European Energy A/S

Interim Financial Report

First quarter 2016

Interim report for Q1 2016 for European Energy Group

Highlights

EUR '000	Q1 2016	Q1 2015	2015
Key figures			
Revenue	38.578	2.901	58.799
Direct costs	-31.622	-1.051	-37.975
Gross profit	6.306	2.920	22.806
EBITDA	4.031	1.501	14.955
Operating profit (EBIT)	3.674	1.128	13.460
Financial income and expense, net	-1.409	-610	-2.904
Profit/loss before tax	2.265	518	10.556
Tax	-746	37	-4.301
The Group's share of profit for the year	1.519	555	6.255
Total assets	256.269	208.296	234.522
Equity	65.509	57.710	63.810
Cash flows from operating activities	9.441	-8.362	-7.017
Net cash flows from investing activities	950	-86	-20.736
Cash flows from financing activities	-637	7.388	26.750
Total cash flows	9.754	-1.060	-1.003
Financial ratios			
Gross margin	16,3%	100,7%	38,8%
EBITDA margin	10,4%	51,7%	25,4%
EBIT margin	9,5%	38,9%	22,9%
Solvency ratio	25,6%	27,7%	27,2%
Net interest-bearing debt/EBITDA	22,7	55,6	6,8
Return on equity	2,5%	1,0%	10,3%
Share Ratios			
Earning per share	0,2	0,1	0,6
Book value per share	6,6	5,8	6,4
Cash flow from operating activities per share	0,9	-0,8	-0,7
Number of shares at the end of the year	10.000.000	10.000.000	10.000.000
Average number of full-time employees	60	51	53

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

Management Review

Positive development in financials for the Group in Q1 2016

In Q1 the Group sold 2 power plants with a total of 5 wind turbines. Both parks were in companies fully consolidated in the Groups financial statement, so the revenue were recognised gross to the full sales price according to the Sales and Purchase Agreements. This has given a high revenue of EUR 38,6m for Q1. In Q1 2015 there were no disposal of energy parks, and the revenue was only EUR 2,9m.
The revenue for the Group is very much depending on the sale of energy parks, and can as such vary a lot from quarter to quarter.

The Group also has revenue recognised from the Joint Ventures and associated companies. These companies can be either development vehicles, with only project portfolio, or it could be vehicles with operating assets. Usually the operating companies have a good Q1 since the major part of the equity accounted investments has wind energy parks, with high production in the winter.
The companies having project portfolio investments has been impaired, and there has been made write downs on some of the projects. This write down on inventory is in the Groups statement recognised as less profit after tax from equity accounted investments. For Q1 2016 the loss on these development companies were EUR 1,4 mill, while the income from the operating companies was EUR 0,8 mill, the net profit amounted thus to a minus of EUR 0,65m.
In 2015 there were no write downs in equity accounted investments, and the profit after tax in the operating JV's and associated companies were EUR 0,8 mill.

Direct costs was EUR 31,6m giving a gross margin of 16,3% compared to 38,8% in 2015.
The reason to the decrease in GM is partly because of the less profit in equity accounted investments, partly because of the profit split on the sale of 4 of the turbines, where the Group had to share the profit with the previous owners, and partly because of a write down of EUR 1,4m on inventory. Write downs were made using the same method as last year, measuring the progress of the projects and the likelihood of getting the building permits and tariffs for sale of renewable energy.
In 2015 the direct costs corresponded to the low revenue and was EUR 1,1.

EBITDA came in at EUR 4,0m, EUR 2,5m above last year.
Q1 Operating Profit came in at EUR 3,7m, EUR 2,5m above last year.

The net financial income and expense was with EUR 1,4m, EUR 0,8m worse than last year. This is due to higher unrealized currency loss compared to Q1 2015.

Profit before tax ended up at EUR 2,3m, EUR 1,7m above last year. The tax for the period ended with a tax expense of EUR 746 thousands.

The management consider the results of Q1 2016 to be very satisfactory.

Full-year expectations 2016

In terms of revenue and profit we expect our performance in 2016 to resemble that of 2015.

Sale of Electrical Power

By the end of Q1 2016 our gross portfolio of power generating assets amounted to 385.3 MW of which 139.4 MW was owned by European Energy Group and the rest by investors and partners. Wind technology comprised 86% of our operational asset capacity, while the remaining 14% was in solar PV. The majority of our assets (72%) are located in Germany. The rest of our power generating assets are found in Denmark, Italy, Bulgaria, UK and Spain.

Technology/Country	Gross capacity [MW]	Net capacity [MW]	Gross production [GWh]	Net production [GWh]
Solar PV	**27,5**	**19,8**	**5,0**	**3,4**
Italy	1,0	0,5	0,2	0,1
Spain	11,7	7,6	3,6	2,3
United Kingdom	14,8	11,7	1,2	1,0
Wind	**357,8**	**119,5**	**178,6**	**58,3**
Bulgaria	14,4	6,2	8,9	4,2
Denmark	16,0	7,5	10,8	5,1
Germany	293,8	99,9	136,7	45,0
Italy	33,6	5,9	22,3	4,1
Grand Total	**385,3**	**139,4**	**183,6**	**61,7**

The total production in Q1 2016 of our power generating assets amounted to 61.7 GWh (up from 60.9 GWh in Q1 2015) corresponding to an increase of 0.8 GWh (1%) as compared to Q1 2015. The gross production amounted to 183.6 GWh.

Solar PV

The total realised solar PV electrical power production in Q1 2016 was 86% of the expected production. The solar PV electrical power production compared to budget per country was:

- Denmark: 86%
- Italy: 77%
- Spain: 98%
- UK: 61%

Wind

The total realised wind electrical power production was 84% of the expected production. The wind electrical power production compared to budget per country was:

- Bulgaria: 84%
- Denmark: 55%
- Germany: 83%
- Italy: 132%

Power prices have generally been low in in the first quarter of 2016 and will probably remain at the same level during the year. Due to PPAs and long-term subsidies, low power prices will have a limited effect on our profit from the sale of electrical power.

Asset Management

Assets managed on behalf of third parties comprised 132 MW in Q1 2016 (Q1 2015 45 MW). European Energy receives commercial management fees in exchange for our services.

Activities

2016 has started with record high activity and a strong focus on our construction projects in a number of our markets. As described below we expect the activities to continue to be high throughout 2016 and we plan to be able to conclude a number of turn-key project sales allowing us to have a profit for 2016 in line with expectations.

Constructions

In the first quarter of 2016 we grid connected a 5 MW plant in Sunderland, UK. In Q4 2015 we grid connected 3 plants of 5 MW in the UK and during the first quarter of 2016 we finalized documentation and prepared the sites for the final acceptance test.

During Q2 we will construct the last two 5 MW plants from our permitted UK PV portfolio.

In Denmark we started the construction of 16 x Vestas V117 turbines and 1 x Vestas V126 turbine on island Lolland. All turbines are expected to be in operation within 2016.

We have for the Danish PV plants that were grid connected during late 2015 finalized the clean up and optimization of the plants during the first part of 2016.

In Germany we have taken 3 turbines into operation in the last days of Q1 2016. Another 5 turbines are expected to be grid connected in the second quarter of 2016.

In Finland we are preparing the construction of 4 x Vestas V126 turbines. The construction is planned to be concluded with grid connection during 1H 2017.

Sales

We have sold 5 turbines in the first quarter of 2016. The sales contributes positively to our results in the first quarter of 2016. In addition to this we are quite active in our sales activities with current negotiation for further sales of both wind and solar assets in Denmark, Finland and UK.

Nordic Power Partners

The Maldivian PV pilot project of 380 kWp selling power to Male Water and Sewerage Company went into commercial operation in January. This is the first project based on a private PPA on the Maldives. Given the successful commercial operation milestone, we expect that many similar projects will materialize for NPP in the country. This will compensate for the limited size possible per project due to the topology of the archipelago.

The remaining pipeline of Nordic Power Partners have been developing positively in general, although some projects show less progress than could be hoped for.

Consolidated statement of comprehensive income

For the quarter ended 31 March 2016

Unaudited EUR'000	**31.03.2016**	**31.03.2015**	**31.12.2015**
Revenue	38.578	2.901	58.799
Profit after tax from equity-accounted investments	-650	782	1.713
Other income	-	288	269
Direct costs	-31.622	-1.051	-37.975
Gross profit	6.306	2.920	22.806
Staff costs	-1.651	-947	-5.780
Other external costs	-624	-472	-2.071
EBITDA	4.031	1.501	14.955
Depreciation & impairment	-357	-373	-1.495
Operating profit	3.674	1.128	13.460
Finance income	645	833	3.676
Finance expenses	-2.054	-1.443	-6.580
Profit/loss before tax	2.265	518	10.556
Tax	-746	37	-4.301
Profit/loss for the year	1.519	555	6.255
Attributable to:			
Shareholders of the Company	2.085	599	6.438
Non-controlling interests	-566	-44	-183
Profit/loss for the year	1.519	555	6.255
Statement of comprehensive income			
Profit/loss for the year	1.519	555	6.255
Items that may be reclassified to profit or loss			
Other comprehensive income in equity accounted investments	-	-	-9
Value adjustments of hedging instruments	-157	-	205
Tax of value adjustments of hedging instruments	39	-	-92
Currency differences on translating foreign operations	-13	-46	-113
Other comprehensive income for the period	-131	-46	-9
Comprehensive income for the year	1.388	509	6.246
Attributable to:			
Shareholders of the Company	1.954	554	6.407
Non-controlling interests	-566	-45	-161
Comprehensive income for the year	1.388	509	6.246

Consolidated statement of financial position

As of 31 March 2016

Unaudited EUR'000	31.03.2016	31.03.2015	31.12.2015
ASSETS			
Non-current assets			
Property, plant and equipment	61.389	48.567	63.009
Joint Venture investments	8.311	7.929	8.746
Associated companies investments	10.250	9.500	10.195
Other investments	3.622	3.587	3.622
Loans to related parties	20.283	15.448	19.993
Trade receivables	7.525	10.235	9.047
Other receivables	11.483	9.232	7.634
Deferred tax	3.464	6.401	4.239
Total non-current assets	126.327	110.899	126.485
Current assets			
Inventories	40.072	19.783	41.507
Trade receivables	59.430	62.381	46.476
Other receivables	6.497	2.207	5.919
Prepayments	1.864	758	1.810
Cash and cash equivalents	22.079	12.268	12.325
Total current assets	129.942	97.397	108.037
TOTAL ASSETS	256.269	208.296	234.522

Unaudited EUR'000	31.03.2016	31.03.2015	31.12.2015
EQUITY AND LIABILITIES			
Equity			
Share capital	1.340	1.340	1.340
Retained earnings	61.934	54.105	59.958
Equity attributable to owners of the Company	63.274	55.445	61.298
Non-controlling interests	2.235	2.265	2.512
Total Equity	65.509	57.710	63.810
Liabilities			
Bond loan	52.117	51.826	52.040
Project financing	54.996	39.532	55.780
Other debt relating to the acquisition of companies	6.724	1.706	4.275
Deferred tax	1.735	1.933	1.735
Total non-current liabilities	115.572	94.997	113.830
Credit institutions	6.288	4.321	6.759
Other debt relating to the acquisition of companies	6.212	6.348	4.720
Trade payables	50.376	34.136	29.705
Payables to related parties	74	57	408
Corporation tax	1.007	1.579	1.866
Provisions	3.040	3.122	3.040
Other payables	8.191	6.026	10.384
Total current liabilities	75.188	55.589	56.882
Total liabilities	190.760	150.586	170.712
TOTAL EQUITY AND LIABILITIES	256.269	208.296	234.522

Consolidated statement of cash flow

For the quarter ended 31 March 2016

Unaudited EUR'000	**31.03.2016**	**31.03.2015**	**31.12.2015**
Cash flow from operating activities			
Profit/loss before tax	1.519	518	10.556
Adjustments for:			
Financial income	-645	-833	-3.676
Financial Expenses	2.054	1.443	6.580
Depreciations	357	373	1.495
Other non-cash movements	650	-692	-1.713
Change in networking capital	7.681	-8.616	-14.651
Other non-cash items	-	-15	-269
Cash generated from operation before financial items and tax	11.616	-7.822	-1.678
Taxes paid	-859	-6	-2.203
Interest paid and realised currency losses	-1.844	-1.367	-6.577
Interest received and realised currency gains	528	833	3.441
Cash flow from operating activities	9.441	-8.362	-7.017
Cash flow from investing activities			
Purchase of Property, plant and equipment	-	-236	-18.225
Proceeds from disposal of subsidiaries, equity-accounted investments	210	-	1.796
Investment/loans in equity-accounted investments	740	150	-4.395
Dividends	-	-	88
Cash flow from investing activities	950	-86	-20.736
Cash flow from financing activities			
Proceeds from borrowings	1.144	8.415	33.957
Repayment of borrowings	-1.447	-1.027	-7.886
Changes in payables to associates	-334	-	351
Non-controlling interests' share of capital increase in subsidiary	-	-	328
Cash flow from financing activities	-637	7.388	26.750
Change in cash and cash equivalents	9.754	-1.060	-1.003
Cash and cash equivalents at beginning of period	12.325	13.328	13.328
Cash and cash equivalents end of period	22.079	12.268	12.325
Of which restricted cash and cash equivalents	-3.079	-3.029	-3.029
Non-restricted cash and cash equivalents end of year	19.000	9.239	9.296

Consolidated statement of changes in equity

As of 31 March 2016

EUR'000	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Equity at 1 January 2017	1.340	-58	-697	60.713	61.298	2.512	63.810
Profit/loss for the period	-	-	-	2.085	2.085	-566	1.519
Other comprehensive income							
Value adjustments of hedging instruments	-	-	-128	-	-128	-29	-157
Tax of value adjustments of hedging instruments	-	-	32	-	32	7	39
Currency differences on translating foreign operations	-	-13	-	-	-13	-	-13
Other comprehensive income	-	-13	-96	-	-109	-22	-131
Total comprehensive income	-	-13	-96	2.085	1.976	-588	1.388
Transactions with owners							
Disposals	-	-	-	-	-	311	311
Total transactions with owners	-	-	-	-	-	311	311
Equity at 31 March 2016	1.340	-71	-793	62.798	63.274	2.235	65.509

EUR '000	Share capital	Translation reserve	Hedging reserve	Retained earnings	Total	Non-controlling interest	Total
Equity at 1 January 2015	1.340	63	-787	54.275	54.891	2.546	57.437
Profit/loss for the period	-	-	-	6.438	6.438	-183	6.255
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	-	-113	-	-	-113	-	-113
Other comprehensive income	-	-121	90	-	-31	22	-9
Total comprehensive income	-	-121	90	6.438	6.407	-161	6.246
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	-58	-697	60.713	61.298	2.512	63.810

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.

Basis for preparation
These unaudited consolidated financial statements for the first 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 first 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 first quarter of 2016.

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 31 May 2016, 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.

EUR '000

	Wind	Solar	Total before elimination	Eliminations	Q1 2016 Group
Revenue to external customers	37.155	1.423	38.578	-	38.578
Inter-segment revenue	2.562	-	2.562	-2.562	-
Revenue	39.717	1.423	41.139	-2.562	38.578
Profit/loss before tax	9.275	-4.449	4.826	-2.562	2.265
Total assets	156.192	100.078	256.269	-	256.269
Total liabilities	103.060	87.700	190.760	-	190.760

	Wind	Solar	Total before elimination	Eliminations	2015 Group
Revenue to external customers	29.523	29.276	58.799	-	58.799
Inter-segment revenue	4.740	557	5.297	-5.297	-
Revenue	34.263	29.833	64.096	-5.297	58.799
Profit/loss before tax	5.835	10.018	15.853	-5.297	10.556
Total assets	116.147	118.375	234.522	-	234.522
Total liabilities	67.065	103.647	170.712	-	170.712

Write down of inventories

In Q1 2016 the Group wrote down inventories with EUR 1,35 million.
The write down has been calculated using same method as the write downs in 2015, where the total write down for the year was EUR 4,5 million. The management has looked at the activity of each project, and if a project has no progress combined with a lack of possibility for completion, write down has been made. The write downs in Q1 2015 was EUR 0,1 million.

Events after the balance sheet date

There have not been any significant events after the balance sheet date.

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 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, 31 May 2016

Management:

Knud Erik Andersen
CEO

Jonny Jonasson
CFO

Board of Directors:

Jens-Peter Zink
Chairman

Knud Erik Andersen
CEO

Mikael Dystrup Pedersen
CTO

Claus Dyhr

Jesper Helmuth Larsen