# European Energy A/S
ANNUAL REPORT 2011

EUROPEANENERGY
WIND · SOLAR

**KPMG**
**Statsautoriseret Revisionspartnerselskab**
**AUDIT**
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# European Energy A/S

# Annual report 2011

The following is a translation of an original Danish document. The original Danish document is the governing document for all purposes, and in case of any discrepancy, the Danish wording will be applicable.

Registration No. 18 35 13 31
237800 KEW SSB / 1700325_1

# Contents

# Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of European Energy A/S for the financial year 1 January – 31 December 2011.

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 2011 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 2011.

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 2012
Executive Board:

Knud Erik Andersen
CEO

Board of Directors:

| | | |
|---|---|---|
| Jens Peter Zink<br>Chairman | Knud Erik Andersen | Mikael Dystrup Pedersen |

# Independent auditors' report

## To the shareholders of European Energy A/S

## Independent auditors' report on the consolidated financial statements and the parent company financial statements

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 2011. The consolidated financial statements and the parent company financial statements comprise accounting policies, income statement, balance sheet, 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 are prepared in accordance with the Danish Financial Statements Act.

### *Management's responsibility for the consolidated financial statements and the parent company financial statements*

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control that Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' responsibility*

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 International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 of consolidated financial statements and parent company financial statements that give a true and fair view 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.

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

Our audit has not resulted 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 2011 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 2011 in accordance with the Danish Financial Statements Act.

# Independent auditors' report

## 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 further 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 provided in the Management's review is consistent with the consolidated financial statements and the parent company financial statements.

Lyngby, 31 May 2012
**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 |
| 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
Osvald Helmuths Vej 4
P.O. Box 250
DK-2000 Frederiksberg

# Management's review

## Financial highlights for the Group

| EUR'000 | 2011 | 2010 | 2009 | 2008 | 2007 |
|---|---|---|---|---|---|
| **Key figures** | | | | | |
| Revenue | 56,593 | 58,995 | 28,678 | 32,046 | 9,580 |
| Direct costs | -45,085 | -40,478 | -14,935 | -23,579 | -4,436 |
| Gross profit | 11,508 | 18,517 | 13,743 | 8,467 | 5,144 |
| EBIT (Ordinary operating profit) | 3,635 | 10,514 | 7,233 | 4,839 | 3,263 |
| Separate items | 300 | 0 | 3,106 | 0 | 0 |
| Ordinary profit/loss from financial income and expenses | -3,918 | -5,927 | -4,224 | -2,692 | 2,077 |
| **The group's share of profit for the year** | **760** | **3,191** | **5,646** | **1,342** | **3,846** |
| Balance sheet total | 142,974 | 184,007 | 198,464 | 159,947 | 89,943 |
| **Equity** | **40,526** | **40,028** | **36,988** | **31,468** | **30,102** |
| Cash flows from operating activities | -1,641 | -1,651 | -1,937 | -5,039 | 6,137 |
| Net cash flows from investing activities | 35,671 | -6,383 | -4,840 | -55,750 | -8,587 |
| Portion relating to investment in property, plant and equipment | -880 | -26,543 | -7,160 | -38,142 | -9,359 |
| Cash flows from financing activities | -34,700 | 6,359 | 3,696 | 54,332 | 1,969 |
| **Total cash flows** | **-670** | **-1,675** | **-3,081** | **3,621** | **-481** |
| **Financial ratios** | | | | | |
| Operating margin | 20.3% | 31.4% | 47.9% | 26.4% | 53.7% |
| Return on investment | 6.4% | 17.8% | 25.2% | 15.1% | 34.1% |
| Solvency ratio | 28.3% | 21.8% | 18.6% | 19.6% | 33.5% |
| Return on equity | 2.8% | 11.5% | 16.5% | 4.3% | 13.3% |
| Average number of full-time employees | 39 | 43 | 35 | 12 | 3 |

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

2011 was a year characterised by a high level of activity. The activities were primarily in the areas of project development, sale of energy assets and forging a number of strategic partnerships. Furthermore, project financing of a number of projects has been paid out.

In 2009, European Energy decided to increase the focus on the nearby Northern European markets, and in 2011 Management had this choice of strategy confirmed, as project development in Southern European countries had become increasingly difficult due to the financial crisis in these countries. In spite of this, however, European Energy managed to commence construction of two wind farms in Italy in 2011 and achieve financing for these.

In 2011, European Energy completed the development of the first of several Danish projects. This took place somewhat later than expected, as many local authorities in Denmark awaited the new legislation concerning sound emission and the new national energy agreement. Accordingly, this year's results are somewhat below expectations as a range of projects in Denmark were delayed. Based on the national energy agreement in Denmark, agreed on in early 2012, Management expects the Danish market to be a significant market for the European Energy Group in the coming years.

Looking forward, the main part of the development activities is to take place in Denmark, Germany, Poland and Sweden. In terms of technology, this entails a renewed focus on wind energy. However, with the dropping price on solar cells, the future also offers great opportunities within solar energy.

European Energy wind park in Germany
Eichow – 12 MW

# Management's review

## Operating review

### Financial highlights and mile stones for 2011

- Completion of the sale of energy assets in the amount of EUR 45.6 million
- Payout of project financing loans in the amount of EUR 22.6 million
- Approval of local development plan for the first project in Denmark
- Obtaining new building permits in Poland, Spain and Italy
- Commenced construction of two wind projects in Italy
- Reduction of total debt with 30.2%
- Improvement of solvency ratio from 21.8% to 28.3%
- Awarded Cleantech Entrepreneur of the year 2011.

### 2011 - a year with a high level of activity

European Energy's goal is to be among Europe's leading project developers within land based solar and wind energy parks. Further, European Energy seeks to be the preferred partner of financially strong investors with a wish to invest in solar or wind energy. This is why a great focus is aimed at the development and sale of energy assets. On average, European Energy wishes to maintain an ownership share of 20-25% of the developed solar and wind power plants in order for the Group to have two sources of income; the sale of assets and the sale of power, respectively. Many investors wish to enter into a co-ownership of the plants with European Energy, where European Energy takes care of administration and operation of the plants. In cases where the investor wishes to handle both administration and operation of the plants, all of European Energy's ownership shares are usually sold. The latter was the case in 2011, when a large German fund acquired the Group's entire ownership share in Auras, Dessow and Thräna.

European Energy's investment partners are typically investors seeking long-term, stable yields. An investment in a solar or wind power plant has very limited correlation to other investments, and for this reason still more investors view these investments as a supplement or an alternative to traditional asset classes. In general, the investors' interest in both wind and solar assets has been on the rise in the latest years. This year proved that there continues to be a very large demand for energy assets, which is not merely directed at a single country or a single technology. On the contrary, there has been a great demand for power plants in countries such as Bulgaria, Spain, Germany, Denmark and Italy, where demand has been aimed at both solar and wind energy assets - however, with higher sales prices in Northern Europe than in Southern Europe. For this reason, European Energy's strategy of not exposing itself towards only one country and one technology has proven fruitful. The high demand led to the sale of power plants in Bulgaria, Spain, Germany and Italy in 2011.

# Management's review

## Operating review

Strategic partnerships are of great importance to European Energy, for which reason the maintenance and development of these were areas of focus in 2011. Accordingly, an extension of the collaboration with a Dutch fund was welcomed. The fund acquired a large portfolio of German wind turbines in 2010, and with the extended partnership European Energy and the fund together own 48 MW. The Italian utility which purchased a share of Parco Eolico Monte Vitalba in 2006 also bought a share of the two Italian wind energy parks Carpinaccio and Riparbella, which are both expected to go into operation in November 2012. Also, a new collaboration has been established with a large Danish energy company, which has acquired European Energy's largest solar park of 4 MW in Italy. Further, European Energy's strategic partnerships with a number of Danish enterprises have also been extended further in 2011 and new partnerships have emerged.

Project financing is one of the European Energy Group's core competences. Accordingly, it is very satisfactory that project financing has been achieved for several solar and wind power plants in 2011. Among others, project financing has been obtained for a Bulgarian wind project with a 12-year loan period and a fixed interest rate for the entire period as well as for a Spanish solar project with a 17-year loan period and a fixed interest rate for a period of 10 years.

European Energy wind park in Italy
Carpinaccio – 13.6 MW (under construction)

# Management's review

## Operating review

### 2011 - a year of transition

In 2011, European Energy expanded its pipeline considerably with wind projects in Denmark and Germany. A very positive development has also been seen in a large number of ongoing projects, among which the first two projects in Denmark have been completed, while a range of projects in Poland have received building permits. In Italy, European Energy focused on utilising the existing building permits in 2011, for which reason the existing pipeline was not expanded further. Due to the financial situation in Italy, European Energy has decided to suspend the development of some of its least advanced Italian projects. Corresponding conditions in Spain have equally halted the further expansion of European Energy's pipeline here.

Thus, pipeline and project development were aimed at nearby markets such as Denmark, Sweden, Poland and Germany, whilst the wind division has expanded more than the solar division. This is mainly due to European Energy's wish to reduce dependency on subsidies.

Thereby, European Energy's change of direction in 2009, whereby the focus of development primarily emphasised Northern Europe, seems to have been one step ahead of the general market development in that investors have increasingly sought the 'safer' Northern European countries in 2011. This entailed a higher demand for the projects in Northern Europe, which results in an estimated increase in the value of European Energy's existing portfolio. Both the initial Danish and the following German projects are estimated to generate considerable additional value for the European Energy Group.

European Energy wind park in Italy
Monte Vitalba, 6 MW

# Management's review

## Operating review

### Simplification, streamlining and optimisation

The process of optimisation and streamlining of internal procedures and business processes initiated in 2010 continued in 2011. At the time of writing, Microsoft Dynamics NAV has been fully implemented in Italy, Spain and Germany, and the advantages hereof have become clear already. The shared platform and uniform standards result in considerably improved control and a faster and more qualitative reporting, which will not only free up resources, but also reduce costs. Management expects that during the second half of 2012 and in 2013 the Group will see the savings produced by the streamlining effort. In order to make the Group structure of European Energy clearer, a simplification process has been initiated. In this regard, several German and Danish companies were merged during 2011, and in 2012 the same will happen to around 40 Spanish companies.

### European Energy's flexible organisation manifesting itself

European Energy has a flexible and dynamic organisation based on some clear choices:

- only employees are hired who are familiar with the language, culture, political environment, etc., of the countries in which the Group has activities
- the staff includes both commercial, legal and technical groups of staff
- all employees work in Lyngby, which means that there are no offices abroad. This makes it flexible and easy to transfer employees from one country to the next, when the possibilities in a given country change.

The result of this is a very internationally oriented company with employees of 11 different nationalities, speaking 15 different languages in total. Furthermore, each project is monitored from greenfield to operation by an interdisciplinary team of commercial, legal and technical core competences. Each team offers indepth knowledge of all aspects of the development of a wind or solar park.

In 2011, the Company had 39 employees as a result of the streamlining processes and the adjustment of the primary focus on Northern Europe. This number is expected to increase to approximately 45 employees during the course of 2012, when the transition towards Northern Europe is implemented completely and the organisation has been adjusted to this in full.

The strength of the flexible organisation became clear in connection with the increased focus on Northern Europe, where the relocation of employees previously focused on countries with less activity to the new target markets has been easy. This is of great importance - not only because of the employees' vast experience within sustainable energy - but also because the familiarity with the processes, culture, etc., of European Energy already exists, and there has been no need for training, introduction, etc., for which reason the project development in Northern Europe has had a flying start.

# Management's review

## Operating review

### Corporate Social Responsibility

European Energy wishes to develop its core business and meet its strategic challenges in a financially and socially responsible way.

The Group is solely occupied with the development and operation of renewable power plants, thus contributing to society's transition from fossil fuelled energy to renewable energy and to reduce the energy sector's consumption of limited natural resources. The most significant effect on society is thus related to achieving the business strategy described through the operating review.

The Group's headquarters are located in Denmark, but so far all wind and solar power plants put into operation are located abroad. In this way, all employees have their primary working place in Denmark. Furthermore, an additional even greater number of people are indirectly employed with partners and subcontractors in the countries where the Group's development and operating activities take place. European Energy estimates that the Group in total employs more than 100 people, both highly educated and unskilled workers, and to a great extent also in peripheral areas all over Europe.

European Energy 100 m wind mast in Sweden
Botsmark – approx. 60 MW

# Management's review

## Operating review

Wind park in Germany
Sohland II, 6 MW during construction

### Environmental impact

In 2011, the energy assets in which the European Energy Group has ownership shares have produced more power than what is used in the city of Aarhus. The assets produced a total of 450,000 MWh, which according to the Danish Energy Agency corresponds to the energy consumption of 130,000 Danish households or 280,000 persons. The amount of power produced by the share of the energy assets owned by European Energy is 150,000 MWh, corresponding to the energy consumption of 45,000 Danish households or 95,000 persons, corresponding to the combined populations of Vejle and Elsinore.

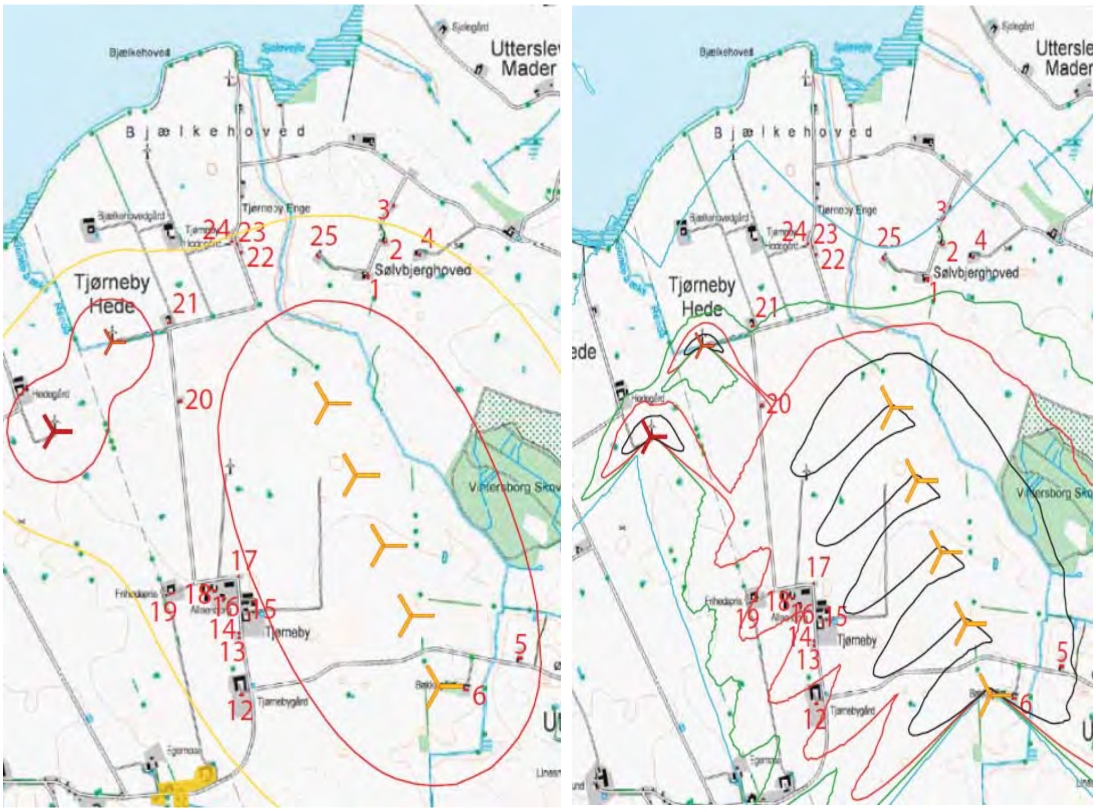
Since neither wind turbines nor solar cells emit any emissions, it is only during the production and decomissioning phases that wind turbines and solar cells impact the environment negatively. Wind turbine and solar parks even have very short energy payback periods, which is a means of measuring the time it takes to produce the same amount of energy used to manufacture the wind turbine or the solar park with the same wind turbine or solar park. Subsequently, the wind and solar power plants contribute significantly to reduce

# Management's review

## Operating review

the emission of $CO_2$ in the countries where power produced at wind and solar power plants replaces power based on fossil energy sources.

In the construction and operation phases, wind turbines may to a limited extent disturb the local population and wildlife. Effects on both local population and wildlife are closely examined in connection with each project, where independent experts ensure that all relevant rules and legislation are complied with. Also, the Group attaches great importance to plan the wind and solar power plants together with relevant experts in such a way as to reduce the environmental impact as much as possible. Detailed reports are prepared in all countries to document the environmental impact. For example, this is done by a so-called VVM report in Denmark.




Analyses of noise levels and shadow flicker, Denmark
Tjørneby – 15 MW

In addition to wind and solar parks, European Energy also has activities at the headquarters in Lyngby, from which the day-to-day operations are managed. The headquarters is not assessed to have any considerable environmental impact, since the primary activities consist of administrative work. However, initiatives have been started to minimise this impact, e.g. through a reduction of the paper consumption by using double sided printing and recycling of paper.

In total, European Energy has very positive $CO_2$ accounts, where the $CO_2$ emission saved by far exceeds the emission from the Group's activities.

# Management's review

## Operating review

### Intellectual capital

The continued growth of European Energy is highly dependent on qualified employees. Therefore, it is important to be an attractive workplace for engineers, legal professionals and commercially educated employees.

In order to ensure that new employees fully understand the business of European Energy, they are part of a mentoring scheme in which the employee in the first period of employment works side by side with an experienced employee of the same field. Furthermore, all employees are offered the opportunity of up to one week a year of in-service training paid for by European Energy as part of the employment. Further, the Group have annual performance appraisal reviews, which serve to heighten the mutual understanding and offer the Company an opportunity to listen to the employee's wishes for future development.

To European Energy, Corporate Social Responsibility is an integral part of the strategy and the market development. In the future, the Group will continue the work of structuring the overall effort in order to make it possible to account for achieved results for the most important areas in more detail.

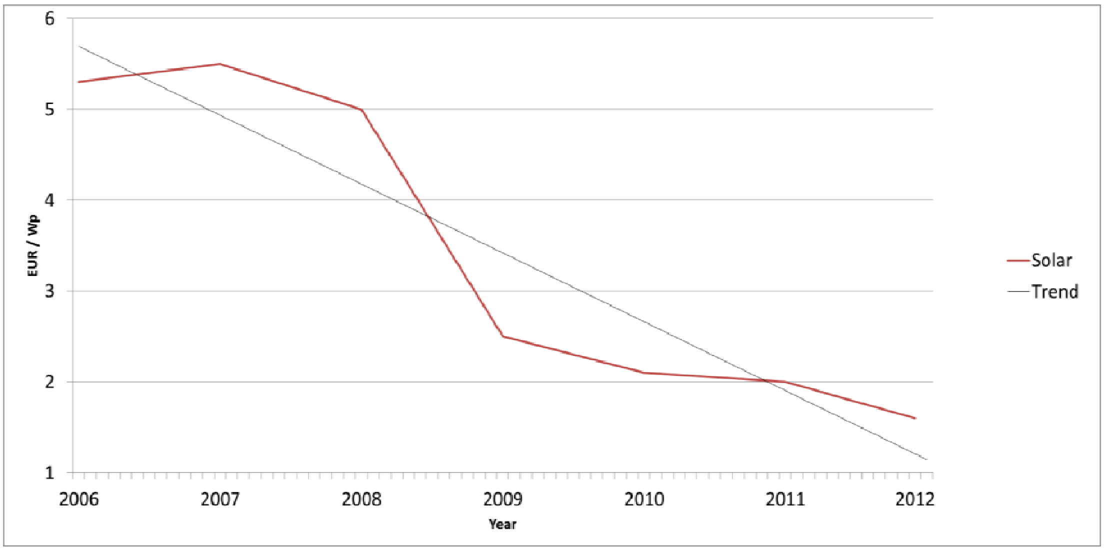
# Management's review

## Operating review

### The market for solar and wind energy in 2011

In Europe alone, new solar and wind power plants have been established in 2011 with 29.7 GW and 9.6 GW, respectively, which is record high. This does not, however, compensate for the fact that the expansion of the production capacity within hardware for the wind and, particularly, the solar industries was greater than growth in demand. In this way, especially hardware producers within the solar and wind industries had a hard time achieving positive earnings, and a number of European enterprises - particularly within solar energy - have gone bankrupt. Due to the large supply of hardware, the prices on solar cells in particular have continued to drop.

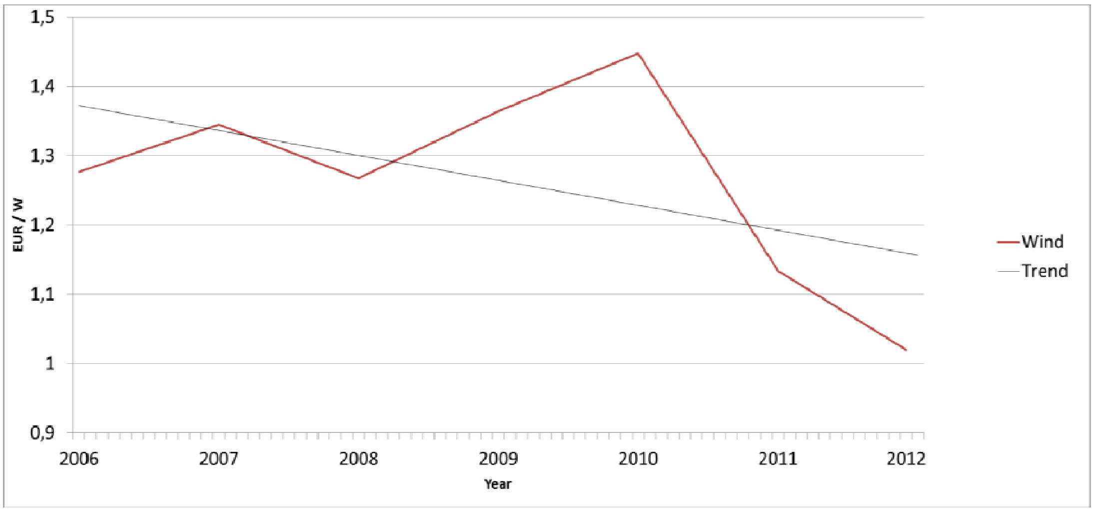
The graph below shows the development in prices on solar power plants. Since the solar business is still a relatively new line of business, the transition from niche production to mass production reduced the total costs dramatically. It is, however, not likely that the price drop will continue at the same speed, since many manufacturers in the business run at a loss. In prior years, different bottlenecks made a very attractive business out of certain links of the value chain, and there was room for price drops when the bottlenecks disappeared.



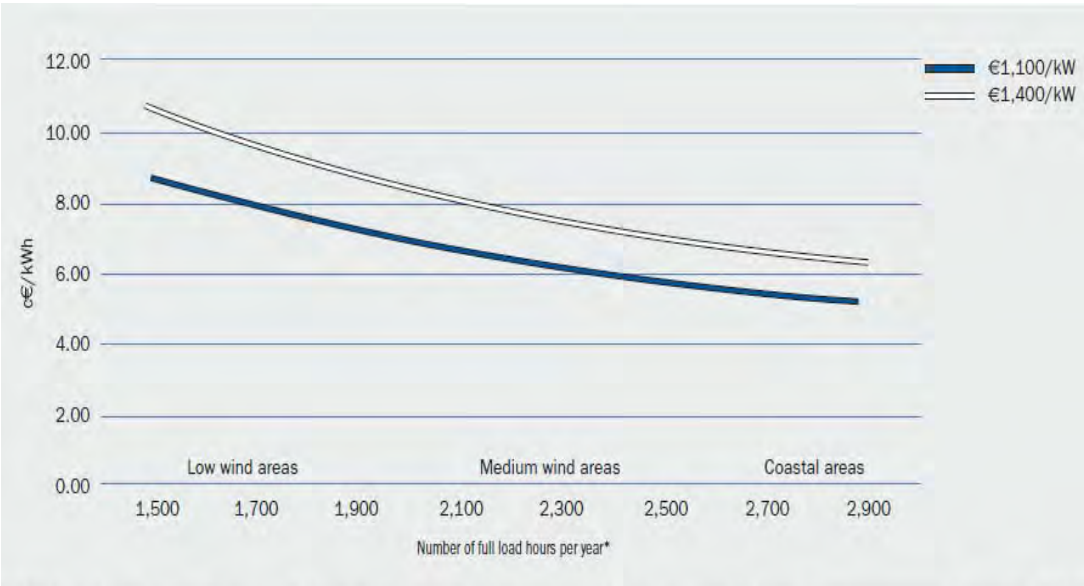

The corresponding graph for wind energy, which is a considerably more mature technology, shows that by comparison the price on wind turbines has only decreased on a limited scale.

# Management's review

## Operating review




The graph below shows that wind energy in several countries is now nearer to the market price. For instance, a wind turbine in Germany or Italy can produce electricity at a price close to the ordinary market price, which is around 6 euro cents and 7.5 euro cents, respectively.




* Full load hours are the number of hours during one year during which the turbine would have to run at full power in order to produce the energy delivered throughout a year (i.e. the capacity factor multiplied by 8,760).

Source: Risø DTU

In this way, both wind and solar energy are quickly approaching 'grid parity', which means that the price on electricity produced at solar and wind power plants equals the ordinary market price of electricity. When grid parity is achieved, the dependency of the industry on political subsidy schemes will be reduced significantly.

# Management's review

## Operating review

### European Energy winner of Cleantech Entrepreneur of the Year 2011

Ernst & Young announced European Energy the winner of 'Entrepreneur of the Year 2011' in the Cleantech category at an award show held on 24 November 2011 at Bella Centret, Copenhagen, with 700 guests from the entire country. Among other things, the jury emphasised the fact that European Energy is an enterprise which has built an international organisation operating in 12 countries and characterised by a dynamic development environment. Further, the jury had noted that European Energy's business model and various technologies strongly contribute to further the creation of wind and solar power plants - thus reducing pollution - and that the success of the enterprise to a great extent is based on the ability to work with different technologies and the successful application of a dynamic financing concept. The jury was also impressed with how European Energy in few years has managed to develop a portfolio of profitable plants, including the development potential of the present activities over the years to come. At European Energy we are very proud to have received this award, which contributes to our strong confidence in the future.

# Management's review

## Operating review

## Financial development in 2011

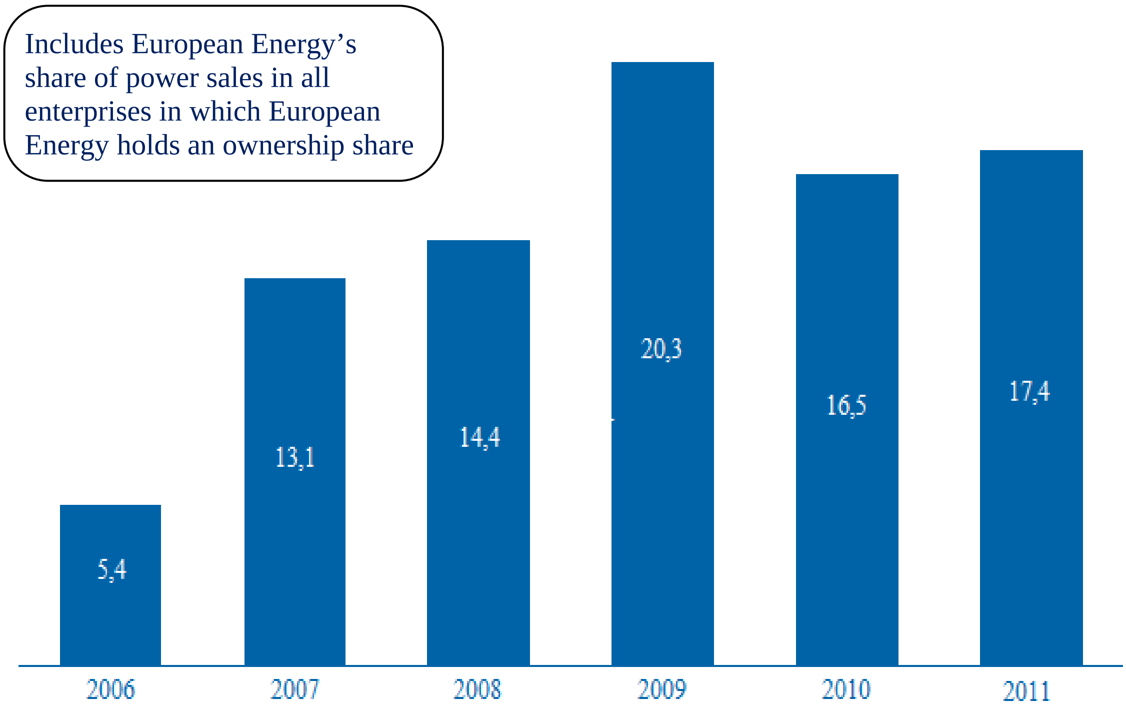
### Revenue and results

#### *Development in power sales*

As part of European Energy's previous change in strategy by which the development of projects is now in focus, the power sale has risen more slowly than previously because European Energy divests shares in operating power plants.

The Group's share of the total power sale in both majority-owned and minority-owned enterprises has gone up in the period, as pictured in the chart below, particularly in consequence of the income from newly established parks in Bulgaria and Italy.

**European Energys total power sales**
(EUR million)



# Management's review

## Operating review

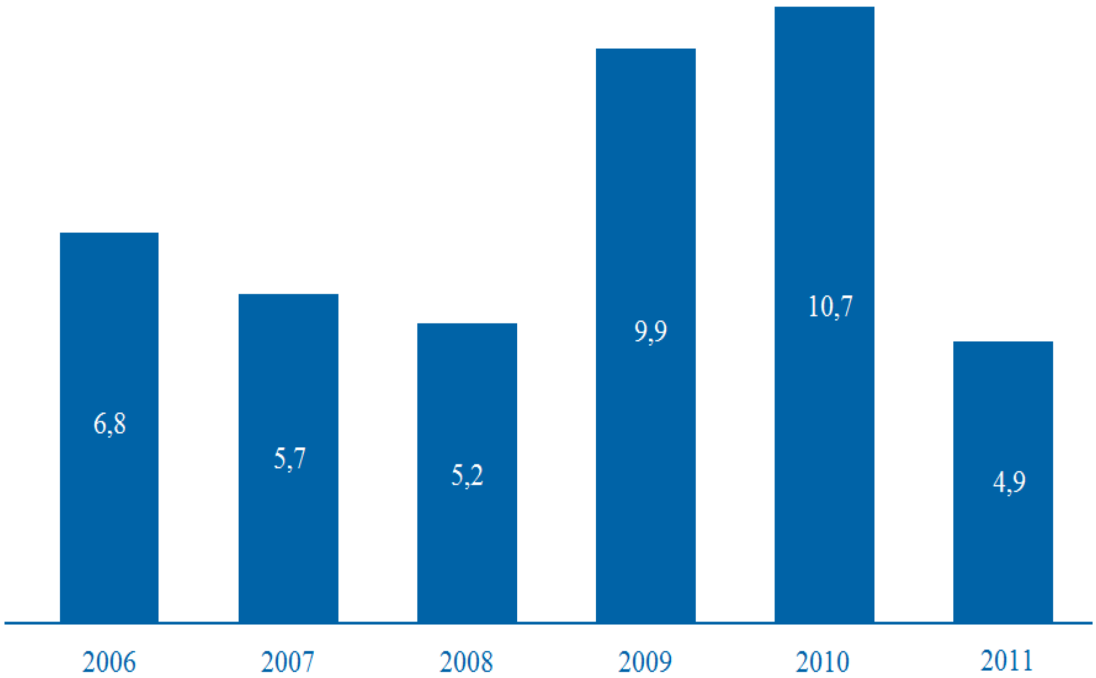
### *EBIT + results in associates*

Since a growing part of the Group's earnings comes from assets of which the Group owns less than 50%, the results before interest and tax, EBIT, do not give an entirely true and fair view of the total consolidated activities, as the results in associates are included in financial items. For this reason, the results in associates are shown together with EBIT.

In 2011, European Energy was affected by a number of minor delays in the development of projects in Denmark, and in Poland the projects were delayed in the approval procedure, for which reason these projects did not become ready for sale in 2011. Thus, in 2011 there were no earnings from the sale of projects in Denmark and Poland as expected, but instead Management expects these earnings to be included in the 2012 financial statements.

In consequence of this, earnings from the sale of projects were lower than normally. Further, the decreased power sale in Spain entailed reduced earnings from the Spanish assets. Thus, EBIT has been reduced compared to 2010.

**EBIT + associates**
(EUR million)



# Management's review

## Operating review

### *Development in result after tax*

On its own, the result after tax is not satisfactory and at EUR 760 thousand it is somewhat below the expectations expressed in the annual report for 2010. The reduced profit is in part due to write-downs on a number of projects, but it is mainly due the before-mentioned delays relating to development activities that earnings are deferred to 2012.

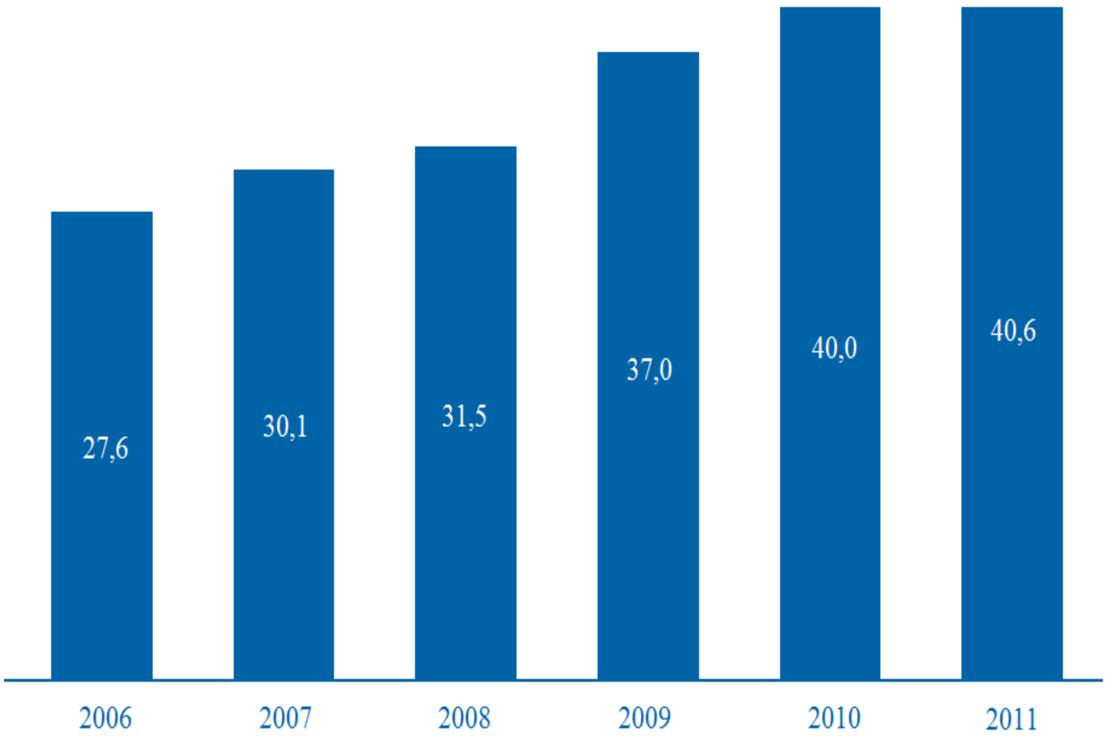
In overall terms, Management is very satisfied with the Company's development in 2011 and expects that much of the positive progress made in 2011 will entail considerable operating profit in the years to come.

### *Equity development*

In the course of 2011, European Energy's equity increased to EUR 40.6 million.

For European Energy it is a significant parameter to have a solid equity base because development activities require significant capital investments. Therefore, Management does not expect to distribute considerable dividends to the shareholders in the years to come. Instead, the expected profit will stay in the Company to strengthen the consolidated growth.

**Equity**
(EUR million)



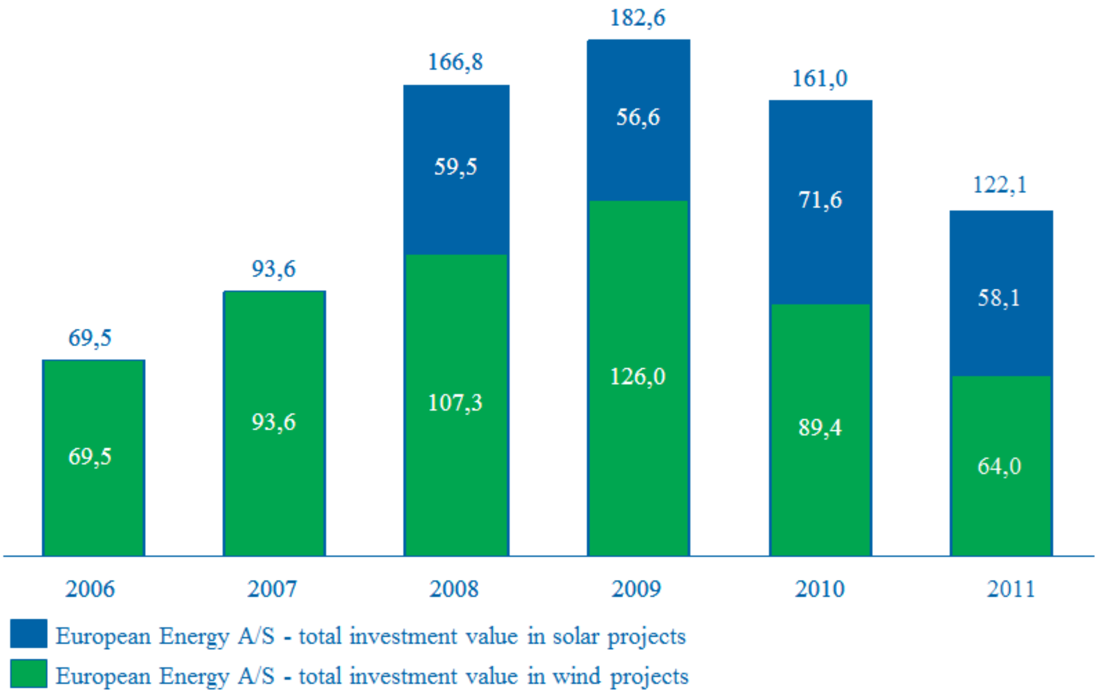
# Management's review

## Operating review

### *Financial development in energy assets*

As part of the Company's focus on project development and reduction of the share of operating assets, the capital investment in operating assets was reduced in 2011. The total capital investment amounted to EUR 161.0 million in 2010 and was reduced to EUR 122.1 million in 2011.

**Energy assets**
(EUR million)



# Management's review

## Operating review

## Operating assets

### Solar and wind power plants in operation

In 2011, European Energy reduced ownership shares through the divestment of a number of solar and wind parks in order to continue the shift in strategy towards becoming more development focused than previously. The sale of assets has exceeded new projects put into operation due to the fact that several projects suffered delays in the final development phase. In consequence hereof, European Energy's total portfolio of wind energy assets has been reduced from 69.3 MW in 2010 to 51.5 MW in 2011. The solar portfolio has been reduced as well, which can mainly be ascribed to the divestment of Caposele. However, European Energy still has a substantial portfolio of operational solar and wind parks as seen in the below outline of all operational plants in which the Company has ownership shares at the end of 2011

Operational wind and solar parks

Vind

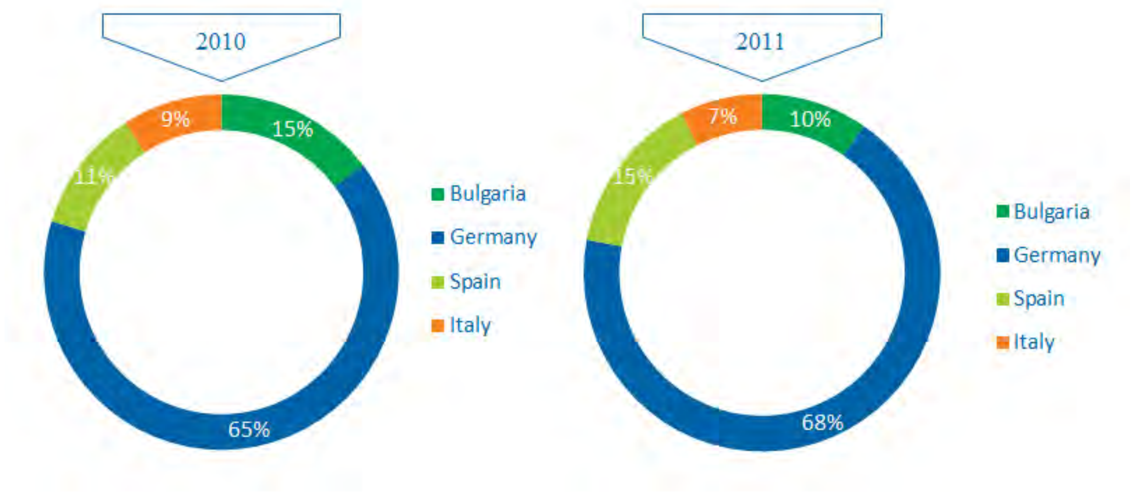
| **Country** | Park | No. of wind turbines | MW in total | European Energy's share in % | European Energy's share in MW |
|---|---|---|---|---|---|
| Bulgaria | Krupen | 4 | 12.0 | 49% | 5.9 |
| Germany | Altlandsberg | 7 | 14.0 | 15% | 2.1 |
| Germany | Bad Iburg | 3 | 5.0 | 25% | 1.3 |
| Germany | Bönen | 4 | 8.0 | 50% | 4.0 |
| Germany | Eichow | 6 | 12.0 | 8% | 1.0 |
| Germany | Gommern | 11 | 22.0 | 6% | 1.4 |
| Germany | Greussen | 11 | 22.0 | 36% | 7.9 |
| Germany | Güstow | 1 | 0.6 | 10% | 0.6 |
| Germany | Kasel-Golzig | 2 | 4.0 | 50% | 2.0 |
| Germany | Mildenberg | 4 | 8.0 | 15% | 1.2 |
| Germany | Nielitz | 5 | 10.0 | 20% | 2.0 |
| Germany | Ottenhausen | 8 | 16.0 | 9% | 1.5 |
| Germany | Schäcksdorf | 6 | 12.0 | 25% | 3.0 |
| Germany | Sohland II | 3 | 6.0 | 37% | 2.2 |
| Germany | Timpberg 9 + 10 | 2 | 4.0 | 50% | 2.0 |
| Germany | Unseburg-Löderburg | 9 | 18.0 | 20% | 3.6 |
| Germany | Wittstock-Papenbruch I + II | 7 | 7.1 | 22% | 1.5 |
| Germany | Wriezener Höhe | 13 | 26.0 | 15% | 3.9 |
| Italy | Vitalba | 7 | 6.0 | 76% | 4.5 |
| In total | | 115 | 212.7 | | 51.5 |

# Management's review

## Operating review

| **Country** | Park | MW in total | European Energy's share in % | European Energy's share in MW |
|---|---|---|---|---|
| **Sol** | | | | |
| Spain | Beniarbeig | 2.0 | 41% | 0.8 |
| 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 |
| In total | | 10.6 | | 8.8 |

**Geographical distribution of operational solar and wind parks**
(EUR million)



# Management's review

## Operating review

Wind park in Germany
Timpberg

### Building permits and local development plan approval

In 2011, a Danish wind energy project on Lolland, Tjørneby, with a total capacity of 15 MW has been approved within the framework of the local development plan. Further, the European Energy Group has been granted building permits for two Polish projects with a total capacity of 12 MW, while wind projects in Italy have been granted building permits as well. In addition a single solar power project has been granted a building permit - L'Olleria II. The project will have a capacity of 1.2 MW and is located directly next to the operating solar park L'Olleria I in Spain, which is owned by the European Energy Group.

The European Energy Group will initiate the construction phase of several projects in 2012, primarily in collaboration with external investors. Divestment at building permit level might also be the case for some projects.

# Management's review

## Operating review

## Pipeline and risk management

### Pipeline development

In the course of 2011, the Group's pipeline was reduced from 1,298 MW to 1,178 MW, including partner interests in solar and wind power. Like in 2010, the European Energy Group has decided to focus on the existing pipeline instead of expanding it. Accordingly, fewer new projects have been added to the pipeline. The pipeline is reduced by ordinary exit from project development, adjustment of individual projects and for some projects by obtaining building permits or entering the construction phase, whereby they exit. The pipeline consists of projects at various development stages.

Visualisation of a wind park, Denmark
Tjørneby – 15 MW

# Management's review

## Operating review

### Risk management

### Recognition and measurement of development activities

The measurement of development projects will always be associated with a certain amount of uncertainty. The most significant uncertainty consists of three elements:

- Whether a given project will be granted a building permit.
- If a building permit is obtained, is it still financially attractive to realise the building project?
- If it is financially attractive to build the project, is it possible to obtain long-term project financing?

The uncertainty surrounding the last two elements was stronger in 2011 than in previous years. The political and financial uncertainty has lead politicians in many countries - primarily in Southern Europe - to change the legislative and regulatory framework for both energy projects and financial institutions on a continuous basis.

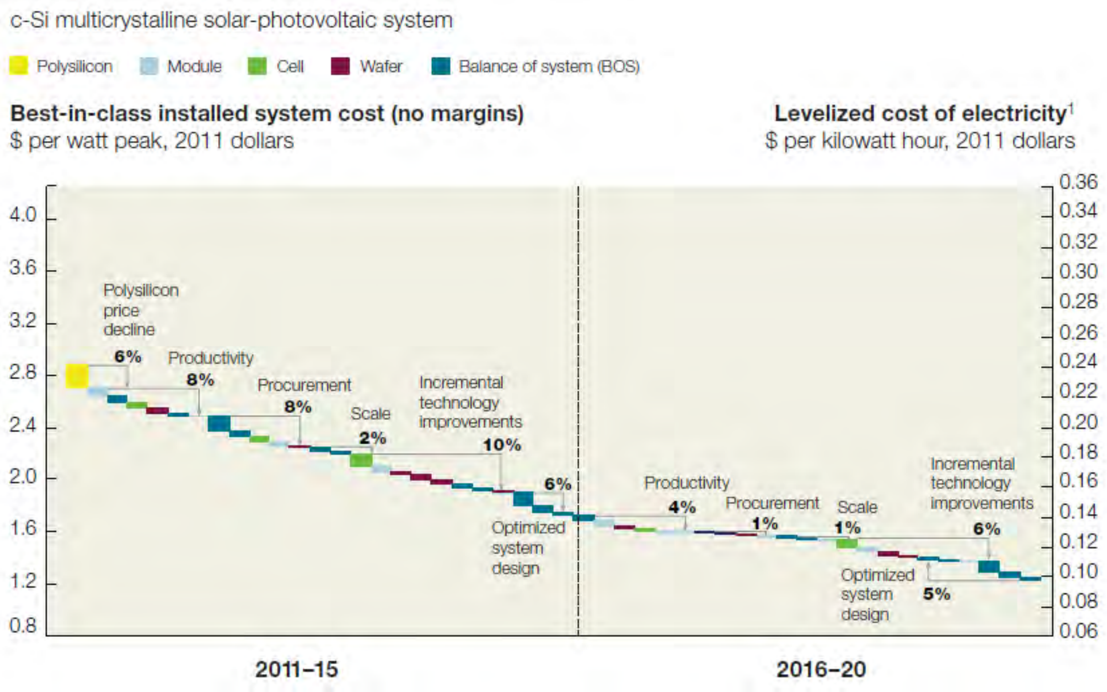
On the other hand, this also sped up the price drop of new power plants more than previously. Thus, in 2012 solar power projects can be built at less than 30% of the price of 5 years ago. In 2010, the American government issued a 'white paper' concerning expectations of the development in solar power costs. In this white paper it is expected that the costs for a complete installation in 2016 (after 6 years) will be 1.5 USD/kWp. This level has been reached already within one year.

In the long term, Management of European Energy is of the opinion that the expansion of the wind and solar capacity will have a profitable effect because 'grid parity' may be reached earlier, whereby these projects will be able to compete with fossil energy on market terms. Remarkably, this will be possible without fossil energy paying more to compensate for the pollution caused by fossil energy production than today.

# Management's review

## Operating review

Shown below is an analysis of the future price fall on solar cell plants, prepared by McKinsey in April 2012, which shows that in 2020 it should be possible to produce solar cell electricity at approx. 0.10 USD/kWh compared to approx 0.18 USD/kWh today.



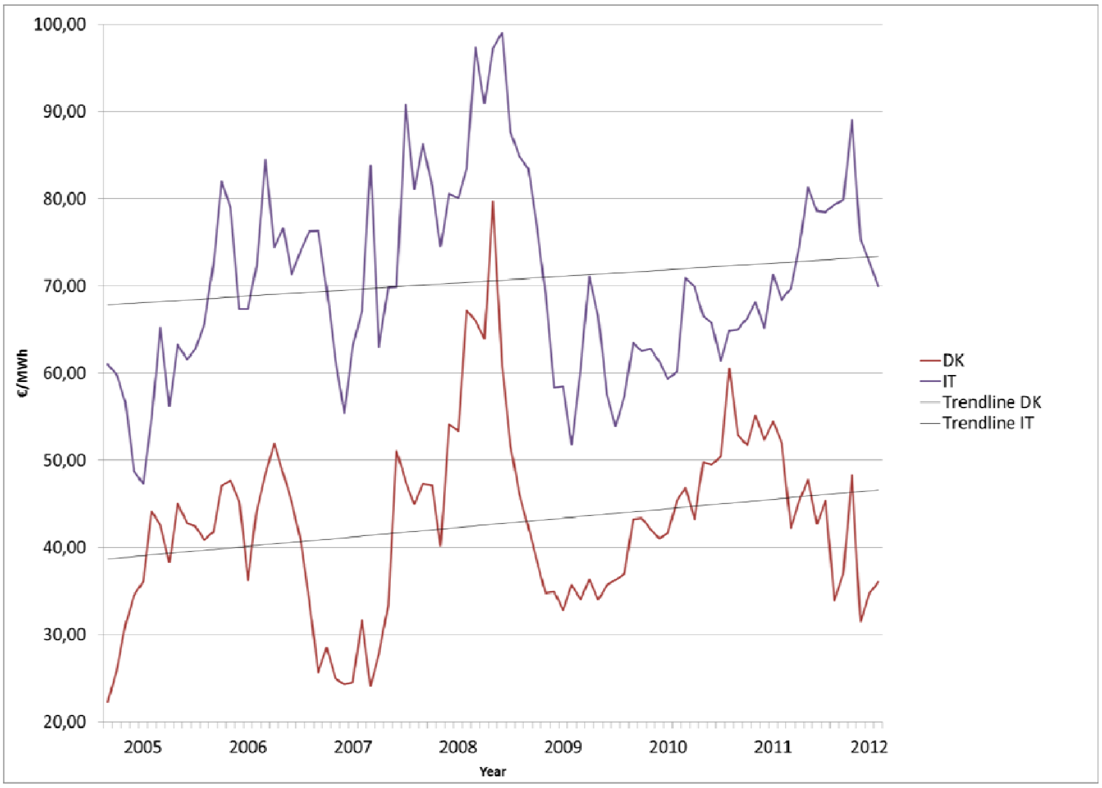

Price lowering potential on complete solar cell plants
per kWp and kWh estimated per link of the value chain
Source: McKinsey

In all developed countries energy is the basis of a well-functioning society, and the national energy prices will show some stability regardless of the country's economy in general because they largely depend on the international coal and oil markets. This is particularly true for countries such as Greece, Spain and Italy, which depend entirely on imported energy and fossil fuels. Despite its economic crisis, Greece has continued to expand the production of solar and wind energy. Likewise, Italy saw a record growth in new solar power projects in both 2010 and 2011. In Italy, the price of electricity is still almost the double of the price of electricity in Scandinavia.

# Management's review

## Operating review

Shown below is an outline of historic market prices on energy in Denmark and Italy, respectively.




If the high energy prices continue in Southern Europe, combined with the higher solar irradiation, 'grid parity' will be achieved here first.

# Management's review

## Operating review

The chart below shows when solar energy is expected to achieve 'grid parity' in the largest EU countries within different consumption segments.

| | | | France | Germany | Italy | Spain | United Kingdom |
|---|---|---|---|---|---|---|---|
| Dynamic Grid Parity | Residential (**RES**) | 3 kW | 2016 | 2017 | 2015 | 2017 | 2019 |
| Dynamic Grid Parity | Commercial (**COM**) | 100 kW | 2018 | 2017 | 2013 | 2014 | 2017 |
| Dynamic Grid Parity | Industrial (**IND**) | 500 kW | 2019 | 2019 | 2014 | 2017 | 2019 |
| CCGT generation value competitiveness | Industrial (**IND (gas)**) | 500 kW | 2015 | 2017 | 2015 | 2015 | 2019 |
| CCGT generation value competitiveness | Ground Mounted (**GM**) | 2.5 MW | 2015 | 2017 | 2014 | 2015 | 2019 |

Presentation of the expected time of grid parity achievement
Source: EPIA (European Photovoltaic Industry Association)

Management believes that European Energy's projects in the affected countries would still be profitable in the hypothetical situation that one or more of the euro zone countries would exit the euro co-operation. There is a very fundamental need for energy and many countries have only limited natural energy resources. The import of energy will take place in foreign currencies - typically in euro or dollar. Therefore, the value of sustainable energy could also be priced in euro or dollar regardless of the country's local currency.

# Management's review

## Operating review

## Events after the end of the financial year

In February 2012the European Energy Group, together with another investor, acquired the 1 MW solar park Soleto in Puglia, Italy.

European Energy solar park in Italy
Soleto – 1 MW

In May 2012, European Energy acquired GW Energi A/S together with another investor and some of the previous corporate bond holders. European Energy now owns 25% of the company. GW Energi A/S, which has been undergoing restructuring since the summer of 2010, owns and runs four German wind turbine parks with a total installed capacity of 45 MW. At the same time, the administration and operation of GW Energi A/S' assets are now handled by European Energy. Further, in May the European Energy Group acquired a wind project in Vetschau - a 12 MW wind project in the development stage. These two new acquisitions of a part of GW Energi A/S and Vetschau, respectively, show the European Energy Group's great focus on Germany.

Further, in January 2012, the European Energy Group obtained approval within the framework of the local development plan of the wind project Ravlundvej - a 6.9 MW wind project in Denmark.

# Management's review

## Operating review

A new Energy Act was passed in Denmark in 2012 which clarified the present and future settlement prices in Denmark. With this settled, the Danish projects can be developed with greater certainty, and there is also a positive perspective towards 2020 of a considerable Danish pipeline.

## Outlook

### The market

The sustainable energy market continues to be among the strongest markets in times of economic turbulence. 2011 and the first part of 2012 in particular have shown how many investors increasingly look towards renewable energy investments, which has caused Management to expect a growth in the market for renewable energy. Increasing demand seems to entail a lower required rate of return on investments from European Energy's investors, thereby increasing the value of both development assets and operating assets.

### Activities

Management of European Energy expects a very high level of activity also in 2012, with continued efforts aimed at project development, sale of assets, construction of wind and solar energy parks and carrying through project financing.

In 2012, the Company expects to initiate the realisation of between 40-70 MW energy projects in collaboration with financial partners. The scope, however, depends on the development of the market and the political and financial framework conditions.

As regards the pipeline of European Energy,in 2012 a number of projects are expected to obtain building permits as well. This is the case for projects in Denmark, Germany, Sweden and Poland.

In 2012 European Energy will continue the divestment of solar and wind energy projects - projects put into operation and completed projects alike - in order to strengthen the Company's capital resources and thereby enable the Company to take advantage of the numerous opportunities which constantly arise in the market.

Therefore, Management expects an increased solvency ratio, a decrease in borrowing and an increased liquidity for the entire Group by the end of 2012. This will improve the Company's ability to make good and reasonable acquisitions in the market for power plants put into operation, primarily.

### Results

The contribution from operating activities is expected to ensure a reasonable basis for the results for the year. Sales activities, however, are expected to lead to considerably improved results compared to 2011. At the moment, there are several on-going negotiations which are expected to be drawing to a close in the near future. As the amounts of the transactions related to each sale are relatively large, the results for 2012 can be significantly affected by whether transactions are concluded in 2012 or 2013.

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

## Accounting policies

The annual report of European Energy A/S for 2011 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 2011 constitutes 7.43 (7.45 at 31 December 2010).

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.

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.

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

## Accounting policies

### 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 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

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

## Accounting policies

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.

### *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.

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

## Accounting policies

### *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.

### 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,

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

## Accounting policies

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:

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

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

## Accounting policies

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.

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.

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

## Accounting policies

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.

### Other investments

Other investments recognised under investments in subsidiaries and associates are measured at fair value. If the fair value may not be reliably measured, other investments are recognised at cost. If cost exceeds the net realisable value, write-down is made to this lower value.

### 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.

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

## Accounting policies

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

### *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 costs 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.

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

## Accounting policies

### 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.

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.

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

## Accounting policies

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

## Income statement

| | | Consolidated | | Parent company | |
|---|---|---|---|---|---|
| EUR'000 | Note | 2011 | 2010 | 2011 | 2010 |
| Revenue | 1 | 56,593 | 58,995 | 17,895 | 11,649 |
| Direct costs | | -45,085 | -40,478 | -16,261 | -10,449 |
| **Gross profit** | | 11,508 | 18,517 | 1,634 | 1,200 |
| Staff costs | 2 | -3,112 | -3,106 | -3,112 | -1,036 |
| Other external costs | | -1,748 | -2,029 | -759 | -405 |
| Depreciation and impairment losses | 6,7 | -3,013 | -2,868 | -139 | -91 |
| **Ordinary operating profit** | | 3,635 | 10,514 | -2,376 | -332 |
| Separate items | | 300 | 0 | 0 | 0 |
| **Profit before financial items** | | 3,935 | 10,514 | -2,376 | -332 |
| Profit in subsidiaries before tax | 8 | 0 | 0 | 1,893 | 3,142 |
| Profit in associates | 9 | 948 | 187 | 288 | 255 |
| Financial income | 3 | 1,572 | 1,572 | 2,003 | 1,447 |
| Financial expenses | 4 | -6,438 | -7,686 | -2,173 | -2,405 |
| **Profit for the year before tax** | | 17 | 4,587 | -365 | 2,107 |
| Tax on profit for the year | 5 | 1,108 | -97 | 1,125 | 1,084 |
| **Profit for the year** | | 1,125 | 4,490 | 760 | 3,191 |
| Minority share holders' share of profit for the year | | -365 | -1,299 | 0 | 0 |
| **The Group's share of profit for the year** | | 760 | 3,191 | 760 | 3,191 |

### Proposed profit appropriation

| | 2011 | 2010 |
|---|---|---|
| Reserve for net revaluation according to the equity method | 2,181 | 2,730 |
| Retained earnings | -1,421 | 461 |
| | 760 | 3,191 |

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

## Balance sheet

| | | Consolidated | | Parent company | |
|---|---|---|---|---|---|
| EUR'000 | Note | 2011 | 2010 | 2011 | 2010 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| **Intangible assets** | 6 | | | | |
| Goodwill | | 270 | 261 | 0 | 0 |
| | | 270 | 261 | 0 | 0 |
| **Property, plant and equipment** | 7 | | | | |
| Wind power plants | | 10,177 | 30,903 | 0 | 0 |
| Solar power plants | | 49,000 | 62,000 | 0 | 0 |
| Fixtures and fittings, tools and equipment | | 242 | 339 | 242 | 306 |
| | | 59,419 | 93,242 | 242 | 306 |
| **Investments** | | | | | |
| Investments in subsidiaries | 8 | 0 | 0 | 25,993 | 28,587 |
| Investments in associates | 9 | 14,721 | 12,797 | 6,466 | 6,188 |
| Other investments | 10 | 5,348 | 4,272 | 2,209 | 615 |
| Amounts owed by parent company | 11 | 9,926 | 8,176 | 9,926 | 8,854 |
| Amounts owed by subsidiaries | 12 | 0 | 0 | 20,980 | 30,273 |
| Amounts owed by associates | 12 | 7,917 | 4,489 | 2,574 | 1,028 |
| Other receivables | 13 | 9,753 | 9,579 | 0 | 0 |
| | | 47,665 | 39,313 | 68,148 | 75,545 |
| **Total non-current assets** | | 107,354 | 132,816 | 68,390 | 75,851 |
| **Current assets** | | | | | |
| **Project portfolio** | 14 | 10,173 | 22,426 | 0 | 0 |
| **Receivables** | | | | | |
| Trade receivables | | 7,256 | 6,160 | 2,187 | 951 |
| Deferred tax asset | 17 | 4,405 | 2,900 | 1,607 | 640 |
| Other receivables | | 5,729 | 10,917 | 671 | 2,202 |
| Prepayments | | 320 | 274 | 114 | 85 |
| | | 17,710 | 20,251 | 4,579 | 3,878 |
| **Securities** | | 0 | 107 | 0 | 3,944 |
| **Cash at bank and in hand** | | 7,737 | 8,407 | 1,957 | 612 |
| **Total current assets** | | 35,620 | 51,191 | 6,536 | 8,434 |
| **TOTAL ASSETS** | | 142,974 | 184,007 | 74,926 | 84,285 |

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

## Balance sheet

| EUR'000 | Note | Consolidated 2011 | Consolidated 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | | | |
| **Equity** | 15 | | | | |
| Share capital | | 1,340 | 1,340 | 1,340 | 1,340 |
| Reserve for net revaluation according to the equity method | | 0 | 0 | 16,840 | 19,338 |
| Retained earnings | | 39,186 | 38,688 | 22,346 | 19,350 |
| **Total equity** | | 40,526 | 40,028 | 40,526 | 40,028 |
| **Minority interests** | 16 | 2,430 | 3,218 | 0 | 0 |
| **Provisions** | | | | | |
| Deferred tax | 17 | 2,149 | 2,137 | 437 | 742 |
| **Liabilities other than provisions** | | | | | |
| **Non-current liabilities other than provisions** | 18 | | | | |
| Liabilities from issuance of bonds | | 7,600 | 7,600 | 0 | 0 |
| Mortgage credit institutions | | 47,118 | 77,967 | 0 | 624 |
| Other payables | | 297 | 1,217 | 0 | 0 |
| | | 55,015 | 86,784 | 0 | 624 |
| **Current liabilities other than provisions** | | | | | |
| Mortgage credit institutions | 18 | 29,987 | 33,599 | 15,733 | 16,487 |
| Trade payables | | 7,623 | 5,613 | 2,178 | 352 |
| Amount owed to affiliates | | 0 | 0 | 13,644 | 24,274 |
| Amount owed to associates | | 51 | 288 | 50 | 3 |
| Corporation tax payable | | 1,441 | 1,200 | 1,389 | 0 |
| Other payables | | 3,752 | 10,616 | 969 | 1,251 |
| Amounts owed to company shareholders and Management | | 0 | 524 | 0 | 524 |
| | | 42,854 | 51,840 | 33,963 | 42,891 |
| **Total liabilities other than provisions** | | 97,869 | 138,624 | 33,963 | 43,515 |
| **TOTAL EQUITY AND LIABILITIES** | | 142,974 | 184,007 | 74,926 | 84,285 |
| Mortgages and security | 19 | | | | |
| Contractual obligations and contingencies | 20 | | | | |
| Auditors' fee | 21 | | | | |
| Related party disclosure | 22 | | | | |

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

## Cash flow statement

| EUR'000 | | Consolidated 2011 | Consolidated 2010 |
|---|---|---|---|
| Profit before financial items | | 3,935 | 10,514 |
| Adjustment for non-cash operating items, etc.: | | | |
| Depreciation etc. | | 3,479 | -5,159 |
| Cash generated from operations (operating activities) before changes in working capital | | 7,414 | 5,355 |
| Changes in self-financing of project portfolio | 23 | 22 | 424 |
| Changes in receivables | | 2,229 | 7,422 |
| Other changes in current liabilities | | -6,296 | -6,496 |
| Cash flows from operating activities | | 3,369 | 6,705 |
| Interest income etc., received | | 1,572 | 1,572 |
| Interest expense etc., paid | | -6,438 | -7,778 |
| Cash flows from ordinary activities before tax | | -1,497 | 499 |
| Corporation tax paid | | -144 | -2,150 |
| **Cash flows from operating activities** | | -1,641 | -1,651 |
| Acquisition of property, plant and equipment | | -880 | -20,543 |
| Disposal of subsidiaries and activities | | 39,911 | 12,852 |
| Acquisition of investments and securities | | 0 | -3,852 |
| Disposal of investments and securities | | 68 | 5,160 |
| Change in loans to associates | | -3,428 | 0 |
| **Cash flows from investing activities** | | 35,671 | -6,383 |
| Repurchase of issued bonds | | 0 | -1,851 |
| Change in non-current liabilities for project financing | | -30,849 | 6,603 |
| Other changes in debt to credit institutions, etc. | | -3,612 | 1,432 |
| Changes in debt to associates | | -239 | 0 |
| Minority shareholders' share of capital increase in subsidiary | | 0 | 175 |
| **Cash flows from financing activities** | | -34,700 | 6,359 |
| **Net cash flows for the year** | | -670 | -1,675 |
| Cash and cash equivalents at 1 January | | 8,407 | 10,082 |
| **Cash and cash equivalents at 31 December** | | 7,737 | 8,407 |

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 | 2011 | 2010 | 2011 | 2010 |
| **1** | **Revenue** | | | | |
| | Sale of power plants | 45,556 | 48,172 | 17,331 | 11,270 |
| | Sale of power | 10,387 | 10,369 | 0 | 0 |
| | Other income | 650 | 454 | 564 | 379 |
| | | 56,593 | 58,995 | 17,895 | 11,649 |
| | *Distribution among segments:* | | | | |
| | Revenue from solar energy | 25,906 | 8,028 | 0 | 0 |
| | Revenue from wind energy | 30,687 | 50,967 | 17,895 | 11,649 |
| | | 56,593 | 58,995 | 17,895 | 11,649 |

| | | Consolidated | | Parent company | |
|---|---|---|---|---|---|
| | EUR'000 | 2011 | 2010 | 2011 | 2010 |
| **2** | **Staff costs** | | | | |
| | Wages and salaries | 2,915 | 3,074 | 2,915 | 1,012 |
| | Pensions | 0 | 0 | 0 | 0 |
| | Other social security costs | 38 | 13 | 38 | 6 |
| | Other staff costs | 159 | 19 | 159 | 18 |
| | | 3,112 | 3,106 | 3,112 | 1,036 |
| | Average number of employees | 39 | 43 | 39 | 19 |

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.

At 1 January 2011, an agreement was made with subsidiaries European Wind Farms A/S and European Solar Farms A/S to transfer all employees previously employed in these enterprises to European Energy A/S. Subsequent to this, European Energy has invoiced administration fees to the subsidiaries.

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

## Notes to the financial statements

| | | Consolidated | | Parent company | |
|---|---|---|---|---|---|
| | EUR'000 | 2011 | 2010 | 2011 | 2010 |
| **3** | **Financial income** | | | | |
| | Interest income, banks | 328 | 834 | 2 | 0 |
| | Interest income, affiliates and associates | 765 | 621 | 1,728 | 1,331 |
| | Dividends, other investments | 141 | 0 | 141 | 0 |
| | Foreign exchange gains | 34 | 0 | 0 | 0 |
| | Other financial income | 304 | 117 | 132 | 116 |
| | | 1,572 | 1,572 | 2,003 | 1,447 |
| **4** | **Financial expenses** | | | | |
| | Interest expenses, mortgage credit institutions | 5,302 | 5,478 | 998 | 845 |
| | Interest expenses, associates and affiliates | 8 | 0 | 770 | 870 |
| | Interest expenses, corporate bond | 335 | 307 | 0 | 0 |
| | Other interest expenses | 618 | 1,663 | 242 | 207 |
| | Exchange losses on securities | 0 | 74 | 0 | 74 |
| | Foreign exchange losses, etc. | 175 | 164 | 163 | 409 |
| | | 6,438 | 7,686 | 2,173 | 2,405 |
| **5** | **Tax on profit for the year** | | | | |
| | Tax on profit for the year | -302 | -3,350 | -50 | 0 |
| | Change in deferred tax | 1,474 | 3,805 | 1,276 | 1,034 |
| | Tax adjustment regarding prior years | -64 | -552 | -101 | 50 |
| | | 1,108 | -97 | 1,125 | 1,084 |

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

## Notes to the financial statements

### 6 Intangible assets

### Consolidated

| EUR'000 | Goodwill |
|---|---|
| Cost at 1 January 2011 | 343 |
| Additions for the year | 27 |
| Disposals for the year | 0 |
| Cost at 31 December 2011 | 370 |
| Amortisation and impairment losses at 1 January 2011 | -82 |
| Amortisation for the year | -18 |
| Disposals for the year | 0 |
| Amortisation and impairment losses at 31 December 2011 | -100 |
| **Carrying amount at 31 December 2011** | 270 |
| Amortisation period | 20 years |

### 7 Property, plant and equipment

### Consolidated

| EUR'000 | Wind power plants | Solar power plants | Fixtures and fittings, tools and equipment | Total |
|---|---|---|---|---|
| Cost at 1 January 2011 | 33,066 | 66,114 | 566 | 99,746 |
| Additions upon acquisition of investments | 0 | 507 | 0 | 507 |
| Additions for the year | 52 | 786 | 42 | 880 |
| Disposals for the year | -20,349 | -13,737 | -2 | -34,088 |
| Cost at 31 December 2011 | 12,769 | 53,670 | 606 | 67,045 |
| Depreciation and impairment losses at 1 January 2011 | -2,163 | -4,114 | -227 | -6,504 |
| Depreciation for the year | -1,205 | -1,651 | -139 | -2,995 |
| Disposals for the year | 776 | 1,095 | 2 | 1,873 |
| Depreciation and impairment losses at 31 December 2011 | -2,592 | -4,670 | -364 | -7,626 |
| **Carrying amount at 31 December 2011** | 10,177 | 49,000 | 242 | 59,419 |
| 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 2011 | 453 |
| Transferred from subsidiaries | 111 |
| Additions for the year | 42 |
| Cost at 31 December 2011 | 606 |
| Depreciation and impairment losses at 1 January 2011 | -147 |
| Transferred from subsidiaries | -78 |
| Depreciation for the year | -139 |
| Depreciation and impairment losses at 31 December 2011 | -364 |
| **Carrying amount at 31 December 2011** | 242 |
| Depreciation period | 3-5 years |

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

## Notes to the financial statements

### 8 Investments in subsidiaries

| | Parent company | |
|---|---|---|
| EUR'000 | 2011 | 2010 |
| Cost at 1 January | 8,723 | 9,200 |
| Disposal upon merger | -770 | 0 |
| Additions for the year | 7,935 | 988 |
| Disposals for the year, sale of investments | -4,549 | -1,095 |
| Transferred to associates | -2,329 | -370 |
| Cost at 31 December | 9,010 | 8,723 |
| Value adjustment at 1 January | 19,134 | 16,648 |
| Disposal upon merger | -4,349 | 0 |
| Share of results for the year | 1,893 | 3,142 |
| Hedging transactions | -268 | -86 |
| Value adjustment upon change in ownership share | 0 | 154 |
| Reversed value adjustment at disposal | 296 | -128 |
| Transferred to associates | 277 | -596 |
| Value adjustment at 31 December | 16,983 | 19,134 |
| **Carrying amount at 31 December** | 25,993 | 27,857 |
| Investments in subsidiaries are recognised as follows: | | |
| Investments in subsidiaries | 25,993 | 28,587 |
| Set off against amounts owed by subsidiaries | 0 | -730 |
| | 25,993 | 27,857 |

# 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 | Ownership share at 31/12 2011 | Share of profit/loss for the year | Share of equity |
|---|---|---|---|
| European Wind Farms A/S, Lyngby-Taarbæk | 100.0% | 707 | 17,047 |
| European Wind Farm Denmark A/S, Lyngby-Taarbæk | 100.0% | -4 | 68 |
| European Wind Farm No. 2 A/S, Lyngby-Taarbæk | 100.0% | -4 | 104 |
| European Energy Systems I ApS, Lyngby-Taarbæk | 100.0% | 42 | 93 |
| European Energy Systems II ApS, Lyngby-Taarbæk | 100.0% | -79 | 667 |
| European Solar Farms A/S, Lyngby-Taarbæk | 75.9% | 599 | 6,077 |
| Enerteq Vitalba ApS, Lyngby-Taarbæk | 88.5% | 323 | 1,714 |
| Enerteq ApS, Lyngby-Taarbæk | 55.7% | 402 | 520 |
| EWF Deutschland GmbH, Germany | 100.0% | -28 | 89 |
| EWF Vier Sechs GmbH & Co. KG, Germany | 100.0% | -3 | 229 |
| EE Sieben Zwei GmbH & Co. KG, Germany | 100.0% | 0 | 0 |
| Bond II Erste GmbH & Co. KG, Germany | 100.0% | 9 | 12 |
| Bond II Zweite GmbH & Co. KG, Germany | 100.0% | 10 | 13 |
| EWF Verwaltung GmbH | 100.0% | -1 | 35 |
| | | 1,973 | 26,668 |
| Results from subsidiaries disposed of during the year | | -80 | 0 |
| Intra-group gains | | 0 | -675 |
| | | 1,893 | 25,993 |

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

## Notes to the financial statements

### 9 Investments in associates

### Consolidated

| EUR'000 | 2011 | 2010 |
|---|---|---|
| Cost at 1 January | 13,443 | 19,202 |
| Additions for the year | 0 | 2,381 |
| Transferred to/from subsidiaries | 4,677 | -49 |
| Disposals for the year | -2,787 | -6,552 |
| Other adjustments | 0 | -1,539 |
| Cost 31 December | 15,333 | 13,443 |
| Value adjustment at 1 January | -646 | -1,506 |
| Profit for the year | 948 | 187 |
| Reversed value adjustment upon disposal | -530 | 1,340 |
| Dividends | -38 | 0 |
| Transferred to/from subsidiaries | -391 | 7 |
| Other adjustments | 45 | -674 |
| Value adjustment at 31 December | -612 | -646 |
| **Carrying amount at 31 December** | 14,721 | 12,797 |

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

## Notes to the financial statements

Investments in associates at 31 December 2011 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% | -67 | 1,519 |
| EEGW Persano ApS, Lyngby-Taarbæk | 50.0% | -3 | 610 |
| European Energy Sales & Adm. ApS, Copenhagen | 22.5% | 86 | 130 |
| EWF Fünf Eins GmbH & Co. KG, Germany | 25.0% | 34 | 690 |
| EWF Fünf Vier GmbH & Co. KG, Germany | 50.0% | -6 | 382 |
| UW Nielitz GmbH & Co. KG, Germany | 20.0% | 16 | 644 |
| Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany | 50.0% | 41 | 224 |
| WP Timpberg GmbH & Co. Zehnte, Germany | 50.0% | 57 | 222 |
| EE Sieben Null GmbH & Co. KG, Germany | 50.0% | -47 | -28 |
| EEA Verwaltungs GmbH, Germany | 50.0% | 5 | 12 |
| EWF Eins Sieben GmbH & Co. KG, Germany | 50.0% | 2 | 363 |
| EWF Zwei Acht GmbH & Co. KG, Germany | 50.0% | 37 | 342 |
| EWF Zwei Neun GmbH & Co. KG, Germany | 50.0% | 44 | 336 |
| Windpark Unseburg Nord GmbH & Co. Betriebs KG, Germany | 20.0% | 95 | 955 |
| Zehnte Windpark Support GmbH & Co. KG, Germany | 50.0% | 95 | 1,761 |
| Windkraft Sohland GmbH & Co. KG, Germany | 37.1% | 153 | 865 |
| BOREAS Windfeld Greussen GmbH & Co. KG, Germany | 35.7% | 257 | 2,093 |
| Sol-Teq srl, Italy | 50.0% | -2 | -1 |
| Reewf Srl., Italy | 50.0% | -2 | -1 |
| Wind Energy EOOD, Bulgaria | 49.0% | 2 | 562 |
| Wind Power 2 EOOD, Bulgaria | 49.0% | 2 | 527 |
| Wind Stream EOOD, Bulgaria | 49.0% | 2 | 483 |
| Wind Systems EOOD, Bulgaria | 49.0% | 3 | 488 |
| Beniarbeig (several companies, cf. below) | 40.8% | -18 | 675 |
| Parco Eolico Carpinaccio Srl., Italy | 27.0% | -1 | 1,542 |
| | | 785 | 15,395 |
| Results from associates disposed of during the year | | 163 | 0 |
| Intra-group gains from non-cash contribution of projects | | 0 | -674 |
| | | 948 | 14,721 |

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

## Notes to the financial statements

| Name and registered office | Ejerandel 31/12 2011 |
|---|---|
| **Beniarbeig** | |
| ESF Spain 0424 GmbH, Germany | 40.82% |
| HSF 29 S.L.U., Spain | 40.82% |
| HSF 30 S.L.U., Spain | 40.82% |
| HSF 31 S.L.U., Spain | 40.82% |
| HSF 32 S.L.U., Spain | 40.82% |
| HSF 33 S.L.U., Spain | 40.82% |
| HSF 34 S.L.U., Spain | 40.82% |
| HSF 35 S.L.U., Spain | 40.82% |
| HSF 36 S.L.U., Spain | 40.82% |
| HSF 37 S.L.U., Spain | 40.82% |
| HSF 38 S.L.U., Spain | 40.82% |
| SIIC 43 S.L.U., Spain | 40.82% |
| SIIC 44 S.L.U., Spain | 40.82% |
| SIIC 45 S.L.U., Spain | 40.82% |
| SIIC 46 S.L.U., Spain | 40.82% |
| SIIC 47 S.L.U., Spain | 40.82% |
| SIIC 48 S.L.U., Spain | 40.82% |
| SIIC 49 S.L.U., Spain | 40.82% |

### Parent company

| EUR'000 | 2011 | 2010 |
|---|---|---|
| Cost at 1 January | 5,984 | 9,776 |
| Transferred from subsidiaries | 2,329 | 0 |
| Additions for the year | 0 | 2,406 |
| Disposals for the year | -1,704 | -6,198 |
| Cost 31 December | 6,609 | 5,984 |
| Value adjustment at 1 January | 204 | -40 |
| Transferred from subsidiaries | -277 | 0 |
| Profit for the year | 288 | 255 |
| Reversed value adjustment upon disposal | -358 | -11 |
| Value adjustment at 31 December | -143 | 204 |
| **Carrying amount at 31 December** | 6,466 | 6,188 |

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

## Notes to the financial statements

Investments in associates at 31 December 2011 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% | -67 | 1,519 |
| EEGW Persano ApS, Lyngby-Taarbæk | 50.0% | -3 | 610 |
| European Energy Sales & Adm. ApS, Copenhagen | 22.5% | 86 | 130 |
| EWF Fünf Eins GmbH & Co. KG, Germany | 25.0% | 34 | 690 |
| EWF Fünf Vier GmbH & Co. KG, Germany | 50.0% | -6 | 382 |
| UW Nielitz GmbH & Co. KG, Germany | 20.0% | 16 | 644 |
| Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany | 50.0% | 41 | 224 |
| WP Timpberg GmbH & Co. Zehnte, Germany | 50.0% | 57 | 222 |
| EE Sieben Null GmbH & Co. KG, Germany | 50.0% | -47 | -28 |
| EEA Verwaltungs GmbH, Germany | 50.0% | 5 | 13 |
| Wind Energy EOOD, Bulgaria | 49.0% | 2 | 562 |
| Wind Power 2 EOOD, Bulgaria | 49.0% | 2 | 527 |
| Wind Stream EOOD, Bulgaria | 49.0% | 2 | 483 |
| Wind Systems EOOD, Bulgaria | 49.0% | 3 | 488 |
| | | 125 | 6,466 |
| Results from associates disposed of during the year | | 163 | 0 |
| | | 288 | 6,466 |

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

## Notes to the financial statements

### 10 Other investments

| EUR'000 | Consolidated | Parent company |
|---|---|---|
| Cost at 1 January 2011 | 4,272 | 615 |
| Additions upon merger | 0 | 1,565 |
| Additions for the year | 1,144 | 94 |
| Disposals for the year | -68 | -65 |
| Cost at 31 December 2011 | 5,348 | 2,209 |
| Value adjustments at 1 January 2011 | 0 | 0 |
| Value adjustments for the year | 0 | 0 |
| Value adjustments at 31 Deccember 2011 | 0 | 0 |
| **Carrying amount at 31 December 2011** | 5,348 | 2,209 |

### 11 Amounts owed by parent company

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

### 12 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.

### 13 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

### 14 Project portfolio

| | Consolidated | |
|---|---|---|
| EUR'000 | 2011 | 2010 |
| Project portfolio at 1 January | 22,426 | 21,735 |
| Additions for the year | 3,674 | 18,609 |
| Disposals for the year | -15,462 | -17,918 |
| Project portfolio at 31 December before value adjustment | 10,638 | 22,426 |
| Value adjustment at 1 January | 0 | 0 |
| Value adjustment for the year | -465 | 0 |
| Value adjustment at 31 December | -465 | 0 |
| **Total project portfolio at 31 December** | 10,173 | 22,426 |

Project portfolio at 31 December is comprised as follows:

| | | |
|---|---|---|
| Projects under development | 10,173 | 9,627 |
| Projects under construction | 0 | 12,799 |
| **Total project portfolio at 31 December** | 10,173 | 22,426 |
| Wind power plants | 7,318 | 6,693 |
| Solar power plants | 2,855 | 15,733 |
| **Total project portfolio at 31 December** | 10,173 | 22,426 |

At 31 December, self-financing of project portfolios is comprised as follows:

| | | |
|---|---|---|
| Expenses used at cost | 10,638 | 22,426 |
| Write-downs | -465 | 0 |
| Carrying amount of project portfolio | 10,173 | 22,426 |
| Debt to mortgage credit institutions, etc. | -304 | -12,535 |
| **Total self-financing of project portfolio at 31 December** | 9,869 | 9,891 |

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

## Notes to the financial statements

### 15 Equity

| **Consolidated**<br>EUR'000 | Share capital | Retained earnings | Total |
|---|---|---|---|
| Equity at 1 January 2011 | 1,340 | 38,688 | 40,028 |
| Profit for the year | 0 | 760 | 760 |
| Value adjustment of hedging instruments | 0 | -268 | -268 |
| Foreign currency adjustment | 0 | 6 | 6 |
| **Equity at 31 December 2011** | 1,340 | 39,186 | 40,526 |

| **Parent company**<br>EUR'000 | Share capital | Reserve for net revaluation according to the equity method | Retained earnings | Total |
|---|---|---|---|---|
| Equity at 1 January 2010 | 1,340 | 19,338 | 19,350 | 40,028 |
| Profit for the year | 0 | 2,181 | -1,421 | 760 |
| Value adjustment of hedging instruments | 0 | -268 | 0 | -268 |
| Foreign currency adjustment | 0 | 6 | 0 | 6 |
| Transfer upon disposal, etc. | 0 | -4,417 | 4,417 | 0 |
| **Equity at 31 December 2010** | 1,340 | 16,840 | 22,346 | 40,526 |

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

### 16 Minority interests

| EUR'000 | Consolidated 2011 | Consolidated 2010 |
|---|---|---|
| Balance at 1 January | 3,218 | 3,624 |
| Additions for the year | -6 | 289 |
| Disposals for the year | -1,062 | -2,169 |
| Minority interests' share of capital increases | 0 | 175 |
| Minority interests' share of profit for the year | 365 | 1,299 |
| Minority interests' share of changes in equity | -85 | 0 |
| | 2,430 | 3,218 |

### 17 Deferred tax

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| EUR'000 | 2011 | 2010 | 2011 | 2010 |
| Deferred tax at 1 January | 763 | -3,042 | -102 | -1,136 |
| Change in deferred tax recognised in the income statement | 1,474 | 3,805 | 1,276 | 1,034 |
| Deferred tax on changes in equity | 165 | 0 | 0 | 0 |
| Adjustment relating to the disposal of subsidiaries, etc. | -146 | 0 | -4 | 0 |
| | 2,256 | 763 | 1,170 | -102 |

Deferred tax has been recognised as follows:

| | Consolidated 2011 | Consolidated 2010 | Parent company 2011 | Parent company 2010 |
|---|---|---|---|---|
| Deferred tax asset | 4,405 | 2,900 | 1,607 | 640 |
| Deferred tax | -2,149 | -2,137 | -437 | -742 |
| | 2,256 | 763 | 1,170 | -102 |

Deferred tax is mainly attributable to wind turbine projects in German limited partnerships and solar power plants in Spain.

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

## Notes to the financial statements

### 18 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 |
| Credit institutions | 77,098 | 15,733 |
| Other debt (current and non-current) | 304 | 0 |
| | 85,002 | 15,733 |

| **Consolidated** EUR'000 | Amount owed at 1/1 2011 | Total amount owed at 31/12 2011 | Current share of liabilities | Non-current share of liabilities | Outstan-ding amount after 5 years |
|---|---|---|---|---|---|
| Liabilities from issuance of bonds | 7,600 | 7,600 | 0 | 7,600 | 7,600 |
| Non-current project financing | 69,432 | 44,979 | 2,861 | 42,118 | 29,091 |
| Debt to mortgage credit institutions, etc. regarding project portfolio | 12,535 | 304 | 7 | 297 | 137 |
| Debt to credit institutions, etc. | 32,158 | 32,119 | 27,119 | 5,000 | 0 |
| | 121,725 | 85,002 | 29,987 | 55,015 | 36,828 |
| **Parent company** | | | | | |
| EUR'000 | | | | | |
| Other debt to credit institutions, etc. | 17,978 | 15,723 | 15,723 | 0 | 0 |

In 2008 the Group issued its own series of bonds totalling EUR 7,600 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.

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

## Notes to the financial statements

### 19 Mortgages and security

Wind and solar power plants at a carrying amount of EUR 59,177 thousand at 31 December 2010 have been pledged as security for the Group's debt to credit institutions in the amount of EUR 77,402 thousand. In addition to this, investments in associated enterprises as well as certain cash at bank and in hand have been pledged as security.

The parent company's debt to credit institutions in the amount of EUR 15,723 thousand is secured upon investments in certain subsidiaries and associates have been pledged as security.

Investments in German limited partnerships with a carrying amount of EUR 7,035 thousand at 31 December 2011 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 credit institutions.

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 financing credit institutions.

### 20 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

### 21 Auditors' fee

| | Consolidated | | Parent company | |
|---|---|---|---|---|
| EUR'000 | 2011 | 2010 | 2011 | 2010 |
| Fee relating to the statutory audit | 128 | 123 | 26 | 23 |
| Assurance engagements | 2 | 2 | 2 | 2 |
| Tax advice | 27 | 40 | 23 | 40 |
| Other services | 45 | 8 | 45 | 8 |
| | 202 | 173 | 96 | 73 |

### 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.

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

## Notes to the financial statements

### 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 invoiced ordinary administration fees to subsidiaries and associates.

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.

### 23 Change in self-financing of project portfolio

| | Consolidated | |
|---|---|---|
| | 2011 | 2010 |
| Self-financing of project portfolio at 1 January | 9,891 | 10,315 |
| at 31 December | -9,869 | -9,891 |
| **Change in self-financing of project portfolio** | 22 | 424 |

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