EUROPEAN ENERGY
WIND · SOLAR

European Energy A/S

Interim financial report
Fourth quarter 2016

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

Vestas V126-3,45 MW wind turbine at Gross Pankow, Germany

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Summary

The European Energy Group develops positively on Revenue and profit as well as projects under construction and ready to build. The Groups share of profit for the year totaled EUR 15.6M based on a Revenue of EUR 101M.

European Energy has decided to early adopt the International Financial Reporting Standard (IFRS) 15 in 2016. The effect of the adoption of IFRS 15 is that revenue is recognized later, typically 3-9 months. The Groups share of profit for the year totaled EUR 15.6M based on a Revenue of EUR 101M. The result is in line with the new outlook for 2016 given in corporate announcement no. 1 2017 on the new financial reporting standard.

The most significant single transaction contributing to the result in the fourth quarter of 2016, is the handover of a wind farm of 28 MW in Denmark to an institutional investor contributing to the Groups share of profit with EUR 7,4M.

The cash flow for the year has been strong, and the Group has maintained a high level of cash and cash equivalents, totaling EUR 15M by the end of the year.

The fourth quarter is characterized by a significant increase in development and construction activities. By the end of 2016 European Energy had 166 MW under construction and another 242 MW that are now ready to build.

CEO Knud Erik Andersen says: *"I am very pleased with the 2016 result. The level of activity in the fourth quarter of 2016 is very promising and brings us another leap forward. With 166 MW wind and solar power under construction in five different countries, and 242 MW ready to build projects, I have positive expectations for 2017"*

Highlights for European Energy Group

EUR '000	Q4 2016	Q4 2015 *)	2016	2015 *)
Key figures		**Adj. IFRS GAAP**		**Adj. IFRS GAAP**
Revenue	23.605	10.332	101.406	74.140
Direct costs	-15.863	-11.521	-67.906	-57.535
Gross profit	7.563	-255	32.457	18.587
EBITDA	4.773	-3.687	24.930	10.757
Operating profit (EBIT)	4.497	-4.049	23.320	9.262
Financial income and expense, net	-667	-1.421	-5.414	-2.904
Profit/loss before tax	3.830	-5.470	17.906	6.358
Tax	-947	-1.180	-2.260	-2.879
The Group's share of profit for the year	2.883	-6.650	15.646	3.479
Total assets	215.399	205.821	215.399	205.821
Equity	62.898	44.965	62.898	44.965
Cash flow from operating activities	-12.386	-16.854	-1.101	-11.850
Cash flow from investing activities	-1.296	-309	-3.809	-5.414
Cash flow from financing activities	12.636	11.061	7.575	15.326
Change in cash and cash equivalents	-1.046	-6.102	2.665	-1.938
Financial ratios				
Gross margin	32,0%	-2,5%	32,0%	25,1%
EBITDA margin	20,2%	-35,7%	24,6%	14,5%
EBIT margin	19,1%	-39,2%	23,0%	12,5%
Solvency ratio	29,2%	21,8%	29,2%	21,8%
Net interest-bearing debt/EBITDA	21,1	-28,6	4,0	9,5
Return on equity	5,3%	-15,4%	29,0%	6,8%
Share Ratios				
Earning per share	0,3	-0,7	1,6	0,3
Book value per share	6,3	4,5	6,3	4,5
Cash flow from operating activities per share	-1,2	-1,7	-0,1	-1,2
Number of shares at the end of the year	10.000.000	10.000.000	10.000.000	10.000.000
Average number of full-time employees	67	52	64	53

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

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

Management Review

Development in financials for the Group in Q4 2016

In the fourth quarter of 2016 the Group handed over one wind park in Denmark of 28 MW and one in Germany of 12 MW. European Energy has signed a sales agreement for the sale of three wind parks in Finland. Closing is expected to occur during 2017 and is expected to contribute to the result in 2017.

The Gross profit amounted to EUR 7,6M for the fourth quarter of 2016 compared to EUR -0,3M in the fourth quarter of 2015.

In the fourth quarter of 2016 the wind production in Germany and Denmark was below budget due to lower wind availability, thus the Profit after tax from associated companies and joint-ventures were at EUR 0,7M compared to EUR 1,0 in 2015.

The management has increased the write down of the inventory in equity accounted companies, resulting of a loss of EUR 0,8M for the development companies, compared to 2015 where the results for equity accounted development companies accounted with a negative result of EUR 66T.

EBITDA for the quarter came in at EUR 4,8M compared to EUR -3,7M in the fourth quarter of 2015. Profit before tax ended up at EUR 3,8M. The tax for the period ended with a tax expense of EUR 0,9M.

The management considers the results of the fourth quarter of 2016 to be satisfactory.

Full-year expectations 2016

The expectations for the year in the Interim financial report of the third quarter of 2016 were that Revenue and Profit would resemble that of 2015. In terms of revenue, European Energy exceeded the level of 2015 in 2016 because of early adoption of IFRS 15 based on a dialogue with the Danish Business Authority regarding the company's previous accounting policy for recognition of revenue from sale of solar and wind power plants under IAS 18.The Danish Business Authority disagrees with the Company's interpretation of IAS 18.The management has decided to align the company's accounting policy with the Danish Business Authority's assessment, and therefore the company has decided to early adopt IFRS 15.

The announcement of the early adoption of IFRS 15 included a specification of the Q3 revenue, profit and equity using the new method as well as a new outlook for 2016. The result is in line with the announcement of the new outlook for 2016.

	Expected outlook for 2016 at announcement of transition	Realized 2016
Revenue	EUR 100M	EUR 101M
Profit after tax	EUR 13M – 15M	EUR 15,6M
Equity	EUR 61M – 63M	EUR 62,9M

The effect following the IFRS 15 in 2016 is a positive timing adjustment in the income statement of EUR 9,3M and a negative timing adjustment on the Equity of EUR 9,5M.

Based on the previous accounting policy used for revenue recognition the result would have amounted to EUR 6,3M. The outlook from the 2015 annual report was a result for 2016 of EUR 6,3M.

The effect of the early adoption of the IFRS 15 is clarified in the IFRS 1 table on page 15. The profit for the year 2016 after early adoption of the IFRS 15 is EUR 15,6M.

Capital Management:

European Energy A/S is currently investigating the refinancing opportunities of the outstanding bond loan of EUR 45M. The investigations include specific structure, size and timing of a new facility. Based on clarifying conversations the overall market conditions for such refinancing is considered positive. It is the expectation that the refinancing will be in the size of EUR 50-75M to support continued growth. The specific use of the proceeds will be decided by management but will include repayment of the existing facility.

Outlook for 2017:

The management expects the 2017 profit before tax to be at the level of EUR 8-12M.

Annual Report 2016:

The Annual Report for the Group will be published before the end of April 2017.

Sale of Electrical Power

European Energy's installed capacity increased by 12 MW to 156 MW compared to end of 2015, due to additional solar PV plants installed in the UK and wind farms in Denmark.

Net capacity (MW)

	End of 2016	End of 2015
Solar	32	23
Wind	123	121
Total	**156**	**144**

The production from solar PV increased significantly in 2016, due to a higher installed capacity. However, the wind production fell short of expectations since the wind conditions in Germany and Denmark were poor. Thus, the Group overall experienced a slight decrease in production compared to 2015.

Production (GWh)

	Net production		Production	
	Q4 2016	Q4 2015	2016 YTD	2015 YTD
Solar	4.3	2.2	27.0	11.6
Wind	49.2	55.4	172.9	179.4
Total	**53.5**	**57.6**	**199.9**	**191.0**

Power prices have generally been low in the fourth quarter of 2016. Due to long-term power purchase agreements and long-term subsidies, low power prices will have a limited effect on profit from the sale of electrical power.

Asset Management

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

Assets managed on behalf of third parties (MW)

	End of 2016
Solar	102
Wind	451
Total	**553**

European Energy manages 553 MW on behalf of third parties. The total portfolio under management, including own assets corresponds to 709 MW.
Construction and development

The construction and development activities of the fourth quarter of 2016 are summarized in the tables below.

Total activity level (MW)

		End of 2016
Wind	In construction	136
	Ready to build	20
	Grid connected	0
Solar	In construction	30
	Ready to build	222
	Grid connected	0

Activity level (wind)

	Site	MW	End of 2016 status	Sales agreement signed
Denmark	Kappel	25	In construction	No
Germany	Gilmerdingen	12	In construction	No
Germany	Lüdersdorf	7	In construction	No
Germany	Schochodde	3	In construction	No
Germany	Vormark	48	In construction	No
Germany	Werneuchen	3	In construction	Yes
Finland	Jeppo	7	In construction	Yes
Finland	Haukkineva	7	In construction	Yes
Finland	Vihreäsaari	4	In construction	Yes
Italy	Oppido	20	In construction	No
Germany	Lohkamp	12	Ready to build	No
Denmark	Måde 3	8	Ready to build	No

Activity level (solar)

Country	Site	MW	End of 2016 status	Sales agreement signed
Brazil	Coremas 2	30	In construction	No
Brazil	Coremas 1	30	Ready to build	No
Brazil	Coremas 3	30	Ready to build	No
Brazil	Boa Hora 1	30	Ready to build	No
Brazil	Boa Hora 2	30	Ready to build	No
Brazil	Boa Hora 3	30	Ready to build	No
Denmark	Danish Solar 1	5	Ready to build	No
Denmark	Danish Solar 2	7	Ready to build	No
Denmark	Danish Solar 3	10	Ready to build	No
Denmark	Danish Solar 4	10	Ready to build	No
Denmark	Danish Solar 5	10	Ready to build	No
Denmark	Danish Solar 6	10	Ready to build	No
Denmark	Danish Solar 7	10	Ready to build	No
Denmark	Danish Solar 8	10	Ready to build	No

Wind

The fourth quarter of 2016 was a busy period for European Energy's wind business unit. 136 MW wind were under construction in 4 European countries, and by the end of the year another 20 MW were ready to build.

Solar

European Energy has started construction of 30 MW solar PV in Brazil (in the joint venture Nordic Power Partners), and another 222 MW solar PV are ready to build in Brazil and Denmark. Of the 72 MW 'ready to build' portfolio in Denmark, 50 MW were awarded in the first German cross-border solar PV tender. The projects will be constructed in Denmark even though the support scheme is financed by the German government.

Pipeline

While the primary focus is on developing existing pipeline projects, European Energy is always ready to investigate new and interesting opportunities. European Energy's pipeline amounted to 2,045 MW by the end of 2016.

Pipeline (MW gross)

	End of 2016	**End of 2015**
Wind	1,593	2,631
Solar	452	344
Total	**2,045**	**2,975**

Sales and project financing

The fourth quarter of 2016 included a sale of the Finnish project portfolio to a Luxemburg based investment fund. Following previous accounting standards, this sale would have contributed to the result of the fourth quarter. As the Closing of the project portfolio is planned for 2017 the revenue is expected to be recognized during 2017.

The sales activities of projects under construction maintain high priority with ongoing negotiations on several projects in the United Kingdom, Denmark, Germany and Italy. It is expected that these will be concluded throughout 2017 and will contribute positively to the company's financial performance.

After the end of Q4

The Oppido wind farm situated in Italy was constructed during the fourth quarter of 2016. However, the actual grid connection took place on 4th of January after the end of the fourth quarter. The completion of the project after the end of the fourth quarter of 2016 adds 20 MW to European Energy's total constructed capacity.

The European Energy Group signed and closed an agreement for the sale of a wind park in Germany with a total nameplate capacity of 28 MW to a German buyer. The wind park is located in Gross Pankow in the state of Brandenburg and has been co-developed with the local partner Green Wind Energy GmbH. European Energy Group owns in total 16 % of the wind farm sold, which is under construction and expected to be connected to the grid in the first quarter of 2017.

Financial figures

Consolidated statement of comprehensive income

For the quarter ended 31 December 2016

Unaudited EUR'000	**Q4 2016**	**Q4 2015 *)** **Adj. IFRS GAAP**	**2016**	**2015 *)** **Adj. IFRS GAAP**
Revenue	23.605	10.332	101.406	74.140
Profit after tax from equity-accounted investments Development companie:	-832	-66	-2.519	-45
Profit after tax from equity-accounted investments Operating companies	653	1.035	1.476	1.758
Other income	-	-35	-	269
Direct costs	-15.863	-11.521	-67.906	-57.535
Gross profit	7.563	-255	32.457	18.587
Staff costs	-2.084	-2.692	-4.949	-5.759
Other external costs	-706	-740	-2.578	-2.071
EBITDA	4.773	-3.687	24.930	10.757
Depreciation & impairment	-276	-362	-1.610	-1.495
Operating profit	4.497	-4.049	23.320	9.262
Finance income	1.545	954	3.562	3.676
Finance expenses	-2.212	-2.375	-8.976	-6.580
Profit/loss before tax	3.830	-5.470	17.906	6.358
Tax	-947	-1.180	-2.260	-2.879
Profit/loss for the year	2.883	-6.650	15.646	3.479
Attributable to:				
Shareholders of the Company	2.340	-6.464	15.103	3.662
Non-controlling interests	543	-186	543	-183
Profit/loss for the year	2.883	-6.650	15.646	3.479
Statement of comprehensive income				
Profit/loss for the year	2.883	-6.650	15.646	3.479
Items that may be reclassified to profit or loss				
Other comprehensive income in equity accounted investments	-	159	-	-9
Value adjustments of hedging instruments	196	205	56	205
Tax of value adjustments of hedging instruments	-53	-356	-14	-92
Currency differences on translating foreign operations	-34	-336	76	-110
Other comprehensive income for the period	109	-328	118	-6
Comprehensive income for the year	2.992	-6.978	15.764	3.473
Attributable to:				
Shareholders of the Company	2.431	-6.543	15.221	3.634
Non-controlling interests	561	-435	543	-161
Comprehensive income for the year	2.992	-6.978	15.764	3.473

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

Consolidated statement of financial position

As of 31 December 2016

Unaudited EUR'000	2016	2015 *) Adj. IFRS GAAP
ASSETS		
Non-current assets		
Property, plant and equipment	51.320	45.509
Joint Venture investments	5.904	8.805
Associated companies investments	11.435	10.195
Other investments	3.629	3.622
Loans to related parties	25.640	25.581
Contract assets	3.447	9.047
Other receivables	8.141	8.204
Deferred tax	3.931	5.608
Total non-current assets	113.447	116.571
Current assets		
Inventories	65.414	62.815
Contract assets	13.650	6.330
Other receivables	5.933	5.901
Prepayments	1.896	1.810
Cash and cash equivalents	15.059	12.394
Total current assets	101.952	89.250
TOTAL ASSETS	215.399	205.821

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

Consolidated statement of financial position

As of 31 December 2016

Unaudited EUR'000	**2016**	**2015 *) Adj. IFRS GAAP**
EQUITY AND LIABILITIES		
Equity		
Share capital	1.340	1.340
Retained earnings	56.334	41.113
Equity attributable to owners of the Company	57.674	42.453
Non-controlling interests	5.224	2.512
Total Equity	62.898	44.965
Liabilities		
Bond loan	44.700	52.040
Project financing	55.500	55.780
Other debt relating to the acquisition of companies	1.402	4.275
Provisions	556	-
Deferred tax	2.618	1.681
Total non-current liabilities	104.776	113.776
Bond loan	7.600	-
Credit institutions	15.602	10.023
Other debt relating to the acquisition of companies	4.782	1.777
Trade payables	8.502	17.674
Payables to related parties	835	408
Corporation tax	920	1.866
Provisions	3.077	3.040
Contract liabilities	-	2.575
Other payables	6.407	9.717
Total current liabilities	47.725	47.080
Total liabilities	152.501	160.856
TOTAL EQUITY AND LIABILITIES	215.399	205.821

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

Consolidated statement of cash flow

For the quarter ended 31 December 2016

Unaudited EUR'000	**Q4 2016**	**Q4 2015 *)** **Adj. IFRS GAAP**	**2016**	**2015 *)** **Adj. IFRS GAAP**
Cash flow from operating activities				
Profit/loss before tax	3.830	-5.470	17.906	6.358
Adjustments for:				
Financial income	-1.545	-954	-3.562	-3.676
Financial Expenses	2.212	2.375	8.976	6.580
Depreciations	276	362	1.610	1.495
Other non-cash movements	179	-969	1.043	-1.713
Change in networking capital	-15.334	-10.133	-19.262	-15.286
Other non-cash items	-	35	-	-269
Cash generated from operation before financial items and tax	-10.382	-14.754	6.711	-6.511
Taxes paid	-433	-71	-1.469	-2.203
Interest paid and realised currency losses	-1.719	-2.748	-8.483	-6.577
Interest received and realised currency gains	148	719	2.140	3.441
Cash flow from operating activities	-12.386	-16.854	-1.101	-11.850
Cash flow from investing activities				
Purchase of Property, plant and equipment	-	33	-6.848	-98
Proceeds from disposal of subsidiaries, equity-accounted investments	101	-1.510	2.001	1.197
Investment/loans in equity-accounted investments	-1.424	1.080	986	-6.601
Dividends	27	88	52	88
Cash flow from investing activities	-1.296	-309	-3.809	-5.414
Cash flow from financing activities				
Proceeds from borrowings	18.357	13.158	40.436	33.957
Repayment of borrowings	-6.480	-2.763	-35.137	-19.310
Changes in payables to associates	759	338	427	351
Non-controlling interests' share of capital increase in subsidiary	-	328	1.849	328
Cash flow from financing activities	12.636	11.061	7.575	15.326
Change in cash and cash equivalents	-1.046	-6.102	2.665	-1.938
Cash and cash equivalents at beginning of period	12.394	14.332	12.394	14.332
Cash and cash equivalents end of period	15.059	12.394	15.059	12.394
Of which restricted cash and cash equivalents	-4.833	-3.029	-4.833	-3.029
Non-restricted cash and cash equivalents end of year	10.226	9.365	10.226	9.365

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

Consolidated statement of changes in equity

As of 31 December 2016

Unaudited

EUR'000	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Equity at 1 January 2016	1.340	-55	-697	41.865	42.453	2.512	44.965
Profit/loss for the period	-	-	-	15.103	15.103	543	15.646
Other comprehensive income							
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
Other comprehensive income	-	84	34	-	118	-	118
Total comprehensive income	-	84	34	15.103	15.221	543	15.764
Transactions with owners							
Share of capital increases	-	-	-	-	-	1.849	1.849
Additions	-	-	-	-	-	317	317
Disposals	-	-	-	-	-	3	3
Total transactions with owners	-	-	-	-	-	2.169	2.169
Equity at 31 December 2016	1.340	29	-663	56.968	57.674	5.224	62.898

EUR '000	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	*) Adj. IFRS GAAP Total
Equity at 1 January 2015	1.340	63	-787	38.203	38.819	2.546	41.365
Profit/loss for the period	-	-	-	3.662	3.662	-183	3.479
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	-	-110	-	-	-110	-	-110
Other comprehensive income	-	-118	90	-	-28	22	-6
Total comprehensive income	-	-118	90	3.662	3.634	-161	3.473
Transactions with owners							
Share of capital increases	-	-	-	-	-	328	328
Additions	-	-	-	-	-	26	26
Disposals	-	-	-	-	-	-227	-227
Total transactions with owners	-	-	-	-	-	127	127
Equity at 31 December 2015	1.340	-55	-697	41.865	42.453	2.512	44.965

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

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.

Notes

Basis for preparation
These unaudited consolidated financial statements for the fourth quarter of 2016 have been prepared in accordance with IAS 34 'Interim Financial Reporting' and on the basis of the same accounting policies as were applied in the Annual Report 2015 of European Energy Group.

Furthermore, the financial report including the consolidated financial statements for the fourth quarter of 2016 and the management's review have been prepared in accordance with additional Danish disclosure requirements for the interim reports of listed companies.

European Energy Group has adopted all new, amended or revised accounting standards and interpretations ('IFRS') as published by the IASB, and also those that are endorsed by the EU effective for the accounting period beginning on 1 January 2016. These IFRS's have not had a significant impact on the consolidated financial statements for the fourth quarter of 2016.

The Danish Business Authority disagrees with the Company's interpretation of IAS 18. The Management has decided to align the company's accounting policy with the Danish Business Authority's assessment.

According to the Company announcement 1/2017 the management has taken the decision to early adopt the IFRS 15 in the annual report for 2016 to align the Groups reporting with the Danish Business Authority's assessment. The Danish Business Authority finds that the selling company has not fulfilled its performance obligations towards the buyer before the asset has been constructed and the buyer has accepted the acquisition which happens at the closing date corresponding to the completion of the sale.

The adoption of IFRS 15 means that revenue from contracts regarding sale of solar and wind power plants will be recognized on the basis of contractual performance obligations. For previous contracts this will normally be the case when the asset is constructed and delivered to the buyer and the buyer has accepted the acquisition and completion of the sale has taken place at the closing date. The effect of adoption of IFRS 15 is that revenue will be recognized at a later date, typically 3-9 months.

The implications from the change in revenue recognition corresponding to the new accounting policy described at page 20 are shown in the unaudited IFRS 1 Tables below.
The implications are identical with the requested changes in revenue recognition from the Danish Business Authority, and could as such also be read as IAS 8 changes to the 2015 annual report.

The effect on the Revenue, Net result and Equity can be illustrated as follows:

Group reconciliation of total comprehensive income for 2015 according to early adoption of IFRS 15: (unaudited) EUR '000	**Annual Report 2015**	**Effect of transition to IFRS 15**	**Effect of IAS 8 adj.**	**After transition 2015**
Revenue	58.799	15.362	-602	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	0		269
Direct costs	-37.975	-19.558		-57.533
Gross profit	22.806	-4.196	-602	18.008
Staff costs	-5.780	0	602	-5.178
Other external costs	-2.071			-2.071
EBITDA	**14.955**	**-4.196**	**0**	**10.759**
Depreciation & impairment	-1.495	0		-1.495
Operating profit	**13.460**	**-4.196**		**9.264**
Finance income	3.676			3.676
Finance expenses	-6.580	0		-6.580
Profit/loss before tax	**10.556**	**-4.196**		**6.360**
Tax	-4.301	1.422		-2.879
Profit/loss for the year	**6.255**	**-2.774**		**3.481**
Shareholders of the Company	**6.438**	**-2.774**		**3.664**
Non-controlling interests	-183	-		-183
Profit/loss for the year	6.255	-2.774	0	3.481
Statement of comprehensive income				
Profit/loss for the year	**6.255**	**-2.774**		**3.481**
Items that may be reclassified to profit or loss				
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	-		-113
Other comprehensive income for the period	**-9**	-		**-9**
Comprehensive income for the period	**6.246**	**-2.774**		**3.472**
Comprehensive income for the year				
Attributable to:				
Shareholders of the Company	6.407	-2.774		3.633
Non-controlling interests	-161	-		-161
Comprehensive income for the year	**6.246**	**-2.774**		**3.472**

The IAS 8 adjustment of 602 in Revenue and Staff cost is a reclassification related to salaries capitalized on inventory.

Group reconciliation of Assets, liabilities and equity at 31 December 2015: (Unaudited)	Balance sheet Annual Report 2015	Effect of transition to IFRS 15	Effect of IAS 8 adj.	01.01.2016 after transition
ASSETS				
Non-current assets				
Property, plant and equipment	63.009		-17.500	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		25.581
Contract assets	9.047			9.047
Other receivables	7.634	570		8.204
Deferred tax	4.239	1.369		5.608
Total non-current assets	**126.485**	**7.586**		**116.571**
Current assets				
Inventories	41.507	3.808	17.500	62.815
Contract assets	46.476	-40.146		6.330
Other receivables	5.919	-18		5.901
Prepayments	1.810			1.810
Cash and cash equivalents	12.325	69		12.394
Assets held for sale				
Total current assets	**108.037**	**-36.287**		**89.250**
TOTAL ASSETS	**234.522**	**-28.701**		**205.821**
EQUITY AND LIABILITIES				
Equity				
Share capital	1.340			1.340
Retained earnings	59.958	-18.845		41.113
Equity attributable to owners of the Company	61.298	-18.845		42.453
Non-controlling interests	2.512			2.512
Total Equity	**63.810**	**-18.845**		**44.965**
Liabilities				
Bond loan	52.040			52.040
Project financing	55.780			55.780
Other debt relating to the acquisition of companies	4.275			4.275
Deferred tax	1.735	-54		1.681
Total non-current liabilities	**113.830**	**-54**		**113.776**
Credit institutions	6.759	3.264		10.023
Other debt relating to the acquisition of companies	4.720	-2.943		1.777
Trade payables	29.705	-12.031		17.674
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	-667		9.717
Total current liabilities	**56.882**	**-9.802**		**47.080**
Total liabilities	**170.712**	**-9.856**		**160.856**
TOTAL EQUITY AND LIABILITIES	**234.522**	**-28.701**		**205.821**

The IAS 8 adjustment of EUR 17.500 is a reclassification of solar parks which has been build with the purpose of sale, so it remains in inventory and should not be seen as a fixed asset.

Group reconciliation of consolidated statement of cash flows at 31 December 2015: For the period ended 31 December 2015 (unaudited) EUR '000	**Annual Report 2015**	**Effect of transition to IFRS 15**	**Effect of IAS 8 adj.**	**01.01.2016 after transition**
Cash flow from operating activities				
Profit/loss before tax	10.556	-4.198		6.358
Adjustments for:				-
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 netw orking capital	-14.651	-635		-15.286
Other non-cash items	-269	-		-269
Cash generated from operation before financial items and tax	-1.678	-4.833		-6.511
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
Cash flow from operating activities	**-7.017**	**-4.833**		**-11.850**
				-
Cash flow from investing activities				-
Purchase of Property, plant and equipment	-18.225	18.127		-98
Proceeds from disposal of equity-accounted investments	1.796	-599		1.197
Purchase of other investments	-	-		-
Investment/loans in equity-accounted investments	-4.395	-2.206		-6.601
Dividends	88	-		88
Cash flow from investing activities	**-20.736**	**15.322**		**-5.414**
Cash flow from financing activities				
Proceeds from borrow ings	33.957	-		33.957
Repayment of borrow ings	-7.886	-11.424		-19.310
Changes in payables to associates	351	-		351
Non-controlling interests' share of capital increase in subsidiary	328	-		328
Cash flow from financing activities	**26.750**	**-11.424**		**15.326**
				-
Change in cash and cash equivalents	**-1.003**	**-935**		**-1.938**
				-
Cash and cash equivalents at beginning of period	13.328	1.004		14.332
Cash and cash equivalents end of period	**12.325**	**69**		**12.394**
Of w hich restricted cash and cash equivalents	-3.029	-		-3.029
Non-restricted cash and cash equivalents end of year	**9.296**	**69**		**9.365**

The new Accounting Policy regarding revenue recognition according to early adoption of IFRS 15 in 2016:

Revenue is recognized when the Group has fulfilled its contractual performance obligations towards the buyer. The revenue recognition can further be explained as follows for the Groups 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 not commenced constructed before all relevant permits have been obtained and potential buyers are identified. Developing and constructing is carried out in Special Purpose Vehicles (SPV) organized as subsidiaries in the Group.

The Group's performance obligations in the turnkey projects contains of an agreement of development and construction of a grid connected power generating asset and an agreement of transferring 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 recognized when the control has been transferred to the buyer, and European Energy has an enforceable right to payment. This point in time will be when the buyer has accepted 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, which is determined by the project's expected future cash flow based on seller and buyers 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 it is highly probably that a significant reversal in revenue recognized will not 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 doesn't act as a turnkey project developer the revenue will be recognized when control of the project has been transferred to the buyer and our performance obligations has been satisfied and when European Energy is entitled to receive payment.

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

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

New accounting standards not yet adopted
The IASB has issued a number of new accounting standards and interpretations with effective date after 31 December 2016. A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017. The Group expects to implement when they become mandatory. IFRS 16, Leases (effective date 1 January 2019)

The following new accounting standards and interpretations, not yet adopted, are expected to have most significant impact on recognition, measurement and disclosures for the Group:

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

IFRS 16, Leases
The IASB has issued a new standard on accounting for leases. As a Lessee, the Group is required to recognize all lease contracts on the balance sheet. The Group will not be required to recognize lease contracts with a term of less than 12 months on the balance sheet. The Group is assessing the impact of IFRS 16. We have started an analysis of the impact of IFRS 16 on the consolidated financial statements, which has not yet been completed. The lease obligation at 1 January 2019 will be calculated as the present value of remaining lease payments at this date and the impact are expected to increase the balance sheet with approximately with EUR 6M and will also impact he key ratios. It will only have limited effect on the income statement.

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

Corporate bonds issued by the parent company are listed on NASDAQ Stockholm.
On 28 February 2017, 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.

Unaudited

EUR '000	Wind	Solar	Other	Total before elimination	Eliminations	2016 Group
Sale of energy farms and projects	73.723	15.748	-	89.472	-210	89.262
Sale of electricity	414	8.468	-	8.882	-	8.882
Asset management & other fees	4.661	1.052	-	5.713	-2.451	3.262
Revenue to external customers	78.798	25.268	-	104.067	-2.661	101.406
Profit/loss before tax	12.517	5.389	-	17.906	-	17.906
Total assets	169.090	287.859	68	457.016	-241.618	215.399
Total liabilities	119.044	226.068	51	345.163	-192.662	152.501

	Wind	Solar		Total before elimination	Eliminations	*) Adj. IFRS GAAP 2015 Group
Sale of energy farms and projects	16.655	49.413	-	66.068	-557	65.511
Sale of electricity	186	5.635	-	5.821	-	5.821
Asset management & other fees	6.174	1.374	-	7.548	-4.740	2.808
Revenue to external customers	23.015	56.422	-	79.437	-5.297	74.140
Profit/loss before tax	1.328	5.030	-	6.358	-	6.358
Total assets	98.111	107.709	-	205.820	-	205.820
Total liabilities	57.208	103.647	-	160.855	-	160.855

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

Write down of inventories

The Groups net share of write down and write off on inventory during 2016 amounts to a total of EUR 2,0M.

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 December 2016. 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 2015.

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, 28 February 2017

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

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. Additional factors that may affect future results are contained in European Energy's annual report for the year ended 31 December 2015 (available at www.europeanenergy.dk/investor relations) and these factors should also be considered. Each forwardlooking 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.