



# ANNUAL REPORT 2013



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# 2013

## AT A GLANCE



Our business model has proven to be successful. The success is based on our ability to apply our in-house competences on the development and sale of turn-key projects as well as on the management of our wind and solar assets. This has led to both growing profits, a growing demand for our assets as well as an increased willingness to co-invest with us and invest in our company as a whole.

### A POSITIVE RESULT FOR 2013

2013 has been positive – both in terms of activity levels and in outcomes. Especially the sales of projects in Denmark and Germany which has contributed positively to our revenue and result of the year. With our continued focus on value generating activities we managed to increase our margin - profit increased to EUR 6.3 million (up from EUR 5.7 million).

2013 offered a variety of different activities. Among others we commissioned our first Danish wind farm and we acted as EPC (engineering, procurement and construction) contractor for the construction of solar farms in the Danish market. We have also completed a repowering project in Germany on behalf of a client as well as completing a major refinancing of one of our co-owned German wind farms, comprising of 48 MW. Other milestones were the acquisitions of two wind farm portfolios with a total capacity of more than 100 MW which were acquired together with shareholders of European Energy. Throughout the year Nordic Power Partners has increased its work on developing activities in emerging markets outside of Europe. Finally, we have developed a new partnering model for joint development which is being used for some of our developing activities.

Even though we have sold more than 43 MW, in 2013, our portfolio of power generating assets has grown. The acquisitions of two major wind portfolios, in Germany, led to a net increase of more than 40 MW - portfolios which are now being reviewed in order to optimize the value and operational return. In 2013 the total production of the power generating assets, fully or partially owned by European Energy, comprised more than 570 GWh which corresponds to the consumption of approx. 185,000 Danish households or 398,000 persons.

Our operating activities have benefitted from our newly established Asset Management Department. Having a designated department which is responsible for administering and optimizing our power generating assets, not only maximizes our returns but also that of the clients whose assets we manage.

With wind and solar energy projects' totalling more than 2,200 MW our pipeline also continues to grow (1,103 MW in 2012). The significant increase in our pipeline is associated with our decision of extending our normal onshore activities with near-shore projects. The European Energy group (European Energy) is in the process of securing preliminary investigation approval for five locations for near-shore wind projects in Denmark with a total potential of more than 1,100 MW.

### A SUCCESSFUL RAISE OF NEW CAPITAL IN 2014

In late 2013 we initiated activities in order to raise new capital enabling us among others to convert our pipeline into power generating assets which ensures more flexibility. By March 2014 European Energy issued senior unsecured bonds of EUR 45 million with the possibility to issue additional EUR 15 million on identical terms. The bonds, which will be listed on Nasdaq OMX, provide us with flexibility and the possibility to act on favourable market environment within renewables. The successful bond issue illustrates that investors have confidence in European Energy, our business model and renewable energy as a whole.

### A POSITIVE OUTLOOK FOR 2014

At the end of 2013 we were 45 dedicated international and national colleagues working from our office in Lyngby. Our professional, diverse cultural and educational backgrounds enable us to pursue complex business opportunities primarily by leveraging our in-house competences. This provides us with a competitive advantage in the fast-paced market of renewable energy where grid parity, in many markets, are getting closer.

I believe that European Energy will grow stronger and keep creating value to our stakeholders as well as the environment in the future.

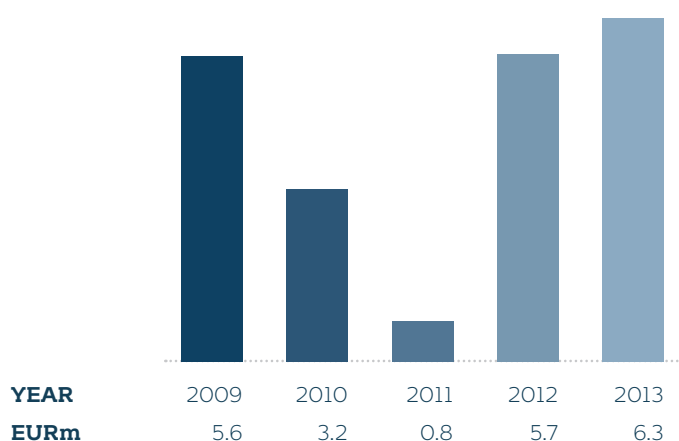
**Knud Erik Andersen, CEO, European Energy A/S**

## GROUP FINANCIAL HIGHLIGHTS AND KEY RATIOS

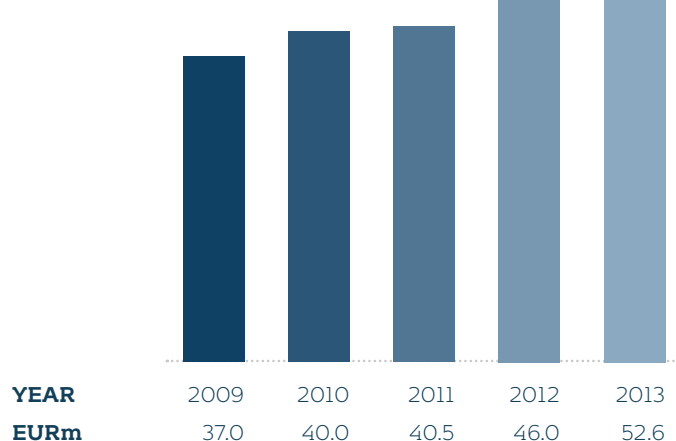
EUR'000	2013	2012	2011	2010	2009
<b>Key figures</b>					
Revenue	29,963	35,682	30,801	35,858	20,801
Direct costs	-13,257	-20,554	-19,293	-17,341	-7,058
Gross profit	16,706	15,128	11,508	18,517	13,743
Operating profit	9,001	7,831	3,635	10,514	7,233
Special items	0	0	300	0	3,106
Loss from financial income and expense	-2,262	-1,807	-3,918	-5,927	-4,224
The Group's share of profit for the year	6,338	5,680	760	3,191	5,646
Total assets	147,851	137,015	142,974	184,007	198,464
Equity	52,558	46,005	40,526	40,028	36,988
Cash flows from operating activities	-1,252	5,802	-1,641	-1,651	-1,937
Net cash flows from investing activities	3,060	4,947	35,671	-6,383	-4,840
Portion relating to investment in property, plant and equipment, net	-7	-301	-880	-26,543	-7,160
Cash flows from financing activities	-2,996	-12,188	-34,700	6,359	3,696
Total cash flows	-1,188	-1,439	-670	-1,675	-3,081
<b>Financial ratios</b>					
Gross margin	55.8%	42.4%	37.4%	51.6%	66.1%
Operating margin	30.0%	21.9%	11.8%	29.3%	34.8%
Equity ratio	35.5%	33.6%	28.3%	21.8%	18.6%
Return on equity	12.9%	13.1%	1.9%	8.3%	16.5%
Average number of full-time employees	41	38	39	43	35

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.

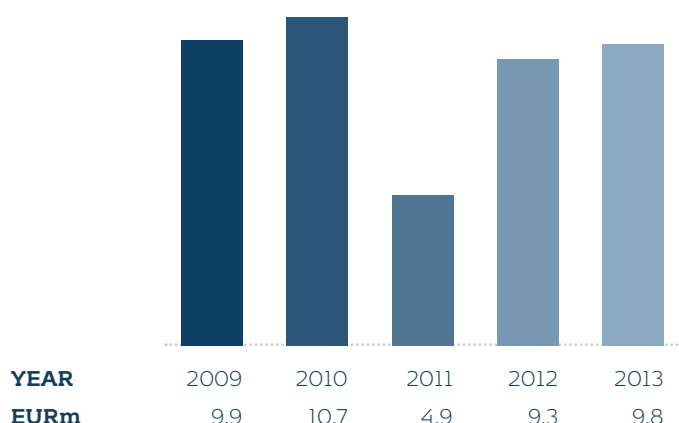
### EUROPEAN ENERGY'S SHARE OF PROFIT



### EUROPEAN ENERGY'S EQUITY



### EBIT + PROFIT FROM ASSOCIATES



A large part of European Energy's earnings are attributable to assets of which we own 50 % or less and are therefore recognized as profit from associates, which is a part of financial income and expenses. Consequently, earnings before interest and tax – EBIT – do not reflect our gross activity, and therefore, EBIT has been added to the profit from associates in the graph shown. EBIT and profit from associates amounted to EUR 9.8 million in 2013 (up from 9.3 million in 2012).

# FINANCIAL PERFORMANCE OF 2013

The business model of European Energy is focused on project development, project financing, construction of wind and solar farms, sale and acquisition of wind and solar farms as well as asset management with a main focus on the Northern European markets.

We aim at a continuous growth with stable cash flows. Our primary source of income for European Energy is the sale of energy farms and electrical power and furthermore asset management also contributes to our result.

## A POSITIVE RESULT FOR 2013

2013 has been positive for European Energy where almost all parameters showed progress. Even though there was a slight decline in revenue all other parameters showed progress. Revenue totalled EUR 30.0 million (EUR 35.7 million in 2012) which was mainly driven by sales of projects in Denmark and Germany. Gross profit totalled EUR 16.7 million (EUR 15.1 million in 2012) which resulted in a gross margin of 55.8 % (up from 42.4 % in 2012).

EBIT increased by 14.9 % and totalled EUR 9.0 million (EUR 7.8 million in 2012).

European Energy's share of the profit, for the year, reached EUR 6.3 million (up from EUR 5.7 million in 2012) - the best result in the past seven years. The result means that each of the employees in our company has contributed to the result after tax with more than a million Danish kroner, which is a remarkable milestone to achieve, and shows the value of our employees.

## THE BALANCE STATEMENT – HIGHER EQUITY RATIO AND LOWERED LEVERAGE

Each of our projects is structured into one or more SPVs (special purpose vehicles) which is supported by our business model. Each SPV can further hold one or more wind or solar power generating assets. Our equity interests, in our wind power generating assets, are primarily in the range of 20-50 % and therefore are classified as associ-

ated companies. For most of our solar power generating assets our equity interests are more than 50 % and therefore a part of our consolidated accounts. Therefore our fixed assets mainly consist of solar power generating assets plants (EUR 47.8 million) whereas only EUR 2.4 million of our wind power generating assets are consolidated.

The investments in associated companies has decreased, in 2013, to EUR 13.5 million (from EUR 15.9 million in 2012) primarily due to sale of projects in Denmark and Germany. The cash flow from the sale of Danish wind projects will mostly be in 2014 which explains the increase in short term trade receivables from EUR 3.9 million in 2012 to EUR 17.4 million in 2013.

The equity increased by EUR 6.6 million to EUR 52.6 million which is the net results of 2013 and EUR 0.3 million in value adjustment on hedging instruments. There has not been any payment of dividends to the shareholders. The free cash flow from our activities has primarily been used to decrease our short term liabilities to credit institutions to EUR 23.2 million (from EUR 23.8 million in 2012) and to pay installments on project financing which has lowered the long term debt, as well.







# SALE OF POWER GENERATING ASSETS

The demand for renewable power generating assets in our focus markets, Northern Europe, remains high. Sales transactions of assets primarily in Denmark and Germany, for more than 43 MW, were concluded in 2013 leading to sale of power generating assets to the tune of EUR 23.1 million.

## **SALE OF POWER GENERATING ASSETS – NORTHERN EUROPE REMAINED THE KEY MARKET IN 2013**

Our Danish project development team has successfully developed wind projects on advantageous locations in Denmark and in 2013 two projects, Ulvemosen (33 MW) and St. Røttinge (9.9 MW), were fully developed. The interest from local utility companies, funds and institutional investors has been significant and led to the sale of Ulvemosen, to a large pension fund in Denmark, and of St. Røttinge to a Danish utility company. In both transactions European Energy is committed to construct and connect the wind farms to the grid. In addition, to the sales, an asset management agreement for the operation of the wind farms on behalf of the respective long term owners was established.

## **OTHER NOTABLE TRANSACTIONS**

European Energy has also completed several other transactions in various countries and with various international partners. For the first time European Energy concluded a transaction with a non-European investor as the German wind farm Bönen (8 MW) was sold to a major Chinese utility company. Despite commercial and cultural differences, we succeeded on this first endeavour and are now in the process of developing the relationship, so that the partners can extend the cooperation to additional projects.

Despite the uncertainty regarding the Spanish regulatory framework for solar farms, European Energy succeeded to close a follow-up deal with a professional investor on the 2 MWp project, Beniarbeig, in Spain, thereby reducing our ownership to a minority share. These two transactions prove that we are able to conclude transactions in different markets and with various types of investors.

## **OUR M&A DEPARTMENT IS READY FOR THE FUTURE**

Over the past years the M&A Department, at European Energy, has built up significant expertise within sales and acquisition of wind and solar farms. We extend these competences on an ongoing basis and have today a team which consists of people who are able to match the demands and requirements of the market.

The partner base of European Energy has developed positively over the years. The partner base includes, among others, large and successful investors operating within the renewables markets in Denmark, Germany, Holland, Italy and China.

As European Energy is able to match the requirements of these professional investors, the network of new partners with the same structure and set-up is growing. The increasing demand for our projects as well as the increased partner base gives us a positive look into 2014 where we expect a high level of sales activity.



# SALE OF POWER

## THROUGH A DIVERSIFIED PORTFOLIO OF POWER GENERATING ASSETS

European Energy holds a diversified portfolio of power generating assets with operating wind and solar farms in Germany, Spain, Italy and Bulgaria. Through this diversification we seek to reduce the risk. However, the absolute majority of power generating assets are wind power generating assets (wind farms) located in Germany in line with our strong focus on Germany.

### THE OPERATING PORTFOLIO INCREASED THROUGH ACQUISITIONS

In 2013 we successfully expanded our German portfolio of wind power generating assets. Due to the maturity of the German market, attractive undeveloped wind turbine sites are scarce. Therefore we have focused on acquiring already operational wind farms. Through the use of our in-house competences we are able to screen potential target farms within a very short timeline. In the screening process we determine if our team can lessen various deficiencies of the potential targets and make the buy-and-hold base case attractive. An additional upside case in a full or partial repowering scenario presents significant value add in the medium and long term.

### THE ACQUISITION OF THE HEIDELBERG WIND FARM PORTFOLIO AND THE WERNIKOW WIND FARM

In November 2013 we closed the Heidelberg transaction which includes the acquisition of seven operational German wind farms with a combined capacity of 93 MW distributed on 55 wind turbines where European Energy has 49.5 % ownership. The co-investors, in the portfolio, are shareholders in European Energy. The wind farms consist of wind turbines from leading turbine manufacturers such as Vestas, Siemens, Enercon and GE which were installed, in the years, 2001-2003. The transaction has economical effect as of 15th of March 2013.

In cooperation, with an investor, we acquired a wind farm comprising of 18 REpower (now Senvion) wind turbines in Wernikow, Germany with a total capacity of 10.8 MW. The wind farm was installed in 2001 and has great potential for optimisation of its operations and, in the

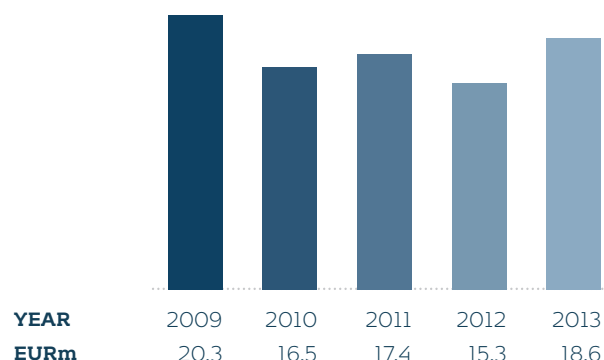
longer term, for repowering.

Due to the nature of the projects, the transactions have been very complex in both the due diligence and the transaction structure. Despite the challenges, we managed to find solutions and conclude transactions on these wind farm portfolios with a total capacity of more than 100 MW in 2013.

The total German wind portfolio now constitutes of 278.8 MW of which European Energy owns 92.0 MW.

### DEVELOPMENT IN THE SALE OF POWER

The overview below shows the total net power sales in the wind and solar farms in which European Energy has equity interests. The power generation is included in proportion to our equity interests. The power sales in 2013 has grown to EUR 18,6 million (up from 15,3 in 2012) and this increase is mainly due to the acquisitions of the Heidelberg portfolio as well as the Wernikow wind farm.



### A TOTAL PORTFOLIO OF POWER GENERATING ASSETS OF MORE THAN 110 MW

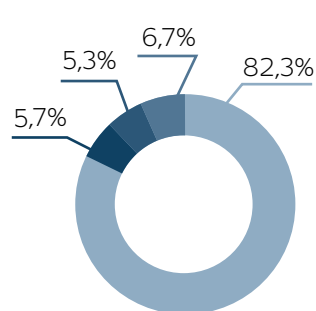
European Energy had at the end of 2013 a total portfolio of both solar and wind power generating assets of 111.7 MW which is an increase of 42.7 MW compared to 2012 (69.0 MW in 2012). European Energy's average ownership of the power generating assets is 33 %.

European Energy's total portfolio of solar power generating assets amounted to 7.9 MW in 2013 which was a slight decrease, of 2.9 MW, from 2012 (10.8 MW in 2012). The decrease is due to the partial sale of the Spanish solar farm Beniarbeig and changes in the ownership structure of the mother company.

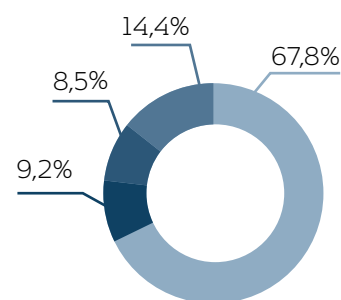


European Energy' Net MW end of 2013	Total MW	Equity interest	Net MW
<b>Equity in solar</b>			
<b>Italy</b>			<b>0,5</b>
Soletto	1,0	50,0%	0,5
<b>Spain</b>			<b>7,4</b>
Beniarbeig	2,0	16,0%	0,3
Campllong	1,1	76,7%	0,8
Ibiza	0,2	76,7%	0,2
La Pobla	0,2	76,7%	0,2
L'Olleria	1,5	76,7%	1,2
L'Olleria II	1,2	45,0%	0,5
Monovar	2,0	76,7%	1,5
Ocaña	1,2	76,7%	0,9
Villanueva	2,4	76,7%	1,8
<b>Solar total</b>			<b>7,9</b>
<b>Equity in wind</b>			
<b>Bulgaria</b>			<b>5,9</b>
Krupen	12,0	49,0%	5,9
<b>Germany</b>			<b>92,0</b>
Bad Iburg	6,1	25,0%	1,5
Brauel II	6,0	25,0%	1,5
Eichow 1.7	2,0	50,0%	1,0
Emskirchen	6,0	25,0%	1,5
FWE Windpark 3 Standorte K/S	7,7	49,5%	3,8
FWE Windpark Kranenburg K/S	10,5	49,5%	5,2
FWE Windpark Scheddebrock K/S	7,5	49,5%	3,7
FWE Windpark TIS K/S	28,0	49,5%	13,9
FWE Windpark Westerberg K/S	18,0	49,5%	8,9
FWE Windpark Wittstedt K/S	10,5	49,5%	5,2
FWE Windpark Wulfshagen K/S	11,0	49,5%	5,4
Gommern I	18,0	6,2%	1,1
Gommern II	4,0	6,2%	0,2
Güstow	0,6	100,0%	0,6
Kasel Golzig 2.8	2,0	50,0%	1,0
Kasel Golzig 2.9	2,0	50,0%	1,0
Losheim	7,5	25,0%	1,9
Ottenhausen	16,0	34,2%	5,5
Prignitz	25,5	25,0%	6,4
Schäcksdorf 2.7	2,0	100,0%	2,0
Schäcksdorf VI	2,0	50,0%	1,0
Timpberg 10	2,0	50,0%	1,0
Timpberg 9	2,0	50,0%	1,0
Unseburg Löderburg	18,0	20,0%	3,6
Wernikow 7.2	8,4	50,0%	4,2
Wernikow 7.3	2,4	50,0%	1,2
Wittstock-Papenbruch 5.4	2,6	50,0%	1,3
Wittstock-Papenbruch 5.5	2,6	5,0%	0,1
Wriezner Höhe	48,0	15,0%	7,2
<b>Italy</b>			<b>5,9</b>
Carpinaccio	13,6	27,0%	3,7
Riparbella	20,0	11,1%	2,2
<b>Wind total</b>			<b>103,7</b>
<b>Total solar and wind</b>			<b>111,7</b>



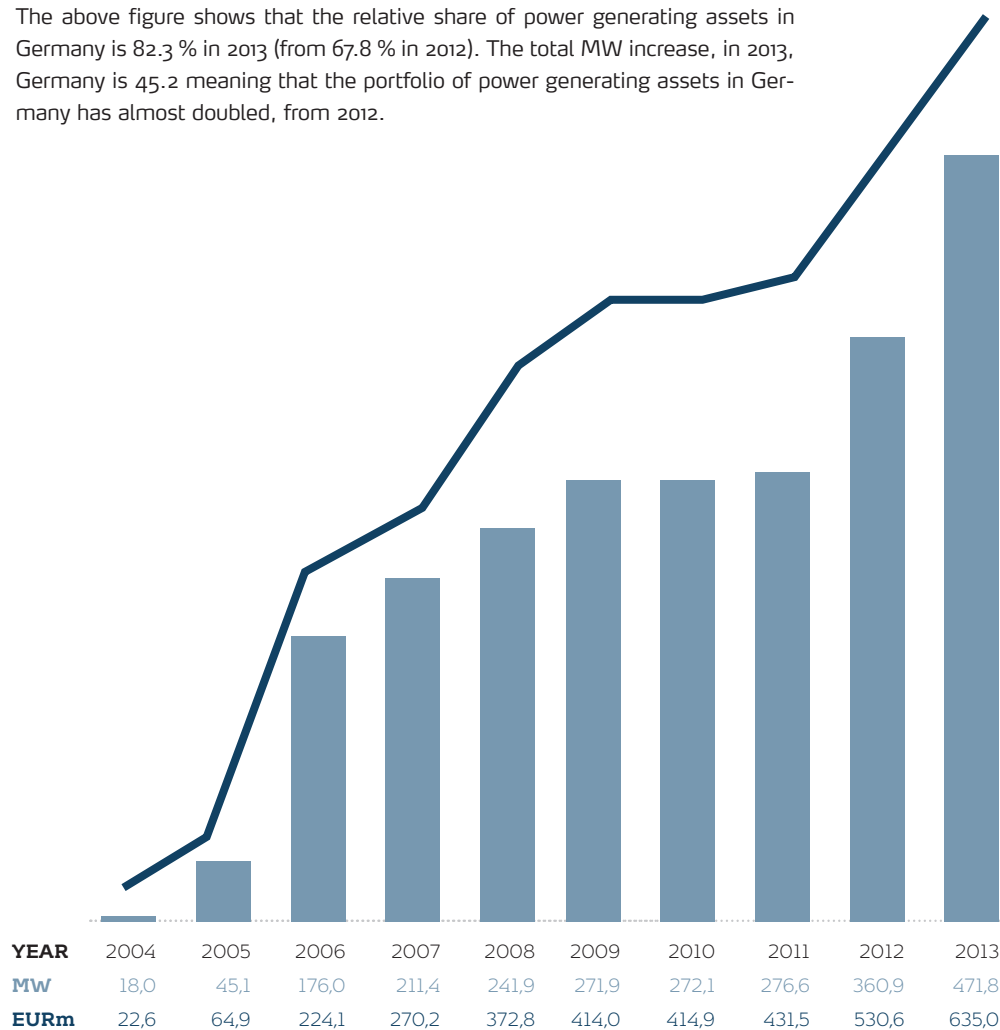


	2013	2012
GERMANY	92,0 MW	46,8 MW
ITALY	6,4 MW	6,3 MW
BULGARIA	5,9 MW	5,8 MW
SPAIN	7,4 MW	9,9 MW
<b>TOTAL (MW)</b>	<b>111,7 MW</b>	<b>69,0 MW</b>



#### GERMANY IS OUR FOCUS MARKET FOR POWER GENERATING ASSETS

The above figure shows that the relative share of power generating assets in Germany is 82.3 % in 2013 (from 67.8 % in 2012). The total MW increase, in 2013, Germany is 45.2 meaning that the portfolio of power generating assets in Germany has almost doubled, from 2012.



#### INVESTMENT VOLUME OF EUR 635 MILLION AND MORE THAN 470 MW

Since 2004 European Energy has constructed and invested in wind and solar power generating assets for EUR 635 million which has resulted in a total capacity of more than 470 MW.

The graph illustrates the development in our investment activities. Of the total accumulated investment volume in 2013 of EUR 635.0 million, European Energy has developed and constructed power generating assets for EUR 463.9 million and purchased power generating assets for EUR 171.1 million.



# ASSET MANAGEMENT

In early 2013 European Energy dedicated a department to manage and optimise the operating portfolio of wind and solar farms wholly or partly owned by European Energy as well as assets held by third parties. Our Asset Management Department is responsible for monitoring the performance of the power generating assets and for analysing and implementing opportunities for optimisation regarding cost structure, refinancing and repowering. Other areas of responsibility are legal and technical compliance, relations to financing banks and reporting to stakeholders. The total portfolio of power generating assets managed by European Energy comprises of 392.8 MW.

## **OPTIMISATION OF WIND AND SOLAR FARMS SERVICE AGREEMENTS**

As part of the optimisation, of power generating assets, we review service agreements with turbine manufacturers, insurance contracts, direct trading agreements and the possibility of installing advanced grid control and remote control.

Service agreements remain the single most important operational cost for operating wind and solar farms. The agreements define the level of availability of the power generating assets which service providers are obliged to deliver. Equally important, the agreements determine whether the service providers assume the risk of breakdowns of large components (generator, rotor and gearbox) in case these are not covered by insurance.

We seek out the opportunities for improving service agreements which is a natural outcome of the increased competition among service providers. Overall we are experiencing a downward price movement on service agreements and an increased willingness from the service providers to include e.g. foundations in full service agreements for the entire wind portfolio. This constitutes an important contribution to the overall return on investment of the power generating wind farms.

Both of the acquired wind farms portfolios - Heidelberg and Wernikow - have potential for optimisation in terms of power purchase agreements, technical upgrades and service agreements, among other things.

## **REFINANCING**

Financing, both in terms of long term project financing as well as refinancing, is one of our core competences. The low interest rate environment and the increased interest and confidence from financial institutions in wind and solar energy projects, especially in Northern Europe, have created attractive opportunities for our renewable power generating assets both in terms of interest rate reduction, ordinary interest rate adjustments as well as optimization of the capital structure in our operating SPVs.

In 2013 we completed a refinancing of a 48 MW wind portfolio in Germany with a partner. Furthermore another refinancing process was initiated with a Danish bank of a 10 MW German wind farm which is expected to be completed in 2014.



# PROJECTS IN DEVELOPMENT OR CONSTRUCTION

We have been developing projects at European Energy since 2004 and have therefore a large amount of experience in the field. In the development phase we conclude land lease agreements, determine wind and solar resource potential, do environmental assessments, achieve building permits, conclude power purchase agreements, ensure grid connection and many other things – either ourselves or in cooperation with partners.

When a project is fully developed we normally carry out the construction of the project. This implies either taking on the role as the EPC contractor ourselves or engaging with an external EPC contractor and focus on delivering a high level of project management, instead.

## **2013 INTRODUCED NEW WAYS OF DOING DEVELOPING ACTIVITIES AT EUROPEAN ENERGY**

At European Energy we have been active in Poland and Sweden since 2005 and 2007 respectively, where we have developed a significant pipeline in the two countries. During the Autumn of 2013 we identified a co-investor for our Swedish and Polish development activities and decided to establish a joint venture company in order to carry out the development activities in a joint partnership. The agreement was finalized in the beginning of January 2014. The joint venture is in line with our strategy of approaching countries without fixed feed-in-tariffs for renewable energy sources. In 2014 the joint venture will focus on maturing the pipeline further and possibly construct our first Polish wind farm late 2014 or early 2015.

## **CONSTRUCTION ACTIVITIES IN 2013**

In 2013 the majority of our construction activities have been carried out in Denmark. The two wind farms Ravlundvej and Tjørneby – both sold to a Danish utility company in 2012 – were constructed in the Autumn of 2013 and early 2014 respectively. The wind farms have a combined capacity of 21.9 MW.

## **EUROPEAN ENERGY AS EPC CONTRACTOR FOR SOLAR ACTIVITIES IN DENMARK**

In 2013 European Energy acted as an EPC contractor in relation to the construction of six solar farms in Denmark. In this way European Energy proved to possess the necessary in-house competencies for the construction of turnkey installation of solar farms. Within a very short time we managed to construct 3.6 MW and have it connected to the grid. The solar farms have been in operation since December 2013 and have been producing power according to the budgeted expectations.

## **REPOWERING**

Repowering is a term used for the decommissioning of older turbines and subsequent replacement with fewer, modern turbines with a higher capacity, total height and capacity resulting in a significantly higher power production. In addition, modern turbines are equipped with software enabling them to adapt to current demand and supply conditions and thereby optimise the economic performance.

The decommissioned turbines can be reused in other regions where they have a better fit with the grid. We are currently working on re-installing decommissioned turbines in new countries where there is a fine match between the power production and the available grid. This is a natural, sustainable extension to our business. The use of old turbines makes us competitive in new markets since we do not have to acquire new turbines.

In Germany we completed the first repowering project on behalf of a client in 2013. Two 850 KW turbines were decommissioned and replaced with two new 2 MW turbines. This resulted in a quadrupled annual production from the project. Repowering is assumed to play an important role in our business going forward.





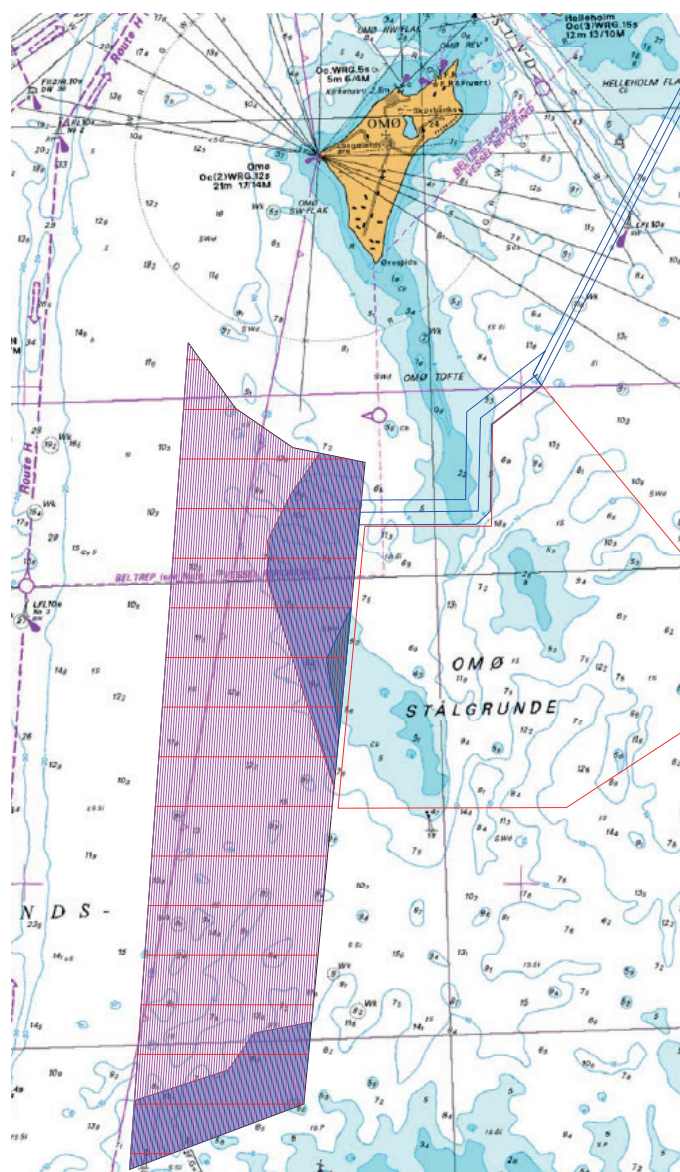
## NEW LARGE-SCALE OPPORTUNITIES – NEAR-SHORE PROJECTS IN DENMARK

Near-shore is, in Denmark, defined as wind farms with a distance of 4-20 km off the coast. Due to the vast interest from investors for large scale projects in stable political environments, European Energy has increased the focus on Danish near-shore projects. European Energy has managed to obtain preliminary investigation approval for the first Danish near-shore project and for four other projects we have established priority for the issuance of preliminary investigation approval. European Energy has the potential of more near-shore wind farms in Denmark where the power price is more competitive alternative to off shore wind farms on deep water.

Two of the five projects show high potential on the short to medium term and European Energy has decided to share the development risks and projects with partners and has invited financial partners to join the development phase accordingly. This activity was launched in 2013 and has successfully been completed in the spring 2014 for the first project.

In the joint venture, European Energy contributes with the project rights and development capabilities and the partner contributes with the financial resources to complete the development activities until a building permit is achieved.

THE SITE COVERS APPROX.  
50 SQUARE KILOMETERS



## IFU

IFU was founded in 1967 and is a development financing institution offering advice and risk capital to Danish companies investing in developing countries and emerging markets. The purpose of IFU is to assist Danish companies to successfully establish their business and to contribute to the economic and social development in the host countries. IFU has participated in 786 projects in 85 countries with share capital and/or loans. IFU is fund manager for KIF (climate investment facility funded by the Danish State and IFU), presently mobilising institutional investors into a climate fund to invest in energy and climate projects in all emerging markets and developing countries. Early 2014 IFU raised additional DKK 1.2bn (EUR 160+m) in the climate investment fund (Klimainvesteringsfonden). The fund is to carry out investments of EUR 1-1.2 bn. in developing and emerging economies

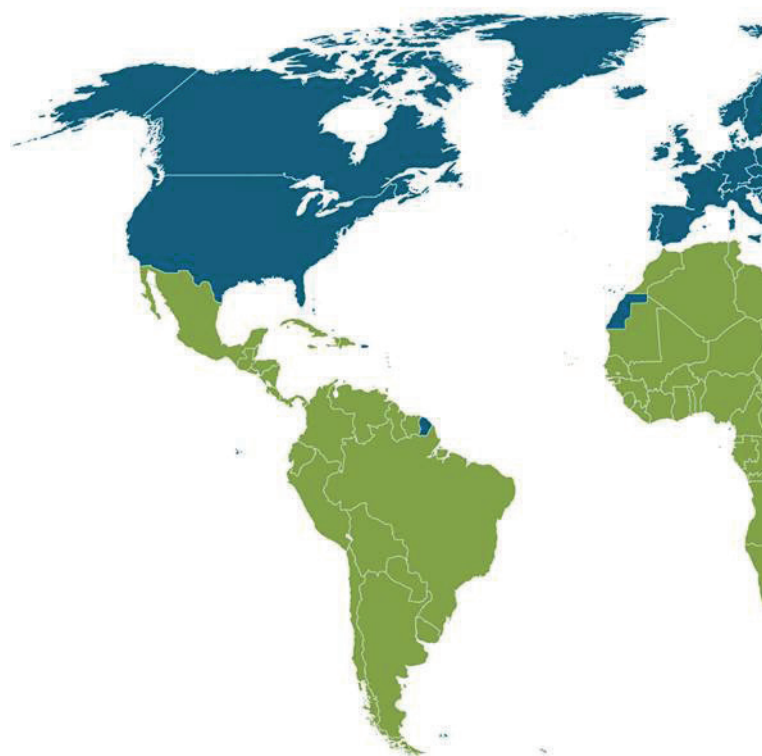
### EUROPEAN ENERGY GOES OUTSIDE EUROPE IN COOPERATION WITH THE DANISH CLIMATE INVESTMENT FUND

In 2012 European Energy and the Danish Climate Investment Fund (DCIF), which is administered by the government-owned Investment Fund for Developing Countries (IFU) established Nordic Power Partners (NPP).

The joint venture is the perfect match for value creation. It enables European Energy to expand the geographical scope of our developing activities to emerging markets outside Europe and utilize IFU's broad and deep knowledge of these countries. For DCIF the value add lies in utilizing European Energy's commercial, legal and technical expertise within project development, management and execution, in order to supplement IFU's primary strengths within project operation.

In 2013 the focus of NPP has been to build up a pipeline of projects – either in green field projects or in cooperation with local partners who have already been developing part of a project but who are in need of assistance in order to succeed with the project development.

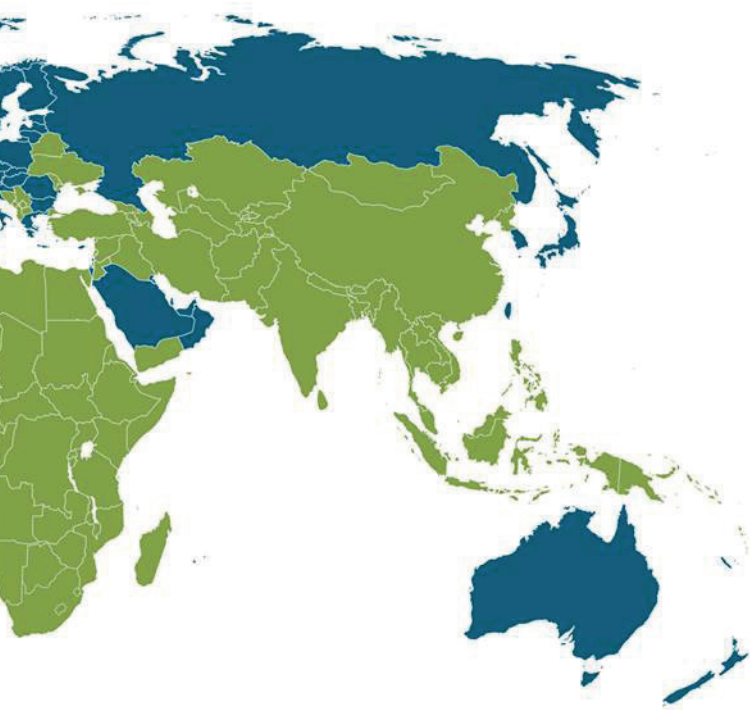
During the year projects with local partners were signed, despite these projects being fairly advanced, there is at current no firm timeline on when we will reach financial closure and begin construction. Furthermore, a number of projects are being developed from green field stage. Some of these projects have good chances to be constructed within a reasonable timeline, the first probably within 2014. In 2014 Nordic Power Partners will continue to build up the pipeline as well as developing the existing pipeline to more advanced stages.



· NPP FOCU

## TOTAL PIPELINE END OF 2013:

· ONSHORE	1,174
· NEAR-SHORE	1,100



S MARKETS

### BUILDING PERMITS AND OTHER APPROVALS OBTAINED IN 2013

During 2013, 84.1 MW of our Danish wind projects were accepted into the Danish local plans which is one of the most critical milestones for the development of Danish wind projects. During early 2014, 46.2 MW of the projects which were accepted in the local local plans have received the building permit.

In Poland we obtained building permit for a cable way where we already had obtained the other required permits meaning we can start the construction of a 6 MW wind farm.

### PIPELINE OF MORE THAN 2,200 MW WITH FOCUS ON NORTHERN EUROPE

A continuous development of our pipeline is a crucial part of our business as a large part of our pipeline is converted into power generating assets. Since 2012 our pipeline has grown significantly, primarily due to the inclusion of the near-shore opportunities of more than 1,100 MW. The pipeline now comprises of 2,274 MW where the majority of the pipeline relates to wind energy projects.

We make sure to maintain a diversified pipeline with development activities in several countries which also enables us to diversify our development activities according to the attractiveness of the market as well as not being exposed to a single market. Furthermore, the pipeline consists of projects at various development stages.





# RISK MANAGEMENT IN EUROPEAN ENERGY

## DEVELOPMENT ACTIVITIES

The projects at European Energy are always being assessed according to risk as well as return. Our large pipeline of projects makes us capable of only choosing and carrying out the most economically favourable projects after an extensive project assessment process.

When approaching new markets we always conduct a thorough analysis. The main risk parameters on a macro level are political stability and the public support of renewable energy support schemes, structure of support (fixed or partly fixed subsidy), potential corruption, availability of wind and/or solar resources, quality and existence of infrastructure and grid connection.

On a micro level we look into probability of harsh weather conditions (e.g. landslides, typhoons, etc.), counterpart risk from local utilities or alternative power purchasers. This implies that we always make sure to carry out environmental impact studies and utilise proven technology and reputable suppliers to ensure quality.

Ultimately, we try to determine:

- *If it is possible to obtain a building permit for a given project on the specific site*
- *If a wind or solar farm is a solid business case on the site given the available financing opportunities*

In low risk markets the availability of affordable debt financing supports the business case whereas projects in medium to high risk markets must be able to provide a solid business case even in the absence of long term debt-financing.

We often invite partners to join the development activities. The joint ventures Nordic Power Partners and the joint venture of our Swedish and Polish development activities are good examples of how we assess the projects and markets differently. Furthermore large projects are often carried out with reputable strong financial partners. Prior to the construction phase the development costs are typically immaterial.

## CONSTRUCTION ACTIVITIES

When performing construction activities we always make sure to mitigate the risks. This implies that no construction will be initiated until all relevant permits have been obtained prior to initiation of the construction unless the risk is assessed to be very immaterial and in case all participants must be in agreement.

Construction is furthermore only carried out by reputable contractors and with top-tier suppliers as Vestas, Siemens, Enercon etc.

## MARKET RISK

Our geographic diversification reduces the production output risk as does the mix of solar and wind farms. The combination of high production of wind power in the winter period in Northern Europe combined with the high production of solar power during the summer period in Southern Europe enables us to ensure a stable cash flow.

The majority of all our produced power is sold in Germany. According to the EEG legislation renewable energy power produced receives a guaranteed Feed-in-Tariff (FiT) for 20 years from commissioning.







# CORPORATE SOCIAL RESPONSIBILITY

## CSR INITIATIVES

The core of our business is to replace fossil fuel-based generation capacity with renewable energy capacity. Outside the European markets we pursue the opportunity to install renewable energy capacity in areas with unstable or costly power production. In these markets renewable capacity replace far more polluting energy sources, such as diesel generators and dated coal-fired power plants. The developing and emerging economies will also reap the obvious benefit from access to electricity from renewable energy capacity.

## CLEAN ELECTRICITY PRODUCTION

The renewable energy power plants partially owned by us produced more than 570 GWh corresponding to the consumption in more than approx. 185,000 average Danish households or 398,000 persons.

During the entire operating period neither solar nor wind farms emit any CO<sub>2</sub>. Even though manufacturing and installing wind turbines consume energy completed studies indicates, that a modern turbine can produce 30 times the electricity needed to produce it.

We are currently working on extending the economic lifetime of our turbines. In Germany we have dismantled ten year old turbines in order to install the latest generation of turbines. The dismantled turbines have subsequently been reinstalled in new markets, prolonging the lifetime of the individual wind turbine typically to more than thirty years.

## PROJECT DEVELOPMENT WITH RESPECT FOR LOCAL STAKEHOLDERS

Developing renewable energy power plants, notably wind farms, is associated with a thorough environmental impact assessment. An independent study is carried out concerning any given projects' impact on the environment, local living conditions, noise and shadow flickering, birds, bats, and other wild life, landscape, flora and fauna and relics. Through this assessment we make sure we develop projects which are not only, commercially and environmentally viable, but also justifiable towards local stakeholders.

## JOB CREATION OUTSIDE EUROPEAN ENERGY

Besides the obvious environmental benefits associated with our development activities – we create jobs abroad because our farms are often based in remote areas, where jobs are scarce. We employ local personal for constructing our renewable power generating assets and subsequently to perform facility management for keeping sites clean and well maintained and to ensure all technical installations are working properly.

Overall, European Energy's activities support the employment of both skilled and unskilled workers. The use of local partners reduces our need of travelling to the sites which also affects the environment positively.

## THE NET ENVIRONMENTAL IMPACT OF OUR ACTIVITIES

Our day-to-day operations are managed at our office in Lyngby, north of Copenhagen, which have limited environmental impact. When considering the carbon mitigation associated with the clean electricity produced on the solar and wind farms managed and owned by European Energy we assess that our net environmental impact is positive.

## OTHER CAUSES

When new wind turbines are installed in Denmark the local population can apply for grants under the Danish "Green Scheme". The grants are provided to support initiatives aiming at improving the scenic and recreational values in the local community. Other eligible activities are of a cultural and informative nature in local associations which aims at increasing the acceptance of the use of renewable energy

## LCOE (LEVELIZED COST OF ENERGY)

LCOE (levelized cost of energy) is one of the utility industry's primary metrics for the cost of electricity produced by a generator. It is calculated by accounting for all of a system's expected lifetime costs (including construction, financing, fuel, maintenance, taxes, insurance and incentives), which are then divided by the system's lifetime expected power output (kWh). All cost and benefit estimates are adjusted for inflation and discounted to account for the time-value of money.

As a financial tool, LCOE is very valuable for the comparison of various generation options. A relatively low LCOE means that electricity is being produced at a low cost, with higher likely returns for the investor. If the cost for a renewable technology is as low as current traditional costs, it is said to have reached "Grid Parity".

# MARKET TRENDS

## WIND AND SOLAR ENERGY

Since 2004, when we developed the business model of European Energy, the global installed capacity of wind and solar power generating farms has grown from 50 GW to more than 450 GW – nine times the capacity of nine years earlier. This impressive growth has been stimulated by significant technological breakthroughs, favourable political frameworks and dedicated developers, financiers and subcontractors. During this second decade of the new millennium renewable energy technology has matured. Although renewable energy is still somewhat dependent on subsidies, new renewable energy technology is becoming more competitive with fossil fuelled sources. The levelized cost of energy (LCOE - see factbox) has been pushed down due to the larger and more efficient wind turbines and scalability of production of solar PV panels and other components for photovoltaic.

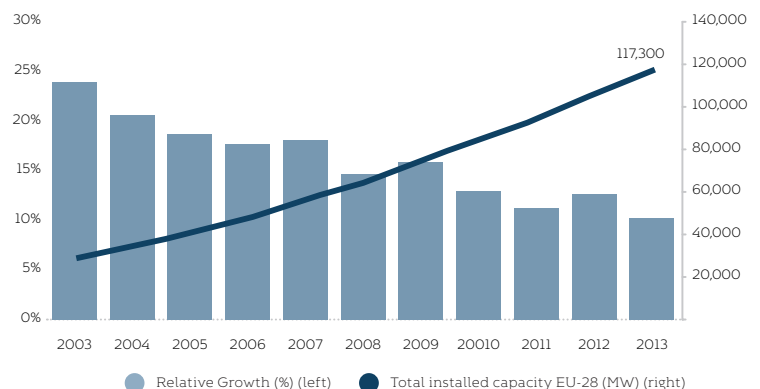
### WIND

Onshore wind power is one of the most economically competitive alternatives to traditional fossil fuel sources. The technological advances made during 2013 have contributed to the lowering of LCOE.

One of the main drivers for pushing down LCOE is the turbine manufacturers' ability to produce and install turbines with larger rotor diameter, e.g. Vestas' commercial launched a V117 and V126 in 2013. A larger diameter typically leads to increased production per installed capacity. Secondly, the standard capacity for generators in new turbines is increasing. Finally, the total height (tip height) of new turbines is increasing. The combination of increasing rotor diameter, a growing generator-capacity and higher towers, increase the overall annual energy production (AEP) of new wind turbines.

From the second quarter in 2009 to the first quarter of 2013 the LCOE fell by 15%. Under favourable conditions, e.g. sites with good wind resources, onshore wind is already competitive with fossil fuel (ibid). During 2013 the installed global capacity, of wind turbines, grew from 273 GW to 318 GW. In EU-28 the installed capacity grew by 11 GW (11,159 MW)<sup>2</sup> down from nearly 12 GW of new capacity in 2012. The installed capacity grew in our key markets such as Germany (3,238

MW), Poland (894 MW), Sweden (724 MW), and Denmark (657 MW). All together these markets account for nearly 50 % of total capacity installed in Europe in 2013.



EU WIDE RELATIVE GROWTH AND TOTAL INSTALLED WIND CAPACITY

Source: World Wind Energy Association and European Wind Energy Association

### SOLAR

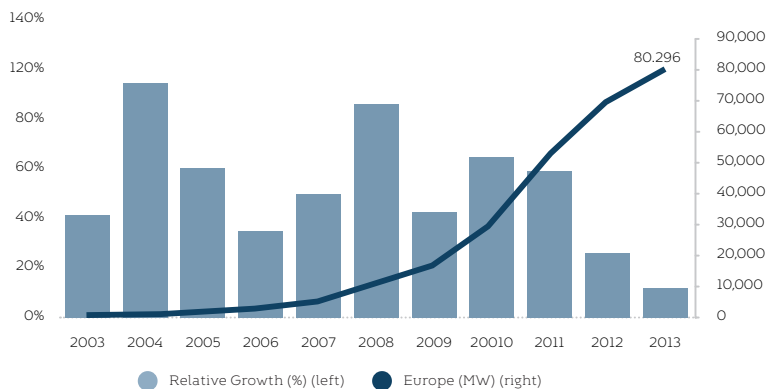
The LCOE for solar farms is decreasing. The LCOE of crystalline silicon photovoltaic systems fell by 57 % between 2009 and 2013<sup>3</sup>. The main driver for the steep decrease in LCOE is the increased competitions between technology suppliers and economies of scale associated with the production of panels and other key components.

In addition, the solar conversion efficiency continues to improve, and studies show that efficiency of commercial crystalline and Cadmium telluride modules can still increase significantly<sup>4</sup>. The predictability and stability of power production from solar assets also supports cost effective financing.

Photovoltaic is a fast-growing market: By the end of 2013 the total installed PV capacity comprises of 139 GW<sup>5</sup>.

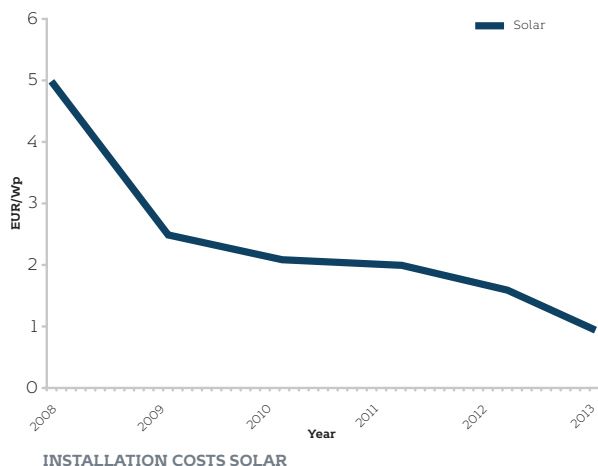
In Europe total capacity is nearly at 70 GW by the end 2012, compared to 18 GW for Asian Pacific and America and EMEA with 8.2 GW and

0.5 GW respectively. With three consecutive years with 7 GW of new PV capacity, Germany is the country which has the largest solar PV capacity in the world exceeding 32 GW.



**RELATIVE GROWTH AND TOTAL INSTALLED SOLAR CAPACITY IN EU**  
Source: European Photovoltaic Industry Association

Due to the continued decline in hardware prices of solar energy power plants we are still very positive toward this technology. Although our current pipeline is dominated by wind farms, solar power farms have high priority for our future development.



## OUTLOOK

### WIND AND SOLAR ENERGY

MAKE Consulting predicts a continued growth in installed wind capacity. An average global growth of 4.5 % per year during 2014-2017 which means annual wind turbine instalment is assumed to grow from 50 GW in 2014 to 56 GW in 2017<sup>6</sup>.

European Photovoltaic Industry Association (EPIA) expects global installed solar PV capacity to grow by 283 GW during 2014 and 2017 corresponding to an average annual growth of 70 GW each year in the period.

When combining the forecasts from Make Consulting and EPIA total global installed capacity is assumed to expand from 457 GW at the end 2013 to 949 GW during 2014-2017 - corresponding to a growth of 108 % in the next four years. MAKE Consulting expects on shore wind to reach grid parity for sites with favourable wind conditions in 2015<sup>7</sup> - for solar we are already experiencing grid parity in areas with high irradiation and costly sources of fossil fuelled energy – e.g. where diesel generators are dominant or remote areas with limited grid connection.

Besides the technological development on the power-generation capacity other drivers such as interconnection between different price regions and storage technology could also support grid parity and the attractiveness of renewable energy compared to traditional sources of energy. The impressive technological breakthroughs which constantly lower the LCOE and the improved competitiveness of renewable energy with fossil fuelled plants make us confident about our own business and look forward to when renewable energy becomes completely independent of subsidies.







# EUROPEAN ENERGY

## SEEN FROM THE INSIDE

Many types of hardware applied in wind and solar farms are becoming commodities. The number of suppliers is increasing and the margins are decreasing as competition intensifies. At European Energy we believe a significant value added for renewable energy projects lies in an effective and cost-conscious project development. Great focus is therefore given to process innovation, which entails constant focus on improving internal functions and the organization at European Energy in order to create a unique product which is hard to imitate. To the extent possible European Energy's project development in our different markets takes place based on a uniformed and structured method in the form of teams where focus is on professional skills. We have in-house specialists who combine their know-how with local cooperative partners which create a high level of market intelligence in relevant countries. The individual teams comprise of multi-disciplinary skills in the form of commercial, legal and technical backgrounds and in order to ensure a flexible and dynamic organization, all employees work at the office in Lyngby, thereby employees can easily be transferred to work on other markets if the market conditions change.

We have structured the organization according to our belief of the value adding. Our Legal Department ensures our project rights and supports the project development process along with procurement and ultimately the sales agreements. Project development, choice of technology, hardware supplier and sub-contractors are all matters which are being handled by the Project Department. Prior to, or upon, construction the assets are sold by the M&A Department which is also responsible for acquiring operational power generating assets. The power generating assets are then being managed by our Asset Management and Finance Department.

### OUR LEGAL DEPARTMENT

Our Legal Department consists of a team of skilled lawyers and paralegals with international backgrounds and extensive knowledge of renewables.

All legal managers handle varied tasks and transaction types, covering all phases and aspects of our projects, from sale and acquisitions, supply and construction, to joint ventures for development of projects, acquisition of real estate and land rights and project finance. Given the cross-border character of most of our operations and our large geographical scope, our legal team embodies a strong international profile and adaptability to work in different jurisdictions and legal frameworks while securing and implementing European Energy's core business models.

We ensure that our legal managers are fully integrated in, and part of, our business processes, so that legal services are provided in timely manner and are tailor-made to the specific needs of each transaction. Through close cooperation with our project managers, engineers and finance managers in all departments, our lawyers have developed deep understanding and insight of all aspects of our projects reaching beyond a pure legal approach. Our strength and main achievement is therefore to utilize our legal competences to facilitate our processes

with concrete, practical solutions, while ensuring appropriate protection against the many risks related to our operations.

Over the years, our legal team has developed a vast pool of contract models reflecting the experience of European Energy in renewables to secure both minimization of risk and a flexible, rapid response to the operational companies' need.

### OUR FINANCE DEPARTMENT

Our Finance Department administrates more than 300 companies of which 90 % of the companies are now being handled in our central ERP system, Navision Dynamics.

We have, in 2013, upgraded the Navision to NAV2013 which has improved the flexibility of the daily use of the system, and is being used through a web interface at our outsourcing suppliers in Italy, Spain and Germany.

European Energy has a large number of subsidiaries with co-ownerships, cross-ownerships and other investments, which requires a substantial number of financial reports made to investors, banks etc. as part of the daily business. To optimize the consolidation process we have in 2013 started an implementation process of Oracle Hyperion which is expected to be concluded mid-2014.

At the same time we have started the process of preparing the conversion of our annual reporting from the use of DK-GAAP to the use of IFRS as a consequence of the accomplished bond issue.

### EUROPEAN ENERGY RECRUITMENT - DIVERSITY MATTERS

We strive to employ competent team-players with technical, legal or commercial backgrounds. Furthermore we look for employees with a deep local knowledge of the markets in which we operate. European Energy employs 7 different nationalities who are capable of speaking 10 different languages giving the company a competitive advantage through diversity.

In 2013 41 % of the employees in European Energy were female and 59 % were male.

### THE INTERNSHIP PROGRAM

In 2013 European Energy provided the opportunity to undertake an internship from 4-6 months' hands-on work experience within the areas of the renewable energy value chain. The purpose of the internship program is to gather young talents from an academically diverse background.

Through an internship at European Energy the interns obtain extensive knowledge about the renewable energy sector and comprehensive work experience within the intern's area of expertise. The internship involves professional challenges, responsibilities and the opportunity to influence decision-making, whilst making valuable connections with useful references for the future career of the intern. The internship program has turned out to be a great success with applications being received almost every day. The interns bring a different cultural perspective to our company – a breath of fresh air from the world outside which is of great importance to us.

At the end of 2013 we have employed four interns with four different national and educational backgrounds.

# EVENTS AFTER BALANCE SHEET DATE

## **BOND ISSUE - A SUCCESSFUL RAISE OF NEW CAPITAL OF EUR 45 MILLION**

In early 2014 European Energy issued a EUR 45 million bond, with the opportunity to increase the bond by EUR 15 million within the same framework.

The liquidity provides us with the possibility of pursuing interesting business opportunities and with an enhanced bargaining power in current market conditions. At the time being there is a market for financially distressed, operating assets, which can be purchased, optimised and potentially repowered. These assets can be acquired on attractive conditions. Secondly, the money raised will allow us to mature our vast pipeline and carry out all necessary studies and thereby enable our projects to obtain building permits. In the dynamic market of renewable energy, we are very satisfied with the flexibility the bond has provided us with.

The successful bond issue marks the recognition of European Energy as an established developer. The bond was oversubscribed by international investors, who in this way have shown their confidence in our ability to remain profitable in the market going forward.

The liquidity raised with the bond issue has also enabled us to repay all our existing corporate debt.

## **OUR NEAR-SHORE ACTIVITIES HAVE DEVELOPED EVEN FURTHER**

Early 2014 we have made a joint venture company with an international fund, to develop one of our near-shore sites, with a potential capacity of 300 MW in Denmark. The parties have agreed to share the costs associated with the continued development of the site. The site covers approx. 50 square kilometers and is based in the water which makes the scope of the geological studies and environmental impact assessment significantly larger than our onshore projects.

We expect the studies to be completed late 2014 or early 2015. If everything goes according to the expectations we expect to start the constructing in 2016.

The venture is – in line with NPP and our new partnering model for joint development activities – an example of European Energy bringing in know-how on renewable energy development and the partner bringing other resources such as capital or complementing know-how.

## **CONSTRUCTION ACTIVITIES**

Early 2014 we completed the construction of five 3.0 MW turbines in Tjørneby, Denmark. The construction relates to the sale to a Danish utility company in 2012. In February we initiated the construction of one 3.3 MW turbines in Denmark, where we expect the turbine to be commissioned mid-2014. The wind turbine is expected to be sold in 2014.



# OUTLOOK FOR 2014

## THE RENEWABLE ENERGY MARKET

The technological breakthroughs for both wind and solar power generating assets with constantly lower LCOE increase the renewable energy's competitiveness with fossil fuelled power. Consequently, the value of both development assets and operating assets has increased. The demand for our renewable power generating assets, in the Northern European countries, has been high in 2013 and this trend continues into 2014. The new joint ventures for some of our development activities – both onshore as well as near-shore – also give high expectation to the growth of European Energy. We are therefore very confident about the perspectives of our business.

## ACTIVITIES

For 2014 we expect a high level of activity where project development, acquisitions, construction of solar and wind parks, project financing and sale of energy assets will be in focus.

It is expected that local plan approvals or building permits will be obtained for several of the projects in Germany, Denmark, Poland and Sweden, and consequently, leading to a high level of sales activity also in 2014. At present European Energy has a large number of projects under negotiation, and some of them are expected to be completed in the near future. Moreover, it is expected that the first project in NPP has a good chances to be constructed.

The successful raise of new capital enables European Energy to utilise the many possibilities arising in the market. New acquisitions and entering of new stable markets are therefore expected to be seen in 2014.

It is therefore expected that European Energy will continue to grow in 2014 leading us to be well-equipped to utilise the many possibilities in the market also in the time to come.

## RESULTS

Electricity generation from commissioned plants is expected to be in line with 2013, and sales activities are expected to generate a profit which is at least in line with 2013. At present, many sales negotiations are in progress, and these are expected to be completed in the near future.





# **FINANCIAL** STATEMENTS

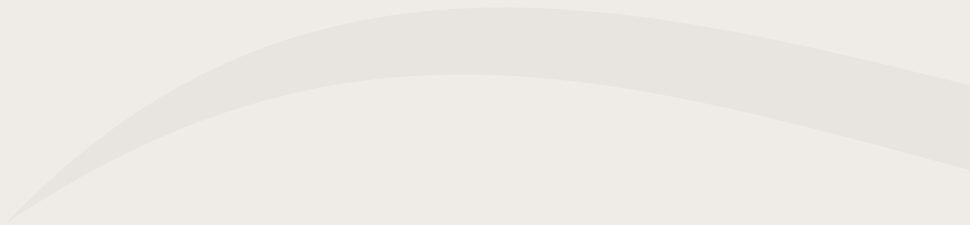




# FINANCIAL STATEMENTS 2013

## CONSOLIDATED AND PARENT COMPANY

Income statement	page 31
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Notes to the consolidated and parent company financial statements	page 35



# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

## **INCOME STATEMENT** **EUR'000**

	Note	Consolidated		Parent company	
		2013	2012	2013	2012
Revenue	1	29,963	35,682	6,487	2,630
Direct costs		-13,257	-20,554	-1,254	-1,062
<b>Gross profit</b>		<b>16,706</b>	<b>15,128</b>	<b>5,233</b>	<b>1,568</b>
Staff costs	2	-3,915	-3,362	-3,823	-3,362
Other external costs		-2,139	-2,235	-1,187	-1,075
Depreciation, amortisation and impairment losses	6,8	-1,651	-1,700	-96	-154
<b>Operating profit/loss</b>		<b>9,001</b>	<b>7,831</b>	<b>127</b>	<b>-3,023</b>
Profit from subsidiaries	9	0	0	6,331	8,126
Profit from associates	10	784	1,503	631	1,038
Financial income	3	1,222	1,315	1,220	1,184
Financial expenses	4	-4,268	-4,625	-1,529	-1,605
<b>Profit before tax</b>		<b>6,739</b>	<b>6,024</b>	<b>6,780</b>	<b>5,720</b>
Tax on profit for the year	5	-776	-446	-442	-40
<b>Profit for the year</b>		<b>5,963</b>	<b>5,578</b>	<b>6,338</b>	<b>5,680</b>
Non-controlling interests' share of profit for the year	17	375	102	0	0
<b>The Group's share of profit for the year</b>		<b>6,338</b>	<b>5,680</b>	<b>6,338</b>	<b>5,680</b>

### **Proposed profit appropriation:**

Net revaluation according to the equity method	6,962	9,164
Retained earnings	-624	-3,484
	<b>6,338</b>	<b>5,680</b>

**CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS**  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER

**BALANCE SHEET**  
**EUR'000**

EUR'000		Consolidated		Parent company	
	Note	2013	2012	2013	2012
ASSETS					
Non-current assets					
Intangible assets					
Goodwill	6	238	251	0	0
Project portfolio	7	11,955	7,472	0	0
		12,193	7,723	0	0
Property, plant and equipment					
Wind energy farms	8	2,351	2,596	0	0
Solar energy farms		47,766	49,141	0	0
Tools and equipment		53	142	53	142
		50,170	51,879	53	142
Investments					
Investments in subsidiaries	9	0	0	32,484	34,078
Investments in associates	10	13,492	15,872	7,853	9,437
Other investments	11	4,449	5,172	1,346	2,069
Receivables from parent company	12	10,661	10,332	10,661	10,332
Receivables from subsidiaries	13	0	0	16,819	14,441
Receivables from associates	13	3,250	7,337	3,142	3,153
Trade receivables	14	13,515	9,677	0	0
Other receivables	15	9,217	10,909	0	0
		54,584	59,299	72,305	73,510
Total non-current assets		116,947	118,901	72,358	73,652
Current assets					
Receivables					
Trade receivables	14	17,442	3,878	13,461	1,360
Deferred tax asset	18	5,294	5,163	2,622	2,831
Other receivables		2,853	2,546	172	185
Prepayments		205	229	120	161
		25,794	11,816	16,375	4,537
Cash at bank and in hand		5,110	6,298	1,275	177
Total current assets		30,904	18,114	17,650	4,714
TOTAL ASSETS		147,851	137,015	90,008	78,366



# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

## **BALANCE SHEET** **EUR'000**

		<b>Consolidated</b>		<b>Parent company</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>	16				
Share capital		1,340	1,340	1,340	1,340
Reserve for net revaluation according to the equity method		0	0	23,023	25,866
Retained earnings		51,218	44,665	28,195	18,799
<b>Total equity</b>		<b>52,558</b>	<b>46,005</b>	<b>52,558</b>	<b>46,005</b>
<b>Non-controlling interests</b>	17	<b>1,636</b>	<b>1,777</b>	<b>0</b>	<b>0</b>
<b>Provisions</b>					
Deferred tax	18	<b>932</b>	<b>763</b>	<b>328</b>	<b>445</b>
<b>Liabilities other than provisions</b>					
<b>Non-current liabilities other than provisions</b>	19				
Liabilities related to the issue of bonds		7,600	7,600	0	0
Project financing		38,101	40,429	0	0
Other debt regarding project portfolio		198	337	0	0
Other debt to credit institutions		605	605	605	605
Other debt relating to the acquisition of companies		4,737	0	0	0
		<b>51,241</b>	<b>48,971</b>	<b>605</b>	<b>605</b>
<b>Current liabilities other than provisions</b>					
Credit institutions	19	23,163	23,830	18,423	12,065
Other debt relating to the acquisition of investments	19	4,268	3,925	0	0
Trade payables		3,345	1,982	1,308	895
Payables to group enterprises		0	0	13,595	16,182
Payables to associates		101	103	56	6
Corporation tax		1,718	1,164	1,597	1,086
Other payables		8,889	8,495	1,538	1,077
		<b>41,484</b>	<b>39,499</b>	<b>36,517</b>	<b>31,311</b>
<b>Total liabilities other than provisions</b>		<b>92,725</b>	<b>88,470</b>	<b>37,122</b>	<b>31,916</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>147,851</b>	<b>137,015</b>	<b>90,008</b>	<b>78,366</b>

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# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

## **CASH FLOW STATEMENT** **EUR'000**

		<b>Consolidated</b>	
	<b>Note</b>	<b>2013</b>	<b>2012</b>
Operating profit		9,001	7,831
Adjustment for non-cash operating items, etc.:			
<u>Depreciation, amortisation, etc.</u>	23	2,444	4,404
Cash generated from operating activities before changes in working capital		11,445	12,235
Change in receivables		-15,993	-4,181
<u>Change in current liabilities</u>		6,836	3,066
Cash generated from operations before financial items		2,288	11,120
Interest, etc., received		984	1,304
<u>Interest, etc., paid</u>		-4,200	-4,625
Cash generated from operations before tax		-928	7,799
<u>Corporation tax paid</u>		-324	-1,997
<b>Cash flows from operating activities</b>		<b>-1,252</b>	<b>5,802</b>
Acquisition of project portfolio		-6,375	-6,725
Acquisition of property, plant and equipment		-7	-301
Acquisition of investments and securities		-615	-2,163
Disposal of subsidiaries, associates and investments		5,941	13,952
Changes in long-term loans to associates and parent company		3,758	174
<u>Dividends received</u>		358	10
<b>Cash flows from investing activities</b>		<b>3,060</b>	<b>4,947</b>
Proceeds from new loans		426	1,382
Changes in long-term debt to credit institutions		-2,753	-9,331
Changes in short-term debt to credit institutions		-667	-4,293
<u>Changes in payables to associates</u>		-2	54
<b>Cash flows from financing activities</b>		<b>-2,996</b>	<b>-12,188</b>
<b>Cash flows for the year</b>		<b>-1,188</b>	<b>-1,439</b>
<u>Cash and cash equivalents at 1 January</u>		6,298	7,737
<b>Cash and cash equivalents at 31 December</b>		<b>5,110</b>	<b>6,298</b>

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

# CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

## FOR THE PERIOD 1 JANUARY - 31 DECEMBER

### NOTES

EUR'000

	Consolidated		Parent company	
	2013	2012	2013	2012
<b>1 Revenue</b>				
Disposal of energy farms and projects	23,140	29,114	1,919	1,250
Sale of electricity	5,612	5,644	0	0
Other income	1,211	924	4,568	1,380
	<b>29,963</b>	<b>35,682</b>	<b>6,487</b>	<b>2,630</b>
<i>Distribution on segments:</i>				
Revenue from solar energy	5,923	5,779	0	0
Revenue from wind energy	24,040	29,903	6,487	2,630
	<b>29,963</b>	<b>35,682</b>	<b>6,487</b>	<b>2,630</b>
<b>2 Staff costs</b>				
Wages and salaries	3,690	3,142	3,606	3,142
Pensions	6	0	6	0
Other social security costs	44	40	44	40
Other staff costs	175	180	167	180
	<b>3,915</b>	<b>3,362</b>	<b>3,823</b>	<b>3,362</b>
Average number of employees	41	38	40	38
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.				
<b>3 Financial income</b>				
Interest income, bank	11	25	1	0
Interest income, group enterprises and associates	435	492	972	1,092
Interest income, bonds	3	3	3	3
Dividends, other investments	238	10	238	10
Exchange gains	0	96	0	77
Other financial income	535	689	6	2
	<b>1,222</b>	<b>1,315</b>	<b>1,220</b>	<b>1,184</b>
<b>4 Financial expenses</b>				
Interest expense, banks	3,843	4,251	982	874
Interest expense, group enterprises and associates	2	2	482	677
Interest expense, corporate bonds	304	304	0	0
Exchange losses	68	23	24	0
Other financial expenses	51	45	41	54
	<b>4,268</b>	<b>4,625</b>	<b>1,529</b>	<b>1,605</b>
<b>5 Tax on profit for the year</b>				
Tax on profit for the year	-820	-1,720	-277	-1,062
Change in deferred tax	88	1,486	-97	981
Adjustment to tax relating to previous years	-44	-212	-68	41
	<b>-776</b>	<b>-446</b>	<b>-442</b>	<b>-40</b>



**CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS**  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER

**NOTES**  
**EUR'000**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>6</b>	<b>Goodwill</b>		
	Cost at 1 January	370	370
	Disposals for the year	-104	0
	<b>Cost at 31 December</b>	<b>266</b>	<b>370</b>
	Amortisation and impairment losses at 1 January	-119	-100
	Amortisation for the year	-18	-19
	Disposals for the year	109	0
	<b>Amortisation and impairment losses at 31 December</b>	<b>-28</b>	<b>-119</b>
	<b>Carrying amount at 31 December</b>	<b>238</b>	<b>251</b>
	Amortised over	20 years	20 years

**CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS**  
FOR THE PERIOD 1 JANUARY - 31 DECEMBER

**NOTES**  
**EUR'000**

**Consolidated**

	<b>2013</b>	<b>2012</b>
<b>7 Project portfolio</b>		
Project portfolio at 1 January	10,448	10,638
Transferred from associates	3,263	0
Additions for the year	6,375	6725
Disposals for the year	-5,253	-6915
<b>Project portfolio at 31 December before value adjustments</b>	<b>14,833</b>	<b>10,448</b>
Value adjustments at 1 January	-2,976	-465
Value adjustments during the year	140	-2,455
Other value adjustments	-42	-56
<b>Value adjustments at 31 December</b>	<b>-2,878</b>	<b>-2,976</b>
<b>Total project portfolio at 31 December</b>	<b>11,955</b>	<b>7,472</b>
The project portfolio at 31 December comprises:		
Projects under development	11,261	7,472
Projects under construction	694	0
<b>Total project portfolio at 31 December</b>	<b>11,955</b>	<b>7,472</b>
Wind energy farms	11,485	7,792
Solar energy farms	3,348	2,656
<b>Project portfolio at 31 December before value adjustments</b>	<b>14,833</b>	<b>10,448</b>
Impairment losses	-2,878	-2,976
<b>Total project portfolio at 31 December</b>	<b>11,955</b>	<b>7,472</b>

# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

NOTES EUR'000	Wind energy farms	Solar energy farms	Tools & equipment	Total
<b>8 Property, plant and equipment</b>				
<b>Consolidated</b>				
Cost at 1 January 2013	3,528	54,970	660	59,158
Additions for the year	0	0	7	7
Disposals for the year	-121	0	0	-121
<b>Cost at 31 December 2013</b>	<b>3,407</b>	<b>54,970</b>	<b>667</b>	<b>59,044</b>
Depreciation and impairment losses at 1 January 2013	-932	-5,829	-518	-7,279
Depreciation for the year	-162	-1,375	-96	-1,633
Disposals for the year	38	0	0	38
<b>Depreciation and impairment losses at 31 December 2013</b>	<b>-1,056</b>	<b>-7,204</b>	<b>-614</b>	<b>-8,874</b>
<b>Carrying amount at 31 December 2013</b>	<b>2,351</b>	<b>47,766</b>	<b>53</b>	<b>50,170</b>
Depreciated over	25 years	40 years	3-5 years	
<b>Parent company</b>				
Cost at 1 January 2013			660	
Additions for the year			7	
Disposals for the year			0	
<b>Cost at 31 December 2013</b>			<b>667</b>	
Depreciation and impairment losses at 1 January 2013			-518	
Depreciation for the year			-96	
<b>Depreciation and impairment losses at 31 December 2013</b>			<b>-614</b>	
<b>Carrying amount at 31 December 2013</b>			<b>53</b>	
Depreciated over			3-5 years	



# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

## **NOTES**

EUR'000

Parent company

	2013	2012
<b>9 Investments in subsidiaries</b>		
Cost at 1 January	9,166	9,010
Additions for the year	1,373	296
Disposals for the year	-4	-140
<b>Cost at 31 December</b>	<b>10,535</b>	<b>9,166</b>
Value adjustments at 1 January	24,912	16,983
Share of profit for the year	6,331	8,126
Hedges, net of tax	215	-198
Dividends received from subsidiaries	-9,800	0
Reversed value adjustments on disposal	351	0
Other value adjustments	-112	1
<b>Value adjustments at 31 December</b>	<b>21,897</b>	<b>24,912</b>
<b>Carrying amount at 31 December</b>	<b>32,432</b>	<b>34,078</b>
Investments in subsidiaries are recognised as follows:		
Investments in subsidiaries	32,484	34,078
Set-off against receivables from subsidiaries	-52	0
	<b>32,432</b>	<b>34,078</b>

Investments in subsidiaries at 31 December 2013 comprise:

Name and registered office	Ownership interest at 31/12 2013	Share of profit/ loss for the year	Share of equity
European Wind Farms A/S, Lyngby-Taarbæk	100.0%	-1,875	14,316
European Wind Farm Denmark A/S, Lyngby-Taarbæk	100.0%	8,712	8,782
European Wind Farm No. 2 A/S, Lyngby-Taarbæk	100.0%	-9	96
European Energy Systems I ApS, Lyngby-Taarbæk	100.0%	75	226
European Energy Systems II ApS, Lyngby-Taarbæk	100.0%	215	1,951
European Solar Farms A/S, Lyngby-Taarbæk	76.7%	-919	5,040
Enerteq Vitalba ApS, Lyngby-Taarbæk	88.5%	35	1,842
Enerteq ApS, Lyngby-Taarbæk	55.7%	38	431
EWf Deutschland GmbH, Germany	100.0%	0	-43
EWf Vier Sechs GmbH & Co. KG, Germany	100.0%	4	276
Bond II Erste GmbH & Co. KG, Germany	100.0%	-4	6
Bond II Zweite GmbH & Co. KG, Germany	100.0%	-2	9
EWf Verwaltung GmbH, Germany	100.0%	1	35
European Energy III A/S, Lyngby-Taarbæk	100.0%	2	70
Nordic Power Partners P/S, Lyngby-Taarbæk	60.0%	-81	25
NPP Komplementar, Lyngby-Taarbæk	60.0%	0	6
EE Sieben Vier GmbH & Co. KG, Germany	100.0%	-2	-2
EE Sieben Fünf GmbH & Co. KG, Germany	100.0%	-2	-2
EE Construction GmbH & Co. KG, Germany	100.0%	-3	-2
Wind Park Badingen GmbH & Co. KG, Germany	100.0%	-3	-3
EWf Sverige AB, Sweden	100.0%	-10	369
European Wind Farm Polen ApS, Lyngby-Taarbæk	100.0%	19	1,280
		<b>6,191</b>	<b>34,708</b>
Write-down on project portfolio		140	-2,276
		<b>6,331</b>	<b>32,432</b>

# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

## **NOTES** **EUR'000**

		<b>Consolidated</b>	
		<b>2013</b>	<b>2012</b>
<b>10 Investments in associates</b>			
Cost at 1 January		14,576	15,333
Additions for the year		614	2,123
Disposals for the year		-3,357	-2,880
<b>Cost at 31 December</b>		<b>11,833</b>	<b>14,576</b>
Value adjustments at 1 January		1,296	-612
Profit for the year		784	1,503
Reversed value adjustments on disposal		-335	674
Dividends		-120	0
Hedges		0	23
Other adjustments		34	-292
<b>Value adjustments at 31 December</b>		<b>1,659</b>	<b>1,296</b>
<b>Carrying amount at 31 December</b>		<b>13,492</b>	<b>15,872</b>

# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

## **NOTES** **EUR'000**

### **10 Investments in associates continued**

*Investments in associates at 31 December 2013 comprise:*

Name and registered office	Ownership interest	2013	2012
		Share of profit/loss for the year	Share of equity
EEA Renewables A/S, Lyngby-Taarbæk	50.0%	-1	1,484
EEGW Persano ApS, Lyngby-Taarbæk	50.0%	-4	440
European Energy Sales & Adm. ApS, Copenhagen	22.6%	0	0
EWf Fünf Eins GmbH & Co. KG, Germany	25.0%	28	778
EWf Fünf Vier GmbH & Co. KG, Germany	50.0%	-3	392
Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany	50.0%	28	280
WP Timpberg GmbH & Co. Zehnte, Germany	50.0%	61	306
Wind Park Mildenberg GmbH & Co. KG, Germany	25.0%	0	19
EE Sieben Null GmbH & Co. KG, Germany	50.0%	18	200
EEA Verwaltungs GmbH, Germany	50.0%	5	23
EEA Stormy ApS, Lyngby-Taarbæk	50.0%	28	1,116
EEA SWEPOL A/S, Lyngby-Taarbæk	50.0%	-8	0
WK Ottenhausen GmbH & Co. KG., Germany	34.2%	14	1,624
EE Sieben Zwei GmbH & Co. KG, Germany	50.0%	80	151
EE Sieben Drei GmbH & Co. KG, Germany	50.0%	21	21
EE Repowering GmbH & Co. KG, Germany	30.0%	12	14
P.E. Casciana Terme Srl, Italy	20.0%	-8	10
EWf Eins Sieben GmbH & Co. KG, Germany	50.0%	8	386
EWf Zwei Acht GmbH & Co. KG, Germany	50.0%	24	415
EWf Zwei Neun GmbH & Co. KG, Germany	50.0%	30	418
Windpark Unseburg Nord GmbH & Co. Betriebs KG, Germany	20.0%	74	1,140
Wind Energy OOD, Bulgaria	49.0%	56	628
Wind Power 2 OOD, Bulgaria	49.0%	40	597
Wind Stream OOD, Bulgaria	49.0%	20	489
Wind Systems OOD, Bulgaria	49.0%	39	536
ESF Spain 0424 GmbH, Germany	20.8%	10	382
Parco Eolico Carpinaccio Srl., Italy	27.0%	100	1,643
Driftsselskabet Heidelberg ApS, Lyngby-Taarbæk	49.5%	-147	0
		<b>525</b>	<b>13,492</b>
Profit from associates disposed of during the year		112	0
Adjustment of results of Driftsselskabet Heidelberg ApS*		147	0
		<b>784</b>	<b>13,492</b>

\* The company was acquired with a negative equity during the year.  
However, the Group is not liable for the negative equity, and consequently,  
the amount has been reversed.



# **CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS** FOR THE PERIOD 1 JANUARY - 31 DECEMBER

## **NOTES**

EUR'000

	Parent company	
	2013	2012
<b>10 Investments in associates continued</b>		
Cost at 1 January	8,483	6,609
Additions for the year	85	2,386
Disposals for the year	-1,841	-512
<b>Cost at 31 December</b>	<b>6,727</b>	<b>8,483</b>
Value adjustments at 1 January	954	-143
Profit for the year	631	1,038
Reversed value adjustments on disposal	-475	0
Hedges	0	23
Other value adjustments	16	36
<b>Value adjustments at 31 December</b>	<b>1,126</b>	<b>954</b>
<b>Carrying amount at 31 December</b>	<b>7,853</b>	<b>9,437</b>

*Investments in associates at 31 December 2013 comprise:*

Name and registered office	Ownership interest	Share of profit/loss for the year	Share of equity
EEA Renewables A/S, Lyngby-Taarbæk	50.0%	-1	1,484
EEGW Persano ApS, Lyngby-Taarbæk	50.0%	-4	440
European Energy Sales & Adm. ApS, Copenhagen	22.6%	0	0
EWf Fünf Eins GmbH & Co. KG, Germany	25.0%	28	778
EWf Fünf Vier GmbH & Co. KG, Germany	50.0%	-3	392
Aktiv Wind GmbH & Co. WEA Timpberg KG, Germany	50.0%	28	280
WP Timpberg GmbH & Co. Zehnte, Germany	50.0%	61	306
EE Sieben Null GmbH & Co. KG, Germany	50.0%	18	200
EEA Verwaltungs GmbH, Germany	50.0%	5	23
Wind Energy OOD, Bulgaria	49.0%	56	628
Wind Power 2 OOD, Bulgaria	49.0%	40	597
Wind Stream OOD, Bulgaria	49.0%	20	489
Wind Systems OOD, Bulgaria	49.0%	39	536
EEA Stormy ApS, Lyngby-Taarbæk	50.0%	28	1,116
EEA SWEPOL A/S, Lyngby-Taarbæk	50.0%	-8	0
WK Ottenhausen GmbH & Co. KG, Germany*	8.3%	117	398
EE Repowering GmbH & Co. KG, Germany	30.0%	12	14
EE Sieben Zwei GmbH & Co. KG, Germany	50.0%	80	151
EE Sieben Drei GmbH & Co. KG, Germany	50.0%	21	21
		<b>537</b>	<b>7,853</b>
Profit from associates disposed of during the year		94	0
		<b>631</b>	<b>7,853</b>

\* The parent company and its subsidiaries have a total ownership interest of 34.2% in WK Ottenhausen GmbH & Co. KG, Germany.

# CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

## FOR THE PERIOD 1 JANUARY - 31 DECEMBER

### NOTES

EUR'000

Consolidated

Parent company

#### 11 Other investments

Cost at 1 January 2013	5,172	2,069
Additions for the year	1	1
Disposals for the year	-724	-724
<b>Cost at 31 December 2013</b>	<b>4,449</b>	<b>1,346</b>
Value adjustments at 1 January 2013	0	0
Value adjustments for the year	0	0
<b>Value adjustments at 31 December 2013</b>	<b>0</b>	<b>0</b>
<b>Carrying amount at 31 December 2013</b>	<b>4,449</b>	<b>1,346</b>

#### 12 Receivables from parent company

No specific conditions for the repayment of the outstanding balance with the parent company have been agreed.

#### 13 Receivables from subsidiaries and associates

Non-current receivables are attributable to the financing of project development in subsidiaries and associates.  
No specific conditions for the repayment of outstanding balances have been agreed.

Parent company

2013 2012

Nominal receivable	16,871	14,441
Set-off of negative equity; see note 9	-52	0
<b>Carrying amount at 31 December 2013</b>	<b>16,819</b>	<b>14,441</b>

Consolidated

Parent company

2013 2012 2013 2012

#### 14 Trade receivables

Trade receivables, non-current portion	13,515	9,677	0	0
Trade receivables, current portion	17,442	3,878	13,461	1,360
	<b>30,957</b>	<b>13,555</b>	<b>13,461</b>	<b>1,360</b>

#### 15 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.

# CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

## FOR THE PERIOD 1 JANUARY - 31 DECEMBER

### NOTES

#### EUR'000

	Share capital	Retained	Total
<b>16 Equity</b>			
<b>Consolidated</b>			
Equity at 1 January 2013	1,340	44,665	46,005
Profit for the year	0	6,338	6,338
Value adjustments of hedging instruments	0	322	322
Tax on equity adjustments	0	-107	-107
<b>Equity at 31 December 2013</b>	<b>1,340</b>	<b>51,218</b>	<b>52,558</b>

	Share capital	Reserve*	Retained earnings	Total
<b>Parent company</b>				
Equity at 1 January 2013	1,340	25,866	18,799	46,005
Transferred in connection with the disposal of investments, etc.	0	-220	220	0
Profit for the year	0	6,962	-624	6,338
Dividends received from subsidiaries	0	-9,800	9,800	0
Value adjustments of hedging instruments	0	322	0	322
Tax on equity adjustments	0	-107	0	-107
<b>Equity at 31 December 2013</b>	<b>1,340</b>	<b>23,023</b>	<b>28,195</b>	<b>52,558</b>

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.

\* Reserve for net revaluation according to the equity method

	Consolidated	
	2013	2012
<b>17 Non-controlling interests</b>		
Balance at 1 January	1,777	2,430
Additions for the year	-19	31
Disposals for the year	144	-519
Non-controlling interests' share of loss for the year	-375	-102
Non-controlling interests' share of changes in equity	109	-63
	<b>1,636</b>	<b>1,777</b>



# CONSOLIDATED AND PARENT COMPANY FINANCIAL STATEMENTS

## FOR THE PERIOD 1 JANUARY - 31 DECEMBER

### NOTES

EUR'000

	Consolidated		Parent company	
	2013	2012	2013	2012
<b>18 Deferred tax</b>				
Deferred tax at 1 January	4,400	2,256	2,386	1,170
Change in deferred tax recognised in income statement	88	1,486	-97	981
Deferred tax on changes in equity	-107	121	0	0
Adjustment relating to the disposal of subsidiaries, etc.	-3	537	0	0
Transferred to joint taxation contribution, etc.	-16	0	5	235
	<b>4,362</b>	<b>4,400</b>	<b>2,294</b>	<b>2,386</b>
<i>Deferred tax is recognised as follows:</i>				
Deferred tax asset	5,294	5,163	2,622	2,831
<b>Deferred tax</b>	<b>-932</b>	<b>-763</b>	<b>-328</b>	<b>-445</b>
	<b>4,362</b>	<b>4,400</b>	<b>2,294</b>	<b>2,386</b>

Deferred tax is substantially attributable to wind farms  
in German limited partnerships, solar energy farms  
in Spain and tax losses carried forward.

	Debt at 1/1 2013	Total debt at 31/12 2013	Current portion	Non-current portion	Outstanding debt after 5 years
<b>19 Financial liabilities</b>					
Liabilities related to the issue of bonds	7,600	7,600	0	7,600	0
Project financing	40,890	40,691	2,590	38,101	25,038
Other debt regarding project portfolio	347	206	8	198	128
Other debt to credit institutions	23,963	21,170	20,565	605	0
Other debt relating to acquisitions of companies	0	9,005	4,268	4,737	0
	<b>72,800</b>	<b>78,672</b>	<b>27,431</b>	<b>51,241</b>	<b>25,166</b>
<b>Parent company</b>					
<b>Other payables to credit institutions, etc.</b>	<b>12,670</b>	<b>19,028</b>	<b>18,423</b>	<b>605</b>	<b>0</b>

In 2008, the Group issued own bond series with 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 certain German wind parks.

## 20 Mortgages and collateral

Wind and solar energy farms with a carrying amount of EUR 50,117 thousand at 31 December 2013 have been provided as collateral for the Group's debt to credit institutions, etc., of EUR 40,097 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 19,028 thousand.

Investments in German limited partnerships with a carrying amount of EUR 2,804 thousand at 31 December 2013 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. Furthermore, the parent company has provided some of the Danish subsidiaries with a letter of subordination.

## 21 Contractual obligations and contingencies, etc.

The Company has provided an option for 1.5% of the shares in the Bulgarian companies Wind Energy OOD, Wind Power 2 OOD, Wind Stream OOD and Wind Systems OOD.

The parent company is jointly taxed with the Danish subsidiaries and the parent company. The companies included in the joint taxation have joint and several unlimited liability for Danish corporation taxes, etc.

## 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  
JPZ-Assistance ApS, Diplomvej 377, 2800 Kgs. Lyngby

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

### Other related parties

The Company's 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.

## 23 Depreciation, amortisation, etc.

	2013	2012
Depreciation and impairment losses	1,651	1,700
Write-down of project portfolio, etc.	793	2,704
	<b>2,444</b>	<b>4,404</b>

# FOOTNOTES

<sup>1</sup> Intergovernmental Panel on Climate Change (IPCC) – Working Group III – Mitigation on Climate Change, Ch 7, “Energy Systems”  
Page 22, Market Trends Wind and Solar Energy

<sup>2</sup> Source: European Wind Energy Association (EWEA)  
Page 22, Market Trends Wind and Solar Energy

<sup>3</sup> IPCC AR5 ch. 7 p. 39 of 137  
Page 22, Market Trends Wind and Solar Energy

<sup>4</sup> Fraunhofer Photovoltaics Report, November 2013  
Page 22, Market Trends Wind and Solar Energy

<sup>5</sup> European Photovoltaics Industry Association: Global Market Outlook 2013-2017  
Page 22, Market Trends Wind and Solar Energy

<sup>6</sup> MAKE Consulting: Pushing Towards Grid Parity, Evolution of the Global Wind Energy Market  
Page 23, Market Trends Wind and Solar Energy

<sup>7</sup> MAKE Consulting: Wind Energy LCOE Approaching Grid Parity  
Page 23, Market Trends Wind and Solar Energy









# 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 (medium) enterprises under the Danish Financial Statements Act.

The Group has chosen to present the annual report in euro (EUR). At 31 December 2013, the EUR/DKK rate was 7.46 (31 December 2012: 7.46).

The accounting policies used are consistent with those of last year. Compared to 2012, certain financial statement items have been reclassified in the balance sheet and the cash flow statement.

## 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.

## 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 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.

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.

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

### REVENUE

The Group has the following income generating activities:

- *Disposal of energy projects*
- *Disposal of solar and wind farms*
- *Sale of electricity*
- *Sale of services*

### DISPOSAL OF ENERGY PROJECTS AND SOLAR AND WIND FARMS

Revenue from the disposal of energy projects and solar and wind farms is recognised in the income statement provided that the sales agreement has been entered before year end and provided that the approvals required to carry through the project have been obtained and no uncertainty in regard to the buyer's performance of the agreement exists. Further, it is a condition that the income can be reliably measured and is expected to be received.

For business and structure purposes, energy projects and solar and wind farms are placed in independent legal entities, and consequently, disposal of energy projects, solar and wind farms is made by full or partial transfer of equity investments, etc., in underlying legal entities. The net 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 agreements entered into. 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 projects and solar and wind farms 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 and amortisation of intangible assets as well as gains and losses on the disposal of other non-current assets than energy projects and wind and solar energy farms.

### 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 parent 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 contributions 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.

### PROJECT PORTFOLIO

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

- *Projects under development*
- *Projects under construction*

Projects under construction 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.

#### 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.

On disposal of projects under development, the net selling price of the project is recognised in the income statement as revenue, and the carrying amount of the projects is recognised in the income statement as direct costs.

#### PROJECTS UNDER CONSTRUCTION

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

Cost comprises costs incurred in the development phase (projects under development) and costs 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.

On disposal of projects under construction, the net selling price of the project is recognised in the income statement as revenue, and the

carrying amount of the projects is recognised in the income statement as direct costs.

## 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 farms - 25 years*
- *Solar energy farms - 40 years*
- *Tools and equipment - 3-5 years*

On disposal of wind energy farms and solar energy farms, the net selling price of the energy farm is recognised in the income statement as revenue and carrying amount of the assets is recognised in the income statement as direct costs.

Gains or losses on disposal of tools and equipment are recognised in the income statement as depreciation.

## INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

### INCOME STATEMENT

The proportionate share of the results after 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 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.

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.

On disposal of subsidiaries and associates containing energy projects or wind and solar energy plants, the net selling price of the equity investments is recognised in the income statement as revenue, and the carrying amount of the equity investments is recognised in the income statement as direct costs.

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. These gains and losses are recognised as a separate line item in the income statement.

#### **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, property, plant and equipment and 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.

#### **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.

#### **EQUITY – DIVIDENDS**

Proposed dividends are recognised as a liability at the date when they are adopted at the annual general meeting (declaration date). The expected dividend payment for the year is disclosed as a separate item under equity.

#### **CORPORATION TAX AND DEFERRED TAX**

In accordance with the joint taxation rules, as administrative company, the Group's 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.

#### **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.

# BOARD OF DIRECTORS



KNUD ERIK ANDERSEN



JENS-PETER ZINK



MIKAEL DYSTRUP PEDERSEN

## 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 2013.

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 2013 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 2013.

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, 28 May 2014

Executive Board:



Knud Erik Andersen

Board of Directors:



Jens-Peter Zink  
Chairman



Knud Erik Andersen



Mikael Dyrstrup Pedersen



# MANAGEMENT GROUP



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# 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 2013. 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 2013 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 2013 in accordance with the Danish Financial Statements Act.

## STATEMENT ON THE MANAGEMENT'S REVIEW

Pursuant to the Danish Financial Statements Act, we have read the Management's review. We have not performed any 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, 28 May 2014

## KPMG

Statsautoriseret Revisionspartnerselskab



Poul Erik Olsen  
State Authorised  
Public Accountant

Kenn W. Hansen  
State Authorised  
Public Accountant



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

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