

A close-up, low-angle shot of a wind turbine's hub and blades against a clear blue sky. The blades are white and extend from a central hub. The background is a vast, open landscape under a bright blue sky.

# Wind and Solar

Annual report 2016

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CVR NO 18351331

The logo for European Energy, consisting of two stylized, horizontal, parallel lines on the left, followed by the words "EUROPEAN" and "ENERGY" stacked vertically.

EUROPEAN  
ENERGY





Rødby Fjord wind farm, 38 MW, Denmark

# Management review

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Knud Erik Andersen, CEO



# Letter from the CEO

## Dear Reader,

We predicted that 2016 would be a year with record-high activity for European Energy. And it was indeed. As it turned out, we succeeded in realising a revenue of EUR 140.8 million and a profit of EUR 17.9 million before tax.

2016 was a true turning point for European Energy and the renewable energy sector as renewable energy became directly competitive with fossil fuels on price without additional government support. In most markets, power generated from solar PV and wind is now cheaper than coal, gas and nuclear power. This fundamentally changes the global market dynamics for energy. Three trends in particular are driving this change:

**First, with the solar and wind technology being price competitive, auctions are replacing feed-in tariffs as demand for cheap power rather than green incentive schemes drives investment decisions. In late 2016 European Energy benefited from this development by winning the entire capacity**

**tendered in the first-ever EU cross-border tender in Germany.**

**Second, corporations are increasingly showing interest in buying renewable energy through power purchase agreements. In 2016, European Energy began powering Nissan's electric car production in the UK with renewable energy.**

**Third, the global market for renewables is also moving fast in non-OECD countries. In close partnership with the Danish Climate Investment Fund, European Energy is looking to further strengthen its business in several emerging markets via the joint venture Nordic Power Partners.**

During 2016, European Energy successfully constructed 108 MW of capacity at eight sites, and additional 166 MW were under construction as at end-2016. For the most part, institutional investors and regional utilities acquire our projects as a way of proving their commitment to providing affordable clean and green electricity to local citizens. This was, for example, two

Danish utilities' reason for acquiring parts of our Rødby project.

I would like to thank all of our devoted colleagues at European Energy for the hard work they do to ensure that European Energy is at the forefront of the green transition and able to take advantage of the many new, local and global business opportunities. I am confident that our level of activity will remain high in 2017.



**Knud Erik Andersen**  
CEO



# 2016 in brief

## Development and construction\*



19

Construction sites

166 MW

Construction activities at year end

242 MW

Ready to build projects

108 MW

Constructed and grid connected

## Divestment\*



8

Divested projects

252 MW

Divested capacity

€229.7 m

Enterprise value

## Power generating assets



6

Countries

405 MW\*

Portfolio

€24.3 m

Sale of electricity

## Human resources



67

Number of employees

11

Number of nationalities

55%

Men

45%

Women

39

Average age

\* including 3rd party equity interests



# Financial information

Gross profit  
**€32.5 m**  
**+80.2%\***

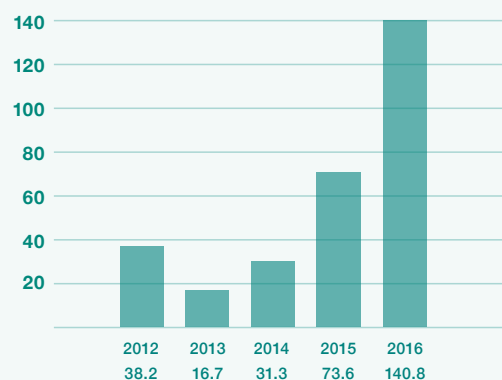
EBITDA  
**€24.9 m**  
**+131.7%\***

Profit before tax  
**€17.9 m**  
**+181.5%\***

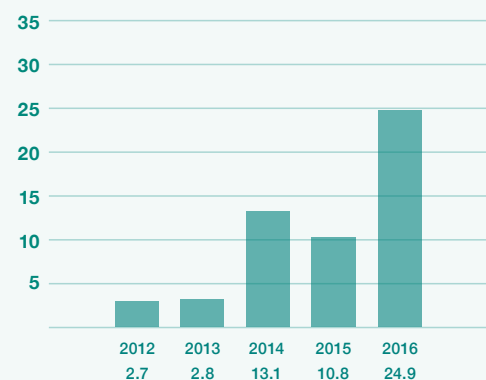
Group's share of profit  
**€15.6 m**  
**+349.4%\***

Equity  
**€64.0 m**  
**+12.7%\***

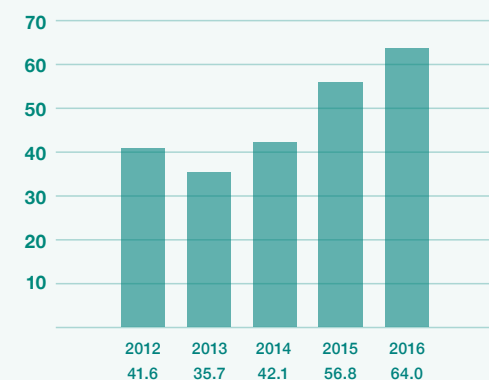
**Revenue**  
 EUR M



**EBITDA**  
 EUR M



**Equity**  
 EUR M



\* up from 2015



# Group financial highlights and key ratios

This annual report is the second annual financial report made using IFRS and the first with early adoption of IFRS 15. All figures for the Group have at the date of transition 01 January 2016 been converted to IFRS. In Note 4.9 there are IFRS tables showing IFRS 15 adjustments regarding the early adoption of IFRS 15. The keyfigures for the years 2012 to 2016 have been converted to IFRS including IFRS 15 adjustments.

Key figures (EUR '000)	2016	2015	2014	2013	2012
Revenue	140,788	73,559	31,343	16,667	38,182
Direct costs	-107,289	-57,533	-13,329	-8,631	-31,574
Gross profit	32,456	18,008	18,487	8,820	8,324
EBITDA	24,929	10,759	13,074	2,766	2,727
Operating profit (EBIT)	23,319	9,264	11,492	1,115	1,027
Financial income and expense, net	-5,414	-2,904	-4,899	-3,046	-3,191
Profit/loss before tax	17,905	6,360	6,593	-1,931	-2,164
Tax	-2,260	-2,879	-468	-776	-671
The Group's share of profit for the year	15,645	3,481	6,125	-2,707	-2,835
<b>Total assets</b>	<b>218,535</b>	<b>223,186</b>	<b>185,775</b>	<b>122,274</b>	<b>125,960</b>
<b>Equity</b>	<b>64,000</b>	<b>56,807</b>	<b>42,090</b>	<b>35,727</b>	<b>37,985</b>
Cash flows from operating activities	7,306	-17,096	-25,139	-6,413	594
Net cash flows from investing activities	-138	-5,415	-3,956	8,238	9,830
Cash flows from financing activities	-8,022	20,004	42,405	-2,996	-12,188
<b>Total cash flows</b>	<b>-854</b>	<b>-2,507</b>	<b>13,310</b>	<b>-1,171</b>	<b>-1,764</b>



	2016	2015	2014	2013	2012
<b>Financial ratios</b>					
Gross margin	23%	24%	59%	53%	22%
EBITDA margin	18%	15%	42%	17%	7%
EBIT margin	17%	13%	37%	7%	3%
Solvency ratio	29%	25%	23%	29%	30%
Net interest-bearing debt/EBITDA	4	10	7	23	24
Return on equity	26%	7%	16%	-7%	-7%
Gearing	193%	216%	272%	195%	192%
<b>Share Ratios</b>					
Earning per share	1.6	0.3	0.6	-0.3	-0.3
Book value per share	6.4	5.7	4.2	3.6	3.8
Cash flow from operating activities per share	0.7	-1.7	-2.5	-0.6	0.1
Number of shares at the end of the year	10 m	10 m	10 m	10 m	10 m
Average number of full-time employees	64	53	46	41	38

The financial ratios have been computed in accordance with the latest Guidelines issued by the Danish Finance Society.

# Business model



# Business model

Since 2004, European Energy has acquired considerable know-how in all stages of the wind and solar power value chain. This expertise ranges from identifying new sites and securing financing to managing the actual construction process and ensuring the reliable operation of assets.

European Energy has three main business areas:

- development (increasingly late stage), financing, construction and divestment of wind and solar farms
- sale of electricity from operational wind and solar farms
- asset management

## Development, construction and divestment

Generally, the process of creating a wind or solar farm can be divided into four stages:

1. Development and/or acquisition of the project
2. Securing bridge or long-term financing

3. Construction of the project
4. Complete or partial divestment

### Stage 1: Development and project acquisition

In the development phase, European Energy starts by assessing the wind or solar resource at a potential site – an essential step in evaluating the financial viability of the project. If a site holds potential, European Energy secures the land rights, conducts environmental studies, obtains the requisite planning and building permits, investigates grid connection and prepares production estimates. When all the essential rights and permits necessary to initiate the construction phase have been acquired, the project is considered ready to build. The current development portfolio also includes the repowering of existing wind farms. Repowering involves replacing aging, small turbines with newer, more efficient ones. European Energy expects repowering to account for an increasing share of activities as the market for wind power matures.

European Energy's development portfolio

comprises a mix of solar farms as well as onshore and nearshore wind farms. In total, it consists of 2,045 MW of potential projects in 10 countries. The geographic diversity, varying stages of development and focus on different technologies ensures a continuous cycle of activity and broad range of investment opportunities. Following through on a strategic decision, European Energy is increasingly entering projects at a later stage of development and completing them in tandem with the initial developer. Project screening, selection and completion are based on in-house project development competencies. The benefits of this approach include bigger certainty of project realisation, shorter investment cycles and significantly greater agility in entering new markets where long-term investors have shown increased interest.

### Stage 2: Project financing

Financing is an integral part of the development and construction phase. European Energy has an expanding network of actual and potential financing partners. As its portfolio of

# Business model



## Develop

- Potential wind & solar site assessment
- Project risk assessment
- Environmental studies
- Secure land & building permits



## Finance

- Grow network of investment partners
- Match investors with different risk profiles with the right projects
- Secure bridge & long-term financing



## Construct

- Select optimal technology and park layouts
- Oversee every construction phase from groundworks to grid connection



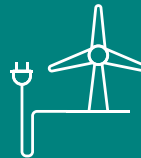
## Asset management

- Protect returns for investors and partners by optimising production output



## Divestment

- Sale and hand over of wind and solar farms to long-term investors.



## Production and sale of electricity

- Independent production of electricity
- Sale of electricity to the grid

European Energys extensive knowledge and experience enable the company to manage the complex processes and to increase the value of each project.

European Energy sells projects at all stages, or invite co-investors to join in at various project stages.

Each project is individually assessed and European Energy divests the project at the most optimal time.



## Business model

successfully constructed and divested projects grows, so does trust among the financing banks, which in turn facilitates the process of securing further project financing. European Energy has significant experience with both bridge financing and long-term project financing. Other developers have invited European Energy to participate in wind or solar projects, as its experience can aid in obtaining financing. In these circumstances, a co-ownership structure is often adopted.

### Stage 3: Construction

A final decision regarding the design of a park, its technological specifications as well as the suppliers and construction contractors is made in the construction phase. This is where many of European Energy's competencies lie. The choice of technology significantly impacts wind or solar farm efficiency, bankability and demand from long-term investors. During this phase, European Energy manages the process from the turning of the first soil through to grid connection.

### Stage 4: Divestment of wind and solar farms

European Energy's primary source of revenue and profit comes from divesting wind and solar farms. European Energy assesses each project individually and, taking the risk and reward profile into account, divests the project to long-term investors at the optimal time. In most cases

European Energy concludes sales agreements already during the construction phase, generally on a fixed price, turnkey basis. This reduces the risks attached to constructing the project and maintains European Energy's ability to participate in new development and construction activities.

To manage the complex process of developing and constructing wind and solar farms, European Energy has a strong legal department with detailed knowledge of the regulatory framework and incentive schemes in key markets, supplier contracts, financing agreements as well as sales and purchase agreements with long-term investors. All these contracts are to a large degree interdependent, as long-term investors usually require a turnkey investment with the integrated management of all major risks.

European Energy benefits from its employees' knowledge of the key markets, which eases the development, approval and realisation process on wind and solar projects. When projects move into the construction phase, European Energy can rely on its cutting-edge technological insight to select the optimal technology for any project at hand. The M&A department has the market insight it takes for European Energy to match project-financing banks and long-term investors

with varying risk profiles with the right projects and to conduct due diligence processes.

### Production and sale of electricity

As an independent power producer European Energy owns or co-owns 46 operational solar and wind farms in six countries with a total capacity of 405 MW. In 2016, these decentralized operating assets delivered a combined production of approximately 200 GWh of renewable energy to European consumers. The sale of this electricity generates continuous revenue and yield. Income from electricity sales is therefore an important part of European Energy's business model.

The sale of electricity contributes greatly to European Energy's revenue. However, as a substantial part of the sale of electricity is located in joint venture companies, associated companies or other investments, the main part of the sale of electricity is not recognised under "Revenue" in the "Consolidated statement of comprehensive income". Instead, the main part is included under the "Profit after tax from shares in equity accounted investments."

## Business model

### Asset management

Revenue from wind and solar farms depends not only on the technology installed, weather conditions and electricity prices but also on the ability to ensure reliable operation of the farms. Consequently, European Energy has a dedicated asset management team tasked with minimising downtime at operating plants and dealing with incidents when they occur, including solar and wind farms managed on behalf of third parties. Asset management is integral to the core business of European Energy, whose customers are often institutional investors that prioritise choosing a business partner with the ability not only to construct a plant but also to optimise production output and minimise operating costs on their behalf.

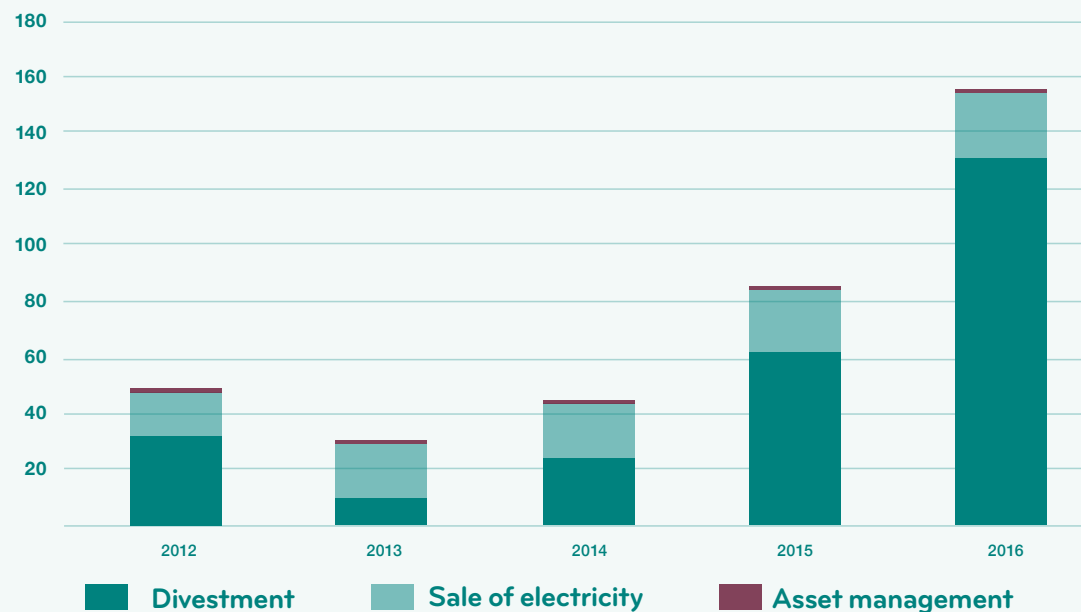
The accumulated number of operating plants under administration gives European Energy purchasing power, considerable knowledge and market insight. This adds significant value to the investors and for European Energy it leads to new project opportunities (i.e. repowering projects) and additional sales potential. Thereby, the asset management business creates value to European Energy through collected fees, improved operational performance of the asset portfolio, better access to financial investors and to new business opportunities. For this reason,

the importance of this business area cannot be measured solely on revenue generated.

European Energy's three main sources of income are: divestment, sale of electricity and asset management. Sale of electricity includes revenues of companies owned in joint ventures, associated companies or other investments.

### Income sources

EUR M





# Corporate structure

European Energy has a structure consisting of 353 companies in the European Energy group (the Group). European Energy A/S is the parent company of the Group and owns several subsidiaries, associates and joint venture companies, which in turn own additional subsidiaries, associates or joint venture companies.

The number of companies is relatively high because many of European Energy's wind and solar farms are held by special purpose vehicles (SPV). The sole purpose of an SPV is the acquisition, financing and construction of a particular wind or solar farm. The SPV usually has an asset/liability structure and legal status that makes its obligations secure even if the parent company becomes insolvent. Financing is obtained through the SPV, and, together with equity provided by its owners, this is how the SPV obtains funds to construct the assets. Since the SPV owns the assets, which are provided as collateral for external financing, the risk for the parent company is limited; however, European Energy may in some cases provide guarantees for an SPV's debt during the construction phase.

The SPVs take the form of either a limited company or a tax-transparent company. Another advantage of using SPVs is that when providing debt to the SPV, the financing bank evaluates the SPV's assets and corresponding collateral, and does not need to evaluate the parent company or take into account any debt other than that of the SPV. This reduces the funding cost. The SPV structure also has the benefit of facilitating the divestment of wind and solar farms, since the projects can be sold as single, separate legal entities.

Of the 353 companies within the Group, 117 are partnerships in the form of joint ventures, associated companies or companies owned by these entities. In addition, the Group has 12 investments in companies where its ownership is below 20%, which are not material investments to the Group.

# Financial performance

# Financial performance

In late 2016, European Energy decided to adopt the International Financial Reporting Standard 15 (IFRS 15) before the mandatory implementation in 2018. IFRS 15 was implemented following a dialogue with the Danish Business Authority regarding European Energy's previous accounting policy for recognising sales revenue from wind and solar farms under IAS 18. The Danish Business Authority disagreed with European Energy's interpretation of IAS 18. As a result, Management has decided to align the European Energy's accounting policy with the Danish Business Authority's assessment. It is Management's opinion that the framework of IFRS 15 is in line with the Danish Business Authority's interpretation of IAS 18, and therefore the company automatically complies with the requested way of revenue recognition by implementing IFRS 15.

## Value creation and revenue recognition

The substantial part of European Energy's income is derived from sales of developed and constructed solar and wind farms.

## From idea to divestment of a project

European Energy typically manages the project development by identifying suitable project sites, securing all necessary permits and contracting with suppliers and contractors before construction begins. Rather than develop projects on its own, European Energy is increasingly opting to acquire the rights to projects that are partly or wholly developed, thus shortening the development period and reducing the risk that a project will not reach completion.

Consequently, the costs of development depend on when European Energy decides to enter the project. However, the combined costs are limited compared to the liquidity-intensive construction phase that follows.

All permits, rights and contracts necessary to construct and operate a project are typically placed in a SPV, which facilitates project financing as well as the sales process.

European Energy's value creation in the process lies primarily in the work leading up to the construction phase, which is mainly handled by

external suppliers on behalf of the SPV.

European Energy is typically responsible for delivering a turnkey project to the SPV. European Energy retains the principal risk but passes the construction-related risks down to the sub-contractors on a back-to-back basis, where possible.

European Energy typically initiates the sales process and identifies potential investors when the project rights and permits are secured. The process can thereby lead to a sale of the SPV to the buyer during the construction phase contingent upon the successful construction of the project. European Energy's performance obligations in relation to the project development and construction are typically covered by an engineering, procurement and construction management agreement (EPCM agreement) with the SPV plus a conditional share sale and purchase agreement (SPA) with the buyer regarding the transfer of the SPV. These two agreements are considered as one combined delivery to the buyer.



## Financial performance

### Revenue recognition of developed and constructed wind and solar farms

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

It can take up to five years from the beginning of a project for the income generated by its sale to be recognised in the annual report. Consequently, there will be a substantial difference between European Energy's value creation in the project and the point in time when the revenue is recognised as income.

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

To the extent that the price of the transaction is paid over a period, the present value is recognised with the discounted value of the

future cash flows.

### Profit and loss

Earnings before interest, taxes, depreciation and amortisation (EBITDA) came to EUR 24.9 million and the profit for the year totalled EUR 15.6 million (up from EUR 3.5 million in 2015). In 2016, the Group handed over a large number of wind and solar farms to customers, and as the revenue recognition is now linked to the final closing date, at which time all performance obligations have been fulfilled, the revenue and profit from these sales is recognised in this year.

Due to the change in revenue recognition, the revenue from some wind and solar farms sold in 2015 or previous years is reclassified to 2016. In total a revenue of EUR 42.0 million, originally accounted for in previous years, has been deferred to the revenue in 2016. Additionally IAS 8 corrections have added EUR 35.6 million to the revenue (the same amount has been added to the direct costs). The net profit after tax added to the 2016 result from previous years was EUR 18.8 million. At the same time a total of EUR 51.1 million of revenue and EUR 9.3 million of net profit after tax has been postponed to 2017, corresponding to the profit from three wind farms in Finland, eight wind turbines in Germany and two solar farms in the UK that were sold (but not delivered). Under the former method of

revenue recognition this would have resulted in net profit after tax in 2016 of EUR 6.3 million.

Management is very satisfied with this performance, in particular because European Energy has succeeded in developing, constructing and divesting wind and solar farms in core markets as well as acquiring new projects over the course of the year.

Revenue totalled EUR 140.8 million (up from EUR 73.6 million in 2015). The revenue was generated by the divestment of wind and solar farms, the sale of electricity, asset management and other fees.

The Group's most important revenue source is the divestment of wind and solar farms. This revenue increased from EUR 64.9 million in 2015 to EUR 130.2 million in 2016. The wind and solar farms delivered in 2016 were larger than in 2015, and especially in Denmark, the numbers of divestments increased compared to 2015.

The revenue from electricity sales increased to EUR 8.9 million from EUR 5.8 million in 2015. This was mainly due to electricity sold from six UK solar farms, which are a part of the inventory. In 2017, three of these solar farms have been sold. The remaining three solar farms are also expected to be sold in 2017. This is also a

## Financial performance

consequence of the change in revenue recognition we will see in the future. When the recognition date for the sale of wind or solar farms has been postponed, the revenue from electricity sales in the period between grid-connection and final handover to the customer will be added to the sale of electricity in the segment analysis, where it was previously added to the revenue from sale of wind and solar farms.

A smaller increase of EUR 0.5 million in the sale of electricity came from the addition of projects in Denmark and Germany.

The asset management fee was EUR 1.2 million in 2016, the same as in 2015.

Some of the equity-accounted investments are in development companies that have no operational assets as yet but have been established with purpose of constructing and later divesting a wind or solar farm. These companies are SPVs not controlled by the Group. None of these companies were divested during 2016, but write downs carried out for a part of the project portfolio led to a negative result in the development companies of EUR 2.5 million for the year. In 2015 the result was EUR 45 thousand.

Profit after tax on equity-accounted investments

(joint ventures and associated companies) came to EUR 1.5 million compared to EUR 1.8 million in 2015. In terms of wind resources 2016 was not as good as 2015. This decline is primarily reflected in this line, as most of European Energy's investments in joint ventures and associates are wind farms.

Direct costs totalled EUR 107.3 million, which includes IAS 8 corrections for the recognition of the divestment of two wind parks of EUR 35.6 million. In 2015, the direct cost was EUR 57.5 million.

Gross profit amounted to EUR 32.5 million in 2016 (up from EUR 18.0 million in 2015), which resulted in a gross margin of 23.1% (down from 24.5% in 2015). EBITDA totalled EUR 24.9 million in 2016 (up from EUR 10.8 million in 2015).

Net financial expenses increased to EUR 5.4 million (up from EUR 2.9 million in 2015). The increase is mainly attributable to the fact that net foreign exchange gains in 2016 were close to zero compared to EUR 1.4 million in 2015, and to the additional financing costs resulting from increased construction activities during the year.

The profit before tax more than doubled in 2016 to EUR 17.9 million, up from EUR 6.4 million in 2015. Tax for the year is recognised at EUR 2.3

million compared to EUR 2.9 million in 2015. Tax expenses in 2015 were high compared to the taxable profit in 2015, due to the impairment of a deferred tax asset of EUR 1.0 million and the recognition of a tax audit in Germany for the years 2006-2009 with a tax expense of EUR 1.6 million.

### The balance sheet

The change in accounting policy also influenced the balance sheet. As revenue recognition for a sale of a project was deferred for three to nine months the equity and the receivables from customers decreased and the inventory increased at the transition date 1 January 2016.

Property, plant and equipment increased from EUR 45.5 million in 2015 to EUR 51.3 million in 2016. The Group's aim is for all constructions or acquisitions carried out to be for the purpose of sale. The vast majority of acquisitions are therefore presented in inventories. The value of plants on the balance sheet only increases when investments are made with no immediate expectation of a future sale of the project.

Equity-accounted investments (joint ventures and associates) totalled EUR 18.2 million, down from EUR 19.0 million in 2015. The decrease is attributable to the fact that the equity accounted companies realised a total deficit of EUR 1.0

## Financial performance

million for 2016, attributable to write-downs of inventory in development companies, and a net acquisition of associated companies.

Loans to related parties decreased by EUR 4.5 million to a total of EUR 21.1 million.

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

Trade receivables and contract assets increased to EUR 17.1 million in 2016 from a total of EUR 15.4 million in 2015. The long-term part hereof decreased to EUR 5.5 million from EUR 9.0 million in 2015.

Inventories decreased to EUR 72.2 million from EUR 75.7 million in 2015. This is not a sign of the Group's activity stalling, but rather a result of the fact that the number of inventory days decreased after the implementation of a strategy to buy more ready-to-build projects instead of developing projects from greenfield.

European Energy focuses on evaluating the likelihood of a project's success and reviews projects on an ongoing basis with the aim of making impairments, if needed. A special focus

is put on projects in the early stages (before construction). The net value of inventory under development decreased from EUR 9.6 million in 2015 to EUR 5.4 in 2016.

Net deferred taxes in the balance sheet fell from a net asset of EUR 3.9 million in 2015 to EUR 1.3 million in 2016. The decrease was caused by the use of tax losses in countries where European Energy had profitable activities during the year.

The total balance decreased to EUR 218.5 million in 2016 (down from EUR 223.2 million in 2015).

### Cash flow statement

The higher activity level has led to a positive cash flow from operations of EUR 7.3 million (EUR -17.1 million in 2015). The profit before tax of EUR 17.9 million (EUR 6.4 million in 2015) was counterbalanced by a change in net working capital of EUR -10.9 million (EUR -20.5 million in 2015), which includes a net payment of trade payables of EUR 6.3 million (in 2015 the major net cash driver in working capital was the net use of cash to increase inventory of EUR 25.7 million).

Net cash flow from operations and from investing activities totalled EUR 7.2 million (EUR 22.5 million in 2015), and the amount was used to pay minority shareholders for their part of the bridge financing used for the construction of a wind farm sold in 2016. This resulted in a negative

cash flow from financing activities of EUR 8.0 million giving a net change in cash for the year of minus EUR 0.9 million. In 2015 the cash flow from financing activities was positive with EUR 20.0 million and the net change in cash was negative with EUR 2.5 million.

### Capital management

The parent company of the Group, European Energy A/S, is financed primarily through the bond market in Sweden. European Energy's policy is to maintain a strong capital base that enables it to attract investors and other creditors. European Energy A/S cannot pay out dividends until the EUR 45 million bond is repaid in March 2018.

The Board of Directors and Management expect the Group to refinance the bonds in 2017 and are currently investigating the refinancing opportunities. The investigations include the specific structure, size and timing of a new facility. On the basis of clarifying conversations the overall market conditions for such refinancing are considered positive. European Energy expects the refinancing to be in the size of EUR 50-75 million to support continued growth.

The EUR 45 million bond has a number of covenants. One of them is that the equity ratio of the group should not fall below 25%.





Kappel test wind farm, 25 MW, Denmark



## Financial performance

The equity ratio is 29.3% in 2016 up from 25.5% in 2015. IFRS 15 implementation postpones income and profit, so Management is content with the fact that the equity ratio at end-2016 maintained a level above 25%.

In addition, a subsidiary issued a separate bond of EUR 7.6 million in 2007, which will mature at 31 December 2017. European Energy has an exposure of this in the amount of EUR 1.7 million structured as a loan to the subsidiary. In 2017, the bond holders in the subsidiary have accepted to prolong the maturity of the bond until 7 May 2018. Management plans to repay the net outstanding amount of EUR 1.7 million with available cash at maturity.

The Group constantly monitors the liquidity in order to mitigate any shortage of funds. The Group aims to maintain a balance between funding continuity and flexibility using revolving credit facilities, bank loans and bond issues. The Group currently funds construction costs partly through bank loans, which are replaced by non-recourse project financing when the project goes into operation. The EUR 45 million bond is used to finance some construction projects as well as investments in projects not yet at the construction phase. The EUR 45 million bond funds a major portion of the Group's activities, and thus represents a concentration of risk.

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

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

At the end of 2016 the Group's cash balance was EUR 15.1 million, of which EUR 10.2 million was free cash (in 2015 the cash balance was EUR 15.9 million with EUR 12.9 million in free cash). Management and the Board of Directors evaluate that the Group has sufficient available cash.

### Uncertainty with regard to recognition and measurement

#### Revenue recognition

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

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

#### Inventory/projects valuation

Evaluating inventory, especially projects still under development, involves a risk relating to the likelihood of a project's success. Management continuously evaluates all projects on the basis of their financial viability and feasibility. In 2016 this led to a EUR 2.4 million impairment of inventory (write-off or write-down), as explained in the disclosure note 2.4.





Knud Erik Andersen, CEO and Jens-Peter Zink, Executive Vice President



# Financial performance of the parent company

## Profit and loss

The revenue of the Group's parent company, European Energy A/S, totalled EUR 81.9 million in 2016 (EUR 58.6 million in 2015). Profit after tax for equity-accounted investments totalled EUR 6.5 million, up from EUR -5.8 million in 2015. The gross profit in 2016 increased to EUR 28.1 million, up from EUR 12.7 in 2015. The higher gross profit is attributable to European Energy's increased activity level. The staff costs of the parent company closely resemble those of the Group, as 95% of the staff is employed by the parent company. Staff costs totalled EUR 7.2 million versus EUR 5.8 million in 2015. On Group level, the staff costs directly related to projects are recognised as additions to inventory, and thus capitalized. This is why Group staff costs are lower than parent company staff costs.

Net financial expenses totalled EUR 2.8 million compared to EUR 1.2 million in 2015. The increase is closely linked to foreign exchange gains of EUR 1.5 million in 2015 compared to a cost of EUR 0.4 million in 2016.

Profit before tax totalled EUR 16.7 million, which

is considerably higher than 2015 (EUR 4.6 million). The taxes for the year totalled EUR 1.6 million, an increase from EUR 0.9 in 2015.

## The balance sheet

All operating activities, sale of electricity and ownership of power generating assets is structured in operating companies, their being subsidiaries, associated companies or other investments of the parent company. Therefore, equipment is the only property, plant and equipment of the parent company.

Investment in subsidiaries increased to EUR 27.1 million (EUR 18.9 million in 2015). The increase is attributable to the higher activity level. Joint Venture investments dropped from EUR 7.2 million in 2015 to EUR 5.4 million in 2016 due to inventory write downs in the development companies. Investments in associated companies increased from EUR 4.5 million in 2015 to EUR 5.0 million in 2016, which is a sum of net income in the associated operating companies of EUR 0.3 million and net additions made in 2016.

Loans to subsidiaries was EUR 47.2 million in

2015 and increased to EUR 47.8 million in 2016. Loans to related parties dropped from EUR 20.9 million in 2015 to EUR 17.1 million in 2016. Deferred tax assets dropped from EUR 2.3 million in 2015 to EUR 1.0 million in 2016, reflecting the taxable income in the parent company.

Trade receivables and contract assets increased to EUR 8.8 million from EUR 5.9 million due to the sale of two wind farms in Denmark in 2016, with part of the sales price being regulated by an earn-out agreement.

On the liabilities side the trade payables increased to EUR 5.7 million from EUR 3.1 million in 2015. Payables to subsidiaries decreased by nearly EUR 6 million from EUR 16.0 million in 2015 to 10.1 million in 2016.

Although the equity ratio has increased to 46% from 37% in 2015, the parent company has made no dividend proposal to its shareholders. Due to the covenants of the EUR 45 million bond listed on the NASDAQ stock exchange in Stockholm, European Energy A/S cannot pay out dividends until the bond is repaid.



Welcome to Säsong  
TOWER

Jonny Thorsted Jonasson  
Chief Financial Officer



Our  
business

# Divestment

The wind and solar farms divested by European Energy in 2016 had a cumulative enterprise value of EUR 230 million (including EUR 115 million restated from 2015), including third party equity interests and a total capacity of 252 MW.

Because of the adoption of IFRS 15, European Energy recognises both sales concluded in 2016 and the restatement of certain sales from 2015. In total, European Energy concluded divestments of six onshore wind farms in Denmark and Germany as well as the solar farm in Vandel, Denmark. The projects represented a total capacity of 169 MW and they produce enough energy to power more than 70,000 Danish households.

Additionally, the joint venture Nordic Power Partner sold its entire 20% ownership share in the 82-MW onshore wind development project, Al Rajef, in Jordan. The ownership share was sold to a local industrial buyer after securing a power purchase agreement with the Jordanian government.

## Wind farms divested in 2016

Site	Country	Buyer	Restatement from earlier years	MW*
Frehne	Germany	Professional investor	No	2.0
Mönchsrot	Germany	Professional investor	Yes	6.9
Renkenberge	Germany	Professional investor	No	2.0
Vetschau	Germany	Utility	Yes	12.0
Rødby Fjord	Denmark	Utilities	No	38.0
Ulvemosen	Denmark	Institutional investor	Yes	34.5
Al Rajef	Jordan	Industrial buyer	No	82.0
<b>Total</b>				<b>177.4</b>

\* Including 3rd party equity interests

## Solar farms divested in 2016

Site	Country	Buyer	Restatement from earlier years	MW*
Vandel	Denmark	Institutional investor	Yes	74.4
<b>Total</b>				<b>74.4</b>

\* Including 3rd party equity interests

## Divestment

Securing long-term non-recourse project financing is decisive for establishing the most interesting and profitable turn-key projects that institutional investors acquire. In 2016, European Energy and its partners succeeded in closing several project financing facilities for projects under construction for a total of EUR 140 million.

The projects financed are two German wind farms totalling 60 MW, three Finnish wind farms totalling 17 MW and an Italian wind farm of 20 MW. European Energy has already signed a sales agreement on the Finnish projects, while the German and Italian projects are part of the short-term divestment pipeline. The project finance agreements are expected to contribute substantially to the market value of the projects.

All in all, when combining own developments, partnerships and project acquisition, European Energy had 166 MW of wind and solar farms in the construction phase as at the end of 2016 on which sales agreements have been signed for 17 MW. The portfolio of ready to build projects consists of 242 MW of both wind and solar farms. As such, 149 MW of projects under construction and 242 MW of projects ready to build totalling 391 MW collectively constitute European Energy's sales pipeline in the short- to medium-term.

### Case study – Project financing enabling profitable divestment in Vetschau

Institutional and professional investors are often looking to acquire turnkey projects that include long-term non-recourse project financing. Therefore, European Energy aims to enhance the value of projects and prepare them for sale by closing project finance agreements with leverage of up to 80%. In 2016, European Energy and partners closed an agreement concerning the divestment of a wind farm in Germany with a total capacity of 12 MW. The wind farm is located close to Cottbus and consists of five Nordex 2.4-MW wind turbines installed on 141-metres hybrid towers. Buyer of the wind park is Envia Mitteldeutsche Energie AG, a German utility company.

A successful divestment depends on the availability of attractive project financing. European Energy originated and structured this financing.

“European Energy A/S is an international company with a regional understanding. The knowledge of the German wind market was important for a successful project takeover. We are looking forward to further business with European Energy A/S.”

**Managing director Thomas Kühnert of  
Envia THERM GmbH**

Vetschau wind farm, 12 MW, Germany





Emil Vikjær-Andresen, Chief Legal Officer and Holger Bang, Chief Investment Officer



# Sale of electricity

At end-2016, European Energy owned wind and solar power generating assets with a net capacity of 156 MW, delivering renewable energy to consumers in Germany, the UK, Denmark, Italy, Bulgaria and Spain. The total electricity

production amounted to 200 GWh in 2016, enough energy to power around 50,000 households. The sale of electricity grew by 5.2% to EUR 24.3 million in 2016. This growth is mainly due to the acquisition and construction of new

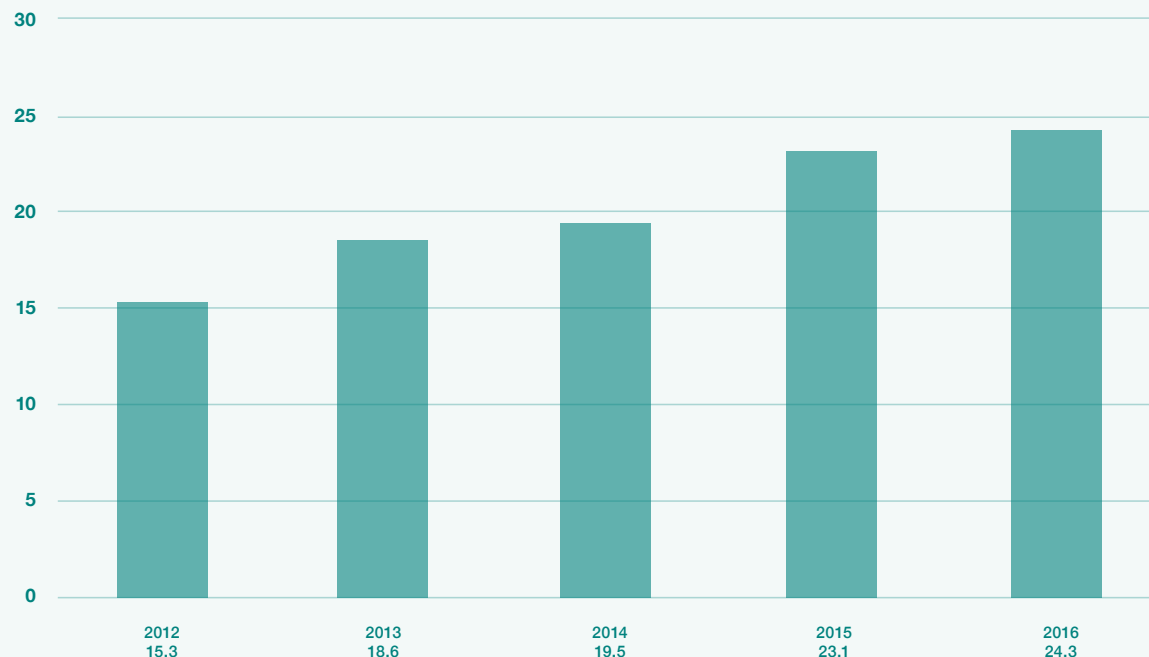
capacity, as the wind resources in 2016 were weaker than in 2015.

European Energy often co-owns assets with partners ranging from utilities to private Danish investors. The portfolio primarily consists of assets constructed by European Energy as well as older operational parks acquired with the aim of repowering them. The repowering process involves replacing aging, small turbines with newer, more efficient ones.

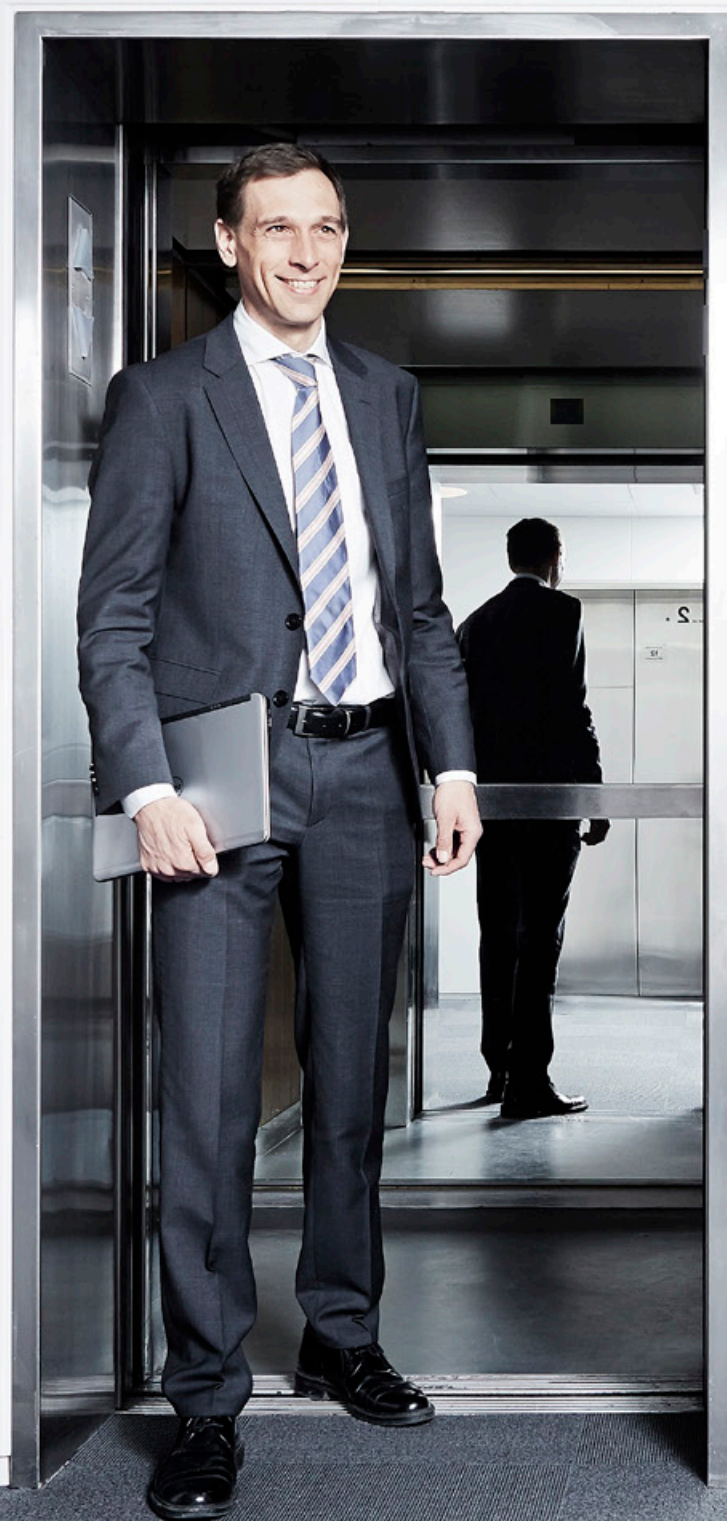
Power prices continued the trend with low prices across the board for all 2016. Electricity prices are highly likely to remain low in 2017. However, thanks to long-term power purchase agreements and long-term feed-in tariffs, the low market prices have a limited impact on European Energy's revenue. To the extent possible and where economically feasible, European Energy sells the produced electricity by way of power purchase agreements. At the same time, most German wind turbines, representing 65% of European Energy's power generating assets, receive a predetermined feed-in tariff for 20 years after commissioning.

## Sale of electricity

EUR M



Thomas Hvalsø Hansen  
Chief Operating Officer



# Power generating assets

## Equity interests in wind\*

Country	Name	Gross MW	Equity interests	Net MW
Bulgaria	Krupen	12.0	49.0%	5.9
Bulgaria	Straldja	2.4	12.5%	0.3
Denmark	Måde	16.0	47.0%	7.5
Denmark	Rødby Fjord WTG3	3.5	54.5%	1.9
Denmark	Søllested	3.0	7.4%	0.2
Germany	Bad Iburg	6.1	25.0%	1.5
Germany	Eichow 1.7	2.0	50.0%	1.0
Germany	Emskirchen	6.0	31.9%	1.9
Germany	FWE Windpark 3 Standorte K/S	5.7	49.5%	2.8
Germany	FWE Windpark Kranenburg K/S	10.5	49.5%	5.2
Germany	FWE Windpark Scheddebrock K/S	7.5	49.5%	3.7
Germany	FWE Windpark TIS K/S	28.0	49.5%	13.9
Germany	FWE Windpark Westerberg K/S	18.0	49.5%	8.9
Germany	FWE Windpark Wittstedt K/S	10.5	49.5%	5.2
Germany	FWE Windpark Wulfshagen K/S	11.0	49.5%	5.4
Germany	Gommern I	18.0	6.2%	1.1
Germany	Gommern II	4.0	6.2%	0.2
Germany	Güstow	0.6	100.0%	0.6
Germany	Losheim	7.5	31.9%	2.4
Germany	Ottenhausen	16.0	34.2%	5.5
Germany	Prignitz	25.5	31.9%	8.1
Germany	Prittitz	27.0	49.5%	13.4
Germany	Schäcksdorf VI	2.0	50.0%	1.0
Germany	Timpberg 10	2.0	50.0%	1.0
Germany	Timpberg 9	2.0	50.0%	1.0
Germany	Unseburg Löderburg	18.0	20.0%	3.6
Germany	Wernikow 7.2	8.4	50.0%	4.2
Germany	Wernikow 7.3	2.4	50.0%	1.2
Germany	Wittstock-Papenbruch 5.4	2.6	50.0%	1.3
Germany	Wittstock-Papenbruch 5.5	2.6	5.0%	0.1
Germany	Wriezener Höhe	48.0	15.0%	7.2
Italy	Carpinaccio	13.6	27.0%	3.7
Italy	Riparbella	20.0	11.1%	2.2
<b>Total Wind</b>		<b>362.3</b>		<b>123.2</b>

\* Including 3rd party equity interests

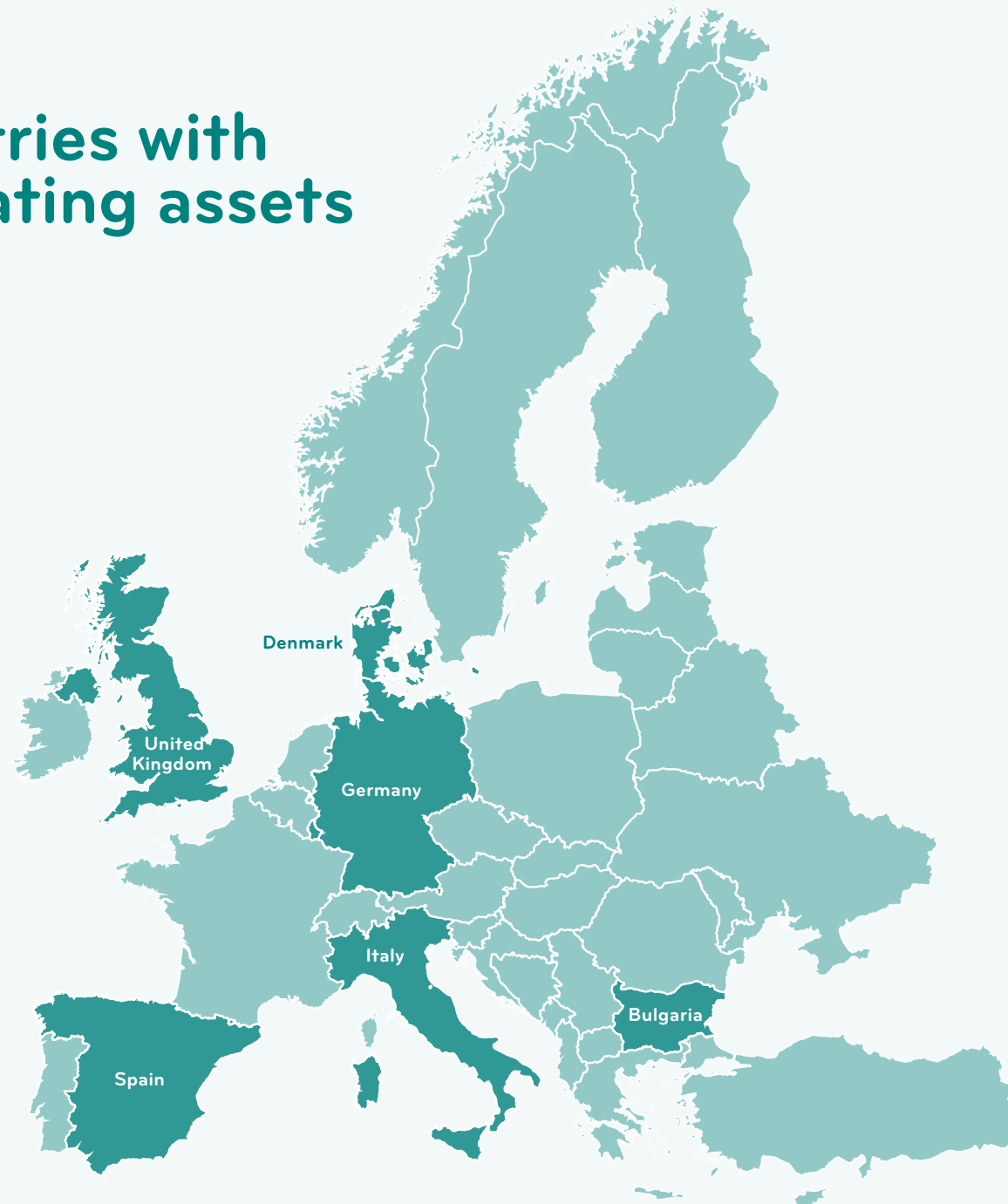
## Equity interests in solar PV\*

Country	Name	Gross MW	Equity interests	Net MW
Germany	Mando 29	0.9	76.0%	0.7
Italy	Soletto	1.0	50.0%	0.5
Spain	Beniarbeig	2.0	16.5%	0.3
Spain	Campllong	1.1	79.7%	0.8
Spain	Ibiza	0.2	79.7%	0.2
Spain	La Pobla	0.2	79.7%	0.2
Spain	L'Olleria	1.5	79.7%	1.2
Spain	L'Olleria II	1.2	45.0%	0.5
Spain	Monovar	2.0	79.7%	1.6
Spain	Ocaña	1.2	79.7%	0.9
Spain	Villanueva	2.4	79.7%	1.9
United Kingdom	Canewdon	5.0	79.7%	4.0
United Kingdom	High Leas	4.9	79.7%	3.9
United Kingdom	West End Farm	4.9	79.7%	3.9
United Kingdom	Canewdon CIC	5.0	79.7%	4.0
United Kingdom	West End Farm CIC	4.9	79.7%	3.9
United Kingdom	Woodhouse	4.9	79.7%	3.9
<b>Total Solar PV</b>		<b>43.1</b>		<b>32.3</b>

<b>Total Wind and Solar PV</b>	<b>405.4</b>	<b>155.5</b>
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\* Including 3rd party equity interests

## Map of countries with power generating assets





# Asset management

## Asset Management

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

## 2016 results

In 2016, European Energy managed a portfolio of power generating assets totalling 324 wind turbines and 22 solar farms. The power generating assets under management produced a total of 805,219 MWh in 2016, which is enough energy to power more than 200,000 Danish households. The capacity of power generating assets under management amounts to 710 MW,

of which 156 MW are owned directly and indirectly by European Energy. The revenue generated from asset management amounted to EUR 1.2 million in 2016.

## How European Energy carries out asset management

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

European Energy aims to identify risks early and thus to reduce the impact on hardware as well as on the performance and production of the

assets. This is achieved through a combination of remote monitoring and site visits.

A man with grey hair, wearing a dark suit, white shirt, and a blue and gold striped tie, stands in an office. He is looking directly at the camera with a slight smile. The background is a blurred office environment with desks, computers, and bookshelves.

### Case study - A professional asset management partner

Professional asset management services allow investors to make passive, low-risk investments in a green future. Therefore, pension funds investing in renewable energy see reliable operation and management as a top priority.

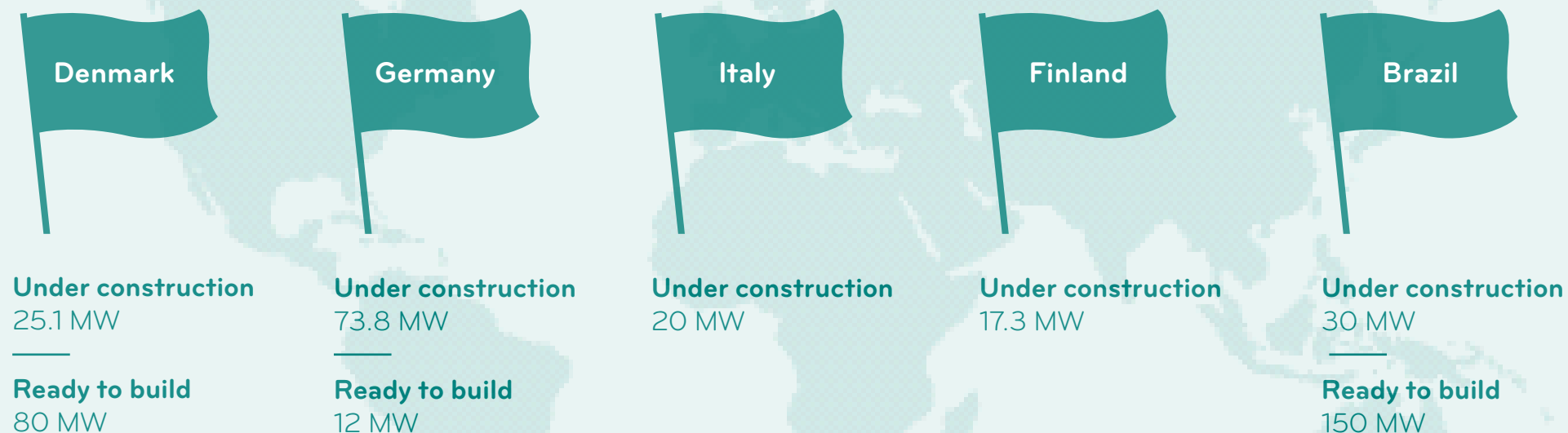
Sampension, Denmark's third largest pension fund, has chosen European Energy as its asset management partner for its portfolio of 11 wind farms in Germany and Sweden. The parks have an enterprise value of EUR 188 million and a capacity of 146 MW.

European Energy will, in cooperation with Sampension, also look into increasing the capacity of the parks by repowering and concentrating them to further benefit both parties.

"European Energy is very experienced in asset management of wind farms. Therefore, Sampension has entrusted European Energy with optimizing the performance of our wind farm portfolio in Sweden and Germany."

**Chief Investment Officer in Sampension,  
Henrik Olejasz Larsen**

# Development and construction activities



The MW capacity includes 3rd party equity interests

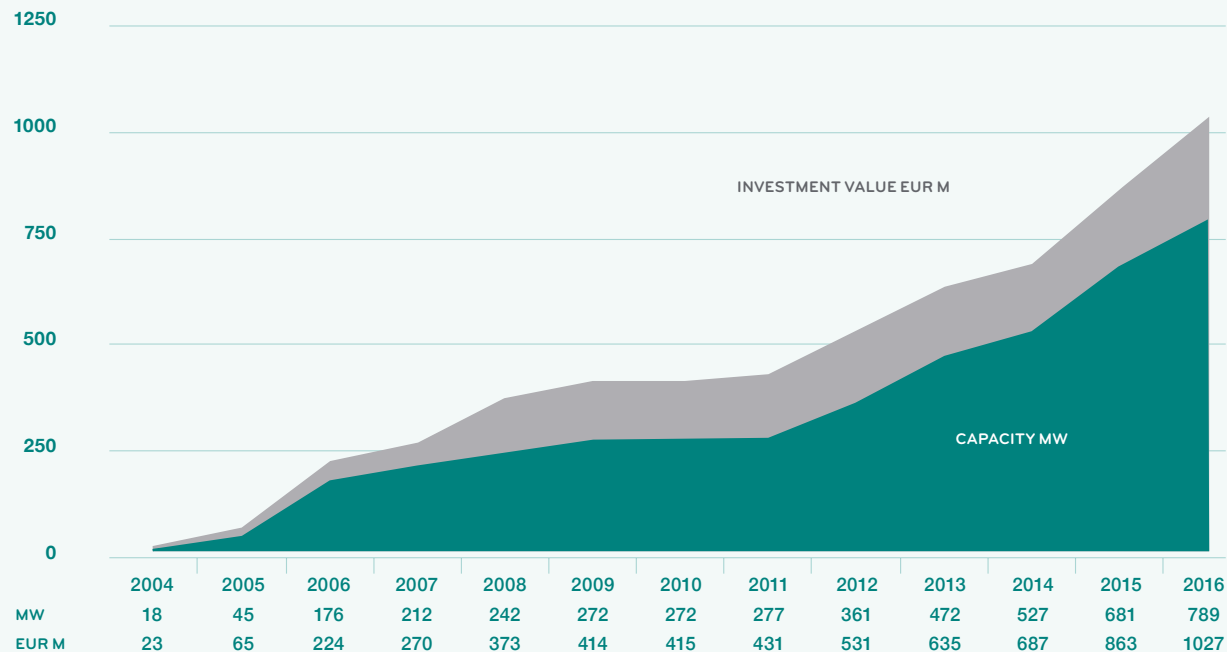
# Development and construction

2016 was another busy year at European Energy with regard to development and construction activities. European Energy constructed and grid-connected wind and solar farms with an investment value of EUR 164 million. In total,

European Energy has developed, constructed and acquired approximately 800 MW valued at more than EUR 1 billion since its beginning in 2004. European Energy's dedicated employees have developed the majority of these projects

from the greenfield stage. The construction of several other projects is well underway, and with a development portfolio of more than 2 GW of additional project rights, construction activities are set to expand in the years to come.

## Developed, constructed & acquired power generating assets 2004-16





# INVESTMENT IN RENEWABLE ENERGY TOTALLED USD 313 BILLION IN 2016

SOURCE: INTERNATIONAL ENERGY AGENCY



Construction of 48 MW wind farm in Vormark, Germany

## Development and construction

### Construction activities in 2016

In 2016, European Energy extended its construction activities to cover six countries, being responsible for construction activities in Denmark, the UK, Germany, Italy, Finland and Brazil. By the end of 2016, projects with a capacity of 108 MW at eight different sites had been constructed. Projects with a capacity of 166 MW were under construction as at end-2016, and are expected to become grid-connected in 2017 and 2018.

### Wind farms

In 2016, European Energy finished construction and grid-connected five wind farms. Two major wind farms, Rødby Fjord and Ulvemosen, with a combined capacity of 73 MW were constructed and grid-connected in Denmark. In Germany, European Energy continued its construction activities and connected the wind farms Vetschau, Mönchsrot and Frehne with a total capacity of 21 MW to the grid. In total, European Energy connected 93 MW of wind energy capacity to the grid in 2016, which now delivers approximately 293,000 MWh per year of renewable energy. This is enough to power more than 70,000 Danish households.

At the end of 2016, construction activities at additional sites were ongoing and expected to be completed in 2017. In Denmark, European

Energy completed the construction and grid-connection of a wind farm with a capacity of 25 MW at the Kappel site in April 2017.

In Finland, European Energy began the construction of three wind farms at the sites of Jeppo, Haukineva and Vihreäsaari for a combined capacity of 17 MW. These projects are expected to become operational during the first half of 2017. Other interesting opportunities are likely to unfold in the Finnish market in the short- to medium-term.


In Germany, several wind farms are under construction and expected to become grid-connected in 2017. In total, European Energy is building at five different German sites with a total capacity of 74 MW. In 2016, the German government adopted a new renewable energy act, known as the “Erneuerbare-Energien-Gesetz 2017” or “EEG 2017”. The newly introduced auction system for all renewable energy sources and an annual volume cap of 2,800 MW for onshore wind are expected to bring down the prices per kWh. However, experience from other countries’ auction systems and the strong project pipeline in Germany mean that European Energy expects to develop many new wind farms in Germany in the years to come.

### Wind farms grid connected at end-2016

Site	Country	MW*
Rødby Fjord	Denmark	38.0
Ulvemosen	Denmark	34.5
Frehne	Germany	2.0
Mönchsrot	Germany	6.9
Vetschau	Germany	12.0
<b>Total</b>		<b>93.4</b>

\* Including 3rd party equity interests





ONE WIND TURBINE  
COULD POWER 1000  
HOMES IN 2004. IN 2016  
THE NUMBER WAS 9000

New 8 MW turbines next to old turbine in Måde, Denmark



## Development and construction

In Italy, European Energy constructed the Oppido wind farm only eight months after acquiring the project from an Italian developer. The wind farm became operational a few days into 2017. In general, the Italian market currently presents interesting opportunities, which are being carefully monitored and could lead to additional engagements in the market. All in all, European Energy had construction activities regarding wind farms with a total capacity of 136 MW at the end of 2016.

### Wind farms under construction at end-2016

Site	Country	MW*
Kappel**	Denmark	25.1
Jeppo**	Finland	6.9
Haukineva**	Finland	6.9
Vihreäsaari**	Finland	3.5
Gilmerdingen	Germany	12.0
Lüdersdorf	Germany	6.6
Schochodde	Germany	3.5
Vormark**	Germany	48.3
Werneuchen	Germany	3.5
Oppido***	Italy	20.0
<b>Total</b>		<b>136.3</b>

\* Including 3rd party equity interests

\*\* Projects with signed sales agreements in 2016 and 2017

\*\*\* Constructed in 2016 – grid-connected on 4 January 2017

### Solar farms

During 2016, European Energy completed the construction of three additional solar farms in the UK with a total capacity of 15 MW. Two of the sites, West End Farm and Canewdon, were constructed under the Community Interest Company (CIC) scheme. The CICs are required to donate two thirds of their profit to charity. The third site was constructed in cooperation with the car manufacturer Nissan and will power its production of electric cars etc. In total, European Energy has built eight solar farms in the UK over the course of three years.

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

Nordic Power Partners started construction on the first of three 30-MW solar farms in Paraíba, a state in northeastern Brazil, and two other projects are ready to build. The projects have been developed together with a local partner

and have secured a 20-year power purchase agreement with the Brazilian government. All three projects are expected to be connected to the grid by the end of 2018.

### Solar farms grid connected at end-2016

Site	Country	MW*
Canewdon CIC	UK	5.0
West End Farm CIC	UK	4.9
Woodhouse	UK	4.7
<b>Total</b>		<b>14.6</b>

\* Including 3rd party equity interests

### Solar farms under construction at end-2016

Site	Country	MW*
Coremas 2	Brazil	30.0
<b>Total</b>		<b>30.0</b>

\* Including 3rd party equity interests



Mikael D. Pedersen, Chief Technology Officer

## Development and construction

### Ready-to-build projects and development activities

European Energy is on the constant lookout for new development projects. The aim is to maintain a broad range of future investment opportunities by growing a geographically and technologically diverse portfolio. In 2016, European Energy considerably reduced the project portfolio from 2,975 MW by the end of 2015 to 2,045 MW at the end of 2016. Besides the addition of new projects European Energy succeeded in completing the construction of approximately 100 MW from the project portfolio in 2016, but the considerable reduction in portfolio capacity was mainly attributable to the removal of some of the Danish near- and offshore wind farms from the portfolio.

### Ready-to-build projects

By the end of 2016, European Energy had secured the rights and permits to build a significant number of projects expected to be realised in 2017. The projects considered ready to build are spread over several European countries and Brazil. The total capacity of European Energy's portfolio of ready-to-build projects is 242 MW and includes both wind and solar farms.

Among the projects ready to build are solar farms with a capacity of 50 MW in Denmark. In

2016, European Energy successfully tendered the projects, winning the German government's 50-MW pilot tender for solar power, which allowed the participation of projects located outside of Germany. European Energy will construct the solar farms in the first half of 2018.

Following a highly successful year in terms of new solar farms in Denmark, the Danish Government decided in 2016 to cap the distribution of subsidies for new solar farms. Before the solar programme was closed down, European Energy managed to secure feed-in tariffs for a number of solar farms totalling 22 MW of capacity and now ready for construction in the coming year.

At the Måde site, European Energy is in the process of expanding an existing wind farm constructed in 2015 with 8 MW to a total of 24 MW.

Brazil is also expected to be an interesting market for European Energy, having ready-to-build projects with a total capacity of 150 MW as well as Coremas 2, a 30-MW project already under construction.

### Development activities

At end-2016, European Energy's main markets for development projects are Denmark, Finland,

Germany and Sweden. The project portfolio comprises both solar power as well as onshore and nearshore wind farms. European Energy expects the same high level of activity in 2017, with construction of development portfolio projects already in progress and new projects in the pipeline. Opportunities like the Italian wind farm, Oppido, demonstrate European Energy's ability to take on new projects and ensure their effective completion even when they are not part of the existing development portfolio. Consequently, 2017 is likely to offer new and diverse project opportunities for European Energy.

### Near- and offshore wind

European Energy and its partners participated in two near- and offshore wind tenders conducted by the Danish Energy Agency in 2016. European Energy and its partners were one of three prequalified bidders in the 350-MW tender process for nearshore wind sites, and one of seven prequalified bidders in the 600-MW tender for the offshore site known as Kriegers Flak. Competition for the offshore tender was substantial, with the other six prequalified contenders being Hofer/WPD, DONG, EnBW, Vattenfall, E.ON/Statoil and ScottishPower.



## Development and construction

European Energy prepared its participation during late 2015 and most of 2016, becoming a strong competitor in each of the tenders. However, Vattenfall won both with record-low prices. The nearshore auction achieved a price of 0.475 DKK/kWh during 50,000 full load hours (equivalent to approximately 0.0638 EUR/kWh), and the offshore tender was won with a bid of 0.372 DKK/kWh during 50,000 full load hours (equivalent to approximately 0.0499 EUR/kWh) – the world's lowest price to date.

European Energy still expects to develop its nearshore portfolio under the Danish government's "Open Door" procedure, initiated in 2012. The two sites of Omø South and Jammerland Bay, with a combined capacity of up to 560 MW, are in the process of obtaining Environment Impact Assessment approval. European Energy has also applied to develop the nearshore site Mejl Flak, situated off the coast of Aarhus, Denmark's second largest city.

### Ready-to-build solar farms

Site	Country	MW*
Boa Hora 1	Brazil	30.0
Boa Hora 2	Brazil	30.0
Boa Hora 3	Brazil	30.0
Coremas 1	Brazil	30.0
Coremas 3	Brazil	30.0
Site 1	Denmark	5.0
Site 2	Denmark	7.0
Site 3	Denmark	10.0
German tender - site 1	Denmark	10.0
German tender - site 2	Denmark	10.0
German tender - site 3	Denmark	10.0
German tender - site 4	Denmark	10.0
German tender - site 5	Denmark	10.0
<b>Total</b>		<b>222.0</b>

\* Including 3rd party equity interests

### Ready-to-build wind farms

Site	Country	MW*
Lohkamp	Germany	12.0
Måde 3	Denmark	8.0
<b>Total</b>		<b>20.0</b>

\* Including 3rd party equity interests

### **Case study - First cross-border tender**

In Europe, national and cross-border auctions are to a great extent replacing feed-in tariffs, as power grids become interconnected and maturing solar and wind technologies become more commercially competitive. The outcomes have demonstrated that auctions can pave the way for further cost reductions.

The German government held the first-ever EU cross-border auction in 2016, tendering the construction of 50 MW of solar energy in either Denmark or Germany. European Energy won all 50 MW with a bid of EUR 5.38 cents/kWh and will receive this fixed feed-in tariff for 20 years. European Energy was able to cut costs by 25% compared to the previous German auction held just four months earlier. European Energy is planning to build the five solar farms on sites in Denmark in the first half of 2018.



Construction of a solar farm, Denmark

# Trends



# Trends: Energy cost and demand

## Supply: Cost reductions

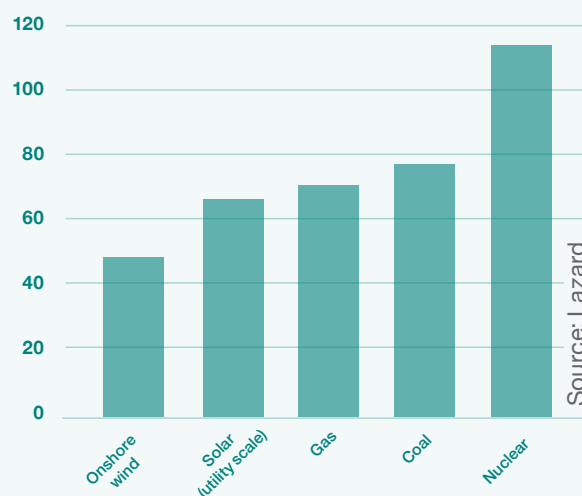
2016 was a game changer for renewable energy. New wind and solar power capacity continues to lower electricity costs for end users and is fully competitive against coal, gas and nuclear power in most markets. In short, wind and solar power have commercially matured.

The profitability of a renewable energy project depends on various factors, including site conditions, electricity prices, surrounding infrastructure, etc., but renewable power generation technologies are becoming competitive under a rapidly expanding range of conditions, including site location. The fact that solar power is competitive even in northern Europe is a case in point.

The chart to the right confirms this global development. It shows the current levelised cost of energy from different energy resources in US market terms, which are assumed to be among the most competitive globally. It also shows that onshore wind and utility scale solar farms are the most competitive energy assets today.

## Levelized cost of energy

USD / MWh



Since 2010 the levelised costs of energy have decreased by 66% for wind power, and by 85% for solar power, according to Lazard, a global financial advisory and asset management firm. Technological improvements that make wind and solar farms more efficient have partially driven these cost reductions. However, the decrease in

levelised cost of energy now enables wind and solar farms to exploit sites that were previously less economically attractive.

More importantly, global demand for renewable energy has increased significantly in step with declining costs, thus allowing for economies of scale and improved manufacturing efficiency.

This is a logical consequence of the developments and will gather momentum as cost competitiveness becomes more pronounced. In 2016, the global installation of renewable energy amounted to 55 GW of wind power and 75 GW of solar power.

Finally, developers like European Energy have attained the size necessary to ensure effective procurement, and have gained the experience to choose the designs yielding the lowest costs on each site, to drive down construction costs and to establish the most efficient capital structure with banks and institutional investors. In short, the cost reductions have been achieved by optimising every link in the value chain.

## Trends

According to the International Renewable Energy Agency (IRENA), this development is expected to continue in the years to come. IRENA forecasts that the cost of solar and onshore wind energy will go down by 59% and 26%, respectively, by 2025. European Energy's suppliers confirm this assessment, also shared by European Energy.

The cost reductions will eventually make newly installed wind and solar farms competitive with existing coal and gas generators, since the marginal fuel costs of fossil-fuel power production will exceed the price of power from wind and solar farms. Bloomberg New Energy Finance expects this to happen within the next 10 years. It will represent the next major tipping point for the wind and solar industry, since at that point the market will see the closing of traditional power plants and an extremely rapid deployment of renewable energy around the globe.

### **Demand: market trends**

European Energy expects the market for renewable energy to grow in the years ahead, as economic interests and political goals to fight climate change converge. Bloomberg New Energy Finance forecasts that the market for solar and wind power will grow to 134 GW in 2017. The demand for renewable energy will increase still further as electric vehicles replace more conventional cars, and consumers make

the expected shift to renewable electricity as a means of reducing their heating bills.

Wind and solar power will no longer be alternative energy resources, but rather the mainstream choice. This development will have considerable implications for the market. Backing for national support schemes is diminishing as states move their focus to procuring cheap renewable energy instead. National or cross-border auctions are expected to rapidly replace feed-in tariffs, using competition between developers of renewable energy to drive down costs.

Another strong market trend is the substantial role that large companies are prepared to play in the transition to renewable energy. Corporations have announced plans to become fully powered by renewable energy, using their purchasing power to procure and generate electricity from renewable energy sources and thus mitigating their contribution to climate change while also saving costs. Corporations like Novo Nordisk, Danske Bank, H&M and Tetra Pak plan to go fossil-fuel free during the next five years, and many other companies are following suit. To deliver on their promises, these companies are looking to enter into private power purchase agreements with developers.

### **Next step: the storage solution**

To meet climate goals and provide citizens with cheap electricity, more countries are integrating renewable energy in their electricity grids. However, the 100% renewable energy society is impossible without renewable energy security. Since energy security is pivotal for any modern society, storage solutions now top the energy agenda.

Along with interconnectors, renewable energy storage should prevent blackouts and enable the cost-competitive excess power produced to be used when demand is low. Battery technology is developing fast, although the current solutions, as yet not fully commercially mature, cannot compete with stand-by coal or gas-powered electricity plants.

However, intense public and private research and development activities are focused on inventing cost-effective storage solutions. Institutional investors have also started investing in smaller scale storage infrastructure. European Energy is part of these activities and is currently developing EE GigaStorage, a large-scale storage concept which holds considerable potential.

### Case study - EE GigaStorage

As renewable energy becomes more competitive, the only remaining obstacle to make a complete switch to renewable power supply is balance electricity supply and demand on an hourly basis. In the fossil-fuel-powered grid, fluctuations in demand are handled by switching on and off power plants. This solution is not only costly but also incompatible with the global ambition to combat climate change.

To meet this challenge, European Energy is developing EE GigaStorage, a giga-scale thermal storage facility that stores energy for later use in the district heating system.

EE GigaStorage combines power generation from wind turbines and floating solar power plants. The generated power can either be fed into the grid or, with the help of heat pumps, be

converted to thermal energy seasonally stored in large scale insulated water basins.

The concept allows societies to increase the renewable coverage from typical 20-40% of power demand to 100-150% because excess electrical power can be stored and utilized in the cities district heating system.

European Energy expects to construct the first demonstration site within the next few years.





# Risk management

# Risk management

As a developer of renewable energy projects, European Energy faces a number of risks that are a natural part of its business.

European Energy's risk management is intended to continuously identify, assess and manage the business and financial risks in order to minimise their level and number.

European Energy is currently in the process of establishing a project risk committee to be tasked with evaluating potential development projects from the technical, legal and financial perspectives and thus ensuring that a decision to proceed is based on sound assumptions.

## Political regulation

Electricity production and prices are subject to political regulation in every country around the world. Key political risks include political instability, potential and retrospective legislative changes and corruption levels.

European Energy mitigates these risks by being geographically and technologically diverse and by inviting partners to join development activities

in markets considered high risk. Diversification lies at the heart of European Energy's risk management. Consequently, European Energy is active in 11 countries, thus minimising the amount of risk associated with country-specific changes in government policy and legislation. European Energy also closely follows political developments and can thus react quickly to new risks and take steps to mitigate them.

## Development and construction risks

Value creation in new projects largely depends on selecting the right technical and commercial solutions to ensure that construction goes according to plan and budget and that production commences as expected.

### Development

The cost of developing a project depends on when European Energy decides to enter the project. The decision is based on an assessment of risks against costs and the ability to optimise the project.

Development costs usually constitute a minor part of the total project costs, and European

Energy is typically able to discontinue a project if circumstances so warrant. Moreover, when acquiring development projects or entering into partnerships on them, European Energy limits its exposure to certain risks by focusing on having the development risks appropriately shared between the original project developer and European Energy.

### Construction

All relevant permits need to be obtained before commencement of construction. The construction phase is sensitive to weather conditions. Abnormal or harsh weather conditions (such as storms, heavy rain, etc.) and wildlife issues may delay construction, with the consequence being an overall cost increase or loss of revenue.

European Energy reduces these risks by drawing on its considerable experience in successfully constructing previous projects and by using only top-tier technology suppliers. European Energy also seeks to reduce risks by budgeting with an appropriate reserve for unforeseen expenses.

## Risk management

### Power prices and weather

The sale of electricity and divestment of wind and solar farms involve exposure to fluctuating power prices. European Energy mitigates this risk by entering into long-term power purchase agreements or securing long-term feed-in tariffs.

Markets such as Denmark and Sweden are exposed to variations in the power market price. Declining power prices may negatively affect the sales prices of projects in these markets, but might also increase the demand for and value of projects in markets with long-term feed-in tariffs like Germany. The opposite may be true if power market prices increase. Geographical diversification therefore reduces the risk of variations in power prices.

Weather conditions also have an impact on revenue from the sale of electricity, and factors like a poor year for wind or sun influence the portfolio of operational wind and solar farms. Technological and geographical diversification reduces the risk of weather fluctuations. Because wind and solar yield assessments are reliable, short-term weather variations do not affect sales prices significantly.

### Financial risks

#### Liquidity

European Energy finances a substantial portion

of its renewable energy projects with debt. A large part of these activities are financed through non-recourse financing with well-known financial institutions. If sufficient financing is unavailable, the development of some projects may be delayed or cancelled.

Cash flows may be affected if construction financing for a project has been secured but the corresponding long-term financing has not. However, European Energy usually enters into a conditional sales agreement before long-term project financing is required.

Many of European Energy's activities require liquidity, although the timing of the income generated by such activities can be somewhat unpredictable. For instance, if the construction of a project is delayed, the income from the electricity produced will also be delayed. Similarly, if the project is divested, the payment of the purchase price may be postponed until construction is completed. Consequently, European Energy effectively monitors current and future cash flows to ensure coherent liquidity management.

#### Foreign currency risks

European Energy activities abroad expose the company to fluctuations in exchange rates. The majority of European Energy's foreign exchange

operations are linked to the euro. European Energy does not hedge this risk, since the Danish fixed exchange rate policy is considered unlikely to change. In 2016, the most significant risk has been linked to the British Pound, European Energy's having constructed several solar farms in the UK. To mitigate foreign currency risk, European Energy may partially finance projects in the local currency. European Energy assesses the need for hedging purchase orders from suppliers if the orders have substantial value and are not in local currency. This is to ensure that budgeted construction costs are not exceeded. When projects are being divested, European Energy assesses the need and possibility for hedging the entire enterprise value of the project.

#### Interest rates

Increasing interest rate may harm the profitability of individual projects, because the majority of projects are funded by debt. European Energy manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings.

#### Audit committee

To strengthen internal oversight and control with regard to the financial reporting process, European Energy decided to found the Audit Committee in the beginning of 2016. The Audit



## Risk management

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

The Audit Committee consists of three members appointed from the board of European Energy. At the end of 2016, the Audit Committee is comprised of Jesper Helmut Larsen (chairman), Claus Dyhr and Jens-Peter Zink. The Audit Committee has the necessary skills to perform its function, as its members meet the requirements set out in the Danish recommendations on corporate governance concerning independence, experience and expertise, including within the field of accounting.

### Important tasks of the Audit Committee in 2016

- Review of Interim Financial Reports for the quarters 1-4
  - Implementation of new structure in quarterly reports
  - Review of the impact of the United Kingdom's decision to leave the EU
- In 2016, the Audit Committee held a total of six meetings focused on strengthening the competencies necessary within the finance department of European Energy. This was to help ensure coherent reporting and compliance with International Finance Reporting Standards (IFRS) adopted by European Energy in the 2015 annual report. In addition, the Audit Committee advised the Board of Directors on the decision to implement IFRS 15 at an early stage.
- Implementation of new auditor's report on consolidated financial statements
  - Review of new organizational structure based on business unit structure
  - Review and implementation of new International Financial Reporting Standards IFRS 15



Oppido wind farm, 20 MW, Italy

# Responsibilities and compliance

## **Responsibility**

A review of European Energy's position on corporate social responsibility according to section 99a and section 99b of the Danish Financial Statements Act is available at European Energy's website: <https://www.europeanenergy.com/en/financial-reports/>.

## **Management diversity**

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

## **Corporate governance**

A description of the internal control and risk management system relating to section 107b, 2, of the Danish Financial Statements Act is available at European Energy's website: <https://www.europeanenergy.com/en/financial-reports/>.

## **Managerial positions**

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



EVERY HOUR ICE MELTS THE  
EQUIVALENT OF MORE THAN  
3 LITRES OF WATER PER  
PERSON IN THE WORLD.

SOURCE: IPCC





An inside  
perspective

# An inside perspective

By end-2016, European Energy had 67 employees (2015: 57 employees). Of these employees, 45% were women, and 55% were men. European Energy is a multicultural organisation with employees from nine different national backgrounds working together and collectively speaking more than ten languages.

## Recruitment

Although European Energy currently has activities in numerous countries, all employees work at the company headquarters in Søborg, near Copenhagen. By not having offices in other countries, European Energy stays agile, easily able to exit markets failing to meet expectations and to enter more promising markets instead.

Consequently, attracting international talents to Copenhagen is pivotal to European Energy, as employee knowledge of local culture, language and regulations is a key competency. Having a diverse cultural and educational background allows European Energy to cover the entire spectrum of activities and to pursue complex business opportunities, primarily by leveraging the in-house competencies that ensure

European Energy a competitive advantage. This aim to ensure diversity also enables European Energy to recruit talent that meets the high expectation of being able to take on responsibility from day one. European Energy staff also have diverse educational backgrounds ranging from engineering and finance to commerce, social sciences and law. To date, European Energy has successfully attracted many international talents.

## Employee retention

With knowledge and experience as one of European Energy's main value drivers, employee retention is crucial for the long-term success of the company. European Energy takes pride in giving employees optimal working conditions in which they can make full use of their expertise and creativity. European Energy considers it a great success that many employees have worked for more than eight years at a company that is only 12 years old. This achievement comes, for example, from letting key employees try out different positions in different departments. For European Energy it makes perfect sense for employees to have experience

from various areas of the business, and this guarantees that the institutional memory of the company remains embedded.

Since European Energy is a growing company represented with many different nationalities and cultures, European Energy prioritises social activities both in and outside the office as a means of fostering the company's culture.

European Energy encourages everyone to maintain a balanced, healthy lifestyle by offering the opportunity of a healthy and varied lunch and access to the fitness centre at the company headquarters. European Energy and employees organise weekly activities such as running, swimming, biking, squash, football and more. It is European Energy's belief that being social both in and outside the office has a positive influence on the working environment. The fact that so many employees have a non-Danish background makes it especially important to focus on social activities that can help them build a local network.





One of the boats from European Energys summer event



# Outlook and expectations

## Looking back on expectations for 2016

The diversified pipeline in terms of countries and technologies (wind and solar power) enabled the Group to deliver solar and wind farms to customers in Denmark and Germany and to sell a ready-to-build project in Jordan. In 2016, the Group also constructed solar parks in the UK, and had ongoing construction projects in Italy, Germany, Finland, Brazil and Denmark.

The change in revenue recognition makes it difficult to compare results for 2016 in this annual report with last year's revenue and profit expectations, which hovered around EUR 60 million and EUR 6.2 million, respectively. However, with the old principle of revenue recognition, revenue for 2016 would have been EUR 114.3 million and profit after tax EUR 6.3 million.

When announcing the change in revenue recognition carried out to follow IFRS 15, Management set a new target for 2016, which is summarised below, together with the actual numbers for 2016.

The revenue for the Group exceeded the expectations as a wind farm in Denmark was sold in the fourth quarter of 2016. The sale was included in the forecast with a net profit, but was recognised in the annual report as a sale of a turnkey project with full consolidation. The change in recognition added EUR 39.4 million to revenue and EUR 39.4 million to direct costs, leaving gross profit unchanged.

The table below shows the expected outlook for 2016 at announcement of transition.

	Expected 2016	Realized 2016
<b>Revenue</b>	€ 100 m	€ 141 m
<b>Profit after tax</b>	€ 13 - 15 m	€ 16 m
<b>Equity</b>	€ 61 - 63 m	€ 64 m

## Outlook for 2017

Revenue for 2017 is expected to be in the range of EUR 120-160 million. The profit before tax is expected to be in the range of EUR 12-17 million. Management looks forward to another year with good results. However, the risk factors associated with developing and constructing

solar and wind projects may cause delays. The overall performance will thus also depend on factors such as environmental impact assessments, building permits, sudden changes in incentive schemes and the Group's success at renewable energy auctions.

## Events after the reporting period

On 17 February 2017, the European Energy Group signed and closed an agreement for the sale of a 28-MW wind farm in Germany to a German buyer. The wind farm is part of the 48-MW Vormark project located in Gross Pankow in the state of Brandenburg and has been co-developed with the local partner Green Wind Energy GmbH. The European Energy Group owns a total of 16% of the wind farm sold, which was connected to the grid in the first quarter of 2017. The sale will enhance European Energy's financial position.

On 02 March 2017, the European Energy Group signed a term sheet with a German investor for the negotiation of a binding agreement on the sale of the 20-MW wind farm in Oppido, Italy. European Energy owns half of the wind farm to be sold which has been in operation since the beginning of 2017. The term sheet sets out the main conditions for the sales agreement, expected to be exclusively negotiated and signed in the second quarter of 2017. Closing of the sales agreement will be subject to a number of customary conditions precedent, including that the long-term financing of the project must

be in place. Completion of the envisaged sale will improve European Energy's financial position.

On 29 March 2017, the European Energy Group signed a term sheet with a German investor for the negotiation of binding agreements for the sale of two wind farms in Germany. Lüdersdorf with total capacity of 6.6 MW and Gilmerdingen with a total capacity of 12 MW. The wind farms are located in the German regions of Brandenburg and Lower Saxony and are scheduled to come into operation in May and July 2017, respectively. The European Energy Group wholly owns the 6.6-MW wind farm and just under 50% of the 12-MW wind farm. The term sheet sets out the main conditions for the sales agreements, expected to be exclusively negotiated and signed in the second quarter of 2017. Closing of the sales agreements will be subject to a number of customary conditions precedent. Completion of the envisaged sale will improve European Energy's financial position.

On 30 April 2017, the European Energy Group signed an agreement for the sale of a wind farm with a gross capacity of 25 MW in Denmark to a

German buyer. The wind farm is located in Kappel on the Danish island of Lolland and is developed by European Energy. The European Energy Group owns a total of 100% of the wind farm sold, which was connected to the grid in April 2017. The sale will enhance European Energy's financial position.

On 31 March 2017, the maturity of the bond series with a total nominal value of EUR 7.6 million has been prolonged to May 2018.





Construction of Vormark wind farm, 48 MW, Germany



# Board of directors and management group

## Board of directors

**Jens-Peter Zink**  
Chairman

**Knud Erik Andersen**

**Mikael Dystrup Pedersen**

**Jesper Helmuth Larsen**

**Claus Dyhr**

## Management group

**Knud Erik Andersen**  
Chief Executive Officer

**Jens-Peter Zink**  
Executive Vice President

**Mikael Dystrup Pedersen**  
Chief Technology Officer

**Holger Bang**  
Chief Investment Officer

**Emil Vikjær-Andresen**  
Chief Legal Officer

**Jonny Thorsted Jonasson**  
Chief Financial Officer

**Thomas Hvalsø Hansen**  
Chief Operating Officer



Holger Bang

Emil Vikjær-Andresen

Jonny Thorsted Jonasson

Claus Dyhr

Thomas Hvalsø Hansen

Knud Erik Andersen

Mikael Dyrstrup Pedersen

Jens-Peter Zink

Jesper Helmuth Larsen

# Statement



# Statement by the board of directors and the management

The Board of Directors and the Management Board have discussed and approved the annual report of European Energy A/S for the financial year ended 31 December 2016. The annual report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and with further disclosure requirements in the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2016 and of the results of the Group's and the parent company's operations and cash flow for the financial year then ended.

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

review of the more significant risks and uncertainties faced by the Group and the parent company.

We recommend that the annual report be approved at the annual general meeting.

Søborg, 30 April 2017  
Executive Board



**Knud Erik Andersen**

Board of directors



**Jens-Peter Zink**



**Knud Erik Andersen**



**Mikael Dystrup Pedersen**



**Jesper Helmuth Larsen**



**Claus Dyhr**

# Independent auditor's report

To the shareholders of European Energy

## Opinion

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016 and of the results of the Group's and the Parent Company's operations as well as the cash flows for the financial year 1 January – 31 December 2016 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act.

## What we have audited

European Energy consolidated financial statements and the parent company financial statements for the financial year 1 January – 31 December 2016, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as statements of cash

flows. Collectively referred to as the "financial statements".

## Basis for opinion

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

## Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Independent auditor's report

### Key audit matter

#### Recognition of revenue from sale of energy plants

IFRS 15 Revenue from contracts with customers has been early adopted by European Energy in 2016, and revenue recognition from the sale of energy farms has been changed, including restatement of comparative figures.

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

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

Due to the significance and complexity associated with the above, revenue recognition is considered a key audit matter.

Further reference is made to notes 1.0, 1.1, 4.8 and 4.9 in the consolidated financial statements and notes 1.1 and 4.9 in the parent company financial statements.

### How our audit addressed the key audit matter

#### Recognition of revenue from sale of energy plants

We have evaluated the IFRS 15 implementation by comparing it with the requirements in IFRS 15 and related guidance.

We have checked the calculation of the restated comparative figures.

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

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

We have read notes 1.0, 1.1, 4.8 and 4.9 in the consolidated financial statements and notes 1.1 and 4.9 in the parent company financial statements and assessed their fair presentation.



## Independent auditor's report

### Key audit matter

#### Valuation of inventory

Inventory comprises development projects, projects under construction and completed projects ready for sale. Projects comprise both greenfield and purchased projects.

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

For projects under construction or completed projects ready for sale, the valuation risk is considered medium or low when a sales agreement has been concluded.

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

Further reference is made to notes 1.0 and 2.4 in the consolidated financial statements and note 2.4 in the parent company financial statements.

### How our audit addressed the key audit matter

#### Valuation of inventory

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

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

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

We have read notes 1.0 and 2.4 in the consolidated financial statements and note 2.4 in the parent company financial statements and assessed their fair presentation.

## Independent auditor's report

### Key audit matter

#### Financing

Apart from individual non-recourse loans in European Energy's subsidiaries, the Group is primarily financed through a EUR 45 million bond loan.

The bond loan requires the Group to comply with certain loan covenants, where especially maintaining an equity ratio of at least 25% is associated with risk.

Maintaining this bond loan is essential to the Group's capital resource position and continuing as a going concern and is thus considered a key audit matter.

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

### How our audit addressed the key audit matter

#### Financing

We have compared the bond loan's covenants with audited values at 31 December 2016 in order to verify whether the Group is in compliance therewith. We have also reviewed Management's quarterly covenant compliance reporting in 2016.

We have compared the bond loan's covenants with the budget for 2017 in order to assess Management's expected compliance in 2017.

We have assessed the reasonableness of the budget for 2017 by comparing it with signed but not completed contracts, project pipeline and the recent financial track record of the Group.

We have read note 3.2 in the consolidated financial statements and assessed its fair presentation.

## Independent auditor's report

### Statement on the Management's review

Management is responsible for Management's review.

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

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

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

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

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Group or the Company, cease operations or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of

assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of financial statement users taken on the basis of these financial statements.

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control



## Independent auditor's report

relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management
- conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern

- evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

Copenhagen, April 30, 2017

### KPMG

Statsautoriseret Revisionspartnerselskab  
CVR no. 25 57 81 98



**Lau Bent Baun**  
State Authorised  
Public Accountant



**Martin Eiler**  
State Authorised  
Public Accountant

# Glossary

**Book value per share:**

Equity at year-end divided by the number of shares at year-end.

**Cash flow from operating activities per share:**

Cash flow from operating activities divided by the average number of shares.

**Earnings per share (EPS):**

Profit/loss for the year divided by the average number of shares.

**EBITDA margin:**

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

**EBIT margin:**

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

**Engineering, procurement, and construction management agreement (EPCM):**

A special form of contracting arrangement that is

used in some projects, including renewable energy projects, where the EPCM-contractor provides management services for the project on behalf of the client. The management services typically include that the contractor coordinates the design, procurement and construction work in order to ensure that the project is completed in due time and in accordance with specifications.

**Feed-in-tariffs:**

Feed-in-tariffs are a policy mechanism designed to accelerate the investment in renewable energy by offering long-term contracts to renewable energy producers.

**Fossil fuels:**

Fuel resources such as coal, coal products, gas, crude oil and other hydrocarbons.

**Gearing:**

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

**Gross margin:**

Gross profit/loss as a percentage of revenue.

**GWh:**

Gigawatt hour. The amount of energy generated in one hour with the effect of 1 GW. 1 GWh is equivalent to 1,000 MWh or 1,000,000 kWh.

**IFRS 15:**

The International Financial Reporting Standard (IFRS) provides guidance on accounting for revenue from contracts with customers. IFRS 15 specifies how and when an IFRS reporter will recognize.

**Interconnectors:**

Interconnectors are the electricity lines linking various electricity networks, typically the networks of different European countries.

**Levelised cost of energy (LCOE):**

Levelised costs of energy are calculated by accounting for all of a system's expected lifetime costs divided by the system's lifetime expected power output.

**MW gross capacity:**

Gross electric output is the total amount of electricity generated over a specific period of time by solar and wind farms developed, constructed, owned, co-owned and divested by European Energy.

**Net interest-bearing debt /EBITDA:**

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

**Nord Pool:**

The Nordic power exchange, which facilitates power trading in Norway, Sweden, Finland and Denmark.

**Open Door procedure:**

Wind projects under the open-door procedure are launched when a developer takes the initiative to establish an offshore wind farm. The project developer must submit an unsolicited application for a license to carry out preliminary investigations in the given area.

**Power generating assets:**

Operational solar and wind farms delivering renewable energy to the grid.

**Ready to build:**

All significant rights and permits have been acquired. The project is ready to initiate the construction phase.

**Return on equity:**

Profit/loss after tax for the year divided by equity at year-end.

**Share purchase agreement (SPA):**

An agreement between a buyer and a seller that transfers the ownership of a legal entity (e.g. a special purpose vehicle) on the terms stipulated in the agreement.

**Solvency ratio:**

Equity at year-end divided by average equity during the year.

**Special purpose vehicle (SPV):**

A legal entity created solely to serve a particular function, such as the construction and operation

of a renewable energy project.

**Under development:**

Project rights have been obtained or are in the process of being obtained, but the project has not acquired all significant permits. Building components have not yet been ordered.

**Under construction:**

The project is ready to build, and a concrete decision has been made to construct the project while orders for building components have also been placed.



# Consolidated statement of profit or loss and other comprehensive income

Note		2016	EUR '000 2015 *
1.1	Revenue	140,788	73,559
2.5	Profit after tax from equity-accounted investments development companies	-2,519	-45
2.5	Profit after tax from equity-accounted investments operating companies	1,476	1,758
1.1	Other income	-	269
1.1	Direct costs	-107,289	-57,533
	<b>Gross profit</b>	<b>32,456</b>	<b>18,008</b>
4.2	Staff costs	-4,949	-5,178
4.3	Other external costs	-2,578	-2,071
	<b>EBITDA</b>	<b>24,929</b>	<b>10,759</b>
2.3	Depreciation & impairment	-1,610	-1,495
	<b>Operating profit</b>	<b>23,319</b>	<b>9,264</b>
3.1	Finance income	3,562	3,676
3.1	Finance expenses	-8,976	-6,580
	<b>Profit/loss before tax</b>	<b>17,905</b>	<b>6,360</b>
4.1	Tax	-2,260	-2,879
	<b>Profit/loss for the year</b>	<b>15,645</b>	<b>3,481</b>

\*) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments

Note	Profit loss and OCI	EUR '000	
		2016	2015 *
	<b>Attributable to:</b>		
	Shareholders of the Company	15,103	3,664
	Non-controlling interests	542	-183
	<b>Profit/loss for the year</b>	<b>15,645</b>	<b>3,481</b>
	<b>Statement of comprehensive income</b>		
	Profit/loss for the year	15,645	3,481
	<b>Items that may be reclassified to profit or loss</b>		
	Other comprehensive income in equity accounted investments	-	-9
	Value adjustments of hedging instruments	56	205
4.1	Tax of value adjustments of hedging instruments	-14	-92
	Currency differences on translating foreign operations	76	-112
	<b>Other comprehensive income for the period</b>	<b>118</b>	<b>-8</b>
	<b>Comprehensive income for the year</b>	<b>15,763</b>	<b>3,473</b>
	<b>Attributable to:</b>		
	Shareholders of the Company	15,221	3,634
	Non-controlling interests	542	-161
	<b>Comprehensive income for the year</b>	<b>15,763</b>	<b>3,473</b>

\* ) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments

# Consolidated statement of financial position

Note	Balance Sheet	EUR '000		
		2016	2015 *	1 Jan 2015 *
	<b>ASSETS</b>			
	<b>Non-current assets</b>			
2.3	Property, plant and equipment	51,320	45,509	51,440
2.5.1	Joint venture investments	6,943	8,805	7,509
2.5.2	Associated companies investments	11,265	10,195	8,590
2.6	Other investments	3,629	3,622	3,551
4.5	Loans to related parties	21,098	25,581	16,322
2.7	Trade receivables and contract assets	5,547	9,047	6,689
2.7	Other receivables	8,141	7,634	8,394
4.1	Deferred tax	3,931	5,608	5,507
	<b>Total non-current assets</b>	<b>111,874</b>	<b>116,001</b>	<b>108,002</b>
	<b>Current assets</b>			
2.4	Inventories	72,201	75,679	49,995
2.7	Trade receivables and contract assets	11,550	6,394	4,437
2.7	Other receivables	5,938	7,372	4,092
	Prepayments for goods and services	1,896	1,810	812
3.2	Cash and cash equivalents	15,076	15,930	18,437
	<b>Total current assets</b>	<b>106,661</b>	<b>107,185</b>	<b>77,773</b>
	<b>TOTAL ASSETS</b>	<b>218,535</b>	<b>223,186</b>	<b>185,775</b>

\*) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments



Note	Balance Sheet	2016	2015 *	1 Jan 2015*
	<b>EQUITY AND LIABILITIES</b>			
	<b>Equity</b>			<b>EUR '000</b>
	Share capital	1,340	1,340	1,340
	Retained earnings	56,334	41,113	37,479
	<b>Equity attributable to shareholders of the Company</b>	<b>57,674</b>	<b>42,453</b>	<b>38,819</b>
	Non-controlling interests	6,326	14,354	3,271
	<b>Total Equity</b>	<b>64,000</b>	<b>56,807</b>	<b>42,090</b>
	<b>Liabilities</b>			
3.3	Bond loan	44,700	52,040	51,750
3.3	Project financing	55,500	55,780	34,948
	Other debt, partnerships	1,402	4,275	1,991
2.8	Provisions	556	-	-
4.1	Deferred tax	2,618	1,681	1,134
	<b>Total non-current liabilities</b>	<b>104,776</b>	<b>113,776</b>	<b>89,823</b>
	<b>Current liabilities</b>			
	Bond loan	7,600	-	-
3.3	Credit institutions	15,726	15,007	27,631
	Other debt, partnerships	4,782	1,777	539
	Trade payables	11,512	17,957	16,810
	Payables to related parties	835	408	57
	Corporation tax	920	1,866	1,551
2.8	Provisions	1,975	3,040	2,987
	Contract liabilities	-	2,575	-
	Other payables	6,409	9,973	4,287
	<b>Total current liabilities</b>	<b>49,759</b>	<b>52,603</b>	<b>53,862</b>
	<b>Total liabilities</b>	<b>154,535</b>	<b>166,379</b>	<b>143,685</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>218,535</b>	<b>223,186</b>	<b>185,775</b>

\*) Comparative figures for 2015 have been restated due to early adoption of IFRS 15

# Consolidated statement of cash flow

Note	Cash flow from operating activities	EUR '000	
		2016	2015 *
	Profit/loss before tax	17,905	6,360
	<b>Adjustments for:</b>		
	Financial income	-3,562	-3,676
	Financial expenses	8,976	6,580
	Depreciations	1,610	1,495
	Other non-cash movements	1,043	-1,713
2.9	Change in net working capital	-10,854	-20,534
	Other non-cash items	-	-269
	<b>Cash generated from operation before financial items and tax</b>	<b>15,118</b>	<b>-11,757</b>
	<b>Dividends received</b>		
	Taxes paid	-1,469	-2,203
	Interest paid and realised currency losses	-8,483	-6,577
	Interest received and realised currency gains	2,140	3,441
	<b>Cash flow from operating activities</b>	<b>7,306</b>	<b>-17,096</b>
	<b>Cash flow from investing activities</b>		
	Purchase of Property, plant and equipment	-6,848	-98
	Proceeds from disposal of subsidiaries, equity-accounted investments	1,999	1,196
	Investment/loans in equity-accounted investments	4,659	-6,601
	Dividends	52	88
	<b>Cash flow from investing activities</b>	<b>-138</b>	<b>-5,415</b>
	<b>Cash flow from financing activities</b>		
	Proceeds from borrowings	40,437	33,956
	Repayment of borrowings	-39,998	-25,748
	Changes in payables to associates	427	351
	Non-controlling interests' share of capital increase or disposal of subsidiaries	-8,888	11,445
	<b>Cash flow from financing activities</b>	<b>-8,022</b>	<b>20,004</b>
	<b>Change in cash and cash equivalents</b>	<b>-854</b>	<b>-2,507</b>
	Cash and cash equivalents at beginning of period	15,930	18,437
	<b>Cash and cash equivalents end of period</b>	<b>15,076</b>	<b>15,930</b>
	Of which restricted cash and cash equivalents	-4,833	-3,029
3.2	<b>Non-restricted cash and cash equivalents end of year</b>	<b>10,243</b>	<b>12,901</b>







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# Consolidated statement of changes in equity

	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
<b>Equity at 1 January 2016</b>	<b>1,340</b>	<b>-57</b>	<b>-697</b>	<b>41,867</b>	<b>42,453</b>	<b>14,354</b>	<b>56,807</b>
Profit/loss for the period	-	-	-	15,103	15,103	542	15,645
<b>Other comprehensive income</b>							
Other comprehensive income in equity accounted investments	-	-	-	-	-	-	-
Value adjustments of hedging instruments	-	-	45	-	45	11	56
Tax of value adjustments of hedging instruments	-	-	-11	-	-11	-3	-14
Currency differences on translating foreign operations	-	84	-	-	84	-8	76
<b>Other comprehensive income</b>	<b>-</b>	<b>84</b>	<b>34</b>	<b>-</b>	<b>118</b>	<b>-</b>	<b>118</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>84</b>	<b>34</b>	<b>15,103</b>	<b>15,221</b>	<b>542</b>	<b>15,763</b>
<b>Transactions with owners</b>							
Share of capital increases	-	-	-	-	-	1,849	1,849
Additions	-	-	-	-	-	1,420	1,420
Disposals	-	-	-	-	-	-11,839	-11,839
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-8,570</b>	<b>-8,570</b>
<b>Equity at 31 December 2016</b>	<b>1,340</b>	<b>27</b>	<b>-663</b>	<b>56,970</b>	<b>57,674</b>	<b>6,326</b>	<b>64,000</b>

The share capital consists of nom. 10,000,000 shares of DKK 1 each, corresponding to EUR 1,340 thousand. The share capital has remained unchanged for the last five years. The share capital is fully paid in.

# Consolidated statement of changes in equity continued

	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total*
<b>Equity at 1 January 2015</b>	<b>1,340</b>	<b>63</b>	<b>-787</b>	<b>38,203</b>	<b>38,819</b>	<b>3,271</b>	<b>42,090</b>
Profit/loss for the year	-	-	-	3,664	3,664	-183	3,481
Other comprehensive income							
Other comprehensive income in equity accounted investments	-	-8	-	-	-8	-1	-9
Value adjustments of hedging instruments	-	-	163	-	163	42	205
Tax of value adjustments of hedging instruments	-	-	-73	-	-73	-19	-92
Currency differences on translating foreign operations	-	-112	-	-	-112	-	-112
Other comprehensive income	-	-120	90	-	-30	22	-8
<b>Total comprehensive income</b>	<b>-</b>	<b>-120</b>	<b>90</b>	<b>3,664</b>	<b>3,634</b>	<b>-161</b>	<b>3,473</b>
Transactions with owners							
Share of capital increases	-	-	-	-	-	11,445	11,445
Additions	-	-	-	-	-	26	26
Disposals	-	-	-	-	-	-227	-227
<b>Total transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,244</b>	<b>11,244</b>
<b>Equity at 31 December 2015</b>	<b>1,340</b>	<b>-57</b>	<b>-697</b>	<b>41,867</b>	<b>42,453</b>	<b>14,354</b>	<b>56,807</b>

\* ) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments

# Notes





# 1.0 Basis for preparation

## General information

The annual consolidated financial statements comprise the parent company European Energy A/S and its subsidiaries (the Group) for the year ended 31 December 2016. The Group's main operations consist of project development, financing, sales and acquisitions, construction supervision and management of wind and solar farms. Geographically, the Group focuses on Northern European markets.

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

Corporate bonds issued by the parent company are listed on NASDAQ Stockholm. On 30 April 2017, the Board of Directors approved the 2016 Annual Report.

## Basis for preparation

The annual report for the year ended 31 December 2016 has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU), and additional requirements in EU.

The European Energy Group has adopted all new, amended or revised accounting standards and interpretations (IFRS) as published by the IASB, as well as those endorsed by the EU, with effect from the accounting period beginning on 1 January 2015 (transition date).

The accounting policies used are consistent with those of last year except for early adoption of IFRS 15 and that estimated future demolition costs for wind and solar farms has been presented gross in the balance sheet as a provision instead of an offsetting against the assets at year end. This has increased total assets with the same amount as the provision at year end. Due to immateriality comparative figures has not been changed. Furthermore, as the Company expect the scrap value of the assets to equal estimated demolition costs, there is no effect on the profit and loss for the year.

In late 2016, European Energy decided to adopt the International Financial Reporting Standard 15 (IFRS 15) before the mandatory implementation in 2018. IFRS 15 was implemented following a dialogue with the Danish Business Authority regarding European Energy's previous accounting policy for recognising sales revenue from wind and solar farms under IAS 18. The Danish Business Authority disagreed with European Energy's interpretation of IAS 18. As a result, Management has decided to align the European Energy's accounting policy with the Danish Business Authority's assessment. It is Management's opinion that the framework of IFRS 15 is in line with the Danish Business Authority's interpretation of IAS 18, and therefore the company automatically complies with the requested way of revenue recognition by implementing IFRS 15.

The standard is implemented retrospectively using the practical expedient allowing non-disclosure of the amount of the transaction price allocated to

the remaining performance obligations, and an explanation of when it expects to recognise that amount as revenue for all reporting periods presented before the date of initial application.

The adoption of IFRS 15 means that revenue from contracts regarding the sale of solar and wind farms will be recognised on the basis of contractual performance obligations. In the future revenue from sale of wind and solar farms will usually be recognised when the asset is constructed and delivered to the buyer, the buyer has accepted the acquisition and the sale has been completed on the closing date. The adoption of IFRS 15, has resulted in that revenue typically is recognised three to nine months later than revenue was recognised under the previous revenue recognition policy.

The implications of the change in revenue recognition policy are shown in the tables in note 4.9. The implications correspond to the Danish Business Authority's recommended changes to the revenue recognition policy.

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

## New accounting standards not yet adopted

The IASB has issued a number of new or amended accounting standards and interpretations, effective after 31 December 2016. The approved, though not yet effective, standards and IFRICs will be applied as they become mandatory for the group company.

The following new or amended accounting standards and interpretations, later to come into effect, are expected to have an impact on recognition, measurement and disclosures for the Group:

### IFRS 16 - Leases

The IASB has issued a new standard on accounting for leases. As a Lessee, the Group is required to recognise all lease contracts on the balance sheet. The Group will not be required to recognise lease contracts with a term of less than 12 months on the balance sheet. The Group is assessing the impact of IFRS 16. An analysis of how IFRS 16 will impact the consolidated financial statements is underway. The lease obligation at 1 January 2019 will be calculated as the present value of remaining lease payments at this date and the impact is expected to increase the balance sheet by approximately with EUR 6 million and also to impact the key ratios. The effect on the income statement will be limited.

The Group expects to implement IFRS 16 when it becomes mandatory in 2019.

### IFRS 9 - Financial instruments

IFRS 9 replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and measurement". The standard introduces new requirements for the classification, recognition and measurement of financial assets and liabilities. Furthermore, the standard introduces a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

The Group is assessing the impact of IFRS 9. IFRS 9 is effective for annual reports beginning on or after 1 January 2018. The EU has not yet endorsed the standard.

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

## Basis of consolidation

The annual report comprises the financial statements of European Energy A/S and entities under its control. The Group attains control when it has the power to direct the relevant activities of an entity, is exposed to or has rights to variable returns from its involvement with the entity and is able to affect those returns through its power over the entity.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this means that the non-controlling interests have a negative balance. When necessary, the financial statements of subsidiaries are adjusted to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between Group members are fully eliminated on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. Non-controlling interests are the portion of income and net assets of a non-wholly owned subsidiary that accrues to owners other than the shareholders of European Energy A/S.

The non-controlling interest share of earnings is included in the Group's recognised profit, and the share of net assets is included in the Group's equity.

## Foreign currency translation

### Functional currency and presentation currency

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

On initial recognition, transactions denominated in foreign currencies are translated into the functional currency at the exchange rate prevailing at the transaction date. Foreign currency translation adjustments made when such transactions are settled or as a result of translation of monetary items denominated in foreign currencies at year-end exchange rates are recognised in profit or loss under financial income or financial expenses.

### Translation to the presentation currency

For entities with a functional currency other than EUR, all assets and liabilities are translated to the presentation currency based on the EUR exchange rate at the balance sheet date. Income and expenses and other comprehensive income are translated at the rate at the date of the transaction or an approximate average rate. All resulting exchange rate differences are recognised in other comprehensive income.

### Presentation of cash flow statement

The consolidated cash flow statement shows the Group's cash flows from operating, investment and financing activities. Cash flows from operating activities are determined using the indirect method and stated as the consolidated profit before tax adjusted for non-cash operating items, including depreciations and impairment losses, provisions and changes in working capital, interest received and paid and corporate tax paid. Other non-cash items primarily comprise reversal of gain from disposing non-current assets and reversal of share of profit (loss) from equity-accounted investments.

Cash flow from investment activities comprises payments connected with the purchase and sale of non-current assets, including energy farms classified as property, plants and equipment and equity-accounted investments.

Cash flows from financing activities include proceeds from bond issues, drawdowns, new project loans and repayments on borrowings from credit institutions.

Cash and cash equivalents consist of cash and short-term deposits with a maturity of three months or less and an insignificant risk of changing value.

### Use of judgements and estimates

In preparing the consolidated and separate financial statement, Management has made judgements, estimates and assumptions that affect how the Group's accounting policies are applied and the amount of assets, liabilities, income and expenses reported. The actual results may deviate from these estimates.

### Judgements

The following provides information about judgements made in applying those accounting policies that most significantly impact the amounts recognised in the consolidated and separate financial statements:

### Revenue recognition (Note 1.1)

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

The uncertainty about measurement relates essentially to this variable consideration and allocation of revenue between different performance

obligations. This measurement requires Management judgment applying assumptions and estimates.

### Assessment of classification – whether the Group has control, significant influence or joint control (Note 2.5.1 and 2.5.2)

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

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

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

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

### Assumptions and estimation uncertainties

When preparing the consolidated financial statements of the Group, management makes a number of accounting estimates and assumptions on which the recognition and measurement of the Group's assets and liabilities are based.

The following provides information about assumptions and estimation uncertainties with a significant risk of resulting in a material adjustment in the year ending 31 December 2016:

### Impairment test property, plant and equipment (Note 2.3)

The key assumptions supporting recoverable amounts mainly comprise discount rate (WACC) and expectations regarding future production and

unit prices. Please refer to note 2.3 for more details related to the impairment test.

### Inventories (Note 2.4)

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

An impairment test is performed on the carrying amount.

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

### Tax (Note 4.1)

Uncertainties exist with respect to the interpretation of tax regulations in the different countries in which the Group operates, to changes in tax law and to the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could potentially cause adjustments to tax income and expense already recorded. Management reviews deferred tax assets annually, which are recognised only to the extent considered sustainable in the future, taking the timing and the level of future taxable profits into account, together with Group's future tax planning strategies.

### Covenants.

In respect of the testing period ending of December 2016 for covenants, Management confirms that no default is continuing. The primarily covenant is related to the solvency ratio, which is 29.3% at year-end 2016 (2015: 25.5%).

# 1.1 Segment information

## Accounting policy

### Revenue recognition

European Energy has decided to implement an early adoption of the International Financial Reporting Standard (IFRS) 15 in 2016, with the effect being that revenue is recognised typically three to nine months later than revenue was recognised under the previous revenue recognition.

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

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

### Revenue from sale of solar and wind power generating assets

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

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

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

The revenue is measured as the transaction price for the power generating asset agreed under the contract. The transaction price normally includes a fixed and a variable consideration, determined by the project's expected future cash flow based on buyer's and seller's agreement on expected return on invested capital (ROIC).

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

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

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

### Sales of electricity

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

### Asset management

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

### Other income

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

### Direct costs

Direct costs comprise costs incurred in generating the revenue for the year. On disposal of energy projects placed in independent legal entities, direct costs comprise the carrying amount of the equity investment disposed of plus costs directly related to the disposal. Direct costs comprise operating costs related to constructed and operating energy farms.

### Chief Operating decision maker

Operating segments are recognised in the manner that corresponds to the internal reporting to the chief operating decision maker (CODM). The CODM is the function responsible for allocating the Group's resources and assessing the performance of the operating segments. The Group's CODM has been identified as the Board of Directors. European Energy's segments are:

- a) Wind
- b) Solar

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



# 1.1 Segment information continued

Group EUR '000

Segment information (2016)	Wind	Solar	Total before elimination	Eliminations	2016 Group
Sale of energy farms and projects	114,016	16,168	130,184	-	130,184
Sale of electricity	414	8,468	8,882	-	8,882
Asset management	806	372	1,178	-	1,178
Other fees	479	65	544	-	544
<b>Revenue to external customers</b>	<b>115,715</b>	<b>25,073</b>	<b>140,788</b>	<b>-</b>	<b>140,788</b>
Inter-segment revenue	2,466	195	2,661	-2,661	-
<b>Revenue</b>	<b>118,181</b>	<b>25,268</b>	<b>143,449</b>	<b>-2,661</b>	<b>140,788</b>
Profit after tax from shares in equity accounted investments	335	-1,378	-1,043	-	-1,043
Direct costs	-98,326	-8,963	-107,289	-	-107,289
Staff costs	-2,462	-2,487	-4,949	-	-4,949
Other costs	-1,244	-1,334	-2,578	-	-2,578
Depreciation	-127	-1,483	-1,610	-	-1,610
<b>Segment profit (Operating profit)</b>	<b>16,357</b>	<b>9,623</b>	<b>25,980</b>	<b>-2,661</b>	<b>23,319</b>
Finance income	1,517	2,045	3,562	-	3,562
Finance expenses	-2,716	-6,260	-8,976	-	-8,976
<b>Profit/loss before tax</b>	<b>15,158</b>	<b>5,408</b>	<b>20,566</b>	<b>-2,661</b>	<b>17,905</b>
Tax	-851	-1,409	-2,260	-	-2,260
<b>Profit/loss for the year</b>	<b>14,307</b>	<b>3,999</b>	<b>18,306</b>	<b>-2,661</b>	<b>15,645</b>
<b>Total assets</b>	<b>98,098</b>	<b>120,437</b>	<b>218,535</b>	<b>-</b>	<b>218,535</b>
<b>Total liabilities</b>	<b>72,538</b>	<b>81,997</b>	<b>154,535</b>	<b>-</b>	<b>154,535</b>

# 1.1 Segment information continued

Group EUR '000

Segment information (2015)	Wind	Solar	Total before elimination	Eliminations	2015 Group *
Sale of energy farms and projects	15,517	49,413	64,930	-	64,930
Sale of electricity	186	5,635	5,821	-	5,821
Asset management	568	621	1,189	-	1,189
Other fees	866	753	1,619	-	1,619
<b>Revenue to external customers</b>	<b>17,137</b>	<b>56,422</b>	<b>73,559</b>	<b>-</b>	<b>73,559</b>
Inter-segment revenue	4,740	557	5,297	-5,297	-
<b>Revenue</b>	<b>21,877</b>	<b>56,979</b>	<b>78,856</b>	<b>-5,297</b>	<b>73,559</b>
Profit after tax from shares in equity accounted investments	1,620	93	1,713	-	1,713
Other income	269	-	269	-	269
Direct costs	-13,992	-43,541	-57,533	-	-57,533
Staff costs	-2,245	-2,933	-5,178	-	-5,178
Other costs	-739	-1,332	-2,071	-	-2,071
Depreciation	-58	-1,437	-1,495	-	-1,495
<b>Segment profit (Operating profit)</b>	<b>6,732</b>	<b>7,829</b>	<b>14,561</b>	<b>-5,297</b>	<b>9,264</b>
Finance income	1,571	2,105	3,676	-	3,676
Finance expenses	-2,232	-4,348	-6,580	-	-6,580
<b>Profit/loss before tax</b>	<b>6,071</b>	<b>5,586</b>	<b>11,657</b>	<b>-5,297</b>	<b>6,360</b>
Tax	-1,044	-1,835	-2,879	-	-2,879
<b>Profit/loss for the year</b>	<b>5,027</b>	<b>3,751</b>	<b>8,778</b>	<b>-5,297</b>	<b>3,481</b>
<b>Total assets</b>	<b>115,477</b>	<b>107,709</b>	<b>223,186</b>	<b>-</b>	<b>223,186</b>
<b>Total liabilities</b>	<b>62,733</b>	<b>103,646</b>	<b>166,379</b>	<b>-</b>	<b>166,379</b>

\*) Adjusted for early adoption of IFRS 15 and other adjustments

# 1.1 Segment information continued

Group EUR '000

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

Revenue from material customers	2016	2015
Customer #1 (Wind)	-	42,981
Customer #2 (Wind)	29,546	-
Customer #3 (Wind)	21,722	-
Customer #4 (Solar)	15,835	-
<b>Total revenue from material customers</b>	<b>67,103</b>	<b>42,981</b>

Geographic information	Revenue from external customers		Non-current assets	
	2016	2015	2016	2015
Denmark	56,445	49,564	25,701	45,496
Northern/central Europe	78,895	18,739	33,046	11,514
Southern Europe	5,448	5,256	53,127	58,991
<b>Total</b>	<b>140,788</b>	<b>73,559</b>	<b>111,874</b>	<b>116,001</b>

# 1.1 Segment information continued

Group EUR '000

## Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting date equals EUR 146.1 million. The Group expects that the secured amount to be recognised as revenue in 2017 is EUR 57.4 million. Secured revenue in 2017 consists of: EUR 51.5 million related to signed SPA contracts, EUR 0.7 million related to signed CMA contracts and EUR 5.2 million related to secured electricity sale. The most significant part of the unsatisfied performance obligations from 2018-2036 are EUR 83.7 million related to the remaining 20 years of the secured electricity sale in Spain regarding solar farms and EUR 5.0 million related to secured revenue regarding electricity sale in wind farms.

European Energy Group applies the practical expedient in paragraph C5(c) of IFRS 15 and does not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the Group expects to recognise that amount as revenue for the year ending 31 December 2015.

Secured revenue regarding signed contracts	2017	2018-2036	Total
Share purchase agreements (SPAs)	51,472	-	51,472
Commercial management agreements (CMAs)	698	1,152	1,850
Electricity sale	5,190	87,550	92,740
<b>Total secured revenue to be recognised in 2017-2036</b>	<b>57,360</b>	<b>88,702</b>	<b>146,062</b>



# 1.1 Segment information continued

Group EUR '000

Impact from early adoption of IFRS 15 on the wind segment on profit/loss for the year	2016	2015
Revenue	22,359	-11,784
Direct costs	-13,463	12,020
Tax	-717	717
<b>Profit/loss for the year</b>	<b>8,179</b>	<b>953</b>

Impact from early adoption of IFRS 15 on the wind segment on balance sheet	2015	01 Jan 2015
Total assets	-670	-2,559
Total liabilities	-4,333	5,848

Impact from early adoption of IFRS 15 on the solar segment on profit/loss	2016	2015
Revenue	55,217	27,146
Direct costs	-43,846	-31,578
Tax	-705	705
<b>Profit/loss for the year</b>	<b>10,666</b>	<b>-3,727</b>

Impact from early adoption of IFRS 15 on the solar segment on balance sheet	2015	01 Jan 2015
Total assets	-10,666	-13,468
Total liabilities	-	-6,526

Impact from corrections made according to IAS 8 on the wind segment on profit/loss	2016	2015
Revenue	35,565	-602
Direct costs	-35,565	-
Staff costs	-	602
<b>Profit/loss for the year</b>	<b>-</b>	<b>-</b>

## 2.3 Property, plant and equipment

### Accounting policy

Property, plant and equipment comprises wind- and solar power-generating assets, including those under construction, held by European Energy for electricity production use and expected to be used for more than one period.

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

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

The present value of the expected cost of decommissioning an asset after its use is included in the cost of the energy farm if the recognition criteria for a provision are met and are material. All other repair and maintenance costs are recognised in profit or loss as incurred. The cost for the assets includes expected costs to dismantling and disposal of the assets and restoring when the costs hereto are included as a liability. Basis for the depreciation are costs with deduction of any expected scrap value of the assets after expected useful life of the asset.

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

- a) Wind-power generating assets (wind farms) – 25 years
- b) Solar-power generating assets (solar farms) – 40 years
- c) Tools and equipment – 3-5 years

The useful life is tested at the end of every accounting period and adjusted as necessary. The residual value of an asset is considered when the depreciable amount of the asset is determined.

The basis of depreciation is calculated with due consideration to the asset's residual value, less any impairment losses. The residual value is determined at the date of acquisition and revalued each year. When the residual value exceeds the carrying amount of the asset, the asset ceases to be depreciated.

If the depreciation period or the residual values are changed, the effect on depreciation going forward is recognised as a change in accounting estimates.

Gains and losses on disposal of Property, plant and equipment amount to the difference between the sales proceeds and the carrying amount of the asset at the date of disposal.

Gains or losses are recognised in the income statement in the period of disposal within other income or other expenses.

### Impairment of non-current assets

Non-current assets are tested for impairment when it appears that the carrying amount may not be recoverable. Any impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level at which cash flows are separately identifiable (cash-generating units).

An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised.

### Impairment test on property, plant and equipment and sensitivity analysis

During 2016, Management performed an impairment assessment on the carrying amount of Property, plant and equipment. The Group assesses at each reporting date whether there is an indication that an asset in operation is impaired. The impairment test performed in 2015 showed limited excess value for some solar farms in Spain and the impairment test has consequently been re-performed for 2016.

The book value of the solar farms consist of 91% (2015: 99%) of the total book value of Property, plant and equipment. For the wind farms the value is related to two wind farms in Germany and Denmark which have no risks and signs of impairment.

For this purpose, Management has made the following key assumptions in estimating the value in use, with its comments regarding WACC below:

Discount rate after tax (WACC) used for solar farms is 6% (2015: 6%).

The prepared impairment tests are based on budgets for the remaining life of solar farms. When budgets are determined the electricity sales price are assumed unchanged for 40 years for solar power generating assets.

For the solar farms in Spain the settlement price is reduced for the last 10 years (2039-2048) because of new legislation in Spain introducing lower tariffs than originally anticipated. In addition, budgets are based on the original cost budgets including a change of 2% to the cost.

The discount rate for the DCF model is the post-tax weighted average cost of capital (WACC). Country-specific risk (tariff stability, interest-rate levels, average risk-free interest rate applied to reduce the volatility, etc.) are taken into consideration. Considering the range of WACC applied by competitors, a specific risk premium for Spain in the solar power sector has been included.

For 2016 (and 2015), the impairment test shows that the estimated recoverable amount exceeds its carrying amount.

### Sensitivity analysis

Management performed a sensitivity analysis on the result of the impairment test made at Group level, based on the main assumptions taken one by one. The Group's WACC and the price element are two significant factors in the impairment test.

The analysis shows that the first impairment indication for one individual solar farm will be seen if we use a WACC of 6.6%. The first impairment indication for all Spanish solar farms seen as a total will be shown if we use a WACC of 7.9%.

The second significant element in the impairment test is the price. The sensitivity analysis shows that a price decrease of 5% would lead to the first impairment indication for one individual Spanish solar farm. A price decrease of 13.7% will lead to the first impairment indication for all Spanish solar farms seen as a total.

	Impairment indication for individual Spanish solar farm	Impairment indication for all Spanish solar farms
WACC increase	0.6%	1.9%
Price decrease	5.0%	13.7%

## 2.3 Property, plant and equipment continued

Group EUR '000

Assets in operation 2016	Wind power generating assets	Solar power generating assets	Tools and equipment	Total
<b>Cost</b>				
Balance at 1 January 2016	635	54,968	801	56,404
Exchange rate adjustments	-	26	-	26
Additions for the year	4,253	3,107	35	7,395
<b>Cost at 31 December 2016</b>	<b>4,888</b>	<b>58,101</b>	<b>836</b>	<b>63,825</b>
<b>Accumulated depreciation and impairment losses</b>				
Balance at 1 January 2016	-253	-9,953	-689	-10,895
Depreciation	-109	-1,466	-35	-1,610
<b>Accumulated dep/impairment at 31 December 2016</b>	<b>-362</b>	<b>-11,419</b>	<b>-724</b>	<b>-12,505</b>
<b>Carrying amount at 31 December 2016</b>	<b>4,526</b>	<b>46,682</b>	<b>112</b>	<b>51,320</b>
<b>Assets in operation 2015 *</b>				
<b>Cost</b>				
Balance at 1 January 2015	4,130	56,825	703	61,658
Transfers	-3,495	-	-	-3,495
Additions for the year	-	627	98	725
Disposals for the year	-	-2,484	-	-2,484
<b>Cost at 31 December 2015</b>	<b>635</b>	<b>54,968</b>	<b>801</b>	<b>56,404</b>
<b>Accumulated depreciation and impairment losses</b>				
Balance at 1 January 2015	-984	-8,578	-656	-10,218
Depreciation	-25	-1,437	-33	-1,495
Disposals for the year	756	62	-	818
<b>Accumulated dep/impairment at 31 December 2015</b>	<b>-253</b>	<b>-9,953</b>	<b>-689</b>	<b>-10,895</b>
<b>Carrying amount at 31 December 2015</b>	<b>382</b>	<b>45,015</b>	<b>112</b>	<b>45,509</b>

\* The financial effect related to early adoption of IFRS 15 and IAS 8 regulations has affected the comparative financial figures amounting to TEUR 17,500.  
For further details see note 4.9.

## 2.4 Inventories

Group EUR '000

### Accounting policy

Inventories comprise energy farm projects under development and construction as well as energy farms that have been developed with the intention of being sold and thus not being retained for the purpose of generating revenue from the sale of electricity production. Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price less estimated costs of completion and estimated sale costs. Proceeds received on the sale of energy farms are recognised within revenue. Change in inventory write downs are included in direct costs. Borrowing costs and salaries directly attributable to the acquisition or construction of an energy farm that takes more than six months to be set for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that the Group incurs in connection with the borrowing of funds.

Inventories	2016	2015
<b>Operating</b>		
Solar farms for sale	37,369	17,500
<b>Under construction</b>		
Solar farms for sale	-	4,975
Wind farms for sale	29,438	43,620
<b>Under development</b>		
Solar farms for sale	2,787	1,166
Wind farms for sale	2,607	8,418
<b>Total inventory</b>	<b>72,201</b>	<b>75,679</b>
Total solar farms	40,156	23,641
Total wind farms	32,045	52,038
<b>Change in inventory write-downs</b>		
Inventory write-downs at 1 January	-7,232	-2,695
Write-down for the year, addition	-2,092	-4,537
Transferred to joint ventures and associates	1,993	-
<b>Total inventory write-downs</b>	<b>-7,331</b>	<b>-7,232</b>
<b>Amount of inventory recognised in profit or loss</b>		
Disposals	-93,421	-10,440
Write-offs for the year	-275	-443
Transferred to joint ventures and associates	1,993	-
Write-downs for the year	-2,092	-4,537
<b>Total</b>	<b>-93,795</b>	<b>-15,420</b>



## 2.4 Inventories continued

Group EUR '000

The inventory is reviewed annually for the purpose of assessing any impairment. When an impairment test is performed, the percentage of completion of the project is assessed, including the risk of budget overruns, delays, etc. If the project is close to completion and commissioning and the risk of budget overruns is very limited, a WACC similar to that for other projects operating in the same country is applied, although at the high end of the range. Management has looked at the total portfolio of projects under development and diversified it into according to project maturity and the time elapsed since the project was started. EUR 2.0 million of total portfolio impairment has been transferred to joint ventures.

The impairment analysis for 2016 has led to an additional impairment of EUR 2.1 million (2015: EUR 4.5 million). Management finds the impairment to reflect the risk of the total portfolio comfortable. The Group has already realized EUR 20 million out of EUR 72 million in 2017 and expects in 2017 on the basis of signed purchase agreements to realize up to EUR 66 million of the total value of the inventory of EUR 72 million per year end 2016.

Specification of movement on the inventory	2016	2015
Cost at 1 January	82,911	52,690
Additions for the year	90,317	70,319
Disposals of the year (recognised as direct cost)	-93,421	-39,655
Write offs of the year	-275	-443
<b>Cost at 31 December</b>	<b>79,532</b>	<b>82,911</b>
Write-downs at 1 January	-7,232	-2,695
Transferred to joint ventures and associates	1,993	-
Write-downs for the year	-2,092	-4,537
<b>Write-downs at 31 December</b>	<b>-7,331</b>	<b>-7,232</b>
<b>Carrying amount at 31 December *</b>	<b>72,201</b>	<b>75,679</b>

\* The financial effect related to early adoption of IFRS 15 and IAS 8 regulations has affected the comparative financial figures amounting to TEUR 34,172. For further details see note 4.9.

## 2.5 Investments

Group EUR '000

### Accounting policy

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

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but does not constitute control or joint control over those policies.

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

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

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

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

Note	Results in equity-accounted investments	2016	2015
2.5.1	Results in joint venture	-2,017	677
2.5.2	Results in associates	974	1,036
	<b>Total</b>	<b>-1,043</b>	<b>1,713</b>
<b>Investments in equity-accounted investments</b>			
2.5.1	Investments in joint venture	6,943	8,805
2.5.2	investments in associates	11,265	10,195
	<b>Total</b>	<b>18,208</b>	<b>19,000</b>

## 2.5.1 Investments in joint ventures

Group EUR '000

### Disclosures about material joint ventures

The following is summarised financial information for each of the Group's joint ventures that are material to the Group and equity accounted. Companies not included below all account for less than 10% of total revenue or less than 10% of total asset value or less than 10% of total equity. The figures are corrected in respect of accounting policy differences.

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

	2016	2015
Cost at 1 January	7,670	7,118
Additions for the year	230	552
Disposal for the year	-66	-
Transfer	-133	-
<b>Cost at 31 December</b>	<b>7,701</b>	<b>7,670</b>
Value adjustments at 1 January	1,135	391
Share of profit for the year	-2,017	677
Disposal for the year	-2	-
Transfer	-601	-
Other value adjustments	-141	67
<b>Value adjustments at 31 December</b>	<b>-1,626</b>	<b>1,135</b>
<b>Carrying amount at 31 December</b>	<b>6,075</b>	<b>8,805</b>
Investments in joint ventures at 31 December	6,943	8,805
Set-off against receivables from joint ventures	-868	-
<b>Total</b>	<b>6,075</b>	<b>8,805</b>

## 2.5.1 Investments in joint ventures

Group EUR '000

	2016				2015			
	Jammerland Bay Nearshore A/S Denmark	EEA Stormy A/S Denmark	EEA Renewables A/S Denmark	EEA SWEPOL A/S Denmark	Jammerland Bay Nearshore A/S Denmark	EEA Stormy A/S Denmark	EEA Renewables A/S Denmark	EEA SWEPOL A/S Denmark
Ownership %	50%	50%	50%	50%	50%	50%	50%	50%
<b>Comprehensive income statement</b>								
Revenue	-	-	1,127	71	-	-	-	162
Depreciation	-	-	-231	-5	-	-	-228	-52
Interest income	29	-	2	22	1	2	195	62
Interest expenses	-	84	-712	-10	-2	-231	-333	-30
Income tax	3	-22	-57	-5	9	51	30	5
Profit for the year (continuing operations)	-12	557	-3,040	-712	-32	1,030	13	-82
<b>Total comprehensive income</b>	<b>-12</b>	<b>557</b>	<b>-3,051</b>	<b>-589</b>	<b>-32</b>	<b>960</b>	<b>-14</b>	<b>-60</b>
<b>The groups share of comprehensive income</b>	<b>-6</b>	<b>279</b>	<b>-1,526</b>	<b>-295</b>	<b>-16</b>	<b>480</b>	<b>-7</b>	<b>-30</b>
<b>Balance sheet</b>								
Non-current assets	2,887	2,269	31,668	2,400	-	4,658	4,224	1,460
Current-assets	718	2,122	5,925	368	3,702	67	3,650	2,490
Non-current liabilities	-	599	33,705	171	-	1,476	-	-
Current liabilities	19	3	3,975	91	104	17	4,910	866
Cash and cash equivalents	655	2,083	5,135	82	560	1	138	97
Non-current financial liabilities (excluding trade and other payables and provisions)	-	599	33,478	368	-	1,476	-	-
Equity	3,586	3,789	-87	2,507	3,598	3,232	2,964	3,084
<b>Carrying amount of interest in investee end of period</b>	<b>1,163</b>	<b>1,895</b>	<b>-44</b>	<b>1,254</b>	<b>1,169</b>	<b>1,616</b>	<b>1,482</b>	<b>1,542</b>
<b>Contingent liability</b>	<b>-</b>	<b>-</b>	<b>1,400</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## 2.5.1 Investments in joint ventures continued

Group EUR '000

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

Carrying amount of interest in joint ventures	2016	2015
<b>The Group's share of:</b>		
Profit/loss of material joint ventures	-1,548	427
Profit/loss for the year of other joint ventures	-469	250
<b>Total comprehensive income</b>	<b>-2,017</b>	<b>677</b>
<b>Investments in joint ventures:</b>		
Investments in material joint ventures	4,267	5,809
Other joint ventures	2,676	2,996
<b>Total Investments in joint ventures</b>	<b>6,943</b>	<b>8,805</b>

## 2.5.2 Investments in associates

Group EUR '000

	2016	2015
Cost at 1 January	8,634	7,941
Additions for the year	852	675
Transferred from subsidiaries/other investment	-	59
Disposals of the year	-160	-41
<b>Cost at 31 December</b>	<b>9,326</b>	<b>8,634</b>
Value adjustments at 1 January	1,561	649
Share of profit for the year	974	1,036
Reversed value adjustments on disposals and transfers	90	-51
Dividend and other value adjustments	-687	-73
<b>Value adjustments at 31 December</b>	<b>1,938</b>	<b>1,561</b>
<b>Carrying amount at 31 December</b>	<b>11,264</b>	<b>10,195</b>
Investments in associates at 31 December	11,265	10,195
Set-off against receivables from associates	-1	-
<b>Total</b>	<b>11,264</b>	<b>10,195</b>

## 2.5.2 Investments in associates continued

Group EUR '000

### Disclosures about material associates

The following is summarised financial information for each of European Energy's associated investments that are material to the Group and equity accounted. Companies not included below are all below 10% of total revenue or less than 10% of total asset value or less than 10% of total equity. The figures are corrected in respect of differences in accounting policies.

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

	2016				2015			
	Wriezener Höhe GmbH & Co. KG Germany	Ottenhausen GmbH & Co. KG Germany	Parco Eolico Carpinaccio Srl. Italy	Windpark Unseburg GmbH & Co. KG Germany	Wriezener Höhe GmbH & Co. KG Germany	Ottenhausen GmbH & Co. KG Germany	Parco Eolico Carpinaccio Srl. Italy	Windpark Unseburg GmbH & Co. KG Germany
Ownership %	15%	34%	26%	20%	15%	34%	26%	20%
Comprehensive income statement								
Revenue	7,069	2,257	3,684	2,248	8,500	2,787	3,905	2,760
Depreciation	-2,440	-924	-1,045	-968	-2,440	-924	-1,059	-968
Profit for the year (continuing operations)	948	439	820	195	3,394	389	596	460
<b>Total comprehensive income</b>	<b>948</b>	<b>439</b>	<b>820</b>	<b>195</b>	<b>3,394</b>	<b>389</b>	<b>596</b>	<b>460</b>
<b>The groups share of comprehensive income</b>	<b>142</b>	<b>151</b>	<b>215</b>	<b>39</b>	<b>509</b>	<b>133</b>	<b>86</b>	<b>92</b>
<b>Balance sheet</b>								
Non-current assets	33,540	14,771	21,773	14,359	35,954	15,695	22,749	15,327
Current-assets	5,092	1,690	2,445	1,709	6,730	1,772	200	1,994
Non-current liabilities	29,961	9,105	14,901	7,477	33,412	10,317	15,392	8,556
Current liabilities	1,742	1,699	1,221	2,010	2,157	1,934	500	2,439
Equity	6,929	5,656	8,096	6,582	7,115	5,216	7,057	6,326
<b>Carrying amount of interest in investee end of period</b>	<b>1,039</b>	<b>1,940</b>	<b>2,128</b>	<b>1,316</b>	<b>1,067</b>	<b>1,789</b>	<b>1,905</b>	<b>1,265</b>
<b>Contingent liability</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 2.5.2 Investments in associates continued

Group EUR '000

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

Carrying amount of interest in associates	2016	2015
<b>The Group's share of:</b>		
Profit/loss for the year material investments	547	820
Profit/loss for the year of other associates	427	216
<b>Total comprehensive income</b>	<b>974</b>	<b>1,036</b>
<b>Investments in associates:</b>		
Investments in individually material associates	6,423	4,761
Other associates	4,842	5,434
<b>Total Investments in associates</b>	<b>11,265</b>	<b>10,195</b>



## 2.5.3 Subsidiaries with material Non-Controlling Interest's (NCI's)

Group EUR '000

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

	2016					2015			
	European Solar Farms ApS Denmark	EWf A/S Denmark	EE Offshore ApS Denmark	NPP P/S Denmark	Rødby Fjord Vindkraft Mølle 3 I/S Denmark	European Solar Farms ApS Denmark	EE Offshore ApS Denmark	NPP P/S Denmark	Ulvemosen Wind Park ApS Denmark
Ownership %	20%	28%	28%	49%	45%	21%	28%	49%	100%
<b>Comprehensive income statement (100%)</b>									
Revenue	9,293	423	-	1,861	331	5,284	-	-	-
Depreciation and amortisation	-2,234	-	-	-11	-84	-1,375	-	-1	-
Interest income	1,487	242	72	11	-	257	103	3	-
Profit for the year (continuing operations)	-437	-1,493	99	1,485	218	-135	4	-116	-7
NCI's share of profit for the year	-89	-	28	728	99	-28	1	-57	-
<b>Balance sheet</b>									
Non-current assets	84,255	7,112	2,482	1,041	4,143	74,078	1,822	730	15,625
Current-assets	12,027	7,500	57	2,160	956	11,674	710	576	325
Non-current liabilities	46,535	-1,041	-	78	29	34,057	-	-	-
Current liabilities	44,225	3,265	238	1,696	97	45,850	331	65	10,243
Equity (incl non-controlling interests)	5,522	12,388	2,301	1,427	4,973	5,845	2,202	1,241	11,119
Carrying amount of NCI	1,120	1,102	644	699	2,261	1,214	617	608	11,119
<b>Contingent liability</b>	<b>8,562</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Material non-controlling interests</b>					<b>2016</b>	<b>2015</b>			
Material NCI specified above					5,826	13,558			
Other NCI					500	796			
<b>Total non-controlling interests</b>					<b>6,326</b>	<b>14,354</b>			

## 2.6 Other investments in wind and solar farms (power generating assets) Group EUR '000

### Accounting policy

Other investments comprise a range of non-controlling investments in wind and solar farms. The investments are typically initiated when a major part of a SPV is sold to an investor, and an immaterial part of the shares is retained. The shares are still held for sale, but usually for a longer period before a sale of the shares occurs. Other investments are thus classified as financial assets available for sale. Insights into financial forecasts are not always available, so if reliable data is lacking, other investments are generally valued at cost. If equity value and book value deviate significantly, some higher level analyses are performed to substantiate the reasonableness of book values. All in all, Management considers whether the application of book value that is not material is misstated compared to market values.

	2016	2015
<b>Cost at 1 January</b>	<b>3,622</b>	<b>3,551</b>
Additions for the year	9	71
Disposals of the year	-2	-
<b>Cost at 31 December</b>	<b>3,629</b>	<b>3,622</b>
<b>The investments relates to:</b>		
Investments related to solar power generating assets	2	2
Investments related to wind power generating assets	3,627	3,620
<b>Other investments at 31 December</b>	<b>3,629</b>	<b>3,622</b>
Dividend received from other investments	52	88

## 2.7 Trade receivables, contract assets and other receivables

Group EUR '000

Receivables are measured at amortised cost less write down for bad debt loss. Write down for bad debt loss is based on an individual assessment of each receivable.

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

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

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

### Credit risk

The Group has not established a policy for credit risk management. However, it considers its credit risks as rather low, both with regard to its customers and with regard to the development of renewable energy projects.

There are two major groups of customers: off-takers for the electricity produced by the Group's wind and solar projects and buyers acquiring such projects from the Group. The first category mainly consists of public bodies or publicly regulated entities implementing public tariff schemes (such as grid operators). The second category mainly consists of financially sound entities, such as pension or investment funds. The structure of such transactions usually further mitigates the credit risk related to project sales, as assets are only transferred against the payment of the relevant purchase price on closing.

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

An impairment analysis is performed at each reporting date on an individual basis for major clients. The calculation is based on actual incurred historical data. The maximum exposure to credit risk at the reporting date is the carrying value.

### Earn-out

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

At the end of 2016 a total of EUR 5.6 million (2015: EUR 7.8 million) of the receivables is part of an earn-out agreement. Of this EUR 3.6 million (2015: EUR 5.6 million) is due after more than one year. None of the amounts are due more than five years after the sale.

	2016	2015
Loans to business partner for the acquisition of wind parks in Germany	5,920	5,920
Loans to business partners for the acquisition of solar parks in Spain	1,580	2,310
<b>Total interest-bearing receivable</b>	<b>7,500</b>	<b>8,230</b>
Trade receivables and contract assets	17,097	15,441
Other receivables (non-interest bearing)	6,579	6,776
<b>Total non-interest bearing receivable</b>	<b>23,676</b>	<b>22,217</b>
<b>Total receivables *</b>	<b>31,176</b>	<b>30,447</b>
No impairment losses are recognised relating to doubtful receivables.		
<b>Exposure:</b>		
Receivables not due	30,829	30,318
<b>Receivable past due, but not impaired:</b>		
1-30 days	146	3
31-90 days	134	7
>90 days	67	119
<b>Total Receivables **</b>	<b>31,176</b>	<b>30,447</b>

\* The financial effect related to early adoption of IFRS 15 has affected the comparative financial figures amounting to TEUR 38,629. For further details see note 4.9.

\*\* Out of TEUR 31,176 an amount of TEUR 946 (2015: TEUR 1,120) is expected to be recovered more than 5 years after the balance sheet date.

## 2.8 Provisions

Group EUR '000

### Accounting policy

Provisions are recognised when past events mean that the Company has a legal or a constructive obligation and to settle the obligation may incur an outflow of resources embodying economic benefits. Provisions are determined by discounting the expected future cash flows at pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance expense.

The provisions made are regarding the earn-out on share purchases. The Parent Company bought approximately 50% of a company in 2009. The earn-out amount is still being negotiated with the seller, but final payment is expected to be made in the 2017 financial year. Management has no reason to believe that the final payment will exceed the provision.

### Demolition costs

Provision regarding demolition comprises expected costs to dismantling and disposal of wind and solar farms. These provisions are recognised, when the Company on the date for the accounting period has a legal and actual liability, and it is possible, that fulfilment will include a consumption of the Company's economic resources. Provisions, which are expected to be fulfilled more than a year from the balance day, are measures to net present value of the expected payments. Other liabilities are measured to net realized value. The value of the demolition costs is recognised as a part of the fixed assets and is depreciated together with the relevant assets. The annual accounts include provision to future costs related to dismantling and disposal of wind and solar farms. Based upon Management's expectation to the provisions maturities, the provision is recognised as a non-current liability.

In 2016, the estimated future demolition costs for wind and solar farms of EUR 0.6 million have been presented gross in the balance sheet as "Provision" under non-current liabilities instead of an offsetting in the assets at year-end. This has increased total assets with the same amount as the provision at year-end. Due to immateriality comparative figures has not been changed. Furthermore, as the Company expects the scrap value of the assets to equal estimated demolition costs, there is no effect on the profit and loss for the year.

	2016	2015
<b>Provision at 1 January</b>	<b>3,040</b>	<b>2,987</b>
Transferred to Non-Controlling Interests	-1,102	-
Addition in the year	593	53
<b>Provisions end of year</b>	<b>2,531</b>	<b>3,040</b>
Part of current liabilities	1,975	3,040

## 2.9 Change in working capital

Group EUR '000

The calculations of the cash flow for working capital have been affected by the reclassifications made with the IFRS 15 adoption.

For changes in working capital, this has meant alterations to the movement in trade receivables and contract assets, which before the adoption would have been EUR 14.8 million in 2015, but after the adoption is EUR -4.3 million. In 2016 the changes in trade receivables is EUR -1.6 million, where the number without the IFRS 15 adoption would have been EUR 38.4 million.

Overall the new recognition of revenue postpones the revenue to the period in which energy farms are delivered and paid. This reduces the changes in trade receivables over periods.

Also for inventory the flow changes. When the revenue is recognised at a later point in time the value of inventory on the balance sheet increases, and the additions to cash flow from changes in working capital are postponed to a later point in time. In 2016 the cash flow from changes in inventory was EUR 3.5 million.

The overall changes in working capital were EUR -10.9 million in 2016, and EUR -20.5 million in 2015.

	2016	2015
Trade receivables and contract assets	-1,656	-4,315
Other receivables	927	-2,520
Inventories	3,478	-25,684
Prepayments from goods and services	-86	-998
Trade payables	-6,313	4,669
Payables to related parties	-2,575	2,575
Other payables	-4,629	5,739
<b>Total change in working capital</b>	<b>-10,854</b>	<b>-20,534</b>



## 3.1 Financial income and expenses

Group EUR '000

### Accounting policy

Financial income and expenses comprise interest income and expense, gains and losses on other investments, payables and transactions denominated in foreign currencies as well as surcharges and refunds under the on-account tax scheme, etc.

Capitalised interests on inventories are calculated at a rate of 3%.

The interest is a weighted share of the EUR 45 million bond loan, and the equity used for financing of the inventories.

Finance income	2016	2015
Interest income, on financial assets measured at amortised costs	1,622	1,623
Other financial income	16	48
Dividends	52	88
Currency gains realised	1,370	1,682
Currency gains unrealised	502	235
<b>Financial income</b>	<b>3,562</b>	<b>3,676</b>
Finance expenses	2016	2015
Interest on bonds	3,759	3,742
Finance expenses from financial liabilities measured at amortised costs	2,619	2,294
Financial expenses that have been capitalised on inventories	-536	-448
Amortisation of debt issue costs	452	345
Other financial expenses	796	95
Currency losses realised	497	549
Currency losses unrealised	1,389	3
<b>Financial expenses</b>	<b>8,976</b>	<b>6,580</b>

## 3.2 Capital management

The Group and the parent company consider the combined equity as capital. The parent company, European Energy A/S, is financed primarily through the bond market in Sweden. The company's policy is to maintain a strong capital base that enables it to maintain investors and other creditors. European Energy A/S may not pay out dividends until the EUR 45 million in bonds is repaid.

The EUR 45 million bond loan must be repaid in March 2018. The Board of Directors and Management expect no problems with refinancing in 2018 and are currently assessing the refinancing opportunities for the outstanding bond loan of EUR 45 million. These assessments include the specific structure, size and timing of a new facility. Clarifying conversations indicate that the overall market conditions for such refinancing are considered positive. The refinancing is expected to be in the order of EUR 50-75 million

to support continued growth. The specific use of the proceeds will be determined by Management but will include repayment of the existing facility.

The bond loan of EUR 45 million has a primary covenant of equity/balance that is minimum 25%. The equity ratio is 29.3% as at 31 December 2016 (2015: 25.5%).

In 2008, the Group issued its own bond series with a total nominal value of EUR 7.6 million to mature at end-2017. The issued bonds carry variables interest of 4-11% per year. The interest rate depends on the sale of electricity of certain German wind farms. European Energy has an exposure of this in the amount of EUR 1.6 million structured as a loan to the subsidiary. In 2017, the bond holders in the subsidiary have accepted to prolong the maturity of

the bond until 7 May 2018. Management plans to repay the net outstanding amount of EUR 1.6 million with available cash at maturity.

The Group and the parent company are generally not governed by any external requirements concerning the capital, except concerning minimum paid in share capital according to the rules for limited companies under Danish jurisdiction. At the end of 2016 the free cash in the Group was EUR 10.2 million (2015: EUR 12.9 million). The management and the Board of Directors evaluate that the Group has sufficient available cash to meet the Group's short term liabilities.

## 3.3 Financial risks and financial instruments

Group EUR '000

### Accounting policy

#### Financial assets and liabilities

At initial recognition, financial assets are classified as financial assets at fair value through profit or loss, loans and receivables, financial assets available for sale, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group has not designated any financial assets at fair value through profit and loss.

All financial assets are initially recognised at fair value plus – in the case of investments not at fair value through profit and loss – the directly attributable transaction costs. The Group's financial assets include cash and cash equivalents, trade and other receivables, loan and other receivables, unquoted financial instruments and derivative financial instruments.

At initial recognition, financial liabilities are classified as financial liabilities at fair value through profit or loss, financial liabilities at fair value measured at amortised cost or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities, except derivatives are initially recognised at fair value and net of directly attributable transaction costs. In subsequent periods, financial liabilities are measured at amortised

costs, and any difference between the cost and the redemption value is recognised in the income statement over the period of the borrowings by means of the effective interest (EIR) method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised, as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs integral to the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

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

#### Derivatives and hedge accounting

Derivative financial instruments are measured at fair value. Derivatives are carried as financial assets when the fair value is positive, and as financial liabilities when the fair value is negative.

The changes in the fair value of derivative financial instruments designated

as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

The effective portion of the change in fair value of derivative financial instruments, classified and qualifying as hedging of expected future transactions is recognised in other comprehensive income and presented in the cash flow hedge reserve in equity. Any amounts deferred in equity are transferred to the income statement in the period in which the hedged item affects the income statement. Any ineffective portion of the fair value change is recognised immediately in the statement of profit or loss as financial expenses. If the hedging instrument expires, is sold, terminated, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive remains separately in equity until the forecast transaction occurs or the foreign currency firm commitment is met.

Changes in the fair value of derivative financial instruments that do not meet the criteria of hedge accounting are recognised in financial income or financial expenses in the income statement.

### 3.3.1 Financial risk management objectives and policies

The Group's objectives and policies are unchanged from last year.

The main purpose of the Groups financial liabilities is to finance the Group's operations and to provide guarantees to support its operations. The Group also enters into derivative transactions. The Group is exposed to market risk, credit risk, liquidity risk and political risks that affect its earnings. Group management oversees the management of these risks, including overseeing that the Group's financial risk activities are governed by the policies and procedures outlined by Management and that financial risks are identified, measured and managed in accordance with the Group's policies and risk objectives. It is the Group's policy that no trading in derivatives for speculative purposes may be undertaken. The Board of Directors reviews and agrees on policies for managing each of these risks, which are summarised below.

Market risk comprises three types of risk: interest rate risk, currency risk and other price risk, such as equity price risk and commodity risk. Financial instruments affected by market risk include loans and borrowings, deposits and derivative financial instruments.

Credit risks are described in Note 2.7.

## 3.3.2 Foreign currency risks

Group EUR '000

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

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

The Group is exposed to translation risk from translating the results and financial position of foreign entities into the Group's presentation currency. Currency exposures from net investments in foreign entities are not hedged. Currency rate adjustments related to the translation into the Group's presentation currency are recognised in other comprehensive income.

The Group's foreign entities are exposed to currency risk to the extent that income and costs are not settled in the functional currency of the individual entity. The foreign entities are primarily exposed to fluctuations in GBP, and PLN compared to EUR. In 2017 and onwards the foreign entities in Brazil will also be exposed to fluctuations in BRL compared to EUR.

The table shows currency exposure to each currency as at the balance sheet date based on the functional currencies of the individual Group companies.

A corresponding reduction in the cross rate would have an equivalent opposite effect on profit before tax and equity. The sensitivity analysis was prepared at the balance sheet date on the basis of the exposure to the listed currencies at the balance sheet date, without taking into account potential effects on interest rate levels, effect on other currencies, etc.

2016 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	2,035	5,490	-891
USD/EUR	1,519	653	-750

### Sensitivity

Sensitivity analysis, effect of the currency exposure on closing date:	Change in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	+ - 1%	66	53
USD/EUR	+ - 1%	14	11

2015 Nominal position	Cash/equivalents	Receivables	Debt
GBP/EUR	159	4,938	-6,796
PLN/EUR	1	163	-651

### Sensitivity

Sensitivity analysis of the currency exposure:	Change in currency rate	Impact on profit before tax	Impact on equity
GBP/EUR	+ - 1%	17	14
PLN/EUR	+ - 1%	5	4

## 3.3.3 Liquidity risk

Group EUR '000

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

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

The Group is primarily financed through an unsecured bond with a floating rate and a final maturity date in March 2018. The bond has an amount of EUR 45 million and is listed at NASDAQ OMX, Stockholm. It currently trades around par value.

Clarifying conversations indicate that the overall market conditions for refinancing the bond are positive. The refinancing is expected to be in the order of EUR 50-75 million to support continued growth. The specific use of the proceeds will be determined by Management but will include repayment of the existing facility. Management expects to close the refinancing of the bonds before year end 2017 on improved conditions.

In 2008, the Group issued its own bond series with a total nominal value of EUR 7.6 million. The issued bonds carry variable interest of 4-11% per year. The interest rate depends on the energy generation of certain German wind parks.

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

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

2016	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	57,123	11,279	45,844	-	-
Project financing	70,029	5,525	36,011	8,080	20,414
Credit institutions *)	13,593	13,593	-	-	-
Interest rate swap	640	114	195	150	180

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

2015	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	60,809	3,687	57,123	-	-
Project financing	73,425	5,254	12,738	7,884	47,550
Credit institutions *)	15,382	15,382	-	-	-
Interest rate swap	765	126	218	173	249

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

\*) The financial effect related to early adoption of IFRS 15 has increased Credit institutions by TEUR 124 (2015: TEUR +8.248).

## 3.3.4 Interest rate risks

Group EUR '000

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to currency, at specified intervals, the difference between fixed and variable rate interest amounts calculated with reference to an agreed-upon notional principal amount.

### Bond loans

In 2008, the Group issued its own bond series with a total nominal value of EUR 7.6 million. The issued bonds carry variable interest of 4-11% per year. The interest rate depends on the electricity sales in certain German wind farms.

In 2014, the Group issued its own bond series with a total nominal value of EUR 45 million. The issued bonds carry variable interest based upon a fixed spread and a variable part related to the Euribor. The bonds has a four-year lifecycle and traded on Nasdaq, Stockholm.

### Other loans and credit facilities

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

### Sensitivity analysis

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

	2016		2015	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Bonds	-526	-410	-526	-410
Project financing	-617	-481	-618	-482
Credit institutions	-157	-123	-150	-117
Interest rate swap	-	320	-	383

The impact on equity is net of tax 22% in Denmark. The Project financing is always fixed rate loans, so there will be no additional interests. The interest rate swap in Ocana will be affected by a general interest rate increase. The impact on equity is the estimated value decrease on the swap value.

Interest rate swaps in European Energy at Level 2 in 2016	Interest Rate Swaps	Total
Nominal value	5,295	5,295
Maturity 15 June 2026		
Fair value of interest rate swaps	1,110	1,110
Of which is recognised in the statement of other comprehensive income (accumulated)	1,110	1,110

Interest rate swaps in European Energy at Level 2 in 2015	Interest rate swaps	Total
Nominal value	5,678	5,678
Maturity 15 June 2026		
Fair value of interest rate swaps	1,174	1,174
Of which is recognised in the statement of other comprehensive income (accumulated)	1,174	1,174



## 3.3.5 Political risks

Group EUR '000

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

## 3.4 Financial instruments by category

	2016		2015 *	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	52,274	52,274	56,028	56,028
Financial liabilities measured at amortised cost	130,545	127,170	129,287	120,737
Trade payables	11,512	11,512	17,957	17,957

\* ) Comparative figures for 2015 are adjusted for early adoption of IFRS 15

## 3.5 Determination of fair value

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

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

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair

value, thus maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed are categorised within the fair value hierarchy, described as follows, on the basis of the lowest level input that is significant to the fair value measurement as a whole.

### Level 1

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

### Level 2

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

### Level 3

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

The fair value of interest rate swaps in 2015 and 2016 is determined by discounting estimated future cash flows. Discounting takes place on the basis of yield curves based in turn on market rates prevailing at the closing date. Fair value of the issued bonds is equal to the listed bond price at the balance sheet date.

## 4.1 Tax

Group EUR '000

### Accounting policy

#### Income tax

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

#### Current income tax

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

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

The tax rates applied are those substantively enacted as at the balance sheet date.

#### Deferred tax

Deferred tax is measured by means of the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are recognised to the extent that future taxable income is likely to be available against which the differences can be used – either as a set-off against tax on future income or as a set-off against deferred tax liabilities.

Deferred tax assets are reviewed at each reporting date and are only recognised to the extent that future taxable profits are likely to allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates expected to apply in the year when the asset is realised or the liability is settled, on the basis of tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax assets and tax liabilities are offset if a legal right to offset the current tax assets and current tax liabilities exists, and the deferred tax is attributable to the same tax authority.

### Consolidated statement of profit or loss

Current income tax	2016	2015
Current income tax charge	651	719
Adjustments previous years' foreign tax, see note below table.	-181	1,625
<b>Total current income tax for the year</b>	<b>470</b>	<b>2,344</b>
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	368	1,957
The financial effect related to IFRS 15 adjustments	1,422	-1,422
<b>Total adjustments to deferred tax during the year</b>	<b>1,790</b>	<b>535</b>
Income tax expense recognised in the statement of profit or loss	2,260	2,879
Effective tax rate	13%	45%

### Consolidated statement of other comprehensive income

Deferred tax related to items recognised in other comprehensive income during the year	14	92
Deferred tax charged to other comprehensive income	14	92
<b>Tax on other comprehensive income</b>		
Tax on adjustments of hedging instruments with local tax rate	14	49
Corrections to tax due to changes to prior years	-	-
Changes in tax on hedging instruments due to change in tax rate	-	43
<b>Total</b>	<b>14</b>	<b>92</b>
Tax rate used	25%	25%
The hedging instrument is a SWAP regarding a loan to a solar park in Spain.		

## 4.1 Tax continued

Group EUR '000

### Tax adjustments previous year:

The adjustment made regarding previous years in 2015 is related to a tax audit for the years 2006-2009 in Germany.

### Effective tax rate for the Group:

The significant changes in effective tax rate from 2015 to 2016 are due to tax adjustments previous years in Germany in 2015. In 2016 part of the impairment made in 2015 for brought forward tax losses in Denmark has been released. Without this tax income the effective tax rate for 2016 would have been 16%.

There has been no changes in tax rates within the Countries for which the Group has activities.

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

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

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

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

Deferred tax specification	2016	2015
Deferred tax start of period	-3,927	-4,373
Deferred tax for the year recognised in the income statement	1,790	535
Deferred tax for the year recognised in other comprehensive income	14	92
Adjustments related to the change of control according to IFRS 10	-	-40
Adjustment relating to the disposal/purchase of equity-accounted investments	61	-16
Other equity regulations / joint taxation	749	-125
<b>Deferred tax end of period</b>	<b>-1,313</b>	<b>-3,927</b>
<b>Deferred tax is recognised as follows:</b>		
Deferred tax assets	-3,931	-5,608
Deferred tax liabilities	2,618	1,681
<b>Total recognised deferred tax in the balance</b>	<b>-1,313</b>	<b>-3,927</b>
<b>Deferred tax assets not recognised in the balance sheet</b>		
Total value of temporary differences and tax losses	2,313	5,593
Net deferred tax assets recognised in the balance sheet	-1,313	-3,927
<b>Deferred tax assets not recognised in the balance sheet</b>	<b>1,000</b>	<b>1,666</b>
<b>Split of various temporary differences recognised in the balance sheet</b>		
Tax loss carried forward	-12,120	-12,680
Differences of plant & equipment	10,769	8,729
Dismantling provisions (Germany)	38	24
<b>Total</b>	<b>-1,313</b>	<b>-3,927</b>

## 4.2 Staff costs

Group EUR '000

Bonus agreements for key management personnel are included in the total remuneration and depend on the profit for the period.

	2016	2015
Wages, salaries and remuneration	7,043	6,121
Contributions to defined contribution plans	48	39
Other social security costs	67	59
Other staff costs	385	273
Capitalised salaries on inventories	-2,594	-1,314
<b>Total *</b>	<b>4,949</b>	<b>5,178</b>
Average number of full-time employees	64	53
Number of full-time employees at end of period	67	57

2016	Salary	Bonus	Pension	Benefits	Total
Board of directors	30	-	-	-	30
Executive board	189	79	-	-	268
Other key management personnel	1,129	493	11	-	1,633

2015	Salary	Bonus	Pension	Benefits	Total
Board of directors	15	-	-	-	15
Executive board	126	104	-	-	230
Other key management personnel	989	557	9	-	1,555

\* The financial effect related to IAS 8 adjustments has affected the comparative financial figures TEUR 602. For further details see note 4.9.

## 4.3 Audit fees

Group EUR '000

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

	2016	2015
Statutory audit	213	185
Tax advice	15	-
Other non-audit services	118	-
<b>Total to the auditors appointed by the Annual General Meeting</b>	<b>346</b>	<b>185</b>

## 4.4 Leases

### Accounting policy

Leases that substantially transfer all risks and rewards incidental to ownership of the asset to the Group are finance leases. All other leases are operating leases. Lease payments under operating leases are recognised in the income statement as an expense on a straight-line basis over the term of the lease. The Group has only leases classified as operating leases.

Operating leases have been recognised in the income statement for 2016 at the amount of EUR 558 thousands, with contingent rents constituting EUR 358 thousands (2015: EUR 556 thousands with contingent rents constituting EUR 386 thousands). In 2016, the rent contract related to buildings was extended to 2021 and will thus not have to be renegotiated until that time. The terms for land lease contracts are typically 25 years and has to be extended 6 months before the original lease ends.

	2016	2015
0-1 year	474	547
1-5 years	1,722	1,607
After 5 years *	4,198	4,400
<b>Total land and buildings</b>	<b>6,394</b>	<b>6,554</b>

\* Rent of land has been adjusted in 2015 with TEUR 1,800 which has increased the minimum lease payments after 5 years.



## 4.5 Related parties

Group EUR '000

### Ownership

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

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

The loans to subsidiaries and other related parties has no specific repayment terms. The loans are established as a part of the financing of wind and solar farms, and will typically be repaid when a project is sold.

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

	Group 2016	Group 2015
<b>Related party transactions</b>		
Sale of services to group companies	2,661	5,297
Sale of services to joint ventures	802	988
Sale of services to associates	68	889
Sale of services to other related parties	-	1,934
Sale of services to owners	-	149
Interest, net to/from group companies	789	870
Interest, net to/from joint ventures	101	225
Interest, net (income) to/from associates	253	263
Interest, net (income) to owners	278	326
<b>Loans to related parties</b>		
Loans to associates	8,795	14,499
Loans to European Energy Holding ApS	12,303	11,082
<b>Loans from related parties</b>		
Loans from associates	835	408

## 4.5 Related parties continued

Group EUR '000

### Share of ownership to related parties

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

2016	Knud Erik Andersen	Mikael Dyrstrup Pedersen	Jens-Peter Zink	Thomas Hvalso Hansen
European Energy A/S	76%	14%	10%	0%
European Solar Farms A/S	14%	1%	5%	0%
EEAR Olleria II ApS	0%	0%	0%	10%
Komplementarselskabet Heidelberg ApS	36%	0%	15%	0%
Driftsselskabet Heidelberg ApS	36%	0%	15%	0%
Vindpark Straldja ApS	30%	0%	20%	0%
European Wind Farms Invest No.2 A/S	6%	0%	0%	0%
European Solar Farms Polska Sp. Z.o.o.	1%	0%	0%	0%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS	0%	0%	0%	20%
K/S Solkraftværket GPI Mando 29 ApS	0%	0%	0%	20%
GWE Stormy ApS	0%	0%	0%	86%

2015	Knud Erik Andersen	Mikael Dyrstrup Pedersen	Jens-Peter Zink	Thomas Hvalso Hansen	Annette Nylander
European Energy A/S	76%	14%	10%	0%	0%
European Solar Farms A/S	14%	1%	5%	0%	1%
EEAR Olleria II ApS	0%	0%	0%	10%	0%
Komplementarselskabet Heidelberg ApS	36%	0%	15%	0%	0%
Driftsselskabet Heidelberg ApS	36%	0%	15%	0%	0%
Vindpark Straldja ApS	30%	0%	20%	0%	0%
European Wind Farms Invest No.2 A/S	6%	0%	0%	0%	0%

## 4.6 Contingent liabilities & assets and contractual agreements

Group EUR '000

### Accounting policy

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

### Contingent liabilities

#### Pending lawsuits

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

#### Guarantees, warranties and other liabilities related to divestments

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

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

Guarantees, warranties and specific indemnities are only included with an amount below to the extent they relate to circumstances that the Company either cannot control or is unaware of or where the Company knows that an obligation exists, but its amount is unknown (for instance, an indemnity related to a reduction in a wind farm's production in those cases where a reduction is certain to occur, but the exact size is uncertain).

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

#### Pledges and guarantees related to financing agreements

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

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

### Contractual obligations

The parent company is jointly taxed with the Danish subsidiaries and the parent company. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes, etc. The corporation tax payable by the parent company is EUR 1 million in 2016 (2015: EUR 1 million).

### Contingent assets

A number of Group companies that own solar photovoltaic plants in Spain have dispatched a notice to the Spanish government under Article 26 of the Energy Charter Treaty, requesting the government to settle an alleged breach amicably. Should the dispute not be possible to settle amicably, the Group companies may submit the dispute for resolution in accordance with the Energy Charter Treaty. The size of the claims has not been ultimately established but will likely be in the range of EUR 40-60 million. However, if the companies are successful, the anticipated financial impact on the Group will be less than the aggregate size of the claims, as the costs associated with arguing the case are substantial, possibly as much as 30-40% of the damages awarded. The notice to the Kingdom of Spain regarding the Group's lost revenue due to retroactive changes in the legislative system for solar PV is not recognised as an asset in the balance sheet at the end of the period.

### Contingent liabilities and other financial liabilities

EUR million	2016	2015
Guarantees related to financing agreements	82	48
Guarantees, warranties and other liabilities related to SPA's	3	3
<b>Total</b>	<b>85</b>	<b>51</b>

Comparative figures are adjusted in 2015 for customary warranties EUR 86 million which has decreased the contingent liabilities.

## 4.6 Contingent liabilities & assets and contractual agreements

Group EUR '000

### Security for debt

#### Assets provided as security

Wind and solar farms with a carrying amount of EUR 44 million (2015: EUR 45 million) are pledged as security for the Group's debt to Credit Institutions, etc., a total of EUR 30 million, (2015: EUR 32 million). Moreover, investment in Associates of EUR 1 million (2015: EUR 1 million) and specific cash at bank of EUR 2 million (2015: EUR 2 million) have been provided as collateral.

The Group has provided a pledge in shares of local SPV's for the project financing loan of EUR 65 million (2015: EUR 63 million).

Investment in equity-accounted investments with a carrying amount of EUR 2 million (2015: EUR 2 million) were pledged as security for second priority financing in German Limited Partnerships.

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

## 4.7 Events after the balance sheet date

On 17 February 2017, the European Energy Group signed and closed an agreement for the sale of a 28-MW wind farm in Germany to a German buyer. The wind farm is part of the 48-MW Vormark project located in Gross Pankow in the state of Brandenburg and has been co-developed with the local partner Green Wind Energy GmbH. The European Energy Group owns a total of 16% of the wind farm sold, which was connected to the grid in the first quarter of 2017. The sale will enhance European Energy's financial position.

On 02 March 2017, the European Energy Group signed a term sheet with a German investor for the negotiation of a binding agreement on the sale of the 20-MW wind farm in Oppido, Italy. European Energy owns half of the wind farm to be sold which has been in operation since the beginning of 2017. The term sheet sets out the main conditions for the sales agreement, expected to be exclusively negotiated and signed in the second quarter of 2017. Closing of the sales agreement will be subject to a number of customary conditions precedent, including that the long-term financing of the project must be in place. Completion of the envisaged sale will improve European Energy's financial position.

On 29 March 2017, the European Energy Group signed a term sheet with a German investor for the negotiation of binding agreements for the sale of two wind farms in Germany. Lüdersdorf with total capacity of 6.6 MW and Gilmerdingen with a total capacity of 12 MW. The wind farms are located in the German regions of Brandenburg and Lower Saxony and are scheduled to come into operation in May and July 2017, respectively. The European Energy Group wholly owns the 6.6-MW wind farm and just under 50% of the 12-MW wind farm. The term sheet sets out the main conditions for the sales agreements, expected to be exclusively negotiated and signed in the second quarter of 2017. Closing of the sales agreements will be subject to a number of customary conditions precedent. Completion of the envisaged sale will improve European Energy's financial position.

On 31 March 2017, the maturity of the bond series with a total nominal value of EUR 7.6 million has been prolonged to May 2018.

On 30 April 2017, the European Energy Group signed an agreement for the sale of a wind farm with a gross capacity of 25 MW in Denmark to a German buyer. The wind farm is located in Kappel on the Danish island of Lolland and is developed by European Energy. The European Energy Group owns a total of 100% of the wind farm sold, which was connected to the grid in April 2017. The sale will enhance European Energy's financial position.



## 4.8 Early adoption of IFRS 15

In late 2016, European Energy decided to adopt the International Financial Reporting Standard 15 (IFRS 15) before the mandatory implementation in 2018. IFRS 15 was implemented following a dialogue with the Danish Business Authority regarding European Energy's previous accounting policy for recognising sales revenue from wind and solar farms under IAS 18. The Danish Business Authority disagreed with European Energy's interpretation of IAS 18. As a result, Management has decided to align the European Energy's accounting policy with the Danish Business Authority's assessment. It is Management's opinion that the framework of IFRS 15 is in line with the Danish Business Authority's interpretation of IAS 18, and therefore the company automatically complies with the requested way of revenue recognition by implementing IFRS 15.



## 4.9 Changes to the accounting policy and similar for the Group

The change in revenue recognition has postponed the point in time for which the Group recognises revenue. The Group has consequently made a study of all revenue recognised for the sale of energy parks from 2011 to 2016. The outcome of this has changed the profit and loss, balance sheet and cash flow statements for all years. Due to the material changes from the adoption it has been decided to show the new values in the Group financial highlights and key ratios.

The tables show the results of the early adoption of IFRS 15 as from the adoption date 1 January 2016 and similar for the Group. These adjustments are shown in the column "Effect of early adoption of IFRS 15".

The change in revenue recognition has led to the reversal of sales previously recognised and these has been postponed to the year where the delivery of the energy farm has taken place. The corrections to the profit and loss is thus a decrease in revenue with the revenue from projects which has been postponed to recognition in a future year, and addition from the projects which had been recognised in previous years, but has been delivered in the current year. Additionally the direct costs and tax from the profit has been corrected.

When an energy park has not yet been sold due to the change in point in time for revenue recognition, the SPV has again been consolidated with the group, until the new revenue recognition date. The reversal of the revenue has decreased the equity, the trade receivables and contract assets, and the trade payables.

The reconsolidation of SPV's has added to the Groups balance. Typically with additions to inventory, cash, trade payables and debt to credit institutions.

During the very comprehensive analysis of all divestments six years back, a few other issues have been discovered which has led to adjustments to the 2015 statements. These are shown in the column "Effect of IAS 8 adjustments". The adjustments are reclassifications within the statements and have no effect on the profit and loss or equity for the Group.

All changes in reclassifications and conversions are also described.

## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

### Reconciliation of Assets, liabilities and equity after early adoption of IFRS 15 and other adjustments

ASSETS	Balance sheet Annual Report 2014	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	01 Jan 2015
<b>Non-current assets</b>						
Property, plant and equipment	51,440	-		-		51,440
Joint venture investments	7,509	-		-		7,509
Associated companies investments	8,590	-		-		8,590
Other investments	3,551	-		-		3,551
Loans to related parties	16,322	-		-		16,322
Trade receivables and contract assets	6,689	-		-		6,689
Other receivables	8,394	-		-		8,394
Deferred tax assets	5,507	-		-		5,507
<b>Total non-current assets</b>	<b>108,002</b>	<b>-</b>		<b>-</b>		<b>108,002</b>
<b>Current assets</b>						
Inventories	12,784	37,211	a	-		49,995
Trade receivables and contract assets	63,596	-59,159	b	-		4,437
Other receivables	3,452	640		-		4,092
Prepayments from goods and services	640	172		-		812
Cash and cash equivalents	13,328	5,109	c	-		18,437
<b>Total current assets</b>	<b>93,800</b>	<b>-16,027</b>		<b>-</b>		<b>77,773</b>
<b>TOTAL ASSETS</b>	<b>201,802</b>	<b>-16,027</b>		<b>-</b>		<b>185,775</b>

## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

EQUITY AND LIABILITIES	Balance sheet Annual Report 2014	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	01 Jan 2015
<b>Equity</b>						
Share capital	1,340	-		-		1,340
Retained earnings	53,551	-16,072	d	-		37,479
<b>Equity attributable to owners of the Company</b>	<b>54,891</b>	<b>-16,072</b>		<b>-</b>		<b>38,819</b>
Non-controlling interests	2,546	725		-		3,271
<b>Total equity</b>	<b>57,437</b>	<b>-15,347</b>		<b>-</b>		<b>42,090</b>
<b>Liabilities</b>						
Bond loan	51,750	-		-		51,750
Project financing	34,948	-		-		34,948
Other debt, partnerships	1,991	-		-		1,991
Deferred tax	1,134	-		-		1,134
<b>Total non-current liabilities</b>	<b>89,823</b>	<b>-</b>		<b>-</b>		<b>89,823</b>
Credit institutions	3,898	23,733	e	-		27,631
Other debt, partnerships	5,534	-4,995	f	-		539
Trade payables	34,785	-17,975	g	-		16,810
Payables to related parties	57	-		-		57
Corporation tax	1,551	-		-		1,551
Provisions	2,987	-		-		2,987
Contract liabilities	-	-		-		-
Other payables	5,730	-1,441		-		4,289
<b>Total current liabilities</b>	<b>54,542</b>	<b>-678</b>		<b>-</b>		<b>53,864</b>
<b>Total liabilities</b>	<b>144,365</b>	<b>-678</b>		<b>-</b>		<b>143,687</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>201,802</b>	<b>-16,025</b>		<b>-</b>		<b>185,777</b>



## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

Group reconciliation of total comprehensive income for 2015 according to early adoption of IFRS 15

	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	2015 after transition
Revenue	58,799	15,362	h	-602	w	73,559
Profit after tax from equity-accounted development companies	-45	-		-		-45
Profit after tax from equity-accounted operating companies	1,758	-		-		1,758
Other income	269	-		-		269
Direct costs	-37,975	-19,558	i	-		-57,533
<b>Gross profit</b>	<b>22,806</b>	<b>-4,196</b>		<b>-602</b>		<b>18,008</b>
Staff costs	-5,780	-		602	w	-5,178
Other external costs	-2,071	-		-		-2,071
<b>EBITDA</b>	<b>14,955</b>	<b>-4,196</b>		<b>-</b>		<b>10,759</b>
Depreciation & impairment	-1,495	-		-		-1,495
<b>Operating profit</b>	<b>13,460</b>	<b>-4,196</b>		<b>-</b>		<b>9,264</b>
Finance income	3,676	-		-		3,676
Finance expenses	-6,580	-		-		-6,580
<b>Profit before tax</b>	<b>10,556</b>	<b>-4,196</b>		<b>-</b>		<b>6,360</b>
Tax	-4,301	1,422		-		-2,879
<b>Profit for the year</b>	<b>6,255</b>	<b>-2,774</b>		<b>-</b>		<b>3,481</b>

## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

Attributable to:	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	2015 after transition
Shareholders of the Company	6,438	-2,774		-		3,664
Non-controlling interests	-183	-		-		-183
<b>Profit/loss for the year</b>	<b>6,255</b>	<b>-2,774</b>		<b>-</b>		<b>3,481</b>
<b>Statement of comprehensive income</b>						
Profit for the year	6,255	-2,774		-		3,481
<b>Items that may be reclassified to profit or loss</b>						
Other comprehensive income in equity accounted investments	-9	-		-		-9
Value adjustments of hedging instruments	205	-		-		205
Tax of value adjustments of hedging instruments	-92	-		-		-92
Currency differences on translating foreign operations	-113	1		-		-112
<b>Other comprehensive income for the period</b>	<b>-9</b>	<b>1</b>		<b>-</b>		<b>-8</b>
<b>Comprehensive income for the period</b>	<b>6,246</b>	<b>-2,773</b>		<b>-</b>		<b>3,473</b>
<b>Comprehensive income for the year</b>						
<b>Attributable to:</b>						
Shareholders of the Company	6,407	-2,773		-		3,634
Non-controlling interests	-161	-		-		-161
<b>Comprehensive income for the year</b>	<b>6,246</b>	<b>-2,773</b>		<b>-</b>		<b>3,473</b>

## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

### Group reconciliation of Assets, liabilities and equity at 31 December 2015

ASSETS	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	31 Dec 2015 after transition
<b>Non-current assets</b>						
Property, plant and equipment	63,009	-		-17,500	x	45,509
Joint venture investments	8,746	59		-		8,805
Associated companies investments	10,195	-		-		10,195
Other investments	3,622	-		-		3,622
Loans to related parties	19,993	5,588	j	-		25,581
Trade receivables and contract assets	9,047	-		-		9,047
Other receivables	7,634	-		-		7,634
Deferred tax assets	4,239	1,369		-		5,608
<b>Total non-current assets</b>	<b>126,485</b>	<b>7,016</b>		<b>-17,500</b>		<b>116,001</b>
<b>Current assets</b>						
Inventories	41,507	16,672	k	17,500	x	75,679
Trade receivables and contract assets	46,476	-40,082	l	-		6,394
Other receivables	5,919	1,453		-		7,372
Prepayments from goods and services	1,810	-		-		1,810
Cash and cash equivalents	12,325	3,605	m	-		15,930
<b>Total current assets</b>	<b>108,037</b>	<b>-18,352</b>		<b>17,500</b>		<b>107,185</b>
<b>TOTAL ASSETS</b>	<b>234,522</b>	<b>-11,336</b>		<b>-</b>		<b>223,186</b>

## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

EQUITY AND LIABILITIES	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	31 Dec 2015 after transition
<b>Equity</b>						
Share capital	1,340	-		-		1,340
Retained earnings	59,958	-18,845	n	-		41,113
<b>Equity attributable to owners of the Company</b>	<b>61,298</b>	<b>-18,845</b>		<b>-</b>		<b>42,453</b>
Non-controlling interests	2,512	11,842	o	-		14,354
<b>Total equity</b>	<b>63,810</b>	<b>-7,003</b>		<b>-</b>		<b>56,807</b>
<b>Liabilities</b>						
Bond loan	52,040	-		-		52,040
Project financing	55,780	-		-		55,780
Other debt, partnerships	4,275	-		-		4,275
Deferred tax	1,735	-54		-		1,681
<b>Total non-current liabilities</b>	<b>113,830</b>	<b>-54</b>		<b>-</b>		<b>113,776</b>
Credit institutions	6,759	8,248	p	-		15,007
Other debt, partnerships	4,720	-2,943		-		1,777
Trade payables	29,705	-11,748	q	-		17,957
Payables to related parties	408	-		-		408
Corporation tax	1,866	-		-		1,866
Provisions	3,040	-		-		3,040
Contract liabilities	-	2,575		-		2,575
Other payables	10,384	-411		-		9,973
<b>Total current liabilities</b>	<b>56,882</b>	<b>-4,279</b>		<b>-</b>		<b>52,603</b>
<b>Total liabilities</b>	<b>170,712</b>	<b>-4,333</b>		<b>-</b>		<b>166,379</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>234,522</b>	<b>-11,336</b>		<b>-</b>		<b>223,186</b>

## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

### Group reconciliation of consolidated statement of cash flows at 31 December 2015

	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	Cash flow 2015 after the transition
<b>Cash flow from operating activities</b>						
Profit/loss before tax	10,556	-4,196	r	-		6,360
<b>Adjustments for:</b>						
Financial income	-3,676	-		-		-3,676
Financial expenses	6,580	-		-		6,580
Depreciations	1,495	-		-		1,495
Other non-cash movements	-1,713	-		-		-1,713
Change in net working capital	-14,651	11,617	s	-17,500	x	-20,534
Other non-cash items	-269	-		-		-269
<b>Cash generated from operation before financial items and tax</b>	<b>-1,678</b>	<b>7,421</b>		<b>-17,500</b>		<b>-11,757</b>
Taxes paid	-2,203	-		-		-2,203
Interest paid and realised currency losses	-6,577	-		-		-6,577
Interest received and realised currency gains	3,441	-		-		3,441
<b>Cash flow from operating activities</b>	<b>-7,017</b>	<b>7,421</b>		<b>-17,500</b>		<b>-17,096</b>
<b>Cash flow from investing activities</b>						
Purchase of Property, plant and equipment	-18,225	627		17,500	x	-98
Proceeds from disposal of equity-accounted investments	1,796	-600		-		1,196
Purchase of other investments	-	-		-		-
Investment/loans in equity-accounted investments	-4,395	-2,206		-		-6,601
Dividends	88	-		-		88
<b>Net cash flow from investing activities</b>	<b>-20,736</b>	<b>-2,179</b>		<b>17,500</b>		<b>-5,415</b>
<b>Cash flow from financing activities</b>						
Proceeds from borrowings	33,957	-1		-		33,956
Repayment of borrowings	-7,886	-17,862	t	-		-25,748
Changes in payables to associates	351	-		-		351
Non-controlling interests' share of capital increase or disposal of subsidiaries	328	11,117	u	-		11,445
<b>Cash flow from financing activities</b>	<b>26,750</b>	<b>-6,746</b>		<b>-</b>		<b>20,004</b>



## 4.9 Changes to the accounting policy and similar for the Group

EUR '000

	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	Effect of IAS 8 adjustments	Note	Cash flow 2015 after the transition
<b>Change in cash and cash equivalents</b>	<b>-1,003</b>	<b>-1,504</b>		<b>-</b>		<b>-2,507</b>
Cash and cash equivalents at beginning of period	13,328	5,109	u	-		18,437
<b>Cash and cash equivalents end of period</b>	<b>12,325</b>	<b>3,605</b>		<b>-</b>		<b>15,930</b>
Of which restricted cash and cash equivalents	-3,029	-		-		-3,029
<b>Non-restricted cash and cash equivalents end of period</b>	<b>9,296</b>	<b>3,605</b>		<b>-</b>		<b>12,901</b>

## 4.9 Specification to changes in the accounting policy and similar for the Group

- a) Inventories have increased with EUR 37,211 thousands due to the re-consolidation of energy parks originally sold, but which have been recognised as not sold until 2015.
- b) Trade receivables and contract assets have decreased with EUR 59,159 thousands due to the reversal of divestments of energy parks originally recognised in 2014.
- c) Cash has been added with EUR 5,109 thousands as part of the balance for the re-consolidated energy parks.
- d) The profit from the divestment of energy parks of EUR 16,072 thousands has been reversed from the retained earnings and postponed to later years.
- e) Debt to credit institutions has been added with EUR 23,733 thousands as part of the balance for the re-consolidated energy parks.
- f) Other debt, partnerships has been decreased with EUR 4,995 thousands due to the reversal of divestments of energy parks originally recognised in 2014.
- g) Trade payables of EUR 17,975 thousands has been decreased from the consolidated balance as a net amount of which EUR 12,066 thousands has been added from the re-consolidation of the balance of the energy parks, and EUR 30,041 thousands has been reversed from the reversal of the divestments made in 2014 postponed to later years. The EUR 30,041 thousands is equivalent with the accruals originally made at the point in time the energy parks were sold for the remaining costs of finalizing the construction of the energy parks.
- h) Revenue of EUR 15,362 thousands has been added as a net amount of revenue from earlier years of EUR 48,898 thousands which have been postponed to 2015, less the revenue originally recognised in 2015 of EUR 33,536 thousands which has been decreased in the revenue and postponed to 2016.
- i) Direct costs of EUR 19,558 thousands have been added as a net amount of direct costs from earlier years of EUR 18,649 thousands which have been postponed to 2015, less the direct costs originally recognised in 2015 of EUR 38,206 thousands which have been decreased in the direct costs and postponed to 2016.
- j) Loans to related parties have increased with EUR 5,588 thousands due to the reversal of the divestments of energy parks from 2015 to 2016.
- k) Inventories of EUR 16,672 thousands have been added to the balance due to the re-consolidation of energy parks originally sold, but which have been recognised as not sold until 2016.
- l) Trade receivables and contract assets of EUR 40,082 thousands have been decreased in the balance due to the reversal of divestments of energy parks originally recognised in 2015.
- m) Cash has been added with EUR 3,605 thousands as part of the balance for the re-consolidated energy parks.
- n) The profit from the divestment of energy parks of EUR 18,845 thousands has been reversed from the retained earnings and postponed to later years.
- o) Non-controlling interests of EUR 11,842 thousands has been added to the balance regarding one energy park which has been re-consolidated and the divestment recognised in 2016. The Group has according to IFRS 10 full control over the company, the SPV, which is the owner of the energy park. The shares of the company have though been delivered to the buyer, and the buyer is registered as the formal owner of the company. The Group has as a consequence of this no ownership in the energy park. The full control results in a full consolidation of the park in the consolidated statements for the Group. The equity of the company is recognised as 100% non-controlling interests.
- p) Debt to credit institutions has been added with EUR 8,248 thousands as part of the balance for the re-consolidated energy parks.
- q) Trade payables of EUR 11,748 thousands have been decreased from the consolidated balance as a net amount of which EUR 277 thousands has been added from the re-consolidation of the balance of the energy parks, and EUR 12,025 thousands is from the reversal of the divestments made in 2015 postponed to 2016. The EUR 12,025 thousands is equivalent with the accruals originally made at the point in time the energy parks were sold for the remaining costs to finalize the construction of the energy parks.
- r) The profit before tax has been decreased with EUR 4,196 thousands as a net amount of profit before tax recognised in earlier years of EUR 14,886 thousands which has been postponed to recognition in 2015 and the reversal of divestments of energy parks originally recognised in 2015 of EUR 10,690 thousands which has been postponed to 2016.
- s) As a result of the above adjustments related to the revenue recognition the changes to working capital (inventories, receivables, prepayments, trade payables, payables to related parties and other payables) has increased with EUR 11,617 thousands.
- t) The repayment of borrowings of EUR 7,886 thousands for 2015 has increased with EUR 17,862 thousands due to repayment of loans from companies originally sold in 2014 but re-consolidated to the 2014 balance and which has now been recognised as sold in 2015. The project financing has then been recognised as repaid in 2015 at the delivery of the energy farm to the customer.
- u) Non-controlling interests share of capital increase has been increased with EUR 11,117 thousands from the re-consolidation of a company previously recognised as sold, see *litra o*.
- v) The EUR 11,117 thousands represents the capital increase made by a non-controlling interest in 2017. The company was recognised with EUR 725 thousands in non-controlling interests at the end of 2014.
- w) Cash at the beginning of the period has been increased with EUR 5,109 thousands due to re-consolidation of previously sold energy parks.
- x) EUR 602 thousand have been reclassified from revenue to staff costs. The amount relates to an internal sale of services from the parent company to a SPV. The SPV has capitalized the cost as a part of the construction cost for a wind farm. The recognition standard for the Group is that such costs are shown as less staff costs.
- y) The Group invests in wind and solar farms in order to divest these with a profit. As a consequence of this, fully constructed projects are not classified as property, plant and equipment (PPE), but as inventory instead. The correction of EUR 17,500 thousands from PPE to inventory relates to solar parks build in 2015 and originally shown as PPE. The projects are built with the purpose of sale, and are reclassified to inventory. The cash flow effect is less cash in from changes in working capital and less cash used to purchase PPE, both with the same amount of EUR 17,500 thousands.



Parent  
company

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# 1.0 Basis for preparation

Parent EUR '000

Parent company

## General information

The parent company's financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with additional Danish disclosure requirements for annual reports.

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

## Investment in subsidiaries

Subsidiaries are measured at the proportionate share of the entities' net asset value calculated according to the Group's accounting policies plus or minus unrealised intra-group gains or losses and plus or minus the residual value of positive and negative goodwill calculated according to the acquisition method. The proportionate share of the individual subsidiaries' profit/loss after tax is recognised in the parent company's income statement after the full elimination of intra-group gains/losses.

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

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

# Statement of profit or loss & other comprehensive income

For the year ended 31 December 2016

Parent EUR '000

Note	Parent Company	2016	2015*
	Revenue	81,930	58,576
2.5.0	Profit after tax from subsidiaries	7,891	-7,211
2.5.3	Profit after tax from associates and joint ventures	-1,433	1,365
	Other income	-	269
	Direct costs	-60,263	-40,341
	<b>Gross profit</b>	<b>28,125</b>	<b>12,658</b>
4.2	Staff costs	-7,168	-5,762
	Other external costs	-1,425	-1,082
	<b>EBITDA</b>	<b>19,532</b>	<b>5,814</b>
2.3	Depreciation & impairment	-34	-32
	<b>Operating profit</b>	<b>19,498</b>	<b>5,782</b>
3.1	Finance income	2,274	3,255
3.1	Finance expenses	-5,104	-4,471
	<b>Profit/loss before tax</b>	<b>16,668</b>	<b>4,566</b>
4.1	Tax	-1,565	-902
	<b>Profit/loss for the year</b>	<b>15,103</b>	<b>3,664</b>
	<b>Statement of comprehensive income</b>		
	Profit/loss for the year	15,103	3,664
	<b>Items that may be reclassified to profit or loss</b>		
	Other comprehensive income of equity-accounted interest net of tax	-	-8
	Value adjustments of hedging instruments	45	163
4.1	Tax of value adjustments of hedging instruments	-11	-73
	Currency differences on translating foreign operations	84	-112
	<b>Other comprehensive income for the period</b>	<b>118</b>	<b>-30</b>
	<b>Comprehensive income for the year</b>	<b>15,221</b>	<b>3,634</b>

\*) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments

# Statement of financial position

As of 31 December 2016

Parent EUR '000

Note	Parent Company	2016	2015*	1 Jan 2015*
	<b>ASSETS</b>			
	<b>Non-current assets</b>			
2.3	Property, plant and equipment	107	99	47
2.5.0	Investment in subsidiaries	27,060	18,898	23,998
2.5.1	Joint venture investments	5,424	7,179	6,223
2.5.2	Associated companies investments	4,984	4,515	3,826
2.6	Other investments	446	448	448
4.5	Loans to subsidiaries	47,811	47,153	34,423
4.5	Loans to related parties	17,076	20,893	14,630
2.7	Trade receivables and contract assets	6,331	5,099	-
4.1	Deferred tax	995	2,298	2,876
	<b>Total non-current assets</b>	<b>110,234</b>	<b>106,582</b>	<b>86,471</b>
	<b>Current assets</b>			
2.4	Inventories	807	57	66
2.7	Trade receivables and contract assets	2,513	772	571
2.7	Other receivables	3,886	353	1,214
	Prepayments from goods and services	1,047	1,523	182
3.2	Cash and cash equivalents	6,767	4,638	6,424
	<b>Total current assets</b>	<b>15,020</b>	<b>7,343</b>	<b>8,457</b>
	<b>TOTAL ASSETS</b>	<b>125,254</b>	<b>113,925</b>	<b>94,928</b>

\* ) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments

# Statement of financial position continued

Parent EUR '000

Note	Balance Sheet - Parent Company	2016	2015*	1 Jan 2015*
	<b>EQUITY AND LIABILITIES</b>			
	<b>Equity</b>			
	Share capital	1,340	1,340	1,340
	Reserves (equity methods)	13,443	8,674	14,694
	Retained earnings	42,891	32,439	22,785
	<b>Total Equity</b>	<b>57,674</b>	<b>42,453</b>	<b>38,819</b>
	<b>Liabilities</b>			
3.3	Bond loan	44,700	44,440	44,150
4.1	Deferred tax	750	659	621
	<b>Total non-current liabilities</b>	<b>45,450</b>	<b>45,099</b>	<b>44,771</b>
	Other debt, partnerships	-	-	296
	Trade payables	5,740	3,113	2,396
4.5	Payables to subsidiaries	10,098	15,983	6,298
4.5	Payables to related parties	61	57	57
	Corporation tax	674	679	-
	Other payables	5,557	6,541	2,291
	<b>Total current liabilities</b>	<b>22,130</b>	<b>26,373</b>	<b>11,338</b>
	<b>Total liabilities</b>	<b>67,580</b>	<b>71,472</b>	<b>56,109</b>
	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>125,254</b>	<b>113,925</b>	<b>94,928</b>

\*) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments

# Statement of cash flow

As of 31 December 2016

Parent EUR '000

Note	Parent Company	2016	2015*
	<b>Cash flow from operating activities</b>		
	Profit/loss before tax	16,668	4,566
	<b>Adjustments for:</b>		
	Financial income	-2,274	-3,255
	Financial expenses	5,104	4,471
	Depreciations	34	32
	Other non-cash movements	1,433	-1,634
2.9	Change in net working capital	-5,134	-884
	<b>Cash generated from operation before financial items and tax</b>	<b>15,831</b>	<b>3,296</b>
	Taxes paid	-2	-763
	Interest paid and realised currency losses	-4,652	-4,471
	Interest received and realised currency gains	1,983	3,039
	<b>Cash flow from operating activities</b>	<b>13,160</b>	<b>1,101</b>
	<b>Cash flow from investing activities</b>		
	Purchase of Property, plant and equipment	-42	-84
	Proceeds from disposal of subsidiaries, equity-accounted investments	12	3,476
	Investment/loans in equity-accounted investments	-11,033	-6,320
	Dividends received	32	41
	<b>Cash flow from investing activities</b>	<b>-11,031</b>	<b>-2,887</b>
	<b>Change in cash and cash equivalents</b>	<b>2,129</b>	<b>-1,786</b>
	Cash and cash equivalents at beginning of period	4,638	6,424
	<b>Cash and cash equivalents end of period</b>	<b>6,767</b>	<b>4,638</b>
	Of which restricted cash and cash equivalents	-2,975	-1,166
3.2	<b>Non-restricted cash and cash equivalents end of year</b>	<b>3,792</b>	<b>3,472</b>

\* ) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments



# Statement of changes in equity

As of 31 December 2016

Parent EUR '000

Parent Company	Share capital	Reserves (equity methods)	Retained earnings	Total*
<b>Equity at 1 January 2016</b>	<b>1,340</b>	<b>8,674</b>	<b>32,439</b>	<b>42,453</b>
Profit/loss for the year	-	6,458	8,645	15,103
Value adjustments of hedging instruments	-	45	-	45
Tax of value adjustments of hedging instruments	-	-11	-	-11
Currency differences on translating foreign operations	-	84	-	84
<b>Other comprehensive income</b>	<b>-</b>	<b>118</b>	<b>-</b>	<b>118</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>6,576</b>	<b>8,645</b>	<b>15,221</b>
Regulation on disposal of companies	-	149	-149	-
Dividends received	-	-1,956	1,956	-
<b>Total other regulation on equity</b>	<b>-</b>	<b>-1,807</b>	<b>1,807</b>	<b>-</b>
<b>Equity at 31 December 2016</b>	<b>1,340</b>	<b>13,443</b>	<b>42,891</b>	<b>57,674</b>
<b>Equity at 1 January 2015</b>	<b>1,340</b>	<b>14,694</b>	<b>22,785</b>	<b>38,819</b>
Profit/loss for the year	-	-5,846	9,510	3,664
Other comprehensive income in equity-accounted investments	-	-8	-	-8
Value adjustments of hedging instruments	-	163	-	163
Tax of value adjustments of hedging instruments	-	-73	-	-73
Currency differences on translating foreign operations	-	-156	44	-112
<b>Other comprehensive income</b>	<b>-</b>	<b>-74</b>	<b>44</b>	<b>-30</b>
<b>Total comprehensive income</b>	<b>-</b>	<b>-5,920</b>	<b>9,554</b>	<b>3,634</b>
Regulation for disposal of companies	-	-100	100	-
<b>Total other regulation on equity</b>	<b>-</b>	<b>-100</b>	<b>100</b>	<b>-</b>
<b>Equity at 31 December 2015</b>	<b>1,340</b>	<b>8,674</b>	<b>32,439</b>	<b>42,453</b>

The share capital consists of nom. 10,000,000 shares of DKK 1 each, corresponding to TEUR 1,340.  
The share capital has remained unchanged for the last five years. The share capital is fully paid in.

\*) Comparative figures for 2015 are adjusted for early adoption of IFRS 15 and other adjustments

# 1.1 Segment information

Parent EUR '000

## Accounting Policy

Please refer to note 1.1 for the Group.

2016	Wind	Solar	Total
Sale of energy farms and projects	61,664	17,275	78,939
Asset management	710	187	897
Other fees	2,094	-	2,094
<b>Revenue</b>	<b>64,468</b>	<b>17,462</b>	<b>81,930</b>
<b>2015</b>	<b>Wind</b>	<b>Solar</b>	<b>Total</b>
Sale of energy farms and projects	7,460	49,413	56,873
Asset management	732	166	898
Other fees	805	-	805
<b>Revenue</b>	<b>8,997</b>	<b>49,579</b>	<b>58,576</b>
<b>Secured revenue regarding signed SPA contracts</b>	<b>2017</b>	<b>2018-2036</b>	<b>Total</b>
SPAs	51,472	-	51,472
<b>Total secured revenue</b>	<b>51,472</b>	<b>-</b>	<b>51,472</b>

## 2.3 Property, plant and equipment

Parent EUR '000

### Accounting Policy

Please refer to note 2.3 for the Group.

#### Tools and equipment

##### Cost

Balance at 1 January 2016	787
Additions for the year	42
<b>Cost at 31 December 2016</b>	<b>829</b>

##### Accumulated depreciation and impairment losses

Balance at 1 January 2016	-688
Depreciation	-34
<b>Accumulated depreciation at 31 December 2016</b>	<b>-722</b>
<b>Carrying amount at 31 December 2016</b>	<b>107</b>

##### Cost

Balance at 1 January 2015	703
Additions for the year	84
<b>Cost at 31 December 2015</b>	<b>787</b>

##### Accumulated depreciation and impairment losses

Balance at 1 January 2015	-656
Depreciation	-32
<b>Accumulated depreciation at 31 December 2015</b>	<b>-688</b>
<b>Carrying amount at 31 December 2015</b>	<b>99</b>

## 2.4 Inventories

Parent EUR '000

### Accounting Policy

Please refer to note 2.4 for the Group.

Wind farms for sale	2016	2015
<b>Under development</b>		
Solar farms for sale	740	-
Wind farms for sale	67	57
<b>Total inventory</b>	<b>807</b>	<b>57</b>
<b>Change in inventory write-downs</b>		
Inventory write-downs at 1 January	-150	-
Write-down for the year	150	-150
<b>Total inventory write-downs</b>	<b>-</b>	<b>-150</b>
<b>Amount of inventory recognised in profit or loss</b>		
Net write-down for the year	150	-150
<b>Total</b>	<b>150</b>	<b>-150</b>
<p>The management has looked at the total portfolio of projects under development and diversified this into segments depending upon maturity of the project and the time elapsed since the project was started. This segment analysis has led to no impairment in 2016. The management finds the impairment to reflect the risk of the total portfolio very well.</p>		
<b>Specification of movement on the inventory</b>	<b>2016</b>	<b>2015</b>
Cost at 1 January	207	66
Additions for the year	785	-
Disposals for the year	-185	141
<b>Cost at 31 December</b>	<b>807</b>	<b>207</b>

## 2.4 Inventories continued

Parent EUR '000

Specification of movement on the inventory	2016	2015
Value adjustments at 1 January	-150	-
Value adjustment for the year	150	-150
<b>Value adjustments at 31 December</b>	<b>-</b>	<b>-150</b>
<b>Carrying amount at 31 December</b>	<b>807</b>	<b>57</b>

## 2.5.0 Investment in subsidiaries

Parent EUR '000

### Accounting policy

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

	2016	2015
Cost at 1 January	11,979	10,500
Additions for the year	1,908	1,449
Disposals of the year	-834	30
<b>Cost at 31 December</b>	<b>13,053</b>	<b>11,979</b>
Value adjustments at 1 January	6,838	14,112
Share of profit for the year	7,891	-7,211
Hedges net of tax	34	89
Dividends received from subsidiaries	-1,263	-
Reversed value adjustments on disposals and transfers	74	-
Other value adjustments	69	-152
<b>Value adjustments at 31 December</b>	<b>13,643</b>	<b>6,838</b>
<b>Carrying amount at 31 December</b>	<b>26,696</b>	<b>18,817</b>
Investments in subsidiaries at 31 December	27,060	18,898
Set-off against receivables from subsidiaries	-364	-81
<b>Total</b>	<b>26,696</b>	<b>18,817</b>

Ownership shares in subsidiaries can be specified as follows:



## 2.5.0 Investment in subsidiaries continued

Parent EUR '000

Name	Ownership share at 31 Dec 2016	Ownership share at 31 Dec 2015
Boa Hora Solar ApS, Denmark	100%	0%
EE Giga Storage A/S, Denmark	100%	0%
EE Offshore Wind A/S, Denmark	100%	100%
EE Offshore, Denmark	72%	72%
EEPV Denmark 1 K/S, Denmark	100%	0%
EEPV Denmark 2 K/S, Denmark	100%	0%
EEPV Denmark 3 K/S, Denmark	100%	0%
EEPV Denmark 4 K/S, Denmark	100%	0%
EEPV Denmark 5 K/S, Denmark	100%	0%
Ejendomsselskabet Kappel ApS, Denmark	67%	67%
Enerteq ApS, Denmark	56%	56%
European Energy III, Denmark	0%	100%
European Energy Systems II ApS, Denmark	100%	100%
European Solar Farms A/S, Denmark	80%	79%
European Wind Farm Denmark A/S, Denmark	100%	100%
European Wind Farm No. 2 A/S, Denmark	100%	100%
European Wind Farms A/S, Denmark	72%	100%
K/S Solkraftværket GPI Mando 29, Denmark	80%	0%
Kappel Vind IVS, Denmark	100%	0%
Komplementarselskabet EE PV Denmark ApS, Denmark	100%	0%
Komplementarselskabet Rødby Fjord WTG 3 ApS, Denmark	100%	100%
Komplementarselskabet Solkraftværket GPI Mando 29 ApS, Denmark	80%	0%
Komplementarselskabet Sydlolland Vindmøllelaug K/S, Denmark	0%	100%
Nordic Power Partners P/S, Denmark	51%	51%
NPP Komplementar, Denmark	51%	51%
Omnia Vind, Denmark	100%	100%
Rødby Fjord WTG 3 K/S, Denmark	100%	0%
Renewables Insight ApS (former European Energy Systems I ApS), Denmark	100%	100%
Sydlolland Vindmøllelaug K/S, Denmark	0%	100%
Vindtestcenter Kappel ApS, Denmark	100%	67%
EE Finland OY, Finland	100%	100%

## 2.5.0 Investment in subsidiaries continued

Parent EUR '000

Ownership shares in subsidiaries can be specified as follows:

Name	Ownership share at 31 Dec 2016	Ownership share at 31 Dec 2015
Vihreässaari Wind OY, Finland	100%	0%
Bond II Erste GmbH & Co. KG, Germany	100%	100%
Bond II Zweite GmbH & Co. KG, Germany	100%	100%
BS Windertrag Nr. 6 GmbH & Co. KG, Germany	0%	100%
EE Brobergen GmbH & Co. KG, Germany	100%	0%
EE Construction Germany GmbH & Co. KG, Germany	100%	100%
EE Lüdersdorf GmbH & Co. KG (former EE Construction GmbH & Co. KG), Germany	100%	100%
EE Sieben Fünf GmbH & Co. KG, Germany	100%	100%
EWf Deutschland GmbH, Germany	100%	100%
EWf Verwaltung GmbH, Germany	100%	100%
EWf Vier Sechs GmbH & Co. KG, Germany	100%	100%
Windpark Gilmerdingen GmbH & Co. KG, Germany	100%	100%
Windpark Tornitz GmbH & CO. KG, Germany	100%	100%
Windpark Werneuchen GmbH & Co. KG, Germany	100%	100%
WP Badingen, Germany	0%	100%
WP Vier Berge GmbH & Co. KG, Germany	100%	0%
Zweite WEA Vetschau GmbH, Germany	0%	100%
EWf Kåre 1 AB, Sweden	100%	100%
Fimmerstad Vindpark AB, Sweden	100%	0%
Grevekulla Vindpark AB, Sweden	100%	0%
Våstanby Vindbruksgrupp i Fjellie 2 AB, Sweden	100%	100%
Boa Hora 1 Geradora De Energia Solar S.A., Brazil	80%	0%
Boa Hora 2 Geradora De Energia Solar S.A., Brazil	80%	0%
Boa Hora 3 Geradora De Energia Solar S.A., Brazil	80%	0%

## 2.5.1 Investments in joint ventures

Parent EUR '000

	2016	2015
Cost at 1 January	5,276	4,960
Additions for the year	-3	496
Disposals for the year	6	-180
<b>Cost at 31 December</b>	<b>5,279</b>	<b>5,276</b>
Value adjustments at 1 January	1,903	1,263
Share of profit for the year	-1,744	633
Other value adjustments	-55	7
<b>Value adjustments at 31 December</b>	<b>104</b>	<b>1,903</b>
<b>Carrying amount at 31 December</b>	<b>5,383</b>	<b>7,179</b>
Investments in joint ventures at 31 December	5,424	7,179
Set-off against receivables from joint ventures	-41	-
<b>Total</b>	<b>5,383</b>	<b>7,179</b>
<b>Ownership shares in joint ventures can be specified as follows:</b>		
	31 Dec 2016	31 Dec 2015
EEA Renewables A/S, Denmark	50%	50%
EEGW Persano ApS, Denmark	50%	50%
EWf Fünf Vier GmbH & Co. KG, Germany	50%	50%
Windpark Hellberge GmbH & Co. KG, Germany	50%	50%
EE Sieben Null GmbH & Co. KG, Germany	50%	50%
EEA Verwaltungs GmbH, Germany	50%	50%
EEA Stormy ApS, Denmark	50%	50%
EE Sieben Zwei GmbH & Co. KG, Germany	50%	50%
EE Sieben Drei GmbH & Co. KG, Germany	50%	50%
EEA SWEPOL A/S, Denmark	50%	50%
Solarpark Vandel Services ApS, Denmark	50%	0%

## 2.5.2 Investments in associates

Parent EUR '000

	2016	2015
Cost at 1 January	4,582	4,572
Additions for the year	852	32
Disposals of the year	-147	-22
<b>Cost at 31 December</b>	<b>5,287</b>	<b>4,582</b>
Value adjustments at 1 January	-67	-746
Share of profit for the year	311	732
Reversed value adjustments on disposals and transfers	145	-51
Dividend and other value adjustments	-693	-2
<b>Value adjustments at 31 December</b>	<b>-304</b>	<b>-67</b>
<b>Carrying amount at 31 December</b>	<b>4,983</b>	<b>4,515</b>
Investments in associates at 31 December	4,984	4,515
Set-off against receivables from associates	-1	-
<b>Total</b>	<b>4,983</b>	<b>4,515</b>

Ownership shares in associates can be specified as follows:

	31 Dec 2016	31 Dec 2015
Windpark Wriezener Höhe GmbH & Co. KG, Germany	15%	15%
WK Ottenhausen GmbH & Co. KG, Germany	8%	8%
Wind Systems EOOD, Bulgaria	49%	49%
Wind Stream EOOD, Bulgaria	49%	49%
Wind Power 2 EOOD, Bulgaria	49%	49%
Wind Energy EOOD, Bulgaria	49%	49%
EWf Fünf Eins GmbH & Co. KG, Germany	25%	25%
European Energy Sales & Adm ApS, Denmark	0%	23%
EE Repowering GmbH & C KG, Germany	0%	30%
Driftsselskabet Heidelberg ApS, Denmark	50%	50%
Solarpark Vandel GmbH, Germany	43%	50%
UW Gilmerdingen GmbH & C KG, Germany	40%	0%
Västanby Vindbruksgrupp i Fjelle AB, Sweden	40%	0%
GWE Stormy ApS, Denmark	14%	0%

## 2.5.3 Investments in joint ventures and associated companies

Parent EUR '000

	Note	2016	2015
Results in joint ventures	2.5.1	-1,744	633
Results in associates	2.5.2	311	732
<b>Total result in equity accounted investments</b>		<b>-1,433</b>	<b>1,365</b>

## 2.6 Other investments in wind and solar power generating assets

	2016	2015
Cost at 1 January	448	448
Disposals for the year	-2	-
<b>Cost at 31 December</b>	<b>446</b>	<b>448</b>
Investments related to wind power generating assets	446	448

## 2.7 Trade receivables, contract assets and other receivables

Parent EUR '000

	2016	2015
Trade receivables and contract assets	8,844	5,871
Other receivables	3,886	353
<b>Total receivables*</b>	<b>12,730</b>	<b>6,224</b>
No impairment losses are recognised relating to doubtful receivables		
<b>Exposure:</b>		
Receivables not due	12,383	6,095
<b>Receivables past due, but not impaired:</b>		
1-30 days	146	3
31-90 days	134	7
>90 days	67	119
<b>Total receivables</b>	<b>12,730</b>	<b>6,224</b>

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

\* The financial effect related to early adoption of IFRS 15 has effected the comparative financial figures. For further details see note 4.9.



## 2.9 Change in working capital

Parent EUR '000

The calculations of the cash flow for working capital have been affected by the reclassifications made with the IFRS 15 adoption. For more information regarding this, please read the 4.9 note.

### Accounting Policy

Please refer to note 2.9 for the Group.

	2016	2015
Trade receivables and contract assets	-2,973	-5,084
Other receivables	-3,533	861
Inventories/project portfolio	-750	9
Prepayments from goods and services	476	-1,341
Trade payables	2,627	421
Other payables	-981	4,250
<b>Total change in working capital</b>	<b>-5,134</b>	<b>-884</b>

## 3.1 Financial income and expenses

Parent EUR '000

### Accounting Policy

Please refer to note 3.1 for the Group.

<b>Finance income - Parent Company</b>	<b>2016</b>	<b>2015</b>
Interest income, on financial assets measured at amortised costs	1,558	1,366
Dividends, other investments	32	41
Other financial income	217	1
Currency gains realised	176	1,631
Currency gains unrealised	291	216
<b>Financial income</b>	<b>2,274</b>	<b>3,255</b>
<b>Finance expenses - Parent Company</b>		
Interest on bonds	3,448	3,438
Finance expenses from financial liabilities measured at amortised cost	486	381
Capitalised interests on project development	-	-
Debt issue costs	260	306
Other financial expenses	5	-
Currency losses realised	453	346
Currency losses unrealised	452	-
<b>Financial expenses</b>	<b>5,104</b>	<b>4,471</b>

## 3.2 Capital management

Please refer to note 3.2 for the Group.

## 3.3 Foreign currency risks

Parent EUR '000

### Accounting policy

For capital management and financial risk management objectives and policies, please refer to note 3.2 and 3.3 for the Group.

The parent company's exposure to currency risk arises from transactions with its subsidiaries that are not made in EUR (the parent company's functional currency). The parent company provides funding and services to its subsidiaries, generally in the local currency of the subsidiary.

The parent's exposure to currency risk is as follows:

#### 2016

Nominal position

	Cash/equivalents	Receivables	Debt
<b>GBP/EUR</b>	-	2,496	-

Sensitivity analysis of the currency exposure:

	Change in currency rate	Impact on profit before tax	Impact on equity
<b>GBP/EUR</b>	+ - 1%	25	20

#### 2015

Nominal position

	Cash/equivalents	Receivables	Debt
<b>GBP/EUR</b>	-	3,099	-

Sensitivity analysis of the currency exposure:

	Change in currency rate	Impact on profit before tax	Impact on equity
<b>GBP/EUR</b>	+ - 1%	31	25

A corresponding reduction in the cross rate would have an equivalent opposite effect on profit before tax and equity. The sensitivity analysis has been prepared at the balance sheet date on the basis of the exposure to the listed currencies at the balance sheet date, without taking into account potential effects on interest rate levels, effect on other currencies etc. Please refer to note 3.3 for the Group for further information.

## 3.3.1 Liquidity risks

Parent EUR '000

2016	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	49,219	3,375	45,844	-	-

2015	Contractual cash flow	Maturity within 1 year	Maturity between 1 and 3 year	Maturity between 3 and 5 year	Maturity after 5 years
Issued bonds	52,594	3,375	49,219	-	-

## 3.3.2 Interest rate risks

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

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which it agrees to currency exchanges at specified intervals, the difference between fixed and variable rate interest amounts calculated with reference to an agreed-upon notional principal amount.

### Sensitivity analyses

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

	2016		2015	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Bonds	-450	-351	-450	-351

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

## 3.4 Financial instruments by category

Parent EUR '000

	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and receivables	77,617	77,617	74,270	74,270
Financial liabilities measured at amortised cost	54,859	51,484	60,480	51,930
Trade payables	5,740	5,740	3,113	3,113

## 4.1 Tax

Parent EUR '000

### Accounting Policy

Please refer to note 4.1 for the Group.

### Parent company

Statement of profit or loss	2016	2015
<b>Current income tax:</b>		
Current income tax charge	191	546
Adjustments in respect of current tax in previous year	-201	-108
<b>Total current income tax for the year</b>	<b>-10</b>	<b>438</b>
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	773	1,266
The financial effect related to IFRS 15 adjustments	802	-802
<b>Total adjustments to deferred tax during the year</b>	<b>1,575</b>	<b>464</b>
<b>Income tax expense recognised in the statement of profit or loss</b>	<b>1,565</b>	<b>902</b>
Tax on profit/loss can be explained as follows:		
Income tax expense reported in the statement of profit or loss	1,565	902
Effective tax rate	9%	20%
<b>Tax on other comprehensive income</b>		
Fair value adjustments of hedging instruments	11	73
<b>Total</b>	<b>11</b>	<b>73</b>



## 4.1 Tax continued

Parent EUR '000

Deferred tax	2016	2015
<b>Deferred tax can be specified as follows:</b>		
Deferred tax at 1 January	-1,639	-2,255
Deferred tax for the year recognised in the income statement	1,575	464
Adjustments regarding prior years recognised in the income statement	-181	152
<b>Deferred tax at 31 December</b>	<b>-245</b>	<b>-1,639</b>
<b>Deferred tax assets not recognised in the balance sheet</b>		
Value of tax losses not recognised in the balance sheet	1,000	1,666

We expect to utilize the tax loss carry forward within 5 years. The recognition of deferred tax assets is based on an analysis of future income in the next 3-5 years. The analysis is based on an expectation on a steady development compared with 2015 and in general reasonable assumptions.

### Deferred tax specification

#### Accounting policy

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

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

#### Specification of deferred tax recognised in the balance sheet

	2016	2015
Tax loss carried forward	-1,488	-2,589
Differences of plants & equipment	1,215	928
Dismantling provisions (Germany)	28	22
<b>Total</b>	<b>-245</b>	<b>-1,639</b>

## 4.2 Staff costs

Parent EUR '000

### Accounting Policy

Please refer to note 4.2 for the Group.

Bonus agreements for key management personnel are included in the total remuneration and depend on the profit for the period.

	2016	2015
Wages, salaries and remuneration	6,697	5,409
Contributions to defined contribution plans	41	33
Other social security costs	65	57
Other staff costs	365	263
<b>Total</b>	<b>7,168</b>	<b>5,762</b>
Average number of full-time employees	61	51
Number of full-time employees at end of period	62	54

2016	Salary	Bonus	Pension	Benefits	Total
Board of directors	30	-	-	-	30
Executive board	189	79	-	-	268
Other key management personnel	1,129	493	11	-	1,633

2015	Salary	Bonus	Pension	Benefits	Total
Board of directors	15	-	-	-	15
Executive board	126	104	-	-	230
Other key management personnel	989	557	9	-	1,555

## 4.3 Audit fees

Parent EUR '000

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

	2016	2015
Statutory audit	68	34
Tax advice	15	-
Non-audit services	118	-
<b>Total to the auditors appointed by the Annual General Meeting</b>	<b>201</b>	<b>34</b>

## 4.4 Leases

### Accounting policy

Please refer to note 4.4 for the Group.

Operating leases have been recognised in the income statement for 2016 at the amount of EUR 358 thousands, with contingent rents constituting EUR 358 thousands (2015: EUR 356 thousands with contingent rents constituting EUR 356 thousands). In 2016, the rent contract related to buildings was extended to 2021 and will thus not have to be renegotiated until that time.

	2016	2015
0-1 year	234	347
1-5 years	737	807
After 5 years	-	-
<b>Total leases of buildings</b>	<b>971</b>	<b>1,154</b>

## 4.5 Related parties

Parent EUR '000

### Accounting Policy

Please refer to note 4.5 for the Group.

Related party transactions	2016	2015
Sale of services to subsidiaries	3,745	3,810
Sale of services to joint ventures	657	-
Sale of services to associates	58	889
Sale of services to other related parties	-	1,934
Sale of services to owners	-	149
Interest, net (income) to/from subsidiaries	837	-
Interest, net (income) to/from joint ventures	-82	-
Interest, net (income) to associates	45	283
Interest, net (income) to owners	278	326
<b>Loans to related parties</b>		
Loans to subsidiaries	47,811	47,153
Loans to European Energy Holding ApS	12,303	11,082
Loans to other related parties	4,773	9,811
<b>Total loans to related parties</b>	<b>64,887</b>	<b>68,046</b>
The loans to subsidiaries and other related parties has not specific repayment terms. The loans are established as a part of financing for development of wind and solar parks, and will typically be repaid when a project is sold.		
<b>Loans from related parties</b>		
Loans from subsidiaries	10,098	15,983
Loans from associates	61	57
<b>Total loans to related parties</b>	<b>10,159</b>	<b>16,040</b>

## 4.6 Contingent liabilities & assets and contractual agreements

Parent EUR '000

### Accounting policy

Please refer to note 4.6 for the Group.

## 4.7 Events after the balance sheet date

Please refer to note 4.7 for the Group.

## 4.8 Early adoption of IFRS 15

### Accounting policy

Please refer to note 4.8 for the Group.

## 4.9 Changes to the accounting policy & similar for the parent company

EUR '000

Please refer to note 4.9 for the Group.

### Reconciliation of Assets, liabilities after early adoption of IFRS 15

ASSETS	Balance sheet Annual report 2014	Effect of early adoption of IFRS 15	Note	01 Jan 2015
<b>Non-current assets</b>				
Property, plant and equipment	47	-		47
Investment in subsidiaries	29,654	-5,656	a	23,998
Joint venture investments	6,223	-		6,223
Associated companies investments	3,826	-		3,826
Other investments	448	-		448
Loans to subsidiaries	21,418	13,005	b	34,423
Loans to related parties	14,630	-		14,630
Deferred tax assets	2,876	-		2,876
<b>Total non-current assets</b>	<b>79,122</b>	<b>7,349</b>		<b>86,471</b>
<b>Current assets</b>				
Inventories	66	-		66
Trade receivables and contract assets	54,804	-54,233	c	571
Other receivables	1,214	-		1,214
Prepayments from goods and services	182	-		182
Cash and cash equivalents	6,424	-		6,424
<b>Total current assets</b>	<b>62,690</b>	<b>-54,233</b>		<b>8,457</b>
<b>TOTAL ASSETS</b>	<b>141,812</b>	<b>-46,884</b>		<b>94,928</b>



## 4.9 Changes to the accounting policy & similar for the parent company

EUR '000

EQUITY AND LIABILITIES	Balance sheet Annual report 2014	Effect of early adoption of IFRS 15	Note	01 Jan 2015
<b>Equity</b>				
Share capital	1,340	-		1,340
Reserves	19,625	-4,931	d	14,694
Retained earnings	33,926	-11,141	e	22,785
<b>Total Equity</b>	<b>54,891</b>	<b>-16,072</b>		<b>38,819</b>
<b>Liabilities</b>				
Liabilities related to the issue of bonds	44,150	-		44,150
Deferred tax	621	-		621
<b>Total non-current liabilities</b>	<b>44,771</b>	<b>-</b>		<b>44,771</b>
Other debt, partnerships	296	-		296
Trade payables	32,437	-30,041	f	2,396
Payables to subsidiaries	6,298	-		6,298
Payables to related parties	57	-		57
Other payables	3,062	-771		2,291
<b>Total current liabilities</b>	<b>42,150</b>	<b>-30,812</b>		<b>11,338</b>
<b>Total liabilities</b>	<b>86,921</b>	<b>-30,812</b>		<b>56,109</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>141,812</b>	<b>-46,884</b>		<b>94,928</b>

Reconciliation of total comprehensive income for 2015  
according to early adoption of IFRS 15

## 4.9 Changes to the accounting policy & similar for the parent company

EUR '000

	Balance sheet Annual report 2015	Effect of early adoption of IFRS 15	Note	2015 after transition
Revenue	41,265	17,311	g	58,576
Profit after tax from subsidiaries	-4,470	-2,741		-7,211
Profit after tax from associates and joint ventures	1,365	-		1,365
Other income	269	-		269
Direct costs	-22,195	-18,146	h	-40,341
<b>Gross profit</b>	<b>16,234</b>	<b>-3,576</b>		<b>12,658</b>
Staff costs	-5,762	-		-5,762
Other external costs	-1,082	-		-1,082
<b>EBITDA</b>	<b>9,390</b>	<b>-3,576</b>		<b>5,814</b>
Depreciation & impairment	-32	-		-32
<b>Operating profit</b>	<b>9,358</b>	<b>-3,576</b>		<b>5,782</b>
Finance income	3,255	-		3,255
Finance expenses	-4,471	-		-4,471
<b>Profit before tax</b>	<b>8,142</b>	<b>-3,576</b>		<b>4,566</b>
Tax	-1,704	802		-902
<b>Profit for the year</b>	<b>6,438</b>	<b>-2,774</b>		<b>3,664</b>
<b>Statement of comprehensive income</b>				
Profit for the year	6,438	-2,774		3,664
<b>Items that may be reclassified to profit or loss</b>				
Other comprehensive income in equity-accounted investments	-8	-		-8
Value adjustments of hedging instruments	163	-		163
Tax of value adjustments of hedging instruments	-73	-		-73
Currency differences on translating foreign operations	-113	1		-112
<b>Other comprehensive income for the period</b>	<b>-31</b>	<b>1</b>		<b>-30</b>
<b>Comprehensive income for the year</b>	<b>6,407</b>	<b>-2,773</b>		<b>3,634</b>

## 4.9 Changes to the accounting policy & similar for the parent company

EUR '000

### Reconciliation of Assets, liabilities and equity at 31 December 2015

ASSETS	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	31 Dec 2015 after transition
<b>Non-current assets</b>				
Property, plant and equipment	99	-		99
Investment in subsidiaries	26,570	-7,672	i	18,898
Joint venture investments	7,125	54		7,179
Associated companies investments	4,515	-		4,515
Other investments	448	-		448
Loans to subsidiaries	37,122	10,031	j	47,153
Loans to related parties	16,438	4,455	k	20,893
Trade receivables and contract assets	5,099	-		5,099
Deferred tax assets	1,496	802		2,298
<b>Total non-current assets</b>	<b>98,912</b>	<b>7,670</b>		<b>106,582</b>
<b>Current assets</b>				
Inventories	57	-		57
Trade receivables and contract assets	35,526	-34,754	l	772
Other receivables	353	-		353
Prepayments from goods and services	1,523	-		1,523
Cash and cash equivalents	4,638	-		4,638
<b>Total current assets</b>	<b>42,097</b>	<b>-34,754</b>		<b>7,343</b>
<b>TOTAL ASSETS</b>	<b>141,009</b>	<b>-27,084</b>		<b>113,925</b>

## 4.9 Changes to the accounting policy & similar for the parent company

EUR '000

EQUITY AND LIABILITIES	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	31 Dec 2015 after transition
<b>Equity</b>				
Share capital	1,340	-		1,340
Reserves	16,292	-7,618	m	8,674
Retained earnings	43,666	-11,227	n	32,439
<b>Total Equity</b>	<b>61,298</b>	<b>-18,845</b>		<b>42,453</b>
<b>Liabilities</b>				
Liabilities related to the issue of bonds	44,440	-		44,440
Deferred tax liabilities	659	-		659
<b>Total non-current liabilities</b>	<b>45,099</b>	<b>-</b>		<b>45,099</b>
Trade payables	11,321	-8,208	o	3,113
Payables to subsidiaries	15,983	-		15,983
Payables to related parties	57	-		57
Corporation tax	679	-		679
Other payables	6,572	-31		6,541
<b>Total current liabilities</b>	<b>34,612</b>	<b>-8,239</b>		<b>26,373</b>
<b>Total liabilities</b>	<b>79,711</b>	<b>-8,239</b>		<b>71,472</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>141,009</b>	<b>-27,084</b>		<b>113,925</b>

## 4.9 Changes to the accounting policy & similar for the parent company

EUR '000

### Reconciliation of consolidated statement of cash flows at 31 December 2015

	Balance sheet Annual Report 2015	Effect of early adoption of IFRS 15	Note	31 Dec 2015 after transition
<b>Cash flow from operating activities</b>				
Profit/loss before tax	8,142	-3,576	p	4,566
<b>Adjustments for:</b>				
Financial income	-3,255	-		-3,255
Financial expenses	4,471	-		4,471
Depreciations	32	-		32
Other non-cash movements	-1,365	-269		-1,634
Change in net working capital	-2,347	1,463		-884
<b>Cash generated from operation before financial items and tax</b>	<b>5,678</b>	<b>-2,382</b>		<b>3,296</b>
Taxes paid	-763	-		-763
Interest paid and realised currency losses	-4,471	-		-4,471
Interest received and realised currency gains	3,039	-		3,039
<b>Cash flow from operating activities</b>	<b>3,483</b>	<b>-2,382</b>		<b>1,101</b>
<b>Cash flow from investing activities</b>				
Purchase of Property, plant and equipment	-84	-		-84
Proceeds from disposal of subsidiaries, equity-accounted investments	-32	3,508		3,476
Investment in equity accounted investments	-5,194	-1,126		-6,320
Dividends received	41	-		41
<b>Cash flow from investing activities</b>	<b>-5,269</b>	<b>2,382</b>		<b>-2,887</b>
<b>Change in cash and cash equivalents</b>	<b>-1,786</b>	<b>-</b>		<b>-1,786</b>
Cash and cash equivalents at beginning of period	6,424	-		6,424
<b>Cash and cash equivalents end of period</b>	<b>4,638</b>	<b>-</b>		<b>4,638</b>
Of which restricted cash and cash equivalents	-1,167	1		-1,166
<b>Non-restricted cash and cash equivalents end of period</b>	<b>3,471</b>	<b>1</b>		<b>3,472</b>

## 4.9 Specification to changes in the accounting policy and similar for the parent company

- a) Investment in subsidiaries has decreased with EUR 5,656. The amount comprises of a reversal of divestment of subsidiaries previously sold in 2014 adding to the investment in subsidiaries of EUR 3,476 thousands and less value adjustments in subsidiaries of EUR 9,132 thousand due to sub-subsidiaries sold in previous years where the divestment is postponed to later years.
- b) Loans to subsidiaries have increased with EUR 13,005 thousands due to the reversal of subsidiaries previously recognised as sold.
- c) Trade receivables and contract assets has decreased with EUR 54,233 thousands due to the reversal of subsidiaries previously recognised as sold, where the divestment has been postponed to later years.
- d) Reserves has decreased with EUR 4,931 thousands due to postponement of divestment of companies owned by subsidiaries.
- e) Retained earnings have decreased with EUR 11,141 thousands due to profit from divestments of subsidiaries postponed to a later year.
- f) Trade payables has decreased with EUR 30,041 thousands which equivalents the accrual for the remaining construction costs in the energy parks which divestments have been postponed to later years.
- g) Revenue for 2015 has been increased with a net amount of EUR 17,311 thousands which comprises of recognised revenue from sale of subsidiaries which originally had been recognised in earlier years of EUR 42,981 thousands minus EUR 25,670 thousands of revenue of divestments of subsidiaries originally recognised in 2015 which have been postponed to later years.
- h) Direct costs has been increased with EUR 18,146 thousands which comprises of recognised direct costs from sale of subsidiaries which originally had been recognised in earlier years of EUR 36,041 thousands minus EUR 17,895 thousands of direct costs of divestments of subsidiaries originally recognised in 2015 which have been postponed to later years.
- i) Investment in subsidiaries has decreased with EUR 7,672 thousands. The amount comprises of net profit in subsidiaries for which has been postponed to later years.
- j) Loans to subsidiaries have increased with EUR 10,031 thousands due to the postponement of divestment of subsidiaries to later years.
- k) Loans to related parties have increased with EUR 4,455 thousands due to the postponement of divestment of associated companies to later years.
- l) Trade receivables and contract assets have decreased with EUR 34,754 thousands due to the postponement of divestment of subsidiaries to later years.
- m) Reserves has decreased with EUR 7,618 thousands due postponement of divestment of companies owned by subsidiaries.
- n) Retained earnings have decreased with EUR 11,227 thousands due to profit from divestments of subsidiaries postponed to a later year.
- o) Trade payables have decreased with EUR 8,208 thousands which equivalents the accrual for the remaining construction costs in the energy parks which divestment have been postponed to later years.
- p) The profit before tax has been decreased with EUR 3,576 thousands as a result of the new revenue recognition. Profit before tax from earlier years which has been recognised in 2015 of EUR 8,731 thousands has been added to the profit, while 12,307 thousands has been decreased from the profit and is recognised in 2016.



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

Of the 353 companies within the Group (2015: 295 companies), 117 (2015: 104) are partnerships in the form of joint ventures, associated companies or companies owned by these entities. These partnerships enable the Group to maintain a diversified portfolio while also reducing risk. In addition, the Group has 12 investments (2015: 11 investments) in companies where its ownership is below 20%, none of which are material investments for the Group.

At the end of 2016, the total number of subsidiaries directly or indirectly owned by the parent company was 223 (2015: 179), all of which were consolidated line by line in the consolidated income statement.

The 117 joint ventures (2015: 104 joint ventures), associated companies and companies owned by these entities are recognised in one line as "equity-accounted investments" in the gross profit section of the consolidated income statement. In the balance sheet, they are recognised in the line for joint venture investments or in the line for the associated companies investment, both under non-current assets. As regards to the 12 companies (2015: 11 companies) where the Group has no material ownership, the investments are recognised at cost and are stated in the balance sheet as other investments.

S = Subsidiaries

A = Associates

JV = Joint ventures

NC = Non-consolidated

KEA = Knud-Erik Andersen

JPZ = Jens-Peter Zink

MDP = Mikael Dystrup Pedersen

CDY = Claus Dyhr

JHE = Jesper Helmuth

**Parent company and subsidiaries, joint ventures or associates owned by parent**

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
1	Parent	European Energy A/S	DK	Parent company			JPZ	KEA, MDP, CDY, JHE	
2	S	European Energy Giga Storage A/S	DK	Administration	100%	0%			KEA
3	S	European Energy Systems II ApS	DK	Administration	100%	100%			KEA/JPZ
4	S	Renewables Insight ApS (prev. European Energy Systems I ApS)	DK	Administration	100%	100%			KEA/JPZ
5	S	European Solar Farms A/S	DK	Administration	80%	79%	KEA	JPZ, MDP	
6	S	European Wind Farms A/S	DK	Administration	72%	100%	JPZ	KEA, MDP	
7	S	Nordic Power Partners P/S	DK	Administration	51%	51%	KEA	JPZ	
8	S	NPP Komplementar ApS	DK	Administration	51%	51%	KEA	JPZ	
9	JV	EEA Renewables A/S	DK	Administration	50%	50%		JPZ, KEA	
10	JV	EEA Stormy ApS	DK	Administration	50%	50%			KEA
11	JV	EEA Swepol A/S	DK	Administration	50%	50%		KEA	
12	JV	EEGW Persano ApS	DK	Administration	50%	50%		KEA, JPZ	
13	JV	Komplementarselskabet EEAR ApS	DK	Administration	50%	50%			KEA
14	S	Boa Hora Solar ApS	DK	Solar Power	100%	0%			KEA/JPZ
15	S	EE PV Denmark 1 K/S	DK	Solar Power	100%	0%			KEA
16	S	EE PV Denmark 10 K/S	DK	Solar Power	100%	0%			KEA
17	S	EE PV Denmark 11 K/S	DK	Solar Power	100%	0%			KEA
18	S	EE PV Denmark 12 K/S	DK	Solar Power	100%	0%			KEA
19	S	EE PV Denmark 13 K/S	DK	Solar Power	100%	0%			KEA
20	S	EE PV Denmark 14 K/S	DK	Solar Power	100%	0%			KEA
21	S	EE PV Denmark 15 K/S	DK	Solar Power	100%	0%			KEA
22	S	EE PV Denmark 16 K/S	DK	Solar Power	100%	0%			KEA
23	S	EE PV Denmark 2 K/S	DK	Solar Power	100%	0%			KEA
24	S	EE PV Denmark 3 K/S	DK	Solar Power	100%	0%			KEA
25	S	EE PV Denmark 4 K/S	DK	Solar Power	100%	0%			KEA
26	S	EE PV Denmark 5 K/S	DK	Solar Power	100%	0%			KEA
27	S	EE PV Denmark 6 K/S	DK	Solar Power	100%	0%			KEA
28	S	EE PV Denmark 7 K/S	DK	Solar Power	100%	0%			KEA
29	S	EE PV Denmark 8 K/S	DK	Solar Power	100%	0%			KEA
30	S	EE PV Denmark 9 K/S	DK	Solar Power	100%	0%			KEA
31	S	Komplementarselskabet EE PV Denmark ApS	DK	Solar Power	100%	0%			KEA
32	S	Boa Hora 1 Geradora De Energia Solar S.A.	BR	Solar Power	80%	0%	KEA	JPZ	

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
33	S	Boa Hora 2 Geradora De Energia Solar S.A.	BR	Solar Power	80%	0%	KEA	JPZ	
34	S	Boa Hora 3 Geradora De Energia Solar S.A.	BR	Solar Power	80%	0%	KEA	JPZ	
35	S	K/S Solkraftværket GPI Mando 29	DK	Solar Power	80%	0%			JPZ
36	S	Komplementarselskabet Solkraftværket GPI Mando 29 ApS	DK	Solar Power	80%	0%			KEA/JPZ
37	S	ESF Spanien 01 GmbH	DE	Solar Power	80%	79%			KEA
38	S	ESF Spanien 09 GmbH	DE	Solar Power	80%	79%			KEA
39	S	EE Sol Holding IVS	DK	Solar Power	80%	0%			KEA/JPZ
40	S	European Solar Farms Development ApS	DK	Solar Power	80%	79%			KEA/JPZ
41	S	European Solar Farms Greece ApS	DK	Solar Power	80%	79%			KEA/JPZ
42	S	European Solar Farms Italy ApS	DK	Solar Power	80%	79%			KEA/JPZ
43	S	European Solar Farms Spain ApS	DK	Solar Power	80%	79%			KEA/JPZ
44	S	Infrastukturselskabet Pelsdyrparken IS	DK	Solar Power	80%	0%			KEA
45	S	Infrastukturselskabet Stubbekøbing IS	DK	Solar Power	80%	0%			KEA
46	S	Infrastukturselskabet Øster Tørebym IS	DK	Solar Power	80%	0%			KEA
47	S	Komplementarselskabet Sol IVS	DK	Solar Power	80%	0%			KEA/JPZ
48	S	Lidegaard ApS	DK	Solar Power	80%	79%			KEA/JPZ
49	S	SF Ibiza ApS	DK	Solar Power	80%	79%			KEA/JPZ
50	S	SF La Pobla ApS	DK	Solar Power	80%	79%			KEA/JPZ
51	S	Vores Sol A12 K/S	DK	Solar Power	80%	0%			KEA/JPZ
52	S	Vores Sol A13 K/S	DK	Solar Power	80%	0%			KEA/JPZ
53	S	Vores Sol A14 K/S	DK	Solar Power	80%	0%			KEA/JPZ
54	S	Vores Sol A15 K/S	DK	Solar Power	80%	0%			KEA/JPZ
55	S	Vores Sol A16 K/S	DK	Solar Power	80%	0%			KEA/JPZ
56	S	Vores Sol A17 K/S	DK	Solar Power	80%	0%			KEA/JPZ
57	S	Vores Sol A30 K/S	DK	Solar Power	80%	0%			KEA/JPZ
58	S	Vores Sol A31 K/S	DK	Solar Power	80%	0%			KEA/JPZ
59	S	Vores Sol A32 K/S	DK	Solar Power	80%	0%			KEA/JPZ
60	S	Vores Sol A33 K/S	DK	Solar Power	80%	0%			KEA/JPZ
61	S	Vores Sol A34 K/S	DK	Solar Power	80%	0%			KEA/JPZ
62	S	Vores Sol A35 K/S	DK	Solar Power	80%	0%			KEA/JPZ
63	S	Vores Sol A36 K/S	DK	Solar Power	80%	0%			KEA/JPZ
64	S	Vores Sol A37 K/S	DK	Solar Power	80%	0%			KEA/JPZ

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
65	S	Vores Sol A38 K/S	DK	Solar Power	80%	0%			KEA/JPZ
66	S	Vores Sol A39 K/S	DK	Solar Power	80%	0%			KEA/JPZ
67	S	Vores Sol A40 K/S	DK	Solar Power	80%	0%			KEA/JPZ
68	S	Vores Sol A41 K/S	DK	Solar Power	80%	0%			KEA/JPZ
69	S	Vores Sol A42 K/S	DK	Solar Power	80%	0%			KEA/JPZ
70	S	Vores Sol A43 K/S	DK	Solar Power	80%	0%			KEA/JPZ
71	S	Vores Sol A44 K/S	DK	Solar Power	80%	0%			KEA/JPZ
72	S	Vores Sol A45 K/S	DK	Solar Power	80%	0%			KEA/JPZ
73	S	Vores Sol A46 K/S	DK	Solar Power	80%	0%			KEA/JPZ
74	S	Vores Sol A47 K/S	DK	Solar Power	80%	0%			KEA/JPZ
75	S	Vores Sol A48 K/S	DK	Solar Power	80%	0%			KEA/JPZ
76	S	Vores Sol A49 K/S	DK	Solar Power	80%	0%			KEA/JPZ
77	S	Vores Sol A50 K/S	DK	Solar Power	80%	0%			KEA/JPZ
78	S	Vores Sol A51 K/S	DK	Solar Power	80%	0%			KEA/JPZ
79	S	Vores Sol A52 K/S	DK	Solar Power	80%	0%			KEA/JPZ
80	S	Vores Sol A53 K/S	DK	Solar Power	80%	0%			KEA/JPZ
81	S	ESF Spanien 01 S.L.U.	ES	Solar Power	80%	79%			
82	S	ESF Spanien 0101 S.L.U.	ES	Solar Power	80%	79%			
83	S	ESF Spanien 0102 S.L.U.	ES	Solar Power	80%	79%			
84	S	ESF Spanien 0103 S.L.U.	ES	Solar Power	80%	79%			
85	S	ESF Spanien 0104 S.L.U.	ES	Solar Power	80%	79%			
86	S	ESF Spanien 0105 S.L.U.	ES	Solar Power	80%	79%			
87	S	ESF Spanien 0106 S.L.U.	ES	Solar Power	80%	79%			
88	S	ESF Spanien 0107 S.L.U.	ES	Solar Power	80%	79%			
89	S	ESF Spanien 0108 S.L.U.	ES	Solar Power	80%	79%			
90	S	ESF Spanien 0109 S.L.U.	ES	Solar Power	80%	79%			
91	S	ESF Spanien 0110 S.L.U.	ES	Solar Power	80%	79%			
92	S	ESF Spanien 0111 S.L.U.	ES	Solar Power	80%	79%			
93	S	ESF Spanien 0112 S.L.U.	ES	Solar Power	80%	79%			
94	S	ESF Spanien 0113 S.L.U.	ES	Solar Power	80%	79%			
95	S	ESF Spanien 0114 S.L.U.	ES	Solar Power	80%	79%			
96	S	ESF Spanien 0115 S.L.U.	ES	Solar Power	80%	79%			

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
97	S	ESF Spanien 02 S.L.U.	ES	Solar Power	80%	79%			
98	S	ESF Spanien 0201 S.L.U.	ES	Solar Power	80%	79%			
99	S	ESF Spanien 0202 S.L.U.	ES	Solar Power	80%	79%			
100	S	ESF Spanien 0203 S.L.U.	ES	Solar Power	80%	79%			
101	S	ESF Spanien 0204 S.L.U.	ES	Solar Power	80%	79%			
102	S	ESF Spanien 0205 S.L.U.	ES	Solar Power	80%	79%			
103	S	ESF Spanien 0206 S.L.U.	ES	Solar Power	80%	79%			
104	S	ESF Spanien 0207 S.L.U.	ES	Solar Power	80%	79%			
105	S	ESF Spanien 0208 S.L.U.	ES	Solar Power	80%	79%			
106	S	ESF Spanien 03 S.L.U.	ES	Solar Power	80%	79%			
107	S	ESF Spanien 0301 S.L.U.	ES	Solar Power	80%	79%			
108	S	ESF Spanien 0302 S.L.U.	ES	Solar Power	80%	79%			
109	S	ESF Spanien 0303 S.L.U.	ES	Solar Power	80%	79%			
110	S	ESF Spanien 0304 S.L.U.	ES	Solar Power	80%	79%			
111	S	ESF Spanien 0305 S.L.U.	ES	Solar Power	80%	79%			
112	S	ESF Spanien 0306 S.L.U.	ES	Solar Power	80%	79%			
113	S	ESF Spanien 0307 S.L.U.	ES	Solar Power	80%	79%			
114	S	ESF Spanien 0308 S.L.U.	ES	Solar Power	80%	79%			
115	S	ESF Spanien 0309 S.L.U.	ES	Solar Power	80%	79%			
116	S	ESF Spanien 0310 S.L.U.	ES	Solar Power	80%	79%			
117	S	ESF Spanien 0311 S.L.U.	ES	Solar Power	80%	79%			
118	S	ESF Spanien 04 S.L.U.	ES	Solar Power	80%	79%			
119	S	ESF Spanien 0401 S.L.U.	ES	Solar Power	80%	79%			
120	S	ESF Spanien 0402 S.L.U.	ES	Solar Power	80%	79%			
121	S	ESF Spanien 0403 S.L.U.	ES	Solar Power	80%	79%			
122	S	ESF Spanien 0404 S.L.U.	ES	Solar Power	80%	79%			
123	S	ESF Spanien 0405 S.L.U.	ES	Solar Power	80%	79%			
124	S	ESF Spanien 0406 S.L.U.	ES	Solar Power	80%	79%			
125	S	ESF Spanien 0407 S.L.U.	ES	Solar Power	80%	79%			
126	S	ESF Spanien 0408 S.L.U.	ES	Solar Power	80%	79%			
127	S	ESF Spanien 0409 S.L.U.	ES	Solar Power	80%	79%			
128	S	ESF Spanien 0410 S.L.U.	ES	Solar Power	80%	79%			

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
129	S	ESF Spanien 0411 S.L.U.	ES	Solar Power	80%	79%			
130	S	ESF Spanien 0412 S.L.U.	ES	Solar Power	80%	79%			
131	S	ESF Spanien 0413 S.L.U.	ES	Solar Power	80%	79%			
132	S	ESF Spanien 0414 S.L.U.	ES	Solar Power	80%	79%			
133	S	ESF Spanien 0415 S.L.U.	ES	Solar Power	80%	79%			
134	S	ESF Spanien 0416 S.L.U.	ES	Solar Power	80%	79%			
135	S	ESF Spanien 0417 S.L.U.	ES	Solar Power	80%	79%			
136	S	ESF Spanien 0418 S.L.U.	ES	Solar Power	80%	79%			
137	S	ESF Spanien 0419 S.L.U.	ES	Solar Power	80%	79%			
138	S	ESF Spanien 0420 S.L.U.	ES	Solar Power	80%	79%			
139	S	ESF Spanien 0423 S.L.U.	ES	Solar Power	80%	79%			
140	S	ESF Spanien 0428 S.L.U.	ES	Solar Power	80%	79%			
141	S	ESF Spanien 05 S.L.U.	ES	Solar Power	80%	79%			
142	S	ESF Spanien 0901 S.L.U.	ES	Solar Power	80%	79%			
143	S	ESF Spanien 0902 S.L.U.	ES	Solar Power	80%	79%			
144	S	ESF Spanien 0903 S.L.U.	ES	Solar Power	80%	79%			
145	S	ESF Spanien 0904 S.L.U.	ES	Solar Power	80%	79%			
146	S	ESF Spanien 0905 S.L.U.	ES	Solar Power	80%	79%			
147	S	ESF Spanien 0906 S.L.U.	ES	Solar Power	80%	79%			
148	S	ESF Spanien 0907 S.L.U.	ES	Solar Power	80%	79%			
149	S	ESF Spanien 0908 S.L.U.	ES	Solar Power	80%	79%			
150	S	ESF Spanien 0909 S.L.U.	ES	Solar Power	80%	79%			
151	S	ESF Spanien 0910 S.L.U.	ES	Solar Power	80%	79%			
152	S	ESF Spanien 0911 S.L.U.	ES	Solar Power	80%	79%			
153	S	ESF Spanien 0912 S.L.U.	ES	Solar Power	80%	79%			
154	S	ESF Spanien 0913 S.L.U.	ES	Solar Power	80%	79%			
155	S	ESF Spanien 0914 S.L.U.	ES	Solar Power	80%	79%			
156	S	ESF Spanien 0915 S.L.U.	ES	Solar Power	80%	79%			
157	S	ESF Spanien 0916 S.L.U.	ES	Solar Power	80%	79%			
158	S	ESF Spanien 0917 S.L.U.	ES	Solar Power	80%	79%			
159	S	ESF Spanien 0918 S.L.U.	ES	Solar Power	80%	79%			
160	S	ESF Spanien 0919 S.L.U.	ES	Solar Power	80%	79%			



No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
161	S	ESF Spanien 0920 S.L.U.	ES	Solar Power	80%	79%			
162	S	ESF Spanien L'Olleria I C.B.	ES	Solar Power	80%	79%			
163	S	Reese Solar S.L.U.	ES	Solar Power	80%	79%			KEA/JPZ
164	S	Solar Power 7 Islas S.L.U.	ES	Solar Power	80%	79%			
165	S	Alcor LSPV Ltd.	UK	Solar Power	80%	79%			KEA/JPZ
166	S	Claydon Farm PV Ltd.	UK	Solar Power	80%	79%			KEA/JPZ
167	S	ESF Rooftop Ltd.	UK	Solar Power	80%	79%			KEA
168	S	European Energy Photovoltaics Limited	UK	Solar Power	80%	79%			KEA/JPZ
169	S	High Leas PV Ltd	UK	Solar Power	80%	79%			KEA/JPZ
170	S	Pobail C.I.C	UK	Solar Power	80%	79%			KEA/JPZ
171	S	West End Farm cic	UK	Solar Power	80%	79%			KEA/JPZ
172	S	West End Farm PV Ltd	UK	Solar Power	80%	79%			KEA/JPZ
173	S	Woodhouse Farm PV Limited	UK	Solar Power	80%	79%			KEA/JPZ
174	S	Doras Production EPE	GR	Solar Power	77%	77%			KEA
175	S	Iridanos Production EPE	GR	Solar Power	77%	77%			KEA
176	S	Kipheus Production EPE	GR	Solar Power	77%	77%			KEA
177	S	Mando Solarkraftwerke Nr. 29 GmbH & Co. KG	DE	Solar Power	76%	0%			
178	S	Sol-Teq Srl	IT	Solar Power	72%	71%			
179	S	NPP Maldives Private Ltd.	MV	Solar Power	51%	52%		JPZ	
180	JV	Solarpark Vandel Services ApS	DK	Solar Power	50%	0%			KEA
181	A	EEAR Olleria II ApS	DK	Solar Power	45%	45%		KEA	
182	A	Solarpark Vandel GmbH	DE	Solar Power	43%	50%			KEA
183	S	Coremas I Geracao de Energia SPE LTDA.	BR	Solar Power	36%	0%		KEA	
184	S	Coremas II Geracao de Energia SPE LTDA.	BR	Solar Power	36%	0%		KEA	
185	S	Coremas III Geracao de Energia SPE LTDA.	BR	Solar Power	36%	0%		KEA	
186	S	Bond II Erste GmbH & Co. KG	DE	Wind Power	100%	100%			
187	S	Bond II Zweite GmbH & Co. KG	DE	Wind Power	100%	100%			
188	S	EE Brobergen GmbH & Co. KG	DE	Wind Power	100%	0%			
189	S	EE Construction Germany GmbH & Co. KG	DE	Wind Power	100%	100%			KEA
190	S	EE Lüdersdorf GmbH & Co. KG (prev. EE Construction GmbH & Co. KG)	DE	Wind Power	100%	100%			KEA
191	S	EE Sieben Fünf GmbH & Co. KG	DE	Wind Power	100%	100%			KEA
192	S	European Wind Farms Deutschland GmbH	DE	Wind Power	100%	100%			KEA
193	S	European Wind Farms Verwaltungsgesellschaft mbH	DE	Wind Power	100%	100%			KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
194	S	EWf Vier Sechs GmbH & Co. KG, Güstow	DE	Wind Power	100%	100%			
195	S	Windpark Tornitz GmbH & CO. KG	DE	Wind Power	100%	100%			
196	S	Windpark Werneuchen GmbH & CO. KG	DE	Wind Power	100%	100%			
197	S	WP Vier Berge GmbH & Co. KG	DE	Wind Power	100%	0%			
198	S	EE Kriegersflak ApS	DK	Wind Power	100%	0%			KEA
199	S	EE Nearshor ApS	DK	Wind Power	100%	0%			KEA
200	S	European Energy Offshore Wind A/S	DK	Wind Power	100%	100%		KEA, JPZ	
201	S	European Wind Farms Denmark A/S	DK	Wind Power	100%	100%	JPZ	KEA	
202	S	European Wind Farms No.2 A/S	DK	Wind Power	100%	100%	JPZ	KEA, MDP	
203	S	Kappel Vind IVS	DK	Wind Power	100%	0%			JPZ
204	S	Komplementarselskabet Rødby Fjord WTG 3 ApS	DK	Wind Power	100%	100%			KEA
205	S	Omnia Vind ApS	DK	Wind Power	100%	100%			KEA
206	S	Rødby Fjord WTG 3 K/S	DK	Wind Power	100%	100%			KEA
207	S	Vindtestcenter Kappel A/S	DK	Wind Power	100%	67%	KEA	JPZ	
208	S	EE Finland OY	FI	Wind Power	100%	100%	JPZ	KEA	
209	S	Vihreäsaari Wind OY	FI	Wind Power	100%	0%	JPZ	KEA	
210	S	European Wind Farms Kåre 1 AB	SE	Wind Power	100%	100%		KEA, JPZ	
211	S	Fimmerstad Vindpark AB	SE	Wind Power	100%	0%	JPZ	KEA	
212	S	Grevekulla Vindpark AB	SE	Wind Power	100%	0%	JPZ	KEA	
213	S	Västanby Vindbruksgrupp i Fjellie 2 AB	SE	Wind Power	100%	100%	JPZ	KEA	
214	S	Enerteq ApS	DK	Wind Power	87%	87%			KEA
215	S	European Energy Offshore A/S	DK	Wind Power	72%	72%		KEA	
216	S	European Wind Farms Komp GmbH	DE	Wind Power	72%	72%			KEA
217	S	Bad Iburg Verwaltung ApS	DK	Wind Power	72%	72%			
218	S	European Wind Farms Bulgaria ApS	DK	Wind Power	72%	72%			KEA/JPZ
219	S	European Wind Farms Greece ApS	DK	Wind Power	72%	72%			KEA/JPZ
220	S	European Wind Farms Italy ApS	DK	Wind Power	72%	72%			KEA/JPZ
221	S	European Wind Farms Southeast Europe ApS	DK	Wind Power	72%	72%			KEA/JPZ
222	S	UW Gilmerdingen GmbH & C. KG	DE	Wind Power	70%	0%			
223	S	EWf Energy Hellas Epe (Orosimo)	GR	Wind Power	69%	69%			JPZ
224	S	Ejendomsselskabet Kappel ApS	DK	Wind Power	67%	67%	JPZ	KEA	
225	S	Horskær Wind Park ApS	DK	Wind Power	67%	67%			KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
226	S	Kappel Vindkraft I/S	DK	Wind Power	67%	0%	KEA	JPZ	
227	S	Trædeskov Bøge Wind Park ApS	DK	Wind Power	67%	67%			KEA
228	S	REEWF Srl	IT	Wind Power	64%	64%			
229	JV	Windcom Sp. z o.o.	PL	Wind Power	36%	57%	KEA		
230	S	Rødby Fjord Vindkraft Mølle 3 I/S	DK	Wind Power	55%	0%			KEA/JPZ
231	S	European Wind Farms DOO	HR	Wind Power	50%	50%			
232	JV	EE Sieben Drei GmbH & Co. KG	DE	Wind Power	50%	50%			KEA
233	JV	EE Sieben Null GmbH & Co. KG	DE	Wind Power	50%	50%			KEA
234	JV	EE Sieben Zwei GmbH & Co. KG	DE	Wind Power	50%	50%			KEA
235	JV	EEA Verwaltungs GmbH	DE	Wind Power	50%	50%			KEA
236	JV	EWf Eins Sieben GmbH & Co. KG, UW Eichow GmbH & Co. KG	DE	Wind Power	50%	50%			KEA
237	JV	EWf Fünf Vier GmbH & Co. KG, Wittstock	DE	Wind Power	50%	50%			KEA
238	JV	Windpark Hellberge GmbH & CO KG	DE	Wind Power	50%	50%			KEA
239	JV	Windpark Oppido GmbH	DE	Wind Power	50%	0%			KEA
240	JV	European Wind Farms Polen ApS	DK	Wind Power	50%	50%			KEA/JPZ
241	JV	Nøjsomheds Odde Wind Park ApS	DK	Wind Power	50%	0%			KEA
242	JV	Greenwatt Ahvenneva Oy Ab	FI	Wind Power	50%	0%			
243	JV	Greenwatt Honkakangas Oy Ab	FI	Wind Power	50%	0%			
244	JV	Greenwatt Koirämäki Oy Ab	FI	Wind Power	50%	0%			
245	JV	Greenwatt Mustalamminmäki Oy Ab	FI	Wind Power	50%	0%			
246	JV	European Energy Italy Holding S.r.l.	IT	Wind Power	50%	0%			
247	JV	European Wind Farms Sverige AB	SE	Wind Power	50%	50%		KEA, JPZ	
248	A	Komplementarselskabet Heidelberg ApS	DK	Wind Power	50%	50%			KEA
249	A	Wind Energy OOD	BG	Wind Power	49%	49%			JPZ
250	A	Wind Power 2 OOD	BG	Wind Power	49%	49%			JPZ
251	A	Wind Stream OOD	BG	Wind Power	49%	49%			JPZ
252	A	Wind Systems OOD	BG	Wind Power	49%	49%			JPZ
253	A	Vento Erste Windparkbeteiligungsgesellschaft mbH & Co. KG	DE	Wind Power	47%	47%			KEA
254	A	Måde Wind Park ApS	DK	Wind Power	47%	47%			KEA
255	A	Västanby Vindbruksgrupp i Fjellie AB	SE	Wind Power	40%	40%			
256	A	Jammerland Bay Nearshore A/S	DK	Wind Power	36%	36%			KEA
257	A	Omø South Nearshore A/S	DK	Wind Power	36%	36%			KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
258	A	Windkraft Ottenhausen GmbH & Co. KG	DE	Wind Power	34%	34%			
259	A	GWE Holding af 14. November 2011 ApS	DK	Wind Power	32%	25%		KEA	
260	A	Energy 3 DOO	BA	Wind Power	26%	26%			
261	A	EWf Fünf Eins GmbH & Co. KG	DE	Wind Power	25%	25%			
262	A	Vindpark Straldja ApS	DK	Wind Power	25%	25%			KEA
263	A	Windpark Unseburg Nord GmbH & Co. KG	DE	Wind Power	20%	20%			KEA
264	A	Windpark Wriezener Höhe GmbH & Co. KG	DE	Wind Power	15%	15%			KEA
265	S	Ulvemosen Wind Park ApS	DK	Wind Power	0%	0%			

**Associated, JVs and Other Investments not owned directly by the parent**

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
1	JV	Elios 102 Srl Soletto	IT	Solar Power	50%	50%			
2	JV	Parco Fotovoltaico Fauglia SRL	IT	Solar Power	50%	50%			
3	A	ESF Spanien 0427 S.L.	ES	Solar Power	45%	45%			
4	A	ESF Spanien 0424 GmbH	DE	Solar Power	17%	16%			KEA
5	A	ESF Spanien 0424 S.L.U.	ES	Solar Power	17%	16%			
6	A	Herrera Solar Fotovoltaica num. 29, S.L.	ES	Solar Power	17%	16%			
7	A	Herrera Solar Fotovoltaica num. 30, S.L.	ES	Solar Power	17%	16%			
8	A	Herrera Solar Fotovoltaica num. 31, S.L.	ES	Solar Power	17%	16%			
9	A	Herrera Solar Fotovoltaica num. 32, S.L.	ES	Solar Power	17%	16%			
10	A	Herrera Solar Fotovoltaica num. 33, S.L.	ES	Solar Power	17%	16%			
11	A	Herrera Solar Fotovoltaica num. 34, S.L.	ES	Solar Power	17%	16%			
12	A	Herrera Solar Fotovoltaica num. 35, S.L.	ES	Solar Power	17%	16%			
13	A	Herrera Solar Fotovoltaica num. 38, S.L.	ES	Solar Power	17%	16%			
14	A	Sun Invest Iberia Cincuenta , S.L.	ES	Solar Power	17%	16%			
15	A	Sun Invest Iberia Cincuenta Y Cuatro, S.L.	ES	Solar Power	17%	16%			
16	A	Sun Invest Iberia Cincuenta Y Dos, S.L.	ES	Solar Power	17%	16%			
17	A	Sun Invest Iberia Cincuenta Y Tres, S.L.	ES	Solar Power	17%	16%			
18	A	Sun Invest Iberia Cincuenta Y Uno, S.L.	ES	Solar Power	17%	16%			
19	A	Sun Invest Iberia Cuarenta Y Cinco, S.L.	ES	Solar Power	17%	16%			
20	A	Sun Invest Iberia Cuarenta Y Cuatro, S.L.	ES	Solar Power	17%	16%			
21	A	Sun Invest Iberia Cuarenta Y Nueve, S.L.	ES	Solar Power	17%	16%			
22	A	Sun Invest Iberia Cuarenta Y Ocho, S.L.	ES	Solar Power	17%	16%			
23	A	Sun Invest Iberia Cuarenta Y Seis, S.L.	ES	Solar Power	17%	16%			
24	A	Sun Invest Iberia Cuarenta Y Siete, S.L.	ES	Solar Power	17%	16%			
25	A	Sun Invest Iberia Cuarenta Y Tres, S.L.	ES	Solar Power	17%	16%			
26	JV	European Energy Nearshore Consortium P/S	DK	Wind Power	50%	0%		KEA	KEA
27	JV	European Energy Offshore Consortium P/S	DK	Wind Power	50%	0%		KEA	KEA
28	JV	Komplementar EENC ApS	DK	Wind Power	50%	0%			KEA
29	JV	Komplementar EEOC ApS	DK	Wind Power	50%	0%			KEA
30	JV	Save Oppido Lucano Srl	IT	Wind Power	50%	0%			
31	JV	European Wind Farms Polska Sp. z o.o.	PL	Wind Power	50%	50%	JPZ	KEA, MDP	
32	JV	European Wind Farms Polska Sp. z o.o. Bialogard Sp. k	PL	Wind Power	50%	50%	JPZ	KEA, MDP	
33	JV	European Wind Farms Polska Sp. z o.o. Grzmiaca Sp. k	PL	Wind Power	50%	50%	JPZ	KEA, MDP	

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
34	JV	European Wind Farms Polska Sp. z o.o. Rabino Sp. k	PL	Wind Power	50%	50%	JPZ	KEA, MDP	
35	A	MBBF windpark Letchin GmbH KG Betriebs I	DE	Wind Power	50%	50%			KEA
36	A	MBBF windpark Letchin GmbH KG Betriebs II	DE	Wind Power	50%	50%			KEA
37	A	MBBF windpark Letchin GmbH KG Betriebs III	DE	Wind Power	50%	50%			KEA
38	A	Windpark Gilmerdingen GmbH & Co. KG	DE	Wind Power	50%	100%			
39	A	Windpark Prittitz GmbH & Co KG	DE	Wind Power	50%	50%			
40	A	Windpark Prittitz Verwaltungsgesellschaft mbH	DE	Wind Power	50%	0%			KEA
41	A	Driftsselskabet Heidelberg ApS	DK	Wind Power	50%	50%			KEA
42	A	FWE Windpark TIS K/S	DK	Wind Power	50%	50%		KEA, JPZ	
43	A	FWE Windpark Wittstedt K/S	DK	Wind Power	50%	50%		KEA, JPZ	
44	A	FWE Windpark Wulfshagen K/S	DK	Wind Power	50%	50%		KEA, JPZ	
45	A	FWE Windpark 3 Standorte K/S	DK	Wind Power	50%	50%		KEA, JPZ	
46	A	FWE Windpark Kranenburg K/S	DK	Wind Power	50%	50%		KEA, JPZ	
47	A	FWE Windpark Scheddebrock K/S	DK	Wind Power	50%	50%		KEA, JPZ	
48	A	FWE Windpark Westerberg K/S	DK	Wind Power	50%	50%		KEA, JPZ	
49	A	Swapselskab Heidelberg K/S	DK	Wind Power	50%	50%	KEA	JPZ	
50	A	Komplementarselskabet Vindtestcenter Måde ApS	DK	Wind Power	47%	47%			KEA
51	A	Vindtestcenter Måde K/S	DK	Wind Power	47%	47%			KEA
52	A	e.n.o. Kabeltrasse GbR Grosstreben	DE	Wind Power	37%	0%			
53	A	Netzanbindung Tewel OHG	DE	Wind Power	36%	0%			
54	A	GWE VerwaltungsGmbH	DE	Wind Power	32%	0%			
55	A	WHP Windpark Hurrel/Plietenberg GmbH & Co. KG	DE	Wind Power	32%	0%			
56	A	Windpark Emskirchen GmbH & Co KG	DE	Wind Power	32%	25%			
57	JV	Windpark Losheim Nr. 30 ApS & Co. KG	DE	Wind Power	32%	0%			
58	A	Windpark Prignitz GmbH & Co. KG	DE	Wind Power	32%	25%			
59	A	WP Vormark WEA 1+2 GmbH & Co. KG	DE	Wind Power	32%	0%			
60	A	GW Energi A/S	DK	Wind Power	32%	25%	KEA		
61	A	K/S Losheim	DK	Wind Power	32%	0%		KEA	
62	A	Komplementarselskabet Losheim ApS	DK	Wind Power	32%	0%			
63	A	Wind Pro Energy Sp. z o.o.	PL	Wind Power	25%	25%		JPZ	
64	A	Parco Eolico Carpinaccio Srl	IT	Wind Power	23%	24%			
65	A	Umspannwerk Westerberg GmbH & Co OHG	DE	Wind Power	22%	0%			

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
66	A	Infrastrukturgesellschaft Windfeld 19/24 GmbH & Co. KG	DE	Wind Power	21%	0%			
67	A	Infrastrukturgesellschaft Windfeld 19/24 Verwaltungs-GmbH	DE	Wind Power	21%	0%			
68	A	Windkraft Gommern GmbH & Co. KG	DE	Wind Power	20%	20%			
69	NC	Windpark Wittstock-Papenbruch GbR	DE	Wind Power	17%	17%			
70	A	WP Vormark Generalunternehmer GmbH & Co. KG	DE	Wind Power	16%	0%			
71	A	WP Vormark GmbH	DE	Wind Power	16%	0%			
72	A	WP Vormark Infrastruktur GbR	DE	Wind Power	16%	0%			
73	A	WP Vormark WEA 1 GmbH & Co. KG	DE	Wind Power	16%	0%			
74	A	WP Vormark WEA 8 GmbH & Co. KG	DE	Wind Power	16%	0%			
75	NC	TEN Verwaltungs GmbH	DE	Wind Power	15%	15%			KEA
76	A	GWE Stormy ApS	DK	Wind Power	14%	0%			
77	A	ASPI Energy EOOD	BG	Wind Power	13%	13%			
78	NC	Parco Eolico Riparbella Srl	IT	Wind Power	10%	10%			
79	NC	Windpark Mildenberg GbR	DE	Wind Power	9%	9%			
80	NC	UW Eichow GmbH & Co. KG	DE	Wind Power	8%	8%			KEA
81	NC	Søllested Vindkraft I/S	DK	Wind Power	7%	7%			
82	NC	Green Wind Energy GmbH & Co. Umspannwerk Altlandsberg KG	DK	Wind Power	7%	7%			
83	A	WP Vormark UW GmbH & Co. KG	DE	Wind Power	7%	0%			
84	NC	EWf Fünf Fünf GmbH & Co. KG, Wittstock	DE	Wind Power	7%	7%			
85	NC	UW Schäcksdorf GmbH & Co. KG	DE	Wind Power	6%	6%			KEA
86	NC	European Wind Farms Invest No.2 A/S	DK	Wind Power	5%	5%	JPZ	KEA	
87	NC	Einspeisegemeinschaft Klein Mutz-Timpberg GmbH & Co. OHG	DE	Wind Power	5%	0%			
88	NC	Netzanschluss Badingen GbR	DE	Wind Power	3%	3%			



**Companies outside European Energy Group (administrative entities)**

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
1		EE Sieben Vier GmbH & Co. KG	DE						KEA
2		EWf Eins Acht GmbH & Co. KG	DE						KEA
3		EWf Eins Neun GmbH & Co. KG	DE						KEA
4		EWf Eins Sechs GmbH & Co. KG	DE						KEA
5		EWf Fünf Zwei GmbH & Co. KG	DE						KEA
6		EWf Vier Sieben GmbH & Co. KG	DE						KEA
7		EWf Zwei Fünf GmbH & Co. KG	DE						KEA
8		EWf Zwei Null GmbH & Co. KG	DE						KEA
9		innoVent Windkraft Brake GmbH & Co. KG	DE						KEA
10		MDP Verwaltungsgesellschaft mbH	DE						MDP
11		UW Nielitz GmbH & Co. KG	DE						KEA
12		Windenergie Erik Andersen Verwaltungsgesellschaft mbH	DE						KEA
13		Capviva Solarpark Vandel Holding ApS	DK						KEA
14		Ejendomsselskabet Læsø K/S	DK						KEA
15		Ejendomsselskabet Stubbekøbing K/S	DK						KEA
16		Ejendomsselskabet Øster Tørebø K/S	DK						KEA
17		European Energy Holding ApS	DK						KEA
18		Flensbjergvej Infrastrukturselskab ApS	DK						KEA/JPZ
19		JPZ Assistance ApS	DK						JPZ
20		JPZ Assistance II ApS (prev. European Solar Farms Denmark ApS)	DK						JPZ
21		KEA Holding I ApS	DK						KEA
22		KEA II Holding ApS	DK						KEA
23		Komplementarselskabet Sydlolland Vindmøllelaug ApS	DK						KEA
24		Komplementarselskabet Vores Sol ApS	DK						KEA
25		Malmøvej Infrastrukturselskab ApS	DK						KEA/JPZ
26		Meldgaard Architects & Development A/S	DK				KEA	JPZ	KEA
27		Nor Power ApS	DK				KEA	JPZ, MDP	
28		Plasticueros ApS	DK						KEA
29		Sandvikenvej Infrastrukturselskab ApS	DK						KEA
30		Solarpark Vandel ApS	DK						KEA
31		Vores Sol A/S	DK				KEA	JPZ	
32		Vores Sol A1 K/S	DK				JPZ	KEA	KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
33		Vores Sol A10 K/S	DK				JPZ	KEA	KEA
34		Vores Sol A11 K/S	DK						KEA
35		Vores Sol A18 K/S	DK						KEA
36		Vores Sol A19 K/S	DK						KEA
37		Vores Sol A2 K/S	DK				JPZ	KEA	KEA
38		Vores Sol A20 K/S	DK						KEA
39		Vores Sol A21 K/S	DK						KEA
40		Vores Sol A22 K/S	DK						KEA
41		Vores Sol A23 K/S	DK						KEA
42		Vores Sol A24 K/S	DK						KEA
43		Vores Sol A25 K/S	DK						KEA
44		Vores Sol A26 K/S	DK						KEA
45		Vores Sol A27 K/S	DK						KEA
46		Vores Sol A28 K/S	DK						KEA
47		Vores Sol A29 K/S	DK						KEA
48		Vores Sol A3 K/S	DK				JPZ	KEA	KEA
49		Vores Sol A4 K/S	DK				JPZ	KEA	KEA
50		Vores Sol A5 K/S	DK				JPZ	KEA	KEA
51		Vores Sol A54 K/S	DK						KEA
52		Vores Sol A55 K/S	DK						KEA
53		Vores Sol A56 K/S	DK						KEA
54		Vores Sol A57 K/S	DK						KEA
55		Vores Sol A58 K/S	DK						KEA
56		Vores Sol A59 K/S	DK						KEA
57		Vores Sol A6 K/S	DK				JPZ	KEA	KEA
58		Vores Sol A60 K/S	DK						KEA
59		Vores Sol A7 K/S	DK				JPZ	KEA	KEA
60		Vores Sol A8 K/S	DK				JPZ	KEA	KEA
61		Vores Sol A9 K/S	DK				JPZ	KEA	KEA
62		Vores Sol Ejendomsselskab IVS	DK				KEA	JPZ	JPZ
63		Vores Sol Nakskov I K/S	DK				JPZ	KEA	KEA
64		Vores Sol Nakskov II K/S	DK				JPZ	KEA	KEA

No.	Group Structure	Name	Country of place of business	Principal activity	Ownership 2016, legally	Ownership 2015	Chairman	Other boardmember	Directorships
65		Vores Sol Nakskov III K/S	DK				JPZ	KEA	KEA
66		Vores Sol Nakskov IV K/S	DK				JPZ	KEA	KEA
67		Vores Sol Nakskov V K/S	DK				JPZ	KEA	KEA
68		Vores Sol Nakskov VI K/S	DK				JPZ	KEA	KEA
69		Vores Sol Nakskov XIV K/S	DK				JPZ	KEA	KEA
70		Vores Sol Nakskov XIX K/S	DK				JPZ	KEA	KEA
71		Vores Sol Nakskov XV K/S	DK				JPZ	KEA	KEA
72		Vores Sol Nakskov XVI K/S	DK				JPZ	KEA	KEA
73		Vores Sol Nakskov XVII K/S	DK				JPZ	KEA	KEA
74		Vores Sol Nakskov XVIII K/S	DK				JPZ	KEA	KEA
75		Vores Sol Nakskov XX K/S	DK				JPZ	KEA	KEA
76		ESF Spanien 0426 S.L.U.	ES						KEA
77		EE Primus OY	FI				JPZ	KEA	
78		MDP Verwaltung	DE						MDP
79		MDP Invest	DK				MDP		
80		K/S Karlstad Centrum	SE					JHE	
81		K/S Karlstad Centrum 2	SE					JHE	
82		ToTec Holding ApS	DK				JHE		
83		Totaltec Oilfield Services Limited	UK					JHE	
84		Car Holding A/S	DK					CDY	
85		Autohuset Glostrup A/S	DK					CDY	
86		Autohuset Ringsted A/S	DK					CDY	
87		Kronborg Auto A/S	DK					CDY	
88		Repræsentantskabet for Nykredit	DK					CDY	
89		Dikman Invest ApS	DK						JHE

# 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 does not undertake any obligation to publicly update or revise any forward-looking statement as a result of new information or future events others than 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.







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