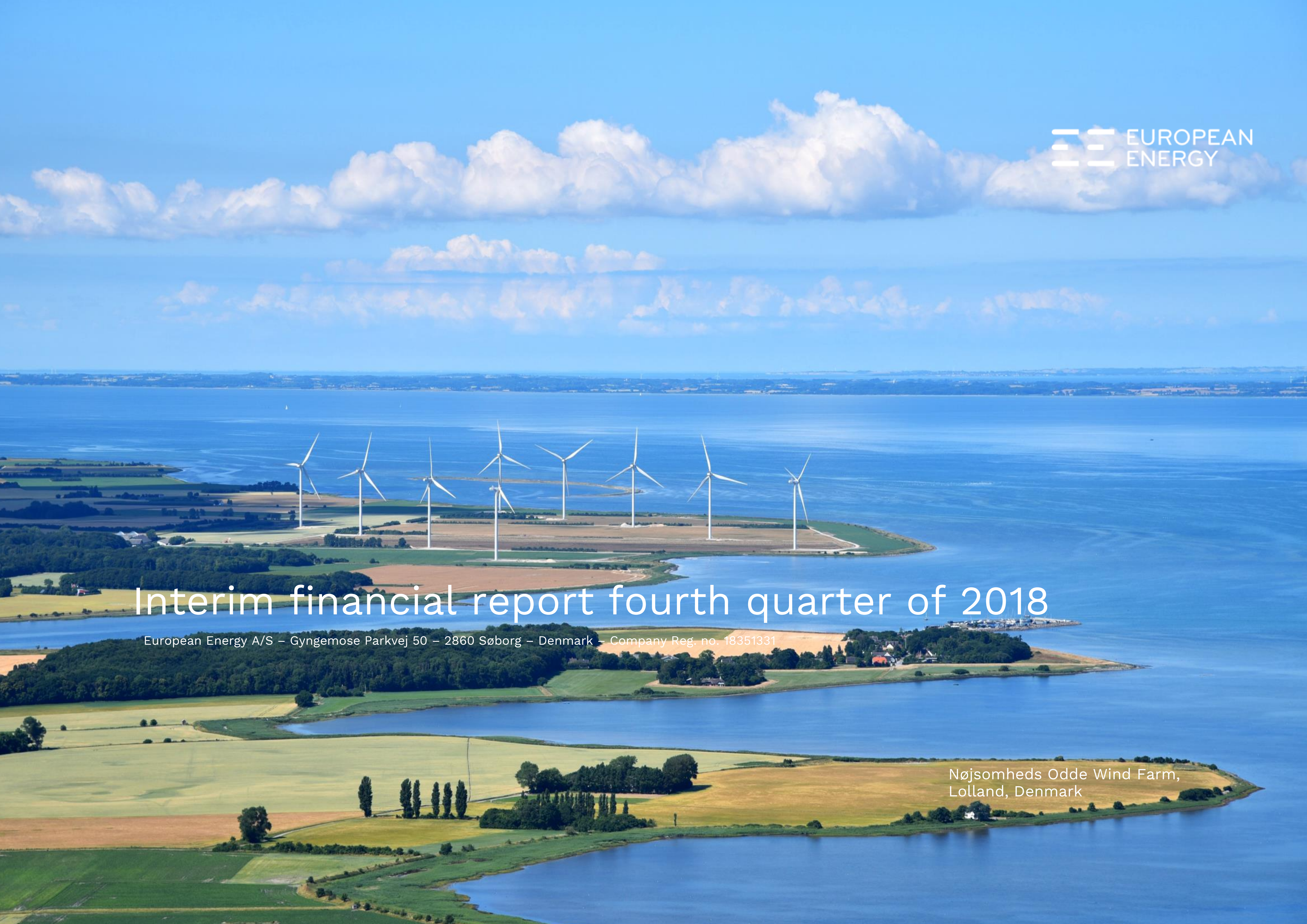
EUROPEAN ENERGY



Interim financial report fourth quarter of 2018

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

Nøjsomheds Odde Wind Farm,
Lolland, Denmark

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Interim financial report for fourth quarter of 2018

Summary

European Energy reports strong 2018 result

European Energy Group posted a satisfactory result for 2018 of EUR 25.9 million in profit before tax. The result matches the full year result for 2017 of EUR 25.8 million. The result for the fourth quarter was EUR 24.2 million, compared to EUR 8.7 million in Q4 2017.

Knud Erik Andersen, Chief Executive Officer said:

“We are very pleased with the result. We experienced rapid growth in our development pipeline of projects along with projects that are ready-to-build or in construction. The growth will be reflected in the number of projects and the size of the projects European Energy will deliver in the coming years.”

For the fourth quarter, especially the sale of eight solar farms (70MW) and a wind farm (25.2MW) in Denmark had a positive impact on the result.

“Due to our increase in construction activity, we have held the ownership of more generation capacity compared to previous years. This has contributed to a substantial increase in profit from electricity sales,” said Knud Erik Andersen.

The Group’s sale of electricity increased from EUR 10.1 million in 2017 to EUR 19.8 million in 2018.

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

Highlights for European Energy Group

Key figures (Unaudited) EUR '000	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenue	72,536	57,766	96,182	186,716
Direct costs	-49,688	-46,776	-60,589	-148,550
Gross profit	26,206	13,442	42,570	44,998
EBITDA	25,405	10,770	33,607	34,174
Operating profit (EBIT)	24,413	10,336	31,117	32,451
Financial income and expense, net	-186	-1,666	-5,193	-6,662
Profit/loss before tax	24,227	8,670	25,924	25,789
Tax	-1,804	-1,618	-3,403	-4,600
The Group's share of profit for the period	**22,423**	**7,052**	**22,521**	**21,189**
Total assets	447,081	287,764	447,081	287,764
Equity	**107,685**	**91,000**	**107,685**	**91,000**
Cash flow from operating activities	52,790	-38,610	-72,415	-14,476
Cash flow from investing activities	16,611	7,968	-20,458	3,588
Cash flow from financing activities	-54,410	22,239	103,279	43,992
Change in cash and cash equivalents	**14,991**	**-8,403**	**10,406**	**33,104**
Financial ratios				
Gross margin	36%	23%	44%	24%
EBITDA margin	35%	19%	35%	18%
EBIT margin	34%	18%	32%	17%
Solvency ratio	24%	32%	24%	32%
Net interest-bearing debt/EBITDA	5	5	7	3
Return on equity	23%	9%	23%	27%
Share Ratios				
Earnings per share (EPS Basic)	0.13	0.76	0.14	0.11
Number of shares at the end of the period	300,040,190	10,000,000	300,040,190	300,000,000
Average number of full-time employees	**96**	**77**	**95**	**74**

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 fourth quarter 2018

In the fourth quarter of 2018 the Group closed the sale of a 25.2 MW wind park located on Lolland in Denmark and the sale of 8 solar parks to one buyer, all located in Denmark with a total capacity of 70 MW. The Group also concluded the sale of the last 20% of the shares in a wind farm in Germany of 14 MW to the majority shareholder.

The revenue for the Group in the fourth quarter ended at MEUR 72.5 compared to MEUR 57.8 in 2017. The annual revenue for 2018 was MEUR 96.0 compared to MEUR 186.7 in 2017. Originally the outlook for 2018 was revenue of MEUR 190 – 210. The revenue for the Group is highly dependable on the mix between the sale of fully controlled companies and companies with less ownership. In 2018 the share of sale of associated companies was higher and thus the top line was less. On top of this a sale of a wind park in Italy of 39 MW was postponed to 2019.
The Group has obtained the gross profit which was originally expected. The management acknowledges the difficulties in using revenue as a guideline for the year due to the differences in how the sales are accounted for, and has for 2019 instead used EBITDA as a guideline.

During 2018 the Group has finished the construction of several energy parks. The inventory level of already constructed and commissioned parks has increased during 2018 from 0 to EUR 132.8 million. This has added substantially to the sale of electricity for the Group during the year. The sale of electricity has increased from EUR 10.1 million in 2017 to EUR 19.8 million in 2018 with EUR 7.6 million in the fourth quarter (EUR 1.6 million in the fourth quarter 2017)

The gross profit from the sale of energy parks and the additional electricity sales made it possible for the Group to deliver a result before tax as expected in the outlook made in the annual report for 2017, and the management are very satisfied with this achievement.

The increase in inventory also secures that the Group has energy parks ready for sale in 2019, which has led to the record high outlook for 2019 of results before tax between EUR 30 – 35 million.

The gross profit amounted to EUR 26.2 million for the fourth quarter of 2018 compared to EUR 13.4 million in the fourth quarter of 2017.

In the fourth quarter of 2018 the profit after tax from equity-accounted investments was EUR 2.2 million compared with a result in 2017 of EUR 1.1 million.

EBITDA for the quarter came in at EUR 25.4 million compared to EUR 10.8 million in the fourth quarter of 2017. Profit before tax ended at EUR 24.2 million. The tax expense for the quarter was EUR 1.8 million. The expensed tax is positively affected by an increase in capitalized brought forward tax losses of EUR 1.8 million which previously had been impaired. The budgeted high taxable income for the Group will secure the use of these tax losses within the next 3 years.

In the fourth quarter of 2017 the profit before tax ended at EUR 8.6 million and the tax for the period ended with a tax of EUR 1.6 million.

The total balance of the Group increased from EUR 445.3 million at the end of the 3nd quarter of 2018 to EUR 447.1 million in the fourth quarter of 2018 – an increase of EUR 1.8 million. At the end of fourth quarter of 2017 the total balance equalled EUR 287.8 million.

Capital Management

The Group has in the fourth quarter of 2018 managed to increase project-related loans with EUR 24.9 million, cf. in the consolidated statement of cash flow at page 15. The loans are obtained in order to finance the ongoing constructions in the Group. In the fourth quarter of 2018 there has been repayment of project loans of EUR 67.4 million, where the main part related to the sale of the 8 solar parks.
The Groups cash position increased with EUR 10.4 million during the year, and the management is satisfied with the level of liquidity which will enable the Group to do further investments in the market.

Outlook for 2019

The revenue target set for 2018 was by the latest company announcement set to EUR 94-97 million. The profit before tax was expected to be EUR 25.5-26 million. The targets were reached.

The outlook for 2019 is 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. 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 109 MW to 244 MW compared to end of 2017. The development is due to the net difference between commissioning and acquisition of new wind and solar farms and divestments.

Net capacity (MW)

	End of 2018	End of 2017
Solar	79	9
Wind	164	126
Total	244	135

The production from solar PV and wind increased in 2018 compared to the year before due to additions to the portfolio.

Net Production (GWh)

	Q4 2018	End of 2018	Q4 2017	End of 2017
Solar	8.7	63.7	2.4	21.3
Wind	89.0	263.8	68.7	244.3
Total	97.7	327.5	71.1	265.6

Asset Management

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

Assets managed on behalf of third parties (MW)

	End of 2018	End of 2017
Solar	126	126
Wind	598	513
Total	724	639

European Energy manages 724 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 967 MW.

Development and Construction

WIND

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

SOLAR

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

Sales activity

In the 4th quarter of 2018 the group closed two transactions. A sale of eight solar PV farms located in Denmark with a combined capacity of 70.5 MW and a wind farm with a total capacity of 25.2 MW located at Lolland, Denmark. Both transactions were with investment management firms located in Switzerland.

Currently we have signed an agreement for the sale of a wind farm in Italy with a total capacity of 39 MW to an Italian buyer. The wind farm is located in the Municipalities of Tolve and Vaglio Basilicata in the Basilicata Region, Italy and is the largest wind farm constructed in Italy.
European Energy A/S owns 100% of the wind farm, and it has come into operation in 2018. The wind farm consist of a total of 13 Siemens SWT-3.0-113 MW turbines. The sale is conditioned upon the satisfaction of a number of conditions precedents and closing is expected to take place before the end of Q1 2019.

During 2018, the group sold projects totalling 180.8 MW, of which 141.8 MW were closed during the year. EE's net share amounted to 136.7 MW, of which 97.7 MW were closed. See table 4-5 in the appendix 2 for further specifications.

Events after the end of fourth quarter 2018

For 2019 the board has approved the second issuance of warrants up to a total of 1% of the shares equal to 3.0M shares.

In Q1 2019 European Energy A/S, signed an agreement for the sale of a wind farm in Denmark with a total capacity of 18MW to a German investment management firm. The wind farm is located in the municipality of Ringkøbing-Skjern, Denmark. The wind farm was commissioned in early 2018 and consists of a total of 6 Vestas V136-3.6 MW turbines. The buyer has acquired 5 turbines, while the remaining turbine will remain in the ownership of European Energy A/S.
The sale is conditioned upon the fulfillment of some conditions precedent.

Consolidated statement of profit or loss and other comprehensive income

For the quarter ended 31 December 2018

EUR'000

Unaudited	Q4 2018	Q4 2017	FY 2018	FY 2017
Revenue	72,536	57,766	96,182	186,716
Profit after tax from equity-accounted investments	2,187	1,052	5,795	5,432
Other income	1,171	1,400	1,182	1,400
Direct costs	-49,688	-46,776	-60,589	-148,550
Gross profit	**26,206**	**13,442**	**42,570**	**44,998**
Staff costs	522	-1,666	-5,030	-6,970
Other external costs	-1,323	-1,006	-3,933	-3,854
EBITDA	**25,405**	**10,770**	**33,607**	**34,174**
Depreciation & impairment	-992	-434	-2,490	-1,723
Operating profit (EBIT)	**24,413**	**10,336**	**31,117**	**32,451**
Finance income	788	347	3,907	3,103
Finance expenses	-974	-2,013	-9,100	-9,765
Profit/loss before tax	**24,227**	**8,670**	**25,924**	**25,789**
Tax	-1,804	-1,618	-3,403	-4,600
Profit/loss for the period	**22,423**	**7,052**	**22,521**	**21,189**
Attributable to:				
Shareholders of the Company	20,720	7,635	21,328	17,575
Non-controlling interests (NCI)	1,703	-583	1,193	3,614
Profit/loss for the period	**22,423**	**7,052**	**22,521**	**21,189**

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

For the quarter ended 31 December 2018

EUR'000

Profit/loss and OCI	Q4 2018	Q4 2017	FY 2018	FY 2017
Statement of comprehensive income				
Profit/loss for the period	**22,423**	**7,052**	**22,521**	**21,189**
Items that may be reclassified to profit or loss:				
Other comprehensive income in equity accounted investments	-	-	-	-
Value adjustments of hedging instruments	-1,205	108	-991	233
Tax of value adjustments of hedging instruments	297	-27	276	-57
Currency differences on translating foreign operations	21	-69	-11	-90
Other comprehensive income for the period	**-887**	**12**	**-726**	**86**
Comprehensive income for the period	**21,536**	**7,064**	**21,795**	**21,275**
Attributable to:				
Shareholders of the Company	19,844	7,635	20,605	17,639
Non-controlling interests (NCI)	1,692	-571	1,190	3,636
Comprehensive income for the period	**21,536**	**7,064**	**21,795**	**21,275**

Consolidated statement of financial position

As of 31 December 2018

EUR'000

Unaudited	FY 2018	FY 2017
ASSETS		
Non-current assets		
Property, plant and equipment	85,947	50,340
Joint Venture investments	11,938	9,977
Associated companies investments	8,643	12,507
Other investments	6,764	4,960
Loans to related parties	33,179	17,951
Trade receivables and contract assets	4,131	5,153
Other receivables	3,101	8,656
Deferred tax	1,584	2,826
Total non-current assets	**155,287**	**112,370**
Current assets		
Inventories	202,193	101,797
Trade receivables and contract assets	9,317	9,534
Other receivables	10,734	15,430
Prepayments for goods and services	10,964	453
Cash and cash equivalents	58,586	48,180
Total current assets	**291,794**	**175,394**
TOTAL ASSETS	**447,081**	**287,764**

Consolidated statement of financial position - continued

As of December 2018

EUR'000

Unaudited	FY 2018	FY 2017
EQUITY AND LIABILITIES		
Equity		
Share capital	40,316	40,311
Retained earnings and reserves	55,772	35,002
Equity attributable to owners of the Company	**96,088**	**75,313**
Non-controlling interests	11,597	15,687
Total Equity	**107,685**	**91,000**
Liabilities		
Bond loan	83,670	58,924
Project financing	156,702	53,310
Other debt	1,119	597
Provisions	5,010	798
Deferred tax	2,986	2,201
Total non-current liabilities	**249,487**	**115,830**
Bond loan	-	7,600
Project financing	54,910	38,363
Other debt, partnerships	411	1,624
Trade payables	9,987	16,062
Payables to related parties	481	4,848
Corporation tax	1,194	760
Provisions	1,985	1,264
Contract liabilities	5,960	-
Other payables	14,981	10,413
Total current liabilities	**89,909**	**80,934**
Total liabilities	**339,396**	**196,764**
TOTAL EQUITY AND LIABILITIES	**447,081**	**287,764**

Consolidated statement of cash flow

For the quarter ended 31 December 2018

EUR'000

Unaudited

Cash flow from operating activities	Q4 2018	Q4 2017	FY 2018	FY 2017
Profit/loss before tax	24,227	8,670	25,924	25,789
Adjustments for:				
Financial income	-788	-347	-3,907	-3,103
Financial Expenses	974	2,013	9,100	9,765
Depreciations	992	434	2,490	1,723
Profit from equity-accounted companies	-2,187	-361	-5,795	-5,432
Change in networking capital	31,145	-45,841	-93,560	-32,582
Other non-cash items	-1,335	-1,400	-1,263	-1,400
Cash generated from operation before financial items and tax	**53,028**	**-36,832**	**-67,011**	**-5,240**
Taxes paid	-445	-425	-751	-3,297
Interest paid and realised currency losses	-770	-1,684	-8,758	-8,817
Interest received and realised currency gains	977	331	4,105	2,878
Cash flow from operating activities	**52,790**	**-38,610**	**-72,415**	**-14,476**
Cash flow from investing activities				
Purchase of Property, plant and equipment	910	-501	-12,576	-815
Proceeds from disposal of equity-accounted investments	2,599	75	3,161	69
Purchase/disposal of other investments	21	-	252	-
Investment/loans in equity-accounted investments	13,081	8,392	-11,460	4,303
Dividends	-	2	165	31
Cash flow from investing activities	**16,611**	**7,968**	**-20,458**	**3,588**

Consolidated statement of cash flow - continued

For the quarter ended 31 December 2018

EUR'000

	Q4 2018	Q4 2017	FY 2018	FY 2017
Cash flow from financing activities				
Proceeds from issue of bonds	-	-185	25,107	58,785
Repayment of bonds	-	-	-7,600	-45,000
Proceeds from borrowings	24,885	51,257	164,909	125,974
Repayment of borrowings	-67,365	-37,369	-69,490	-105,527
Changes in payables to associates	-10,856	4,426	-4,367	4,013
Transactions with NCI	-1,074	4,110	-5,280	5,747
Cash flow from financing activities	**-54,410**	**22,239**	**103,279**	**43,992**
Change in cash and cash equivalents	**14,991**	**-8,403**	**10,406**	**33,104**
Cash and cash equivalents at beginning of period	43,595	56,583	48,180	15,076
Cash and cash equivalents end of period	**58,586**	**48,180**	**58,586**	**48,180**
Of which restricted cash and cash equivalents	-7,868	-6,093	-7,868	-6,093
Non-restricted cash and cash equivalents end of period	**50,718**	**42,087**	**50,718**	**42,087**

Consolidated statement of changes in equity

As of 31 December 2018

EUR'000

Unaudited	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	-	-	-	-	21,328	21,328	1,193	22,521
Other comprehensive income								
Value adjustments of hedging instruments	-	-	-	-1,018	-	-1,018	27	-991
Tax of value adj. of hedging instruments	-	-	-	283	-	283	-7	276
Currency diff. on translating foreign operations	-	-	55	-	-43	12	-23	-11
Other comprehensive income	**-**	**-**	**55**	**-735**	**-43**	**-723**	**-3**	**-726**
Total comprehensive income	**-**	**-**	**55**	**-735**	**21,285**	**20,605**	**1,190**	**21,795**
Transactions with owners								
Transactions with NCI					-27	-27	-	-27
Exercise of warrants	5	11	-	-	-	16	-	16
Expenses related to capital increases	-	-16	-	-	-	-16	-	-16
Share-based compensation expenses	-	-	-	-	197	197	-	197
Additions	-	-	-	-	-	-	7,471	7,471
Disposals	-	-	-	-	-	-	-12,751	-12,751
Total transactions with owners	**5**	**-5**	**-**	**-**	**170**	**170**	**-5,280**	**-5,110**
Equity at 30 September 2018	**40,316**	**-5**	**5**	**-1,257**	**57,029**	**96,088**	**11,597**	**107,685**

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 31 December 2017

EUR '000

	Share capital	Share Premium	Translation re-serve	Hedging reserve	Retained earnings	Total	Non-controlling interests	Total
Equity at 1 January 2017	**1,340**	**-**	**27**	**-663**	**56,970**	**57,674**	**6,326**	**64,000**
Profit/loss for the period	-	-	-	-	17,575	17,575	3,614	21,189
Other comprehensive income								
Value adjustments of hedging instruments	-	-	-	186	-	186	47	233
Tax of value adj. of hedging instruments	-	-	-	-45	-	-45	-12	-57
Currency differences on translating foreign operations	-	-	-77	-	-	-77	-13	-90
Other comprehensive income	**-**	**-**	**-77**	**141**	**-**	**64**	**22**	**86**
Total comprehensive income	**-**	**-**	**-77**	**141**	**17,575**	**17,639**	**3,636**	**21,275**
Transactions with owners								
Capital increase/Share of capital increases non-controlling interests	38,971	-	-	-	-38,971	-	6,228	6,228
Additions	-	-	-	-	-	-	252	252
Disposals	-	-	-	-	-	-	-755	-755
Total transactions with owners	**38,971**	**-**	**-**	**-**	**-38,971**	**-**	**5,725**	**5,725**
Equity at 31 December 2017	**40,311**	**-**	**-50**	**-522**	**35,574**	**75,313**	**15,687**	**91,000**

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 fourth quarter of 2018 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 2017 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 2017, note 1.0 page 75-76.

IFRS 2, SHARE-BASED PAYMENT

The following provides information about judgements and estimates made in applying IFRS 2 “Share-based payment”.

The fair value of warrants granted is calculated using the Binomial model. The Binomial pricing model requires the input of subjective assumptions such as:

- The estimated share price of European Energy (unlisted shares).
- Volatility, based on historical volatility for a peer group.
- Risk-free rate, based on Danish government bonds.
- Expected life of warrants, which is based on vesting terms, exercise price and exercise periods.

Accounting policies

Accounting policies remain unchanged compared to the annual report for the year ended 31 December 2017, to which reference is made, except for the changes described in ‘Changes in accounting policies and disclosures’.

IFRS 2, SHARE-BASED PAYMENT

European Energy Group has introduced a new incentive scheme in 2018. Impact of the adoption is disclosed in the consolidated statement of changes in equity.

The incentive scheme is based on issuance of warrants that give the right to apply for new shares in European Energy in the future. The group applies IFRS 2, according to which the fair value of the warrants at grant date is recognized as an expense in the income statement over the vesting period, the period of delivery of work. Subsequently, the fair value is not re-measured. Such compensation expenses represent calculated values of warrants granted and do not represent actual cash expenditures. A corresponding amount is recognized in shareholders’ equity as the warrant program is designated as equity-settled share-based payment transaction.

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 2018. None of these new or amended accounting standards and clarifications resulted in any significant changes to the accounting policies for European Energy or had significant impact on recognition and measurement in the consolidated financial statements in the fourth quarters of 2018.

- Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as:

- The Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement requirements.
- All hedging relationships designated under IAS 39 at 31 December 2017 met the criteria for hedge accounting under IFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships.

- The Group has adopted the new general hedge accounting model in IFRS 9. This requires the Group to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

- Other investments comprise a range of non-controlling interests in wind and solar farms. Under IFRS 9, Other investments are measured at fair value with value adjustments recognized in Profit/Loss (FVTPL). The classification is made as per 1 January 2018 with reference to the IFRS 9 transition rules and is made retrospectively. The classification does not have any effect on financial figures previous years.

- IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ (ECL) model.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.
To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The loss allowance end of fourth quarter 2018 was not impacted by the new expected credit loss model.

New accounting standards not yet adopted

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 recognise lease contracts with a term of less than 12 months on the balance sheet. The Group has assessed the impact of IFRS 16. The lease obligation at 1 January 2019 has been calculated as the present value of remaining lease payments at this date and the impact has increased the balance sheet by approximately EUR 2 million related to leasing agreements concerning administration and property, plant, and equipment and by EUR 5 million related to leasing agreements concerning inventory and also to impact the key ratios at 1. January 2019. The effect on the income statement has been limited.

The Group has adopted IFRS 16 at 1. January 2019.

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 28 February 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 31 December 2018

EUR '000

Unaudited	Wind	Solar	Total before elimination	Eliminations	Q4 2018 YTD
Sale of energy farms and projects	18,784	54,594	73,378	-	73,378
Sale of electricity	10,722	9,097	19,819	-	19,819
Asset management & other fees	2,271	714	2,985	-	2,985
Revenue to external customers	**31,777**	**64,405**	**96,182**	**-**	**96,182**
Intra-group revenue	6,169	1,161	7,330	-7,330	-
Revenue	**37,946**	**65,566**	**103,512**	**-7,330**	**96,182**
Profit/loss before tax	**11,066**	**14,858**	**25,924**	**-**	**25,924**
Total assets	**337,443**	**109,638**	**447,081**	**-**	**447,081**
Total liabilities	**262,560**	**76,836**	**339,396**	**-**	**339,396**

As of 31 December 2017

EUR '000

Unaudited	Wind	Solar	Total before elimination	Eliminations	Q4 2017 YTD
Sale of energy farms and projects	119,689	55,274	174,963	-	174,963
Sale of electricity	2,918	7,149	10,067	-	10,067
Asset management & other fees	1,105	581	1,686	-	1,686
Revenue to external customers	**123,712**	**63,004**	**186,716**	**-**	**186,716**
Intra-group revenue	4,218	2,684	6,902	-6,902	-
Revenue	**127,930**	**65,688**	**193,618**	**-6,902**	**186,716**
Profit/loss before tax	**20,325**	**5,464**	**25,789**		**25,789**
Total assets	**157,300**	**130,464**	**287,764**		**287,764**
Total liabilities	**109,056**	**87,708**	**196,764**	**-**	**196,764**

Write down of inventories

The Group has made write down of inventories of EUR 0.1 million in the fourth quarter of 2018 (YTD 2018 EUR 1.0 million).

The Group had in 2017 made write down of inventories of EUR 0.5 million in the fourth quarter of 2017 (YTD 2017 EUR 3.5 million).

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 2018. 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 2017.

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 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 Q4 2018 (MW)	EE net capacity (MW)
Wind	Under construction	65.3	64.2
Wind	Ready to build	315.4	206.1
Solar	Under construction	31.0	10.9
Solar	Ready to build	159.0	132.3
Total activity level		570.7	413.5

Table 2 - Activity level (wind)

Country	Site	Status end of Q4 2018	MW	EE net capacity (MW)
Germany	Jetsch	Under construction	2.1	1.0
Germany	Oberbarnim	Ready to build	3.5	3.5
Germany	Viertkamp	Ready to build	14.4	7.2
Germany	Vier Berge	Ready to build	27.0	13.5
Brazil	Ouro Branco 1	Ready to build	30.0	12.2
Brazil	Ouro Branco 2	Ready to build	30.0	12.2
Brazil	Quatro Ventos	Ready to build	22.0	9.0
Sweden	Zinkgruven	Under construction	53.2	53.2
Sweden	Fimmerstad	Ready to build	22.5	22.5
Sweden	Grevekulla	Ready to build	27.0	27.0
Sweden	Kingebol	Ready to build	27.0	27.0
Sweden	Västanby	Under construction	10.0	10.0
Finland	Mustalamminmäki	Ready to build	30.0	15.0
Finland	Koiramäki	Ready to build	30.0	15.0
Finland	Honkakangas	Ready to build	20.0	15.0
Finland	Ahvenneva	Ready to build	20.0	15.0
Poland	Białogard	Ready to build	6.0	6.0
Poland	Grzmiaca	Ready to build	6.0	6.0
Total wind			380.7	270.3

Appendix 1 – Project development activity – continued

Table 3 – Activity level (solar)

Country	Site	Status end of Q4 2018	MW	EE net capacity (MW)
Brazil	Coremas 3	Under construction	31.0	10.9
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
Total solar			190.0	143.2

Appendix 2 – Sales activity in 2018 for wind and solar

Table 4

Country	Site	MW	Technology	EE net capacity (MW)	Status
Germany	Lohkamp	12.1	Wind	6.0	Closed in Q1 2018
Italy	Oppido	20.0	Wind	10.0	Closed in Q1 2018
Italy	Bosco	39.0	Wind	39.0	SPA Signed Q3 2018
Denmark	Nøjsomheds Odde	25.2	Wind	8.4	Closed in Q4 2018
Denmark	Slettegården	10.0	PV	10.0	Closed in Q4 2018
Denmark	Bodelyngsvejen	10.0	PV	10.0	Closed in Q4 2018
Denmark	Langelinie	10.0	PV	10.0	Closed in Q4 2018
	Hundetudevej	10.0	PV	10.0	Closed in Q4 2018
Denmark	Hagesholm	10.0	PV	10.0	Closed in Q4 2018
Denmark	Pelsdyrparken	7.0	PV	7.0	Closed in Q4 2018
Denmark	Stubbekøbing	3.5	PV	3.5	Closed in Q4 2018
Denmark	Øster Torby	10.0	PV	10.0	Closed in Q4 2018
Germany	Unseburg	14.0	Wind	2.8	Closed in Q4 2018
Total		180.8		136.7	

Table 5

Technology	MW	EE net capacity (MW)	Status
Wind	18.0	12.1	SPA Signed in Q1 2019
Solar	93.0	32.7	Signed term sheet
Total	111.0	44.8	

The above Table 5 shows the ongoing status for the sales negotiations.

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.

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