

Interim financial report second quarter of 2020

European Energy A/S – Gyngemose Parkvej 50 – 2860 Søborg – Denmark – Company Reg. no. 18351331

Troia, 103 MW, Italy

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Summary

European Energy delivers healthy and profitable growth in the first half of 2020

European Energy delivers a solid start for the first half year for the Group and maintains its high expectations for the annual targets. The second quarter had revenue of EUR 37.2 million, an EBITDA of EUR 9.4 million and profit before tax of EUR 3.7 million. This concludes the first half of 2020 with a strong revenue of 65.9 million, an EBITDA of EUR 19.7 million and profit before tax of EUR 7.9 million.

Knud Erik Andersen, CEO of European Energy, says:

“We are pleased to report that European Energy delivers healthy and profitable growth in the first half of 2020, as we maintain our expectations for our annual targets.

The increased sale of green power was the main driver behind the profitable growth. Electricity sales are up by 120% in the second quarter of 2020 compared to the same period in 2019. The power sale revenues from solar assets alone has increased 337% to EUR 3.8 million.

Construction activities are high and unaffected by the COVID-19 crisis, though extra precautions are taken at our sites in Denmark, Poland, Germany, Italy and Brazil. More than 1127 MW in total are currently under construction or ready-to-build across all our solar and wind power projects. In Italy, we grid-connected our Troia project, the biggest solar farm ever constructed in Italy, with a current capacity of 103 MW. At the same time, our pipeline of development projects continues its healthy growth with many projects moving closer to the construction phase. With more than 15 GW of projects under development, we expect construction activities to increase further, move into new markets and remain high across the European continent over the coming years.

During the second quarter of 2020, we closed the divestment of four Vestas V126 3.6 MW wind turbines in Viertkamp Germany to the German investor Encavis AG, Hamburg, and the sale has contributed positively to the quarterly results. Also in Germany, we closed the sale of the Vier Berge project with three Enercon E126 and four Enercon E138 turbines with a total capacity of 25.8 MW to the capital fund CEE RF6 Holding S.à.r.l, Luxemburg, and received the first part of the down payment. We expect the revenue to be recognised in November 2020, when the park has been fully constructed and grid-connected. After the balance day, we divested the Danish solar park Hanstholmsvej. The solar park is the first in Denmark to utilize bifacial modules, and the electricity has been sold on a long-term contract to a datacentre in Denmark. When the profit from these divestments are recognised later this year, more than 80% of the expected gross profit for the year will be secured.

At the end of the quarter, we hold a very solid cash position with EUR 121.1 million whereof EUR 95.7 million is free cash. The strong cash base enables us to fund our growth for the coming quarters. In July, we closed our biggest long-term financing to date on the Troia solar park with the French based bank Natixis of EUR 96.5 million, making our liquidity even stronger.

120% increase

in sales of green power to EUR 24.4 million

EUR 121.1 million

cash position of which EUR 95.7 million free cash

103MW solar farm

biggest in Italy to date grid connected in Q2

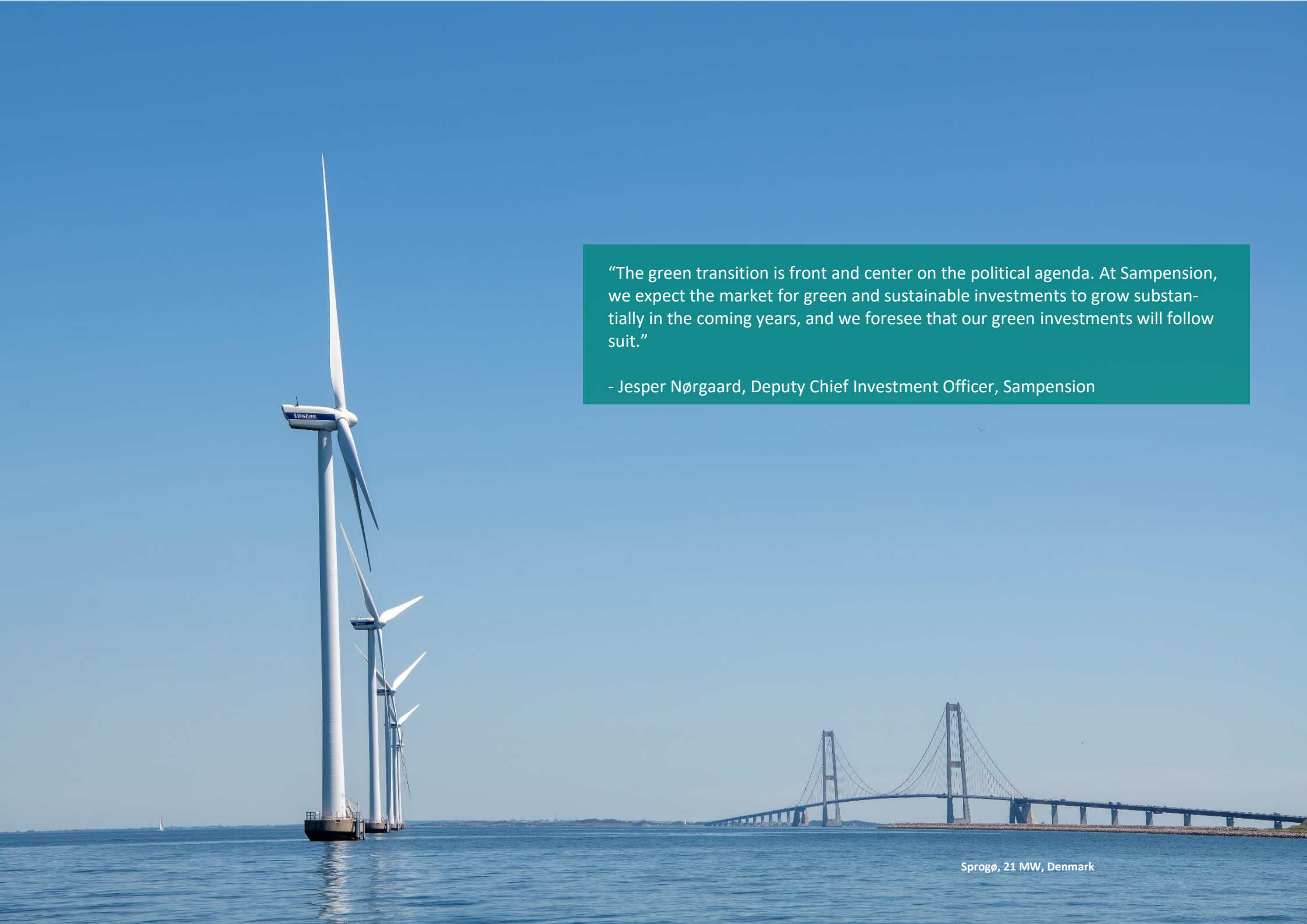
80% of gross profit

secured, as sales are recognised later this year

Despite the unfolding COVID-19 crisis, our business activities have remained high in all key markets. Consequently, we believe that a second COVID-19 wave will have very limited impact on our activities and have therefore decided to continue our hiring policy and now count 172 employees, a rise from 119 in the second quarter of 2019. In Brazil the negative effects from COVID-19 has come on top of a polarised political environment, and the local currency has taken a major drop in value. The construction activities for European Energy are on schedule, but the drop in currency value and the general conditions in the country has led to an impairment of EUR 3.4 million in the second quarter.

Despite the loss in Brazil, we delivered strong financial performance in the second quarter of 2020 and remain committed to delivering both EBITDA (EUR 52-58 million) and profit before tax (EUR 35-39 million) for the full financial year in 2020 in line with the earlier guideline.

Fighting climate change is a megatrend, and we are pleased to see it gaining momentum worldwide. In July, leaders of the European Union adopted a new budget and recovery plan with the objective of steering the EU through the COVID-19 crisis. The plan earmarks more than EUR 500 billion for climate protection over the next seven years, while all EU spending must contribute to emissions reductions goals. Thanks to these ambitious political plans, financial institutions, pension funds, private companies and many other private investors are increasingly focusing on renewable energy, and new markets are opening up. Fighting climate change is our top priority and the reason for our company's existence, and we are dedicated to work hard to fight it. With the growth of our business and the technical development in our sectors, we are looking ahead with optimism.



“The green transition is front and center on the political agenda. At Sampension, we expect the market for green and sustainable investments to grow substantially in the coming years, and we foresee that our green investments will follow suit.”

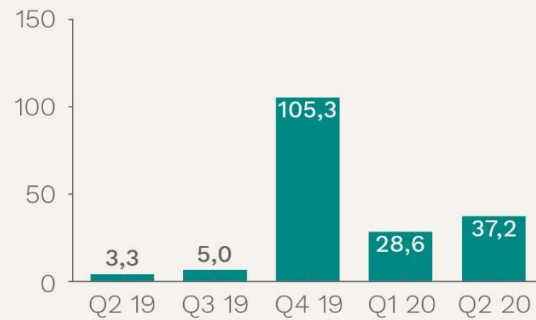
- Jesper Nørgaard, Deputy Chief Investment Officer, Sampension

Key information

REVENUE

The Group has seen increase in all segments compared to Q2 2019, increasing the revenue 10 times up.

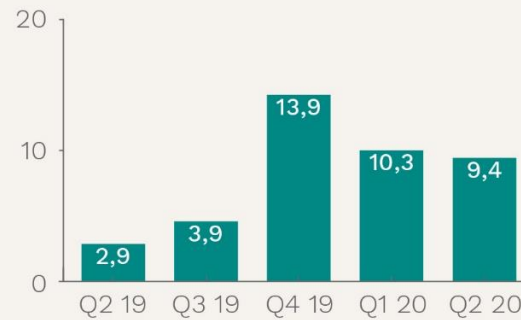
EUR million



EBITDA

EBITDA increased 224% from Q2 2019 to Q2 2020 due to divestment of energy parks and doubling of electricity sales. The management maintains the outlook of EBITDA for the year of EUR 52-58 million.

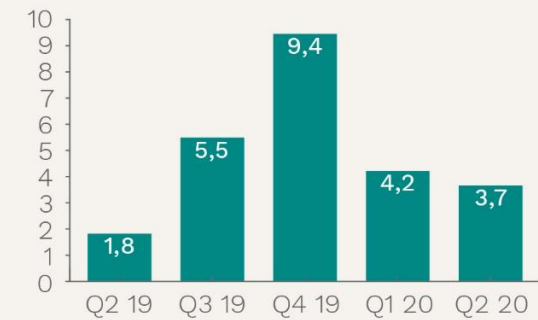
EUR million



PROFIT BEFORE TAX

Profit before tax has increased 106% from Q2 19 to Q2 20. The management maintains the outlook of profit before tax for the year of EUR 35-39 million.

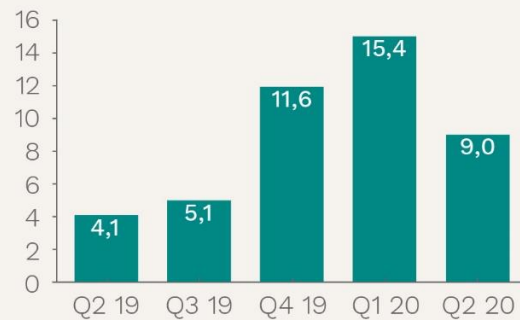
EUR million



SALE OF ELECTRICITY - CONSOLIDATED

Sale of electricity increased in the second quarter by 120% from EUR 4.1 million in Q2 19 to EUR 9.0 million in Q2 20. A good start of the year and indicates that power sales for the Group for 2020 will be record breaking.

EUR million



UNDER CONSTRUCTION AND READY TO BUILD

The 1.127 MW is spread over 8 countries, of which 343 MW are Danish projects. Wind counts for 67% and Solar for 33%.

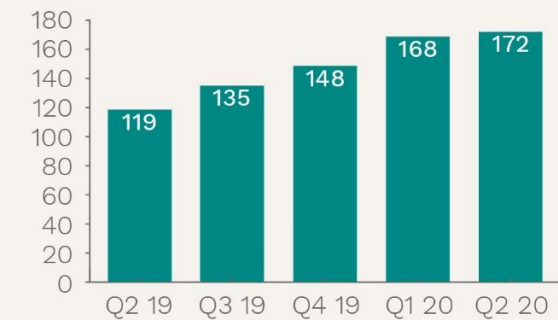
MW



EMPLOYEES

The number of employees (Head Count) has increased 45% from Q2 19 to Q2 20, which reflects an increased level of activity and the need to strengthen the organisation to meet expected growth in the future.

Employees



Highlights for European Energy Group

Key figures EUR '000	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Revenue	37,226	3,316	65,907	128,517	238,804
Direct costs	-22,718	1,431	-33,865	-98,672	-190,614
Gross profit	13,518	5,607	27,325	31,687	57,529
EBITDA	9,422	2,854	19,704	26,479	44,305
Operating profit (EBIT)	6,525	2,152	13,911	24,930	38,411
Financial income and expense, net	-2,869	-409	-6,054	-2,505	-969
Profit/loss before tax	3,656	1,743	7,857	22,425	37,442
Tax	-1,325	19	-3,369	-2,539	-1,461
The Group's share of profit for the period	2,331	1,762	4,488	19,886	35,981
Investments in Property, plant and equipment	52	429	52	429	1,330
Total assets	651,020	499,456	651,020	499,456	605,671
Equity	137,880	124,404	137,880	124,404	137,603
Cash flow from operating activities	15,253	-17,960	-1,292	48,291	18,128
Cash flow from investing activities	-7,208	39,224	-12,050	38,348	-10,038
Cash flow from financing activities	-14,883	105,141	20,913	49,281	36,934
Change in cash and cash equivalents	-6,838	126,405	7,571	135,920	54,936
Financial ratios					
Gross margin	36.3%	169.1%	41.5%	24.7%	24.1%
EBITDA margin	25.3%	86.1%	29.9%	20.6%	18.6%
EBIT margin	17.5%	64.9%	21.1%	19.4%	16.1%
Solvency ratio	21.2%	24.9%	21.2%	24.9%	22.7%
Net interest-bearing debt (NIBD)	318,430	158,856	318,430	158,856	302,657
Return on equity (average, LTM)	14.1%	22.4%	15.7%	39.5%	29.3%
Share Ratios					
Earnings per share (EPS Basic)	-0.001	0.005	-0.004	0.049	0.089
Earnings per share (EPS diluted)	-0.001	0.005	-0.004	0.049	0.089
Number of shares at the end of the period '000	300,885	300,040	300,885	300,040	300,145
Average number of full-time employees	160	108	157	104	117

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.

First bifacial modules installed

Solar Park Hanstholmvej is the first of its kind in Denmark with bifacial modules installed, whereby the panels absorb sunlight from both sides of the panel. This increases the productivity, and allows for greater renewable electricity generation per hectare of land used compared to that of a traditional solar park.

Hanstholmvej, 50 MW, Denmark

Management review

Development in financials in the second quarter of 2020

Statement of profit

The sale of electricity more than doubled with sales of EUR 9.0 million compared to EUR 4.1 million in Q2 2019. On a half yearly basis, the revenue from electricity sales are 77% higher compared to 2019. During the second half of 2019, the Group added the AEZ company and the Heidelberg portfolio, both in Germany, and these parks are a material revenue source. The construction of the Troia solar park, the biggest solar park ever built in Italy, has also contributed to the high volume of power sales.

In the second quarter of 2020, the Group closed the sale of the wind park Viertkamp in Germany. The net profit from the sale had a material effect on the result for the quarter. In total, the Group had revenue from divestment of energy parks of EUR 27.6 million compared to the second quarter of 2019, where the revenue was EUR -1.5 million (revenue adjustment on previous sales).

The Group's investments in joint ventures and associated companies generally performed well. Only the solar projects in Brazil had an adjustment on not realized currency loss of minus EUR 3.4 million. The correction comes because of the drop in the Brazilian currency, Real. In total, the results of equity accounted investments was EUR -1.0 million in the second quarter of 2020 compared to EUR -0.1 million in the second quarter of 2019.

Total gross profit increased to EUR 13.5 million in Q2 2020 from EUR 5.6 million in Q2 2019. The power sales contributed with EUR 6.4 million for the quarter, an increase of 89% compared to EUR 3.4 million in the second quarter of 2019. Asset management and other fees increased with EUR 0.3 million to EUR 1,6 million on a half year basis versus EUR 1.3 million in the first half year of 2019. The management is glad to see that the recurring part of the business is growing steadily.

Gross Profit	EUR'000				
	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Sale of electricity	6,425	3,397	19,780	12,441	25,926
Sale of energy parks	7,470	578	10,620	16,056	19,120
Asset management	612	773	1,640	1,348	3,143
Equity-accounted investments	-973	-118	-5,115	864	2,504
Other income	-16	977	400	978	6,836
Total Gross Profit	13,518	5,607	27,325	31,687	57,529

Due to the COVID-19 crisis, the Group has been consolidating and putting hiring on hold. The management has now concluded that most of the activities for the Group can continue unharmed and has therefore decided to pursue the growth strategy.

The staff costs for the quarter ended at EUR 2.8 million versus EUR 1.5 million in Q2 2019. The cost increase follows a rise in average full-time employees from 104 in Q2 2019 to 160 at the end of June 2020.

The other external costs were EUR 1.3 million compared to EUR 1.2 in 2019.

The addition in 2019 of the wind parks in Germany to the fixed assets portfolio has increased the depreciation to EUR 2.9 million from EUR 0.7 million in the same quarter in 2019.

The net financial expenses for the Group increased from EUR 0.4 million in Q2 2019 to EUR 2.9 million in the second quarter of 2020. The addition of power-producing parks has added financial expenses, and the Group increased the bond loan to EUR 200 million during 2019.

The net result before tax for the quarter was EUR 3.7 million compared to EUR 1.7 million in 2019.

The tax for the quarter was an expense of EUR 1.3 million mostly related to the sale of a tax transparent company in Germany and the power sale in the consolidated companies of the Group. The result of equity accounted investments is already taxed.

Assets

The property, plant and equipment increased from EUR 45.4 million in the second quarter last year to EUR 132.9 million in Q2 2020. This was approximately the same level as at the end of 2019.

In Q2, the Group has concluded the purchase of 50% of the shares for the Nearshore wind parks Jammerland Bay and Omø South. The parks are therefore no longer a part of the joint venture investments, but consolidated line by line. This explains the drop from EUR 12.1 million in the second quarter of 2019 to EUR 10.1 million in 2020 in the value of joint venture investments. The impairments made for currency losses in the Brazilian companies has not affected the value of joint venture investments, but decreased the recognition of loans to related parties.

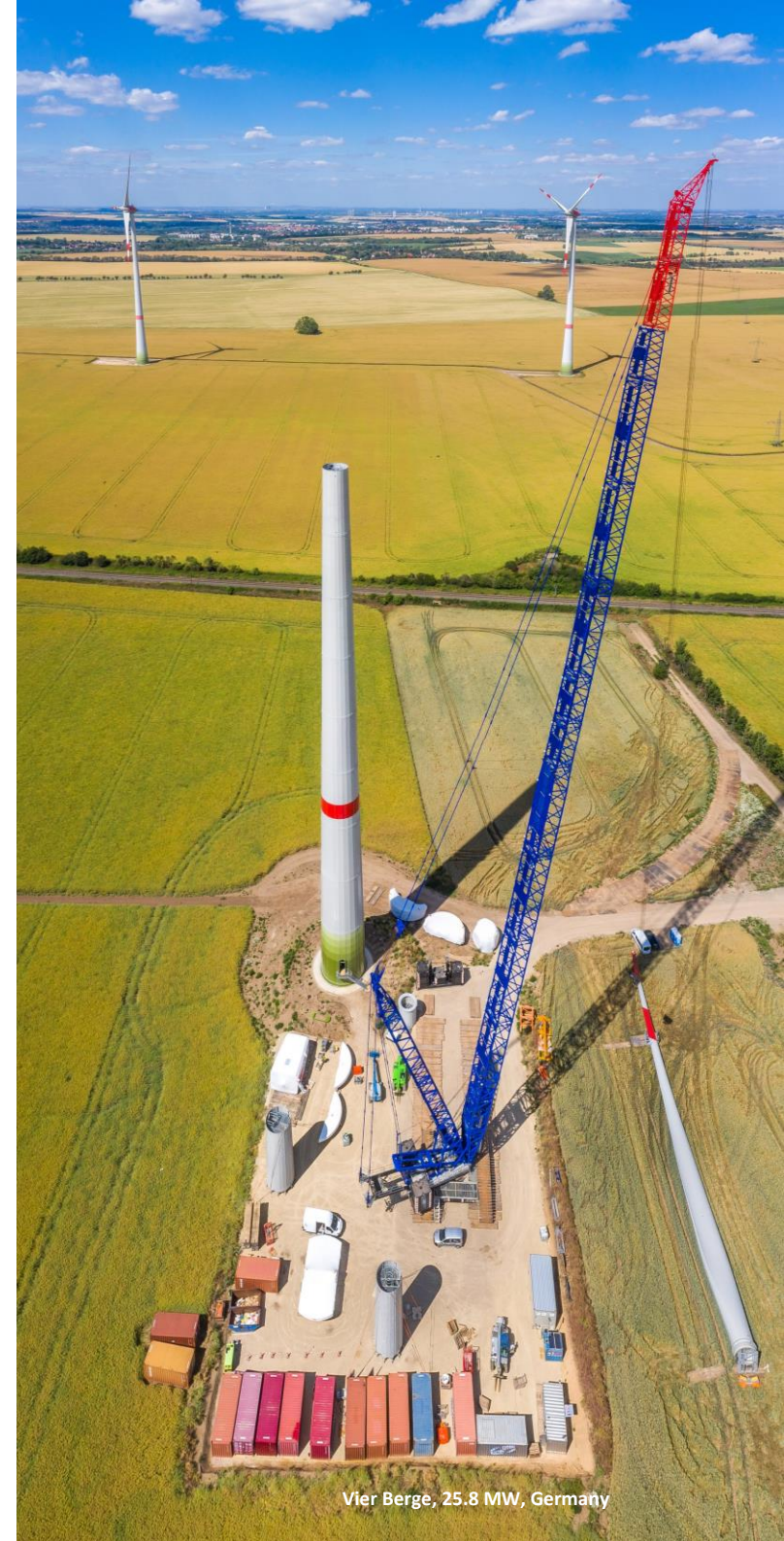
The loans to related parties are EUR 36.0 million where the major part is the loans to the Brazilian solar parks. In the second quarter of 2019 the loans were EUR 35.5 million. The decrease in value due to impairment of Brazilian loans has been outweighed by new loans issued to companies in Poland, where the Group participates in joint ventures and is constructing several wind parks.

Inventories in the quarter increased to EUR 263.7 million with high momentum on building activities on energy parks. In the second quarter of 2019, the inventory amounted to EUR 170.7 million.

Free cash has decreased during the quarter to EUR 95.7 million with total cash of EUR 121.1 million (Q1 total cash EUR 127.9 million). End of 2019, the amounts were EUR 90.4 million in free cash and total cash of EUR 113.5 million.

Power generating assets (MW)

	Gross MW Q2 2020	Gross MW Q2 2019	Net MW Q2 2020 (EE share)	Net MW Q2 2019 (EE share)	Deviation Gross MW from Q219-Q220	Deviation Net MW from Q219- Q220 (EE share)
Wind	421,8	456,7	212,1	215,4	-34,9	-3,3
Solar	225,6	73,6	187,7	32,8	152,0	154,9
Total	647,4	530,3	399,8	248,2	117,1	151,6



Vier Berge, 25.8 MW, Germany

The value of the power generating assets is recognised in the following lines in the financial statements; property, plant & equipment, inventory, associated companies investments, JV investments and other investments.

Liabilities

The equity increased from EUR 124.4 million end of second quarter last year to EUR 137.7 million in second quarter of 2020.

Project financing increased in total (short and long-term) from EUR 128.4 million in the second quarter of 2019 to EUR 228.1 million in Q2 2020, and the bond loan increased from EUR 88.4 million in 2019 to EUR 193.1 million in 2020.

Together the increases in liabilities have led to an increase of the total balance of the Group from EUR 500.0 million in Q2 2019 to 651.0 million in Q2 2020.

Cash flow

Operating cash flow for the first half year ended at EUR -1.3 million indicating that the net cash profit has been used to finance the increased inventory, which during the first half year has increased to EUR 36.4 million. The Group expects the increase in inventory during the next years will exceed the other operating cash flow, and the expectation is therefore that the operating cash flow will continue to be negative in the long run, financed by increased project loans. This is in line with the growth strategy for the Group to deliver more than 1 GW of new constructed projects a year as of 2022.

Investing activities during the first half year were negative with EUR -12.1 million mostly related to increased loans to our Polish joint ventures and to the purchase of land for solar projects.

The financing activities during the first half year ended with a plus of EUR 20.9 million, which primarily relates to the net increased project financing.

For the first half year the cash position in total has increased with EUR 7.6 million.

Capital management

The total new project-related loans obtained were EUR 62.3 million in the second quarter of 2020. For the second quarter of 2019, the number was EUR 56.4 million.

With repayments of loans, the net additions of project related loans during the first half year of 2020 was EUR 20.6 million which has financed a part of the increase in inventory during the year. In the first half year of 2019 the net addition of project-related loans including repayment of project related bonds was EUR 60.0 million.

The net change in cash during the second quarter was a negative amount of EUR 6.8 million compared to a positive amount of EUR 126.4 million for the quarter in 2019. For the first half year of 2020 there was an increase in cash of EUR 7.6 million, in 2019 this amount was EUR 54.9 million.

The management is satisfied with the strong level of liquidity, which will enable the Group to make further investments in the market.

Outlook for 2020

Despite the COVID-19 crisis, the management continues to see a strong interest for renewable energy projects. The divestment prices remain stable, and renewable energy projects are considered by many as safer investments compared to other markets. Most projects planned to be divested are already constructed, and the sale of electricity has been secured with long-term power purchase agreements (PPAs). Consequently, the management is maintaining the outlook for 2020 with an EBITDA of EUR 52-58 million and a profit before tax of EUR 35-39 million.

The management is looking forward to another year of positive results. However, the risk factors associated with developing and constructing solar and wind power projects may cause delays. Typical risk factors are i.e. potential delay in deliveries from external suppliers, abnormal weather conditions during the construction period and co-developers' performance and skills in handling complex construction projects. The overall performance will also depend on factors such as environmental impact assessments, building permits, sudden changes in incentive schemes and the Group's success in renewable-energy auctions.



Måde, 16 MW, Denmark
Måde II under construction, 16.8 MW, Denmark

Sale of electricity

The increase in the electricity production capacity in the first half year of 2020 contributed to the high sale of electricity of EUR 24.4 million compared to first half of 2019 showing EUR 13.8 million (+77%). The development from H1 2019 to H1 2020 clearly indicates that 2020 will be another year with increasing power sales for the Group. For the second quarter of 2020, the electricity sales showed EUR 9.0 million compared to the second quarter of 2019, EUR 4.1 million (+120%).

The net production of electricity from solar and wind increased by 98% in Q2 2020 compared to the same period last year. The portfolio of power producing entities has changed within the year with the divestment of the Spanish solar parks in 2019 and the Svindbæk wind park in Denmark. The addition of two German portfolios known as Heidelberg and AEZ contributed to the consolidated production, but the addition of the big solar parks Hanstholmsvej in Denmark and Troia in Italy constituted an even greater contribution to the total production. We are pleased to see that the output of our offshore wind park Sprogø has been optimized, and the park maintains a record high output.

Sale of electricity (EURm)

	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	FY 2019
Wind	5,2	2,9	18,5	11,3	27,2
Solar	3,8	1,2	5,9	2,5	3,3
Total	9,0	4,1	24,4	13,8	30,5

Net Production (GWh)

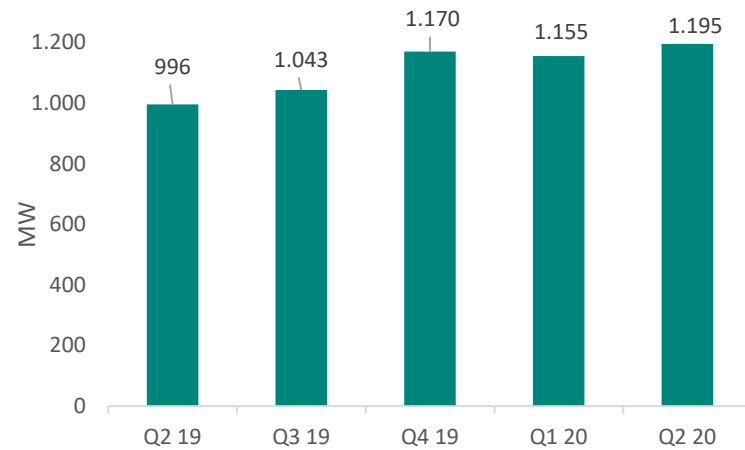
	Q2 2020	Q2 2019	YTD Q2 2020	YTD Q2 2019	FY 2019
Wind	84,9	60,2	244,6	161,7	392,6
Solar	70,4	15,0	111,4	17,9	65,6
Total	155,3	75,2	356,0	179,6	458,2

Asset management

European Energy's operational assets under management increased by 20% (199 MW) from 996 MW to 1,195 MW during the second quarter of 2020 compared to the second quarter of 2019. The development is due to the net difference between commissioning, acquisition and divestment of new wind and solar farms. European Energy receives commercial management fees in exchange for asset management services.

The Asset management fees increased by 23% from EUR 1.3 million for the first half of 2019 to EUR 1.6 million in the first half of 2020.

Total portfolio under asset management



Development and construction

WIND

At the end of the second quarter of 2020, European Energy had four wind projects under construction with a total capacity of 52.2 MW. The projects under construction were the Polish project Grzmiaca of 6 MW, the Danish project Måde II of 16.8 MW, the German project Vier Berge of 25.8 MW and the German project Tornitz of 3.6 MW. During the quarter, the German project Oberbarnim was completed, while Måde II went into the construction phase.

SOLAR

Throughout the second quarter of 2020, the construction of the Brazilian PV project Coremas III and the Danish project Næssundvej continued. Furthermore, four PV projects entered the construction phase, namely the Danish projects Harre-Salling, Holmen and Agersted of 50.0 MW, 27.0 MW and 33.0 MW respectively, and the Italian project Palo of 18.0 MW. Thus, six projects were under construction by the end of Q2 totaling 230 MW installed capacity. The second phase of the Italian Troia project was completed at the end of the second quarter.

In total, 1127 MW were either under construction or ready-to-build at the end of the second quarter of 2020. 320 MW solar power projects and 267 MW wind power projects are backed by Power Purchase Agreements or feed-in-tariffs.

Sales activity

Despite the COVID-19 crisis, the second quarter was characterised by a high level of sales activities.

The Group sold the German Viertkamp wind farm consisting of four turbines (14.4 MW) located in Lower Saxony.

The Group also signed a SPA concerning another German wind farm consisting of seven turbines (25.8 MW) located in Saxony. The sale is expected to be closed and recognised later in 2020 subject to fulfillment of sales conditions. The Group has received the first down-payment of the sale of EUR 11.6 million in the second quarter.

See Table 1 in Appendix 1 for further specifications.

Significant events after the end of the period

In August, European Energy completed the negotiations and signed an agreement for the sale of Solar Park Hanstholmvej in Denmark with a total capacity of approximately 50 MW. The SPA was signed on the 31 of July. The revenue is expected to be recognised in Q3 2020.

European Energy has also secured its biggest long-term financing to date of EUR 96.5 million for the 121,5 MW Troia project which is the biggest solar farm that is already delivering electricity to the Italian grid while preventing CO₂-emissions by more than 80.000 tons every year.

European Energy has notified the Danish Energy Agency that the company will pursue the two nearshore wind power projects Omø South and Jammerland Bay.

European Energy successfully obtained the planning permit for a solar power project covering 266 acres of land on the Danish island of Lolland. This is the single biggest planning permit to date.

No other significant events than the above mentioned occurred after the end of the period.

A helping hand in Brazil

During the second quarter of 2020, the unfolding COVID-19 crisis heavily affected many on a global scale, and Brazil in particular continues to be severely affected by the pandemic. The Danish Climate Investment Fund, managed by IFU, and European Energy A/S are currently involved in a solar project in Brazil, named Coremas I-III (90 MW), in the municipality of Coremas in the north-eastern State of Paraíba.

The Danish Climate Investment Fund and European Energy A/S have created a COVID-19 assistance program in association with the Mayor's office of the Municipality of Coremas. The assistance program focuses on providing medical and personal protection items as well as basic food baskets for the families most affected by the pandemic.



COREMAS

PREFEITURA MUNICIPAL
GOVERNANDO PARA TODOS

9th Annual Surf Week

Consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2020

	EUR'000				
	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Revenue	37,226	3,316	65,907	128,517	238,804
Profit after tax from equity-accounted investments	-973	-118	-5,115	864	2,504
Other income	-17	978	398	978	6,835
Direct costs	-22,718	1,431	-33,865	-98,672	-190,614
Gross profit	13,518	5,607	27,325	31,687	57,529
Staff costs	-2,815	-1,527	-5,038	-2,925	-6,695
Other external costs	-1,281	-1,226	-2,583	-2,283	-6,529
EBITDA	9,422	2,854	19,704	26,479	44,305
Depreciation	-2,897	-702	-5,793	-1,549	-5,894
Operating profit	6,525	2,152	13,911	24,930	38,411
Finance income	355	1,901	1,611	2,662	12,148
Finance expenses	-3,224	-2,310	-7,665	-5,167	-13,117
Profit before tax	3,656	1,743	7,857	22,425	37,442
Tax	-1,325	19	-3,369	-2,539	-1,461
Profit for the period	2,331	1,762	4,488	19,886	35,981
Attributable to:					
Shareholders of the company	-400	1,396	-1,246	14,776	26,654
Non-controlling interests (NCI)	2,731	366	5,734	5,110	9,327
Profit for the period	2,331	1,762	4,488	19,886	35,981

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

For the quarter ended 30 June 2020

	EUR'000				
Profit and OCI	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Statement of comprehensive income					
Profit for the period	2,331	1,762	4,488	19,886	35,981
Items that may be reclassified to profit or loss:					
Value adjustments of hedging instruments	-2,454	689	704	1,683	3,477
Tax of value adjustments of hedging instruments	627	-31	-45	-310	-645
Currency differences on translating foreign operations	-182	102	-1,045	-298	210
Other comprehensive income for the period	-2,009	760	-386	1,075	3,042
Comprehensive income for the period	322	2,522	4,102	20,961	39,023
Attributable to:					
Shareholders of the company	-2,763	2,034	-1,896	15,726	29,511
Non-controlling interests (NCI)	3,085	488	5,998	5,235	9,512
Comprehensive income for the period	322	2,522	4,102	20,961	39,023
Interim dividends:					
Non-cash distribution to shareholders					
Interim dividends	-	-	-	-	7,400
Total Interim dividends	-	-	-	-	7,400

Consolidated statement of financial position

As of 30 June 2020

EUR'000

	Q2 2020	Q2 2019	FY 2019
ASSETS			
Non-current assets			
Property, plant and equipment	132,854	45,439	134,213
Lease assets	8,918	929	9,091
Joint venture investments	10,107	12,071	11,112
Associated companies investments	14,755	13,155	13,693
Other investments	4,416	4,379	4,394
Loans to related parties	36,043	35,546	35,620
Trade receivables and contract assets	3,700	2,033	4,241
Other receivables	17,519	2,408	15,133
Deferred tax	2,499	1,111	2,292
Prepayments	3,923	3,923	3,923
Total non-current assets	234,734	120,994	233,712
Current assets			
Inventories	263,726	170,673	227,131
Trade receivables and contract assets	16,554	6,970	16,920
Other receivables	8,085	3,514	8,270
Prepayments for goods and services	6,828	2,799	6,116
Free cash and cash equivalents	95,748	52,298	90,414
Restricted cash and cash equivalents	25,345	142,208	23,108
Total current assets	416,286	378,462	371,959
TOTAL ASSETS	651,020	499,456	605,671

Consolidated statement of financial position - continued

As of 30 June 2020

EUR'000

	Q2 2020	Q2 2019	FY 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	40,430	40,316	40,331
Retained earnings and reserves	76,388	71,787	77,797
Equity attributable to owners of the company	116,818	112,103	118,128
Non-controlling interests	21,062	12,301	19,475
Total Equity	137,880	124,404	137,603
Liabilities			
Bond loan	193,080	133,547	192,017
Project financing	152,506	29,292	140,743
Other debt	899	910	905
Lease liabilities	9,996	1,616	13,037
Provisions	6,551	3,118	6,096
Deferred tax	12,184	2,385	10,241
Total non-current liabilities	375,216	170,868	363,039
Bond loan	-	88,400	-
Project financing	75,572	99,074	66,772
Lease liabilities	1,792	454	1,493
Trade payables	13,878	1,394	8,981
Payables to related parties	6,577	979	2,117
Corporation tax	5,310	1,943	4,777
Provisions	3,800	41	2,800
Contract liabilities	11,636	3,235	-
Other payables	19,359	8,664	18,089
Total current liabilities	137,924	204,184	105,029
Total liabilities	513,140	375,052	468,068
TOTAL EQUITY AND LIABILITIES	651,020	499,456	605,671

Consolidated statement of cash flow

For the quarter ended 30 June 2020

EUR'000

	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Cash flow from operating activities					
Profit before tax	3,656	1,743	7,857	22,425	37,442
Adjustments for:					
Financial income	-355	-1,901	-1,611	-2,662	-12,148
Financial expenses	3,224	2,310	7,665	5,167	13,117
Depreciations	2,897	702	5,793	1,549	5,894
Profit from equity-accounted companies	973	2,141	5,115	1,159	-2,504
Interest paid on lease liabilities	-292	-	-292	-	-152
Change in networking capital	6,553	-21,133	-22,344	24,827	-14,408
Other non-cash items	1,606	-873	1,955	-1,220	-2,980
Cash generated from operation before financial items and tax	18,262	-17,011	4,138	51,245	24,261
Taxes paid	-160	-104	-323	-108	-538
Interest paid and realised currency losses	-2,962	-1,798	-6,450	-4,469	-11,459
Interest received and realised currency gains	113	953	1,343	1,623	5,864
Cash flow from operating activities	15,253	-17,960	-1,292	48,291	18,128
Cash flow from investing activities					
Purchase/disposal of property, plant and equipment	-1,171	39,200	-3,717	39,192	28,307
Proceeds from disposal of equity-accounted investments	-	682	-	682	682
Purchase/disposal of other investments	-57	-38	-22	-7	65
Acquisition of subsidiaries	-	-	-	-	-27,276
Investment/loans in equity-accounted investments	-622	-1,302	-827	-2,201	-1,479
Loans to related parties	-6,571	-	-8,697	-	-11,893
Dividends	1,213	682	1,213	682	1,556
Cash flow from investing activities	-7,208	39,224	-12,050	38,348	-10,038

Consolidated statement of cash flow - continued

For the quarter ended 30 June 2020

EUR'000

	Q2 2020	Q2 2019	H1 2020	H1 2019	FY 2019
Cash flow from financing activities					
Proceeds from issue of bonds	-	138,600	-	138,600	200,535
Repayment of bonds	-	-	-	-	-88,400
Proceeds from borrowings	62,306	2,613	106,677	14,886	88,551
Repayment of borrowings	-79,515	-31,421	-86,114	-100,297	-160,358
Repayment of lease liabilities	-	-	-	-	-467
Changes in payables to associates	5,782	5	4,093	498	1,636
Capital increase through exercise of warrants	404	-	404	-	-
Transactions with NCI	-3,860	-4,656	-4,147	-4,406	-4,563
Cash flow from financing activities	-14,883	105,141	20,913	49,281	36,934
Cash and cash equivalents related to acquired companies	-	-	-	-	9,912
Change in cash and cash equivalents	-6,838	126,405	7,571	135,920	54,936
Cash and cash equivalents at beginning of period	127,931	68,101	113,522	58,586	58,586
Cash and cash equivalents end of period	121,093	194,506	121,093	194,506	113,522
Of which restricted cash and cash equivalents	-25,345	-142,208	-25,345	-142,208	-23,108
Non-restricted cash and cash equivalents end of period	95,748	52,298	95,748	52,298	90,414

Consolidated statement of changes in equity

As of 30 June 2020

EUR'000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Treasury share reserve	Retained earnings	Total	Non-controlling interests	Total
Equity at 1 January 2020	40,331	37	216	900	-	76,644	118,128	19,475	137,603
Profit/loss for the period	-	-	-	-	-	-1,246	-1,246	5,734	4,488
Other comprehensive income									
Value adjustments of hedging instruments	-	-	-	284	-	-	284	420	704
Tax of value adj. of hedging instruments	-	-	-	-45	-	-	-45	-	-45
Currency diff. on translating foreign operations	-	-	-889	-	-	-	-889	-156	-1,045
Other comprehensive income	-	-	-889	239	-	-	-650	264	-386
Total comprehensive income	-	-	-889	239	-	-1,246	-1,896	5,998	4,102
Transactions with owners									
Dividends	-	-	-	-	-	-3	-3	-4,805	-4,808
Transactions with NCI	-	-	-	-	-	-9	-9	-	-9
Purchase of treasury shares	-	-	-	-	-18	-	-18	-	-18
Exercise of warrants	99	305	-	-	-	-	404	-	404
Expenses related to capital increases	-	-	-	-	-	-	-	-	-
Share-based compensation expenses	-	-	-	-	-	212	212	-	212
Additions	-	-	-	-	-	-	-	22	22
Disposals	-	-	-	-	-	-	-	372	372
Total transactions with owners	99	305	-	-	-18	200	586	-4,411	-3,825
Equity at 30 June 2020	40,430	342	-673	1,139	-18	75,598	116,818	21,062	137,880

The share capital consists of nom. 300,145,075 shares of DKK 1 each, corresponding to EUR 40,430 thousand. The share capital is fully paid in.

Consolidated statement of changes in equity - continued

As of 30 June 2019

EUR '000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Treasury share reserve	Retained earnings	Total	Non-controlling interests	Total
Equity at 1 January 2019	40,316	-5	5	-1,257	-	57,029	96,088	11,597	107,685
Profit/loss for the period	-	-	-	-	-	14,776	14,776	5,110	19,886
Other comprehensive income									
Value adjustments of hedging instruments	-	-	-	1,572	-	-	1,572	111	1,683
Tax of value adj. of hedging instruments	-	-	-	-310	-	-	-310	-	-310
Currency diff. on translating foreign operations	-	-	-318	-	-	6	-312	14	-298
Other comprehensive income	-	-	-318	1,262	-	6	950	125	1,075
Total comprehensive income	-	-	-318	1,262	-	14,782	15,726	5,235	20,961
Transactions with owners									
Share-based compensation expenses	-	-	-	-	-	291	291	-	291
Additions	-	-	-	-	-	-	-	214	214
Disposals	-	-	-	-	-	-	-	-4,747	-4,747
Total transactions with owners	-	-	-	-	-	291	291	-4,533	-4,242
Equity at 30 June 2019	40,316	-5	-313	5	-	72,102	112,105	12,299	124,404

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.

Basis for preparation

General information

The interim financial report of European Energy comprises a summary of the unaudited consolidated financial statements of European Energy A/S and its subsidiaries.

These unaudited consolidated financial statements for the second quarter of 2020 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2019 and public announcements made during the interim reporting period.

Key accounting estimates and judgements

When preparing the interim financial reporting of European Energy, management makes a number of accounting estimates and assumptions, which form the basis of the recognition and measurement of European Energy's assets and liabilities. The estimates and assumptions made are based on experience and other factors that management considers reasonable in the circumstances. Reference is made to the consolidated financial statements in the annual report for the year ended 31 December 2019, Note 1.0.

Accounting policies

Accounting policies remain unchanged compared to the annual report for the year ended 31 December 2019, to which reference is made.

Other information

The Group's main operations comprise project development, financing, construction, sales and acquisition as well as management of wind and solar energy farms. Our main geographical focus is on European markets.

The parent company is a limited-liability company incorporated and domiciled in Denmark.

The address of its registered office is Gyngemose Parkvej 50, DK-2860 Søborg.

On 31 August 2020, the Board of Directors approved these interim consolidated financial statements.

The interim consolidated financial statements are presented in EUR, and all values are rounded to the nearest thousand (EUR'000), except when otherwise indicated.

Basis for preparation - continued

Segment information

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:

- Wind
- 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.

Segment information

As of 30 June 2020

	EUR '000				
	Wind	Solar	Total before elimination	Eliminations	H1 2020
Sale of energy farms and projects	39,824	39	39,863	-	39,863
Sale of electricity	18,517	5,886	24,403	-	24,403
Asset management & other fees	1,355	286	1,641	-	1,641
Revenue to external customers	59,696	6,211	65,907	-	65,907
Intra-group revenue	8,109	-77	8,032	-8,032	-
Revenue	67,805	6,134	73,939	-8,032	65,907
Profit/loss before tax	10,326	-5,419	4,907	-	4,907
Total assets	442,476	208,544	651,020	-	651,020
Total liabilities	324,158	188,982	513,140	-	513,140

As of 30 June 2019

	EUR '000				
	Wind	Solar	Total before elimination	Eliminations	H1 2019
Sale of energy farms and projects	113,315	59	113,374	-	113,374
Sale of electricity	11,326	2,469	13,795	-	13,795
Asset management & other fees	862	486	1,348	-	1,348
Revenue to external customers	125,503	3,014	128,517	-	128,517
Intra-group revenue	560	38	598	-598	-
Revenue	126,063	3,052	129,115	-598	128,517
Profit/loss before tax	23,955	-1,530	22,425	-	22,425
Total assets	397,583	101,873	499,456	-	499,456
Total liabilities	294,519	80,533	375,052	-	375,052

Notes

Step wise acquisition of controlling interests

European Energy Offshore A/S has obtained control of two joint venture Nearshore wind parks Jammerland and Omø through acquisition of the remaining 50% of the shares.

The carrying amount of the investments in the joint ventures before the date of acquisition was EUR 1.8 million.

The purchase price of 50% of the shares amounted to EUR 3.2 million. The purchase price comprises a contingent consideration of EUR 2.8 million dependent on receipt of approvals among others.

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

In the consolidated financial statement for the Group, a gain of EUR 1.1 million is recognised as profit after tax from equity-accounted investments in the statement of profit or loss (reflecting that European Energy Offshore A/S is a subsidiary owned 72% by European Energy A/S).

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

Write-down of inventories

At the beginning of 2020 the Group had write downs of inventories of EUR 14.3 million. There has been a reversal of write-down of -1.5 million to this amount in the second quarter of 2020 primarily related to a reversal of a write down in an Italian project (YTD 2020 EUR 12.8 million). The management has evaluated that the write down is sufficient.

The Group made no write down in the second quarter of 2019 (Q2 YTD 2019 EUR 1.5 million).

The management acknowledges that not all projects will mature and end as a gain for the Group. Some will fail, and there will be sunk costs. The management finds the provisions made to reflect the probability of this.

Other Income

Other income EUR 0.4 million comprise of adjustment to gain from the bargain purchase recognised in July 2019.

The preliminary fair values are adjusted after the acquisition with EUR 1.0 million related to project financing and with EUR 0.6 million related to cash consideration (purchase price).

Other financial instruments

Other financial instruments with fair value assets of EUR 2.5 million as of 30 June 2020 are included in non-current other receivables.

Value adjustment is included in other comprehensive income, as the relevant criteria for hedge accounting are met.

Treasury shares

The Equity Treasury share reserve comprises the cost of the parent company's shares held by the Group, and is recognised as retained earnings and reserves in the equity.

At 30 June 2020, the Group held nom. 25,722 shares of DKK 1 each corresponding to EUR 3 thousand of the parent company's shares.

The shares have been bought back under the warrant program, where the parent company has a right, but not an obligation, to buy back shares from resigned employees.

Statement by the Board of Directors and the Management

The Board of Directors and the Management have considered and adopted the Interim Report of European Energy A/S for the period 1 January - 30 June 2020. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting.

The accounting policies applied in the Interim Report are consistent from those applied in the Group's Annual Report 2019.

We consider the accounting policies appropriate, the accounting estimates reasonable and the overall presentation of the Interim Report adequate. Accordingly, we believe that the Interim Report gives a true and fair view of the Group's financial position, results of operations and cash flows for the period.

In our opinion, the Interim Report includes a true and fair account of the matters addressed and describes the most significant risks and elements of uncertainty facing the Group.

The Interim Report has not been audited or reviewed by the auditors.

Søborg, 31 August 2020

MANAGEMENT :

Knud Erik Andersen
CEO

Jonny Jonasson
CFO

BOARD OF DIRECTORS :

Jens-Peter Zink
Chairman

Knud Erik Andersen

Mikael Dystrup Pedersen

Claus Dyhr

Jesper Helmuth Larsen

Appendix 1 - Sales activity in 2020

Table 1 Sales activities YTD 2020 (binding agreements)

Country	Site	MW	Technology	EE net capacity (MW)	Status
Denmark	Svindbæk	9.6	Wind	6.4	Closed in Q1 2020
Germany	Viertkamp	14.4	Wind	7.2	Closed in Q2 2020
Germany	Vier Berge I	25.8	Wind	12.9	SPA signed in Q2 2020, sales process expected to be recognised in Q3 2020
Denmark	Hanstholmvej	49.1	Solar	49.1	SPA signed in Q3 2020, sales process expected to be recognised in 2020
Total		98.9		75.6	Total

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 of this document. European Energy do not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events others than as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

Hanstholmvej, 50 MW, Denmark



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