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European Energy A/S

Annual Report 2010

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
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Indhold
Contents

Statement by the Executive Board and the Board of Directors

The Executive Board and the Board of Directors have today discussed and approved the annual report of European Energy A/S for the financial year 1 January – 31 December 2010.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Company's financial position at 31 December 2010 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 2010.

Further, in our opinion, the Management's review gives a fair review of the development in the Group's and the Company's operations and financial matters and the results of the Group's and the Company's operations and financial position.

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

Lyngby, 31 May 2011
Executive Board:

Knud Erik Andersen

Board of Directors:

Jens-Peter Zink Chairman	Knud Erik Andersen	Mikael Dystrup Pedersen

Independent auditors' report

To the shareholders of European Energy A/S

We have audited the consolidated financial statements and the parent company financial statements of European Energy A/S for the financial year 1 January – 31 December 2010, pp. 29-59. The consolidated financial statements and the parent company financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements have been prepared in accordance with the Danish Financial Statements Act.

In addition to our audit, we have read the Management's review prepared in accordance with the Danish Financial Statements Act and issued a statement in this regard.

Management's responsibility

Management is responsible for the preparation and fair presentation of the consolidated financial statements and the parent company financial statements 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 consolidated financial statements and parent company financial statements that are 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. Further, it is the responsibility of Management to prepare a Management's review that gives a fair review in accordance with the Danish Financial Statements Act.

Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements 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 consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements and the parent company financial statements, 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 consolidated financial statements and the parent company financial statements 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 Management, as well as evaluating the overall presentation of the consolidated financial statements and the parent company financial statements.

Independent auditors' 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 consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2010 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 2010 in accordance with the Danish Financial Statements Act.

Statement on the Management's review

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any other procedures in addition to the audit of the consolidated financial statements and the parent company financial statements. On this basis, it is our opinion that the information given in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Copenhagen, 31 May 2011
KPMG
Statsautoriseret Revisionspartnerselskab

Poul Erik Olsen	Kenn W. Hansen
State Authorised	State Authorised
Public Accountant	Public Accountant

Management's review

Company details

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

Registration no.:	18 35 13 31
Established:	16 February 1995
Registered office:	Lyngby-Taarbæk Municipality
Financial year:	1 January – 31 December

Board of Directors

Jens-Peter Zink, Chairman
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	2010	2009	2008	2007	2006
Key figures					
Revenue	58,995	28,678	32,046	9,580	93,608
Direct costs	-40,478	-14,935	-23,579	-4,436	-84,030
Gross profit	18,517	13,743	8,467	5,144	9,578
EBIT (Ordinary operating profit)	10,514	7,233	4,839	3,263	6,458
Separate items	0	3,106	0	0	18,358
Ordinary profit/loss from financial income and expenses	-5,927	-4,224	-2,692	2,077	-1,460
The group's share of profit for the year	**3,191**	**5,646**	**1,342**	**3,846**	**22,085**
Balance sheet total	184,007	198,464	159,947	89,943	91,872
Equity	**40,028**	**36,988**	**31,468**	**30,102**	**27,600**
Cash flows from operating activities	-1,651	-1,937	-5,039	6,137	8,211
Net cash flows from investing activities	-6,383	-4,840	-55,750	-8,587	-38,764
Portion relating to investment in property, plant and equipment	-26,543	-7,160	-38,142	-9,359	-31,826
Cash flows from financing activities	6,359	3,696	54,332	1,969	33,067
Total cash flows	**-1,681**	**-3,081**	**3,621**	**-481**	**2,514**
Financial ratios					
Operating margin	31.4%	47.9%	26.4%	53.7%	10.2%
Return on investment	17.8%	25.2%	15.1%	34.1%	6.9%
Solvency ratio	21.8%	18.6%	19.6%	33.5%	30.0%
Return on equity	11.5%	16.5%	4.3%	13.3%	133.4%
Average number of full-time employees	43	35	12	3	4

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 2010". For terms and definitions, please see the accounting policies.

Management's review

Operating review

For European Energy, financial year 2010 was influenced by the Company's changed strategic focus from Independent Power Producer (IPP) to developer of solar and wind energy projects. In connection with the Company's increased focus on development activities, in 2010 the focus was mainly aimed at the divestment of operating activities and entering into partnerships with financial partners on development projects. Through cooperation with financially strong partners, European Energy was enabled to strengthen its project development and administration of the most attractive solar and wind power plants all over Europe. Further, the year was very active in terms of entering into project financing in a number of countries.

European Energy wind park in Italy
Vitalba - 6 MW

Financial highlights and mile stones for 2010

- In 2010, the Group achieved a satisfactory pre-tax result of EUR 4.6 million (DKK 34.2 million) against EUR 6.1 million (DKK 45.5 million) in 2009.
- Consolidated revenue for 2010 reached EUR 59.0 million (DKK 439.8 million) against EUR 28.7 million (DKK 213.8 million) for 2009. Revenue mainly derived from the partial sell-off of solar and wind power plants as well as from power sales.
- EUR 48.2 million (DKK 359.1 million) of revenue relates to the divestment of assets compared to EUR 15.7 million (DKK 116.8 million) in 2009.

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- EUR 10.4 million (DKK 77.3 million) relates to power sales from solar and wind power plants against an amount of EUR 11.5 million (DKK 85.7 million) in the previous year. Only the power sales from companies owned by more than 50% are included in the consolidated revenue.

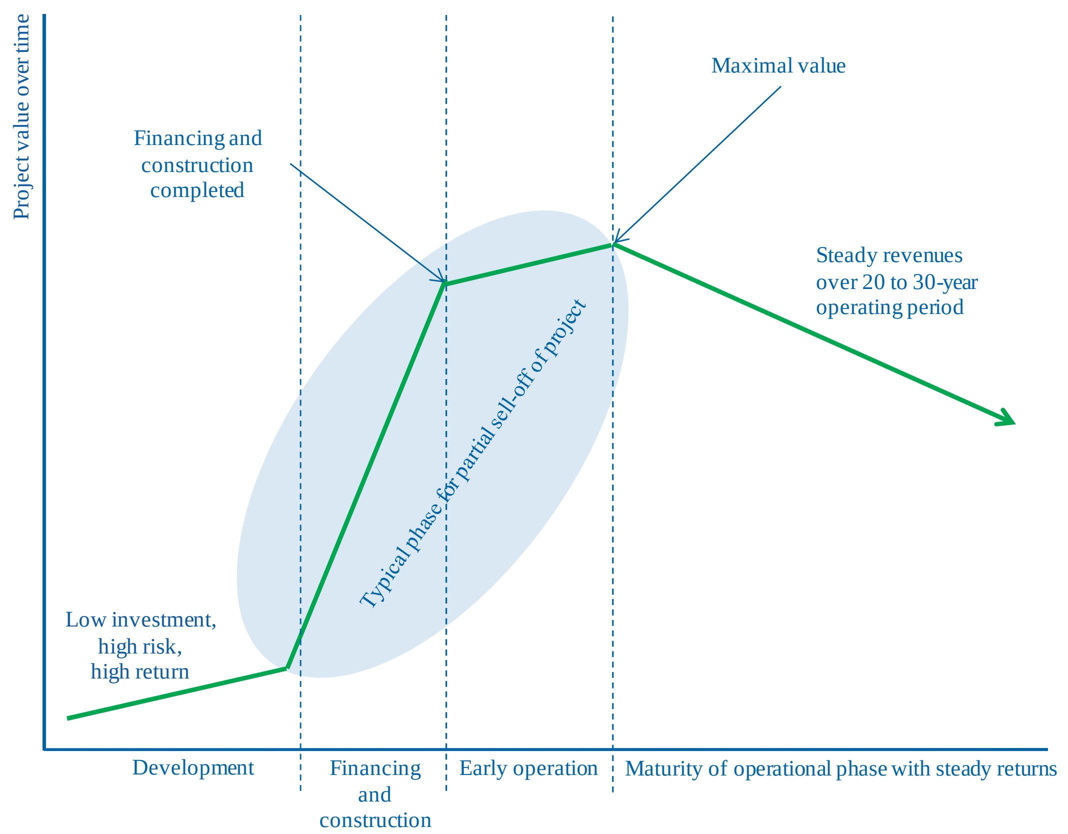
European Energy A/S

An introduction

It is the objective of European Energy to be among Europe's leading project developers of land based solar and wind energy power plants and to be the preferred partner for financially strong investors with a wish to invest in solar and wind energy.

It is the intention of European Energy to preserve an ownership share of the solar and wind energy plants, which will ensure unconditioned involvement in the maintenance of plants put into operation. Apart from the continuous earnings, European Energy will keep in contact with the projects and will thus be an obvious candidate to be put in charge of repowering the plants, if this would be financially attractive.

Renewable energy value chain from start to repowering



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European Energy's customers are typically investors who demand long-term, steady yields and who view investment in sustainable energy as an investment in a stable, far reaching cash flow. The diagram above shows the value chain for sustainable energy projects.

European Energy is an enterprise driven by the entrepreneurial spirit characteristic of young enterprises with strong growth. The employees are the most valuable resource of the Company and the key factor of the success experienced by the enterprise since the autumn 2004.

Today, European Energy is an international enterprise with a strong local knowledge of its European markets. The enterprise operates in 12 European countries. In order to ensure cohesion and a shared culture within the Company, all employees are based in the headquarters in Lyngby, Denmark.

Since its establishment, the Company has been able to identify suitable locations in the European home market and subsequently transform these projects into operational energy assets. Accordingly, today the Company has carried through more than 50 projects which have been developed, built, and put into operation. In total, the value of these construction activities corresponds to more than EUR 400 million (DKK 3.0 billion).

Further, the Company has the expertise to optimize operations and to monitor and manage the investments. The Company is also expected to benefit from including financially strong partners at still earlier stages of the development process to facilitate the capital-intensive investments which will be the consequence of the Company's development activities.

European Energy solar park in Italy
Caposele - 4,1 MW

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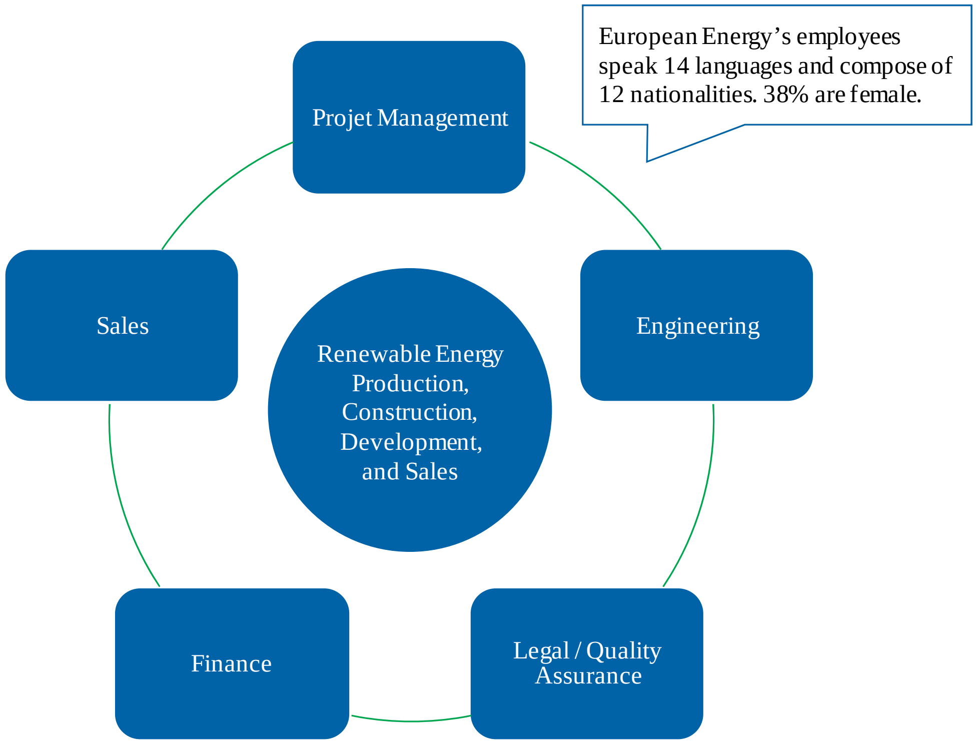
Operating review

It is a significant prerequisite for the Company's growth and future success to attract and retain the right employees. For European Energy this equals e.g. employees with a suitable background in terms of education and experience within the specific areas of the Company. It is, however, just as important to have employees with local knowledge and networks in the countries where the Company has activities. So far, European Energy has succeeded in selecting teams of experienced employees to carry through the project development. In consequence of the low employee turnover rate, the average seniority within the Group is nearing 3 years, which entails that large parts of staff have carried through projects all the way from idea to operation. This also enables the Group to perform very specialized and complex functions within the Group - both in terms of development, of legal and technical due diligence, and in connection with sales to professional investors.

European Energy's key competences



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Enhanced focus on development

In order to focus even more on the competencies of European Energy within the development of solar and wind energy projects, the partial sell-off of assets is part of the Group's overall strategy. The Group's ownership share in operational parks is therefore intended in the longer run to amount to 15-25%. In order to achieve this, since 2010 the Group has expanded its network of new financial partners as co-investors in individual projects which enables European Energy to develop more and larger projects concurrently with an increased speed of the actual establishment.

The divestment of assets has been favored by the continuing interest from investors who want to invest in German wind energy projects. For instance, in 2010 European Energy sold more than 20 MW in three operational wind parks, so that the ownership share of these parks is now reduced to 15%. The administration of the parks is still handled by the Group. In the same way, the enterprise has sold some of its Italian, Spanish, and Polish assets. This applies to both operational parks and projects under development. For instance, the Polish wind park under development, Choczewo, with a capacity of 111 MW was partly divested in 2010. Similarly, part of the Italian solar energy park, Caposele, with a capacity of 4.1 MW and the Spanish solar energy park, Plasticueros, with a capacity of 0.2 MW were divested in the course of 2010.

European Energy wind park in Bulgaria
Krupen - 12 MW

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Project financing - A core competency of European Energy

In 2010, the Group achieved project financing for several solar and wind energy plants with terms of 15-18 years in spite of a - for some countries - difficult market for project loans. For project financing loans, the interest rate is typically fixed for at least 10 years of the loan's term and has been low in general due to the current low interest rate. Project financing is a core competency of the Company and in connection with partnership agreements, European Energy usually handles obtaining the project financing.

Optimization and streamlining of internal procedures and work flow procedures

In order to streamline and structure the internal procedures, an implementation of new IT systems was initiated in 2010. In consequence hereof, the Group now handles invoicing by means of a digital invoicing system in which incoming invoices are received electronically and then automatically integrated in the financial reporting system, Navision Dynamics. At year-end, the system was operational in Denmark and will in the course of 2011/12 be implemented in the countries where the Group has its activities. Furthermore, a monitoring system for the Group's solar and wind energy parks was implemented, which simplified and improved the monitoring of these parks and automated the readings of the operating meters for the parks.

Management expects that the streamlining advantages of the new IT systems will become evident in the course of the second half of 2011 and particularly in 2012.

European Energy solar park on Ibiza, Spain
Cremada - 0,2 MW

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The market for wind and solar energy

The European countries as well as still more growth economies outside Europe have a strongly increased focus on developing new energy resources to replace fossil fuels. At this point of time, this development very much depends on the individual governments' political and financial support.

The overall trends in the industry are distinctly positive. Many countries have prepared plans for massive expansion of sustainable energy in the future, both in order to replace fossil/atomic energy and to meet the increasing energy consumption. In Europe it is mainly a change of resources and replacement of conventional power plants. Outside Europe it is the entire establishment of the energy supply which is increasingly based on sustainable energy sources. This development entails great possibilities for European Energy - both in the medium and long term.

European Energy solar park in Spain
Garbantex - 0,2 MW

However, the financial crisis has triggered a political uncertainty especially in some Southern European countries in connection with the assessment of investments in sustainable energy assets. Many countries have immediate needs to reduce state budgets, for which reason several countries have decided to reduce the subsidies granted for sustainable energy at present. The uncertainty caused for instance by the Spanish government's changed frame conditions of existing solar energy plants has been a challenge to the entire industry. The Czech Republic has also changed the framework conditions for sustainable energy retrospectively. In this connection, the EU has showed its overall commitment to the development of sustainable energy by pressuring these countries. It is therefore the opinion of European Energy that a sensible solution to the problem will be found so that developers

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and investors may obtain calm and stability surrounding the invoicing principles and continue the necessary development of sustainable energy resources.

The political uncertainty is to a high extent the result of the fact that at present sustainable energy is incapable of competing with conventional energy sources on market terms and is therefore dependent on politically motivated subsidy schemes. The uncertainty, the increasing supply, and improved technologies have, however, meant that prices on both wind turbines and solar cells have dropped. At the same time, the market price of electricity has gone up significantly. The combination of these developments entail that Grid Parity is now within reach, which means that the price on electricity produced by solar and wind energy plants equals the market price of normal electricity. At this point the political dependency will diminish.

Regardless of the political dependency, European Energy expects that the overall geopolitical trends will encourage more new players, both in terms of developers and investors, to enter the market - a development that will make the sustainable energy market more efficient as well as define more limited roles in the value chain for the players. For European Energy this means an increased focus on one of its core competencies, development of solar and wind energy parks.

Over recent years, the markets for both technologies have seen double-digit growth rates. Once the solar and wind generated power reaches Grid Parity, growth rates are expected to rise and the stop-go effects seen during the period of political dependency will cease. Planning and financing will thereby get a much higher degree of stability.

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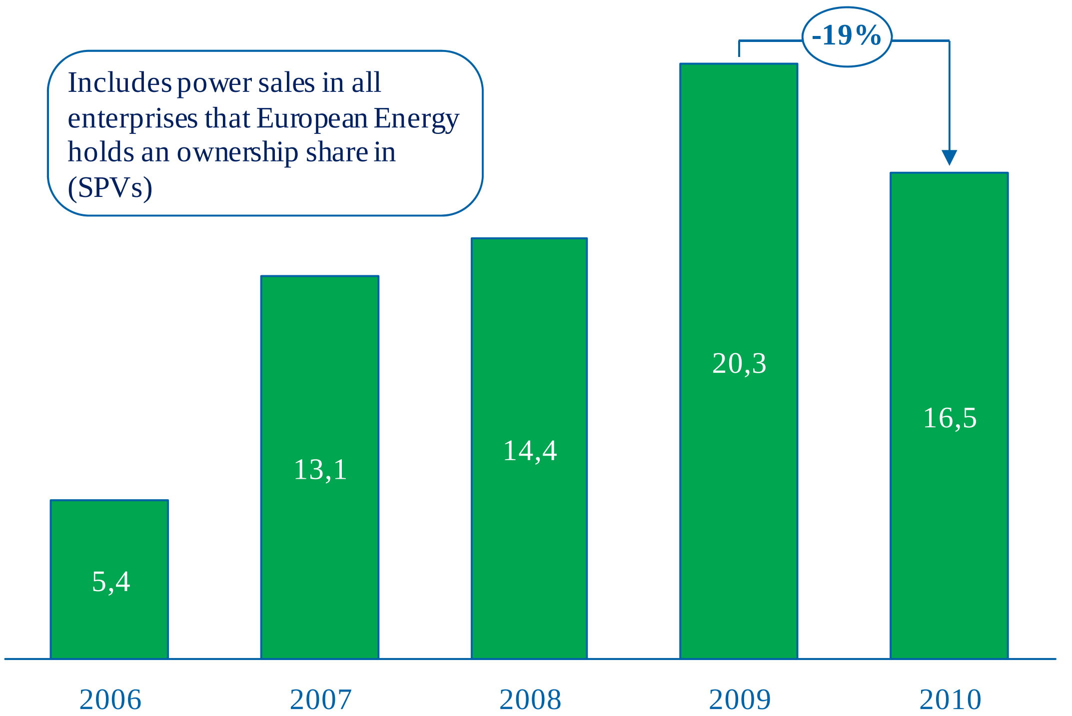
Revenue and results for 2010

Power sales development

Concurrently with European Energy's shift from Independent Power Producer (IPP) to developer, the sales from divestment of assets has increased to EUR 48.2 million (DKK 359.1 million) against EUR 15.7 million (DKK 116.9 million) in the previous year. However, this also entailed a decrease in power sales from the Group's plants.

European Energy's share of power sales
(EUR mio.)



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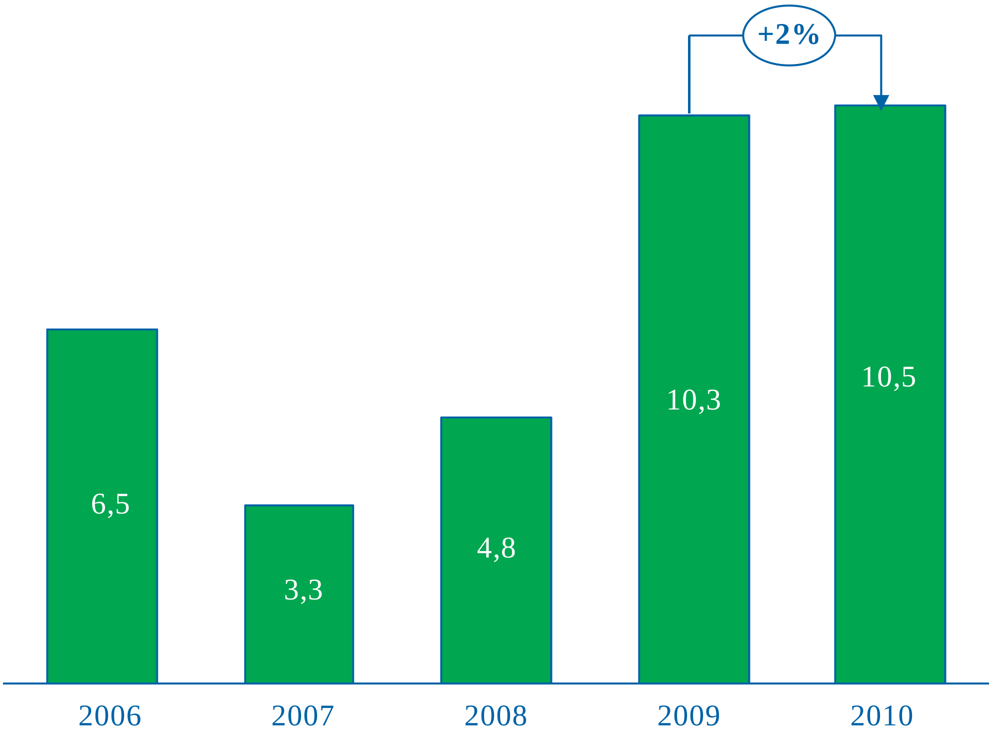
EBIT development

EBIT for the year amounted to EUR 10.5 (DKK 78.4), which is a new record.

EBIT
(EUR mio.)



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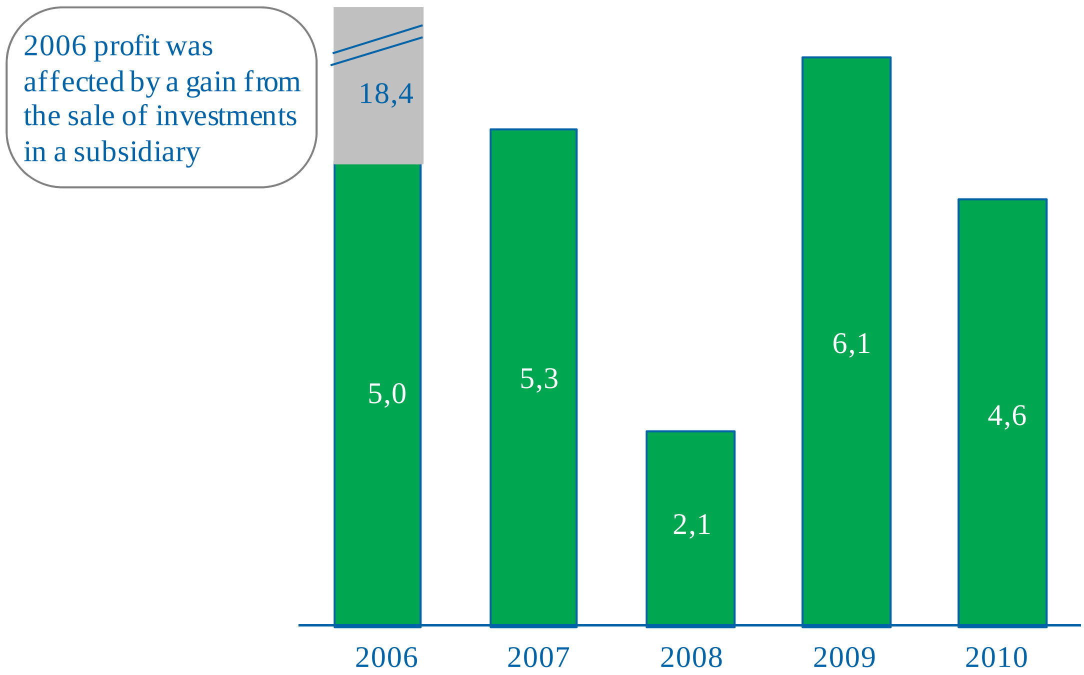
Development in profit before tax

The consolidated profit before tax amounted to EUR 4.6 million (DKK 34.2 million) against EUR 6.1 million (DKK 45.5 million) in the previous year.

Profit before tax
(EUR mio.)



Considering the historically low wind year in Germany (approx. 74% of a normal year) and the fact that the Company suffered a loss from foreign currency loans amounting to EUR 0.8 million, the results are considered acceptable. In general, due to the increased focus on development activities, the earnings of the Company may become more volatile than today. This is due to the fact that earnings are only recognized in the financial statements when the sale has been realized. Management clearly expects the Company to obtain improved earnings in the medium and long term. Volatility therefore solely relates to the fact that the time of recognition may shift in consequence of the time of realization of the sale.

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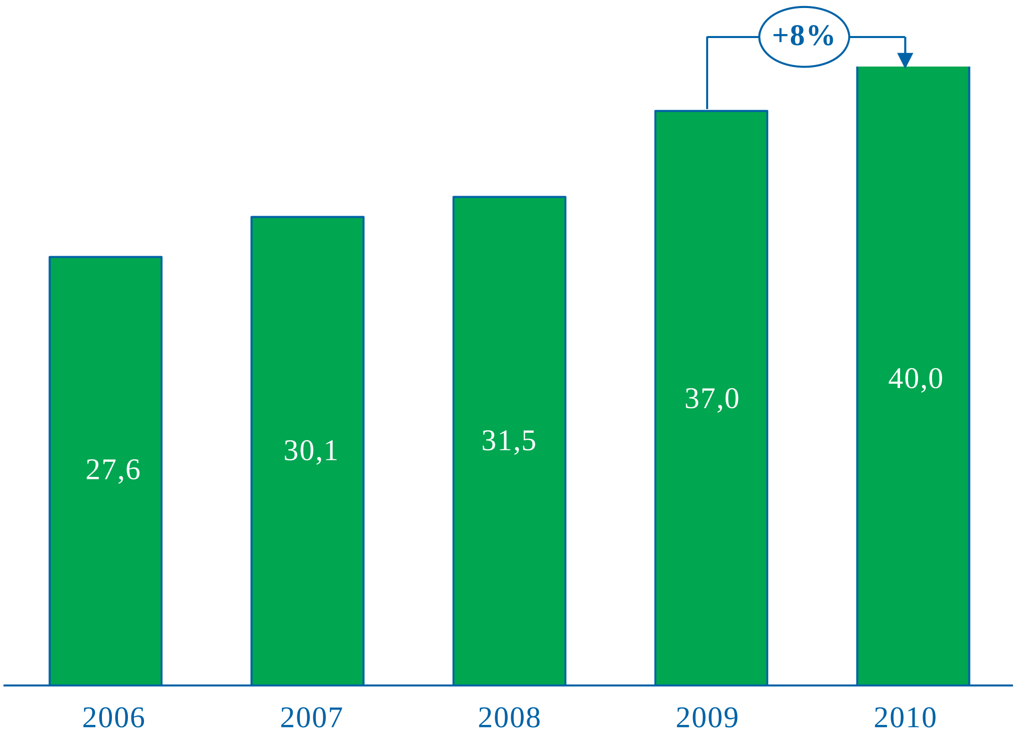
Equity development

In the course of 2010, European Energy's equity increased to EUR 40.0 million (DKK 298.4 million).

Equity
(EUR mio.)



It is a significant parameter for European Energy to have a solid equity base. Development activities are capital-intensive, for which reason Management does not expect the distribution of substantial dividends to the shareholders in the years to come, but rather that the expected surplus stays in the Company to strengthen the Group's growth.

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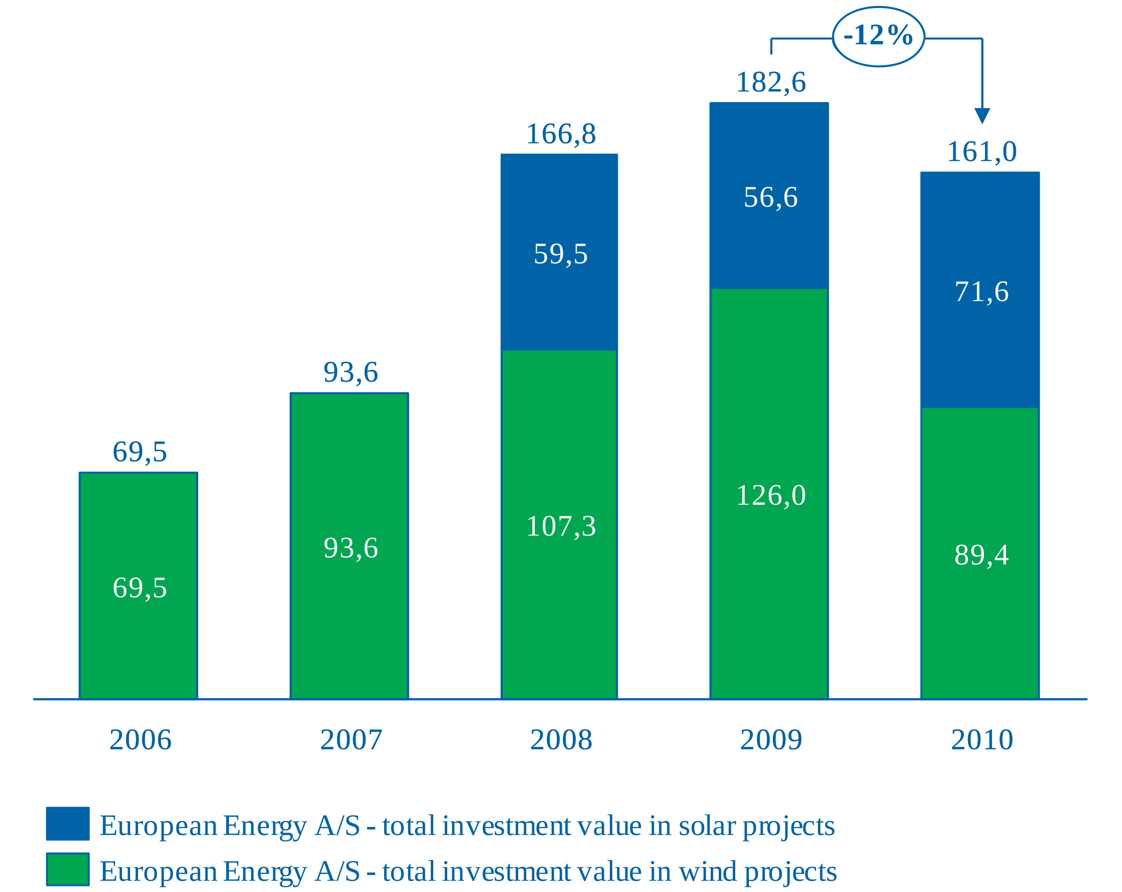
Development in European Energy's ownership share in energy assets

The share of operational activities in European Energy dropped from EUR 182.6 million (DKK 1,360.4 million) in 2009 to EUR 161.0 million (DKK 1,199.5 million) in 2010. This is the first decrease in the Company's history (-12%) and is a consequence of the new strategy with increased focus on project development.

European Energy's accumulated ownership in projects in operation, cost based
(EUR mio.)



Operating activities

As mentioned earlier, European Energy is itself developing a growing share of the Group's projects as part of the shift in strategy. The development of the solar and wind energy parks takes place in the subsidiaries European Solar Farms A/S and European Wind Farms A/S.

Large portfolio of solar and wind farms in operation

Since 2004, European Energy has created a substantial portfolio of solar and wind energy parks, primarily with solar energy parks in Spain and wind energy parks in Germany.

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In 2010, many of the Company's own development projects were nearing the construction phase. As regards solar energy, the solar energy park Caposele was built, with its capacity of 4.1 MW the largest solar energy park ever built by European Energy. The plant was completed in the beginning of December and thus qualifies for the high energy tariff in Italy applying to plants built before the turn of the year 2010/11. The plant is a product of in-house development and therefore one of the first results of the strategy with in-house development projects. The plant came into commercial operation in February 2011. In the Valencia region of Spain, European Energy has built Plasticueros, which is a roof solar plant with a capacity of 0.2 MW. At the end of the year, another two solar energy parks, Ibiza and La Pobla, each with a capacity of 0.2 MW were under construction. All three Spanish projects have been developed internally in European Energy.

In connection with the strategic shift towards development enterprise, European Energy has consciously been reducing ownership shares and divested several wind parks. This has reduced European Energy's portfolio of wind energy assets in total from 99.2 MW in 2009 to 69.3 MW in 2010. However, the solar energy activities have grown from 8.7 MW to 12.1 MW, which is primarily due to the building of Caposele.

Shown below is an outline of all operational parks in which the Company has ownership shares at the end of 2010.

Operational wind and solar parks

Wind

Country	Park	Number of turbines	Total MW	European Energy's share in %	European Energy's share in MW
Bulgaria	Krupen	4	12,0	100%	12,0
Germany	Altlandsberg	6	12,0	15%	1,8
Germany	Auras I	1	2,0	22%	0,4
Germany	Bad Iburg	3	5,0	25%	1,3
Germany	Bönen	4	8,0	50%	4,0
Germany	Dessow	2	3,0	22%	0,7
Germany	Eichow	6	12,0	11%	1,3
Germany	Gommern	13	22,0	5%	1,2
Germany	Greussen	11	22,0	36%	7,9
Germany	Güstow	1	0,6	100%	0,6
Germany	Kasel-Golzig	2	4,0	50%	2,0
Germany	Mildenberg	4	8,0	15%	1,2
Germany	Nielitz	5	10,0	50%	5,0

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Germany	Ottenhausen	8	16,0	8%	1,3
Germany	Schäcksdorf	6	12,0	25%	3,0
Germany	Sohland II	3	6,0	37%	2,2
Germany	Thräna	3	6,0	22%	1,3
Germany	Timpberg 9 + 10	2	4,0	50%	2,0
Germany	Unseburg-Löderburg	9	18,0	50%	9,0
Germany	Wittstock-Papenbruch I + II	6	5,1	54%	2,7
Germany	Wriezener Höhe	13	26,0	15%	3,9
Italy	Vitalba	7	6,0	76%	4,5
Sum		**119,0**	**219,7**		**69,3**

Solar

Country	Park	Total MW	European Energy's share in %	European Energy's share in MW
Spain	Beniarbeig	2,0	58%	1,2
Spain	L'Olleria	1,5	100%	1,5
Spain	Campllong	1,1	50%	0,5
Spain	Ocaña	1,2	100%	1,2
Spain	Villanueva	2,4	100%	2,4
Spain	Monovar	2,0	100%	2,0
Spain	Ibiza	0,2	100%	0,2
Spain	La Pobla	0,2	100%	0,2
Italy	Caposele	4,1	70%	2,9
Sum		**14,7**		**12,1**

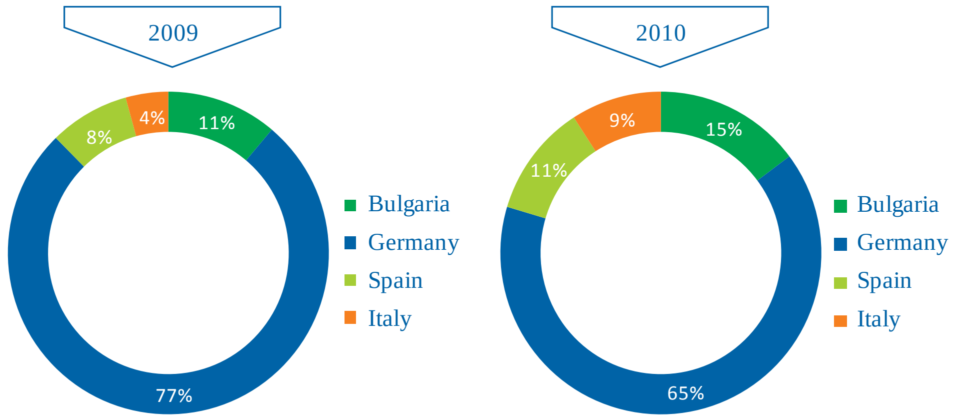
Management's review

Operating review

It is the intention of the European Energy Group to spread its geographical and technological risk, for which reason it is considered highly satisfactory that in 2010 the distribution of assets between countries and regions was broadened. The predominance of wind energy assets was also reduced.

This development is expected to continue in 2011 and 2012 - it is the Group's intention that the geographical spreading is furthered in 2012 in order for the Group to have operational assets in more countries.

Geographic distribution of operational solar and wind parks
(MW)



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Shown below are the parks in which the Group has ownership shares at the end of 2010:

Geographic distribution of operational solar and wind parks

Building permits

In 2010, the Group significantly expanded its pipeline of projects that have obtained building permits. This is a result of the increased focus on project development.

Wind

In 2010, five wind energy projects with a total capacity of 81.6 MW obtained building permits - four of these are located in Tuscany, Italy, and one in North Western Poland:

- Carpinaccio, 17 turbines of 800 KW each, 13.6 MW in total
- Lajatico, 10 turbines of 2 MW each, 20 MW in total
- Riparbella, 10 turbines of 2 MW each, 20 MW in total
- Santa Luce & Casciana Terme, 11 turbines of 2 MW each, 22 MW in total
- Grzmiaca, 3 turbines of 2 MW each, 6 MW in total

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Solar

In 2010, seven Italian solar energy projects and three roof solar projects in Spain obtained building permits, which means that building permits were obtained for solar energy projects with a total capacity of 11.6 MW:

- Persano of 1.9 MW
- Fauglia of 1.0 MW
- Vicopisano of 1.0 MW
- Cascina I of 1.0 MW
- Bientina of 1.0 MW
- Eboli of 2.0 MW
- Spineto of 3.0 MW
- Ibiza of 0.2 MW
- La Pobla of 0.2 MW
- Alzira of 0.3 MW

Persano, Eboli, and Spineto are located in Campania and Fauglia, Vicopisano, Cascina I, and Bientina are located in Tuscany. All Italian projects have received Autorizatione Unica as well as final grid connection. The Spanish roof projects La Pobla and Alzira are located in Valencia and like Ibiza they have obtained the final building permit as well as power tariff allocation. All the above projects are thus ready for construction with Ibiza and La Pobla already in the construction phase as of 31 December 2010 and put into operation at 31 May 2011.

All parks have been developed by European Wind Farms and European Solar Farms, respectively, and will mainly be realized through the Group's partnership model, whereby financial investors are invited to join the projects directly prior to the construction phase.

Management's review

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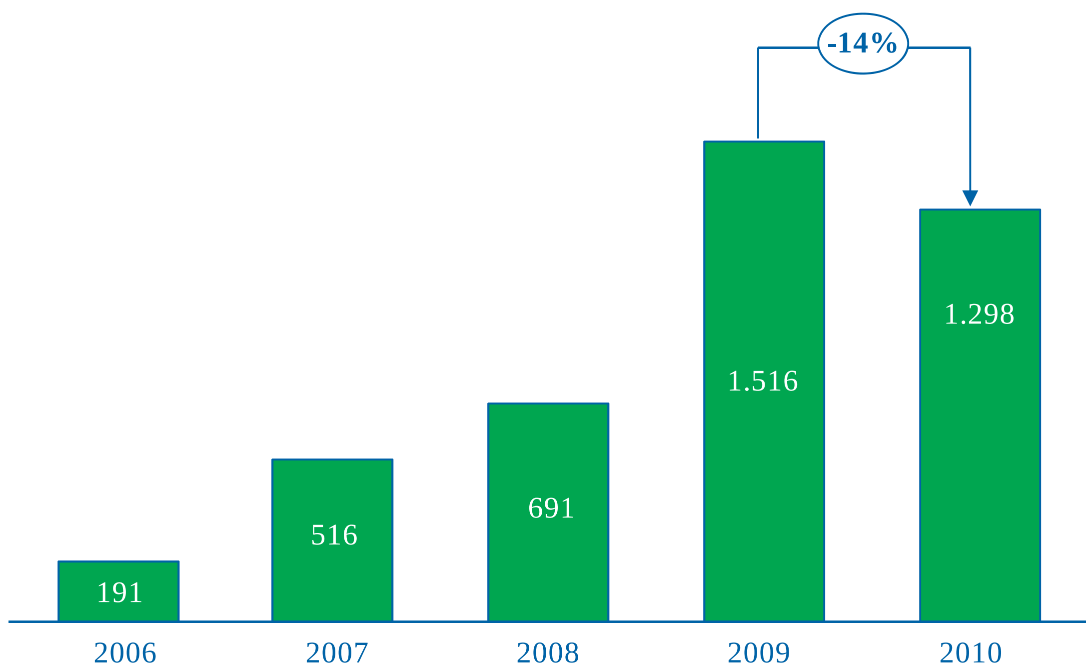
Pipeline and risk assessment

Pipeline development

In the course of 2010, the Group's pipeline, including partner interests in solar and wind energy, was reduced from 1,516 MW to 1,298 MW. The reduction is mainly explained by the ordinary opting out in relation to development of projects, adjustment of individual projects, and the fact that the Group has decided to focus on the existing pipeline as opposed to expanding it further. The portfolio consists of projects in different stages of development.

Pipeline solar and wind projects
(MW)



Risk management

The pipeline has developed positively in Northern Europe where a part of the projects has developed faster than expected, which contributes positively to the Group's risk spreading. For instance, the largest wind project of European Energy so far, Choczewo in Poland, with a capacity of 111 MW obtained a grid connection agreement in 2010. In connection with the upcoming construction phase, a binding sales agreement has been entered with a financial investor whereby 20% of the project were divested in 2010. The agreement further implicates that the remaining part of the project is to be sold when the next milestones are reached; environmental permit and building permit, which are expected in 2011 and 2012.

For European Energy, the quality of the pipeline is of utmost importance for the future value creation in the Company. For this reason, projects are continuously evaluated based on technical and financial criteria, and projects which are not assessed to produce satisfactory yields, or where it is assessed that the risk cannot be managed satisfactorily in the project

Management's review

Operating review

phase, are discarded. Risk management is therefore an integral part of the project management. Thus, ongoing evaluation of individual projects is performed to assess whether a continuation of the development will be profitable.

Risk management implies that the Company performs thorough analyses of the solar or wind resources in the early project phase. Further, local legal and environmental investigations are completed. To ensure land rights and grid connection, purchase or lease agreements are entered e.g. with farmers, and power sales agreements with utilities.

Suppliers with regard to equipment and contractors are chosen after careful selection. Service agreements are entered into according to the usual market standards.

European Energy wind park in Germany
Eichow - 12 MW

Recognition and measurement of development activities

Development activities are by nature associated with some uncertainty; will the building permit be obtained, and what will the value of it be once obtained? European Energy continuously performs a cautious assessment of the development activities, for which reason these are always recognized at cost. Further, European Energy takes care not to recognize assets at a value above market value. Should the cost of a given project turn out to be higher than the market value, the asset will be written down to this lower value as soon as a lasting impairment of the asset has been identified.

Management's review

Operating review

Post balance sheet events

Power sales agreements on market terms

In 2011, it has in Germany for the first time been possible to achieve power sales agreements on wind turbine power on market terms that are more attractive than those of the German EEG (Erneuerbaren Energien Gesetz), which is the German subsidy scheme. At present, these agreements only apply for the year 2011. Later, the parks in question will again become part of the German subsidy scheme.

This is a milestone in European Energy's history, as it very much contributes to the expectation of significantly less dependency on granted subsidies, which will in time reduce most of the political dependency.

Organizational structure

In 2010, the new organizational structure was still being implemented. Early in 2011, this process was completed and all employees were transferred from the subsidiaries European Wind Farms and European Solar Farms to European Energy. This also implied a small staff adjustment and an adjustment between the individual departments.

European Energy wind park in Germany
Nielitz - 10 MW

Management's review

Operating review

Outlook

The sustainable energy market

Sustainable energy has turned out to be one of the industries which have weathered the current financial crisis best and which continue to see high global growth rates, however not with the same speed as previously.

Activities

European Energy expects a continuing high level of activities for 2011, where the effort will remain focused on divestment of assets, completion of project financing for a range of larger projects, as well as project development.

In 2011, the Company expects to initiate the realization of wind energy projects with a capacity of between 30-60 MW together with financial partners. Further, projects with a capacity ranging from 5-10 MW are expected to be built within the field of solar energy. The latter is, however, very dependent on a range of legislative initiatives in Italy. Regarding the pipeline, a number of projects are expected to get close to a building permit during the course of 2011. This is particularly the case for projects in Denmark and Sweden, but also projects in Poland are developing very positively. In Italy, the uncertainty associated with the future framework conditions may in the worst case prove some of the Italian projects unrealizable or entail a significant shift with regard to the time when the projects may be realized.

European Energy will in 2011 continue to strengthen the Company's capital base through divestments in order for the Company to be more capable of handling the opportunities in the market. Management expects that by the end of 2011 the Group will have less borrowing, increased solvency, and increased cash resources.

Results

The contribution to operation from the consolidated operational assets is in 2011 expected to ensure a reasonable starting point for the year's results, where sales activities are expected to lead to results above the level of 2010. At 31 May 2011, a range of sales agreements have been entered into conditional on the usual due diligence. Due to the relatively large size of transactions, the results for 2011 may be significantly affected by whether these transactions will be closed in 2011 or 2012.

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

Accounting policies

The annual report of European Energy A/S 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 2010 constitutes 7.45 (7.44 at 31 December 2009).

Change in accounting policies

The Group has decided to change its accounting policies regarding the presentation of development activities and of property, plant and equipment in progress, which were previously disclosed under non-current assets.

These will in the future be classified as inventories, referred to as "project portfolio", as it is the assessment of the Group that this will to a greater extent give a true and fair view of the project development activities. Comparative figures have been adjusted in the balance sheet, the income statement, the cash flow statement and the notes for 2009.

Apart from the above, the accounting policies applied 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.

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, 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 financial statements is recognised in the income statement as financial income or financial expenses.

Non-current assets acquired in foreign currencies 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. Positive and negative fair values of derivative financial instruments are included in other receivables or other payables, respectively.

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 and liabilities are recognised in other receivables or other payables and in equity. If the hedged forecast transaction results in the recognition of assets or liabilities, amounts previously recognised 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 recognised in equity are transferred to the income statement in the period in which the hedged item affects the profit/loss for the year.

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

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.

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

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

Accounting policies

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.

Income statement

The Group has the following revenue generating activities:

- Sale of power plants
- Sale of power
- Sale of services

Sale of power plants

Revenue from the sale of power plants 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.

For business and structural reasons all wind turbines/wind farms are formed in independent legal entities, for which reason sales of power plants are made by means of a complete or partial transfer of investments in the underlying legal entities. The sales value of the power plants, which is calculated as the proportionate share of the carrying amount of the power plant at the time of the sale plus the accounting profit from the sale, is recognised as revenue, regardless of the fact that these are sold via the disposal of investments.

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

Accounting policies

Sale of power

The revenue from the sale of power is recognised in the income statement with the amount paid by the purchaser of the power as the power is produced and supplied to the purchaser's network, if the production has taken place before year-end and if the income may be reliably measured and is expected to be received. Revenue is recognised exclusive of VAT and fees charged on behalf of third party.

Sale of services

Revenue from the sale of services is recognised in the income statement as the services are delivered and in compliance with contracts entered into. The revenue is recognised exclusive of VAT and fees charged on behalf of third party.

Direct costs

Direct costs comprise costs incurred in generating the revenue for the year. Direct costs comprise costs for the operation of the power plants as well as the carrying amount at the sales date of sold power plants.

Staff costs

Staff costs comprise wages and salaries, pensions and other staff costs for the company’s employees, including the Executive Board and the Board of Directors.

Other operating costs

Other operating costs comprise costs for administration, etc.

Depreciation and amortisation

Depreciation and amortisation comprises depreciation and amortisation for the year on intangible assets and property, plant and equipment and loss and gain on disposal of other fixed assets than power plants.

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.

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

Accounting policies

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.

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.

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:

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

Accounting policies

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

Gains and losses on the disposal of wind turbines and solar power plants are determined as the difference between the sales price less disposal costs and the carrying amount at the date of disposal. The sales value of the power plants is recognised as revenue and the carrying amount at the date of disposal is recognised in the item direct costs.

Gains and losses on the disposal of fixtures and fittings, tools 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 with the parent company's share of the negative net asset value if the amount owed is irrecoverable. If the negative net asset value exceeds receivables, the remaining amount is recognised as provisions. 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.

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

Accounting policies

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 owning power plants, the sales value of the power plant is recognised as revenue and calculated as the proportionate share of the carrying amount of the power plant at the time of disposal plus the accounting profit from the sale, and the carrying amount of the investment at the time of disposal is recognised as direct costs in the income statement.

Gains or losses on disposal of other subsidiaries and associated companies are calculated as the difference between sales price and the carrying amount 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.

Impairment of assets

The carrying amount of intangible assets and property, plant and equipment, investments in subsidiaries and associated enterprises as well as other investments are subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

Impairment tests are conducted of individual assets or groups of assets when there is an indication that they may be impaired. Write-down is made to the recoverable amount if this is lower than the carrying amount.

The recoverable amount is the higher of an asset's net selling price and its value in use. The value in use is determined as the present value of the expected net income from the use of the asset or the group of assets and expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Project portfolio

Project portfolio comprises projects in progress within development and construction of sustainable power plants. The projects may be divided into the following categories:

- Projects under development
- Projects under construction
- Completed projects for resale

Completed projects are transferred to property, plant and equipment, when the plant is put into commercial operation.

The project portfolio is measured at cost or at the net realisable value, when this is lower.

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

Accounting policies

Projects under development

Projects under development comprise projects where the construction phase has not yet begun.

Cost comprises direct or indirect costs for the development of projects, including interest expenses in the project period.

Projects under construction

Projects under construction comprise projects where construction has begun, but is not yet finalised.

Cost comprises both cost spent in the development phase (projects under development) and cost in relation to the construction phase, which mainly comprises direct and indirect costs for sub-suppliers, project management and financing as well as interest expenses in the construction phase.

Completed projects for resale

Completed projects for resale comprise projects where the construction is finalised, but where the sales process has not been finalised.

Cost comprises both cost cost spent in the development phase (projects under development) and cost in relation to the construction phase, which mainly comprises direct and indirect costs for sub-suppliers, project management and financing as well as interest expenses in the construction phase.

If the expected sales price for the project less sales costs (the net realisable value) is estimated as lower than the carrying amount, write-down is made to this lower value.

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.

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

Accounting policies

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.

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.

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.

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

Accounting policies

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.

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 2010".

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

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

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

Income statement

		Consolidated		Parent company	
EUR'000	Note	2010	2009	2010	2009
Revenue	1	58,995	28,678	11,649	2,987
Direct costs		-40,478	-14,935	-10,449	-1,354
Gross profit		18,517	13,743	1,200	1,633
Staff costs	2	-3,106	-1,621	-1,036	-508
Other external costs		-2,029	-1,327	-405	-226
Depreciation and impairment losses	7,8	-2,868	-3,562	-91	-41
Ordinary operating profit		10,514	7,233	-332	858
Separate items	3	0	3,106	0	3,106
Profit before financial items		10,514	10,339	-332	3,964
Profit in subsidiaries before tax	9	0	0	3,142	1,306
Profit in associates	10	187	-398	255	458
Financial income	4	1,572	2,413	1,447	2,115
Financial expenses	5	-7,686	-6,239	-2,405	-1,860
Profit for the year before tax		4,587	6,115	2,107	5,983
Tax on profit for the year	6	-97	-146	1,084	-337
Profit for the year		4,490	5,969	3,191	5,646
Minority share holders' share of profit for the year		-1,299	-323	0	0
The Group's share of profit for the year		3,191	5,646	3,191	5,646

Proposed profit appropriation

Reserve for net revaluation according to the equity method	2,730	1,764
Retained earnings	461	3,882
	3,191	5,646

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

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2010	2009	2010	2009
ASSETS					
Non-current assets					
Intangible assets	7				
Goodwill		261	520	0	175
Other rights		0	816	0	0
		261	1,336	0	175
Property, plant and equipment	8				
Wind power plants		30,903	40,864	0	0
Solar power plants		62,000	59,395	0	0
Fixtures and fittings, tools and equipment		339	205	306	149
		93,242	100,464	306	149
Investments					
Investments in subsidiaries	9	0	0	28,587	26,079
Investments in associates	10	12,797	17,696	6,188	9,736
Other investments	11	4,272	2,559	615	418
Amounts owed by parent company	12	8,176	8,547	8,854	9,072
Amounts owed by subsidiaries	13	0	0	30,273	16,506
Amounts owed by associates	13	4,489	4,932	1,028	1,101
Other receivables	14	9,579	8,631	0	0
		39,313	42,365	75,545	62,912
Total non-current assets		132,816	144,165	75,851	63,236
Current assets					
Project portfolio	15	22,426	21,735	0	0
Receivables					
Trade receivables		6,160	10,357	951	217
Deferred tax asset	18	2,900	0	640	0
Other receivables		10,917	11,692	2,202	1,843
Prepayments		274	416	85	46
		20,251	22,465	3,878	2,106
Securities		107	17	3,944	3,751
Cash at bank and in hand		8,407	10,082	612	26
Total current assets		51,191	54,299	8,434	5,883
TOTAL ASSETS		184,007	198,464	84,285	69,119

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

Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2010	2009	2010	2009
EQUITY AND LIABILITIES					
Equity	16				
Share capital		1,340	1,340	1,340	1,340
Reserve for net revaluation according to the equity method		0	0	19,338	16,608
Retained earnings		38,688	35,648	19,350	19,040
Total equity		40,028	36,988	40,028	36,988
Minority interests	17	3,218	3,624	0	00
Provisions					
Deferred tax	18	2,137	3,042	742	1,136
Liabilities other than provisions					
Non-current liabilities other than provisions	19				
Liabilities from issuance of bonds		7,600	9,362	0	0
Mortgage credit institutions		77,967	71,755	624	910
Other payables		1,217	5,037	0	1,613
		86,784	86,154	624	2,523
Current liabilities other than provisions					
Mortgage credit institutions	19	33,599	51,895	16,487	17,556
Trade payables		5,613	5,094	352	68
Amount owed to affiliates		0	0	24,274	6,811
Amount owed to associates		288	295	3	0
Corporation tax payable		1,200	0	0	0
Other payables		10,616	11,372	1,251	4,037
Amounts owed to company shareholders and management		524	0	524	0
		51,840	68,656	42,891	28,472
Total liabilities other than provisions		138,624	154,810	43,515	30,995
TOTAL EQUITY AND LIABILITIES		184,007	198,464	84,285	69,119

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

Cash flow statement

EUR'000	Note	Consolidated 2010	Consolidated 2009
Operating profit		10,514	7,233
Adjustment for non-cash operating items, etc.:			
Depreciation etc.		-5,159	3,562
Cash generated from operations (operating activities) before changes in working capital		5,355	10,795
Changes in self-financing of project portfolio	23	424	-2,253
Changes in receivables		7,422	4,582
Other changes in current liabilities		-6,496	-12,534
Cash flows from operating activities		6,705	590
Interest income etc., received		1,572	2,413
Interest expense etc., paid		-7,778	-6,202
Cash flows from ordinary activities before tax		499	-3,199
Corporation tax paid		-2,150	1,262
Cash flows from operating activities		-1,651	-1,937
Acquisition of property, plant and equipment		-20,543	-7,160
Disposal of subsidiaries and activities		12,852	9,215
Acquisition of investments and securities		-3,852	-9,333
Disposal of investments and securities		5,160	1,638
Dividends		0	800
Cash flows from investing activities		-6,383	-4,840
Repurchase of issued bonds		-1,851	0
Non-current liabilities for project financing		10,899	27,429
Instalments on non-current project financing		-4,296	-2,167
Other changes in debt to mortgage credit institutions, etc.		1,432	-22,249
Minority shareholders' share of capital increase in subsidiary		175	683
Cash flows from financing activities		6,359	3,696
Net cash flows for the year		-1,675	-3,081
Cash and cash equivalents at 1 January		10,082	13,163
Cash and cash equivalents at 31 December		8,407	10,082

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

		Consolidated		Parent company	
	EUR'000	2010	2009	2010	2009
1	**Revenue**				
	Sale of power plants	48,172	15,693	11,270	1,502
	Sale of power	10,369	11,463	0	0
	Other income	454	1,522	379	1,485
		58,995	28,678	11,649	2,987
2	**Staff costs**				
	Wages and salaries	3,074	1,552	1,012	461
	Pensions	0	0	0	0
	Other social security costs	13	20	6	7
	Other staff costs	19	49	18	40
		3,106	1,621	1,036	508
	Average number of employees	43	35	19	11

With reference to section 98 b, subsection 3 (2) of the Danish Financial Statements Act, emoluments to the Supervisory and Executive Boards are not disclosed.

3 Separate items

Separate items in 2009 relate to the termination of the cooperation with a former business partner concerning the development of wind energy projects and the ownership of European Wind Farms A/S with a total of EUR 1,106 thousand (net) as well as a grant towards running costs provided by the parent company to European Energy A/S as part of the termination of the cooperation and the ownership of European Wind Farms A/S in the amount of EUR 2,000 thousand.

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

Notes to the financial statements

		Consolidated		Parent company	
	EUR'000	2010	2009	2010	2009
4	**Financial income**				
	Interest income, banks	834	924	0	7
	Interest income, affiliates and associates	621	953	1,331	1,578
	Interest income, bonds	0	15	0	15
	Exchange gains on securities	0	452	0	452
	Foreign exchange gains	0	52	0	39
	Other financial income	117	17	116	24
		1,572	2,413	1,447	2,115
5	**Financial expenses**				
	Interest expenses, mortgage credit institutions	5.478	5.749	845	1.064
	Interest expenses, associates and affiliates	0	94	870	728
	Interest expenses, corporate bond	307	328	0	0
	Other interest expenses	1.663	68	207	68
	Exchange losses on securities	74	0	74	0
	Foreign exchange losses, etc.	164	0	409	0
		7.686	6.239	2.405	1.860
6	**Tax on profit for the year**				
	Tax on profit for the year	-3,350	-33	0	-222
	Change in deferred tax	3,805	-31	1,034	-33
	Tax adjustment regarding prior years	-552	-82	50	-82
		-97	-146	1,084	-337

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

Notes to the financial statements

7 Intangible assets

Consolidated

EUR'000	Goodwill	Other rights	Total
Cost at 1 January 2010	625	1,090	1,715
Additions for the year	0	0	0
Disposals for the year	-282	-1,090	-1,372
Cost at 31 December 2010	343	0	343
Amortisation and impairment losses at 1 January 2010	-105	-274	-379
Amortisation for the year	-31	-14	-45
Disposals for the year	54	288	342
Amortisation and impairment losses at 31 December 2010	-82	0	-82
Carrying amount at 31 December 2010	261	0	261
Amortisation period	20 years	20 years	

Parent company

EUR'000	Goodwill
Cost at 1 January 2010	218
Additions	0
Disposals	-218
Cost at 31 December 2010	0
Amortisation and impairment losses at 1 January 2010	-43
Amortisation for the year	-11
Disposals	54
Amortisation and impairment losses at 31 December 2010	0
Carrying amount at 31 December 2010	0
Amortisation period	20 years

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

Notes to the financial statements

8 Property, plant and equipment

Consolidated

EUR'000	Wind power plants	Solar power plants	Fixtures and fittings, tools and equipment	Total
Cost at 1 January 2010	48,460	61,403	337	110,200
Transferred from project portfolio	17,918	0	0	17,918
Additions upon acquisition of investments	0	2,373	0	2,373
Additions for the year	50	2,338	237	2,625
Disposals for the year	-33,362	0	-8	-33,370
Cost at 31 December 2010	33,066	66,114	566	99,746
Depreciation and impairment at 1 January 2010	-7,596	-2,008	-132	-9,736
Additions upon acquisition of investments	0	-395	0	-395
Depreciation for the year	-1,009	-1,711	-103	-2,823
Disposals for the year	6,442	0	8	6,450
Depreciation and impairment losses at 31 December 2010	-2,163	-4,114	-227	-6,504
Carrying amount at 31 December 2010	30,903	62,000	339	93,242
Depreciation period	25 years	40 years	3-5 years	

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

Notes to the financial statements

Parent company

EUR'000	Fixtures and fittings, tools and equipment
Cost at 1 January 2010	216
Additions for the year	237
Cost at 31 December 2010	453
Depreciation and impairment losses at 1 January 2010	-67
Depreciation for the year	-80
Depreciation and impairment losses at 31 December 2010	-147
Carrying amount at 31 December 2010	306
Depreciation period	3-5 years

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

Notes to the financial statements

9 Investments in subsidiaries

	Parent company	
EUR'000	2010	2009
Cost at 1 January	9,200	7,750
Transferred from associates	0	915
Additions for the year	988	603
Disposals for the year, sale of investments	-1,095	-68
Disposals for the year, non-cash contribution in associates	-370	0
Cost at 31 December	8,723	9,200
Value adjustment at 1 January	16,648	2,190
Transferred from associates	0	7,771
Share of results for the year	3,142	1,306
Hedging transactions	-86	-165
Value adjustment upon change in ownership share	154	5,575
Reversed value adjustment at disposal	-128	-51
Other value adjustments	-596	22
Value adjustment at 31 December	19,134	16,648
Carrying amount at 31 December	27,857	25,848
Investments in subsidiaries are recognised as follows:		
Investments in subsidiaries	28,587	26,079
Set off against amounts owed by subsidiaries	-730	-231
	27,857	25,848

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

Notes to the financial statements

Investments in subsidiaries at 31 December 2010 can be specified as follows:

EUR'000 Name	Owner-ship share at 31/12 2010	Share of profit/loss for the year	Share of equity
European Wind Farms A/S, Lyngby-Taarbæk	100.0%	913	16,338
European Wind Farm No. 1 A/S, Lyngby-Taarbæk	100.0%	2,875	5,156
European Wind Farm No. 2 A/S, Lyngby-Taarbæk	100.0%	-160	108
European Energy Systems I ApS, Lyngby-Taarbæk	100.0%	33	51
European Energy Systems II ApS, Lyngby-Taarbæk	100.0%	-324	-255
European Hydro Plants A/S, Lyngby-Taarbæk	100.0%	-2	-1
European Solar Farms A/S, Lyngby-Taarbæk	75.9%	100	5,746
Enerteq Vitalba ApS, Lyngby-Taarbæk	88.5%	238	1,391
Enerteq ApS, Lyngby-Taarbæk	55.4%	-63	118
EWF Deutschland GmbH, Germany	55.4%	-3	116
EWF Vier Sechs GmbH & Co. KG, Germany	100.0%	6	232
EE Sieben Eins GmbH & Co. KG, Germany	100.0%	0	0
EE Sieben Zwei GmbH & Co. KG, Germany	100.0%	0	0
Bond II Erste GmbH & Co. KG, Germany	100.0%	5	3
Bond II Zweite GmbH & Co. KG, Germany	100.0%	6	3
Wind Energy EOOD, Bulgaria	100.0%	94	-44
Wind Power 2 EOOD, Bulgaria	100.0%	-2	-138
Wind Stream EOOD, Bulgaria	100.0%	-4	-141
Wind Systems EOOD, Bulgaria	100.0%	-15	-152
		3,697	28,531
Results from subsidiaries disposed of during the year		119	0
Change in intra-group gains from project spin-off		-674	0
Intra-group gains from project spin-off		0	-674
		3,142	27,857

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

Notes to the financial statements

10 Investments in associates

Parent company

EUR'000	2010	2009
Cost at 1 January	9,776	7,056
Additions for the year	2,406	4,083
Disposals for the year	-6,198	-448
Transferred to subsidiaries	0	-915
Cost 31 December	5,984	9,776
Value adjustment at 1 January	-40	8,753
Profit for the year	255	458
Reversed value adjustment upon disposal	-11	-12
Dividends	0	-450
Transferred to subsidiaries	0	-7,771
Other adjustments	0	-1,018
Value adjustment at 31 December	204	-40
Carrying amount at 31 December	6,188	9,736

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

Notes to the financial statements

Investments in associates at 31 December 2009 can be specified as follows:

Name	Ownership share	Share of profit/loss for the year	Share of equity
EEA Renewables A/S, Lyngby-Taarbæk	50.0%	-29	1,586
EEGW Persano ApS, Lyngby-Taarbæk	50.0%	-1	613
European Energy Sales & Adm. ApS, Copenhagen	22.5%	-96	43
EWF Eins Zwei GmbH & Co. KG, Germany	22.0%	-1	103
EWF Eins Drei GmbH & Co. KG, Germany	22.0%	1	100
EWF Eins Vier GmbH & Co. KG, Germany	22.0%	-2	88
EWF Zwei Eins GmbH & Co. KG, Germany	22.0%	-5	90
EWF Drei Fünf GmbH & Co. KG, Germany	22.0%	-22	746
EWF Fünf Eins GmbH & Co. KG, Germany	25.0%	-12	656
EWF Fünf Vier GmbH & Co. KG, Germany	50.0%	-23	387
UW Nielitz GmbH & Co. KG, Germany	50.0%	357	1,402
Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany	50.0%	15	184
WP Timpberg GmbH & Co. Zehnte, Germany	50.0%	-8	164
EE Sieben Null GmbH & Co. KG, Germany	50.0%	19	19
EEA Verwaltungs GmbH, Germany	50.0%	-5	7
		188	6,188
Results from associates disposed of during the year		67	0
		255	6,188

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

Notes to the financial statements

Consolidated

EUR'000	2010	2009
Cost at 1 January	19,202	14,755
Additions for the year	2,381	5,484
Transferred to subsidiaries	-49	-935
Disposals for the year	-6,552	-451
Adjustments for the year	-1,539	349
Cost 31 December	13,443	19,202
Value adjustment at 1 January	-1,506	8,909
Profit for the year	187	-398
Reversed value adjustment upon disposal	1,340	-15
Dividends	0	-800
Transferred to subsidiaries	7	-7,750
Other adjustments	-674	-1,452
Value adjustment at 31 December	-646	-1,506
Carrying amount at 31 December	12,797	17,696

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

Notes to the financial statements

Investments in associates at 31 December 2010 can be specified as follows:

EUR'000 Name	Ownership share	Share of profit/loss for the year	Share of equity
EEA Renewables A/S, Lyngby-Taarbæk	50.0%	-29	1,586
EEGW Persano ApS, Lyngby-Taarbæk	50.0%	-1	613
European Energy Sales & Adm. ApS, Copenhagen	22.5%	-96	43
EWF Eins Zwei GmbH & Co. KG, Germany	22.0%	-1	103
EWF Eins Drei GmbH & Co. KG, Germany	22.0%	1	100
EWF Eins Vier GmbH & Co. KG, Germany	22.0%	-2	88
EWF Zwei Eins GmbH & Co. KG, Germany	22.0%	-5	90
EWF Drei Fünf GmbH & Co. KG, Germany	22.0%	-22	746
EWF Fünf Eins GmbH & Co. KG, Germany	25.0%	-12	656
EWF Fünf Vier GmbH & Co. KG, Germany	50.0%	-23	387
UW Nielitz GmbH & Co. KG, Germany	50.0%	357	1,402
Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany	50.0%	15	184
WP Timpberg GmbH & Co. Zehnte, Germany	50.0%	-8	164
EE Sieben Null GmbH & Co. KG, Germany	50.0%	19	19
EEA Verwaltungs GmbH, Germany	50.0%	-5	7
EWF Eins Sieben GmbH & Co. KG, Germany	50.0%	-29	361
EWF Zwei Acht GmbH & Co. KG, Germany	50.0%	9	305
EWF Zwei Neun GmbH & Co. KG, Germany	50.0%	14	292
Windpark Unseburg Nord GmbH & Co. Betriebs KG, Germany	50.0%	106	2,071
Zehnte Windpark Support GmbH & Co. KG, Germany	50.0%	-51	1,667
Windkraft Sohland GmbH & Co. KG, Germany	37.1%	50	750
BOREAS Windfeld Greussen GmbH & Co. KG, Germany	35.7%	-93	1,836
Sol-Teq srl, Italy	50.0%	0	0
Reewf Srl., Italy	50.0%	-2	1
		192	13,471
Results from associates disposed of during the year		-5	0
Intra-group gains from non-cash contribution of projects		0	-674
		187	12,797

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

Notes to the financial statements

11 Other investments

EUR'000	Consolidated	Parent company
Cost at 1 January	2,559	418
Additions for the year	1,861	212
Disposals for the year	-148	-15
Cost at 31 December	4,272	615
Value adjustments at 1 January	0	0
Value adjustments for the year	0	0
Value adjustments at 31 Deccember	0	0
Carrying amount at 31 December	4,272	615

12 Amounts owed by parent company

The conditions for repayment of the balance with the parent company have not been laid down in detail.

13 Amounts owed by subsidiaries and associates

Long-term receivables relate to the financing of project development costs in subsidiaries and associated enterprises.

The conditions for repayment of the balances have not been laid down in detail.

14 Other receivables

Other receivables recognised as investments are lending from proceeds from the issuing of bonds in the amount of EUR 5.9 million. The lending carries interest at a variable rate between 4 and 11% per year.

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

Notes to the financial statements

15 Project portfolio

	Consolidated	
EUR'000	2010	2009
Project portfolio at 1 January	21,735	1,045
Additions for the year upon acquisition of investments	0	17,516
Additions for the year	18,609	3,174
Disposals for the year (transferred to wind and solar power plants)	-17,918	0
Disposals for the year (recognised as direct costs in the income statement)	0	0
Project portfolio at 31 December before value adjustment	22,426	21,735
Value adjustment at 1 January	0	0
Value adjustment for the year	0	0
Value adjustment at 31 December	0	0
Total project portfolio at 31 December	22,426	21,735
Project portfolio at 31 December is comprised as follows:		
Projects under development	9,627	5,901
Projects under construction	12,799	15,834
Total project portfolio at 31 December	22,426	21,735
Wind power plants	6,693	18,943
Solar power plants	15,733	2,792
Total project portfolio at 31 December	22,426	21,735
At 31 December, self-financing of project portfolios is comprised as follows:		
Expenses used at cost	22,426	21,735
Capitalised interest	0	0
Write-downs	0	0
Carrying amount of project portfolio	22,426	21,735
Debt to mortgage credit institutions, etc.	-12,535	-11,420
Total self-financing of project portfolio at 31 December	9,891	10,315

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

Notes to the financial statements

16 Equity

Consolidated EUR'000	Share capital	Retained earnings	Total
Equity at 1 January 2010	1,340	35,648	36,988
Profit for the year	0	3,191	3,191
Value adjustment of hedging instruments	0	-86	-86
Foreign currency adjustment	0	-65	-65
Equity at 31 December 2010	1,340	38,688	40,028

Parent company EUR'000	Share capital	Reserve for net revaluation according to the equity method	Retained earnings	Total
Equity at 1 January 2010	1,340	16,608	19,040	36,988
Profit for the year	0	2,730	461	3,191
Value adjustment of hedging instruments	0	0	-86	-86
Foreign currency adjustment	0	0	-65	-65
Equity at 31 December 2010	1,340	19,338	19,350	40,028

The share capital consists of nom. 10,000,000 shares, corresponding to EUR 1,340 thousand.

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

Notes to the financial statements

17 Minority interests

EUR'000	Consolidated	
	2010	2009
Balance at 1 January	3,624	2,489
Additions for the year upon disposal of investments	289	0
Disposals for the year upon acquisition of investments	-2,169	0
Minority interests' share of capital increases	175	812
Minority interests' share of profit for the year	1,299	323
	3,218	3,624

18 Deferred tax

	Consolidated		Parent company	
EUR'000	2010	2009	2010	2009
Deferred tax at 1 January	-3,042	-2,748	-1,136	-1,747
Change in deferred tax	3,805	-294	1,034	611
	763	-3,042	-102	-1,136

Deferred tax has been recognised as follows:

Deferred tax asset	2,900	0	640	0
Deferred tax	-2,137	-3,042	-742	-1,136
	763	-3,042	-102	-1,136

19 Financial liabilities other than provisions

	Consolidated	Parent company
Financial liabilities other than provisions are recognised in the following items:		
Liabilities from issuance of bonds	7,600	0
Mortgage credit institutions	111,566	17,111
Other debt (current and non-current)	2,559	867
	121,725	17,978

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

Notes to the financial statements

Consolidated EUR'000	Amount owed at 1/1 2009	Total amount owed at 31/12 2009	Non-current share of liabilities	Current share of liabilities	Outstanding amount after 5 years
Liabilities from issuance of bonds	9,362	7,600	0	7,600	7,600
Non-current project financing	61,316	69,432	4,141	65,291	47,035
Debt to mortgage credit institutions, etc. regarding project portfolio	11,420	12,535	12,320	215	0
Debt to mortgage credit institutions, etc.	50,914	32,158	19,697	12,461	4,102
	133,012	121,725	36,158	85,567	58,737
Parent company					
EUR'000					
Other debt to mortgage credit institutions, etc.	18,466	17,978	17,354	624	0

In 2005 and 2008 the Group issued its own series of bonds totalling EUR 13,100 thousand. Of these, the parent company owns bonds in the amount of nominally EUR 3,850 thousand. The bonds issued carry interest at a variable interest rate between 4 and 11% p.a. The interest rate depends on the energy production in German wind power parks.

20 Mortgages and security

Wind and solar power plants at a carrying amount of EUR 92,903 thousand at 31 December 2010 have been pledged as security for the Group's debt to mortgage credit institutions in the amount of EUR 111,566 thousand. In addition to this, investments in associated enterprises as well as cash at bank and in hand have been pledged as security.

The parent company's securities deposit comprises bonds issued by subsidiary in the amount of EUR 3,850 thousand. The parent company's debt to mortgage credit institutions in the amount of EUR 17,111 thousand is secured upon the parent company's custody account. Further, investments in subsidiaries and associates have been pledged as security.

Investments in German limited partnerships with a carrying amount of EUR 3,821 thousand at 31 December 2010 have been pledged as security for second priority financing in German limited partnerships.

Further, the parent company has issued a guarantee under which the Company assumes primary liability for subsidiaries' debt to mortgage credit institutions.

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

Notes to the financial statements

The parent company and certain of its subsidiaries have signed a letter of subordination to other creditors in German partnership companies, as the equity in the German partnership companies usually consists of granted loans. Furthermore, the distributions of profit/loss in the German partnership companies are contingent on a sufficient reserve being secured in the partnership companies in accordance with agreement with first mortgage financing credit institutions.

21 Contractual obligations

As part of the termination of cooperation agreement with former shareholder of a subsidiary, it has been agreed that the former shareholder shall receive a success fee of EUR 20 thousand per MW for projects that come into operation or are sold to a third party in the period up to and including 31 December 2012. According to the agreement, a success fee of EUR 2.3 million is guaranteed

22 Related party disclosure

Ownership

The following shareholders are registered in the Company's register of shareholders as owning a minimum of 5% of the votes or a minimum of 5% of the share capital:

European Energy Holding ApS, Peter Rørdams Vej 30, 2800 Kgs. Lyngby
Mikael Dystrup Pedersen, Vandstjernevej 36, 4600 Køge

The Company is included in the consolidated financial statements of European Energy Holding ApS.

Other related parties

The Company’s other related parties comprise subsidiaries, associates as well as the Executive Board and the Board of Directors.

Related party transactions

In the financial year the Company purchased wind power plants 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 in accordance with the arm's length principle.

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.

23 Change in self-financing of project portfolio

	Consolidated	
	2010	2009
Self-financing of project portfolio at 1 January	10,315	1,045
Additions upon acquisition of investments	0	7,017
at 31 December	-9,891	-10,315
Change in self-financing of project portfolio	424	-2,253