

Interim financial report second quarter of 2019

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

Troia, Italy

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Summary

European Energy A/S reports important strategic steps in second quarter 2019

In this quarter, European Energy began construction of the record-breaking Troia solar PV project with a full capacity of 103 MW. The solar farm will be constructed in two phases and when completed in the first quarter of 2020, the Troia project will be the largest solar farm in Italy. The beginning of this construction meant that, by the end of the quarter, the Group had 204.7 MW under construction.

European Energy also sold 6 solar PV plants with a combined capacity of 10.1 MW in Spain during the second quarter. The plants were constructed in 2008, when European Energy entered the Spanish market.

The profit before tax for the first half year of 2019 for the Group equals EUR 22.4 million, compared to 2018 where it was EUR 0.9 million. EBITDA for the first six months was EUR 26.5 million, compared to EUR 5.4 million last year. Profit before tax for the quarter was EUR 1.7 million up from 2018 where the Group experienced a loss in the second quarter of EUR 1.2 million.

Knud Erik Andersen, Chief Executive Officer said:

“With our business model it is important that we constantly have a high level of construction activity. Our team has done an excellent job so far. We acquired the Troia project in February this year, and four months later it is under construction. Before we bought the project, it had been sitting fallow for seven years. Ongoing construction activity in excess of 200 MW will allow us to reach our long term targets.

We are pleased that we have sold the Spanish projects and that the sales will generate significant liquidity for the group. It is important to point out that we are fully committed to the Spanish market in the future and currently we have a sizeable solar and wind portfolio under development here”.

Late in the second quarter, European Energy closed the book on a new green bond of EUR 140 million at 5.35% interest. The bond received significant attention from investors and was over-subscribed with requests for EUR 296 million.

The proceeds will fund new green projects. In July, EUR 88.4 million was used for an early redemption of the company's outstanding 2021 Bonds. Ninety-seven investors secured an allocation of the new green bond from European Energy. The bond was the first green bond from a non-financial institution listed on the Nasdaq Green Bond Index Denmark.

European Energy still expects to deliver an EBITDA of EUR 40-45 million and a profit before tax of EUR 30-35 million in 2019.

Highlights for European Energy Group

Key figures (Unaudited) EUR '000

	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Revenue	3,316	8,407	128,517	18,584	96,182
Direct costs	1,431	-4,086	-98,672	-10,587	-60,589
Gross profit	5,607	4,099	31,687	11,076	42,570
EBITDA	2,854	1,129	26,479	5,439	33,607
Operating profit (EBIT)	2,152	630	24,930	4,501	31,117
Financial income and expense, net	-409	-1,873	-2,505	-3,566	-5,193
Profit/loss before tax	1,743	-1,243	22,425	935	25,924
Tax	19	-300	-2,539	-464	-3,403
The Group's share of profit for the period	1,762	-1,543	19,886	471	22,521
Total assets	499,456	416,388	499,456	416,388	447,081
Equity	124,404	88,061	124,404	88,061	107,685
Cash flow from operating activities	-17,960	-35,307	48,291	-105,783	-150,961
Cash flow from investing activities	39,224	-36,799	38,348	-32,169	-490
Cash flow from financing activities	105,141	58,271	49,281	127,917	161,857
Change in cash and cash equivalents	126,405	-13,835	135,920	135,920	10,406
Financial ratios					
Gross margin	169.1%	48.8%	24.7%	59.6%	44.3%
EBITDA margin	86.1%	13.4%	20.6%	29.3%	34.9%
EBIT margin	64.9%	7.5%	19.4%	24.2%	32.4%
Solvency ratio	24.9%	21.1%	24.9%	21.1%	24.1%
Net interest-bearing debt/EBITDA	18	56	8	23	7
Return on equity (average, LTM)	1.7%	-2.0%	18.7%	0.6%	22.7%
Share Ratios					
Earnings per share (EPS Basic)	0.005	-0.005	0.049	0.003	0.071
Number of shares at the end of the period '000	300,040	300,019	300,040	300,019	300,040
Average number of full-time employees	108	91	104	94	95

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

Management Review

Development in financials for the Group in second quarter 2019

In the second quarter of 2019 the Group closed the sale of 6 solar parks in Spain. The parks were constructed in 2008 and the parks have been in the ownership of the Group since then. For 5 of the parks the net income from the sale has been registered under Other Income, since the assets were classified as long term assets under Property, plant and equipment. The net profit from the sale has no material effect on the result for the quarter. The sale includes a potential earn-out of up to EUR 2 million which has not been recognized yet. It has been important for the Group to ensure that a sale of the parks did not conflict with the legal case the Group has filed against the Spanish government for the retroactive cuts in the tariffs of the parks. This has been the major reason for not selling the parks at an earlier stage. The compensation, in case of a ruling in the Groups favour, has not been recognised in the books, but is expected to be in the range of EUR 5–15 million.

The 6th sold solar park in Spain was a 21% ownership in a Spanish solar park, Beniarbeig, which has been recognised as revenue in the quarter. Further to this there have been adjustments to sales prices for the plants sold in the first quarter of the year. In total the revenue from sale of energy plants ended at EUR – 1.5 million. Sale of electricity were EUR 4.1 million in the quarter compared to 4.6 million in Q2 2018, giving a total electricity sale of EUR 13.8 million for the first half of 2019, compared to EUR 6.4 million in the first half of 2018. In total the revenue for the quarter was EUR 3.3 million compared to EUR 8.4 million in 2018.

Equity accounted investments gave a loss of EUR 0.1 million, mostly due to impairment of the value of brought forward tax losses in some of the companies. The production in the quarter was quite stable but since the investments mostly are in wind energy parks, this quarter was not expected to give high return. On a half year basis the result is positive with EUR 0.8 million compared to EUR 3.1 million in 2018. For 2018 the numbers included the net results of a sale of a wind park in Italy, where the result in 2019 is solely on production of electricity.

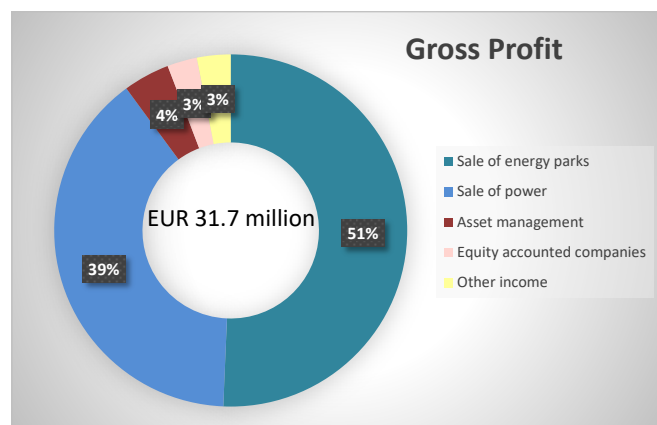
Other income includes the sale of the 5 Spanish solar parks and the recognition of a German wind park, where the Group increased the ownership during the quarter, which resulted in a shift in classification from other investment to associated company. Total other income was EUR 1.0 million, compared to zero in 2018.

Direct costs for the quarter are EUR 1.4 million as an income, compared to an expense of EUR 4.1 million in 2018. The reason for the odd number is partly the corrections made to the sale of the energy parks in the first quarter, partly due to experiencing less final construction costs than expected at the closing of the sales of the parks.

Gross profit ended at EUR 5.6 million compared to EUR 4.1 million in 2018 and EBITDA were recognised to EUR 2.9 million compared to EUR 1.1 million in 2018.

Financial income for the quarter was EUR 1.9 million including dividends received from other investments of EUR 0.7 million. The Finance expenses were EUR 2.3 million compared to EUR 3.0 million in 2018. This gave a result before tax for the quarter of EUR 1.7 million compared to a loss in 2018 of EUR 1.2 million.

Gross Profit H1 2019



	EUR'000	
Increase in Gross Profit (Unaudited)	H1 2019	H1 2018
Sale of energy parks	16,056	1,060
Sale of power	12,441	5,391
Asset management	1,348	1,547
Equity accounted companies	864	3,078
Other income	978	-
Total Gross Profit	31,687	11,076

The tax for the quarter was close to zero, compared to EUR 0.3 million in 2018.

In Q2 the Group successfully secured a new loan of EUR 140 million. The loan is structured as a green bond, listed on the NASDAQ stock exchange in Copenhagen. The old bond of EUR 85 million including early redemption fee has been repaid on the 3rd of July, and is included in the balance of the Group end of the second quarter as short term bond liabilities of EUR 88.4 million.

The interest rate of the new bond is 5.35% compared to 7.0% on the old bond. 78% of the proceeds were from current bond investors investing in the new bond and 22% was from new investors. The Group has calculated the net financial impact from the modification of the loan to be a gain of EUR 4.5 million, which will be expensed over the lifecycle of the bond. The gain will be recognised in the third quarter's results.

As a result of the additional bond, the total balance of the Group increased from EUR 407.3 million in the first quarter of 2019 to the EUR 499.5 million end of second quarter 2019 – an increase of EUR 92.2 million. The proceeds for the new loan, EUR 138.6 million are recognised as part of restricted cash, as the amount was conditional escrowed until the repayment of the old bond loan on the 3rd of July.

The net profit after tax combined with the increase in the total balance of the Group decreased the solvency ratio from 31.1% in the first quarter 2019 to 24.9% in the second quarter. In 2018 the second quarter had a solvency ratio of 21.1%

Capital Management

The new bond loan has roughly the same terms as the old loan. The Group will still have to make incurrence test regarding solvency ratio (min. 25%) when entering into new loans. A new incurrence test has been introduced; the Interest Coverage Ratio (ICR) for the Group should be above 2.5 including the new loans/investments. This is based upon a rolling 12 months ICR. For Q2 the ICR LTM (last twelve months) for the Group was 12.5 giving a considerably headroom for future investments.

On top of the increase in bond loan during the quarter, the Group has managed to increase project-related loans with EUR 2.6 million (cf. in the consolidated statement of cash flow). The loans are obtained in order to finance the ongoing constructions in the Group. In the second quarter of 2019 there has been repayment of project loans of EUR 31.4 million, where the main part related to the sale of the five solar parks in Spain.

The Group's cash position increased with EUR 126.4 million from end of 2018, to a total of EUR 194.5 million, and the management is satisfied with the level of liquidity which will enable the Group to do further investments in the market. (3 days into the third quarter, EUR 88.4 million was used to repay the old bond loan).

Outlook for 2019

The outlook for 2019 is still a profit before tax of EUR 30-35 million, and an EBITDA of EUR 40-45 million.

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

Sale of Electrical Power

European Energy's share of operational assets increased by 1 MW to 248 MW compared to end of Q2 2018. The development is due to the net difference between commissioning and acquisition of new wind and solar farms and divestments.

Net capacity (MW)

	Q2 2019	Q2 2018	End of 2018
Solar	33	79	9
Wind	216	168	164
Total	248	247	173

The production from solar PV and wind decreased slightly in Q2 2019 compared to the year before due to changes in the portfolio.

Net Production (GWh)

	Q2 2019	Q2 2018	FY 2018
Solar	15,0	23,0	63.7
Wind	60,2	53,8	263.8
Total	75,3	76,8	327.5

Asset Management

European Energy receives commercial management fees in exchange for asset management services.

Assets managed on behalf of third parties (MW)

	Q2 2019	Q2 2018	End of 2018
Solar	156	126	126
Wind	592	553	598
Total	748	679	724

European Energy manages 748 MW on behalf of third parties. The increase is due to the company continuing as asset manager after divestment of finalised projects. The total portfolio under management, including own assets corresponds to 996 MW.

Development and Construction

WIND

By the end of the second quarter of 2019, European Energy had three wind projects under construction: the Swedish project Zinkgruvan of 53.2 MW and the two German repowering projects Jetsch and Viertkamp of 2.1 and 14.4 MW respectively. Compared to Q1, the construction activities were increased in Q2 with the commencement of the construction of the German project Viertkamp. In Zinkgruvan in Sweden, all turbines were producing electricity up to a grid capacity of 12 MW awaiting the completion of the main transformer station and full grid capacity by the end of September 2019.

By the end of the quarter, European Energy had a pipeline of ready-to-build wind projects with a total capacity of 251 MW. Compared to the end of Q1, this is an increase of 52 MW, which originates from the purchase of Skåramåla, a ready-to-build project in Sweden, and the addition of ready-to-build capacity in Germany as well as in Brazil (the latter refers to a project managed by Nordic Power Partners).

See table 1-3 in the appendix for further specifications.

SOLAR

During the second quarter of 2019, Nordic Power Partners (NPP) continued the construction of the 31 MW PV project Coremas III in Brazil. In addition, the construction of the 63 MW project Troia in Italy, which was purchased in Q1, and the 41 MW project Troia II also in Italy are now both under construction.

By the end of Q2, the ready-to-build PV pipeline amounted to 178 MW. During the quarter, one Italian PV project (Palo) with a capacity of 19 MW, were added to the ready-to-build pipeline. Besides the Italian project, the ready-to-build pipeline also includes four Danish PV projects with a total capacity of 159 MW.

See table 1-3 in the appendix for further specifications.

Sales activity

In second quarter European Energy completed two sales. In the start of the quarter a Spanish solar park (Beniarbeig) was sold to a Danish investor and later in the quarter 5 Spanish solar parks was divested to a foreign investor.

The sale has released a significant amount of cash that can be invested in new projects. The sales do not have an immediate material effect on operating profit for the second quarter. However, the sales are expected to trigger an earn-out in the range of EUR 1-2 million, which could come to income in the first half of 2020.

The solar parks were built back in 2008-2009 and over the years have contributed to European Energy's electricity revenue. However, revenue has been significantly below the projected level as a result of regulatory changes implemented by the Spanish government, which resulted in a significant cut in subsidies. As a result of the loss, European Energy has filed a claim against the Spanish Government for violating the Energy Charter Treaty. If European Energy wins the court case, it is expected that compensation will be in the range of EUR 5-15 million.

Events after the end of second quarter 2019

The Group has in the third quarter of 2019 concluded a strategic investment through the acquisition of the AEZ group of companies located in Leipzig, Germany with an operational pipeline, a development pipeline and with staff of 9 employees. The investment underlines our strong focus on the important German market. AEZ has 30 operating Enercon wind turbines. AEZ has 92 wind turbines under technical and commercial asset management and a significant development and repowering pipeline of more than 100 MW wind and PV. Closing of the investment was made 10 July 2019 but final purchase price calculation and the allocation hereof has not been completed. The impact of the acquisition of the AEZ group of companies will be incorporated in European Energy Group accounts in the third quarter of 2019.

According to the new green bond terms in section 11.1.2 a) regarding Special Undertakings, European Energy A/S is allowed to make restricted payments by way of declaration of dividends which, in the case of the parent company European Energy Holding ApS shall not be paid in cash but shall be set-off with a non-cash dividend amounting to EUR 7.4 million in order to settle an existing loan to the parent company of EUR 7.4 million. The Board of Directors of European Energy A/S has 23 August 2019 published a Company Announcement No. 15 with a notice to convene an extraordinary general meeting of the Company to be held Monday 9 September 2019 at the headoffice, Gyngemose Parkvej 50, 2860 Søborg, Denmark. The Board of Directors proposes a dividend in the amount of EUR 7.4 million in order to settle the above mentioned loan.

Consolidated statement of profit or loss and other comprehensive income

For the quarter ended 30 June 2019

EUR'000

Unaudited	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Revenue	3,316	8,407	128,517	18,584	96,182
Profit after tax from equity-accounted investments	-118	-222	864	3,079	5,795
Other income	978	-	978	-	1,182
Direct costs	1,431	-4,086	-98,672	-10,587	-60,589
Gross profit	5,607	4,099	31,687	11,076	42,570
Staff costs	-1,527	-2,019	-2,925	-3,914	-5,030
Other external costs	-1,226	-951	-2,283	-1,723	-3,933
EBITDA	2,854	1,129	26,479	5,439	33,607
Depreciation & impairment	-702	-499	-1,549	-938	-2,490
Operating profit (EBIT)	2,152	630	24,930	4,501	31,117
Finance income	1,901	1,133	2,662	1,671	3,907
Finance expenses	-2,310	-3,006	-5,167	-5,237	-9,100
Profit/loss before tax	1,743	-1,243	22,425	935	25,924
Tax	19	-300	-2,539	-464	-3,403
Profit/loss for the period	1,762	-1,543	19,886	471	22,521
Attributable to:					
Shareholders of the Company	1,396	-1,365	14,776	1,038	21,328
Non-controlling interests (NCI)	366	-178	5,110	-567	1,193
Profit/loss for the period	1,762	-1,543	19,886	471	22,521
Proposed interim dividends proposed by the Board of Directors after the end of H1 2019:			FY 2019		FY 2018
The proposed interim dividends (not yet declared in H1 2019) are recognised in retained earnings					
Net cash distribution to shareholders					
Interim dividends			7,400		-
Total proposed Interim dividends			7,400		-

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

For the quarter ended 30 June 2019

	EUR'000				
Profit/loss and OCI	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Statement of comprehensive income					
Profit/loss for the period	1,762	-1,543	19,886	471	22,521
Items that may be reclassified to profit or loss:					
Other comprehensive income in equity accounted investments	-	475	-	475	-
Value adjustments of hedging instruments	689	72	1,683	71	-991
Tax of value adjustments of hedging instruments	-31	-18	-310	-18	276
Currency differences on translating foreign operations	102	-13	-298	-59	-11
Other comprehensive income for the period	760	516	1,075	469	-726
Comprehensive income for the period	2,522	-1,027	20,961	940	21,795
Attributable to:					
Shareholders of the Company	2,034	-845	15,726	1,499	20,605
Non-controlling interests (NCI)	488	-182	5,235	-559	1,190
Comprehensive income for the period	2,522	-1,027	20,961	940	21,795

Consolidated statement of financial position

As of 30 June 2019

EUR'000

Unaudited	Q2 2019	Q2 2018	FY 2018
ASSETS			
Non-current assets			
Property, plant and equipment	45,439	61,773	85,947
Lease assets	929	-	-
Joint Venture investments	12,071	11,734	11,938
Associated companies investments	13,155	12,694	8,643
Other investments	4,379	4,689	6,764
Loans to related parties	35,546	39,818	33,179
Trade receivables and contract assets	2,033	4,805	4,131
Other receivables	2,408	9,292	3,101
Deferred tax	1,111	3,025	1,584
Prepayments	3,923	-	9,937
Total non-current assets	120,994	147,830	165,224
Current assets			
Inventories	170,673	200,684	202,193
Trade receivables and contract assets	6,970	19,104	9,317
Other receivables	3,514	7,624	10,734
Prepayments for goods and services	2,799	3,001	1,027
Free cash and cash equivalents	52,298	35,890	50,718
Restricted cash and cash equivalents	142,208	2,255	7,868
Total current assets	378,462	268,558	281,857
TOTAL ASSETS	499,456	416,388	447,081

Consolidated statement of financial position – continued

As of 30 June 2019

EUR'000

Unaudited	Q2 2019	Q2 2018	FY 2018
EQUITY AND LIABILITIES			
Equity			
Share capital	40,316	40,314	40,316
Retained earnings and reserves	71,787	36,913	55,772
Equity attributable to owners of the Company	112,103	77,227	96,088
Non-controlling interests	12,301	10,834	11,597
Total Equity	124,404	88,061	107,685
Liabilities			
Bond loan	133,547	83,394	83,670
Project financing	29,292	158,588	157,666
Other debt	910	1,499	898
Lease liabilities	1,616	-	-
Provisions	3,118	881	3,066
Deferred tax	2,385	2,518	2,986
Total non-current liabilities	170,868	246,880	248,286
Bond loan	88,400	-	-
Project financing	99,074	48,670	56,111
Lease liabilities	454	-	-
Trade payables	1,394	4,221	9,987
Payables to related parties	979	3,639	481
Corporation tax	1,943	756	1,194
Provisions	41	1,985	1,985
Contract liabilities	3,235	-	5,960
Other payables	8,664	22,176	15,392
Total current liabilities	204,184	81,447	91,110
Total liabilities	375,052	328,327	339,396
TOTAL EQUITY AND LIABILITIES	499,456	416,388	447,081

Consolidated statement of cash flow

For the quarter ended 30 June 2019

EUR'000

Unaudited

Cash flow from operating activities	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Profit/loss before tax	1,743	-1,243	22,425	935	25,924
Adjustments for:					
Financial income	-1,901	-1,133	-2,662	-1,671	-3,907
Financial Expenses	2,310	3,006	5,167	5,237	9,100
Depreciations	702	499	1,549	938	2,490
Profit from equity-accounted companies	2,141	222	1,159	-3,079	-5,795
Change in networking capital	-21,133	-34,740	24,827	-104,674	-172,106
Other non-cash items	-873	155	-1,220	155	-1,263
Cash generated from operation before financial items and tax	-17,011	-33,234	51,245	-102,159	-145,557
Taxes paid	-104	17	-108	-159	-751
Interest paid and realised currency losses	-1,798	-3,040	-4,469	-4,862	-8,263
Interest received and realised currency gains	953	950	1,623	1,397	3,610
Cash flow from operating activities	-17,960	-35,307	48,291	-105,783	-150,961
Cash flow from investing activities					
Purchase/disposal of Property, plant and equipment	39,200	-12,304	39,192	-12,359	-12,576
Proceeds from disposal of equity-accounted investments	682	11	682	11	3,161
Purchase/disposal of other investments	-38	308	-7	271	252
Investment/loans in equity-accounted investments	-1,302	-24,979	-2,201	-20,257	8,508
Dividends	682	165	682	165	165
Cash flow from investing activities	39,224	-36,799	38,348	-32,169	-490

Consolidated statement of cash flow - continued

For the quarter ended 30 June 2019

EUR'000

	Q2 2019	Q2 2018	H1 2019	H1 2018	FY 2018
Cash flow from financing activities					
Proceeds from issue of bonds	138,600	-72	138,600	25,088	25,107
Repayment of bonds	-	-7,600	-	-7,600	-7,600
Proceeds from borrowings	2,613	68,652	14,886	117,174	191,594
Repayment of borrowings	-31,421	-989	-100,297	-1,518	-49,729
Changes in payables to associates	5	1,175	498	-1,209	-4,367
Transactions with NCI	-4,656	-2,895	-4,406	-4,018	6,852
Cash flow from financing activities	105,141	58,271	49,281	127,917	161,857
Change in cash and cash equivalents	126,405	-13,835	135,920	-10,035	10,406
Cash and cash equivalents at beginning of period	68,101	51,980	58,586	48,180	48,180
Cash and cash equivalents end of period	194,506	38,145	194,506	38,145	58,586
Of which restricted cash and cash equivalents	-142,208	-2,255	-142,208	-2,255	-7,868
Non-restricted cash and cash equivalents end of period	52,298	35,890	52,298	35,890	50,718

Consolidated statement of changes in equity

As of 30 June 2019

EUR'000

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

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

Consolidated statement of changes in equity continued

As of 30 June 2018

EUR '000

	Share capital	Share Premium	Translation re-serve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total
Equity at 1 January 2018	40,311	-	-50	-522	35,574	75,313	15,687	91,000
Profit/loss for the period	-	-	-	-	1,038	1,038	-567	471
Other comprehensive income								
Other comprehensive income in equity accounted investments	-	-	-	-	475	475	-	475
Value adjustments of hedging instruments	-	-	-	56	-	56	15	71
Tax of value adjustments of hedging instruments	-	-	-	-14	-	-14	-4	-18
Currency differences on translating foreign operations	-	-	-65	-	9	-56	-3	-59
Other comprehensive income	-	-	-65	42	484	461	8	469
Total comprehensive income	-	-	-65	42	1,522	1,499	-559	940
Transactions with owners								
Transaction with NCI	-	-	-	-	268	268	6,806	7,074
Exercise of warrants	3	6	-	-	-	9	-	9
Expenses related to capital increases	-	-17	-	-	-	-17	-	-17
Share-based compensation expenses	-	-	-	-	155	155	-	155
Additions	-	-	-	-	-	-	32	32
Disposals	-	-	-	-	-	-	-11,132	-11,132
Total transactions with owners	3	-11	-	-	423	415	-4,294	-3,879
Equity at 30 June 2018	40,314	-11	-115	-480	37,519	77,227	10,834	88,061

The share capital consists of nom. 300,000,000 shares of DKK 1 each, corresponding to EUR 40,311 thousand. The share capital is fully paid in.

The number of shares has increased from 10 million to 300 million in 2017 by insurance of bonus shares, EUR 38,971 thousand. All shares have the same rights. The costs related to the capital increase equal EUR 7 thousand.

Basis for preparation

General information

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

These unaudited consolidated financial statements for the second quarter of 2019 have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the EU and additional Danish disclosure requirements for interim financial reporting of listed companies.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the annual report for the year ended 31 December 2018 and public announcements made during the interim reporting period.

Key accounting estimates and judgements

When preparing the interim financial reporting of European Energy, management makes a number of accounting estimates and assumptions which form the basis of the recognition and measurement of European Energy's assets and liabilities. The estimates and assumptions made are based on experience and other factors that management considers reasonable in the circumstances. Reference is made to the consolidated financial statements in the annual report for the year ended 31 December 2018, Note 1.0.

Accounting policies

Accounting policies remain unchanged compared to the annual report for the year ended 31 December 2018, to which reference is made, except for the changes described in 'Changes in accounting policies and disclosures'.

Changes in accounting policies and disclosures

European Energy Group has adopted all new, amended or revised accounting standards and interpretations ('IFRS') as published by the IASB, and endorsed by the EU effective for the accounting period beginning on 1 January 2019.

Adoption of IFRS 16 in European Energy did not have a significant impact on recognition and measurement in the consolidated financial statements in the second quarter of 2019.

In the context of the transition to IFRS 16, right-of-use assets of EUR 7.2 million (Property, plant and equipment EUR 2.2 million and Inventory EUR 5.0 million) and lease liabilities of EUR 7.2 million were recognized as at 1 January 2019. The European Energy Group transitioned to IFRS 16 in accordance with the modified retrospective approach. The prior-year figures were not adjusted. The Group also elected to apply the practical expedient for short-term leases to leases for which the lease term ends within 12 months of the date of initial application.

Effect of IFRS 16, Lease

			EURm
Unaudited	Lease as- sets as part of Inventory	Lease as- sets Prop- erty, plant and equip- ment	H1 2019
1 January 2019	5.0	2.2	7.2
Depreciations	-0.1	-0.2	-0.3
Disposals, divestments	-3.2	-1.6	-4.8
Effect of IFRS 16, Lease assets 30 June 2019	1.7	0.4	2.1
Effect of IFRS 16 on lease assets, property, plant and equipment			0.4
Lease assets reclassified from prepayments			0.5
Lease assets recognised in the balance sheet 30 June 2019			0.9

			EURm
Unaudited	Lease lia- bilities, In- ventory	Lease lia- bilities, Property, plant and equipment	H1 2019
1 January 2019	5.0	2.2	7.2
Additions	0.1	-	0.1
Disposals, divestments	-3.3	-1.6	-4.9
Lease payments	-0.2	-0.1	-0.3
Effect of IFRS 16, Lease liabilities 30 June 2019	1.6	0.5	2.1
Lease liabilities recognised in the balance sheet:			
Inventory	1.6	-	1.6
Property, plant and equipment	-	0.5	0.5
Total, lease liabilities 30 June 2019	1.6	0.5	2.1
Non-current lease liabilities	1.6	-	1.6
Current lease liabilities	-	0.5	0.5
Lease liabilities recognised in the balance sheet 30 June 2019	1.6	0.5	2.1

New accounting standards not yet adopted

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

Other information

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

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

On 30 August 2019, the Board of Directors approved these interim consolidated financial statements.
The interim consolidated financial statements are presented in EUR, and all values are rounded to the nearest thousand (EUR'000), except when otherwise indicated.

SEGMENT INFORMATION

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

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

- Wind
- Solar

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

Segment information

As of 30 June 2019

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

As of 30 June 2018

	EUR '000				
Unaudited	Wind	Solar	Total before elimination	Eliminations	H1 2018
Sale of energy farms and projects	10,564	123	10,687	-	10,687
Sale of electricity	2,441	3,910	6,351	-	6,351
Asset management & other fees	1,057	488	1,545	-	1,545
Revenue to external customers	14,062	4,521	18,583	-	18,583
Intra-group revenue	11,788	45	11,833	-11,833	-
Revenue	25,850	4,566	30,416	-11,833	18,583
Profit/loss before tax	648	286	934	-	934
Total assets	277,726	138,662	416,388	-	416,388
Total liabilities	209,241	119,086	328,327	-	328,327

Write down of inventories

The Group has made write down of inventories of EUR 0.0 million in the second quarter of 2019 (YTD 2019 EUR 1.5 million).

The Group had in 2018 made write down of inventories of EUR 0.0 million in the second quarter of 2018 (YTD 2018 EUR 0.4 million).

Financial activities

Bond loans

European Energy A/S has 20 June 2019 listed a EUR 140 million green bond on Nasdaq Copenhagen. It is the first Danish Corporate Sustainable Bond listed on Nasdaq Copenhagen's Green Bond Segment. The issued bonds carry variable interest based upon a fixed spread and a variable part related to the Euribor. The bonds have a four-year and 3 months lifecycle and are traded at Nasdaq, Copenhagen. The interest rate was fixated at 5.35% compared to the old 7.0% EUR 85 million bond. The redemption and the repayment of the old EUR 85 million bond was 3 July 2019 (third quarter of 2019) as mentioned in the management review. 79 investors participated from some of the largest pensions funds in Scandinavia. The new green bond trades at a price of 104,05 in July 2019 at Nasdaq Copenhagen.

Interest rate swaps

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

Other investments

The Group increased the ownership of a German wind park during the second quarter of 2019, which resulted in a shift in classification from other investments to associated company. Fair value of the wind park transferred to associated company is EUR 4.8 million. Unrealized value adjustment recognised as Other income is EUR 2.4 million in the second quarter of 2019.

Statement by the Board of Directors and the Management

The Board of Directors and the Management have considered and adopted the Interim Report of European Energy A/S for the period 1 January - 31 March 2019. The Interim Report is presented in accordance with the International Accounting Standard IAS 34 on Interim Financial Reporting.

The accounting policies applied in the Interim Report are consistent from those applied in the Group's Annual Report 2018. Adoption of IFRS 16 at 1 January 2019 in European Energy did not have a significant impact on recognition and measurement in the consolidated financial statements in the first quarter of 2019.

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

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

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

Søborg, 30 August 2019

MANAGEMENT:

Knud Erik Andersen
CEO

Jonny Jonasson
CFO

BOARD OF DIRECTORS:

Jens-Peter Zink
Chairman

Knud Erik Andersen

Mikael Dystrup Pedersen

Claus Dyhr

Jesper Helmuth Larsen

Appendix 1 – Project development activity

Table 1

MW	Total activity level	Status end of Q2 2019 (MW)	EE net capacity (MW)
Wind	Under construction	69.7	62.5
Wind	Ready to build	250.7	201.6
Solar	Under construction	135.0	116.4
Solar	Ready to build	178.0	151.3
Total activity level		633.4	531.8

Table 2 – Activity level (wind)

Country	Site	Status end of Q2 2019	MW	EE net capacity (MW)
Brazil	Quatro Ventos	Ready to build	21.0	8.4
Germany	Jetsch	Under construction	2.1	2.1
Germany	Oberbarnim	Ready to build	3.5	3.5
Germany	Viertkamp	Under Construction	14.4	7.2
Germany	Vier Berge	Ready to build	27.0	13.5
Sweden	Zinkgruven	Under construction	53.2	53.2
Sweden	Fimmerstad	Ready to build	21.2	21.2
Sweden	Kingebol	Ready to build	27.0	27.0
Sweden	Skåramåla	Ready to build	45.0	45.0
Finland	Mustalamminmäki	Ready to build	30.0	30.0
Finland	Koiramäki	Ready to build	30.0	30.0
Finland	Honkakangas	Ready to build	20.0	10.0
Finland	Ahvenneva	Ready to build	20.0	10.0
Poland	Grzmiaca	Ready to build	6.0	3.0
Total wind			320.4	264.1

Appendix 1 – Project development activity–continued

Table 3 – Activity level (solar)

Country	Site	Status end of Q2 2019	MW	EE net capacity (MW)
Brazil	Coremas 3	Under construction	31.0	12.4
Denmark	Evetofte	Ready to build	8.0	8.0
Denmark	Rødbyfjord	Ready to build	65.0	43.6
Denmark	Neessundvej	Ready to build	33.0	33.0
Denmark	Thisted Flyveplads, Hanstholmvej	Ready to build	53.0	47.7
Italy	Troia	Under construction	63.0	63.0
Italy	Palo	Ready to build	19.0	19.0
Italy	Troia (II)	Under construction	41.0	41.0
Total solar			313.0	267.7

Appendix 2 – Sales activity in 2019 for wind and solar

Table 4

Country	Site	MW	Technology	EE net capacity (MW)	Status
Italy	Bosco	39.0	Wind	39.0	Closed In Q1 2019
Denmark	Holmen II	18.0	Wind	12.1	Closed In Q1 2019
Spain	5 solar parks	8.1	Solar	6.5	Closed in Q2 2019
Spain	1 solar park (Beniarbeig)	2.0	Solar	0.3	Closed in Q2 2019
Total		67.1		57,9	Total

Table 5

Technology	MW	EE net capacity (MW)	Status
Wind	67.6	60.4	Signed term sheet
Solar	93.0	32.7	Signed term sheet
Total	160.6	93.1	

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 as required by Danish law. In light of these risks, results could differ materially from those stated, implied or inferred from the forward-looking statements contained in this document.

We are green energy



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