

Business Report for European Energy A/S – January-September 2014

Brief Overview of European Energy

The European Energy Group (European Energy) develops, finances, builds and operates wind and solar farms. Through years of experience we have developed competencies within all levels of the renewable energy value-chain – from green-field development to operation of power plants.

Since 2004 we have developed 56 onshore wind farms and 19 solar farms corresponding to a total investment of more than EUR 680 million. The renewable energy farms, partially or completely owned by European Energy, produce clean energy corresponding to the electricity consumption of 398.000 Danish inhabitants.

Our business model is based on:

- sale of turn-key projects, primarily developed by the use of in-house competencies
- sale of electricity generated by the renewable energy power plants
- asset management of wind and solar farms

The total portfolio of power generating assets partly owned by European Energy is 364 MW of which European Energy owns 124 MW. The total assets managed by European Energy is 404 MW

European Energy has an extensive project pipeline exceeding 2,700 MW of which approx. 1,200 MW concerns near-shore projects.

Financial Performance for the first three quarters of 2014.

European Energy has in the first 9 months of 2014 had revenues of EUR 9.3 million. Our gross profit is totaling EUR 6.6 million which results in a gross margin of 71 %. The revenue for the year is estimated to be EUR 73.5 million exceeding the original budget of the year, EUR 31.3 million. The increased sales volume is due to a different structure of the anticipated sales with focus on sale of turn key projects instead of a sale where the purchaser takes over the asset prior the sale.

The estimated Gross Profit for the year will be EUR 18.7 million compared to the budgeted figure EUR 17.7 million.

Staff costs, other external costs and depreciations develop according to our budget.

The financial expenses has increased compared to budget partly due to foreign exchange losses, and to amortized debt issue costs. Total net financials for the year is estimated to EUR - 4.9 million compared to a budget of EUR - 3.3 million. Q3 net position for financials is EUR - 3.8 million.

European Energy's share of the profit for the first three quarters of 2014 is EUR -2.7 million. We expect the profit for the year 2014 to be in line with the profit for 2013. The estimate is based upon the realization of the ongoing M&A activities. There will be a risk that not all projects will be sold within 31st of December this year, in that case there will be a spillover effect to 2015, and thus a lower profit this year, and higher next year.

The cash flow for the first six months has been dominated by the issuance of the EUR 45 million bonds. The funds have primarily been used to repay corporate banks and to fund the general activities in European Energy among others the entering into the UK solar power market.

High Activity Level

The first nine months has offered a variety of different activities in the areas of project development, construction, sale of power generating assets as well as sale of power.

Sale of power

Our power generation has in the period seen an increase of 19 % compared with the same period of 2013. This is mainly due to a higher production in Germany primarily due to the purchase of several wind parks in second half of 2013 and first half of 2014.

European Energy Group - share of production in kWh

Technology/Country	YTD Q3-2013	YTD Q3-2014	Change
Wind	92.035.428	112.462.480	22 %
Bulgaria	9.646.928	7.841.639	-19 %
Denmark	0	1.199.715	N/A
Germany	75.763.713	95.778.227	26 %
Italy	6.624.787	7.642.898	15 %
Solar	10.182.952	9.582.742	-6 %
Italy	516.564	461.685	-11 %
Spain	9.666.389	9.121.057	-6 %
Grand Total	102.218.380	122.045.222	19 %

Danish Onshore Projects

The Danish onshore wind projects have been moving along well.

Kappel. In the project Kappel (gross capacity of 30 MW) the appeal process, which had been initiated in relation to the EIA, for the project was concluded with a satisfactory result for European Energy. Preparation of grid connection and selection of suppliers has been initiated. Construction scheduled for 2015.

Ulvemosen. Construction of project Ulvemosen (gross capacity of 33 MW) has been initiated but due to the need of corrective measures in the EIA report and the local plan the construction is delayed to 2015.

St. Røttinge. Construction of St. Røttinge (gross capacity of 10 MW) has been initiated. We expect the St. Røttinge project to be in operation in the first half of 2015

Tvis.. Project Tvis (gross capacity of 13 MW) was taken into operation. European Energy expects to sell its share during Q4 2014.

Nakskov II. The seven PV plans with a combined gross capacity of 4,2 MW are in construction and will be grid connected in t December. European Energy owns four of the plants and has acted as EPC for the other three. We expect to sell Danish wind projects of between 30-50 MW in 2014 or in the spring 2015 contributing positively to our profit for the year in either 2014 or 2015. .

Danish Near-shore Projects

European Energy has applied for the pre-investigation rights for five sites along the Danish coast line and started up the development of Near-shore projects in 2013. Permits to the exclusive pre-investigate for two sites have now been obtained from the Danish Energy Agency in Q1 2014 and in Q2 2014 respectively. Two international investors have been invited to join each of the projects and a joint venture for each of the projects has been established and capitalized. Building permits are expected to be received in the second half of 2015. The two projects represent in total a potential of +560 MW new capacity and a total construction investment in the excess of 1.2 billion euro. European Energy contributes with the projects rights and development capabilities and the partners contribute with the financial resources until a building permit is achieved. The construction cost (Capex), which has been one of the largest hurdles, has progressed very well. The calculated expected construction costs have decreased significantly during 2014 securing a larger potential value of the near shore project rights.



Danish wind project

UK

In 2014, European Energy entered the UK solar power market. We have established partnerships with four local developers and do now have a pipeline exceeding 200 MW consisting of 23 projects. Besides the large amount of activity regarding the development of PV projects we have also acquired two fully developed PV projects of a total of 28 MW. Construction and financing of the two fully developed PV projects have been initiated.

Within the last quarter of 2014 a financial close of the two fully developed projects is expected. 2-3 projects (+30 MW) are expected to be constructed depending on how fast the projects move through the approval process. The projects under construction are also expected to be sold in 2014 contributing positively to our profit for the year.

Italy

In Italy a 50 MW wind projects has received positive feedback from the local authorities and the grid operator. If all permits and tariffs are concluded with a satisfactory result during the next months the wind farm can qualify for a tariff auction in 2015. The wind farm can potentially be installed with up to 25 wind turbines of 2 MW. Due to favourable wind conditions the project both in terms of size and return represents an important potential for the 2015-16 construction pipeline. European Energy holds 90 % of the project. A smaller wind project of 10 MW has received the positive EIA approval. If a final building permit is obtained the project may be part of the projects to be constructed in 2015 or 2016. European Energy holds 90 % of the project.

Germany

In spring 2014 European Energy sold three 2 MW turbines in Germany to a large German green fund and yet our portfolio of power generating assets in Germany has grown in the period. Driftsselskabet Heidelberg ApS (Heidelberg) acquired in March an additional wind park of 18 GE turbines each of 1.5 MW, totaling 27 MW. The turbines were originally commissioned in 2001. European Energy owns 49.5 % of Heidelberg. Heidelberg now consists of eight German wind farms with a total capacity of over 120 MW. In three of the eight parks repowering has been initiated and in one of the parks we have now received a provisional building decision (Vorbescheid) for three wind turbines (9.9 MW). Furthermore we have obtained a building permit for three turbines (9 MW) with a total height of 200 meter for a project owned jointly with a co-investor.

In the last quarter of 2014 we expect to obtain building permits for between 10-14 MW in order to erect new wind turbines in 2015. We are currently in negotiations about acquiring further operational wind farms in Germany.

Poland

During 2014 the Polish projects have moved significantly forward. Two of the projects of 2 x 6 MW in West-Pomerania are now ready-to-build with construction and commissioning planned for 2015. We have now received several term sheets from local banks regarding project financing and are currently discussing the exact terms of these. Furthermore we have received offers from various turbine suppliers and EPCs regarding hardware and construction. Project financing, choice of hardware and EPC are expected to be concluded in the first quarter of 2015. The remaining part of our +150 MW pipeline is also moving forward

and we expect to obtain further building permits during 2015. We are following the political developments in regard to the framework conditions (tariff structure) carefully and are on an ongoing basis evaluating this influence on our projects. At present no final clarification has been published. Based on the current drafts of the legislation our outlook on the feasibility of our projects is positive and we still see potential in Poland.

Spain

Since 2010 Spain has implemented several law changes which retroactively reduce the remuneration price at which owners of Spanish PV installations receive for selling electricity. When accumulating all retroactive law changes for PV projects the power sale will be between 25 % - 35 % lower than originally planned when the projects were constructed. European Energy has decided to claim under the Energy Charter Treaty for lost enterprise value in our Spanish PV farms due to these retroactive law changes. The case is expected to take 3-5 years. Since the parks have been developed and constructed at attractive price-levels and have competitive cost structures the retroactive changes have not led to any write-offs.

Nordic Power Partners

Nordic Power Partners, the partnership between European Energy and the Danish Climate Investment Fund primarily with activities outside Europe, has also progressed very favorably. The first two solar PV projects on the Maldives are ready to be built (are solely awaiting administrative permits) and are expected to be constructed in 2014/2015. The development activities in other countries have also progressed positively and the green-field development pipeline now exceeds 200 MW.



Construction of a Danish wind project

Below please find the Q1-Q3 report financial figures.

Please note that the comparable figures are full year 2013.

Consolidated and parent company financial statements for the period PR/01-14 - UL/09-14					
Income statement					
EUR' 000	Note	Consolidated		Parent company	
		2014 30/9 2014	2013 31/12 2013	2014 30/9 2014	2013 31/12 2013
Revenue		9.342	29.963	2.229	6.487
Direct costs		-2.742	-13.257	-172	-1.254
Gross profit		6.600	16.706	2.057	5.233
Staff costs		-2.929	-3.915	-2.818	-3.823
Other External costs		-1.156	-2.139	-745	-1.187
Depreciation and impairment losses		-1.275	-1.651	-24	-96
Ordinary operating profit		1.240	9.001	-1.530	127
Separate items		0	0	0	0
Profit before financial items		1.240	9.001	-1.530	127
Profit in subsidiaries after tax		0	0	496	6.331
Profit in associates after tax		-79	784	-117	631
Financial income		621	1.222	784	1.220
Financial expenses		-4.447	-4.268	-2.779	-1.529
Profit for the year before tax		-2.665	6.739	-3.146	6.780
Tax on profit for the year		-159	-776	422	-442
Profit for the year		-2.824	5.963	-2.724	6.338
Minority shareholders' share of profit for the year		100	375	0	0
The Group's share of the profit for the year		-2.724	6.338	-2.724	6.338

Consolidated and parent company financial statements for the period PR/01-14 - UL/09-14

EUR' 000	Note	Consolidated		Parent company	
		2014	2013	2014	2013
		30/9 2014	31/12 2013	30/9 2014	31/12 2013
Assets					
Non-current assets					
Intangible assets					
Goodwill		203	238		
Project portfolio		14.385	11.955		
		14.588	12.193	0	0
Property, plant and equipment					
Wind power plants		4.632	2.351		
Solar power plants		46.735	47.766		
Fixtures and fittings, tools and equipment		46	53	46	53
		51.413	50.170	46	53
Investments					
Investments in subsidiaries		0	0	33.642	32.484
Investments in associates		15.141	13.492	8.456	7.853
Other investments		4.744	4.449	1.633	1.346
Amounts owed by parent company		10.914	10.661	10.914	10.661
Amounts owed by subsidiaries		0	0	22.513	16.819
Amounts owed by associates		4.338	3.250	3.269	3.142
Receivable from sale of Power producing assets		12.613	13.515		
Other receivables		9.286	9.217	0	0
		57.036	54.584	80.427	72.305
Total non-current assets		123.037	116.947	80.473	72.328
Receivables					
Trade receivables		17.140	17.442	11.540	13.461
Deferred tax assets		5.541	5.294	2.927	2.622
Other receivables		6.474	2.853	1.535	172
Prepayments		220	205	129	120
		29.375	25.794	16.131	16.375
Securities					
Cash at bank and in hand		13.778	5.110	9.311	1.274
Total current assets		43.153	30.903	25.442	17.650
Total Assets		166.190	147.851	105.915	90.008

Consolidated and parent company financial statements for the period PR/01-14 - UL/09-14					
EUR' 000	Note	Consolidated		Parent company	
		2014 30/9 2014	2013 31/12 2013	2014 30/9 2014	2013 31/12 2013
Liabilities					
Equity					
Share capital		1.340	1.340	1.340	1.340
Reserve for net revaluation according to the equity method		0	0	22.372	23.023
Retained earnings		48.648	51.218	26.276	28.195
Total equity		49.988	52.558	49.988	52.558
Minority interests		1.984	1.636	0	0
Provisions					
Deferred tax		817	932	350	328
Liabilities other than provisions					
Non-current liabilities other than provisions					
Liabilities from issuance of bonds		51.962	7.600	44.362	0
Project financing		36.619	38.101	0	0
Other debt regarding Project Portfolio		199	198		
Other debt to credit institutions		0	605	0	605
Other debt related to the acquisition of investments		3.860	4.737		
		92.640	51.241	44.362	605
Current liabilities other than provisions					
Mortgage credit institutions		3.111	23.163	0	18.423
Trade payables		4.102	3.345	1.052	1.308
Amount owed to affiliates				7.342	13.595
Amount owed to associates		258	101	56	56
Corporation tax payable		1.374	1.718	1.005	1.597
Other payables		8.017	8.889	1.760	1.538
Debt related to the acquisition of investments		3.899	4.268		
		20.761	41.484	11.215	36.517
Total liabilities other than provisions		113.401	92.725	55.577	37.122
Total Liabilities		166.190	147.851	105.915	90.008

Consolidated and parent company financial statements for the period PR/01-14 - UL/09-14				
EUR' 000	Note	Consolidated		
		2014	2013	
		30/9 2014	31/12 2013	
Operating profit		1.240	9.001	
Adjustment for non-cash operating items, etc.:		0	0	
Depreciation, write down etc.	ny	1.363	2.444	
Cash generated from operations (operating activities) before changes in working capital		2.603	11.445	
Changes in receivables		-2.545	-15.993	
Other changes in current liabilities		-1.361	6.836	
Cash flows from operating activities		-1.303	2.288	
Interest income etc., received		577	984	
Interest expense etc., paid		-4.335	-4.200	
Cash flows from ordinary activities before tax		-5.061	-928	
Corporation tax paid		-928	-324	
Cash flows from operating activities		-5.989	-1.252	
Acquisition of projects rights and project under construction		-2.629	-6.375	
Acquisition of property, plant and equipment	8	-4.220	-7	
Disposal of subsidiaries and activities		0	0	
Acquisition of investments and securities		0	-615	
Disposal of investments and securities	24	1.311	5.941	
Changes in loans to companies	24	-1.340	3.758	
Dividends		44	358	
Cash flows from investing activities		-6.834	3.060	
Bonds		43.973	0	
optagede lån		3.523	426	
Non-current liabilities for project financing		-5.610	-2.753	
Other changes in debt to mortgage credit institutions, etc.		-20.552	-667	
Changes in liabilities affiliated companies		157	-2	
Capital increase		0	0	
Minority shareholders' share of capital increase in subsidiary		0	0	
Cash flows from financing activities		21.491	-2.996	
Net cash flows for the year		8.668	-1.188	
Cash and cash equivalents at 1 January		5.110	6.298	
Cash and cash equivalents at 31 December		13.778	5.110	