	A	Vento Erste Windparkbeteiligungsgesellschaft mbH & Co. KG	DE	Wind Power	36.84%	47.37%			KEA
70	JV	Vergil ApS & Co. KG	DE	Wind Power	50.00%	50.00%			
71	JV	Windcom Sp. z o.o.	PL	Wind Power	50.00%	35.77%	KEA		KEA
72	A	Vindpark Straldja ApS	DK	Wind Power	25.00%	25.00%			KEA
73	A	WHP Windpark Hurrel/Plietenberg GmbH & Co. KG	DE	Wind Power	25.00%	25.00%			
74	A	Wind Energy OOD	BG	Wind Power	49.00%	49.00%			JPZ
75	A	Wind Power 2 OOD	BG	Wind Power	49.00%	49.00%			JPZ
76	A	Wind Stream OOD	BG	Wind Power	49.00%	49.00%			JPZ
77	A	Wind Systems OOD	BG	Wind Power	49.00%	49.00%			JPZ
78	A	Windkraft Gommern GmbH & Co. KG	DE	Wind Power	6.09%	9.90%			
79	A	Windkraft Ottenhausen GmbH & Co. KG	DE	Wind Power	39.40%	32.30%			
80	A	Windpark Emskirchen GmbH & Co KG	DE	Wind Power	25.00%	25.00%			
81	JV	Windpark Hellberge GmbH & CO KG	DE	Wind Power	50.00%	50.00%			KEA
82	JV	Windpark Losheim Nr. 30 ApS & Co. KG	DE	Wind Power	25.00%	25.00%			
83	A	Windpark Prignitz GmbH & Co. KG	DE	Wind Power	25.00%	25.00%			
84	A	WP Vormark Generalunternehmer GmbH & Co. KG	DE	Wind Power	12.50%	12.50%			
85	A	WP Vormark GmbH	DE	Wind Power	12.50%	12.50%			THH
86	A	WP Vormark Infrastruktur GbR	DE	Wind Power	12.50%	8.33%			
87	A	WP Vormark UW GmbH & Co. KG	DE	Wind Power	5.60%	5.60%			
88	A	WP Vormark WEA 1 GmbH & Co. KG	DE	Wind Power	12.50%	12.50%			
89	A	WP Vormark WEA 2 GmbH & Co. KG	DE	Wind Power	25.00%	25.00%			

Other Investments with ownership below 20%

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2019	Ownership 2018	Chairman	Other boardmember	Director-ships
90	NC	Einspeisegemeinschaft Klein Mutz-Timpberg GmbH &Co. OHG	DE	Wind Power	5.00%	5.00%			
91	NC	EWF Fünf Fünf GmbH & Co. KG, Wittstock	DE	Wind Power	10.00%	7.15%			KEA
92	NC	Green Wind Energy GmbH & Co. Umspannwerk Altlandsberg KG	DE	Wind Power	8.40%	8.40%			
93	NC	Netzanschluss Badingen GbR	DE	Wind Power	3.32%	3.32%			
94	NC	Parco Eolico Riparbella Srl	IT	Wind Power	6.18%	9.70%		KEA	
95	NC	TEN Verwaltungs GmbH	DE	Wind Power	15.00%	15.00%			KEA
96	NC	UW Eichow GmbH & Co. KG	DE	Wind Power	10.00%	8.33%			KEA
97	NC	UW Schäcksdorf GmbH & Co. KG	DE	Wind Power	6.25%	6.25%			KEA
98	NC	Windpark Mildenberg GbR	DE	Wind Power	8.76%	8.76%			
99	NC	Windpark Wittstock-Papenbruch GbR	DE	Wind Power	20.00%	19.05%			
100	NC	Windpark Wriezener Höhe GmbH & Co. KG	DE	Wind Power	15.00%	15.00%			KEA

Companies outside European Energy Group (administrative entities)

No.	Group Structure	Name	Country of place of business	Principal activity	#REF!	Ownership 2018	Chairman	Other boardmember	Director-ships
1		AJ Vaccines	DK					JHE	JHE
2		Autohuset Frederikssund A/S	DK					CDY	
3		Autohuset Glostrup A/S	DK					CDY	
4		Autohuset Glostrup-Valby A/S	DK					CDY	
5		Autohuset Ringsted A/S	DK					CDY	
6		Capviva Solarpark Vandel Holding ApS	DK						KEA
7		Car Holding A/S	DK					CDY	
8		Dikman Invest ApS	DK						JHE
9		EE Primus OY	FI				JPZ	KEA	
10		EE Sieben Vier GmbH & Co. KG	DE						KEA
11		Ejendomsselskabet Læsø K/S	DK						KEA
12		Ejendomsselskabet Stubbekøbing K/S	DK						KEA
13		Ejendomsselskabet Øster Toreby K/S	DK						KEA
14		ESF Spanien 0426 S.L.U.	ES						KEA/JPZ
15		European Energy Holding ApS	DK						KEA
16		EWF Eins Acht GmbH & Co. KG	DE						KEA
17		EWF Eins Fünf GmbH & Co. KG	DE						KEA
18		EWF Eins Neun GmbH & Co. KG	DE						KEA
19		EWF Eins Sechs GmbH & Co. KG	DE						KEA
20		EWF Fünf Acht GmbH & Co. KG	DE						KEA
21		EWF Fünf Zwei GmbH & Co. KG	DE						KEA
22		EWF Sechs Sieben GmbH & Co. KG	DE						KEA
23		EWF Vier Sieben GmbH & Co. KG	DE						KEA
24		EWF Zwei Fünf GmbH & Co. KG	DE						KEA
25		EWF Zwei Null GmbH & Co. KG	DE						KEA
26		EWF Zwei Vier GmbH & Co. KG	DE						KEA
27		Flensbjergvej Infrastrukturselskab ApS	DK						KEA/JPZ
28		innoVent Windkraft Brake GmbH & Co. KG	DE						KEA
29		JPZ Assistance ApS	DK						JPZ
30		JPZ Assistance II ApS (prev. European Solar Farms Denmark ApS)	DK						JPZ
31		KEA Holding I ApS	DK						KEA
32		KEA II Holding ApS	DK						KEA

No.	Group Structure	Name	Country of place of business	Principal activity	#REF!	Ownership 2018	Chairman	Other boardmember	Director-ships
33		Komplementarselskabet Sydlolland Vindmøllelaug ApS	DK						KEA
34		Komplementarselskabet Vores Sol ApS	DK						KEA
35		Kronborg Auto A/S	DK					CDY	
36		Malmøvej Infrastrukturselskab ApS	DK						KEA/JPZ
37		MDP Invest	DK				MDP	MDP	MDP
38		MDP Verwaltungsgesellschaft mbH	DE						MDP
39		Meldgaard Architechts & Development A/S	DK					KEA/JPZ	KEA
40		Nor Power ApS *)	DK				KEA	JPZ, MDP	
41		Plasticueros ApS *)	DK						KEA
42		Repræsentantskabet for Nykredit	DK					CDY	
43		Solarpark Vandel ApS	DK						KEA
44		ToTec Holding ApS	DK					JHE	
45		Tønder PV K/S	DK						KEA
46		UW Nielitz GmbH & Co. KG	DE						KEA
47		Vihreässaari Wind OY	FI				JPZ	KEA	
48		Vores Sol A/S	DK				KEA	JPZ	JPZ
49		Vores Sol A1 K/S	DK				JPZ	KEA	KEA
50		Vores Sol A10 K/S	DK				JPZ	KEA	KEA
51		Vores Sol A2 K/S	DK				JPZ	KEA	KEA
52		Vores Sol A3 K/S	DK				JPZ	KEA	KEA
53		Vores Sol A4 K/S	DK				JPZ	KEA	KEA
54		Vores Sol A5 K/S	DK				JPZ	KEA	KEA
55		Vores Sol A6 K/S	DK				JPZ	KEA	KEA
56		Vores Sol A7 K/S	DK				JPZ	KEA	KEA
57		Vores Sol A8 K/S	DK				JPZ	KEA	KEA
58		Vores Sol A9 K/S	DK				JPZ	KEA	KEA
59		Vores Sol Nakskov I K/S	DK				JPZ	KEA	KEA
60		Vores Sol Nakskov II K/S	DK				JPZ	KEA	KEA
61		Vores Sol Nakskov III K/S	DK				JPZ	KEA	KEA
62		Vores Sol Nakskov IV K/S	DK				JPZ	KEA	KEA
63		Vores Sol Nakskov V K/S	DK				JPZ	KEA	KEA

No.	Group Structure	Name	Country of place of business	Principal activity	#REF!	Ownership 2018	Chairman	Other boardmember	Director-ships
64		Vores Sol Nakskov VI K/S	DK				JPZ	KEA	KEA
65		Vores Sol Nakskov XIV K/S	DK				JPZ	KEA	KEA
66		Vores Sol Nakskov XV K/S	DK				JPZ	KEA	KEA
67		Vores Sol Nakskov XVI K/S	DK				JPZ	KEA	KEA
68		Vores Sol Nakskov XVII K/S	DK				JPZ	KEA	KEA
69		Vores Sol Nakskov XVIII K/S	DK				JPZ	KEA	KEA
70		Windenergie Erik Andersen Verwaltungsgesellschaft mbH	DE						KEA

*) According to Section 105.1 in Danish Financial Statement Act, we can inform that 6 of the companies in European Energy Group have been audited by a local Danish auditing company named Pryds Statsautoriseret Revisionsfirma.

Disclaimer and cautionary statement

This document contains forward-looking statements concerning European Energy's financial condition, results of operations and business.

All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Forward-looking statements are statements of future expectations that are based on Management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.

Forward-looking statements include, among other things, statements concerning new potential accounting standards and policies, and
European Energy's potential exposure to market risks and statements expressing Management's expectations, beliefs, estimates, forecasts, projections,

and assumptions. There are a number of factors that could affect European Energy's future operations and could cause European Energy's results to differ materially from those expressed in the forward-looking statements included in this document, including (without limitation):

a. changes in demand for European Energy's products;

b. currency and interest rate fluctuations;

c. loss of market share and industry competition;

d. environmental and physical risks;

e. legislative, fiscal and regulatory developments, including changes in tax or accounting policies;

f. economic and financial market conditions in various countries and regions;

g. political risks, including the risks of expropriation and renegotiation of the terms of contracts with governmental entities, and delays or advancements in the approval of projects;

h. ability to enforce patents;

i. project development risks;

j. cost of commodities;

k. customer credit risks;

l. supply of components from suppliers and vendors; and

m. customer readiness and ability to accept delivery and installation of products and transfer of risk.

All forward-looking statements contained in this document are expressly qualified by the cautionary statements contained or referenced to in this statement. Undue reliance should not be placed on forward-looking statements. Each forward-looking statement speaks only as of the date

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We are green energy

EUROPEAN ENERGY

EUROPEAN ENERGY A/S
Gyngemose Parkvej 50
2860 Søborg Denmark
+45 8870 8216
info@europeanenergy.dk

www.europeanenergy.dk