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European Energy A/S

Annual Report 2008

The following is a translation of the Danish original text. The original Danish text shall be the governing text for all purposes and in case of any discrepancy the Danish wording shall be applicable

Registration no. 18 35 13 31
09-r002 UK KEW LOJ SSB 237800 09001.doc

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Statements

Statement by the Executive and Supervisory Boards

The Executive and Supervisory Boards have today discussed and approved the annual report of European Energy A/S for 2008.

The annual report has been prepared in accordance with the Danish Financial Statements Act. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the Company's financial position at 31 December 2008 and of the results of the Group's and the Company's operations and consolidated cash flows for the financial year 1 January – 31 December 2008.

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

Copenhagen, 29 May 2009
Executive Board:


Knud Erik Andersen

Supervisory Board:


Jens Peter Zink Knud Erik Andersen Mikael Dystrup Pedersen
Chairman

Statements

Independent auditors' report

To the shareholders of European Energy A/S

We have audited the annual report of European Energy A/S for the financial year 1 January – 31 December 2008, which comprises the statement by the Executive and Supervisory Boards on the annual report, Management's review, pp. 6-11, accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and the consolidated cash flow statement. The annual report has been prepared in accordance with the Danish Financial Statements Act.

The Executive and Supervisory Boards' responsibility for the annual report

The Executive and Supervisory Boards are responsible for the preparation and fair presentation of this annual report in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive and Supervisory Boards, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.


Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2008 and of the results of the Group's and the parent company's operations and consolidated cash flows for the financial year 1 January – 31 December 2008 in accordance with the Danish Financial Statements Act.

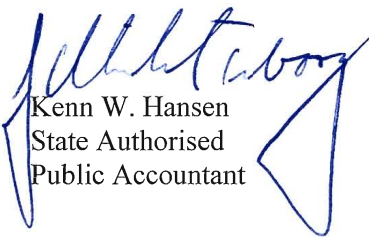
Copenhagen, 29 May 2009

KPMG

Statsautoriseret Revisionspartnerselskab



Poul Erik Olsen
State Authorised
Public Accountant



Kenn W. Hansen
State Authorised
Public Accountant

Management's review

Company details

European Energy A/S
Diplomvej 377
DK-2800 Kgs. Lyngby

Telephone: +45 88 70 82 16
Fax: +45 88 70 82 15

Registration no.: 18 35 13 31
Established: 1995
Registered office: Lyngby
Financial year: 1 January – 31 December

Supervisory Board

Jens-Peter Zink
Knud Erik Andersen
Mikael Dystrup Pedersen

Executive Board

Knud Erik Andersen

Auditors

KPMG
Statsautoriseret Revisionspartnerselskab
Borups Allé 177
P.O. Box 250
DK-2000 Frederiksberg

Management's review

Financial highlights for the Group

EUR'000	2008	2007	2006	2005	2004
Key figures					
Revenue	32,046	9,580	93,608	33,067	63
Direct costs	-23,579	-4,436	-84,030	-30,695	0
Gross profit	8,467	5,144	9,578	2,372	63
Ordinary operating profit(EBIT)	4,839	3,263	6,458	2,092	3
Profit from disposal of investments	29	20	18,358	0	0
Ordinary profit/loss from financial income and expenses	-2,725	2,057	-1,460	421	1,389
The group's share of profit for the year	1,342	3,846	22,085	1,559	1,173
Balance sheet total	159,947	89,943	91,872	24,573	12,918
Equity	31,468	30,102	27,600	5,510	3,958
Cash flows from operating activities	-6,033	6,137	8,211	1,921	-2,396
Net cash flows from investing activities	-44,678	-8,587	-38,764	54	-1,705
Portion relating to investment in property, plant and equipment	-38,142	-9,359	-31,826	-35	-2,264
Cash flows from financing activities	54,332	1,969	33,067	4,291	3,860
Total cash flows	3,621	-481	2,514	6,266	-241
Financial ratios					
Operating margin	26.4%	53.7%	10.2%	7.2%	-
Return on investment	15.1%	34.1%	6.9%	6.3%	-
Equity ratio	19.6%	33.5%	30.0%	22.4%	30.6%
Return on equity	4.3%	13.3%	133.4%	32.9%	34.7%
Average number of full-time employees	12	3	4	3	0
Average number of employees, including employees in associated enterprises	25	15	10	4	0
Number of employees at year-end, including employees in associated enterprises	39	25	14	6	0

The financial ratios have been prepared in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2005". For terms and definitions, please see the accounting policies.

Management's review



Activities

European Energy A/S (EE), with the secondary name European Energy Systems A/S, was founded as an Independent Power Producer (IPP) in October 2004 and the present 2008 operating review is thus concerned with the company's fourth full operational year. EE develops, operates and owns wind farms and solar power plants in a range of European countries and sells electricity to local power companies. From the outset, the Company has been undergoing a stable growth with expanding installed production capacity each year. Power plant development takes place in subsidiaries or associates.

The year 2008 was influenced by EE reaching several milestones of great significance to this financial year as well as to the financial years to come.

1. In the year 2008 new power plants, of which the Company is part owner, have been constructed in the amount of EUR 122.7 million (DKK 913.7 million). This is a new record in investments made in one financial year. 7 solar power plants have gone into operation with a total capacity of 11MW, equalling an investment of EUR 63.6 million (DKK 473.6 million). The Company's basis of income is thus based on both wind and solar power plants. This entails good risk spreading and risk reduction with increased earnings stability as a result.

Management's review

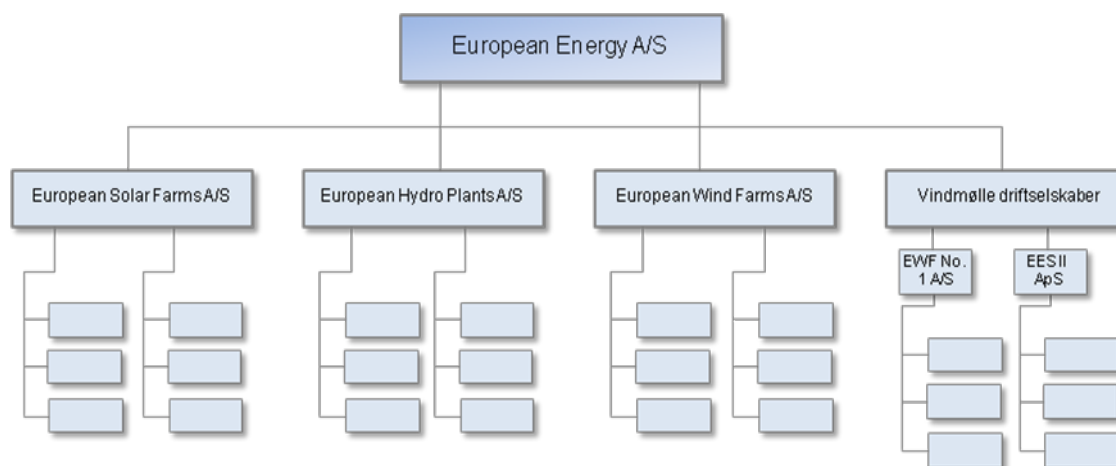
2. The 7 new solar power plants and the new wind power plants entailed that EE's sale of electricity has once again set a record high. The total electricity sale, including subsidiaries and associates in which EE owns shares, amounted to EUR 30.2 million (DKK 225.3 million). The Group's share of this electricity sale amounted to EUR 14.4 million (DKK 107.1 million).
3. With the wind turbine project Krupen in Bulgaria of 12MW, the Company initiated the construction of a wind farm in the third European country, thus increasing the risk spreading of earnings, as EE will produce electricity in 4 European countries in 2009.
4. In 2008, The Company's strategic shift towards increasing the focus on proprietary projects resulted in a range of projects having moved a long way in their permit application procedures. Therefore, EE expects that in 2009 and 2010 a far larger amount of projects will obtain the final building permits and be initiated. This in particular concerns solar power projects.
5. In 2008 EE expanded its activities with a third business area by the establishment of European Hydro Plants, which shall develop, build and operate minor water power plants. In the longer term, this strategic decision will entail further risk spreading, since water, sun and wind often compensate each other in the sense that rainy years are often not very sunny and vice versa. The year's earnings cycle will equally be fully covered. The summer is usually sunny, the autumn and winter are normally windy, while the spring normally has the largest water power production due to snow melting in the mountains.



EE comprises more than 300 wholly or partly owned subsidiaries and associated enterprises in a variety of countries. The overall Group structure is shown in the diagram below, where the activities within solar and wind power are placed in separate subsidiaries.

Management's review

Group structure



Results 2008

EE's total electricity sale in subsidiaries and associates amounted to EUR 30.2 million (DKK 225.3 million). The Group's share of the electricity sale amounted to EUR 14.4 million (DKK 107.1 million). The electricity sale increased a little less than expected. This is due partly to the fact that the wind year 2008 in Germany and Italy was approx. 5% below the 2007 level and also that the new solar power plants in Spain only came into operation by the end of the year. The same applies to the majority of the recently established wind power capacity.

The Group revenue amounted to EUR 32.0 million (DKK 238.8 million), which is considered satisfactory considering the fact that the Company in 2008 only to a limited degree disposed of energy assets.

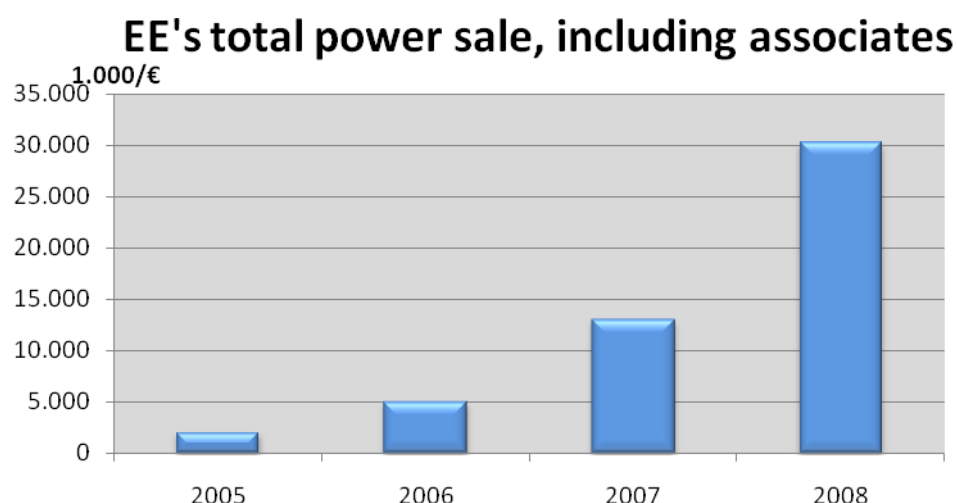


Figure 1 EE's development as IPP

Management's review

The Group's profit for 2008 before tax amounts to EUR 2.1 million (DKK 16.0 million) which, under normal circumstances, must be considered unsatisfactory. The results for the EE Group's power activities amount to approx. EUR 3.4 million (DKK 25.6 million), indicating a sound basic energy business – even in a financial market under pressure. The results for investments in quoted securities outside of the energy business area show unrealised losses of EUR 1.3 million (DKK 9.6 million), which are considered highly unsatisfactory. Viewed in the light of the ongoing financial crisis, the unrealised losses on securities and the more complicated loan terms, the results are considered satisfactory. Upon the presentation of the financial statements, unrealised losses on securities have been reduced by approx. 50% since the expiry of 2008. The Company plans to dispose of the portfolio of securities over the summer of 2009 in order to focus 100% on the energy activities. The chart below shows the development in the results before tax adjusted for gains on disposal of investments in 2006.

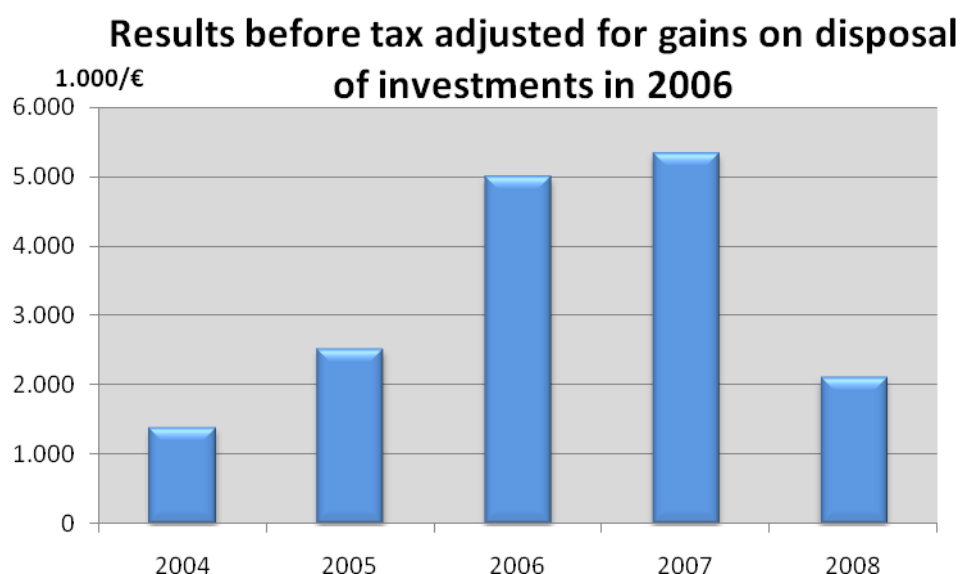


Figure 2 Results

Equity development

At the expiry of 2008 equity amounted to EUR 31.5 million (DKK 234.5 million). The equity development for EE is shown in the chart below.

Management's review

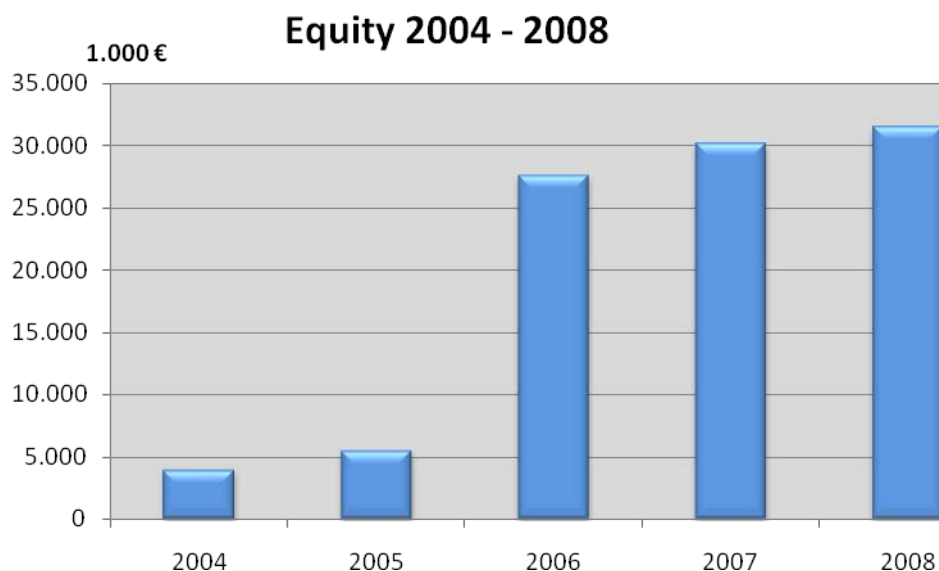


Figure 3 Equity development

Outlook

Revenue and results

For 2009 a considerable increase of the electricity sale is expected compared to 2008, partly due to the solar power plants having a full production year and partly due to the expectation of a slight increase in activities with respect to disposal of energy assets compared to the previous 2 years.

Due to the expansion in new countries and new activities, the general cost level is expected to increase in the associated companies and in the subsidiaries.

In consequence of the increased activities and the continued expansion, EE expects significantly improved results for 2009 compared to the results for 2008.

Post balance sheet activities

From the expiry of the financial year to the signing of the annual report, no significant changes have occurred that may influence the financial statements or the outlook of the Company.

Management's review



Auras under construction



Wittstock-Pampenbruch, Vestas V90, 2MW

Management's review

Supplementary review

European Energy A/S' wind activities

In the course of 2008 EE's wind activities reached several significant milestones:

- Wind farm capacity developed by subsidiaries and associates reached 40.6MW, corresponding to an investment of more than EUR 59.1 million (DKK 440.1 million). Thus, since 2004 EE developed an accumulated amount of 257.6MW, corresponding to an investment of more than EUR 371.6 million (DKK 2,768.2 million).
- New record in wind farm produced energy. EE delivered more than 156.6 million kWh.
- New record in electricity sale revenue and results. EE sold wind turbine power for more than EUR 13.2 million (DKK 98.5 million).
- First wind farm in Bulgaria under construction.



European Wind Farms A/S

European Wind Farms A/S (EWF) was founded by EE in February 2005 with the purpose of developing wind farms for the parent company. EWF has generated a project pipeline of several hundred MW through the first years. EE and a co-investor each takes over 50% of the developed wind turbine capacity less the number of MW distributed to the local development partners.

Management's review

Wind farms in operation

In 2008 EWF completed the wind farms Auras II, Auras III, Gommern I, Wittstock II and Wittstock III as well as Krupen in Bulgaria. These 6 wind farms consist of a total of 12 Vestas V90 2MW, 4 Vestas V90 3MW and 2 V52 850 kW.

Chart 1 shows the wind farms which were put into operation in 2008, while chart 2 and figure 4 show accumulated capacity developed by EWF.

Chart 1. Wind turbines put into operation in 2008

Country	Wind Farm	Put into operation	No. of Turbines	Total MW
Germany	Auras II	Oct-08	1	2.0
	Auras III	Nov-08	2	4.0
	Gommern I	Mar-08	9	18.0
	Wittstock II	Mar-08	3	2.6
	Wittstock III	Nov-08	1	2.0
Bulgaria	Krupen	Dec-08	4	12.0
Total			20	40.6

Chart 2. Developed capacity for the year and accumulated

Year	MW	Accumulated MW
2004	27.6	27.6
2005	26.5	54.1
2006	127.3	181.4
2007	35.6	217.0
2008	40.6	257.6



Management's review

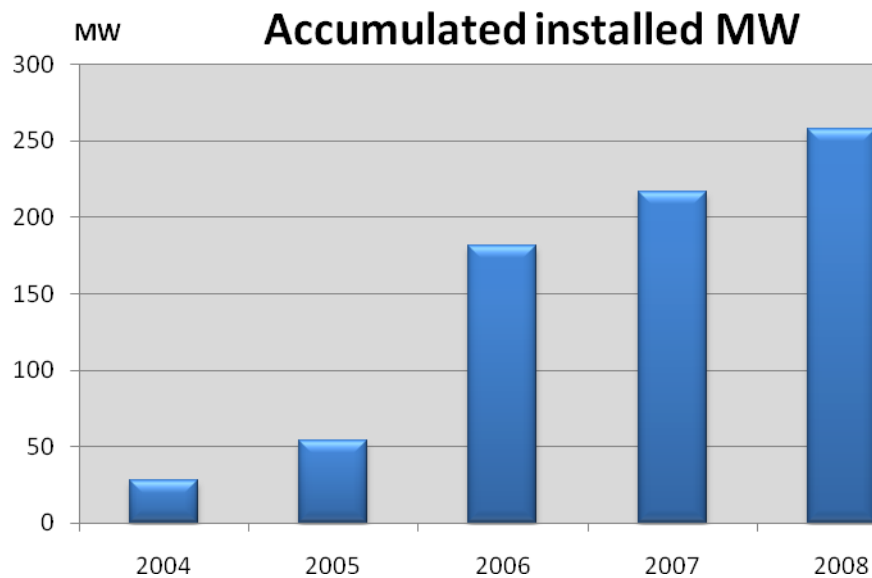


Figure 4 Accumulated wind turbine capacity (MW) developed by EWF

Wind turbines put into operation, in detail

Figures 5 and 6 show the locations of the wind turbines installed in 2008.



Figure 5, Germany

Management's review



Figure 6, Bulgaria

Auras II & III

The wind farms Auras II and III are located in Brandenburg and consist of 3 Vestas V90, 2MW with a hub height of 105 m. The wind farm was developed in cooperation with a German development partner. EE has an ownership share of 50%. Vestas Optisafe service agreements have been entered into and the project is financed through 15-year loans.



Management's review



Monte Vitalba went into automatic operation in January 2007

Wittstock-Papenbruch II & III

The wind farm Wittstock-Papenbruch I – III is located in Brandenburg and consists of a total of 6 Vestas V52, 850 kW, with a hub height of 74 m as well as 1 Vestas V90, 2MW, with a hub height of 105 m.

The first section of the wind farm consisting of 4 Vestas V52 was put into operation in 2007, while the remaining 3 plants were mounted in 2008. EE has an ownership share of 50%. For the Vestas V52 plants Vestas Premium Plus service agreements have been entered. For the V90 wind turbine Vestas Optisafe service agreement has been entered. The entire wind farm is funded with 15-year loans.



Wittstock-Papenbruch

Management's review

Gommern I

The wind farm Gommern I is located in Saxen Anhalt and consists of 9 Vestas V90, 2MW with a hub height of 105m. EE has an ownership share of 22%. Vestas Optisafe service agreements have been entered and the wind farm is funded with 15-year loans.

Krupen

The wind farm Krupen is located near Varna in Bulgaria and consists of 4 Vestas V90, 3MW with a hub height of 105m. EE will achieve an ownership share of 50-100% when the wind farm is transferred from EWF A/S, upon the entering of a financing agreement. The project is the Company's first in Bulgaria – a country which is seeing a powerful growth in the number of wind turbine projects. A 7-year service agreement with Vestas has been entered and a range of funding propositions has been obtained. EE expects to decide which funding will be used over the summer of 2009. As this is EE's first project in Bulgaria, important experience in terms of network connection, financing, wind estimation etc. has already been gathered for a market which is seen by many as one of Europe's future growth markets.

Electricity sales from EE's wind farms

EE's operational wind farms are allocated to a number of companies. These comprise wind turbines in European Wind Farms No.1 A/S, European Energy Systems II ApS, Enerteq Vitalba ApS as well as those wind farms which directly belong to EES.

The chart below shows EE's operational wind farms which have contributed to the 2008 electricity sale. EE has or has had partly ownership to wind farms with a total capacity of 257.6MW. EE's share of this comprises 86.8MW. In 2008 the total electricity sale for EE's share in subsidiaries and associates amounted to EUR 13.2 million (DKK 98.6 million).

EE's consolidated turnover only takes into account those wind farms in which EE's share exceeds 50%, i.e. with regard to the Group's accounts, the sale of electricity amounts to EUR 5.9 million (DKK 44.0 million).



Ottenhausen

Management's review

Chart 3 EE wind farms

Country	Wind Farm	No. Turbines	Total MW	EE share	EE MW	Put Into Operation
Germany	Suttorf	4	2.4	0%	-	Oct-98
Germany	Lübz	1	0.9	0%	-	Nov-99
Germany	Altenautal	7	7.0	0%	-	May-00
Germany	Güstow	1	0.6	100%	0.6	Mar-00
Germany	Brake	1	2.0	100%	2.0	Oct-02
Germany	Sassenberg	1	1.3	0%	-	Oct-04
Germany	Liesten	3	6.0	0%	-	Nov-04
Germany	Schwanebech	6	9.0	0%	-	Nov-04
Germany	Altlandsberg	6	12.0	68%	8.2	Dec-04
Germany	Mildenberg	4	8.0	68%	5.4	Dec-04
Germany	Dessow	2	3.0	22%	0.7	Jun-05
Germany	Westerhausen	1	2.0	0%	-	Oct-05
Germany	Mildenberg 7+8	2	1.7	0%	-	Feb-06
Germany	Gockenholz	1	2.0	0%	-	Jan-06
Germany	Diersdorf	1	1.5	0%	-	Oct-06
Germany	Thräna	3	6.0	22%	1.3	Feb-06
Germany	Auras I	1	2.0	22%	0.4	Mar-06
Germany	Schäcksdorf	5	10.0	44%	4.4	Mar-06
Germany	Wriezener Höhe	13	26.0	50%	13.0	Mar-06
Germany	Nielitz	5	10.0	22%	2.2	May-06
Germany	Bad Iburg	3	6.1	0%	-	Jun-06
Germany	Unseburg-Löderburg	9	18.0	50%	9.0	Oct-06
Germany	Eichow	6	12.0	50%	6.0	Nov-06
Germany	Greußen	11	22.0	36%	7.9	Dec-06
Germany	Kasel-Golzig	2	4.0	50%	2.0	Dec-06
Germany	Sohland II	3	6.0	37%	2.2	Dec-06
Italy	Vitalba	7	6.0	43%	2.6	Feb-07
Germany	Bönen	4	8.0	50%	4.0	Mar-07
Germany	Halle	2	3.0	0%	-	May-07
Germany	Ottenhausen	8	16.0	8%	1.3	Dec-07
Germany	Wittstock-Papenbruch I	3	2.6	50%	1.3	Dec-07
Germany	Auras II	1	2.0	50%	1.0	Oct-08
Germany	Auras III	2	4.0	50%	2.0	Nov-08
Germany	Gommern I	9	18.0	5%	1.0	Mar-08
Germany	Wittstock-Papenbruch II	3	2.6	50%	1.3	Mar-08
Germany	Wittstock-Papenbruch III	1	2.0	50%	1.0	Nov-08
Bulgaria	Krupen	4	12.0	50%	6.0	Dec-08
Total	37	146	257.6		86.8	

Management's review

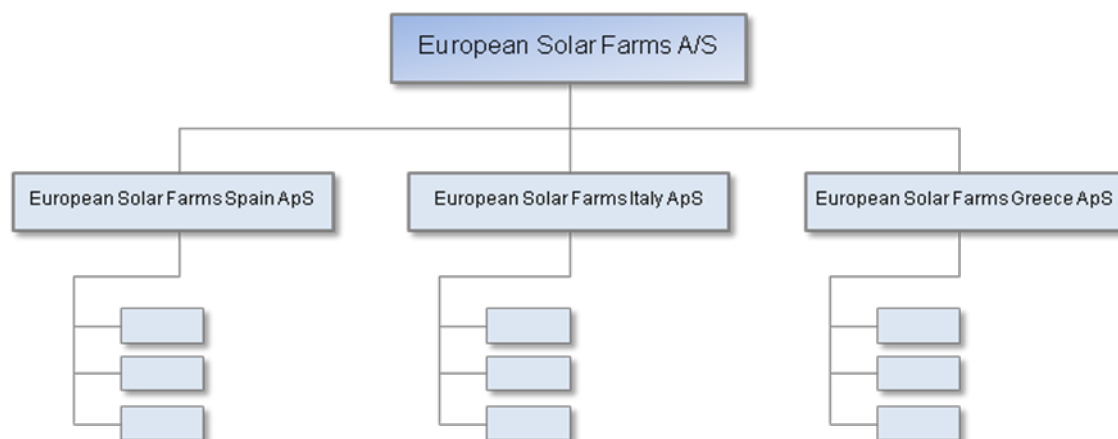


European Solar Farms A/S

European Solar Farms A/S (ESF) was founded as an Independent Power Producer (IPP) in March 2007, and the present 2008 review thus concerns the company's first full operational year. ESF is part of the European Energy Group. ESF develops, operates and owns solar power plants in several European countries and sells electricity to the local utilities. In 2008 the company put 7 solar power plants into operation. The development of solar power plants takes place in subsidiaries or associates.

In January 2008 a capital increase was made in the company and the subscribed share capital now amounts to DKK 52,150,000. The capital increase entailed that all of the company's employees became co-owners of the company. The parent company EE and its shareholders thus own 98% of the shares, while the EE Group employees own the remaining 2% of the shares. Further, a range of options agreements have been entered in order that the employees may subscribe for further shares in the company.

ESF consists of more than 150 wholly or partly owned subsidiaries and associated companies in a range of countries. The overall Group structure is shown in the diagram below, in which the activities are placed in separate subsidiaries.



Management's review



In 2008 ESF's electricity sale through subsidiaries and associated companies totaled EUR 1.2 million (DKK 9.0 million). This is very satisfactory considering that the solar farms only became operational in the autumn of 2008 and this period has been a start-up period for all plants.

The market activity for solar power plants was very positive for 2008. In many countries, including Italy, Greece, Bulgaria and the Czech Republic, the political support for establishing and maintaining good investment conditions for solar power plants has been strong.

Therefore, ESF has continued and expanded the strategy to develop projects in cooperation with local partners, engineering and construction companies.

In the course of 2008, ESF's solar energy activities reached several significant milestones:

- 7 Spanish solar farms came into operation at a total investment of more than EUR 63.6 million (DKK 473.6 million).
- The power plants put into operation are in 2009 expected to produce energy worth more than EUR 7.25 million (DKK 54 million), corresponding to more than 16 million kWh.
- Strategic cooperation with developers has been initiated concerning 31 projects.
- The total development pipeline amounts to more than 150MW at 31 December 2008. This is equivalent to investments of more than EUR 600 million (DKK 4,470 million).
- ESF has 11 employees from 7 different countries.

Management's review

Please see below an overall outline of the projects under development.

Country	No. of projects
Italy	23
Greece	3
Spain	5
Total	31

The following describes the 7 Spanish projects put into operation.



Figure 7, Spanish solar power projects in operation

In general, the operation of the projects has been very satisfactory. We expect that the estimated production will be reached or possibly even exceeded by the realised production figures.

In 2008 the settling price for electricity went up with 3.6%, which is 2% more than expected. This means that we will realise revenue above estimate.

Management's review

Campllong & St. Dalmai

The solar farm Campllong is located in Girona, Catalonia in Spain. The solar farm covers two different localities divided by a 7km distance, but they are in every sense handled as one coherent farm.

The solar farm's total capacity is 1.27MWp, distributed between 12 installations of 100kW each. The solar modules are mounted on permanent support structures facing south and with a slope of 23°-25°.

The solar farm came into operation in July 2008 and we have seen a development in production and costs as planned. The project has obtained a 19-year project financing agreement.



Ocaña

Project Ocaña is located in Ocaña, Castilla de la Mancha, Spain.

The solar farm's total capacity is 1,518MWp.

The solar modules are mounted on permanent support structures facing south and with a slope of 29°.

The solar farm came into operation in August 2008 and we have seen a development in production and costs as planned in the start-up months from November 2008. The company expects to obtain payment of the 19-year project financing in first half of 2009.



Villanueva

Project Villanueva de la Jara is located in Cuenca, Castilla de la Mancha, Spain.

The total capacity of the solar farm is 2,419MWp, distributed between 20 installations. The solar modules are mounted on moveable mounting structures ("Trackers").



Management's review

The solar farm came into operation in August 2008. In the first operational year we saw a production development as planned, but somewhat below expectations.

In the first months of 2009 we have seen an improvement in production compared to our expectations which leads us to assume that the solar farm's annual production will exceed our expectations with 2-5%. The project has obtained a 19-year project financing agreement.



L'Olleria

Project L'Olleria is located in L'Olleria near Valencia in Spain.

The solar farm's total capacity is 1.5MWp, which is distributed between 15 installations.

The solar farm came into operation in September 2008 and after the start-up months we have seen development in production and costs according to plan. The company expects to obtain payment of the 18-year project financing by third quarter of 2009.



Monovar

Project Monovar is located in Monovar near Valencia in Spain.

The solar farm's total capacity is 2.0MWp, which is distributed between 20 installations.

The solar farm came into operation in September 2008. The solar farm has been challenged by optimisation of the individual plants with the result that the solar farm does not as yet fully meet our expectations in terms of production. In cooperation with a Spanish engineering company we performed an analysis of the solar farm and we expect that the production of the second half of 2009 will meet our expectations. As of April 2009 the solar farm is approx. 4-5% below estimate. The company expects to obtain payment of the 18-year project financing by third quarter of 2009.



Management's review

Garbantex

Project Garbantex is located in Biar near Alicante in Spain.

The solar farm's total capacity is 0.2MWp, which is distributed between 2 installations.

The solar farm came into operation in September 2008. ESF sold the solar farm to two external investors by the expiry of 2008.



Bernarbeig

Project Bernarbeig is located in Bernarbeig near Valencia in Spain.

The solar farm's total capacity is 2.0MWp, which is distributed between 20 installations.

ESF's ownership share is 57.5%.

The solar farm came into operation in September 2008 and subsequent to the start-up months as of November 2008 we saw a development in production and costs as planned. The company expects to enter an 18-year project financing agreement by the expiry of 2009.



Management's review

Bridge financing of solar assets

In consequence of the great time pressure to finalise the solar power plants before the expiry of September 2008, the company decided to bridge finance all projects rather than closing the project financing before the construction began. Due to this decision it was possible to ensure that all solar farms were finalised under the most attractive set of regulations in Spain which qualifies the solar farms to a settlement price of 45 ¢/kWh in 2008. Subsequent to the construction phase significant resources have been applied to establish project financing for all 7 solar farms. This work was complicated by the ongoing financial crisis which entailed challenges in finding banks with a will and opportunity to engage in lengthy project financing. In connection with the financial reporting of ESF, 5 of the 6 projects owned by ESF obtained final and binding financing approval. It is expected that project financing for all of the 6 projects owned by ESF will be paid before the expiry of third quarter 2009.

The advantage of this delayed financing has been lower interest expenses than originally anticipated in the budgets due to a decreasing interest rate level. As the loans run over a period of 18-19 years, this will entail considerable savings over the entire financing period.



Financial development in energy assets

As an IPP the total assets of operational wind farms and solar power plants are a decisive parameter for the future electricity sale and thereby revenue and income. The figure below shows the development in power plants owned by EE. At the expiry of 2008 EE, including associates, owned wind farms and solar power plants at an acquisition price of more than EUR 167 million (DKK 1,243 million). At 31 December 2008 the carrying amount of these assets was EUR 144 million (DKK 1,072 million).

Management's review

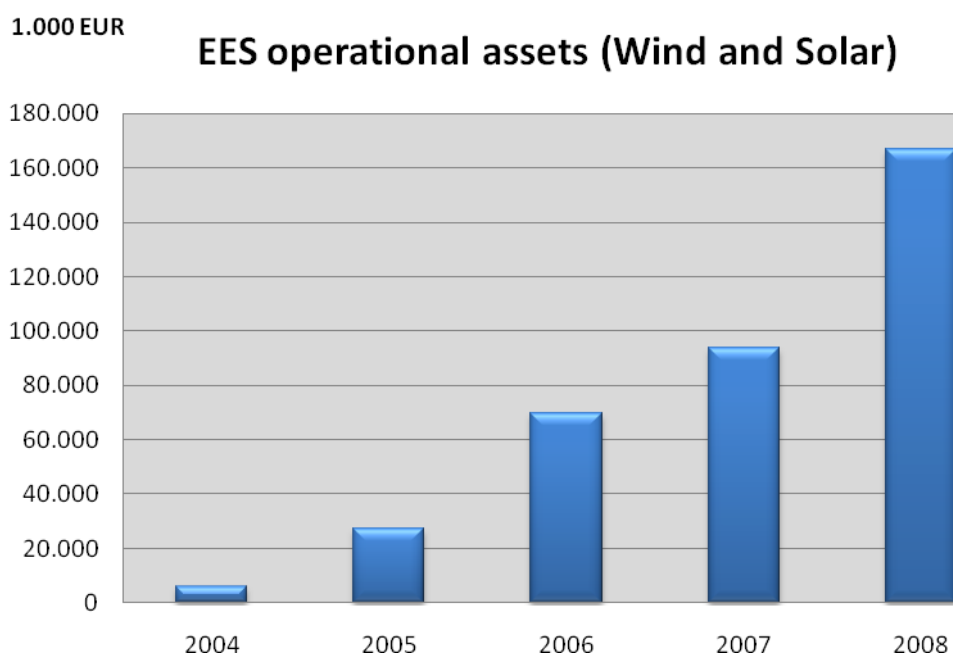


Figure 8 Wind farms and solar power plants owned by EE

Outlook

The global sector of renewable energy is in a positive development with high two-digit growth rates. EE is actively working to become a well positioned and active player in this development. Through our development portfolio we expect to build new solar power plants of between 5-15MW and wind farms of between 20-60MW in 2009. The exact number of new projects to be realised in 2009 depends on the number of building permits obtained through the summer.

The global financial slowdown, the limited building permits for new solar power plants, primarily in Spain, Italy and the USA, combined with very considerable investments in new production capacity within hardware of the solar energy business have resulted in a dramatic drop in the price on solar panels. This opens up a possibility that projects in many countries, despite of increasing financing expenses, will remain financially interesting.

In consequence of EE's strong focus on project development, EE is well equipped for the coming years' expected massive growth within renewable energy. The Group's expertise and capacity was considerably strengthened during 2008 and we expect a positive development for EE in the years to come, both regarding revenue, income and return on equity.

Management's review

Development portfolio

Through EWF and ESF, EE has secured a very considerable development portfolio which over the coming 3-5 years will entail a continuing positive development for EE with attractive solar power and wind turbine projects.

Particularly Southern and Eastern Europe have become a focus of EE's activities and contain a potential growth in total of more than 1.1GW installed effect over the years to come. Of this, EE's share amounts to more than 0.6GW. The development of these projects will, however, to a high degree depend on the development in the project financing market and the pace at which final building permits are obtained.

In Central Europe, where Germany has previously played a very important part, EE has decided to downscale the number of new projects in 2008. This is due to the fact that the purchase prices obtainable in the market did not result in a satisfactory business. In consequence of the economic recession, EE does once again see opportunities for acquiring new attractive projects and therefore expects a renewed growth in the Central European development portfolio.

The development in EE's investment potential is shown below. As can be seen from figure 9, the increase from 2007 to 2008 is relatively modest. This is a conscious choice of EE, as it has been the opinion of Management that the existing pipeline represents a very ambitious development goal. Therefore, the focal point for 2008 was primarily to develop the existing projects rather than purchase a variety of new projects.



Green field solar project in Italy



60m meteorological mast in Bulgaria

Management's review

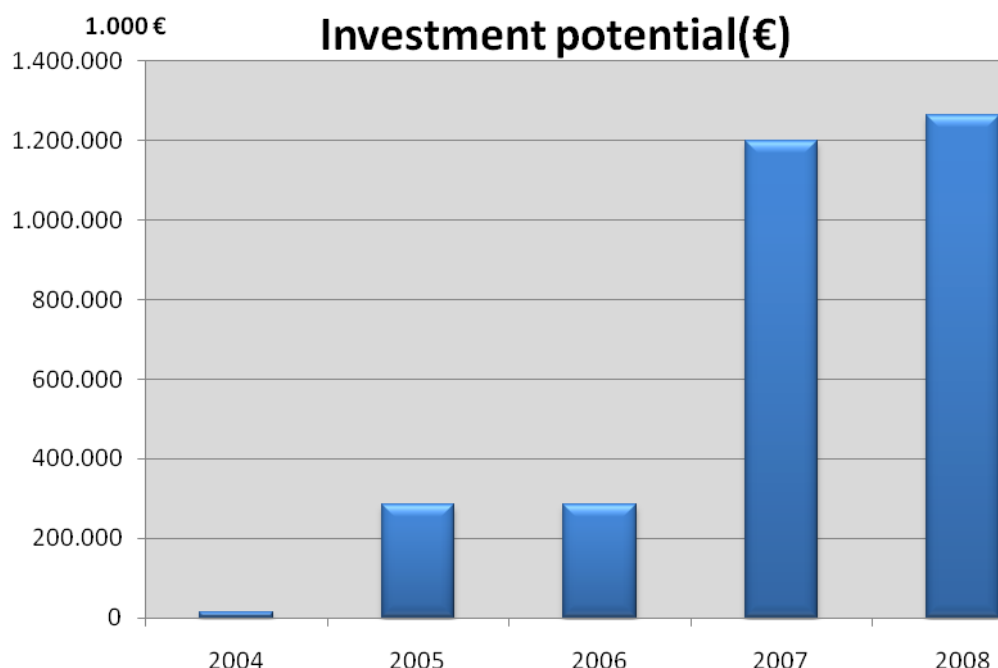


Figure 9 EE investment pipeline within wind and solar energy

EE investments in wind and solar energy projects

In consequence of the stable development within EE's basic area of business, and even during a period with a financial market under pressure, we believe that the enterprise is well equipped to continually expand its portfolio and at the same time improve earnings. The strategy based on expanding the portfolio will depend on the development of the financial markets. EE intends to expand its portfolio and status as an IPP but if the financial markets are still characterised by instability by the expiry of 2009, the portfolio growth will be slower than previously and we will dispose of a slightly larger percentage of the developed projects than we did earlier.

This shall ensure a sufficient amount of capital for the range of projects which are expected to be granted final building permits in 2009 and 2010 and the capital may be placed in construction projects as planned. Thereby we may expand our portfolio for the benefit of long-term earnings while at the same time ensuring short-term gains from disposal of existing projects and strengthen the Group's equity without watering down the present shareholders.

Knud Erik Andersen

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

The annual report of European Energy A/S for 2008 has been prepared in accordance with the provisions applying to reporting class C large enterprises under the Danish Financial Statements Act.

The group has decided to report its financial results in Euro (EUR).

The EUR/DKK rate at 31 December 2008 constitutes 745.06 (745.66 at 31 December 2007).

The accounting policies used in the preparation of the consolidated and parent company financial statements are consistent with those of last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the Group and the value of the asset can be reliably measured.

Liabilities are recognised in the balance sheet when an outflow of economic benefits is probable and when the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognising and measuring assets and liabilities, any gains, losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities measured at fair value or amortised cost. Equally, costs incurred to generate the year's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

Consolidated financial statements

The consolidated financial statements comprise the parent company, European Energy A/S, and subsidiaries in which European Energy A/S directly or indirectly holds more than 50% of the voting rights or which it, in some other way, controls. Enterprises in which the Group holds between 20% and 50% of the voting rights and over which it exercises significant influence, but which it does not control, are considered associates.

On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends, and realised and unrealised gains and losses on intra-group transactions are eliminated.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

Investments in subsidiaries are set off against the proportionate share of the subsidiaries' fair value of net assets or liabilities at the acquisition date.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal. The comparative figures are not adjusted for acquisitions or disposals.

Gains or losses on disposal of subsidiaries and associated companies are computed as the difference between disposal price and the carrying value of the net assets at the time of disposal inclusive of goodwill not amortised and anticipated costs for the disposal.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise. The tax effect of the restatement of assets and liabilities is taken into account.

Any excess of the cost over the fair value of the identifiable assets and liabilities acquired (goodwill), including restructuring provisions, is recognised as intangible assets and amortised on a systematic basis in the income statement based on an individual assessment of the useful life of the asset, not exceeding 20 years.

Minority interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The minority interests' proportionate shares of the subsidiaries' results and equity are adjusted annually and recognised separately in the income statement and balance sheet.

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rates at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and at the date of payment are recognised in the income statement as financial income or financial expenses.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rates at the balance sheet date. The difference between the exchange rates at the balance sheet date and at the date at which the receivable or payable arose or was recognised in the latest consolidated and parent company financial statements is recognised in the income statement as financial income or financial expenses.

Fixed assets denominated in foreign currency are translated at the exchange rates at the transaction date.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value.

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

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future assets or liabilities are recognised as other receivables or payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised directly in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects the results.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement.

Income statement

Revenue

Revenue is recognised in the income statement provided that transfer of risk to the buyer has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT, and taxes charged on behalf of third parties.

For business and structural reasons all wind turbines/wind farms are formed in independent limited partnerships. Sales of wind turbines are made by a complete or partial transfer of limited shares in the underlying limited partnerships.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

As the purpose of the group is to sell wind turbines, the market value of the wind turbines is recognised as revenue regardless of whether the limited shares are sold which are held by subsidiary.

Direct costs

Direct costs comprise costs incurred in generating the revenue for the year. Direct costs comprise costs for the operation of the wind mills and construction costs for wind mills sold.

Staff costs

Staff costs comprise wages and salaries, pensions and other staff costs for the company's employees, including the Executive and Supervisory Boards.

Other operating costs

Other operating costs comprise costs for administration, etc.

Depreciation

Depreciation comprises depreciation for the year on property, plant and equipment and loss and gain on disposal of fixed assets.

Financial income and expenses

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

Tax on profit/loss from ordinary activities

The company is covered by the Danish rules on compulsory joint taxation of the Group's Danish subsidiaries.

The ultimate parent company is the administrative company for the joint taxation and consequently settles all corporation tax payments with the tax authorities.

The current Danish corporation tax is allocated by settlement of joint taxation contribution between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

Tax for the year comprises current tax, joint taxation contributions for the year and changes in deferred tax for the year - due to changes in the tax rate. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts directly recognised in equity is recognised directly in equity.

Balance sheet

Intangible assets

Goodwill

Goodwill is amortised over its estimated useful life determined on the basis of Management's experience of the specific business areas. Goodwill is amortised on a straight-line basis over a maximum amortisation period of 20 years, longest for strategically acquired enterprises with strong market positions and long-term earnings profiles.

Other rights

Other rights comprise rights to acquire and build wind farms. Other rights are measured at cost less accumulated amortisation and impairment. The rights are amortised over the period of the rights, although not exceeding 20 years.

Gains and losses on the disposal of other rights are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. Gains or losses are recognised in the income statement as amortisation.

Property, plant and equipment

Plant and machinery, tools and equipment are measured at cost less accumulated depreciation and impairment.

Cost comprises the purchase price and any costs directly attributable to the acquisition until the date when the asset is available for use. Depreciation is provided on a straight-line basis over the expected useful lives of the assets. The expected useful lives are as follows:

Wind turbines	25 years
Solar power plants	40 years
Fixtures and fittings, tools and equipment	3-5 years

Property, plant and equipment are written down at the lower of recoverable amount and carrying value.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The gains or losses are recognised in the income statement as depreciation.

Investments in subsidiaries and associates

Income statement

The proportionate share of the results before tax of the individual subsidiaries is recognised in the income statement of the parent company after full elimination of intra-group profits/losses. The share of the taxes of subsidiaries is recognised as tax on profit/loss from ordinary activities.

The proportionate share of the results before tax of the associates is recognised in both the parent company and the consolidated income statement after elimination of the proportionate share of intra-group profits/losses and deduction of goodwill amortisation. The share of the taxes of associates is recognised as tax on profit/loss from ordinary activities.

Balance sheet

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the Group's accounting policies minus or plus unrealised intra-group profits and losses and plus or minus any residual value of positive or negative goodwill determined in accordance with the purchase method.

Investments in subsidiaries and associates with negative net asset values are measured at DKK 0 (nil), and any amounts owed by such enterprises are written down if the amount owed is irrecoverable. If the parent company has a legal or constructive obligation to cover a deficit that exceeds the amount owed, the remaining amount is recognised under provisions.

Net revaluation of investments in subsidiaries and associates is recognised in the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds cost.

Enterprises acquired or formed during the year are recognised in the consolidated financial statements from the date of acquisition or formation. Enterprises disposed of are recognised in the consolidated income statement until the date of disposal.

Upon disposal of investments in subsidiaries and associated enterprises established with a view to the resale of power plants, the sales price less expected sales expenses is recognised as revenue and the carrying amount of the investment at the time of disposal is recognised as direct costs in the income statement.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

Gains or losses on disposal of other subsidiaries and associated companies are computed as the difference between disposal price and the carrying value of the net assets at the time of disposal inclusive of anticipated costs for the disposal. Gains and losses are recognised in the income statement as financial items.

Limited shares

Investments in limited partnerships comprise investment capital as well as loans granted for the partnerships provided that the loan is considered part of the net investment in the partnership.

Receivables

Receivables are measured at amortised cost. Write-down is made for bad debt losses based on an individual assessment of receivables.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Other securities and investments

Securities are measured at fair value at the balance sheet date. Listed securities are measured at market value.

Corporation tax and deferred tax

Under the rules for joint taxation and in its capacity as the administrative company, the group's ultimate parent company is liable for the company's corporation taxes towards the tax authorities concurrently with the payment of joint taxation contribution.

Joint taxation contribution payable and receivable is recognised as intra-group balances.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on the Management's planned use of the asset or settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity and jurisdiction.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax. Change in deferred tax due to changed tax rates is recognised in the income statement.

Liabilities other than provisions

Amounts owed to mortgage credit institutions and banks are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, the financial liabilities are measured at amortised cost.

Other liabilities are measured at net realisable value.

Cash flow statement

The cash flow statement shows the Group's cash flows from operating, investing and financing activities for the year, the year's changes in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

Cash flows from operating activities

Cash flows from operating activities are calculated as the Group's share of the profit/loss adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of enterprises and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities

Cash flows from financing activities comprise changes in the size or composition of the Group's share capital and related costs as well as the raising of loans, repayment of interest-bearing debt, and payment of dividends to shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities with a term of three months or less which are subject to an insignificant risk of changes in value.

Consolidated and parent company financial statements for the period 1 January – 31 December

Accounting policies

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2005".

The financial ratios stated in the survey of financial highlights have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit after tax} \times 100}{\text{Average equity}}$

Consolidated and parent company financial statements for the period 1 January – 31 December

Income statement

EUR'000	Note	Consolidated		Parent company	
		2008	2007	2008	2007
Revenue	1	32,046	9,580	11,148	4,502
Direct costs		-23,579	-4,436	-9,568	-3,566
Gross profit		8,467	5,144	1,580	936
Staff costs	2	-845	-216	-262	-99
Other external costs	3	-1,002	-231	-155	-73
Depreciation	7,8	-1,781	-1,434	-30	-19
Ordinary operating profit		4,839	3,263	1,133	745
Profit in subsidiaries before tax	9	0	0	1,645	1,015
Profit in associates before tax	10	357	2,437	-12	2,010
Profit from disposal of investments		29	20	29	20
Financial income	4	2,530	2,884	1,922	2,703
Financial expenses	5	-5,612	-3,264	-2,886	-1,433
Profit from ordinary activities before tax		2,143	5,340	1,831	5,060
Tax on the profit for the year	6	-585	-1,282	-489	-1,214
Profit for the year		1,558	4,058	1,342	3,846
Minority share holders' share of the profit for the year		-216	-212	0	0
The Group's share of profit for the year		1,342	3,846	1,342	3,846

Proposed profit appropriation

Reserve for net revaluation according to the equity method	1,186	2,406
Retained earnings	156	1,440
	1,342	3,846
Interim dividends paid	0	-1,344
	1,342	2,502

Consolidated and parent company financial statements for the period 1 January – 31 December

Balance sheet

EUR'000	Note	Consolidated		Parent company	
		2008	2007	2008	2007
ASSETS					
Fixed assets					
Intangible assets	7				
Goodwill		185	196	185	196
Other rights		871	926	0	0
Development projects		121	0	0	0
		1,177	1,122	185	196
Property, plant and equipment					
	8				
Wind turbines		28,932	30,324	0	0
Solar power plants		44,079	0	0	0
Fixtures and fittings, tools and equipment		69	25	60	25
Property, plant and equipment under construction		924	7,228	0	0
		74,004	37,577	60	25
Investments					
Investments in subsidiaries	9	0	0	9,940	8,853
Investments in associates	10	23,664	24,736	15,809	16,838
Other investments		510	48	446	48
Other receivables		4,735	0	0	0
		28,909	24,784	26,195	25,739
Total fixed assets		104,090	63,483	26,440	25,960
Current assets					
Receivables					
Trade receivables		4,246	1,875	172	822
Amount owed by subsidiaries		0	0	12,874	2,960
Amount owed by associates		13,085	2,013	1,814	1,524
Amount owed by parent company		10,905	0	10,905	0
Corporation tax receivable		1,114	36	1,114	36
Other receivables	11	10,838	1,838	3,209	666
Prepayments		225	203	15	0
		40,413	5,965	30,103	6,008
Securities	14	2,281	10,953	6,019	14,692
Cash at bank and in hand	14	13,163	9,542	592	3,707
Total current assets		55,857	26,460	36,714	24,407
TOTAL ASSETS		159,947	89,943	63,154	50,367

Consolidated and parent company financial statements for the period 1 January – 31 December

Balance sheet

EUR'000	Note	Consolidated		Parent company	
		2008	2007	2008	2007
EQUITY AND LIABILITIES					
Capital and reserves	12				
Share capital		1,340	1,340	1,340	1,340
Reserve for net revaluation					
according to the equity method		0	0	10,943	10,195
Retained earnings		30,128	28,762	19,185	18,567
Total capital and reserves		31,468	30,102	31,468	30,102
Minority interests		2,489	734	0	0
Provisions					
Deferred tax	13	2,748	2,174	1,747	1,705
Liabilities other than provisions					
Non-current liabilities other than provisions	14				
Liabilities from issuance of bonds		9,362	1,763	0	0
Mortgage credit institutions		30,008	35,976	0	0
		39,370	37,739	0	0
Current liabilities other than provisions					
Amount owed to mortgage credit institutions	13	62,704	11,542	19,814	9,146
Trade payables		6,344	3,268	84	449
Amount owed to affiliates		0	0	5,088	6,411
Amount owed to associates		4,323	2,743	4,177	2,533
Other payables		10,501	1,641	776	21
		83,872	19,194	29,939	18,560
Total liabilities other than provisions		123,242	56,933	29,939	18,560
TOTAL EQUITY AND LIABILITIES		159,947	89,943	63,154	50,367
Mortgages and security	15				
Related party disclosure	16				

Consolidated and parent company financial statements for the period 1 January – 31 December

Cash flow statement

EUR'000	Consolidated	
	2008	2007
Operating profit	4,839	3,263
Adjustment for non-cash operating items, etc.:		
Depreciation etc.	1,781	1,359
Cash generated from operations (operating activities) before changes in working capital	6,620	4,622
Changes in wind farm projects under construction	0	0
Changes in receivables	-22,854	10,776
Other changes in current liabilities	13,516	-8,549
Cash generated from operating activities before tax	-2,718	6,849
Interest income etc., received	2,530	2,736
Interest expense etc., paid	-4,752	-3,150
Cash generated from ordinary activities before tax	-4,940	6,435
Corporation tax paid	-1,093	-298
Cash flows from operating activities	-6,033	6,137
Acquisition of intangible assets	-121	0
Acquisition of property, plant and equipment	-53,763	-9,359
Disposal of property, plant and equipment	15,621	0
Acquisition of investments and securities	-3,460	-6,052
Disposal of investments and securities	1,780	6,824
\Increase in other receivables	-4,735	0
Cash flows from investing activities	-44,678	-8,587
Increase in non-current liabilities with mortgage credit institutions	1,631	7,595
Change in current liabilities with mortgage credit institutions	51,162	-4,282
Minority shareholders' share of capital increase in subsidiary	1,539	0
Dividends paid to shareholders	0	-1,344
Cash flows from financing activities	54,332	1,969
Cash flow for the year	3,621	-481
Cash and cash equivalents at 1 January	9,542	10,023
Cash and cash equivalents at 31 December	13,163	9,542

The cash flow statement cannot be directly derived from the other components of the consolidated and parent company financial statements.

Consolidated and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

EUR'000	Consolidated		Parent company	
	2008	2007	2008	2007
1 Revenue				
Sale of power plants	26,073	4,430	11,087	4,430
Income from operation of power plants	5,912	5,028	0	0
Other income	61	122	61	72
	<u>32,046</u>	<u>9,580</u>	<u>11,148</u>	<u>4,502</u>
2 Staff costs				
Wages and salaries	813	203	255	91
Pensions	0	0	0	0
Other social security costs	7	2	2	1
Other staff costs	25	11	5	7
	<u>845</u>	<u>216</u>	<u>262</u>	<u>99</u>
Executive Board	54	0	0	0
Supervisory Board	0	0	0	0
	<u>54</u>	<u>0</u>	<u>0</u>	<u>0</u>
Average number of employees	<u>12</u>	<u>3</u>	<u>4</u>	<u>1</u>
3 Fee for auditor appointed by the general meeting				
Total fee for KPMG	<u>76</u>	<u>64</u>	<u>37</u>	<u>53</u>
Audit	40	14	11	14
Other assurance engagements	0	0	0	0
Tax advisory services	5	24	13	10
Other services	31	26	13	29
	<u>76</u>	<u>64</u>	<u>37</u>	<u>53</u>

Consolidated and parent company financial statements for the period 1 January – 31 December

Notes to the financial statements

EUR'000	Consolidated		Parent company	
	2008	2007	2008	2007
4 Financial income				
Interest income, affiliates and associates	1,458	1,365	1,604	1,177
Interest income, banks	809	181	39	181
Interest income, bonds	222	584	222	584
Other interest income	39	604	55	604
Foreign exchange gains	0	147	0	154
Dividends, shares	2	3	2	3
	<u>2,530</u>	<u>2,884</u>	<u>1,922</u>	<u>2,703</u>
5 Financial expense				
Interest expenses, mortgage credit institutions	3,616	2,314	907	735
Interest expenses, associates and affiliates	205	379	680	622
Interest expenses, corporate bond	558	495	0	0
Other interest expense	34	0	34	0
Exchange losses on securities	659	76	847	76
Foreign exchange losses	540	0	418	0
	<u>5,612</u>	<u>3,264</u>	<u>2,886</u>	<u>1,433</u>
6 Tax on the profit for the year				
Tax on the profit for the year	53	296	0	268
Tax in subsidiaries	0	0	451	235
Tax in associates	-4	390	-4	384
Tax adjustment regarding prior years	-38	0	0	0
Adjustment for the year of deferred tax	574	596	42	327
	<u>585</u>	<u>1,282</u>	<u>489</u>	<u>1,214</u>

Consolidated and parent company financial statements for the period 1 January – 31 December

Notes

7 Intangible assets

Consolidated

EUR'000	Goodwill	Other rights	Development projects
Cost 1 January 2008	218	1,090	0
Addition	0	0	121
Cost 31 December 2008	218	1,090	121
Amortisation 1 January 2008	-22	-164	0
Amortisation for the year	-11	-55	0
Amortisation 31 December 2008	-33	-219	0
Carrying amount 31 December 2008	185	871	121
Amortised over	20 years	20 years	20 years

Other rights comprise rights to acquire and build wind mill farms. The rights are held by European Wind Farm No. 1 A/S.

Parent company

EUR'000	Goodwill
Cost 1 January 2008	218
Addition	0
Cost 31 December 2008	218
Amortisation 1 January 2008	-22
Amortisation for the year	-11
Amortisation 31 December 2008	-33
Carrying amount 31 December 2008	185
Amortised over	20 years

Consolidated and parent company financial statements for the period 1 January – 31 December

Notes

8 Property, plant and equipment

Consolidated

EUR'000	Wind turbines	Solar power plants	Fixtures and fittings, tools and equipment	Property, plant and equipment under construction
Cost at 1 January 2008	34,148	0	42	7,228
Addition	0	1,565	63	52,145
Disposal	-11	-15,626	0	0
Transfer	0	58,449	0	-58,449
Cost 31 December 2008	34,137	44,388	105	924
Depreciation 1 January 2008	-3,824	0	-17	0
Depreciation for the year	-1,381	-315	-19	0
Disposal	0	6	0	0
Depreciation 31 December 2008	-5,205	-309	-36	0
Carrying amount 31 December 2008	28,932	44,079	69	924
Depreciated over	25 years		3-5 years	-

Financing expenses in the amount of EUR 507 thousand are recognised in the Group's property, plant and equipment.

Parent company

EUR'000	Fixtures and fittings, tools and equipment
Cost at 1 January 2007	42
Addition	54
Cost 31 December 2007	96
Depreciation 1 January 2007	-17
Depreciation for the year	-19
Depreciation 31 December 2007	-36
Carrying amount 31 December 2007	60
Depreciated over	3-5 years

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9 Investment in subsidiaries

EUR'000	Parent company	
	2008	2007
Cost 1 January	7,686	1,680
Addition	67	6,470
Disposal	-3	-464
Cost 31 December	7,750	7,686
Value adjustment 1 January	1,167	429
Profit/loss for the year before tax	1,645	1,015
Tax in subsidiaries	-451	-235
Dividends from subsidiaries	-203	0
Reversed value adjustment at disposal	32	-42
Value adjustment 31 December	2,190	1,167
Carrying amount 31 December	9,940	8,853

Investments in subsidiaries at 31 December 2008 can be specified as follows:

Name	Owner- ship share at 31/12 2008	Nominal capital	Share of profit for the year before tax	Share of profit for the year	Carrying amount
European Wind Farm No. 1 A/S	67.9%	1,000	449	-168	1,840
European Wind Farm No. 2 A/S	100.0%	67	220	-55	232
European Energy Systems I ApS	100.0%	17	2	0	17
European Energy Systems II ApS	100.0%	17	565	-174	827
European Solar Farms A/S	77.7%	67	346	-58	5,624
European Hydro Plants A/S	100.0%	67	-15	4	56
EWf Deutschland GmbH	100.0%	25	1	0	119
German partnership companies	100.0%	404	77	0	1,225
		<u>1,664</u>	<u>1,645</u>	<u>-451</u>	<u>9,940</u>

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10 Investments in associates

Parent company

EUR'000	2008	2007
Cost 1 January	7,810	11,414
Addition for the year	225	2,339
Disposal for the year	-897	-5,943
Transferred to/from investments in subsidiaries	-82	0
Cost 31 December	7,056	7,810
Value adjustment 1 January	9,028	7,444
Transferred to other investments	3	0
Disposal for the year	40	-42
Dividends from associates	-310	0
Profit for the year before tax	-12	2,010
Tax on profit for the year	4	-384
Other adjustments	0	0
Value adjustment 31 December	8,753	9,028
Carrying amount 31 December	15,809	16,838

Investments in associates at 31 December 2008 can be specified as follows:

Name	Owner- ship share	Nominal capital	Share of profit/ loss for the year before tax	Share of tax on profit/loss for the year	Carrying amount
Enertec Vitalba ApS	49.50%	67	260	-126	406
European Wind Farms A/S	49.75%	1,000	-654	131	8,587
German partnership companies	22-50%	47	382	-1	6,816
			-12	4	15,809

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Consolidated

EUR'000	2008	2007
Cost 1 January	15,280	11,414
Addition for the year	748	5,394
Transferred to other investments	-81	0
Disposal for the year	-1,192	-1,528
Cost 31 December	14,755	15,280
Value adjustment 1 January	9,456	7,444
Transferred to other investments	3	0
Dividends	-1,004	0
Profit for the year before tax	357	2,437
Tax on profit for the year	4	-390
Disposal for the year	93	-35
Value adjustment 31 December	8,909	9,456
Carrying amount 31 December	23,664	24,736

Investments in associates at 31 December 2008 can be specified as follows:

Name	Owner- ship share	Nominal capital	Share of profit/ loss for the year before tax	Share of tax on profit/loss for the year	Carrying amount
Enertec Vitalba ApS	49.50%	67	260	-126	406
European Wind Farms A/S	49.75%	1,000	-654	131	8,587
German partnership companies	22-50%	6,631	785	-1	14,536
Spanish enterprises	50%	153	-32	0	131
Italian enterprises	50%	5	-2	0	4
			357	4	23,664

11 Other receivables

Other Group receivables amount to EUR 10,838 thousand at 31 December 2008, of which EUR 4,246 thousand can be allocated to VAT receivable in connection with the construction of solar power plants in Spain. Essentially, the amount has been repaid by the Spanish authorities in 2009.

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12 Capital and reserves

Consolidated EUR'000

	Share capital	Retained earnings	Total
Capital and reserves 1 January 2008	1,340	28,762	30,102
Profit/loss for the year	0	1,342	1,342
Foreign currency translation	0	24	24
Capital and reserves 31 December 2008	1,340	30,128	31,468

Parent company EUR'000

	Share capital	Retained earnings	Reserve for net revaluation according to the equity method	Total
Capital and reserves 1 January 2008	1,340	18,567	10,195	30,102
Profit for the year	0	156	1,186	1,342
Transfer regarding disposal of investments	0	462	-462	0
Foreign currency translation	0	0	24	24
Capital and reserves 31 December 2008	1,340	19,185	10,943	31,468

In the Danish Commerce and Companies Agency the share capital has been registered at DKK 10 million. The amount is translated to EUR 1,340 thousand.

13 Deferred tax

Deferred tax can mainly be ascribed to wind farm projects in German limited partnerships and to solar power plants in Spain.

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14 Liabilities other than provisions

	Amount owed at 1/1 2008	Total amount owed at 31/12 2008	Non- current share of liabilities	Current share of liabilities	Outstan- ding amount after 5 years
Consolidated EUR'000					
Liabilities from issuance of bonds	1,763	9,362	9,362	0	9,362
Mortgage credit institutions	47,518	92,712	30,008	62,704	21,239
	<u>49,281</u>	<u>102,074</u>	<u>39,370</u>	<u>62,704</u>	<u>30,601</u>
Parent company EUR'000					
Mortgage credit institutions	<u>9,146</u>	<u>19,814</u>	<u>0</u>	<u>19,814</u>	<u>0</u>

15 Mortgages and security

The parent company's securities deposit comprises bonds issued by subsidiary in the amount of EUR 3,735 thousand. The parent company's debt to mortgage credit institutions in the amount of EUR 19,814 thousand is secured upon the parent company's custody account. Further, certain investments in subsidiaries and associates have been placed as security.

The Group's debt to mortgage credit institutions in the amount of EUR 92,712 thousand has been secured upon wind mills and solar power plants, the carrying amount of which is EUR 73,011 thousand at 31 December 2008. Further, investments in certain associates have been placed as security.

The parent company and one of its subsidiaries have signed a letter of subordination to other creditors in German partnership companies. Furthermore, the companies have pledged not to make distributions of profit/loss in the German partnership companies until a sufficient reserve has been secured in the partnership companies in accordance with agreement with external debt providers.

16 Related party disclosure

European Energy A/S' related parties comprise:

A4 Invest ApS, Peter Rørdams Vej 30, 2800 Kgs. Lyngby
Mikael Dystrup Pedersen, Vandstjernevej 36, 4600 Køge

The above mentioned shareholders have controlling interest in the Company.

Other related parties

The company's other related parties comprise subsidiaries, associates as well as the Executive and Supervisory Boards.

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Related party transactions

In the financial year the Company purchased wind mills from and paid administration fees to European Wind Farms A/S.

In the financial year the Company had intercompany balances with subsidiaries and associates. During the financial year interest has been paid on market terms.

Further, the Company has sold investments to the parent company and to the Company's management. The transactions have been carried out in accordance with the arm's length principle.