



Interim financial report third quarter of 2020

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

Table of contents

Interim financial report third quarter of 2020 (unaudited)

Summary	3
Key information.....	5
Key financials for European Energy Group	6
Management review	8
Development in financials in the third quarter of 2020.....	8
Capital management	10
Outlook for 2020	11
Sale of electricity.....	13
Asset management.....	14
Development and construction	15
Sales activity.....	15
Significant events after the end of the period.....	15
Consolidated statement of profit or loss and other comprehensive income	17
Consolidated statement of financial position	19
Consolidated statement of cash flow	21
Consolidated statement of changes in equity	23
Basis for preparation	25
Segment information	27
Notes.....	28
Notes - continued.....	29
Statement by the Board of Directors and the Management.....	30
Appendix 1 – Sales activity in 2020.....	31
Disclaimer and cautionary statement.....	32

Summary

European Energy completes third quarter of 2020 with significant growth across the board.

European Energy sees significant growth across all recurring activities of the Group at the end of the third quarter of 2020 and maintains its high expectations for its annual targets. European Energy recorded revenue of EUR 40.7 million, an EBITDA of EUR 9.3 million and profit before tax of EUR 3.2 million in the third quarter.

Knud Erik Andersen, CEO of European Energy, said:

“We are pleased to report that European Energy delivered significant growth across all recurring activities in the third quarter of 2020, as we maintain our expectations for our annual targets. The increased sale of green power was the main driver behind our significant growth. At the end of the third quarter, the revenue from electricity sales increased 73% during the first nine months of 2020 compared to 2019, and exceeded the total sales of the entire financial year of 2019. During the quarter, the electricity sale revenues from solar assets alone increased more than tenfold compared to the same period in 2019.

While only one of our projects under construction was grid-connected during the third quarter, construction activities are ongoing across seven countries at 14 different project sites, poised to add more than 300 MW of green power capacity in the coming quarters. In total, more than 1293 MW are currently under construction or ready-to-build across all our solar and wind power projects. During the quarter, our project pipeline grew by additional 2 GW to a total of more than 17 GW of projects under development. Therefore, we expect our construction activities to increase further and remain high across the European continent over the coming years.

During the third quarter of 2020, we closed the divestment of our 50 MW solar farm Hanstholmvej situated in the northern part of Jutland, Denmark to the Munich based LHI Group, and the sale has contributed positively to the quarterly results. The solar park is the first in Denmark to utilize bifacial modules, and the electricity has been sold on a long-term contract to the international tech company Apple Inc. Also in Denmark, we have signed a Sales and Purchase Agreement for the 30 MW solar farm Næssundvej and expect the revenue to be recognised in the fourth quarter of 2020, when the park has been fully constructed and grid-connected.

At the end of the quarter, European Energy's cash position was very solid at EUR 174.7 million whereof EUR 163.1 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. In September, European Energy successfully launched a hybrid green bond of EUR 75.0 million at a rate of 6,1% as a significant number of our existing investors decided to increase their level of investments with us. The hybrid green bond will support the solvency of the company as the raised capital is counted as equity. All in all, we continued to deliver strong financial performance in the third 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.

The election of Joe Biden as president in the United States will bring the country back onto the path towards genuine climate action. We are delighted that there seems again to be a broad global backing behind climate action. To us, climate change is the challenge of our lifetime, and we are feel obligated to fight it by all means.

129 MW divested

in binding agreements so far in 2020

Power sales up 73%

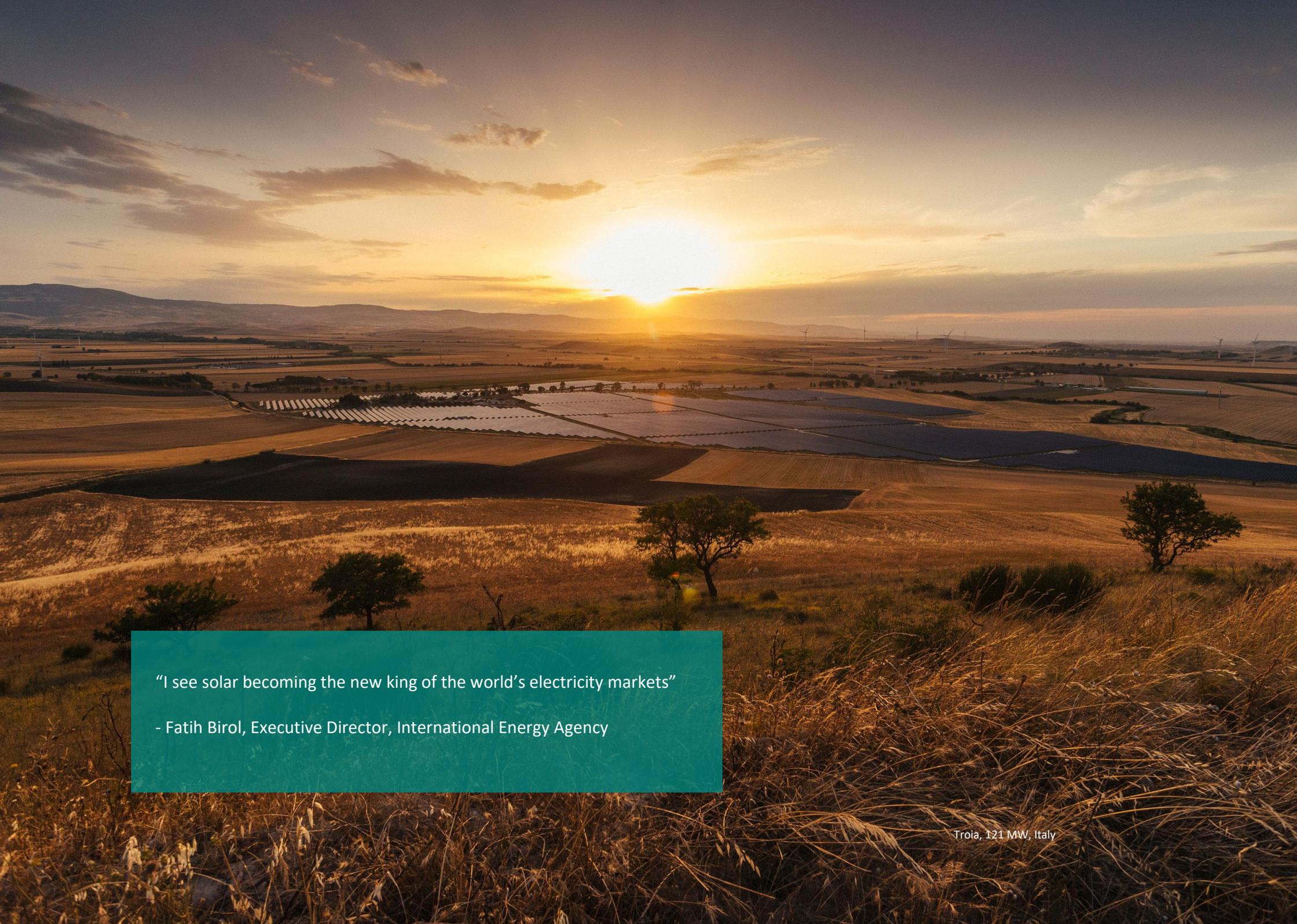
during first nine months of 2020 compared to 2019

312 MW / 14 projects

under construction across 7 countries at quarter end

EUR 75 million raised

in first hybrid green bond sold to almost 100 investors



“I see solar becoming the new king of the world’s electricity markets”

- Fatih Birol, Executive Director, International Energy Agency

Troia, 121 MW, Italy

Key information

REVENUE

Total revenue has increased by 820% from Q3 2019 to Q3 2020.

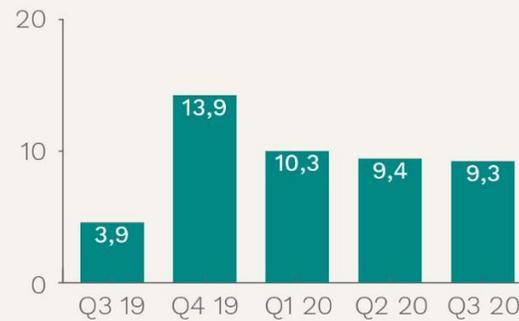
EUR million



EBITDA

EBITDA increased 142% from Q3 2019 to Q3 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



EQUITY

Equity has increased 77% from Q3 2019 to Q3 2020. Hybrid capital has increased the equity by EUR 75 million in Q320.

EUR million



SALE OF ELECTRICITY - CONSOLIDATED

Sale of electricity increased in the third quarter of 2020 by 63% from EUR 5.1 million in Q3 2019 to EUR 8.1 million in Q3 20. The power sales for the Group for 2020 will be record breaking and is already above 2019 YTD.

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 37% from Q3 19 to Q3 20, which reflects an increased level of activity and the need to strengthen the organisation to meet expected growth in the future.

Employees



Key financials for European Energy Group

Key figures EUR '000	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019	FY 2019
Revenue	40.692	4.963	106.599	133.480	238.804
Direct costs	-31.022	-750	-64.887	-99.422	-190.614
Gross profit	12.405	7.664	39.730	39.351	57.529
EBITDA	9.331	3.853	29.035	30.332	44.305
Operating profit (EBIT)	6.396	1.832	20.307	26.762	38.411
Financial income and expense, net	-3.157	3.687	-9.211	1.182	-969
Profit/loss before tax	3.239	5.519	11.096	27.944	37.442
Tax	-1.067	-1.474	-4.436	-4.013	-1.461
The Group's share of profit for the period	2.172	4.045	6.660	23.931	35.981
Investments in Property, plant and equipment	125	1	3.690	430	1.330
Total assets	731.363	566.046	731.363	566.046	605.671
Equity	214.791	121.248	214.791	121.248	137.603
Cash flow from operating activities	-30.102	-35.686	-31.394	12.605	18.128
Cash flow from investing activities	-125	-63.448	-12.175	-25.100	-10.038
Cash flow from financing activities	83.871	53.091	104.784	102.372	36.934
Change in cash and cash equivalents	53.644	-46.043	61.215	89.877	54.936
Financial ratios					
Gross margin	30,5%	154,4%	37,3%	29,5%	24,1%
EBITDA margin	22,9%	77,6%	27,2%	22,7%	18,6%
EBIT margin	15,7%	36,9%	19,0%	20,0%	16,1%
Solvency ratio	29,4%	21,4%	29,4%	21,4%	22,7%
Net interest-bearing debt (NIBD) *)	275.085	257.613	275.085	257.613	302.657
Return on equity (average, LTM)	11,1%	24,9%	11,1%	24,9%	29,3%
Share Ratios and other ratios					
Earnings per share (EPS Basic)	0,006	0,012	0,002	0,061	0,089
Earnings per share (EPS diluted)	0,006	0,012	0,002	0,061	0,089
Number of shares at the end of the period '000	300.885	300.145	300.885	300.145	300.145
Non-Financials					
Average number of full-time employees	172	124	161	111	117
Number of employees end of period	185	135	185	135	148

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.

*) Hybrid capital is not included in NIBD.

Offshore wind in Denmark: Last application submitted.

During the third quarter of 2020, European Energy notified the Danish Energy Agency of its intentions to proceed with the development of the two offshore wind farms Omø South and Jammerland Bay.



Management review

Development in financials in the third quarter of 2020

Statement of profit

The sale of electricity increased by 63% to EUR 8.3 million in the third quarter compared to EUR 5.1 million in the same period last year. Especially the solar park Troia, which is the biggest solar park in Italy constructed to date, contributed to this considerable increase in revenue.

In the third quarter of 2020, the European Energy Group (“European Energy”) completed the divestment of the solar park Hanstholmsvej in the northern part of Jutland, Denmark. The park is the first of its kind in Denmark with bifacial modules harvesting energy from the sun on both sides of the solar panels. Hanstholmsvej solar park was also the first solar park in Denmark to be developed, constructed and financed without the use of state subsidies. The power generated from the park has been sold to Apple Inc. on a long-term power purchase agreement.

The sale of energy parks in the quarter amounted to EUR 31.0 million compared to Q3 2019 with EUR -0.8 million.

Asset management revenue increased from EUR 0.6 million in Q3 2019 to EUR 1.4 million with a YTD revenue of EUR 3.1 million which is a 55% increase compared to YTD in 2019.

European Energy’s investments in joint ventures and associated companies generally performed well. The solar parks in Brazil suffered another correction on the not realised currency losses, and in total the quarter came out with a loss of EUR 0.2 million, somewhat lower compared to the third quarter of 2019 where there was a loss of EUR 0.6 million.

A correction to the purchase price allocation of the acquisition of the German wind park AEZ gave EUR 2.9 million in other income in the quarter, giving a total of other income of EUR 3.0 million, compared to EUR 4.1 million last year in the third quarter where the AEZ acquisition was made.

Gross profit in the quarter ended at EUR 12.4 million compared to EUR 7.7 million in 2019. The gross profit for the year-to-date stood at EUR 39.7 million at the end of the third quarter which is very close to the gross profit of 2019 at EUR 39.4 million. Gross profit on power sales contributed with EUR 6.0 million for the quarter, an increase of 52% compared to EUR 3.9 million in the third quarter of 2019. Asset management and other fees increased with EUR 0.8 million to EUR 1,4 million. The recurring part of the business is growing rapidly.

	EUR'000				
Gross Profit	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019	FY 2019
Sale of electricity	6.017	3.948	25.797	16.389	25.926
Sale of energy parks	2.225	-352	12.845	15.704	19.120
Asset management	1.428	615	3.068	1.963	3.143
Equity-accounted investments	-227	-617	-5.342	247	2.504
Other income	2.962	4.070	3.362	5.048	6.836
Total Gross Profit	12.405	7.664	39.730	39.351	57.529

Staff costs for the quarter ended at EUR 1.5 million versus EUR 1.6 million in Q2 2019. The Group is still increasing the number of headcounts. The number of full time employees is up from 124 in 2019 to 172 at the end of the third quarter. Year-to-date staff costs have increased from EUR 4.5 million in 2019 to EUR 6.5 million in 2020.

The other external costs were EUR 1.6 million compared to EUR 2.2 million in 2019. In 2019 the number included the accrual of EUR 1.0 million related to a dispute with the authorities about the possibility to withdraw VAT on external costs.

Depreciation & impairment for the quarter stood at EUR 2.9 million compared to EUR 2.0 million in 2019.

The net financial expenses for the Group was EUR 3.2 million in Q3 2020 compared to a gain of EUR 3.7 million in the second quarter of 2019. The addition of power-producing parks has added financial expenses, and the bond loan of EUR 200 million has increased the cash position for the Group more than what has been spent on new projects. The COVID-19 pandemic has delayed the progress of new constructions, so the Group is lacking interest income from internal financing of projects under construction. The envisaged construction activities for the coming year are very ambitious, and in the end the extra cash will be used, which will drive the net financial expenses down. In 2019, the net financial income of EUR 3.7 million relates to the gain on the modification of the old bond loan, which according to IFRS 9, has been recognised as a gain in 2019 (and expensed over the lifecycle of the bond).

The net result before tax for the quarter was EUR 3.2 million compared to EUR 5.5 million in 2019. The gain in 2019 solely relates to the above-mentioned net financial income.

The tax for the quarter was an expense of EUR 1.1 million, last year the tax was an expense of EUR 1.5 million.

Assets

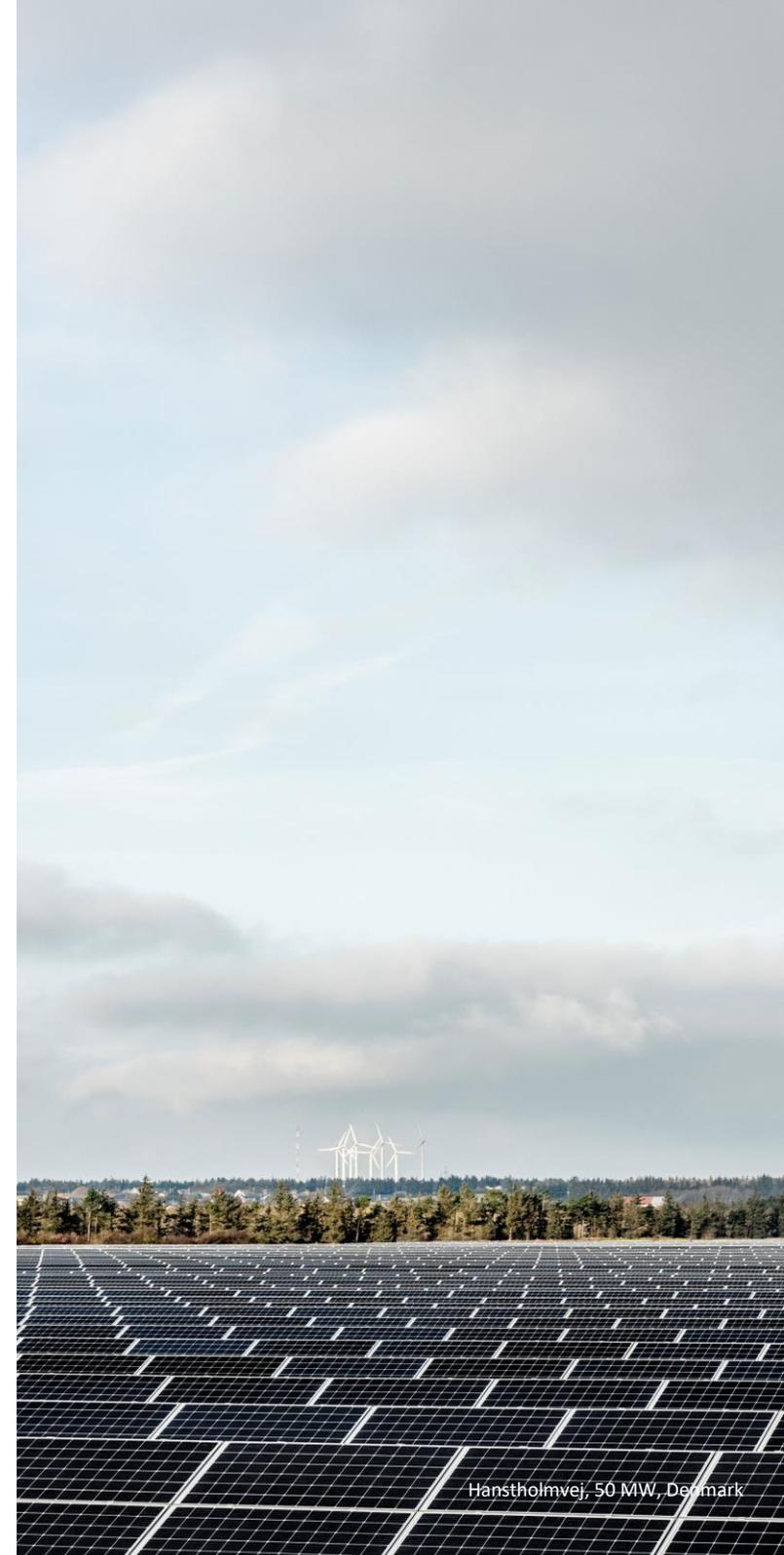
The property, plant and equipment increased from EUR 100.7 million in the third quarter last year to EUR 129.7 million in the same period of 2020. The consolidation of the Heidelberg Group in December 2019 is the addition which covers the difference. The additions to PPE in 2020 have been limited to the purchase of land suitable for the establishment of solar parks.

Joint venture investments for Q3 ended at EUR 9.8, close to Q2 2020 with EUR 10.1 million. In Q3 2019 the number was 11,2 million. For associated companies the picture is the same with EUR 14.6 million, close to Q2 2020 with 14.8 million so no special movement in the quarter. The value was EUR 13.0 million in Q3 2019.

The loans to related parties stood at EUR 35.2 million where the major part constitutes loans to the Brazilian solar parks. In the third quarter of 2019 the loans totalled EUR 33.4 million.

Inventories has increased to EUR 292.4 million, of which more than EUR 120 million is from energy parks already in operation. In the third quarter of 2019, the inventory amounted to EUR 217.6 million.

During the quarter European Energy sold hybrid bonds on the Nasdaq stock exchange for EUR 75 million, which has increased the cash account to a total of EUR 174.7 million, of which EUR 11.7 million is restricted. At the end of the third quarter in 2019, the amounts were EUR 148.5 million in total cash of which EUR 18.6 million was restricted.



Hanstholmvej, 50 MW, Denmark

Liabilities

The hybrid bonds are considered equity due to the structure of the bond terms. The bond holders are standing back for all other debt. Together with the earnings, this has increased the equity from EUR 121.2 million at the end of third quarter last year to EUR 212.3 million in the third quarter of 2020.

Project financing increased in total (short and long-term) from EUR 208.1 million in the third quarter of 2019 to EUR 239.5 million in Q3 2020.

Together, the increase in liabilities have led to an increase of the total balance of the Group from EUR 566.0 million in Q3 2019 to 731.4 million in Q3 2020.

Cash flow

Operating cash flow for the third quarter ended at EUR -30.1 million. The major driver for the negative operating cash flow is the increase in Inventories of EUR 29.4 million. In Q3 2019, the operating cash flow was EUR -35.7 million.

Investing activities during the third quarter were negative with EUR -0.1 million compared to last year with EUR -63.4 million.

The financing activities in the quarter ended with a plus of EUR 83.9 million, which primarily relates to the new hybrid bond financing. Last year the number was EUR 53.1 million.

Capital management

In September 2020, European Energy launched a hybrid green bond of EUR 75.0 million, which is listed on the Copenhagen stock exchange, NASDAQ. The interest rate of the bond is 6,125 %. The bonds are trading higher than par value at the stock exchange as per the issue of this report.

The total new project-related loans obtained were EUR 12.6 million in the third quarter of 2020. For last year, the number was EUR 80.2 million.

With repayments of loans, the net additions of project related loans during 2020 has been EUR 31.9 million which has financed a part of the increase in inventory during the year.

In the first three quarters of 2019, the net decrease of project-related loans was EUR 5.7 million, and the Group had a net increase of bond loans during the year of EUR 112.1 million.

The net change in cash during the third quarter was EUR 53.6 million compared to a negative amount of EUR 46.0 million for the same quarter in 2019. For the year of 2020, there has been an increase in cash of EUR 61.2 million, in 2019 this amount was EUR 89.9 million.

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

European Energy has 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 delivering electricity to the Italian grid while preventing CO2-emissions by more than 80.000 tons every year.

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-developer's 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.



Visualisation of a solar farm deployed in lowlands. European Energy is currently developing several lowland projects in Denmark.

Sale of electricity

European Energy noted a record high sale of electricity of EUR 32.7 million compared to first nine months of 2019 showing EUR 18.9 million (+73%), following an increase in the electricity production capacity. The development continues the trend from the previous quarters of the year and clearly substantiates that the year of 2020 will be a record-breaking year. So far, the first nine months of 2020 have delivered higher power sales than the total 12 months of 2019 for the Group. Looking at the third quarter of 2020, electricity sales totalled EUR 8.3 million, an increase of 63% compared to EUR 5.1 million in the third quarter of 2019.

The net production of electricity (GWh) from solar and wind increased by 69% in the first nine months of 2020 compared to the same period last year. The production of green power from solar alone grew more than tenfold compared to the same period last year and has outperformed the total solar power production of 2019. This development is mainly due to the completion of the 121,5 MW Italian solar park Troia completed at the end of the second quarter. 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 has contributed to the consolidated production, while the completed construction of the large solar parks Hans-tholmsvej in Denmark and Troia in Italy also contributed significantly to the total production.

Sale of electricity (EURm)

	Q3 2020	Q3 2019	YTD Q3 2020	YTD Q3 2019	FY 2019
Wind	4.4	4.8	22.9	16.1	27.2
Solar	3.9	0.3	9.8	2.8	3.3
Total	8.3	5.1	32.7	18.9	30.5

Net Production (GWh)

	Q3 2020	Q3 2019	YTD Q3 2020	YTD Q3 2019	FY 2019
Wind	65.6	79,2	310.2	242,2	392.6
Solar	58.6	13,0	170.0	42,1	65.6
Total	124.2	92,2	480.2	284,3	458.2

Power production in 2020 so far (GWh)



We have supplied 115.000 households with green power



We have displaced 144.000 tons of CO2 so far in 2020

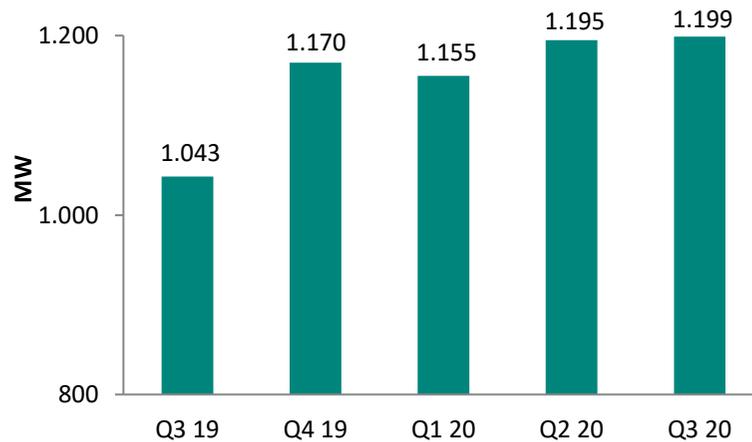
Asset management

European Energy's operational assets under management increased by 15% (156 MW) from 1,043 MW to 1,199 MW during the third quarter of 2020 compared to the third 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 55% from EUR 2.0 million for Q3YTD 2019 to EUR 3.1 million for Q3YTD 2020.

European Energy is moving in the direction of becoming an Independent Power Producer and has consequently strengthened its Asset Management department by hiring two experienced leaders. Ole Fich, former Vice President of Ørsted Offshore Wind, will take on the role of Head of Commercial Asset Management with the goal of strengthening the relation to investors while also optimizing the value of European Energy's own assets. Glenn Aagesen, founder and former General Manager at FairWind, will take on the role of Head of Operations while focusing on the optimisation of asset operations through data mining and new intelligent service concepts.

Total portfolio under asset management



Development and construction

WIND

At the end of the third quarter of 2020, European Energy had eight wind projects under construction with a total capacity of 122.2 MW compared to the four projects with a total of 52.2 MW the company had in construction at the end of the previous quarter. During Q3 the Polish 6 MW wind project Grzmiaca finished construction, while the construction of the Danish project Måde II and the German projects Vier Berge and Tornitz continued. During Q3 five new wind projects entered the construction phase, namely the Polish projects Bialogard, Drawsko, Kolobrzeg and Siemsyl with a total of 38.9 MW and the Swedish project Kingebol adding another 37.2 MW to the wind project portfolio under construction. During the third quarter, European Energy notified the Danish Energy Agency that the company will pursue the two nearshore wind power projects Omø South and Jammerland Bay of combined 560 MW.

SOLAR

By the end of Q3, six PV projects with a total of 189.5 MW were under construction. The projects, which all began construction in previous quarters, were the Brazilian PV project Coremas III, the four Danish projects Næssundvej, Harre-Salling, Holmen and Agersted and the Italian project Palo.

In total, 1293 MW was either under construction or ready-to-build at the end of the third quarter.

Sales activity

The Group continues a stable sales activity in the third quarter and has signed binding agreements for 129 MW so far this year.

The Group sold the Danish solar farm Hanstholmvej (50 MW) located in the northern part of Jutland.

The Group signed a Sales and Purchase Agreement concerning another Danish solar farm Næssundvej (30 MW) also located in Jutland. The sale is expected to be closed and recognised later in 2020 subject to fulfilment of sales conditions.

See Table 1 in Appendix 1 for further specifications.

Significant events after the end of the period

European Energy successfully obtained the planning permit for a solar power project covering 340 hectares of land in southern part of Jutland, Denmark. This is the single biggest planning permit to date.

European Energy has been granted a EUR 40 million loan facility by the Danish Green Investment Fund to help boost the construction of large-scale wind and solar projects.

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

Tackling nature and climate crises together

European Energy has a strong focus on combating climate change, yet it is not the only global crisis remaining to be tackled in the world today.

In the third quarter of 2020, European Energy invited a representative from the NGO Plastic Change to showcase the heavy pollution of the world's oceans by plastic litter.

European Energy is focused on tackling both the climate and nature emergencies at the same time. The month of September was devoted to raising green awareness among colleagues to understand the personal impact each colleague can deliver through changing consumption patterns.

Consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 September 2020

	EUR'000				
	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019	FY 2019
Revenue	40.692	4.963	106.599	133.480	238.804
Profit after tax from equity-accounted investments	-227	-617	-5.342	247	2.504
Other income	2.962	4.068	3.360	5.046	6.835
Direct costs	-31.022	-750	-64.887	-99.422	-190.614
Gross profit	12.405	7.664	39.730	39.351	57.529
Staff costs	-1.479	-1.611	-6.517	-4.536	-6.695
Other external costs	-1.595	-2.200	-4.178	-4.483	-6.529
EBITDA	9.331	3.853	29.035	30.332	44.305
Depreciation	-2.935	-2.021	-8.728	-3.570	-5.894
Operating profit	6.396	1.832	20.307	26.762	38.411
Finance income	231	7.051	1.842	9.713	12.148
Finance expenses	-3.388	-3.364	-11.053	-8.531	-13.117
Profit before tax	3.239	5.519	11.096	27.944	37.442
Tax	-1.067	-1.474	-4.436	-4.013	-1.461
Profit for the period	2.172	4.045	6.660	23.931	35.981
Attributable to:					
Shareholders of the company	1.702	3.648	456	18.424	26.654
Non-controlling interests (NCI)	470	397	6.204	5.507	9.327
Profit for the period	2.172	4.045	6.660	23.931	35.981

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

For the quarter ended 30 September 2020

EUR'000

Profit and OCI	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019	FY 2019
Statement of comprehensive income					
Profit for the period	2.172	4.045	6.660	23.931	35.981
Items that may be reclassified to profit or loss:					
Value adjustments of hedging instruments	418	973	1.122	2.656	3.477
Tax of value adjustments of hedging instruments	-203	-263	-248	-573	-645
Currency differences on translating foreign operations	637	224	-408	-74	210
Other comprehensive income for the period	852	934	466	2.009	3.042
Comprehensive income for the period	3.024	4.979	7.126	25.940	39.023
Attributable to:					
Shareholders of the company	2.306	4.810	410	20.536	29.511
Non-controlling interests (NCI)	718	169	6.716	5.404	9.512
Comprehensive income for the period	3.024	4.979	7.126	25.940	39.023
Interim dividends:					
Non-cash distribution to shareholders					
Interim dividends	-	7.400	-	7.400	7.400
Total Interim dividends	-	7.400	-	7.400	7.400

Consolidated statement of financial position

As of 30 September 2020

EUR'000

	Q3 2020	Q3 2019	FY 2019
ASSETS			
Non-current assets			
Property, plant and equipment	129.744	100.738	134.213
Lease assets	8.591	3.704	9.091
Joint venture investments	9.810	11.177	11.112
Associated companies investments	14.576	13.011	13.693
Other investments	5.154	4.452	4.394
Loans to related parties	35.176	33.395	35.620
Trade receivables and contract assets	3.587	3.984	4.241
Other receivables	17.412	4.146	15.133
Deferred tax	1.988	70	2.292
Prepayments	-	3.923	3.923
Total non-current assets	226.038	178.600	233.712
Current assets			
Inventories	292.473	217.568	227.131
Trade receivables and contract assets	18.300	7.804	16.920
Other receivables	13.485	10.812	8.270
Prepayments for goods and services	6.330	2.799	6.116
Free cash and cash equivalents	163.075	129.873	90.414
Restricted cash and cash equivalents	11.662	18.590	23.108
Total current assets	505.325	387.446	371.959
TOTAL ASSETS	731.363	566.046	605.671

Consolidated statement of financial position - continued

As of 30 September 2020

EUR'000

	Q3 2020	Q3 2019	FY 2019
EQUITY AND LIABILITIES			
Equity			
Share capital	40.430	40.331	40.331
Retained earnings and reserves	78.753	68.744	77.797
Equity attributable to owners of the company	119.183	109.075	118.128
Hybrid Capital	75.000	-	-
Non-controlling interests	20.608	12.173	19.475
Total Equity	214.791	121.248	137.603
Liabilities			
Bond loan	193.612	191.543	192.017
Project financing	209.616	70.577	140.743
Other debt	899	910	905
Lease liabilities	9.969	4.540	13.037
Provisions	6.534	3.930	6.096
Deferred tax	11.955	5.830	10.241
Total non-current liabilities	432.585	277.330	363.039
Project financing	29.845	137.502	66.772
Lease liabilities	1.791	565	1.493
Trade payables	10.531	6.955	8.981
Payables to related parties	4.989	1.349	2.117
Corporation tax	3.965	1.194	4.777
Provisions	4.450	-	2.800
Contract liabilities	11.642	7.881	-
Other payables	16.774	12.022	18.089
Total current liabilities	83.987	167.468	105.029
Total liabilities	516.572	444.798	468.068
TOTAL EQUITY AND LIABILITIES	731.363	566.046	605.671

Consolidated statement of cash flow

For the quarter ended 30 September 2020

EUR'000

	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019	FY 2019
Cash flow from operating activities					
Profit before tax	3.239	5.519	11.096	27.944	37.442
Adjustments for:					
Financial income	-231	-7.051	-1.842	-9.713	-12.148
Financial expenses	3.388	3.364	11.053	8.531	13.117
Depreciations	2.935	1.636	8.728	3.185	5.894
Profit from equity-accounted companies	227	892	5.342	2.051	-2.504
Interest paid on lease liabilities	-121	-	-413	-	-152
Change in networking capital	-36.327	-40.952	-58.671	-16.125	-14.408
Other non-cash items	169	1.627	2.124	407	-2.980
Cash generated from operation before financial items and tax	-26.721	-34.965	-22.583	16.280	24.261
Taxes paid	-1.012	-55	-1.335	-163	-538
Interest paid and realised currency losses	-2.627	-1.486	-9.077	-5.955	-11.459
Interest received and realised currency gains	258	820	1.601	2.443	5.864
Cash flow from operating activities	-30.102	-35.686	-31.394	12.605	18.128
Cash flow from investing activities					
Purchase/disposal of property, plant and equipment	170	-56.942	-3.547	-17.750	28.307
Proceeds from disposal of equity-accounted investments	-	-	-	682	682
Purchase/disposal of other investments	-631	-73	-653	-80	65
Acquisition of subsidiaries	-	-	-	-	-27.276
Investment in equity-accounted investments	-73	-6.433	-900	-8.634	-1.479
Loans to related parties	214	-	-8.483	-	-11.893
Dividends	195	-	1.408	682	1.556
Cash flow from investing activities	-125	-63.448	-12.175	-25.100	-10.038

Consolidated statement of cash flow - continued

For the quarter ended 30 September 2020

EUR'000

	Q3 2020	Q3 2019	Q3 YTD 2020	Q3 YTD 2019	FY 2019
Cash flow from financing activities					
Proceeds from issue of bonds	-	61.934	-	200.534	200.535
Repayment of bonds	-	-88.400	-	-88.400	-88.400
Proceeds from borrowings	12.600	80.235	119.277	95.121	88.551
Repayment of borrowings	-1.217	-522	-87.331	-100.819	-160.358
Repayment of lease liabilities	-	-	-	-	-467
Changes in payables to associates	-1.588	369	2.505	867	1.636
Capital increase through exercise of warrants	-	-	404	-	-
Cash from issue of hybrid capital	75.000	-	75.000	-	-
Transactions with NCI	-924	-525	-5.071	-4.931	-4.563
Cash flow from financing activities	83.871	53.091	104.784	102.372	36.934
Cash and cash equivalents related to acquired companies	-	-	-	-	9.912
Change in cash and cash equivalents	53.644	-46.043	61.215	89.877	54.936
Cash and cash equivalents at beginning of period	121.093	194.506	113.522	58.586	58.586
Cash and cash equivalents end of period	174.737	148.463	174.737	148.463	113.522
Of which restricted cash and cash equivalents	-11.662	-18.590	-11.662	-18.590	-23.108
Non-restricted cash and cash equivalents end of period	163.075	129.873	163.075	129.873	90.414

Consolidated statement of changes in equity

As of 30 September 2020

EUR'000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Treasury share reserve	Retained earnings	Total	Hybrid Capital	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	-	-	-	-	-	456	456	-	6.204	6.660
Other comprehensive income										
Value adjustments of hedging instruments	-	-	-	964	-	-	964	-	158	1.122
Tax of value adj. of hedging instruments	-	-	-	-215	-	-	-215	-	-33	-248
Currency diff. on translating foreign operations	-	-	-795	-	-	-	-795	-	387	-408
Other comprehensive income	-	-	-795	749	-	-	-46	-	512	466
Total comprehensive income	-	-	-795	749	-	456	410	-	6.716	7.126
Transactions with owners										
Dividends	-	-	-	-	-	-9	-9	-	-4.969	-4.978
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	-	-	-	-	-	277	277	-	-	277
Issue of Hybrid Capital	-	-	-	-	-	-	-	75.000	-	75.000
Additions	-	-	-	-	-	-	-	-	-268	-268
Disposals	-	-	-	-	-	-	-	-	-346	-346
Total transactions with owners	99	305	-	-	-18	259	645	75.000	-5.583	70.062
Equity at 30 September 2020	40.430	342	-579	1.649	-18	77.359	119.183	75.000	20.608	214.791

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 September 2019

EUR '000

	Share capital	Share Premium	Translation reserve	Hedging reserve	Treasury share reserve	Retained earnings	Total	Hybrid Capital	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	-	-	-	-	-	18,424	18,424	-	5,507	23,931
Other comprehensive income										
Value adjustments of hedging instruments	-	-	-	2,767	-	-	2,767	-	-111	2,656
Tax of value adj. of hedging instruments	-	-	-	-573	-	-	-573	-	-	-573
Currency diff. on translating foreign operations	-	-	-86	-	-	4	-82	-	8	-74
Other comprehensive income	-	-	-86	2,194	-	4	2,112	-	-103	2,009
Total comprehensive income	-	-	-86	2,194	-	18,428	20,536	-	5,404	25,940
Transactions with owners										
Dividends	-	-	-	-	-	-7,400	-7,400	-	-	-7,400
Transactions with NCI	1	-	-	-	-	-581	-580	-	-	-580
Exercise of warrants	14	40	-	-	-	-	54	-	-	54
Share-based compensation expenses	-	-	-	-	-	377	377	-	-	377
Additions	-	-	-	-	-	-	-	-	656	656
Disposals	-	-	-	-	-	-	-	-	-5,484	-5,484
Total transactions with owners	15	40	-	-	-	-7,604	-7,549	-	-4,828	-12,377
Equity at 30 September 2019	40,331	35	-81	937	-	67,853	109,075	-	12,173	121,248

The share capital consists of nom. 300,040,190 shares of DKK 1 each, corresponding to EUR 40,331 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 third 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.

Accounting policies established in 2020

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

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

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

Basis for preparation - continued

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 30 November 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.

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 September 2020

	EUR '000				
	Wind	Solar	Total before elimination	Eliminations	Q3 2020
Sale of energy farms and projects	39.862	31.000	70.862	-	70.862
Sale of electricity	22.868	9.799	32.667	-	32.667
Asset management & other fees	1.937	1.133	3.070	-	3.070
Revenue to external customers	64.667	41.932	106.599	-	106.599
Intra-group revenue	8.514	141	8.655	-8.655	-
Revenue	73.181	42.073	115.254	-8.655	106.599
Profit/loss before tax	13.260	-2.164	11.096	-	11.096
Total assets	496.268	235.095	731.363	-	731.363
Total liabilities	335.369	181.203	516.572	-	516.572

As of 30 September 2019

	EUR '000				
	Wind	Solar	Total before elimination	Eliminations	Q3 2019
Sale of energy farms and projects	112,198	419	112,617	-	112,617
Sale of electricity	16,120	2,779	18,899	-	18,899
Asset management & other fees	1,264	700	1,964	-	1,964
Revenue to external customers	129,582	3,898	133,480	-	133,480
Intra-group revenue	690	11	701	-701	-
Revenue	130,272	3,909	134,181	-701	133,480
Profit/loss before tax	28,222	-278	27,944	-	27,944
Total assets	427,689	138,257	565,946	-	565,946
Total liabilities	328,358	116,440	444,798	-	444,798

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-down of inventories of EUR 14.3 million. At the end of Q3 2020 the total write-down amounts to EUR 11.4 million. The change relates mainly to reversal of write-down of EUR 1.4 million in the third quarter related to a Spanish project and reversal of write-down of EUR 1.5 million in the second quarter related to an Italian project.

The management has evaluated that the write-down is sufficient.

In Q3 2019 the Group made no write-down At the end of Q3 2019 the total write-down amounts to EUR 9.5 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 3.4 million comprise of adjustment to gain from the bargain purchase of the German group companies, AEZ, recognised in July 2019.

The preliminary fair values are adjusted within the measurement period of one year with EUR 3.0 million related to repowering projects, EUR 1.0 million related to project financing and EUR 0.6 million related to cash consideration (purchase price).

Other financial instruments

Other financial instruments with fair value assets of EUR 2.3 million as of 30 September 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 September 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.

Notes - continued

Hybrid capital

Hybrid capital comprise issued green bonds from 22 September 2020 of EUR 75 million, which is subordinated to other creditors but preceded by the share capital. The hybrid capital rank in priority only to any loans made after the first issue date by any major shareholder (Subordinated Shareholder Funding).

The hybrid security bears an initial coupon of 6.125% until the first call date on 22 September 2023, after which the coupon resets to the 3-year EUR swap rate prevailing at that time plus margin of 11.585%, which is the sum of initial margin 6.585% and step-up margin 5.0%. It has a final maturity on 22 September 3020.

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

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

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

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

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

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

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

On the date of reclass, the financial liability is measured at market value of the hybrid capital at the date the decision is made.

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 September 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, 30 November 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 and closed in Q4 2020
Denmark	Hanstholmvej	49.1	Solar	49.1	Closed in Q3 2020
Denmark	Næssundvej	30.0	Solar	25,2	SPA signed in Q3 2020. Sale recognition expected to be in Q4 2020.
Total		128.9		100.8	

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.



Tower sections, Vier Berge, 25.8 MW, Germany

We are green energy



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

www.europeanenergy.dk