European Energy A/S

ANNUAL REPORT 2012

EUROPEANENERGY WIND · SOLAR

KPMG
Statsautoriseret Revisionspartnerselskab
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European Energy A/S

Annual report 2012

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.

CVR no. 18 35 13 31

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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 2012.

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

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 2012 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January – 31 December 2012.

In our opinion, the Management's review gives a fair review of the development in the Group's and the parent company's operations and financial matters, the results for the year and the Group's and the parent company's financial position.

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

Lyngby, 31 May 2013
Executive Board:

Knud Erik Andersen

Board of Directors:

Jens-Peter Zink Chairman	Knud Erik Andersen	Mikael Dystrup Pedersen

Independent auditors' report

To the shareholders of European Energy A/S

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 2012. The consolidated financial statements and the parent company financial statements comprise accounting policies, income statement, balance sheet, statement of changes in equity and notes for the Group as well as for the parent company and consolidated cash flow statement. The consolidated financial statements and the parent company financial statements 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. Management is also responsible 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 2012 and of the results of the Group's and the parent company's operations and the consolidated cash flows for the financial year 1 January – 31 December 2012 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.

Copenhagen, 31 May 2013
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

CVR 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

EUR'000	2012	2011	2010	2009	2008
Key figures					
Revenue	35,682	30,801	35,858	20,801	12,712
Direct costs	-20,554	-19,293	-17,341	-7,058	-4,245
Gross profit	15,128	11,508	18,517	13,743	8,467
Operating profit	7,831	3,635	10,514	7,233	4,839
Special items	0	300	0	3,106	0
Loss from financial income and expense	-1,807	-3,918	-5,927	-4,224	-2,692
The Group's share of profit for the year	**5,680**	**760**	**3,191**	**5,646**	**1,342**
Total assets	137,015	142,974	184,007	198,464	159,947
Equity	**46,005**	**40,526**	**40,028**	**36,988**	**31,468**
Cash flows from operating activities	6,194	-1,641	-1,651	-1,937	5,039
Net cash flows from investing activities	4,557	35,671	-6,383	-4,840	-55,750
Portion relating to investment in property, plant and equipment, net	-301	-880	-26,543	-7,160	-38,142
Cash flows from financing activities	-12,190	-34,700	6,359	3,696	54,332
Total cash flows	**-1,439**	**-670**	**-1,675**	**-3,081**	**3,621**
Financial ratios					
Gross margin	42.4%	37.4%	51.6%	66.1%	66.6%
Operating margin	21.9%	11.8%	29.3%	34.8%	38.1%
Equity ratio	33.6%	28.3%	21.8%	18.6%	19.6%
Return on equity	12.9%	2.8%	11.5%	16.5%	4.3%
Average number of full-time employees	38	39	43	35	12

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

Management's review

Operating review

2012 was a good year for the European Energy Group. The high level of activity continued, which has led to development of more projects, sale of energy assets and forging of more strategic partnerships. The strategy to focus on Northern Europe has proven to be a wise decision and has resulted in the best results for the past six years.

In 2012, development activities were primarily focused on Denmark, Germany, Poland and Sweden, where significant progress has been made in many projects. Wind energy is still the prevailing technology even though Management is still very interested in constructing solar power plants. With the falling price of solar panels, it is expected that solar energy will hold a prominent position in the Group's future pipeline.

In 2012, European Energy effected several large sales, including the sale of the first two Danish wind projects. They are both expected to be constructed in 2013. Thus, several years' development work has proven successful. Management still expects Denmark to be a significant market for the European Energy Group in the coming years.

Even though focus is on the nearby markets in Northern Europe, European Energy constructed and commissioned two wind parks in Italy and one solar park in Spain in 2012.

European Energy – wind park in Italy

Management's review

Operating review

Financial highlights and milestones for 2012

- Sale of energy assets to the tune of EUR 29.1 million (DKK 217.2 million)
- Profit after tax of EUR 5.7 million (DKK 42.4 million)
- New building permits in Denmark and Spain obtained
- Sale of the first two wind energy projects in Denmark
- Construction and commissioning of two wind parks in Italy and one solar park in Spain
- Increase in equity of 13.5% to EUR 46.0 million (DKK 343.2 million)
- Improvement of equity ratio from 28.3% to 33.6%

2012 – a year with a continued high level of activity

European Energy aims to be among the leading project developers within land-based solar and wind parks in Europe. Further, European Energy seeks to be the preferred partner of financially strong investors with a wish to invest in solar or wind energy.

Consequently, development activities have been given strong focus, and particularly the development work in Denmark has progressed significantly. Moreover, the European Energy Group has acquired parks under development and commissioned parks, which means that, despite the sale of several energy assets in 2012, the Group has realised net growth in MW.

Among other things, the European Energy Group has acquired 25% of GWE Energi A/S (EEA Stormy ApS) together with an investor and some of the former bondholders in GWE Energi A/S. GWE Energi A/S, which was under restructuring until May 2012, owns and operates four German wind parks with a total capacity of 45 MW. Simultaneously the administration and operations were moved to European Energy. Together with another investor, the Group has acquired Vetschau – a 12 MW wind project under development. The acquisitions of GWE and Vetschau support the Group's strong focus on Germany. In addition, the European Energy Group has, together with another investor, acquired the solar park Soleto in Puglia in Italy with a capacity of 1 MW. Moreover, a number of small solar energy plants in Germany have also been acquired.

The demand for commissioned energy assets was great in 2012, and again this year, the demand was directed towards several countries. The strategy not to be exposed towards a single country and a single technology has again proven to be beneficial as the European Energy Group can offer those assets currently in demand by investors. In 2012, the European Energy Group sold energy assets in Denmark, Germany and Italy.

Despite the European Energy Group's increased focus on Northern Europe, the Group has constructed and commissioned two wind parks in Italy and one solar park in Spain. The Spanish solar park L'Olleria II is the second phase of L'Olleria I, which was constructed and commissioned in 2008. The 1.2 MWp park, co-owned with two other investors, is situated near Valencia in Spain. In 2011, the Italian energy company which acquired a share of Parco Eolico Monte Vitalba in 2006 also acquired shares in the two Italian wind parks Carpinaccio and Riparbella. Both parks have now been constructed and were commissioned in November 2012. In aggregate, the parks comprise 33.6 MW. Management is very pleased that, despite the focus on the more stable markets of Northern Europe, the Group has constructed these parks and that it is also possible to obtain project financing for energy plants in Southern Europe.

Management's review

Operating review

Project financing, which is one of the European Energy Group's core competences, was an important part of operations in 2012, and due to the low interest rates, refinancing of several parks has been prioritised. The project financing of the two Italian parks is expected to be completed within the coming months, and the refinancing of several of the German parks is expected to be carried out in the first half of 2013.

In 2012, the European Energy Group strengthened the strategic partnerships, which are of great importance to the Group. The construction of the two Italian wind parks in cooperation with an Italian energy company, the construction of the Spanish solar park in cooperation with two investors and the acquisition of Vetschau are examples thereof. Often, former cooperative partners contact European Energy again wanting to make additional acquisitions or enter into a more strategic business relationship with the European Energy Group. A development that is very satisfactory to Management.

European Energy – wind park in Denmark under construction

Nordic Power Partners

One major strategic business relationship entered into in 2012 was the establishment of Nordic Power Partners. Nordic Power Partners is a cooperation with the Danish government where the Danish Climate Investment Fund, which is administered by the government-owned Investment Fund for Developing Countries (IFU), and European Energy have established the development company Nordic Power Partners, which is to identify and develop solar and wind energy projects in new growth markets and subsequently either sell or construct these projects.

Management's review

Operating review

For at long time, the Management of European Energy has wanted to erect solar or wind energy plants in emerging market economies outside Europe. Many developing countries have an increasing energy need and high energy prices, and many of the countries benefit from high sun radiation and/or good wind resources. At the same time, the European Energy Group can contribute to fulfilling the increasing energy need whilst contributing to the growth in the local economies. Additionally, the need will be covered by sustainable energy solutions and not fossil energy, which is often the solution today. Until now, it has been Management's assessment that the risk of operating in these markets has been too high, but the cooperation with IFU now makes it possible to take on projects outside Europe due to the possibility to draw on IFU's experience from developing countries and the funds which are expected to be provided through Nordic Power Partners.

The Danish Climate Investment Fund was established by the government in the autumn 2012 with a total contribution from the Danish government and IFU of EUR 37 million, and it is expected that pension funds will contribute additional capital.

The Management of European Energy has great expectations for this cooperation. The cooperation was published in January 2013 but is the result of many months' hard work.

2012 – a year with focus on expanding the Northern European portfolio

The development activities in the European Energy Group primarily take place in Northern Europe where focus is primarily on development of solar and wind energy projects in Denmark, Germany, Poland and Sweden. In 2012, the Company saw positive development in many of the projects, and many of the projects have progressed significantly in the development phase. The pipeline in the European Energy Group and development of projects primarily consist of wind energy projects as the Group wishes to reduce the dependence on subsidies.

In Denmark, the development work on many wind energy projects has progressed significantly, and in 2012, two of the Danish wind energy projects were granted building permits. These projects have both been sold to a large Danish utility company, and both projects are expected to be commissioned in 2013. The construction is managed by European Energy on behalf of the new owner.

The Company has experienced a high demand for both Danish and German wind turbine projects, and as a result, these are expected to generate a significant increase in value for the European Energy Group in the coming years.

In both Sweden and Poland, the development work is progressing as planned even though Poland is a very bureaucratic country where many of the processes take a long time. However, several Polish projects are close to obtaining building permits.

In Italy, the European Energy Group focused on existing projects in 2012, and consequently, the existing pipeline was not expanded upon further. Correspondingly, European Energy's pipeline in Spain has not been expanded either.

Management's review

Operating review

Repowering

Germany is a mature wind energy market where the total installed capacity of wind turbines amounts to approx. 30,000 MW from approx. 22,000 wind turbines. Most of the existing wind turbines have been erected on the most obvious sites, and therefore, the remaining vacant sites do not have the most optimal wind conditions. Consequently, the European Energy Group's focus in Germany is on optimising already existing parks and/or repowering.

Repowering means that old wind turbines are taken down and replaced by a smaller number of larger, more modern wind turbines with considerably increased capacity. The capacity increase will normally constitute 2-5 times the original capacity. Apart from the increase in capacity, benefits include that the new wind turbines are more effective, have higher hub height, which entails increased production output, and are more intelligent, thereby better adapted to the public utility network.

The European Energy Group already owns parks in Germany which have been in operation for several years and where repowering may be an option, in conjunction the Group also acquires old commissioned parks with optimisation potential and repowering possibilities. An example hereof is the acquisition of the wind park Wernikow (acquired in February and May 2013), which consists of 18 wind turbines with a total capacity of 10.8 MW. The repowering development work typically takes 2-4 years before the building permit is in place. Moreover, an advantage of acquiring commissioned old parks is that these parks often have favourable wind conditions as the sites with the best wind conditions were originally chosen as areas in which wind turbines could be constructed in Germany. At present, a repowering bonus of 0.5 eurocent per kWh is granted in Germany. However, reportedly, this bonus will no longer apply as from 1 January 2014.

European Energy – Italian wind park under construction

Management's review

Operating review

Thüga Erneuerbare Energien

As part of both the partnering and repowering strategies, the European Energy Group entered into an important strategic business relationship with Thüga Erneuerbare Energien in 2012 focusing on acquiring already commissioned wind parks in Germany demonstrating repowering potential.

Thüga Erneuerbare Energien is an association of 35 municipal electricity and utility companies located all over Germany focusing on expanding the electricity and utility companies' share of the electricity generation through alternative energy sources; first and foremost through wind energy. The goal is to invest EUR 1 billion in renewable energy before 2020.

Thüga Erneuerbare Energien is part of the parent group Thüga AG, which consists of approx. 100 municipal electricity and utility companies distributed across 12 German lands. Overall, Thüga AG and its members have more than 18,000 employees, revenue of more than EUR 22 billion and more than 2 million gas customers and 3.6 million electricity customers.

EE has an ownership interest of 30% in the newly established company EE Repowering GmbH & Co. KG and is responsible for identifying, acquiring and developing new wind parks. The cooperation was formalised in the beginning of 2013.

European Energy's organisation has become even more professional and better adapted for the changeable market conditions

To the extent possible, the European Energy Group's project development in the individual countries takes place based on a uniform and structured method in the form of teams where focus is on professional skills. European Energy is a very international company with employees from 12 different nationalities speaking 10 different languages. The Company has specialists in-house combining their know-how with local cooperative partners thus creating a high level of knowledge in all countries and making it possible to draw on experiences across borders. Thus, the individual teams comprise multi-disciplinary skills in the form of commercial, legal and technical employees. In order to ensure as flexible and dynamic an organisation as possible, all the Group's 45 employees work at the head office in Lyngby so that the employees can be easily transferred to project developments in other countries if the development conditions in one of the countries should deteriorate.

The Management of European Energy is convinced that, within the next few years, the solar and wind energy hardware will become a standard item that can produce energy at market terms without subsidies, and consequently, Management believes that value creation depends on effective and cost-conscious project development. Therefore, great focus is given to process innovation, which entails constant focus on improving internal functions and the organisation in European Energy in order to create a unique product that will be hard to imitate.

Management's review

Operating review

In 2012, focus was on making the organisation of European Energy even more professional, and therefore, the sales department was expanded so that even more sales processes may be carried out simultaneously. The European Energy Group is also responsible for the operation and maintenance of the parks in operation – also on behalf of third parties. In order to align, structure and utilise to a greater extent the economies of scale related to the administration of that many solar and wind parks, a separate department was established in 2012 for the purpose of handling these tasks. In 2012, the organisation was restructured so that, to a higher degree, it employs employees focusing on the Northern European markets. The number of employees is expected to increase to 50 by the end of 2013.

The work on optimising and making more efficient the internal procedures continued in 2012. Microsoft Dynamics NAV has been fully implemented. Much of the work previously performed by external finance functions is now performed at the head office in Lyngby, which has entailed marked optimisation and simplification in financial management and reporting. The entire project management is now being incorporated in Microsoft Dynamics NAV and is expected to be fully implemented in the upcoming months. In 2013, a new consolidation system will be acquired, and thus, the upgrading of the financial management commenced in 2010 will be completed.

The simplification of European Energy's group structure, which began in 2011, has been followed up in Spain in 2012 where the number of companies has been reduced by 44 companies. These changes will take effect in 2013.

European Energy – solar park in Spain

Management's review

Operating review

The overall vision: a society where the future energy consumption is solely based on renewable energy sources

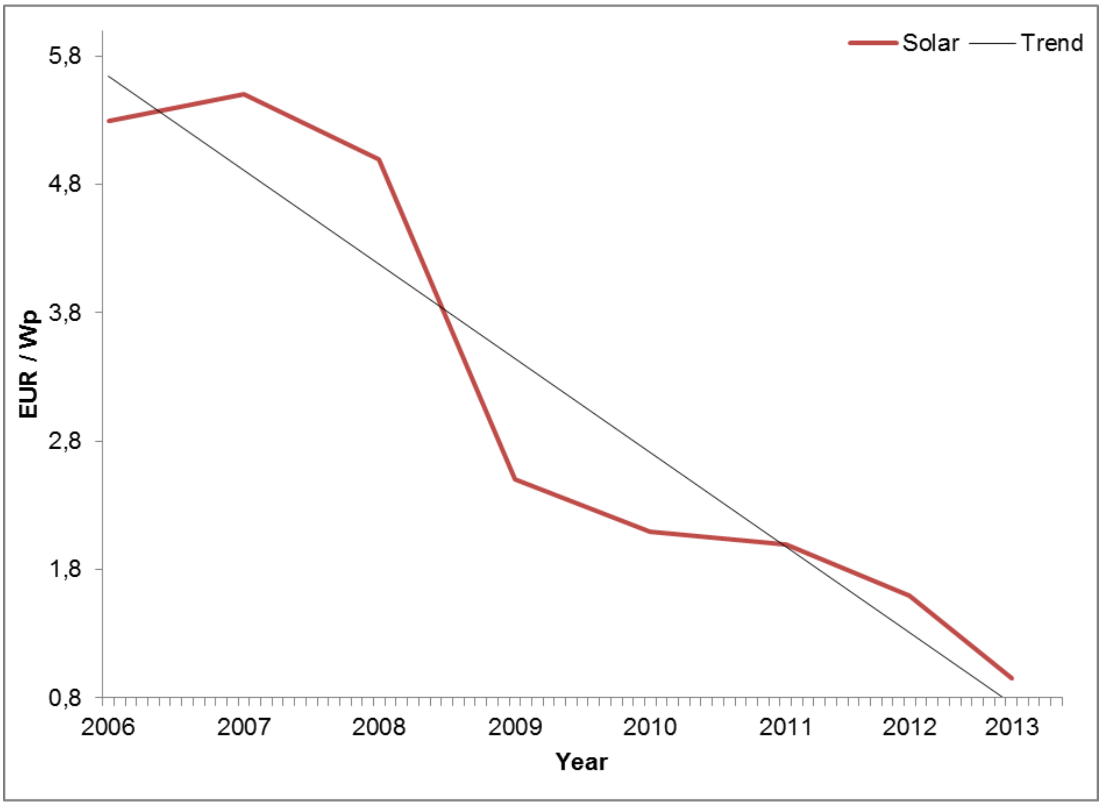
European Energy wishes to take part in the global change of the energy supply from fossil energy to renewable energy so that society's energy consumption will solely be based on renewable energy sources within a relatively short period of time. Therefore, the Group only engages in development, construction and operation of solar energy and wind energy plants contributing to reducing the consumption of fossil fuels.

European Energy has two great wishes:

- To reduce the costs of solar and wind energy so that grid parity may be reached (meaning that wind energy and solar energy plants may produce energy at the same price as fossil fuels) so that solar and wind energy may outcompete fossil fuels
- That the development of renewable energy becomes completely free from political interference

As shown in the below graph, the development towards grid parity has show a steady decreasing line in recent years, which is primarily attributable to two factors:

1. The renewable technologies have experienced constant decreases in prices as the technologies have improved, and the volume of for instance solar panels has increased
2. In general, the price of fossil fuels has been increasing

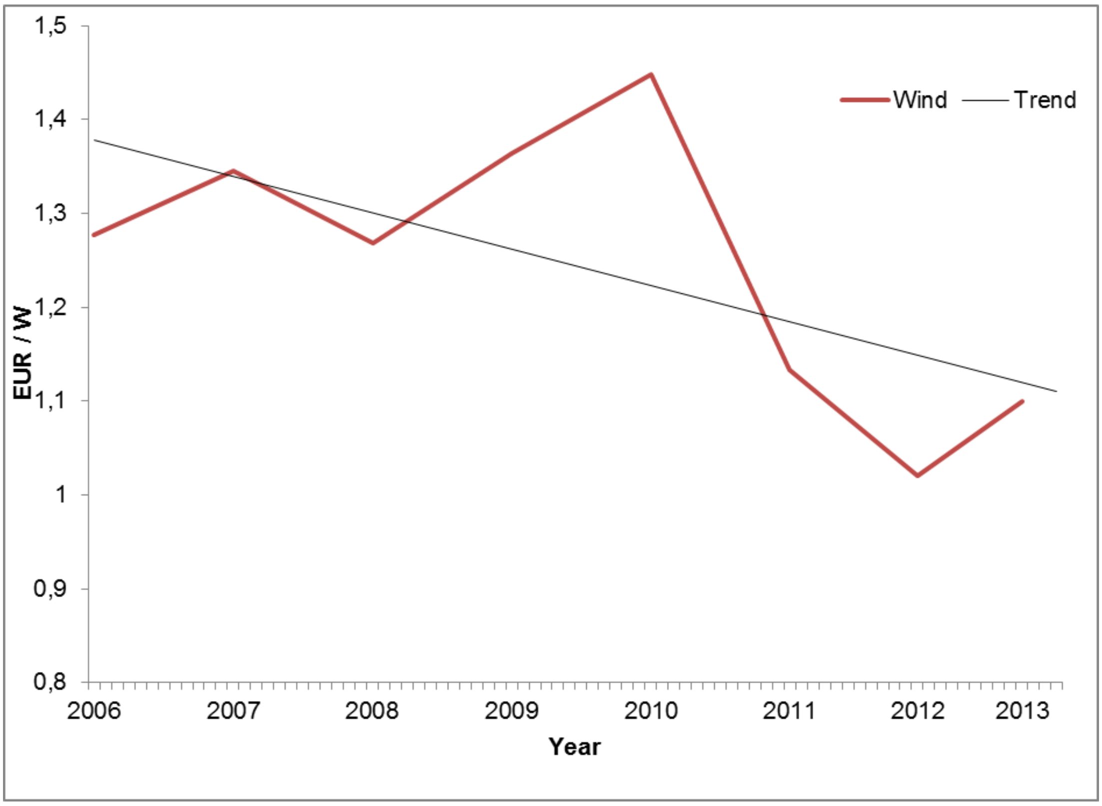


Costs of installation of solar energy

Management's review

Operating review

The corresponding graph for wind energy, which is a significantly more mature technology, shows that the price of wind turbines has only decreased to a limited extent in comparison.



Costs of installation of wind energy

With the massive emergence of shale gas in the USA and the spill-over effect on both the global gas and coal markets, there are two new factors to take into consideration:

1. The price developments in oil and gas prices have been disconnected, and the decreasing gas prices are expected to entail that gas will be used in more and more of the areas in which oil was previously used. Thus, a global change from oil to gas has started, which can already be seen in the transportation and power plant sectors where gas-fuelled plants gain ground
2. The global prices of coal are at an all-time low, which means that electricity generation and prices have flattened and even decreased in some periods

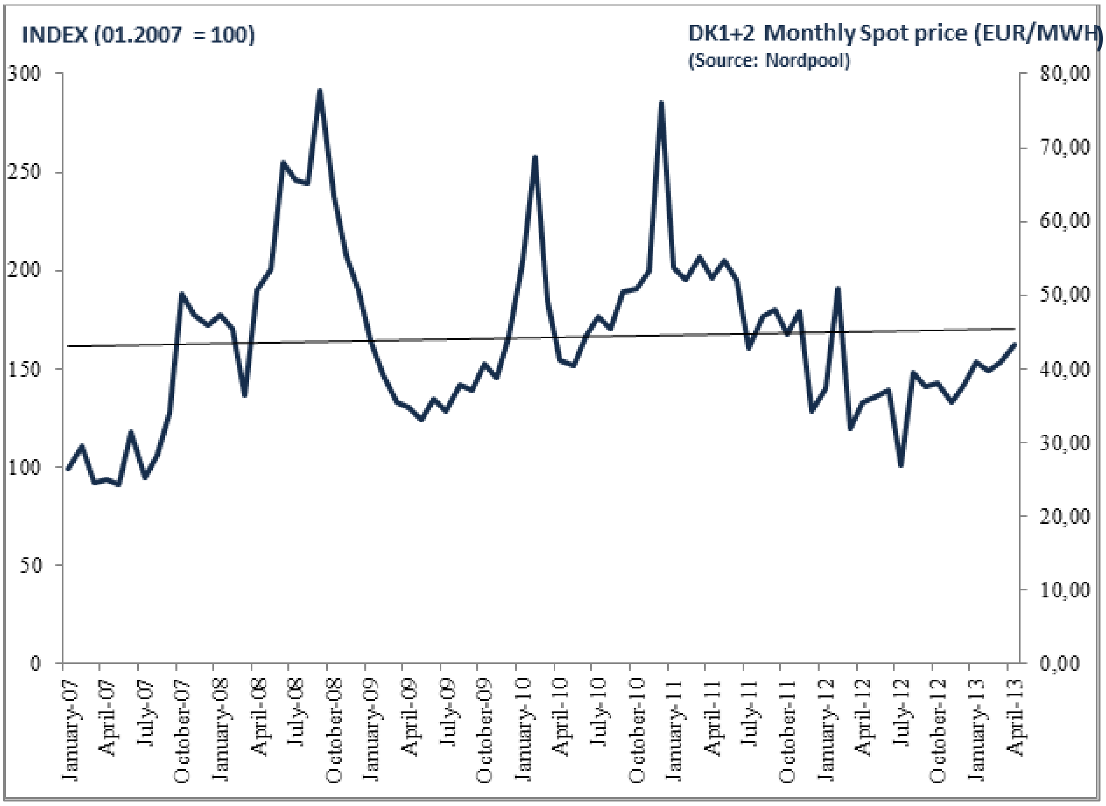
These two factors entail that the renewable energy sources are subject to severe price pressure in order to reach grid parity. In addition, countries such as Germany and Denmark have so much capacity of solar and wind energy that these renewable energy technologies press the market price at the local electricity exchanges down. This is of great significance to the profitability of the renewable energy sources which are not settled with a feed-in tariff but are settled on an electricity exchange.

Management's review

Operating review

In contrast to these trends, electricity lines between countries are being extended so that low price markets can export electricity to high price markets more easily. For instance, Norway is being connected to not only Denmark and Sweden but also England, the Netherlands and Germany, which should result in a levelling of the electricity prices in the low price area in Scandinavia and the high prices in England and Central Europe. Improved electricity lines also constitute a large benefit in terms of security of supply of renewable energy as it may even out the differences arising in connection with production of solar and wind energy, respectively, between the countries as the wind energy plants produce most electricity in the autumn and spring, and the solar energy plants produce most electricity in the summer.

Despite decreasing electricity consumption, financial crisis, etc., the spot price on Nord Pool showed an increase of approx. 4% annually in the years 2007-2013, which is illustrated in the figure below:



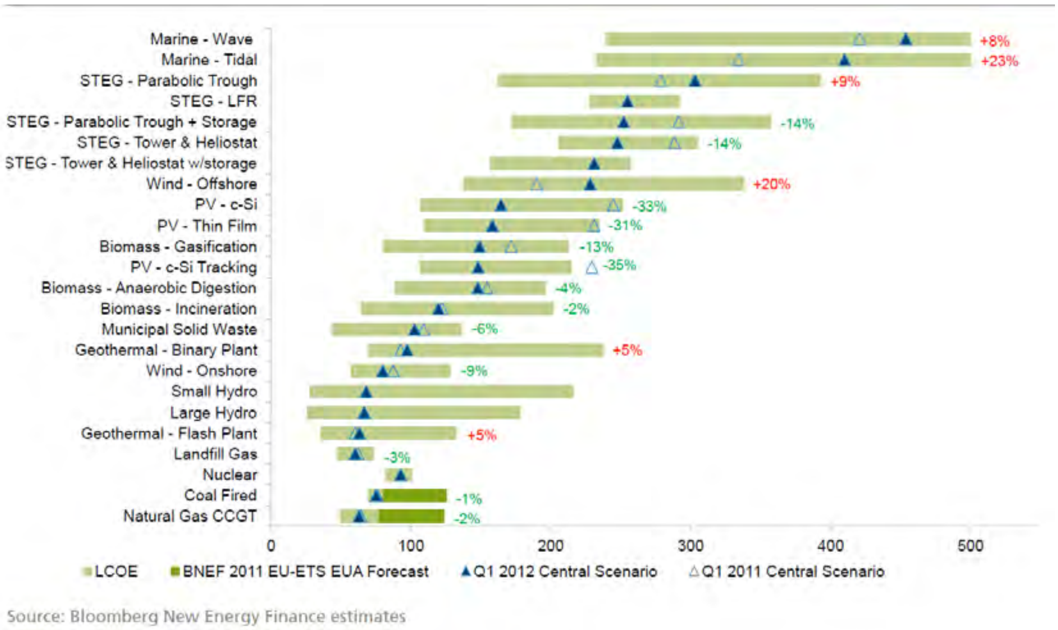
Monthly spot price on Nord Pool in the period January 2007 – April 2013.
January 2007 = index 100 (left), average spot price in absolute figures (right)

In January 2007, the average spot price amounted to approx. EUR 26, while it amounted to approx. EUR 41 for the same month in 2013. If the average price for 2007 (EUR 32) is compared to the average spot price for January 2013, this corresponds to a constant average growth rate of 3.9% p.a. The above figure shows an increase in the spot price of approx. 50% from January 2007 to January 2013.

Management's review

Operating review

The combination of decreasing hardware prices and moderately increasing electricity prices makes renewable energy a still more competitive energy source compared to fossil fuels. As shown in the below figure, onshore wind energy has already taken the lead in respect of delivery of cheap energy where only a few other sources such as water power are cheaper to produce than onshore wind energy. The Danish company MAKE Consult anticipates that onshore wind energy will reach grid parity in 2015.



Production costs incl. capital investments, etc., of various technologies (in USD/kWh)
Source: Bloomberg New Energy Finance estimates

Corporate social responsibility

The European Energy Group's business is structured in a socially and financially responsible way. The Group solely engages in development, construction and operation of renewable energy plants so that the consumption of fossil fuels can be reduced. The overall vision of a society in which the future energy consumption is solely based on renewable energy sources provides Management with a strong incentive to reduce CO_2 emissions and create a sustainable society. Moreover, Management wishes to help others do the same.

The European Energy Group's head office is located in Lyngby in Denmark where all the Group's employees work. However, the Group's employees work closely together with local cooperative partners and subsuppliers in many European countries, and therefore, it is Management's assessment that the Group overall contributes to the employment of more than 150 persons. As the European Energy Group's parks are often located in peripheral areas around Europe, the Group also contributes to the employment of both skilled as unskilled workers in these areas.

Management's review

Operating review

Many developing countries are experiencing growth resulting in an increased energy need. The Management of the European Energy Group also wants to help ensure that these developing countries get better access to energy in the future so that they are not forced to operate with reduced production as is the case in many of these economies today. The establishment of Nordic Power Partners is therefore expected to act as a lever in order to address this challenge.

The European Energy Group wishes to support the local population in the municipalities in which solar and wind energy plants are erected. Therefore, the Group actively backs local associations, etc., and the Group uses local manpower to the extent possible such as local contractors, etc. As most of the plants are located in peripheral areas, this may substantially affect the economy in the area.

When new wind turbines are erected in a municipality in Denmark, it is possible to apply for grants under "Grøn Ordning" (the Green Scheme) for initiatives beneficial to the local population. Under Grøn Ordning, grants are provided for construction work strengthening scenic and recreational values in the municipality and cultural and informative activities in local associations, etc., in order to increase the acceptance of the use of renewable energy sources in the municipality.

Environmental matters

In 2012, the energy assets in which the European Energy Group has ownership interests produced more electricity than what was consumed in Aarhus. Overall, the assets produced 516,000 MWh, which according to the Danish Energy Agency corresponds to the electricity consumption of 149,000 Danish households or 320,000 persons. The part of the energy assets owned by the European Energy Group produced 91,000 MWh, corresponding to the consumption of 27,000 Danish households or 57,000 persons, corresponding to the population of Denmark's seventh largest town, Kolding.

During the entire operating period, neither the solar nor the wind energy plants emit any CO_2 emissions, and therefore, it is solely during the production and scrapping phases that the plants have an adverse effect on the environment. "The energy payback time" – which is a measure of how long it takes to generate the energy used to construct the solar or wind energy plant by means of solar and wind energy – is also very short for solar and wind energy plants. After the construction, the solar and wind energy plants contribute significantly to reducing the CO_2 emissions in the countries in which the electricity is generated so that the consumption of fossil fuels is reduced significantly.

In connection with the construction of solar and wind energy plants in the European Energy Group, it is considered very important to ensure that the local population and wildlife are taken care of to the widest extent possible. This entails that detailed reports on any environmental impacts are prepared in all countries. For this purpose, independent specialists are consulted ensuring that all relevant rules and regulations are complied with, and safety conditions, scenic conditions, environmental impacts on neighbours, other environment impacts such as air pollution, geology, nature protection, socio-economic conditions and health conditions are thoroughly examined. The European Energy Group's day-to-day operations are managed at the head office in Lyngby, and as the primary activity comprises administrative work, the head office is not considered to have a large environmental impact. The Company strives to reduce the environmental impact as much as possible by for instance reducing paper consumption by means of duplex printing and paper recycling.

Management's review

Operating review

Overall, the European Energy Group has very positive CO_2 accounts where the saved CO_2 emissions by far exceed the CO_2 emissions from the Group's activities. The Management of the European Energy Group is very conscious of its corporate social responsibility, and it is an integral part of the Group's strategy to manage the Group in an economic but also socially responsible manner.

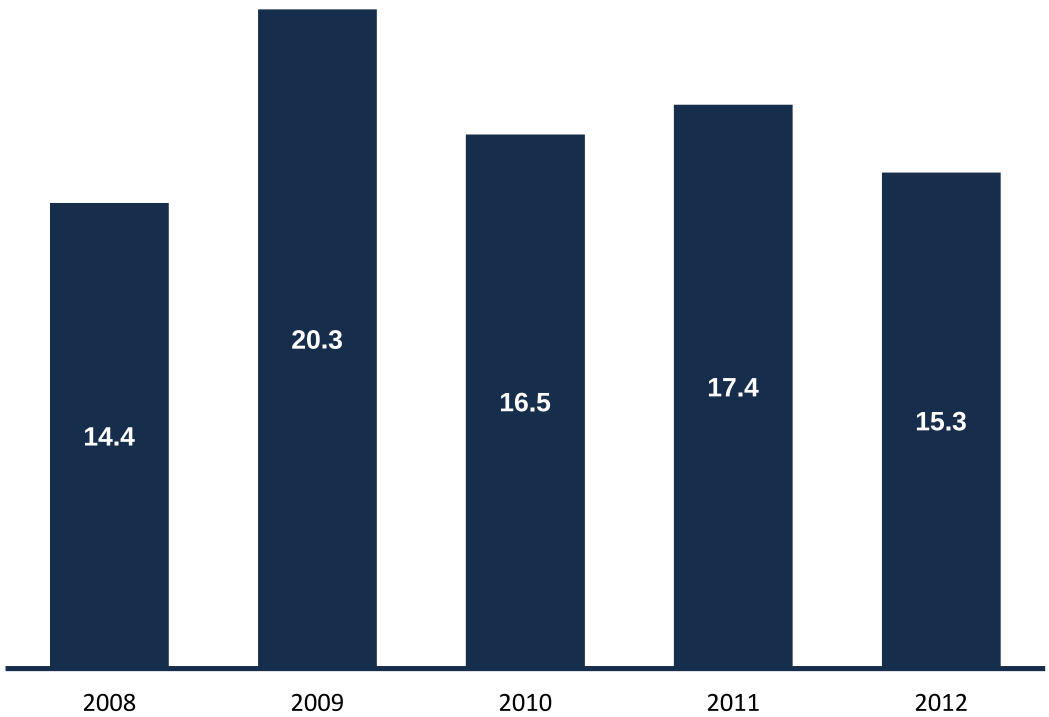
Revenue and results for 2012

Development in electricity sales

In general, both the solar and wind energy portfolios generated electricity in line with projections for 2012. The annual variations are partly an expression of the European Energy Group's additions and disposals of assets and of the number of operating months in which the individual asset has been part of the portfolio.

The below overview shows the total net electricity sales in the wind parks in which the European Energy Group has ownership interests. The electricity generation is included in proportion to the Group's ownership interests.

The European Energy Group's total net electricity sales
(EURm)



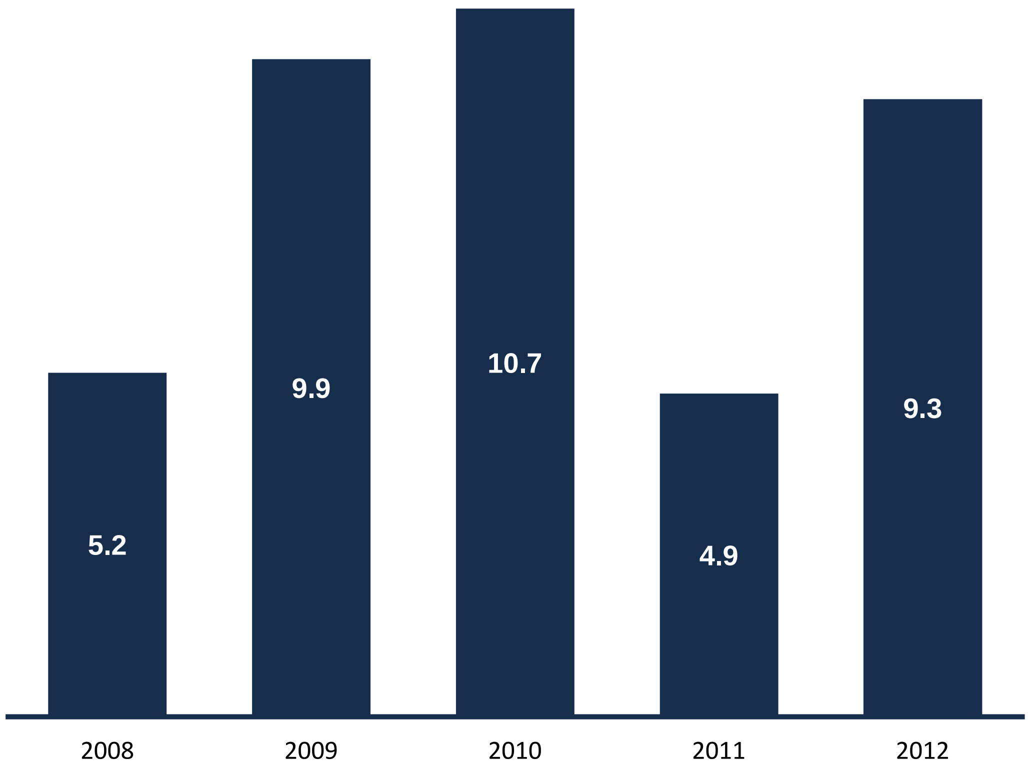
Management's review

Operating review

EBIT and profit from associates

A large part of the Group's earnings are attributable to assets of which the Group owns 50% or less and are therefore recognised as profit from associates, which is a part of financial income and expenses. Consequently, earnings before interest and tax – EBIT– does not reflect the European Energy Group's gross activity, and therefore, EBIT has been added to the profit from associates in the below graph. EBIT and profit from associates amounted to EUR 9.3 million in 2012 compared to EUR 4.9 million in 2011.

EBIT + associates
(EURm)



Management's review

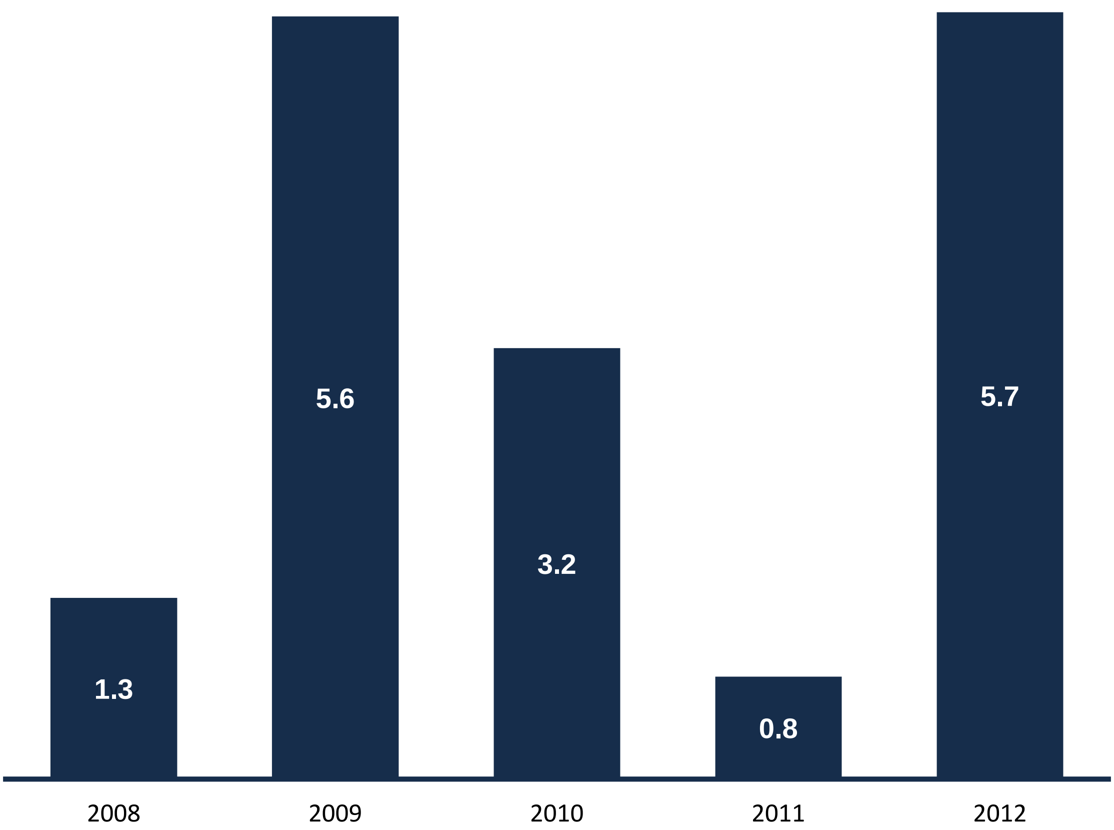
Operating review

Development in profit after tax

The European Energy Group's share of profit for the year amounted to EUR 5.7 million in 2012 compared to EUR 0.8 million in 2011. Among other things, the profit was generated by the completion of more and larger sales than in 2011, by the reduction of interest-bearing debt, by the associates realising satisfactory results and by the expansion of the Group's activities regarding operations and administration of solar and wind parks in 2012.

Management is satisfied with the profit, which constitutes the best results of the last six years, and in general, Management is very pleased with the positive development of the Group in 2012, which is expected to entail a considerable operating profit in the coming years.

The Group's share of profit for the year
(EURm)



Management's review

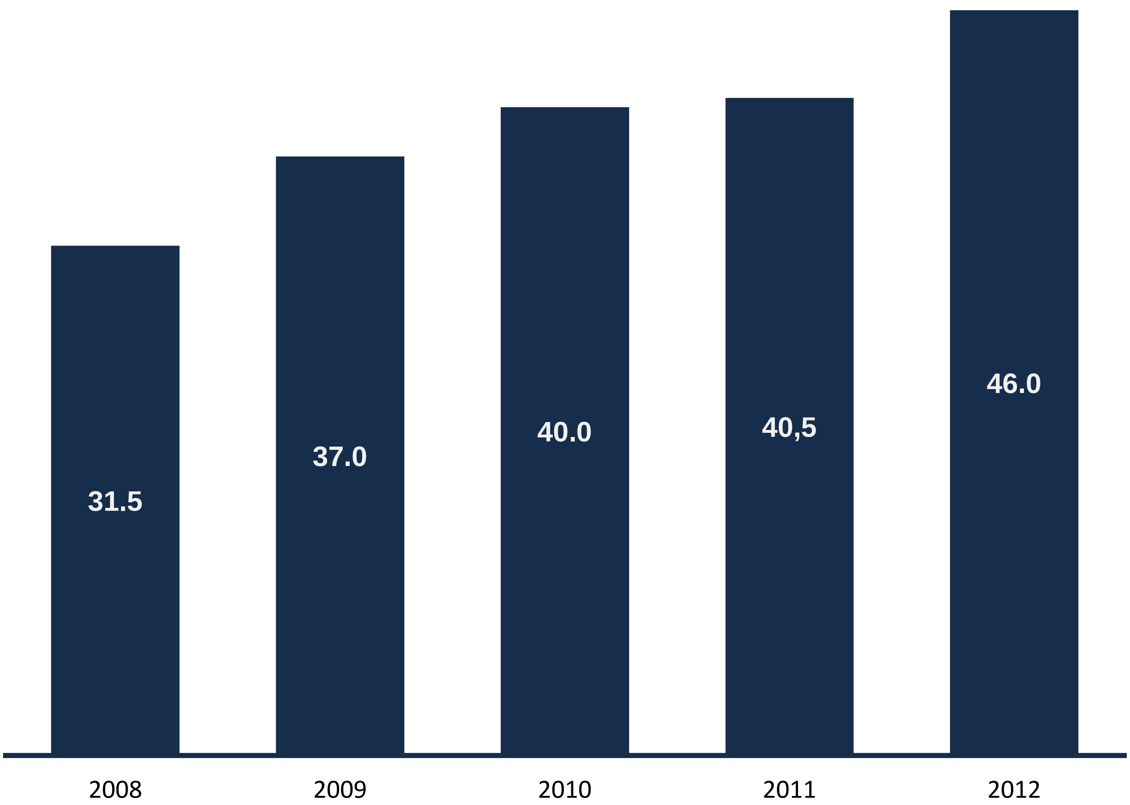
Operating review

Development in equity

The European Energy Group's equity amounted to EUR 46.0 million in 2012, which is an increase of EUR 5.5 million compared to 2011.

The Management of the European Energy Group wants to ensure sound equity as development activities within solar and wind energy are capital intensive. Consequently, Management does not expect that significant dividends will be distributed to the shareholders in the coming years as the expected profit will remain in the Company in order to strengthen the Group's growth.

Equity
(EURm)



Management's review

Operating review

Operating assets

Commissioned solar and wind parks

In 2012, the European Energy Group's total portfolio of commissioned solar and wind energy assets amounted to 69.0 MW, which is an increase of 8.7 MW compared to 2011 when the total portfolio amounted to 60.3 MW. The increase was realised despite the fact that several energy assets were disposed of during 2012.

The net growth in MW for the solar and wind energy assets is to due the fact that in-house developed assets have been commissioned and that the Group has acquired solar and wind energy assets already commissioned.

The Group has experienced net growth in energy assets within both technologies; the largest increase was realised within wind energy. In 2012, the European Energy Group's total portfolio of commissioned wind energy assets amounted to 58.2 MW compared to 51.5 MW in 2011 – an increase of 6.7 MW. The largest increase was seen in Germany due to, among other things, the acquisition of 25% of GWE. This supports the Group's strong focus on Germany.

Commissioned wind turbine and solar parks

Wind

Country	Park	Number of wind turbines	Total MW	European Energy's share in %	European Energy's share in MW
Germany	Altlandsberg	7	14.0	15%	2.1
Germany	Bad Iburg	3	6.1	25%	1.5
Germany	Bönen	4	8.0	50%	4.0
Germany	Brauel	3	6.0	25%	1.5
Italy	Carpinaccio	17	13.6	27%	3.7
Germany	Eichow	6	12.0	8%	1.0
Germany	Emskirchen	3	6.0	25%	1.5
Germany	Gommern	11	22.0	6%	1.4
Germany	Güstow	1	0.6	10%	0.6
Germany	Kasel-Golzig	2	4.0	50%	2.0
Bulgaria	Krupen	4	12.0	49%	5.9
Germany	Lohsheim	5	7.5	25%	1.9
Germany	Mildenberg	4	8.0	15%	1.2
Germany	Nielitz	5	10.0	20%	2.0
Germany	Ottenhausen	8	16.0	34%	5.5
Germany	Prignitz	17	25.5	25%	6.4
Italy	Riparbella	10	20.0	11%	2.2
Germany	Schäcksdorf	6	12.0	25%	3.0
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	19%	1.4
Germany	Wriezener Höhe	13	26.0	15%	3.9
Total		149	258.4		58.2

Management's review

Operating review

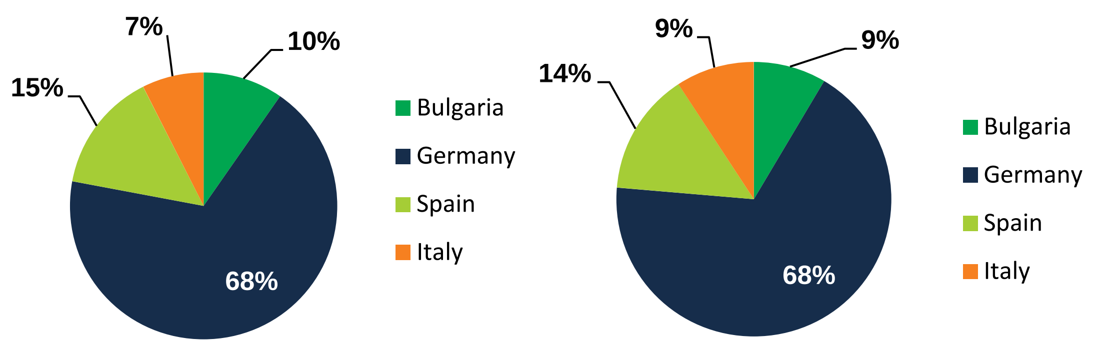
The solar energy assets increased by 2.0 MW to 10.8 MW in 2012 from 8.8 MW in 2011.

Solar

Country	Park	Total MW	European Energy's share in %	European Energy's share in MW
Spain	Beniarbeig	2.0	41%	0.8
Spain	Campllong	1.1	100%	1.1
Spain	Ibiza	0.2	100%	0.2
Spain	La P obla	0.2	100%	0.2
Spain	L'Olleria	1.5	100%	1.5
Spain	L'Olleria II	1.2	45%	0.5
Germany	Mando 20	0.6	48%	0.3
Germany	Mando 29	0.9	10%	0.1
Spain	Monovar	2.0	100%	2.0
Spain	Ocaña	1.2	100%	1.2
Italy	Soleto	0.9	50%	0.5
Spain	Villanueva	2.4	100%	2.4
Total		14.3		10.8

As the below figures show, the relative share of energy assets in Germany remains unchanged from 2011 to 2012, but as the total capacity increased by 8.7 MW – corresponding to approx. 14% – the total installed capacity in Germany increased during the period. The increase in Italy is due to the acquisition of Soleto and the fact that Carpinaccio and Riparbella have been commissioned.

2011	2012



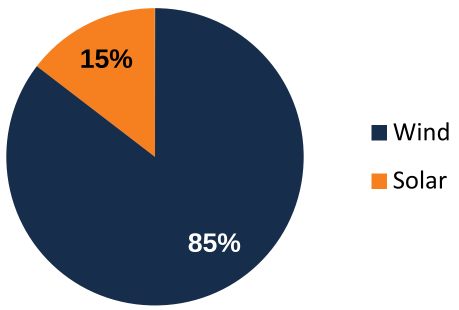
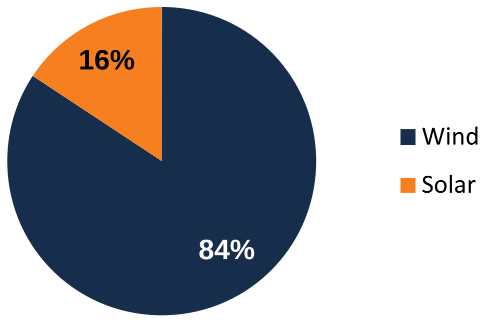
TOTAL: **60.7 MW**	TOTAL: **69.0 MW**

Distribution of European Energy's installed energy assets by geography (in MW)

Management's review

Operating review

The European Energy Group's primary focus area is wind energy, which is also reflected in the portfolio where the wind energy assets amount to 84%. The increase in the installed capacity of 8.7 MW primarily took place within wind energy, and consequently, the distribution between the two technologies is relatively similar in 2011 and 2012 as shown in the below figures.

2011	2012
	
TOTAL: **60.7 MW**	TOTAL: **69.0 MW**

Distribution of European Energy's installed energy assets by technology (in MW)

Building permits

In 2012, the European Energy Group obtained building permits for two Danish wind energy projects. One of the projects is a 15 MW wind energy project in Lolland, and the other project is a 6.9 MW wind energy project in Jutland.

Moreover, the European Energy Group has obtained the final building permit in Spain for the solar energy project L'Olleria II, which is the second phase of L'Olleria I, which was constructed and commissioned in 2008. The 1.2 MWp park is situated near Valencia in Spain. The park was both constructed and commissioned in 2012.

Pipeline and risk management

Development in the pipeline

The European Energy Group's total pipeline of solar and wind energy projects amounted to 1,103 MW, including partner interests, in 2012 compared to 1,178 MW in 2011. The majority of the pipeline relates to wind energy projects.

During recent years, the Group has chosen to focus on the existing pipeline rather than expanding it, and consequently, there are fewer new projects. The pipeline has therefore been reduced by a natural decrease in projects which it is not possible to complete, by the adjustment of certain projects and by obtaining building permits for, commissioning or selling projects.

Management's review

Operating review

The portfolio of solar and wind energy projects comprises projects in different phases and projects in different countries. The majority of the portfolio relates to projects in Northern Europe.

European Energy – concreting foundation in Danish wind park

Risk management

Recognition and measurement of development activities

The valuation of development projects is always subject to uncertainty. The uncertainty mainly consists of three components:

- whether building permit will be obtained for the project,
- whether it is financially favourable to construct the project if a building permit has been obtained,
- whether a project is attractive financially and if it is possible to obtain long-term financing for the project.

Management's review

Operating review

In both 2011 and 2012, the uncertainty as to the last two components has been more distinct than previously. In recent years, politicians in many countries have changed legislation and framework terms on an ongoing basis, which has led to increased political and financial uncertainty.

The European Energy Group assesses the project portfolio regularly, and the Group has paid particular attention to the project development in the more unstable markets, including, in particular, Greece.

As it is assessed that both the Greek settlement prices and the Greek ability to pay are subject to uncertainty, the European Energy Group has chosen to significantly write down the Greek project portfolio for both solar and wind energy projects despite the fact that the projects themselves are considered good in terms of sun radiation and wind conditions. For now, the Group has therefore put all development activities in Greece on hold, but if the political preconditions for project development in Greece become favourable for the European Energy Group once again, the project development will be resumed.

The prices of constructing solar and energy plants continue to decrease, and grid parity is expected to be reached within a short period of time. Therefore, the European Energy Group awaits more stability in the unstable markets in which the Group has development activities, and the Group continuously monitors when it will become favourable to continue the development activities in these markets. As the construction of solar and wind energy plants is subject to uncertainty, the Group chose in 2012 to perform a large write-down of development projects, and this write-down substantially relates to projects in Southern Europe.

European Energy – solar park in Spain

Management's review

Operating review

Events after the balance sheet date

In the first five months of 2013, the European Energy Group has continued the high level of activity and has, at this point, concluded several large agreements.

Solar energy activities in Denmark

Together with cooperative partners, the European Energy Group has worked on a number of solar energy projects in Denmark in 2012 and 2013. At the date of the presentation of the annual report, a number of these projects are still subject to legislative uncertainty. However, the Company hopes to be able to realise a number of solar energy projects in Denmark during 2013 due to a proposed transition arrangement.

Nearshore

The European Energy Group has secured the pilot survey rights to five locations for near-shore wind parks in Denmark. At present, the Group is examining the possibilities on behalf of cooperative partners of the further development of these parks, and it is expected that the Group will have a full overview of partners and financing in respect of the development of the projects as well as construction and operation in the summer 2013. The total potential amounts to a capacity of up to 1,000 MW with a total investment amount of approx. EUR 2 billion.

Management's review

Operating review

Wernikow

Together with another investor, the European Energy Group acquired 18 Repower wind turbines in Wernikow, Germany, in February and May 2013. The 600 kW wind turbines constructed in 2001 provide a total capacity of 10.8 MW. This provides great potential for repowering and optimisation of operations in the wind park.

Danish wind turbine project

After the year end, the European Energy Group acquired a Danish wind turbine project with an expected capacity of up to 20 MW. The development of the project is almost completed, and the project is expected to be constructed in 2014.

INSEAD New Business Award

The INSEAD New Business Award is an award granted to a dynamic person who, with his or her enterprise, has established a new, promising enterprise in Denmark. The award is granted annually in cooperation with INSEAD, IDA and Børsen magazine and is granted upon nomination by a selection committee which selects and nominates eight candidates. Subsequently, a jury, including chairman Niels Bjørn Christiansen, president and CEO of Danfoss, selects three finalists and the winner.

At a combined award show and conference held on 8 April 2013, European Energy took second place. The Management of European Energy is very pleased with this acknowledgement and is very proud of the second place.

Management's review

Operating review

Outlook

The renewable energy market

During recent years, the renewable energy market has proven to be one of the best performing markets, and this trend continues in 2013. Investors seem increasingly to favour investments in renewable energy, and the increasing demand has led to lower required rates of return from the European Energy Group's investors. Consequently, the value of both development assets and operating assets has increased. Management expects that the renewable energy market will continue to grow and that the high demand for the energy assets will continue.

Activities

The Management of European Energy also expects that 2013 will see a high level of activity where project development, construction of solar and wind parks, project financing and sale of energy assets will be the focus of attention.

It is expected that local development plan approvals or building permits will be obtained for several of the projects in Denmark, Sweden, Germany and Poland, and consequently, even more assets will be sellable in 2013. Moreover, it is expected that building permits for the first projects in Nordic Power Partners will be obtained, and thus, the first construction projects outside Europe can be initiated.

The Management of the European Energy Group still wants to strengthen the equity ratio and the Group's capital resources so that it will still be possible to utilise the many possibilities arising in the market. Therefore, the European Energy Group continues to dispose of both fully developed solar and wind energy projects and commissioned projects. In isolated cases, the Group may choose to dispose of projects at the building permit stage.

At the presentation of the annual report, the European Energy Group has a very large number of projects under negotiation, and some of them are expected to be completed in the near future.

It is therefore expected that the European Energy Group will have increased liquidity, lower level of borrowing and increased equity ratio at the end of 2013 so that the Group is well-equipped to utilise the many possibilities in the market.

Results

Electricity generation from commissioned plants is expected to be in line with 2012, and sales activities are expected to generate a profit which is at least in line with 2012. At present, many sales negotiations are in progress, and these are expected to be completed in the near future. As the transaction size of the individual sales may be relatively large, the profit for 2013 may be significantly affected by whether the transactions are carried out in 2013 or 2014.

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 has been prepared in accordance with the provisions applying to reporting class C enterprises under the Danish Financial Statements Act. In addition, the Group has chosen to include specific notes applying to reporting class C (large).

The Group has chosen to present the annual report in euro (EUR).

At 31 December 2012, the EUR/DKK rate was 7.46 (31 December 2011: 7.43).

The Group has chosen to change accounting policies in respect of recognition of revenue and direct costs related to the disposal of energy plants placed in independent legal entities (subsidiaries and associates). Previously, the Group recognised the selling price of the energy plants based on the carrying amount of the plants at the date of disposal plus the accounting gain from the disposal. The direct costs comprised the carrying amount of the energy plants disposed of.

In 2012, the accounting policies have been changed so that revenue from the disposal of energy plants comprises the selling price of the equity investments disposed of, etc., while direct costs comprise the carrying amount of the equity investments disposed of, etc.

The change was made for the purpose of providing a more true and fair view of the Group's actual revenue.

The change included a reduction of the Group's revenue and direct costs of EUR 36,020 thousand (2011: EUR 25,792 thousand), while the parent company's revenue and direct costs were reduced by EUR 416 thousand (2011: EUR 8,869 thousand). Profit for the year, balance sheet total and equity remain unchanged despite the change.

Comparative figures and key figures have been restated.

Apart from the above, the accounting policies used 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 interim financial statements that evidence conditions existing at the balance sheet date are taken into account.

Income is recognised in the income statement as earned. Equally, costs incurred to generate the period's earnings are recognised, including depreciation, amortisation, impairment and provisions as well as reversals as a result of changes in accounting estimates of amounts which were previously recognised in the income statement.

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

Accounting policies

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 transaction date and at the date of payment are recognised in profit or loss as financial income or financial expenses.

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

Non-current assets acquired in foreign currencies are translated at the exchange rate at the transactions date.

Derivative financial instruments

Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in other receivables and 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 or liabilities are recognised as 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 recognised in 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.

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

Accounting policies

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

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

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus non-amortised goodwill and anticipated disposal costs.

Acquisitions of enterprises are accounted for using the purchase method, according to which the identifiable assets and liabilities acquired are measured at their fair values at the date of acquisition. Provision is made for costs related to adopted and announced plans to restructure the acquired enterprise in connection with the acquisition. 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.

Non-controlling interests

In the consolidated financial statements, the items of subsidiaries are recognised in full. The non-controlling 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 income generating activities:

- Disposal of energy plants
- Sale of electricity
- Sale of services

Disposal of energy plants

Revenue from the disposal of energy plants is recognised in the income statement provided that delivery and 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 structure purposes, all energy plants are placed in independent legal entities, and consequently, disposal of energy plants is made by full or partial transfer of

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

Accounting policies

equity investments, etc., in underlying legal entities. The selling price of the equity investments disposed of, etc., is recognised as revenue.

Sale of electricity

Revenue from the sale of electricity is recognised in the income statement at the amount paid by the purchaser as the electricity is generated and supplied to the purchaser's network provided that the electricity generation has taken place before year end and that the income can be reliably measured and is expected to be received. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Sale of services

Revenue from the sale of services is recognised in the income statement as the services are provided and in accordance with concluded agreements. Revenue is measured ex. VAT and taxes charged on behalf of third parties.

Direct costs

Direct costs comprise costs incurred in generating the revenue for the year. On disposal of energy plants placed in independent legal entities, direct costs comprise the carrying amount of the equity investments disposed of, etc., plus costs directly related to the disposal. In addition, direct costs comprise operating costs related to constructed energy plants.

Staff costs

Staff costs comprise wages and salaries, remuneration, pensions and other costs regarding the Company's employees, including members of the Executive Board and the Board of Directors.

Other external costs

Other external costs comprise administrative expenses.

Depreciation and amortisation

Depreciation and amortisation comprise depreciation on property, plant and equipment for the year and amortisation of intangible assets as well as gains and losses on the disposal of other non-current assets than energy plants.

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

Accounting policies

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 for the year

The Company is subject to the Danish rules on joint taxation of the Group's Danish companies.

The Group's ultimate parent company is the administrative company under the joint taxation and accordingly pays all corporation taxes to the tax authorities.

On payment of joint taxation contributions, the current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. In this relation, companies with tax loss carryforwards receive joint taxation contribution from companies that have used these losses to reduce their own taxable profits (full absorption).

Tax for the year comprises joint taxation contributions for the year and changes in deferred tax, including changes as a result of a change 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 changes 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 construct wind parks. Other rights are measured at cost less accumulated amortisation and impairment losses. The rights are amortised over the rights period, not exceeding 20 years.

Gains and losses on the disposal of other rights are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

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

Accounting policies

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

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 energy plants	25 years
Solar energy plants	40 years
Tools and equipment	3-5 years

Gains and losses on the disposal of wind and solar energy plants are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal.

Gains and losses on the disposal of tools and equipment are calculated as the difference between the selling price less selling costs and the carrying amount at the date of disposal. 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 after full elimination of intra-group profits/losses and less amortisation of goodwill.

The proportionate share of the results after tax of the associates is recognised in the income statement after elimination of the proportionate share of intra-group profits/losses and less amortisation of goodwill.

Balance sheet

Investments in subsidiaries and associates are measured at the proportionate share of the enterprises' net asset values calculated in accordance with the parent company'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.

Subsidiaries and associates with negative net asset value are measured at EUR 0 (nil), and any amounts owed by such enterprises are written down by the parent company's share of the net asset value if the amount owed is deemed irrecoverable. If the negative net asset value exceeds the amounts owed, the remaining amount is recognised under provisions if the parent company has a legal or a constructive obligation to cover the subsidiary's deficit.

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

Accounting policies

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

Enterprises acquired or formed during the year are recognised in the financial statements from the date of acquisition or formation. Enterprises disposed of are recognised up to the date of disposal.

Gains or losses on disposal of subsidiaries and associates are stated as the difference between the sales amount and the carrying amount of net assets at the date of disposal plus anticipated disposal costs.

Other investments

Other investments recognised under non-current assets are measured at fair value. Other investments are recognised at cost if the fair value cannot be determined reliably. 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 associates and other investments is subject to an annual test for indications of impairment other than the decrease in value reflected by depreciation or amortisation.

When there is an indication of impairment, each asset or a group of assets is 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

The project portfolio comprises projects in progress within development and construction of renewable energy plants. The projects can be categorised as follows:

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

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

Project portfolios are measured at the lower of cost and net realisable value.

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

Accounting policies

Projects under development

Projects under development comprise projects for which construction has not yet been commenced.

Cost comprises direct and indirect costs incurred in respect of development of projects, including interest in the project period.

Projects under construction

Projects under construction comprise projects for which construction has begun but has not yet been completed.

Cost comprises cost incurred in the development phase (projects under development) and cost in relation to the construction phase, which comprises direct and indirect costs for subcontractors, project management and financing as well as interest in the construction period.

Finished projects for resale

Finished projects for resale comprise projects for which construction has been completed but where the sales process has not been completed.

Cost comprises cost incurred in the development phase (projects under development) and cost in relation to the construction phase, which comprises direct and indirect costs for subcontractors, project management and financing as well as interest in the period up to the completion of the construction project.

If the expected selling price of the project less selling costs (net realisable value) is deemed to be lower than the carrying amount, write-down is made to this lower amount.

Receivables

Receivables are measured at amortised cost. Write-down is made for expected losses at the net realisable value.

Prepayments

Prepayments comprise costs incurred concerning subsequent financial years.

Securities

Securities recognised under current assets are measured at fair value at the balance sheet date. Listed securities are measured at market price.

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

Accounting policies

Corporation tax and deferred tax

In accordance with the joint taxation rules, as administrative company, the Group's ultimate parent company assumes the liability for payment to the tax authorities of the Company's corporation taxes as the joint taxation contributions are received.

Payable and receivable joint taxation contributions are recognised under balances with group companies.

Deferred tax is measured using the balance sheet liability method on all temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value 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 at the balance sheet date when the deferred tax is expected to crystallise as current tax. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities other than provisions

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. In subsequent periods, 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 Company'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 profit for the year adjusted for non-cash operating items, changes in working capital and corporation tax paid.

Cash flows from investing activities

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

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

Accounting policies

Cash flows from financing activities

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

Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term marketable securities which are subject to an insignificant risk of changes in value.

Financial ratios

Financial ratios are calculated in accordance with the Danish Society of Financial Analysts' guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2010".

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

Operating margin	$\frac{\text{Operating profit x 100}}{\text{Revenue}}$
Gross margin	$\frac{\text{Gross profit x 100}}{\text{Revenue}}$
Equity 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	2012	2011	2012	2011
Revenue	1	35,682	30,801	2,630	9,026
Direct costs		-20,554	-19,293	-1,062	-7,392
Gross profit		15,128	11,508	1,568	1,634
Staff costs	2	-3,362	-3,112	-3,362	-3,112
Other external costs		-2,235	-1,748	-1,075	-759
Depreciation, amortisation and impairment losses	6.7	-1,700	-3,013	-154	-139
Operating profit/loss		7,831	3,635	-3,023	-2,376
Special items		0	300	0	0
Profit/loss before financial income and expenses		7,831	3,935	-3,023	-2,376
Profit from subsidiaries	8	0	0	8,126	1,893
Profit from associates	9	1,503	948	1,038	288
Financial income	3	1,315	1,572	1,184	2,003
Financial expenses	4	-4,625	-6,438	-1,605	-2,173
Profit/loss before tax		6,024	17	5,720	-365
Tax on profit/loss for the year	5	-446	1,108	-40	1,125
Profit for the year		5,578	1,125	5,680	760
Non-controlling interests' share of profit for the year		102	-365	0	0
The Group's share of profit for the year		5,680	760	5,680	760

Proposed profit appropriation

Net revaluation according to the equity method	9,164	2,181
Retained earnings	-3,484	-1,421
	5,680	760

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

Balance sheet

EUR'000	Note	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
ASSETS					
Non-current assets					
Intangible assets	6				
Goodwill		251	270	0	0
		251	270	0	0
Property, plant and equipment	7				
Wind energy plants		2,596	10,177	0	0
Solar energy plants		49,141	49,000	0	0
Tools and equipment		142	242	142	242
		51,879	59,419	142	242
Investments					
Investments in subsidiaries	8	0	0	34,078	25,993
Investments in associates	9	15,872	14,721	9,437	6,466
Other investments	10	5,172	5,348	2,069	2,209
Receivables from parent company	11	10,332	9,926	10,332	9,926
Receivables from subsidiaries	12	0	0	14,441	20,980
Receivables from associates	12	7,337	7,917	3,153	2,574
Other receivables	13	20,586	9,753	0	0
		59,299	47,665	73,510	68,148
Total non-current assets		111,429	107,354	73,652	68,390
Current assets					
Project portfolio	14	7,472	10,173	0	0
Receivables					
Trade receivables		3,878	7,256	1,360	2,187
Deferred tax asset	17	5,163	4,405	2,831	1,607
Other receivables		2,546	5,729	185	671
Prepayments		229	320	161	114
		11,816	17,710	4,537	4,579
Cash at bank and in hand		6,298	7,737	177	1,957
Total current assets		25,586	35,620	4,714	6,536
TOTAL ASSETS		137,015	142,974	78,366	74,926

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Balance sheet

		Consolidated		Parent company	
EUR'000	Note	2012	2011	2012	2011
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	25,866	16,840
Retained earnings		44,665	39,186	18,799	22,346
Total equity		46,005	40,526	46,005	40,526
Non-controlling interests	16	1,777	2,430	0	0
Provisions					
Deferred tax	17	763	2,149	445	437
Liabilities other than provisions					
Non-current liabilities other than provisions	18				
Liabilities related to the issue of bonds		7,600	7,600	0	0
Credit institutions		39,169	47,118	0	0
Other payables		337	297	605	0
		47,106	55,015	605	0
Current liabilities other than provisions					
Credit institutions	18	25,694	29,987	12,065	15,733
Trade payables		5,256	7,623	895	2,178
Payables to group enterprises		0	0	16,182	13,644
Amounts owed to associates		105	51	6	50
Corporation tax		1,164	1,441	1,086	1,389
Other payables		9,145	3,752	1,077	969
		41,364	42,854	31,311	33,963
Total liabilities other than provisions		88,470	97,869	31,916	33,963
TOTAL EQUITY AND LIABILITIES		137,015	142,974	78,366	74,926

Mortgages and collateral	19
Contractual obligations and contingencies, etc.	20
Fees paid to auditors appointed at the annual general meeting	21
Related party disclosures	22

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Cash flow statement

EUR'000	Consolidated 2012	Consolidated 2011
Profit before financial income and expenses	7,831	3,935
Adjustment for non-cash operating items, etc.:		
Depreciation, amortisation, etc.	4,404	3,479
Cash generated from operations (operating activities) before changes in working capital	12,235	7,414
Change in self-financing of project portfolio	234	22
Change in receivables	-4,572	2,229
Change in current liabilities	3,068	-6,296
Cash generated from operations (operating activities)	10,965	3,369
Interest, etc., received	1,304	1,572
Interest, etc., paid	-4,625	-6,438
Cash generated from operations (ordinary activities) before tax	7,644	-1,497
Corporation tax paid	-1,450	-144
Cash flows from operating activities	6,194	-1,641
Acquisition of property, plant and equipment	-301	-880
Disposal of subsidiaries and activities	3,916	39,911
Disposal of equity investments and securities	0	68
Changes in loans to associates	932	-3,428
Dividends received	10	0
Cash flows from investing activities	4,557	35,671
Change in long-term project financing	-7,949	-30,849
Other changes in payables to credit institutions	-4,293	-3,612
Changes in payables to associates	52	-239
Cash flows from financing activities	-12,190	-34,700
Cash flows for the year	-1,439	-670
Cash and cash equivalents at 1 January	7,737	8,407
Cash and cash equivalents at 31 December	6,298	7,737

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

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

Notes

EUR'000	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
1 Revenue				
Disposal of energy plants	29,114	19,764	1,250	8,462
Sale of electricity	5,644	10,387	0	0
Other income	924	650	1,380	564
	35,682	30,801	2,630	9,026
Distribution on segments:				
Revenue from solar energy	5,779	14,241	0	0
Revenue from wind energy	29,903	16,560	2,630	9,026
	35,682	30,801	2,630	9,026

EUR'000	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
2 Staff costs				
Wages and salaries	3,142	2,915	3,142	2,915
Other social security costs	40	38	40	38
Other staff costs	180	159	180	159
	3,362	3,112	3,362	3,112
Average number of employees	38	39	38	39

Pursuant to section 98b(3)(ii) of the Danish Financial Statements Act, information on remuneration of the Executive Board and the Board of Directors has been omitted.

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

Notes

		Consolidated		Parent company	
	EUR'000	2012	2011	2012	2011
3	**Financial income**				
	Interest income, bank	25	328	0	2
	Interest income, group enterprises and associates	492	765	1,092	1,728
	Dividends, other investments	10	141	10	141
	Exchange gains	96	34	77	0
	Other financial income	692	304	5	132
		1,315	1,572	1,184	2,003
4	**Financial expenses**				
	Interest expense, banks	4,251	5,302	874	998
	Interest expense, group enterprises and associates	2	8	677	770
	Interest expense, corporate bonds	304	335	0	0
	Interest expense, other	45	618	54	242
	Foreign exchange loss, etc.	23	175	0	163
		4,625	6,438	1,605	2,173
5	**Tax on profit for the year**				
	Tax on profit for the year	-1,720	-302	-1,062	-50
	Change in deferred tax	1,486	1,474	981	1,276
	Adjustment to tax relating to previous years	-212	-64	41	-101
		-446	1,108	-40	1,125

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6 Intangible assets
Consolidated

EUR'000	Goodwill
Cost at 1 January 2012	370
Additions for the year	0
Cost at 31 December 2012	370
Amortisation and impairment losses at 1 January 2012	-100
Amortisation for the year	-19
Amortisation and impairment losses at 31 December 2012	-119
Carrying amount at 31 December 2012	251
Amortised over	20 years

7 Property, plant and equipment

Consolidated

EUR'000	Wind energy plants	Solar energy plants	Tools and equipment	Total
Cost at 1 January 2012	12,769	53,670	606	67,045
Reclassification	0	-327	0	-327
Transferred from former associates	0	1,503	0	1,503
Additions for the year	121	124	56	301
Disposals for the year	-9,362	0	-2	-9,364
Cost at 31 December 2012	3,528	54,970	660	59,158
Depreciation and impairment losses at 1 January 2012	-2,592	-4,670	-364	-7,626
Reclassification	0	327	0	327
Transferred from former associates	0	-111	0	-111
Depreciation for the year	-152	-1,375	-154	-1,681
Disposals for the year	1,812	0	0	1,812
Depreciation and impairment losses at 31 December 2012	-932	-5,829	-518	-7,279
Carrying amount at 31 December 2012	2,596	49,141	142	51,879
Depreciated over	25 years	40 years	3-5 years	

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7 Property, plant and equipment (continued)

Parent company

EUR'000	Tools and equipment
Cost at 1 January 2012	606
Additions for the year	56
Disposals for the year	-2
Cost at 31 December 2012	660
Depreciation and impairment losses at 1 January 2012	-364
Depreciation for the year	-154
Depreciation and impairment losses at 31 December 2012	-518
Carrying amount at 31 December 2012	142
Depreciated over	3-5 years

8 Investments in subsidiaries

	Parent company	
EUR'000	2012	2011
Cost at 1 January	9,010	8,723
Disposals relating to mergers	0	-770
Additions for the year	296	7,935
Disposals for the year relating to investments	-140	-4,549
Transferred to associates	0	-2,329
Cost at 31 December	9,166	9,010
Value adjustments at 1 January	16,983	19,134
Disposals relating to mergers	0	-4,349
Share of profit for the year	8,126	1,893
Hedges	-198	-268
Reversed value adjustments on disposal	0	296
Transferred to associates	0	277
Other value adjustments	1	0
Value adjustments at 31 December	24,912	16,983
Carrying amount at 31 December	34,078	25,993
Investments in subsidiaries are recognised as follows:		
Investments in subsidiaries	34,078	25,993
Set off in receivables from subsidiaries	0	0
	34,078	25,993

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8 Investments in subsidiaries (continued)

Investments in subsidiaries at 31 December 2012 are as follows:

EUR'000 Name	Ownership interest at 31/12 2012	Share of profit for the year	Share of equity
European Wind Farms A/S, Lyngby-Taarbæk	100.0%	-854	16,191
European Wind Farm Denmark A/S, Lyngby-Taarbæk	100.0%	9,802	9,870
European Wind Farm No. 2 A/S, Lyngby-Taarbæk	100.0%	0	104
European Energy Systems I ApS, Lyngby-Taarbæk	100.0%	54	152
European Energy Systems II ApS, Lyngby-Taarbæk	100.0%	1,070	1,736
European Solar Farms A/S, Lyngby-Taarbæk	76.3%	-188	5,716
Enerteq Vitalba ApS, Lyngby-Taarbæk	88.5%	95	1,808
Enerteq ApS, Lyngby-Taarbæk	55.7%	-127	393
EWF Deutschland GmbH, Germany	100.0%	-16	72
EWF Vier Sechs GmbH & Co. KG, Germany	100.0%	44	272
Bond II Erste GmbH & Co. KG, Germany	100.0%	-2	10
Bond II Zweite GmbH & Co. KG, Germany	100.0%	-2	10
EWF Verwaltung GmbH, Germany	100.0%	-2	34
European Energy III A/S	100.0%	0	68
Nordic Power Partners P/S	60.0%	-6	50
NPP Komplementar	60.0%	0	6
		9,868	36,492
Intra-group profits and other adjustments		-1,742	-2,414
		8,126	34,078

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9 Investments in associates

Group

EUR'000	2012	2011
Cost at 1 January	15,333	13,443
Additions for the year	2,123	0
Transferred to/from subsidiaries	0	4,677
Disposals for the year	-2,880	-2,787
Cost at 31 December	14,576	15,333
Value adjustments at 1 January	-612	-646
Profit for the year	1,503	948
Reversed value adjustments on disposal	674	-530
Dividends	0	-38
Transferred to/from subsidiaries	0	-391
Hedges	23	0
Other adjustments	-292	45
Value adjustments at 31 December	1,296	-612
Carrying amount at 31 December	15,872	14,721

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9 Investments in associates (continued)

Investments in associates at 31 December 2012 are as follows:

EUR'000 Name	Ownership interest	Share of profit for the year	Share of equity
EEA Renewables A/S, Lyngby-Taarbæk	50.0%	-35	1,485
EEGW Persano ApS, Lyngby-Taarbæk	50.0%	-166	444
European Energy Sales & Adm. ApS, Copenhagen	22.5%	-129	0
EWF Fünf Eins GmbH & Co. KG, Germany	25.0%	44	735
EWF Fünf Vier GmbH & Co. KG, Germany	50.0%	13	394
UW Nielitz GmbH & Co. KG, Germany	50.0%	117	761
Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany	50.0%	27	252
WP Timpberg GmbH & Co. Zehnte, Germany	50.0%	23	245
EE Sieben Null GmbH & Co. KG, Germany	50.0%	64	181
EEA Verwaltungs GmbH, Germany	50.0%	5	18
EEA Stormy ApS, Lyngby-Taarbæk	50.0%	1,058	1,088
WK Ottenhausen GmbH & Co. KG., Germany	33.3%	-17	1,617
EE Sieben Zwei GmbH & Co. KG, Germany	50.0%	-2	-3
Komplementarselskabet Solkraftværket GPI Mando 20 ApS	50.0%	0	5
K/S Solkraftværket GPI Mando 20	50.0%	0	119
Casciana Terme, Italy	20.0%	0	0
EWF Eins Sieben GmbH & Co. KG, Germany	50.0%	16	379
EWF Zwei Acht GmbH & Co. KG, Germany	50.0%	49	391
EWF Zwei Neun GmbH & Co. KG, Germany	50.0%	51	388
Windpark Unseburg Nord GmbH & Co. Betriebs KG, Germany	20.0%	110	1,066
Zehnte Windpark Support GmbH & Co. KG, Germany	50.0%	199	1,960
Sol-Teq srl, Italy	50.0%	0	-1
Reewf Srl., Italy	50.0%	0	-1
Wind Energy EOOD, Bulgaria	49.0%	11	572
Wind Power 2 EOOD, Bulgaria	49.0%	9	497
Wind Stream EOOD, Bulgaria	49.0%	-14	469
Wind Systems EOOD, Bulgaria	49.0%	30	557
Beniarbeig (several companies; see below)	40.8%	41	714
Parco Eolico Carpinaccio Srl., Italy	27.0%	-1	1,540
		1,503	15,872

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9 Investments in associates (continued)

Name and registered office	Ownership interest at 31/12 2012
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	2012	2011
Cost at 1 January	6,609	5,984
Transferred from subsidiaries	0	2,329
Additions for the year	2,386	0
Disposals for the year	-512	-1,704
Cost at 31 December	8,483	6,609
Value adjustments at 1 January	-143	204
Transferred from subsidiaries	0	-277
Profit for the year	1,038	288
Reversed value adjustments on disposal	0	-358
Hedges	23	0
Other value adjustments	36	0
Value adjustments at 31 December	954	-143
Carrying amount at 31 December	9,437	6,466

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Notes

9 Investments in associates (continued)

Investments in associates at 31 December 2012 are as follows:

EUR'000 Name	Ownership interest	Share of profit for the year	Share of equity
EEA Renewables A/S, Lyngby-Taarbæk	50.0%	-35	1,485
EEGW Persano ApS, Lyngby-Taarbæk	50.0%	-166	444
European Energy Sales & Adm. ApS, Copenhagen	22.5%	-129	0
EWF Fünf Eins GmbH & Co. KG, Germany	25.0%	44	735
EWF Fünf Vier GmbH & Co. KG, Germany	50.0%	13	394
UW Nielitz GmbH & Co. KG, Germany	20.0%	117	761
Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany	50.0%	27	252
WP Timpberg GmbH & Co. Zehnte, Germany	50.0%	23	245
EE Sieben Null GmbH & Co. KG, Germany	50.0%	64	181
EEA Verwaltungs GmbH, Germany	50.0%	5	18
EEA Stormy ApS	50.0%	1,058	1,088
WK Ottenhausen GmbH & Co. KG	33.3%	-17	1,617
EE Sieben Zwei GmbH & Co. KG	50.0%	-2	-3
Komplementarselskabet Solkraftværket GPI Mando 20 ApS	50.0%	0	5
K/S Solkraftværket GPI Mando 20	50.0%	0	119
Wind Energy EOOD, Bulgaria	49.0%	11	572
Wind Power 2 EOOD, Bulgaria	49.0%	9	497
Wind Stream EOOD, Bulgaria	49.0%	-14	470
Wind Systems EOOD, Bulgaria	49.0%	30	557
		1,038	9,437

10 Other investments

EUR'000	Consolidated	Parent company
Cost at 1 January 2012	5,348	2,209
Reclassification	48	84
Additions for the year	40	39
Disposals for the year	-264	-263
Cost at 31 December 2012	5,172	2,069
Value adjustment at 1 January 2012	0	0
Value adjustments for the year	0	0
Value adjustment at 31 December 2012	0	0
Carrying amount at 31 December 2012	5,172	2,069

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Notes

11 Receivables from parent company

No specific conditions for the repayment of the balance with the parent company have been laid down.

12 Receivables from subsidiaries and associates

Non-current receivables are attributable to the financing of project development costs in subsidiaries and associates.

No specific conditions for the repayment of balances have been laid down.

13 Other receivables

Other receivables recognised in investments comprise lending from proceeds from the issue of bonds of EUR 5.9 million. The loan carries variable interest of 4-11% per year.

14 Project portfolio

	Consolidated	
EUR'000	2012	2011
Project portfolio at 1 January	10,638	22,426
Additions for the year	1,823	3,674
Disposals for the year	-2,013	-15,462
Project portfolio at 31 December before value adjustments	10,448	10,638
Value adjustments at 1 January	-465	0
Value adjustments during the year	-2,511	-465
Value adjustments at 31 December	-2,976	-465
Total project portfolio at 31 December	7,472	10,173
The project portfolio at 31 December comprises:		
Projects under development	7,472	10,173
Projects under construction	0	0
Total project portfolio at 31 December	7,472	10,173
Wind energy plants	7,792	7,433
Solar energy plants	2,656	3,205
Project portfolio at 31 December before value adjustments	10,448	10,638
Impairment losses	-2,976	-465
Total project portfolio at 31 December	7,472	10,173

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Notes

15 Equity

Group EUR'000	Share capital	Retained earnings	Total
Equity at 1 January 2012	1,340	39,186	40,526
Profit for the year	0	5,680	5,680
Value adjustments of hedging instruments	0	-175	-175
Foreign exchange adjustment	0	-26	-26
Equity at 31 December 2012	1,340	44,665	46,005

Parent company EUR'000	Share capital	Reserve for net revalua-tion accor-ding to the equity method	Retained earnings	Total
Equity at 1 January 2012	1,340	16,840	22,346	40,526
Profit for the year	0	9,164	-3,484	5,680
Value adjustments of hedging instruments	0	-175	0	-175
Foreign exchange adjustment	0	-26	0	-26
Transfer on disposal, etc.	0	63	-63	0
Equity at 31 December 2012	1,340	25,866	18,799	46,005

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

The share capital has remained unchanged for the last 5 years.

16 Non-controlling interests

EUR'000	Consolidated	
	2012	2011
Balance at 1 January	2,430	3,218
Additions for the year	31	-6
Disposals for the year	-519	-1,062
Non-controlling interests' share of profit/loss for the year	-102	365
Non-controlling interests' share of changes in equity	-63	-85
	1,777	2,430

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Notes

17 Deferred tax

EUR'000	Consolidated 2012	Consolidated 2011	Parent company 2012	Parent company 2011
Deferred tax at 1 January	2,256	763	1,170	-102
Change in deferred tax through profit or loss	1,486	1,474	981	1,276
Deferred tax on changes in equity	121	165	0	0
Adjustment relating to the disposal of subsidiaries, etc.	537	-146	0	-4
Transferred as joint taxation contribution, etc.	0	0	235	0
	4,400	2,256	2,386	1,170
Deferred tax is recognised as follows:				
Deferred tax asset	5,163	4,405	2,831	1,607
Deferred tax	-763	-2,149	-445	-437
	4,400	2,256	2,386	1,170

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

18 Financial liabilities

	Consolidated	Parent company
Financial liabilities are recognised in the following financial statement items:		
Liabilities related to the issue of bonds	7,600	0
Credit institutions	64,853	12,065
Other payables (current and non-current)	347	605
	72,800	12,670

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Notes

18 Financial liabilities (continued)

Group EUR'000	Debt at 1/1 2012	Total debt at 31/12 2012	Current portion	Non-current portion	Outstanding debt after 5 years
Liabilities related to the issue of bonds	7,600	7,600	0	7,600	7,600
Long-term project financing	44,979	40,890	2,326	38,564	27,235
Payables to credit institutions, etc., regarding project portfolio	304	347	10	337	158
Other payables to credit institutions, etc.	32,119	23,963	23,358	605	0
	85,002	72,800	25,694	47,106	34,993
Parent company EUR'000					
Other payables to credit institutions, etc.	15,723	12,670	12,065	605	0

In 2008, the Group issued own bond series of a total nominal value of EUR 7,600 thousand. The issued bonds carry variable interest of 4-11% per year. The interest rate is dependent on the energy generation in German wind parks.

19 Mortgages and collateral

Wind and solar energy plants with a carrying amount of EUR 51,737 thousand at 31 December 2012 have been provided as collateral for the Group's bank loans, etc., of EUR 65,200 thousand. Moreover, investments in associates and specific cash at bank and in hand have been provided as collateral.

Investments in specific subsidiaries and associates have been provided as collateral for the parent company's bank loans of EUR 12,670 thousand.

Investments in German limited partnerships with a carrying amount of EUR 4,572 thousand at 31 December 2012 have been provided as collateral for second mortgage financing in German limited partnerships. Moreover, the parent company has provided surety for the subsidiaries' payables to credit institutions.

The parent company and certain subsidiaries have provided ordinary declarations of subordination to other creditors in the German limited partnerships as equity in the German limited partnerships ordinarily comprises granted loans. In addition, dividends from the German limited partnerships are contingent on adequate account balances in collateral accounts in accordance with concluded agreements with first mortgage financed German credit institutions.

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Notes

20 Contractual obligations and contingencies, etc.

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

In 2012, the German tax authorities commenced a tax audit of a number of the Group's German limited partnerships and previously owned German limited partnerships. The outcome of the tax authorities' examination is still uncertain but will not be material to the financial statements.

The parent company has provided a subsidiary of European Wind Farms A/S with a guarantee that it will cover any losses that the subsidiary may incur in respect of a receivable from a third party. At 31 December 2012, the receivable amounted to EUR 515 thousand.

21 Fees paid to auditors appointed at the annual general meeting

	Consolidated		Parent company	
EUR'000	2012	2011	2012	2011
Fee relating to statutory audit	195	128	42	26
Assurance engagements	0	2	0	2
Tax assistance	46	27	46	23
Other assistance	86	45	8	45
	327	202	96	96

22 Related party disclosures

Ownership

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

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

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

Other related parties

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

Related party transactions

In the financial year, the Company has invoiced ordinary administration fees to subsidiaries and associates.

In the financial year, the Company has had intercompany balances with subsidiaries and associates. Interest has been paid on an arm's length basis during the financial year.

European Energy A/S

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