Renew the way the world is powered

ANNUAL REPORT

2023

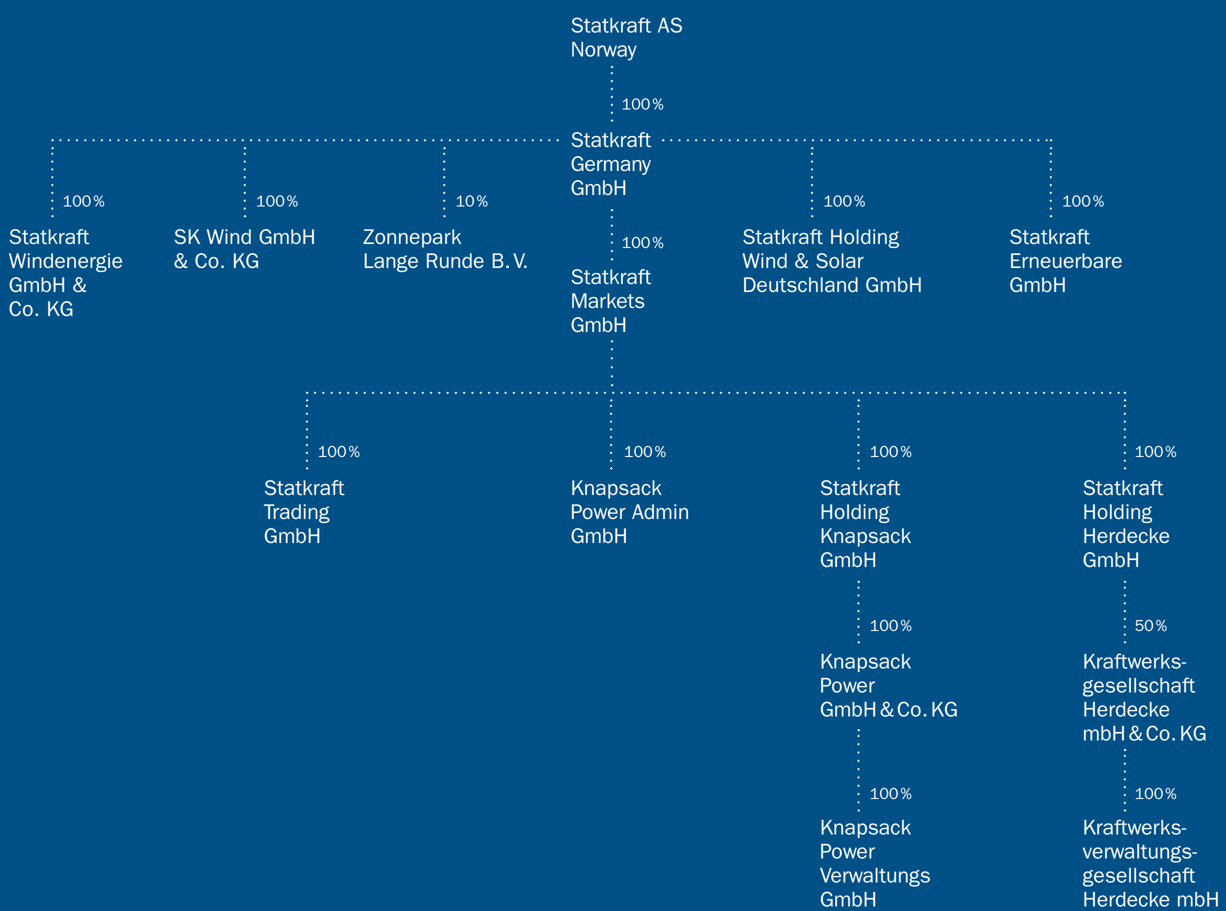
STATKRAFT MARKETS GMBH

KEY INDICATORS AND CORPORATE STRUCTURE

Key indicators of Statkraft Markets GmbH

Values in EUR million	2023	2022	2021	2020
Sales revenue [1)]	4,909.1	34,239.7	50,851.8	25,385.8
EBIT	1,182.5	345.5	–768.9	131.7
Profit before taxes	1,244.9	397.2	–783.9	119.3
Profit after taxes	1,223.3	381.6	–786.7	105.0
Cash flow from continuous operations	877.4	–146.2	362.8	366.3
Cash and cash equivalents	29.8	197.2	112.7	21.1
Net working capital [2)]	–411.7	–431.0	416.0	468.6
Balance sheet total	4,066.1	5,101.7	4,783.3	1,928.4
Equity	844.8	844.8	844.8	844.8
Equity ratio (%) (EQ*100 / balance sheet total)	20.8	16.6	17.7	43.8
Number of employees 31.12.	142	134	133	144

Corporate structure



1) In the financial year 2023, the presentation of sales revenue and cost of materials was changed from a gross to a net presentation. In order to ensure comparability with the financial year 2022, the previous year's figures were also reported on a net basis in the notes and in the management report. For further explanations, please refer to the notes.

2) Provisions for impending losses from onerous contracts and for valuation units are included in full in the calculation, irrespective of the maturity.

MANAGEMENT REPORT FOR THE FINANCIAL YEAR 2023

GENERAL INFORMATION ABOUT THE COMPANY

Business model

Statkraft Markets GmbH is a subsidiary of Statkraft Group (Statkraft AS, Oslo / Norway), which is Europe's largest generator of renewable energy and develops, builds and operates hydropower, wind, solar, gas-fired and district heating power plants. The Group is a major player on the European energy exchanges, with particular expertise in the field of physical and financial energy trading and in the bilateral electricity market.

The Company trades in electricity and fuels in continental Europe and in emission certificates worldwide. In Germany, Statkraft Markets GmbH generates electricity from its own, climate-friendly solar, run-of-river, pumped-storage, biomass and gas-fired power plants. Its most important operating subsidiaries and investees are Knapsack Power GmbH & Co. KG, Düsseldorf / Germany, Statkraft Holding Knapsack GmbH, Düsseldorf / Germany, and Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen / Germany.

Statkraft Markets GmbH, its subsidiaries and investees together have installed electricity generation capacities of 1,674 MW coming from gas-fired power plants, 262 MW coming from hydropower plants and 43 MW coming from biomass power plants, of 750 kWp from a solar park as well as a battery storage capacity of 3 MW.

The relevant segments in which Statkraft Markets GmbH operates are divided into Markets with its Trading & Origination division and Europe with its Operations division.

The Trading & Origination division includes both proprietary trading and our customer business. Standard products are traded bilaterally or on the various European energy exchanges. The Company also offers a range of structured products that are tailored directly to customer needs. Trading & Origination is also responsible for marketing the electricity generated by the Company's own power plants and third-party renewable energy plants, and provides industrial customers with market access to the energy exchanges (Market Access).

Operations' activities include the operation, maintenance and the strategic development of as well as the long-term value creation associated with our plant portfolio (hydropower, gas-fired and biomass plants) in compliance with laws and regulations.

Locations

Statkraft Markets GmbH, with its registered office in Düsseldorf / Germany, is active at the following locations:

Location	Sales revenue in the financial year (EUR million)	Headcount as of 31.12
Germany	3,997.2	142
United Kingdom	888.8	0
Spain	14.0	12
France	2.3	8
Italy	5.0	4
Switzerland	1.5	2
Poland	0.2	1

Activities at the locations outside of Germany exclusively consist of trading.

MACROECONOMIC ENVIRONMENT

Europe

The European Green Deal (EGD) puts climate at the top of the European Commission's agenda. The EGD's unprecedented scope aims to transform Europe's economies and societies to become sustainable without losing competitiveness. The European Climate Law has made the EU's climate target of reducing emissions in the EU by at least 65% by 2030 a legal obligation. The EU wants to be climate-neutral by 2050. As an interim target, the European Commission has now proposed that Europe's emissions be reduced by at least 80% by 2040 compared to 1990.

Under the name "Fit for 55", the European Commission published a package of guidelines and measures in summer 2021 to achieve the proposed target of 55%. These guidelines and measures cover the areas of renewable energy, energy efficiency and emissions trading as well as a revision of the Energy Taxation Directive to support the green transition. In 2023, the EU adopted a new Renewable Energy Directive, which aims to increase the share of renewable energy sources in the EU's total energy consumption to 42.5% by 2030. The directive is intended to speed up permit-granting procedures for renewable energy plants and reduce the time required to obtain permits for new plants in certain areas.

Germany

With its Act to Reduce and End Coal-Fired Power Generation (KVBG), which came into force in 2020, Germany set itself the goal of phasing out coal-fired power generation by 2038 at the latest. According to the German Government's coalition agreement, the phase-out should ideally be brought forward to 2030. In view of the geopolitical situation, Germany had extended the operating life of its last three nuclear power plants beyond the end of 2022, until 15 April 2023. It was also decided to extend the operating life of reserve coal-fired power plants from April 2023 to March 2024. At the same time, the Bundestag passed a law in favour of a faster phase-out of lignite in the state of North Rhine-Westphalia by 2030.

Immediately after the start of the war in Ukraine in February 2022, the German government took action to secure the country's energy supply and also to reduce dependence on Russia, for example with regard to gas. Measures include the diversification of supplier countries, the expansion of LNG terminals, numerous energy-saving measures and a massive increase in renewable energies. Due to a significant decline in gas deliveries from Russia, Germany declared the alert phase of its gas emergency plan on 23 June 2022. Gas supplies were considered secure for the winter of 2023 / 24, with German gas storage facilities reporting average storage levels of 82% in January 2024. Germany has taken over ownership of formerly Russian gas storage companies to guarantee supplies and concluded agreements with new gas supplier countries. Six LNG terminals are currently being built or are already partially in operation.

The German government is planning to invite tenders for new gas-fired power plant capacities of up to four times 2.5 GW in the short term. It is envisaged that the new power plants will initially run on natural gas and later on hydrogen, with the aim of switching to hydrogen completely by around 2035. It was also agreed to develop concepts for a market-based, technology-neutral capacity mechanism, which are to be operational by 2028 at the latest.

Statkraft Markets GmbH monitors developments on an ongoing basis and takes them into account when evaluating its own gas-fired power plants.

The expansion of renewable energies in Germany is to be massively accelerated. By 2030, 80% of the electricity consumed in Germany is to come from renewable sources, and by 2035, the electricity supply is to be covered almost entirely by renewable energies. The necessary legislative changes have been initiated, such as by raising expansion and electricity volume paths as well as tender volumes for onshore wind energy and solar energy. Planning and permit-granting procedures for renewable energy plants have been shortened and simplified. The installed capacity of renewable energy plants increased by 17 GW to a total capacity of just under 170 GW in 2023. The expansion of solar capacity almost doubled compared to the prior year, to 14.1 GW. The wind capacity added in 2023 is above the prior year's level, at 2.9 GW (net of decommissioned plants). At the end of 2023, the total installed capacity therefore amounted to 60.9 GW, which is expected to be increased to 115 GW by 2030. Additionally, a new offshore wind farm with 27 wind power plants went into operation in 2023.

In January 2021, the German Fuel Emissions Trading Act (BEHG) came into force, which introduced carbon pricing that has a steering effect in sectors not covered by the EU Emissions Trading System. The law requires companies trading in heating oil, liquefied petroleum gas, natural gas, petrol, coal and diesel to purchase certificates for their products' greenhouse gas emissions from 2021, for which they pay a carbon price starting at EUR 25 per tonne of CO_2. This price is set to rise gradually to EUR 55 by the end of 2025, and from 2026, there will be an auction procedure with a fixed price corridor including a minimum and a maximum price.

Moreover, Germany is to become a hydrogen economy: the German government wants to build up 10 GW of electrolysis capacity by 2030, which will require accelerating the market ramp-up of hydrogen, developing the necessary infrastructure and establishing hydrogen applications in industry and transport, for example.

Price trends on the wholesale electricity markets

During the reporting year, the price of electricity in Germany was consistently lower than in the prior year.

After the electricity price fell significantly over the course of the first half of the calendar year, there was a slight increase again in the second half of the year.

The average price for spot deliveries (base-load electricity) on the European Energy Exchange (EEX) was EUR 95.2 / MWh, i.e. EUR 136.3 / MWh below the average for 2022 (EUR 231.5 / MWh).

Gas prices also fell significantly in 2023, averaging EUR 91.8 / MWh below the prior year's prices. At the Trading Hub Europe (THE) virtual trading point, prices averaged EUR 41.1 / MWh in 2023 (prior year: EUR 132.9 / MWh).

Prices on the emissions market rose to record levels, with EUA spot prices averaging EUR 89.30 / t in 2023. This was EUR 8.98 / t higher than in the prior year (EUR 80.32 / t).

Developments with regard to power plants

Despite high gas prices and public discussions about gas shortages, gas-fired power plants remained extremely popular in 2022, which was due to a combination of various factors. Throughout almost the entire year, there was an exceptionally limited supply of flexible generation capacity in continental Europe, owing to power plant decommissioning in Germany as part of the coal phase-out, an unusually low availability of nuclear power plants in France as well as reduced generation volumes from hydropower plants in the Alps and large parts of Scandinavia. As in prior years, gas-fired power plants were thus indispensable for meeting demand, particularly during periods of low wind or particularly cold weather.

The discussion about gas shortages abated noticeably in 2023, and German storage facilities were well stocked thanks to the coordinated procurement of gas network operators in the EU. As in 2022, a large portion of energy production in Germany was still coming from gas-fired power plants in 2023. This is typical for periods of low wind and cold weather, but was also driven by a lower availability of French nuclear power plants particularly in the first part of 2023. We were satisfied with the operating times of our gas-fired power plants.

While gas prices peaked at almost EUR 250 / MWh in 2022, there were no more three-digit prices in 2023. A megawatt hour of gas (PEGAS) cost just over EUR 40 / MWh on average for the year. Over the course of the year, gas prices rose to a high of EUR 80 / MWh in January, after which wholesale gas prices began a sustained downward trend. Germany's gas supply was secure due to full storage facilities and low temperatures. In addition, sales on the gas market continued, especially in the last quarter of 2023, with very mild temperatures and a highly stable trend, resulting in lower prices than those that prevailed in 2022 during the outbreak of the war in Ukraine.

On the whole, German gas prices in 2023 were down from their peak in 2022, but remained significantly above pre-crisis levels.

United Kingdom

In our view, the United Kingdom remains a first-class trading location with a very professional regulatory environment. Despite Brexit, most of the rules for trading in financial instruments and on physical markets are still closely aligned with those of the EU. The Financial Conduct Authority (FCA) and the Office of Gas and Electricity Markets (Ofgem) are both highly experienced regulatory bodies that provide clear guidelines for market participants such as Statkraft Markets GmbH. Market conditions remain favourable for trading, especially in the British capital, which is why Statkraft Markets GmbH continued to expand its business activities in the UK in 2023.

By 2030, offshore wind power plants with a generation capacity of 50 GW are to be built, enabling every British household to be supplied with renewable electricity. From 2035, new petrol- and diesel-powered passenger cars will no longer be allowed to be sold in the UK, and the country aims to be climate-neutral by 2050.

Following the UK's withdrawal from the EU, the new UK Emissions Trading Scheme (UK ETS) came into force at the beginning of 2021, meaning that the UK no longer participates in the EU ETS, EU allowances may not be used in the UK, and UK allowances (UKAs) are not valid in the EU. UKAs are auctioned at a floor price of GBP 22 per tonne, and in 2023, approximately 79 million emission rights were auctioned at prices between approximately GBP 33.10 and GBP 79.55.

Electricity prices in the UK have largely followed the German price trend.

British spot prices at the beginning of the year were at GBP 132 / MWh in January, reaching a high for the year of GBP 136 / MWh in February. Over the course of the year, however, electricity prices fell on a monthly base-load basis, ending the year at just GBP 70 / MWh in December. This was due to a decline in gas prices as a result of milder weather, higher stock levels and a fall in the risk premium for supply.

Overall, UK spot prices averaged GBP 94 / MWh in 2023, down 54% from 2022's average of GBP 204 / MWh.

BUSINESS DEVELOPMENT

In 2023, the European energy markets slowly recovered from extremely high price levels and volatility. Although the markets still occasionally react sensitively to new information on gas supply and geopolitical events, the overall impact in terms of volatility and price levels was significantly lower than in 2022. As a result of this normalisation, many extraordinary political measures had been lifted by the end of 2023.

The Group's internal credit lines were left at the high level of the prior year to ensure that liquidity could be provided in the event of a similar scenario in the future. The relevant departments have been monitoring liquidity on an ongoing basis.

Trading & Origination recorded a positive development in 2023, with both the customer business (Origination) and proprietary trading (Trading) contributing high results. While Trading was in line with expectations, the forecast for Origination was exceeded thanks to exceptionally good results.

Revenue from our Market Access business increased as expected in the financial year 2023. Contracts concluded with new customers in the prior year will continue to have a positive impact on the result in the coming years.

Generation at our gas-fired and hydropower plants within the Operations division significantly exceeded the prior year's level, as did the biomass power plant in Emden / Germany.

Overall, Statkraft Markets GmbH generated earnings after taxes of EUR 1,223.3 million in the financial year (before profit transfer to Statkraft Germany GmbH under the existing profit and loss transfer agreement). In the prior year, the Company recorded a profit of EUR 381.6 million.

Our key divisions' business development is detailed below.

The Markets segment

Trading & Origination

In the financial year, our proprietary trading activities in Düsseldorf / Germany and London / UK generated above-average profits, even though they were lower than in the prior year, which was characterised by record prices and extremely high volatility.

As in the prior year, our customer business was extremely successful, focussing on power purchase agreements (PPAs) for wind and solar energy as well as the structured supply of green electricity to industrial and commercial customers. In Spain and Poland, we were able to conclude further long-term purchase agreements and successfully market our electricity. In Germany, our portfolio of short-term agreements was successfully managed and made a significant contribution to the good result.

The PPA portfolio in the UK, with an installed capacity of more than 4 GW, continued to generate excellent results, together with the contracted flexible position of gas engines and batteries. Short- and long-term purchase and supply agreements were also concluded in France and Italy, which underpin our corporate strategy of trading in renewable energy on all major European markets in a profitable manner.

Our activities in the field of emissions trading with globally traded environmental certificates also recorded a very solid result, to which emission and green electricity certificates contributed in equal measure.

Market Access

Since electricity prices were mostly above the subsidies granted under the German Renewable Energy Sources Act (EEG) during 2023, Statkraft Markets GmbH was once again able to conclude long-term price agreements with German direct marketing customers within our Market Access division. In the course of 2023, we further optimised our portfolio of market access agreements, which, while leading to a further reduction in the expected volume for 2024 and the termination of additional unprofitable agreements, contributed to an overall improvement in the total margin.

Moreover, Statkraft Markets GmbH optimises and markets both plants of the Albanian group company Devoll Hydropower ShA. By historical standards, Albania once again experienced relatively dry weather in 2023. While the volumes generated by hydropower were therefore rather low, high electricity prices continued to result in high revenue from the marketing of electricity in Albania and in neighbouring countries.

Statkraft Group operates its own hydropower plants in Türkiye and also offers market access services. In both fields of activity, Statkraft Markets GmbH provides optimisation and marketing services for local group companies. Hydropower generation in Türkiye was enhanced during the year, which was characterised by average rainfall. While the Kargi hydropower plant, which is the larger plant, continues to benefit from a fixed feed-in tariff, revenue for the older and smaller Çakıt plant is limited to the maximum prices for hydropower generation in Türkiye.

The Europe segment

Operations
Our gas-fired power plants in Hürth-Knapsack / Germany generated substantially more electricity than in the prior year, which is due to the plants' high availability. Optimal dispatch continues to be a key focus of our daily work. Despite increased electricity generation, the results for the Knapsack 2 gas-fired power plant, which is directly owned by Statkraft Markets GmbH, are negative. This is due in particular to a sharp increase in fuel prices as well as a price-related decline in electricity revenue. The results for our Landesbergen / Germany site are similar. Our Emden / Germany site continues to report positive results, which, in addition to the revenue generated by the biomass power plant, is on account of additional revenue for the gas turbine from the capacity reserve market as well as revenue from a district heating contract with a major customer in the automotive industry.

Despite the negative results for our Knapsack 2 and Landesbergen / Germany sites, the segment was able to close the financial year with a positive result overall following positive result contributions from power plant hedging.

Our hydropower plants operated without any technical difficulties in 2023. Compared to the prior year, approximately 37% more electricity was generated, as the amount of rainfall in 2023 was much higher than in 2022. The work on the conversion of the intake structure at our Wahnhausen / Germany site continued in 2023, which meant that the local run-of-river power plant was unable to contribute to generation.

As in the prior years, one of our main focuses was on further improving fish protection in the run-of-river power plants along the Weser, Werra, Fulda and Eder rivers in Germany.

The total generation of all German power plants directly owned by Statkraft Markets GmbH was approximately 1.2 TWh in 2023, which markedly exceeds the prior year's figure of 0.9 TWh. This was mainly due to a significant increase in the utilisation of our gas-fired power plants.

POSITION OF THE COMPANY

Financial and non-financial performance indicators

Management systematically reviews segment results to take decisions on resource allocations and measure the achievement of targets.

Statkraft Markets GmbH is managed internally via the Markets (Trading & Origination, Market Access) and Europe (Operations, i.e. electricity generation) segments.

Financial performance indicators

Management uses performance indicators for internal reporting purposes that are based on figures in accordance with the International Financial Reporting Standards (IFRS). They include the fair values of pending transactions (market valuation), which are generally recognised through profit or loss under IFRS.

Performance indicators	2023	2022
Net operating revenue in EUR million	893.2	948.0
EBIT in EUR million	782.2	636.0
Generation volume in GWh	1,175.3	910.2

While net operating revenue in accordance with IFRS declined overall compared to the prior year, which was characterised by high and extremely volatile prices, we still consider it to be very good. Our forecast for 2023 (net operating revenue: EUR 500 million; EBIT: EUR 250 million) was clearly exceeded. EBIT is up on the prior year, in particular due to positive contributions from hedging transactions in the Europe segment. Here too, our forecast for 2023 was clearly exceeded. Overall, the Company was able to achieve a very satisfactory net operating revenue and EBIT in 2023.

The main difference between net operating revenue in accordance with IFRS and the German Commercial Code (HGB) is that positive unrealised effects on earnings from the fair value measurement of financial instruments are not recognised. On the one hand, under HGB, provisions for valuation units do not include positive earnings surpluses from the fair value measurement of financial instruments. On the other hand, provisions for expected losses are recognised under HGB for hedges with a negative market value that were entered into for pending transactions and that are not part of a valuation unit, whereby those with a positive fair value are not taken into account. This weighed on our HGB result, especially in the prior year.

The Markets segment generated net operating revenue in accordance with IFRS of EUR 664 million and an IFRS EBIT of EUR 477 million in the financial year 2023.

Both were influenced in particular by a positive result contribution from long-term power purchase and supply agreements in several countries. Despite a lower net operating revenue compared to 2022, we significantly exceeded our forecast for 2023, which was mainly due to high market prices.

The Europe segment was also able to exceed its forecast for 2023 due to positive contributions from hedging transactions in connection with power plants, achieving net operating revenue in accordance with IFRS of EUR 229 million and an IFRS EBIT of EUR 305 million.

Total electricity generation in 2023, while still being below the prior year's forecast (1.7 TWh), increased compared to 2022, which was mainly due to much higher generation at gas-fired power plants.

However, net operating revenue and EBIT for the Europe segment both fell when adjusted for the positive results from power plant hedging. This is due in particular to lower market prices compared to the prior year.

We also refer to our explanations on business development.

Regarding our results in accordance with IFRS and HGB, we come to the following conclusion: the exceptionally good result for the financial year 2022 achieved in our IFRS financial statements was not fully reflected in our annual financial statements in accordance with HGB accounting. This is mainly due to provisions for expected losses, which must be recognised under HGB.

The financial year 2023 recorded a good result in accordance with IFRS, which was even better than in the prior year in terms of EBIT. Under HGB accounting, an extraordinary result was achieved that clearly contrasted with 2022. This was due to income from the reversal of provisions related to valuation units and expected losses as well as the realisation of gains from derivative financial instruments.

Non-financial performance indicators

Health and safety
Statkraft Group and Statkraft Markets GmbH place utmost importance on occupational safety and have set themselves the clear goal of avoiding occupational accidents and violations of occupational safety requirements from the outset. Measures to develop a safety culture, clear requirements and controls as well as audits throughout operational processes and project stages are crucial to ensuring safe workplaces and achieving good results in the area of occupational safety. Implementing these principles on an ongoing basis leads to a constant improvement in occupational safety statistics. A particular focus of our current safety efforts is to learn from injuries, near misses and unsafe conditions and to introduce measures to avoid repeating mistakes.

In the course of 2023, five incidents occurred that required medical treatment (prior year: six), all of which remained without any serious consequences. These incidents were investigated, and appropriate measures to prevent their recurrence were derived and implemented.

The work on our health and safety management system continues to be a focus of our continuous improvement. Our actions are guided by the provisions of the OHSAS 18001 standard and other international best practice approaches.

Personnel
Statkraft Markets GmbH had 142 employees as at 31 December 2023 (prior year: 134), with the annual average being 143 (prior year: 133).

Statkraft Group and Statkraft Markets GmbH strive to create a diverse working environment and promote equal treatment in the recruitment of new employees and in their human resources policy. Statkraft Markets GmbH and its subsidiaries operate throughout Europe and employ staff from a range of different countries. This international environment is very attractive for new employees and has a positive impact on the Company's potential for tapping into new European markets.

Management thanks all employees for their excellent performance in 2023.

Climate and effects on the environment
Statkraft Markets GmbH follows internationally recognised best practices in its treatment of the environment. The Group's environmental management system is based on the provisions of ISO 14001.

Statkraft Markets GmbH did not register any serious incidents that had a negative impact on the environment in 2023 (prior year: none).

FINANCIAL PERFORMANCE

Revenue by division can be analysed as follows[1]:

	2023 EUR thousand	2022 EUR thousand
Trading & Origination	**1,070,284**	**1,417,799**
Power trading	761,848	0
Trading in emission and green certificates	220,199	952,090
Gas trading	72,842	443,557
Other	15,395	22,152
Market Access	**3,346,919**	**6,656,878**
Power trading	3,182,007	6,469,351
Trading in emission and green certificates	159,837	181,491
Gas trading	3,255	2,612
Other	1,820	3,424
Operations	**439,636**	**1,005,908**
Power trading	439,636	1,005,908
Trading in emission and green certificates	0	0
Gas trading	0	0
Other	0	0
Other services to customers	**52,308**	**42,383**
Total revenue	**4,909,147**	**9,122,968**

Revenue for this year amounts to EUR 4.9 billion, representing a sharp 46.2% decline from the prior year's figure of EUR 9.1 billion. Following the changeover to net presentation, results per commodity are reported in revenue (this does not apply to the figures for Market Access and Operations).

The decline in the result for Trading & Origination of EUR 0.3 billion is mainly due to reduced trading in emission and green certificates (EUR –0.7 billion) as well as gas trading (EUR –0.4 billion). Results from power trading saw an increase, by contrast (EUR +0.8 billion).

The significant decrease in revenue within the Market Access division, amounting to EUR 3.3 billion, is largely due to the power trading business, which was characterised by markedly lower electricity prices than in the prior year.

Operations contributed EUR 0.4 billion (prior year: EUR 1.0 billion) to revenue, recording a drop in power trading that was also mainly on account of price factors.

[1] While revenue and cost of materials were presented gross in the prior year, they are presented net in the reporting year. To ensure comparability with the financial year 2022, the prior year's figures in the notes to the financial statements and our management report for 2023 are also reported net. Please refer to the notes to the financial statements for further details.

Cost of materials by division can be analysed as follows[2]:

	2023 EUR thousand	2022 EUR thousand
Cost of raw materials, consumables and supplies	**91,571**	**142,723**
Cost of purchased services	**3,562,737**	**8,527,764**
Trading & Origination	**0**	**957,932**
Power trading	0	957,932
Trading in emission and green certificates	0	0
Gas trading	0	0
Other	0	0
Market Access	**2,946,118**	**6,442,788**
Power trading	2,698,906	6,001,063
Trading in emission and green certificates	44,884	122,160
Gas trading	0	2,719
Other	202,328	316,846
Operations	**391,277**	**861,088**
Power trading	391,277	858,664
Trading in emission and green certificates	0	2,424
Gas trading	0	0
Other	0	0
Other services from customers	**225,342**	**265,956**
Total cost of materials	**3,654,308**	**8,670,487**

The cost of purchased services fell disproportionately to revenue, from EUR 8.5 billion to EUR 3.6 billion (57.6%). This decrease is largely attributable to power trading (EUR –3.3 billion) in the Market Access division.

In total, net operating revenue (revenue less cost of materials) rose from EUR +452.5 million in the prior year to EUR +1,254.8 million in 2023, which is mainly due to the realisation of gains from derivative financial instruments. In the prior year, provisions for valuation units and expected losses weighed heavily on the result in accordance with HGB accounting. Overall, the result under HGB increased more strongly than the IFRS result.

Other operating income declined EUR 16.1 million to EUR 98.1 million compared to the prior year, which is mainly due to a EUR 21.9 million reduction in exchange rate gains. This is contrasted by income from the reversal of other provisions of EUR 26.8 million.

Please refer to the previous section for details on the development of volumes and prices within our business divisions.

Personnel expenses decreased EUR 12.9 million to EUR 28.7 million (prior year: EUR 41.6 million), which is largely due to a sharp increase in employee benefits in the prior year, especially as a consequence of positive result contributions from our permanent establishments.

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment include amortisation and depreciation of EUR 15.8 million (prior year: EUR 14.9 million).

Other operating expenses fell from EUR 165.0 million in 2022 to EUR 126.4 million in 2023, which is mostly on account of a decrease in exchange rate losses of EUR 44.2 million.

[2] While revenue and cost of materials were presented gross in the prior year, they are presented net in the reporting year. To ensure comparability with the financial year 2022, the prior year's figures in the notes to the financial statements and our management report for 2023 are also reported net. Please refer to the notes to the financial statements for further details.

Statkraft Markets GmbH's financial result was once again positive in 2023, at EUR 62.5 million (prior year: EUR 51.7 million). This is mainly on account of interest on receivables from Statkraft Germany GmbH related to the prior year's loss absorption (EUR 35.7 million), interest income from the in-house bank (EUR 22.1 million) as well as interest on collateral deposited in connection with derivative financial instruments.

The balance of income from profit transfer and expenses from loss absorption for the financial year 2023 amounts to EUR +2.6 million (prior year: EUR +7.0 million).

Interest expenses amount to EUR 25.0 million (prior year: EUR 25.7 million) and mainly include fees for guarantees of the parent company of EUR 15.9 million (prior year: EUR 12.7 million).

At EUR 21.4 million, income tax expenses are substantially higher than in the prior year (EUR 12.5 million), which is primarily due to higher foreign corporate income taxes compared to the prior year.

In accordance with the profit and loss transfer agreement in effect since 1 January 2009, the positive earnings after taxes of EUR 1,223.6 million will be transferred net of other taxes (EUR 0.2 million) to our sole shareholder, Statkraft Germany GmbH.

ASSETS AND LIABILITIES, FINANCIAL POSITION

Cash flow for 2023 and 2022 can be analysed as follows:

	2023 EUR million	2022 EUR million
Cash flow from operating activities	877.4	–146.2
Cash flow from investing activities	–16.6	–5.8
Cash flow from financing activities	–374.7	2.2
Net cash inflow (outflow)	**486.1**	**–149.8**
Cash and cash equivalents on 1 Jan.	666.4	816.2
Cash and cash equivalents on 31 Dec.	1,152.5	666.4

Cash flow from operating activities for the financial year 2023 amounts to EUR 877.4 million (prior year: EUR –146.2 million).

Exchange-traded derivatives require an initial margin to be paid. During the contract term of these derivatives, Statkraft Markets GmbH also receives or pays variation margins, depending on how a derivative's market value develops. Over-the-counter (OTC) derivative transactions require collateral to be provided.

In the reporting year, Statkraft Markets GmbH paid significantly lower initial margins and collateral than in the prior year, as the prior year's continued volatility and high market prices have subsided. Similarly, cash inflows from variation margins fell sharply compared to the prior year.

The net cash inflow shown is reflected in the movements in other current assets and other liabilities and is included in cash flow from operating activities. In addition to these inflows, the cash flow from operating activities also results from a high net profit before profit transfer and lower provisions.

Cash flow from investing activities amounts to EUR –16.6 million (prior year: EUR –5.8 million), mainly including investments in property, plant and equipment.

Cash flow from financing activities comprises cash inflows and outflows under profit and loss transfer agreements totalling EUR –374.7 million (prior year: EUR 2.2 million).

Our financing requirements are mostly covered by the cash pooling arrangement with Statkraft AS, Oslo / Norway. There were no liquidity shortages during the financial year.

The overall movement in cash and cash equivalents comes to EUR 486.1 million. Given positive cash funds of EUR 666.4 million at the beginning of 2023, cash funds as at 31 December 2023 amount to EUR 1,152.5 million. Cash funds as at 31 December 2023 include cash and cash equivalents of EUR 29.8 million, a net positive cash pool balance with Statkraft AS, Oslo / Norway, of EUR 1,122.8 million as well as current bank loans of EUR 0.0 million.

Amortisation of intangible fixed assets and depreciation of property, plant and equipment for 2023 amount to EUR 15.8 million. Investments in property, plant and equipment come to EUR 10.6 million. The increase in long-term financial asset of EUR 6.1 million is the result of a capital contribution of EUR 256.0 million to our wholly-owned subsidiary Statkraft Holding Knapsack GmbH on the one hand, and a partial repayment of EUR 250.3 million related to a loan to Statkraft Germany GmbH, which arose in the prior year from the conversion of a receivable from loss absorption for 2021, on the other.

Total assets fell from EUR 5,101.7 million as at 31 December 2022 to EUR 4,066.1 million as at 31 December 2023, which is especially due to a decline in other assets and cash and cash equivalents.

Other current assets had been at an exceptionally high level in the prior year, due in particular to higher initial margins paid, and fell sharply again as at 31 December 2023.

The decrease in cash and cash equivalents is due to the cash flows for 2023 presented above.

The increase in receivables from affiliated companies by a total of EUR 615.5 million is primarily due to higher receivables from cash pooling.

On the equity and liabilities side, other provisions, trade payables and other liabilities declined in particular, while liabilities to affiliated companies increased.

The sharp decline in other provisions is mainly due to the provisions for expected losses and for valuation units.

Trade payables decreased compared to the prior year, primarily due to effects around the balance sheet date and price factors.

Other liabilities fell largely due to reductions in collateralisation resulting from the closing of open positions on the exchange.

Liabilities to affiliated companies rose by a total of EUR 803.4 million, which is mainly due to the liability under the profit transfer agreement with our shareholder Statkraft Germany GmbH.

Overall, the equity ratio for the reporting year (equity divided by total assets) comes to 20.8% (prior year: 16.6%).

In addition to our cash funds of EUR 1,152.5 million at the end of the year, the Company has sufficient external credit lines, as well as a credit line of EUR 1,484.6 million from guarantees of the parent company, of which EUR 1,105 million was utilised as at 31 December 2023. We therefore believe that the Company has an adequate level of cash and cash equivalents to independently finance its operating activities in 2024 and beyond.

EXPECTED DEVELOPMENTS

Our forecasts are based on the figures used for internal reporting under IFRS.

For internal reporting purposes and based on the IFRS figures, Statkraft Markets GmbH forecasts net operating revenue for 2024 to decline compared to 2023, to approximately EUR 400 million. The EBIT forecast for 2024 is approximately EUR 165 million.

Net operating revenue for our Markets segment in 2024 is expected to decline compared to 2023, to approximately EUR 300 million. EBIT in 2024 is forecast to fall considerably from 2023, to approximately EUR 150 million. These forecasts are based on the following assumptions: Trading & Origination will continue to benefit from higher prices compared to prior years on the markets for electricity, gas and emission certificates, and will make a positive but probably substantially lower contribution to net operating revenue and EBIT than in the prior year. This is based on the assumption that the energy markets will continue to normalise and that volatility will decrease accordingly. Business with long-term power purchase and supply agreements is to be continued and expanded in Germany, Spain and Poland, and will continue to make positive contributions in 2024. However, if market prices continue to fall, we expect to see more moderate contributions for 2024 within the scope of our internal forecast.

In the Operations division, lower net operating income of approximately EUR 100 million and an EBIT of approximately EUR 15 million are expected due to price factors, despite the projected longer operating lives of our power plants. The total electricity generation of all power plants in 2024 is forecast to be approximately 1.5 TWh. No significant power plant outages are being taken into account in the forecast year compared to the reporting year. Management expects the market environment to remain stable in the long term.

Due to the phase-out of coal, further coal-fired power plants will be decommissioned in 2024, resulting in a shortage of supply. The phase-out has increased the importance of the remaining conventional plants for meeting energy demand.

With regard to non-financial performance indicators, the Company is constantly making efforts to avoid accidents at work and environmental incidents of any kind. The number of employees is expected to remain largely the same in the financial year 2024.

RISK MANAGEMENT

Statkraft Markets GmbH is active in trading and operates gas-fired, hydropower and biomass power plants. These activities are associated with a number of risks, including in particular market price, liquidity and default risks, operational risks as well as legal and regulatory risks. That is why risk management is Statkraft Markets GmbH's top priority.

Statkraft Markets GmbH's business especially involves trading and distributing standardised futures contracts, energy schedules and structured products. A significant portion of these schedules and structured products are hedged with opposing futures contracts. A further portion of futures contracts is concluded for trading purposes, generally with short-term counter-transactions. The sum of the transactions is supposed to result in a positive arbitrage. Statkraft Markets GmbH is subject to financial risks that can lead to fluctuations in earnings and cash flow. To identify and address the resulting risks early on, the Company has issued risk management guidelines, which are an active component of corporate management.

Moreover, Statkraft sees itself as a leading provider of market access and hedging products for generators on the one hand, and of green energy supplies and hedging transactions for industrial and commercial customers on the other. As a result of this business strategy, Statkraft Markets GmbH is exposed to considerable electricity price and/or volume risks in relation to contracted long-term power purchase and supply volumes, both on the generation and the consumption side.

The long-term nature of the contracts means that, in addition, there are significant credit default and regulatory risks, which are continuously monitored by Risk Management. Our internal guidelines for monitoring the corresponding portfolios apply as usual and are constantly being reviewed. For example, credit default risks are assessed by Risk Management and, if necessary, reduced by requiring collateral from the contractual partners. Regulatory risks are minimised as far as possible by means of appropriate contractual arrangements and change-in-law clauses.

The risk policy with regard to the individual divisions is determined by Management. An important role in risk management is played by our Middle Office, which monitors the day-to-day business within the risk management system and provides independent and professional evaluations. Middle office managers systematically analyse all new business opportunities and prepare risk assessments to support Management in its decision-making. This increases risk awareness and ensures that risks are limited effectively. Furthermore, the Middle Office compiles daily and weekly risk reports on the market positions of Statkraft Markets GmbH, which are evaluated and discussed by Management on a weekly basis.

In addition to the risks arising from Statkraft Markets GmbH's trading and market access activities, the operation and maintenance of our power plants also give rise to risks that need to be evaluated and managed. These risks primarily include the endangerment of persons, property damage and the non-fulfilment of contractual obligations, especially in the area of electricity generation. Analysing risks and their consequences is therefore a fundamental component of all processes related to power plants, in particular maintenance planning, investment planning and the planning and evaluation of technical changes (management of change). Our regulations for the operation and maintenance of our power plants describe these processes, and compliance is monitored and supervised. The Company strives to design the systems for all core processes with multiple redundancies. In line with this philosophy, we consistently train more employees than necessary in the core processes and establish backup routines to ensure constant availability of the most important expertise. Our risk management system is monitored by the internal audit department.

The risk management system of Statkraft Group and Statkraft Markets GmbH also addresses operational risks to information security, systematically examining both internal and external threat scenarios (e.g. cyberattacks). For critical infrastructures within the meaning of the German BSI Critical Infrastructure Ordinance (BSI-KritisV), Statkraft Markets GmbH's management is provided with an annual report on the performance of the information security management systems (ISMS) and current risks to information and cyber security.

OPPORTUNITIES AND RISKS

Overall assessment

Management does not consider the Company's development to be at risk due to the opportunities and risks mentioned below, but continues to expect a positive corporate development.

Opportunities and risks related to commodity price fluctuations

Market development is seen as presenting both risks and opportunities for our Trading & Origination division. Incorrect estimates of future price developments can have negative effects on individual portfolios. At the same time, new and innovative products provide the opportunity to add additional value.

Risks are managed using a limit system, which allows trading contracts to be concluded only within permitted limits. The limit system is divided into limits for the price change risk and the (counterparty) default risk (see below). Market price risks, which are inherent to volatile electricity and gas markets, are assessed using the value-at-risk (VaR) and profit-at-risk (PaR) methods. The Middle Office monitors our portfolio's open positions as well as the total risk position of the Company. If the risk positions are exceeded, the Middle Office ensures that open positions are closed and risks from unsecured positions are minimised.

Management considers the risks arising from the sale of environmental certificates and guarantees of origin, which are included in inventories as at the balance sheet date, to be low, as experience has shown that these certificates are subject to particularly high demand from electricity suppliers in the summer of each subsequent year due to these suppliers' need to fulfil their obligations.

Opportunities arise from an expected market consolidation as well as Statkraft Markets GmbH's leadership in innovation.

Costs for balancing group management related to renewable energies clearly exceeded pre-crisis levels once again in 2023. However, risk levels are lower than in 2022, in particular due to falling wholesale prices; extreme price spikes did not occur and therefore did not cause costs to rise uncontrollably as a result of balancing.

In 2023, harmonised procurement and coordinated activation of balancing capacity ("MARI" and "PICASSO") were introduced across European countries. The remuneration for balancing energy has been changed to marginal pricing in this context, i.e. the most expensive activated unit sets the price for all activated power plants. These higher prices are passed on to the price of balancing energy, leading to greater volatility in balancing energy prices.

Price spikes due to extreme situations, such as unforeseen power plant outages or unavoidable forecasting errors in the renewable energy market, remain possible in the future. This opens up revenue potential for operators of flexible plants, while market participants who use fluctuating energy sources face considerable financial risks with regard to intraday balancing. However, the European expansion of the balancing capacity cooperation should generally ensure that balancing capacity is also provided within the European single market, significantly reducing the number and severity of local price peaks. To keep risks calculable for those marketing renewable energies, price caps should continue to apply in the balancing energy markets.

Liquidity and credit risks

Thanks to long-term financing secured by an affiliated company as well as receivables from and liabilities to affiliated companies, Statkraft Markets GmbH is not exposed to any significant financing or default risk. Both the Company and its affiliated companies are integrated into the cash pooling of Statkraft Group.

Statkraft Markets GmbH addresses risks arising from fluctuations in cash flows related to the use of financial instruments (futures contracts) by routinely monitoring medium- and long-term cash flows and managing cash inflows and outflows on a daily basis.

We manage credit and default risks using an internal rating process. The credit limit for each counterparty is monitored and periodically reviewed, and regular reports are prepared on the positions with individual counterparties. Our rating and limit system enables us to focus on counterparties with a very high credit rating. For derivative financial instruments, default risks exist in the amount of the positive market values. Products, business ideas and business partners are also reviewed in terms of corporate social responsibility (CSR) in addition to the assessment of default risks. All risk assessments by our Middle Office that are required for changes to mandates and products must also take these aspects into account.

Over the past two years, European energy prices have risen dramatically, mainly due to the Russian invasion of Ukraine and the subsequent shortage of Russian gas supplies to Europe. This shortage began in the second half of 2021. Energy prices have fallen again in the course of 2023, starting from a high level in 2022. This is due to lower demand, substantial gas deliveries from Norway as well as imported LNG, and was also favoured by a mild winter. However, energy prices are still higher than before the outbreak of the war in Ukraine, with medium-term price trends largely depending on developments on the international fuel markets, the weather, industrial demand and the carbon market. Although both prices and volatility on the energy market have fallen to a lower level, the shortage of Russian gas supplies continues to harbour risks and uncertainties for the global energy markets. We monitor and analyse the uncertainty on the energy markets and the volatility of electricity prices on an ongoing basis.

The persistent geopolitical uncertainty continues to affect global energy prices on the European continent and in the UK, increasing the uncertainty in the valuation of our power plants and long-term energy contracts. The associated volatility, however, also represents an opportunity, particularly for our trading business.

Volatility in the various markets of our Trading & Origination division remains high, which continues to pose an increased risk of default to Statkraft Markets GmbH's customers. Defaults of trading partners and customers could have a negative impact on the Trading & Origination business. The current volatilities and much lower price levels compared to 2022 result in declining but still high initial margin payments, cash collateral and cash flows from variation margins. However, we do not believe that this represents an increased risk, given the measures taken for 2021 and 2022.

Operational risks

Statkraft Markets GmbH defines operational risks as risks of damage occurring due to faulty processes, procedures and systems, as a result of human error or due to other external influences.

Wholesale prices for primary energy sources such as gas, lignite and black coal overall remained significantly lower in spring 2024 than in the crisis years of 2022 and 2023. Consequently, prices for the 2025 and 2026 calendar years are also falling. In terms of operating hours for our gas-fired power plants in Germany and in the Statkraft portfolio, this equates to a substantially lower utilisation time than we had in 2022 and 2023.

Regardless of lower or decreasing wholesale prices, the importance of flexible gas-fired power plants for security of supply will continue to increase, along with the accelerated expansion of wind and solar energy and additional demand for flexible electricity generation.

Information and communication technologies are crucial for the management and execution of Statkraft Markets GmbH's business processes. Statkraft Group and Statkraft Markets GmbH have defined guidelines and processes to ensure the availability, integrity and confidentiality of business-critical information. The increasing threats to our IT landscape and process control technology are monitored and analysed centrally within the Group, with countermeasures being taken where necessary.

In 2023, Statkraft was confronted with several cyberattacks, which were contained in time without causing financial damage, reputational damage or damage to the energy supply system. In addition, a number of attacks on business partners in the supply chain were again identified this year. In the event of such incidents, our cybersecurity team (CISRT) communicates directly with the business partner in question to enable us to take the necessary measures at our end.

Our IT department has been awarded the ISO / IEC 27001 certificate, which guarantees comprehensive management of information security. Cybersecurity awareness was a major topic this year, and many virtual events were held on various internal platforms to raise awareness of cyber risks.

Statkraft Markets GmbH is an operator of critical infrastructures within the meaning of the BSI-KritisV. Due to updated thresholds as of 18 May 2021, our Erzhausen / Germany pumped-storage power plant now also falls into this category, in addition to Statkraft's virtual power plant and our gas and steam turbine power plant Knapsack II. As the operator of these critical infrastructures, Statkraft Markets GmbH is required to establish an ISMS, must provide evidence in accordance with Sec. 8a German Act on the Federal Office for Information Security (BSI Act) with regard to the virtual power plant, and is subject to mandatory certification in accordance with Sec. 11 (1b) German Energy Industry Act (EnWG) with regard to the Knapsack II and Erzhausen / Germany power plants. Statkraft is in close contact with the German Federal Office for Information Security (BSI) and is obliged to report any security incidents. A KRITIS audit was conducted in March and April of this year, and the audit report was sent to the BSI as evidence that all legal requirements are fully met.

In addition, the Company has various technical measures in place, such as endpoint detection and response as well as security information and event management, to minimise any risk to critical infrastructure. Our intrusion detection system is currently still being implemented. Other enhancements include internal projects such as cybersecurity assessments, emergency drills, evaluation of current network security monitoring and vulnerability management. We also work with various official bodies such as KraftCERT, NorCERT and BSI to obtain information about threats. Threat warnings are received regularly. At present, we do not see any critical risks in information processing.

Legal and regulatory risks

Regulatory intervention can result in risks and uncertainties for Statkraft Markets GmbH.

For information on the opportunities and risks associated with the phase-out of coal, please refer to our report on the macroeconomic environment.

It is apparent that the electricity system not only lacks flexibility in terms of additional generation, but also that, contrary to expectations, the costs of curtailing plant output are often high. This clearly shows that the potential for using short-term flexibility, including from renewable energies, which should be sufficiently available in particular for curtailment, is not yet being fully exploited. Technical and regulatory hurdles must therefore continue to be reduced – in line with European regulation – to ensure that market participants can fully provide the market with the existing flexibility.

The accelerated expansion of renewable energies will require further regulatory changes in the short-term and balancing capacity markets to incentivise the necessary flexibility. The resulting market design can have a significant impact on the opportunities and risks of services in the area of balancing group management.

From a compliance perspective, 2023 saw a return to normality after the prior year's highly volatile and illiquid markets. To ensure compliance with the requirements of the EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and the Market Abuse Regulation (MAR), we provided our employees with comprehensive training in 2023, issued additional instructions and introduced supplementary monitoring measures. In particular, one additional employee specialised in monitoring operational processes with regard to potential incidents of market abuse was hired. All trading activities involving financial products are reviewed by an automated trading monitoring system. In the course of 2023, an automated trading monitoring system was also implemented for physical trading. Our monitoring of trading activities in 2023 did not reveal any indications of possible market abuse.

Due to its activities in the area of commodity derivatives, Statkraft Markets GmbH is subject to the financial market regulations of the revised Markets in Financial Instruments Directive (MiFID II). The Company once again took advantage in 2023 of the ancillary activity exemption in accordance with the new RTS 20a (Commission Delegated Regulation of 14 July 2021). We continuously monitor relevant positions related to critical or significant commodity derivatives in accordance with regulatory requirements.

Statkraft Markets GmbH is also subject to the requirements of the EU regulation on OTC derivatives, central counterparties and trade repositories (EMIR). In this context, the Company has established robust systems for the reporting of transactions. Processes for the reconciliation of portfolios and the clarification of any occurring differences, as well as confirmation processes for the exchange of trade confirmations, have been agreed with trading partners and have been implemented. The Company calculates its positions in OTC derivative contracts and can confirm that the Company is below the specified clearing thresholds. Compliance with EMIR requirements is certified by independent auditors in an annual audit in ac-cordance with Sec. 32 German Securities Trading Act (WpHG). The audit for 2022, which has already been completed, did not result in any findings.

Düsseldorf / Germany, 20 June 2024

Stefan-Jörg Göbel   Henrik Møistad

Petrus Schipper   Dr. Malte Schwoon

Maik Thalmann   Ronald van Eldik

BALANCE SHEET

as at 31 December 2023

Assets	31.12.2023 EUR	Prior year EUR thousand
A. Fixed assets		
I. Intangible fixed assets		
Software acquired for a consideration	2,874,922.66	2,734
II. Property, plant and equipment		
1. Land, land rights and buildings	21,389,576.96	21,057
2. Technical equipment and machinery	169,932,737.58	181,524
3. Other equipment, operating and office equipment	2,343,802.68	3,017
4. Assets under construction	13,004,142.95	7,879
	206,670,260.17	213,477
III. Long-term financial assets		
1. Shares in affiliated companies	476,508,854.00	220,509
2. Loans to affiliated companies	575,113,310.95	825,313
3. Loans to other long-term investees and investors	4,450,000.00	4,500
4. Long-term securities	3,258,265.38	2,926
	1,059,330,430.33	1,053,248
	1,268,875,613.16	1,269,459
B. Current assets		
I. Inventories		
1. Raw materials, consumables and supplies	1,271,207.78	1,746
2. Merchandise	324,316,393.75	329,320
	325,587,601.53	331,066
II. Receivables and other current assets		
1. Trade receivables	593,951,793.13	792,404
2. Receivables from affiliated companies	1,349,882,876.77	734,380
3. Other current assets	489,802,698.35	1,750,167
	2,433,637,368.25	3,276,951
III. Cash-in-hand, bank balances	29,799,377.93	197,182
	2,789,024,347.71	3,805,199
C. Prepaid expenses	8,245,102.20	27,042
	4,066,145,063.07	5,101,700

Equity and liabilities	31.12.2023 EUR	Prior year EUR thousand
A. Equity		
I. Subscribed capital	**4,000,000.00**	4,000
II. Capital reserves	**832,104,558.71**	832,104
III. Revenue reserves		
Other revenue reserves	**45,978.68**	46
IV. Retained profits brought forward	**8,663,853.54**	8,664
	844,814,390.93	844,814
B. Provisions		
1. Provisions for pensions and similar obligations	**20,586,416.57**	20,686
2. Other provisions	**419,346,585.71**	986,058
	439,933,002.28	1,006,744
C. Liabilities		
1. Prepayments received on account of orders	**1,563,776.43**	10,600
2. Trade payables	**731,921,243.08**	1,308,862
3. Liabilities to affiliated companies	**1,406,610,259.24**	603,184
4. Other liabilities of which from taxes: EUR 216,622.46 (prior year: EUR 266 thousand)	**641,302,391.11**	1,327,496
	2,781,397,669.86	3,250,142
	4,066,145,063.07	5,101,700

STATEMENT OF PROFIT AND LOSS

for the financial year from 1 January to 31 December 2023

	2023 EUR	Prior year EUR thousand
1. Revenue	**4,909,146,537.40**	34,239,707
2. Other own work capitalised	**317,517.17**	299
3. Other operating income	**98,135,481.29**	114,243
4. Cost of materials		
a) Cost of raw materials, consumables and supplies	**91,571,364.83**	142,723
b) Cost of purchased services	**3,562,736,439.77**	33,644,503
5. Personnel expenses		
a) Wages and salaries	**26,567,390.18**	34,577
b) Social security, post-employment and other employee benefit costs of which post-employment costs: EUR 1,291,399.49 (prior year: EUR 639 thousand)	**2,111,013.22**	7,064
6. Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment	**15,750,450.07**	14,889
7. Other operating expenses	**126,409,131.97**	165,000
8. Income from profit transfer agreements	**2,616,426.51**	7,001
9. Income from long-term loans of which from affiliated companies: EUR 35,671,874.67 (prior year: EUR 0 thousand)	**35,671,874.67**	0
10. Other interest and similar income of which from affiliated companies: EUR 22,897,661.69 (prior year: EUR 42,353 thousand)	**49,194,103.35**	70,399
11. Expenses from loss absorption	**23,981.06**	27
12. Interest and similar expenses of which to affiliated companies: EUR 15,931,849.80 (prior year: EUR 17,243 thousand)	**24,976,065.22**	25,697
13. Income taxes of which tax allocations to group companies: EUR 0.00 (prior year: EUR 1,017 thousand)	**21,382,311.30**	12,521
14. Earnings after taxes	**1,223,553,792.77**	384,648
15. Other taxes	**215,906.57**	3,024
16. Profit transferred under a profit transfer agreement	**–1,223,337,886.20**	–381,624
17. Result for the period	**0.00**	0

Notes to the financial statements for the financial year 2023

GENERAL INFORMATION

Statkraft Markets GmbH has its registered office in Düsseldorf / Germany and is listed in the commercial register of the Düsseldorf / Germany local court (HRB 37885).

The Company's annual financial statements were prepared in accordance with Secs. 242 et seq. and Secs. 264 et seq. German Commercial Code (HGB) and the relevant provisions of the German Limited Liability Companies Act (GmbHG). The provisions for large business corporations apply.

The statement of profit and loss was prepared in accordance with the nature of expense method.

The presentation of revenue for the Company's Trading & Origination division was adjusted in the financial year to increase the informative value of our financial performance. Please refer to the "Recognition and measurement policies" section for further details. Unless stated otherwise, any other recognition and measurement principles applied in the past remain unchanged from the prior year.

RECOGNITION AND MEASUREMENT POLICIES

The following recognition and measurement policies were applied in preparing the annual financial statements.

Intangible fixed assets are recognised at acquisition cost and **property, plant and equipment** at acquisition or production cost. Production costs include both directly attributable costs (primarily direct personnel costs) and a proportion of indirect costs. **Interest on debt capital** used to finance the production of assets is recognised to the extent that such interest is attributable to the period of production. Assets that are subject to wear and tear are amortised or depreciated on a straight-line or declining balance basis in accordance with their useful life. Write-downs are made in the event of impairment that is expected to be permanent and are reversed if their reasons no longer apply. The following useful lives and amortisation or depreciation methods are used for **intangible fixed assets** and **property, plant and equipment:**

Low-value assets up to a net value of EUR 250.00 are expensed as incurred since the financial year 2018. Low-value assets with a net value of more than EUR 250.00 and up to EUR 1,000.00 are included in a collective item under property, plant and equipment, which is depreciated on a straight-line basis over five years. This item is of minor importance overall.

Long-term financial assets are recognised at the lower of acquisition cost or fair value. Write-downs to the lower fair value are made in the event of impairment that is expected to be permanent.

Inventories are measured at weighted average or individually determined acquisition cost. The lower of cost or market principle is taken into account through write-downs where necessary. Merchandise includes emission certificates for internal consumption as well as green certificates.

Receivables and other current assets are recognised at nominal value. Adequate valuation allowances are made for all items subject to risks. Other current assets include emission certificates held for trading.

Balance sheet item	Useful life in years	Amortisation or depreciation method
Intangible fixed assets	3 to 25	Straight line
Buildings on third-party land	6 to 33	Straight line
Technical equipment and machinery	1 to 40	Straight line / declining balance
Other equipment, operating and office equipment	3 to 13	Straight line / declining balance

Assets denominated in **foreign currencies** are translated at the middle spot exchange rate in accordance with Sec. 256a HGB. The historical cost convention in accordance with Sec. 253 (1) sentence 1 HGB and the imparity principle in accordance with Sec. 252 (1) no. 4 clause 2 HGB are not applied to foreign currency items with a remaining term of one year or less. As at the reporting date, there were no positions with a term of more than one year.

Cash and cash equivalents are measured at nominal value.

Prepaid expenses comprise payments made prior to the balance sheet date to the extent that these constitute expenses for a certain period thereafter.

Direct **pension obligations** were calculated using the projected unit credit method in accordance with actuarial principles based on the 2018 G mortality tables published by Prof. Dr Klaus Heubeck in 2018. These obligations were also discounted using the average market interest rate published by the German central bank for the past ten years, assuming a remaining term of 15 years (Sec. 253 (2) sentence 2 HGB). The difference between the amount of provisions recognised in accordance with the corresponding market interest rate for the past ten years and the amount of provisions recognised in accordance with the corresponding market interest rate for the past seven years is EUR 725 thousand (prior year: EUR 3,785 thousand) for the current reporting year (Sec. 253 (6) HGB). The valuation was based on the following parameters:

	2023 in %	Prior year in %
Interest rate	1.83*/1.76**	1.79*/1.45**
Salary trend	3.00 p.a.	3.00 p.a.
Pension trend	3.00 p.a.	3.00 p.a.
Employee turnover	0.00 to 6.00 p.a.	0.00 to 6.00 p.a.

* Ten-year average
** Seven-year average

Securities-based pension obligations are measured in accordance with Sec. 253 (1) sentence 3 HGB. The amount of post-employment obligations is based solely on the fair value of the reinsurance policies. Appropriate contributions have been made to special funds to fulfil these post-employment obligations, which, in the case of securities-based obligations, result exclusively from deferred compensation and are therefore funded by the employees.

Reinsurance policies are in place for direct pension obligations. These policies are protected from other creditors and are therefore measured at fair value, which is offset against the underlying obligations. The fair value is based on the plan assets communicated by the insurer in accordance with the business plan. Any effects of interest rate changes are recognised in the operating result. The effect on profit or loss from offsetting the plan assets is included in interest expenses.

Accordingly, the obligations and the **reinsurance policy's asset value** are offset against each other in the balance sheet in accordance with Sec. 246 (2) sentence 2 HGB.

Other provisions include all uncertain liabilities and anticipated losses from pending transactions. They are recognised at the settlement amount that is necessary according to sound business judgement, taking into account future cost increases. Other provisions with a term of more than one year are discounted using the average market interest rate of the past seven years corresponding to their term as published by the German central bank.

Valuation units in accordance with Sec. 254 HGB: Statkraft Markets GmbH's business activities comprise physical and financial trading and optimisation activities with electricity, gas, emission rights and other commodities in the energy sector. For this purpose, futures contracts are concluded, among other things.

Statkraft Markets GmbH differentiates within its Trading & Origination division: while Trading involves the use of standard products to achieve margins with a short-term horizon, Origination also provides long-term optimisation activities with structured products and inventories. Both business areas are divided into mandates for the performance of trading and optimisation activities as well as for risk monitoring, with a strict separation of functions between trading and risk controlling. The individual mandates are generally defined on the basis of the traded region, the traded products and commodities, the time horizon or the trading strategies.

Risk limitation of the trading mandates is carried out on the basis of value-at-risk (VaR) calculations, which are realised by Risk Controlling on each trading day. If specified limits are exceeded, defined risk reduction procedures are initiated.

Risk limitation for Origination mandates is carried out on the basis of profit-at-risk (PaR) calculations, which are also calculated by Risk Controlling on each trading day. Exceeding limits for Origination mandates also triggers defined measures to avoid further risks.

The transactions concluded by Trading & Origination are generally aggregated into macro valuation units, which reflect the risk-compensating effect of comparable risks. Macro valuation units result from the aggregate assessment of the risk-compensating effect of entire groups of items and the joint hedging of these groups against the (net remaining) risk in accordance with the risk management applied.

The valuation units created hedge financial risks in the form of price and exchange rate risks of the commodities traded within the scope of the mandates. The effective portions of the valuation units are recognised in accordance with the net hedge presentation method, i.e. any changes in the values of items and hedges that offset each other and that are attributable to the hedged risks are not recognised.

The macro valuation units' hedging purpose exists on an ongoing basis for the periods that are approved for trading transactions in accordance with risk policies. As at the reporting date of 31 December 2023, there are opposing cash flow changes for a period up to 2036. A documented, appropriate and functional risk management system is in place to determine prospective effectiveness. There are binding rules governing limits of action, responsibilities and controls in accordance with internal policies. Trading in commodity derivatives is permitted within predefined limits, which are stipulated by independent organisational units and monitored on each trading day.

Assets, liabilities and pending transactions are included in the valuation units at the following nominal values (book values):

	Positive fair value of pending transactions (EUR thousand)	Negative fair value of pending transactions (EUR thousand)	Assets included (EUR thousand)	Liabilities included (EUR thousand)
Structured Origination	4,363,447	–3,727,287	238,662	–
Continental Trading	1,752,277	–1,695,310	623	15,766
Certificate Trading	138,598	–134,678	49,701	–
Asset Exposure	223,103	–129,814	–	–
Total	6,477,425	–5,687,089	288,986	15,766

The amount of the risks hedged through valuation units is EUR 5,687,089 thousand. The assets and liabilities included consist of inventories, variation margins, option premiums and prepayments.

Any existing non-recognition in connection with macro valuation units is assessed at the end of each year on the basis of the fair values of the respective valuation units. If the balance of all the fair values of the transactions included – taking into account any assets and liabilities included in the valuation units – is negative, a provision for valuation units is recognised. Positive balances are not reflected in the financial statements.

The Company also forms anticipatory valuation units. The items described below generally represent transactions that are highly likely to occur and are therefore not recognised in the financial statements.

The Asset Exposure valuation unit category comprises transactions that are used by Statkraft Markets GmbH to optimise its physical power plant positions in Germany (Operations division). These positions include power plants that are owned by the Company or whose economic risk is borne by the Company on the basis of long-term agreements. The items mainly comprise expected spot sales from electricity generation, with hedges mainly including derivative financial instruments relating to marketing.

The hedges included in these valuation units have a nominal volume of EUR 221,718 thousand. The negative fair value is offset by compensating income from the hedged items.

The amount of the hedged risk corresponds to the nominal volume and is differentiated, as outlined in the following, according to the type of transaction and the associated hedging strategy in accordance with the applicable policies and procedures.

When marketing electricity generated from our own power plants on the futures market, the focus is on securing the margin between the costs of electricity generation (fuel costs and emission certificates) and the revenue from electricity marketing. The associated forecast future cash flows are hedged using standardised futures products in line with internal risk management. This also requires the conclusion of adjustment and profit-driven transactions. The high probability of the expected transactions results from the fact that transactions of the same type have been regularly carried out in the past, that the contract negotiations are almost complete as at the balance sheet date or that the conclusion of the transaction represents the only alternative that is economically reasonable from the Company’s perspective. As at the reporting date, there were no indications that these transactions would not occur.

Liabilities are recognised at settlement amount, with the present value of long-term liabilities being determined using market interest rates corresponding to their terms. Prepayments received are recognised at settlement amount.

Deferred income comprises payments received prior to the balance sheet date to the extent that these constitute income for a certain period thereafter.

Receivables and balances or liabilities denominated in **foreign currencies** are generally recorded at the exchange rate in effect at the time of initial booking and measured as at the balance sheet date using the middle spot exchange rate. Exchange rate losses as at the balance sheet date are recognised through profit or loss. Unrealised gains from exchange rate changes, by contrast, are only recognised if they relate to receivables and liabilities with a remaining term of up to one year.

Affiliated companies are all companies that are included in the consolidated financial statements of Statkraft SF, Oslo / Norway, as well as companies over which Statkraft SF, Oslo / Norway, exercises direct or indirect control but which are not included in its consolidated financial statements due to an option.

The presentation of **revenue** for the Company’s Trading & Origination division was adjusted in the financial year to increase the informative value of our financial performance. A netting of revenue and cost of materials is performed for each commodity, i.e. revenue is only recognised in the amount of the realised margin. The margin per commodity, i.e. not the volume and price development, is the most informative earnings figure for this division due to its trading activities. To ensure comparability with the financial year, the prior year’s figures in our notes to revenue and cost of materials are also reported net. The prior year’s figures in the statement of profit and loss have not been adjusted.

Revenue and cost of materials for the other divisions will continue to be reported gross, as this remains the most informative way of reflecting financial performance.

Purchased energy and certificates are reported under cost of purchased services (if purchased by Market Access) or under raw materials, consumables and supplies (if purchased by Operations).

Other own work capitalised mainly includes expenses for own employees.

NOTES TO THE BALANCE SHEET

Fixed assets

The movements in the individual fixed asset items, including information on the financial year’s amortisation, depreciation and write-downs, are presented in the statement of movements in fixed assets (appendix to the notes to the financial statements). No borrowing costs were recognised in the financial year.

List of shareholdings

The equity of Statkraft Holding Knapsack GmbH, Düsseldorf / Germany, was increased EUR 256,000 thousand by its sole shareholder, Statkraft Markets GmbH.

The equity of Knapsack Power GmbH & Co. KG, Düsseldorf / Germany, was increased EUR 256,000 thousand in the financial year by its sole shareholder, Statkraft Holding Knapsack GmbH, Düsseldorf / Germany.

Unless otherwise indicated, the figures refer to 31 December 2023.

Company name and registered office	Interest as at 31 Dec. (%)	Result for the financial year (EUR thousand)	Share capital / limited partner capital (EUR thousand)	Equity (EUR thousand)
Knapsack Power Admin GmbH, Düsseldorf	100	0 [1]	25	25
Statkraft Holding Herdecke GmbH, Düsseldorf	100	0 [1]	25	5,270
Statkraft Holding Knapsack GmbH, Düsseldorf	100	0 [1]	25	471,192
Knapsack Power GmbH & Co. KG, Düsseldorf [2]	100	55,662	25	505,325
Knapsack Power Verwaltungs GmbH, Düsseldorf [2]	100	0 [1]	25	270
Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen [2]	50	100	10,000	31,089
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen [2] [3]	50	1	25	46
Statkraft Trading GmbH, Düsseldorf	100	0 [1]	25	25
Statkraft Windpark Rappenhagen GmbH & Co. KG, Düsseldorf	1	–69	199	1,374

[1] Result for the period after profit and loss transfer
[2] Interest held indirectly
[3] Most recent annual financial statements available: 31.12.2022

Loans to affiliated companies

Loans to affiliated companies amount to EUR 575,113 thousand (prior year: EUR 825,313 thousand) and have exclusively consisted of loans to the shareholder, Statkraft Germany GmbH, since the end of the prior financial year. Repayments by the shareholder resulted in a decrease of EUR 250,200 thousand in the financial year.

Receivables and other current assets

As in the prior year, all receivables and other current assets have a remaining term of up to one year. A global valuation allowance of EUR 7,104 thousand (prior year: EUR 8,001 thousand) was made in 2023, which is equal to one percent of net receivables.

Receivables from affiliated companies can be analysed as follows:

	2023 EUR thousand	Prior year EUR thousand
Cash pool receivables from Statkraft AS, Oslo / Norway	**1,122,785**	496,670
Trade receivables	**201,892**	227,677
Receivables from profit transfer agreements	**2,616**	7,001
Receivables from the shareholder Statkraft Germany GmbH, Düsseldorf / Germany	**22,340**	2,782
Receivables from short-term loans to subsidiaries	**250**	250
Receivables from loss absorption from the shareholder Statkraft Germany GmbH, Düsseldorf / Germany	**0**	0
Total receivables from affiliated companies	**1,349,883**	734,380

The receivables from the shareholder, Statkraft Germany GmbH, Düsseldorf / Germany, (EUR 22,340 thousand) mainly relate to input tax assets.

Other current assets mainly include paid collateral of EUR 465,554 thousand (prior year: EUR 1,634,299 thousand), paid option premiums of EUR 623 thousand (prior year: EUR 4,071 thousand) as well as carbon certificates of EUR 10,131 thousand (prior year: EUR 70,072 thousand).

Prepaid expenses

Prepaid expenses amount to EUR 8,245 thousand (prior year: EUR 27,042 thousand) and mainly relate to power purchase agreements of EUR 5,690 thousand (prior year: EUR 24,431 thousand).

Deferred taxes

No deferred tax assets are recognised, as any deferred tax assets must be recognised at the level of Statkraft Germany GmbH, Düsseldorf / Germany, which has been the ultimate consolidated tax group parent since 1 January 2009. Income taxes for our foreign permanent establishments are calculated separately. Any net deferred tax liability is recognised, while net deferred tax assets are not recognised in accordance with Sec. 274 (1) sentence 2 HGB. There were no temporary differences in relation to foreign permanent establishments in the financial year.

Equity

Due to the control and profit and loss transfer agreement with Statkraft Germany GmbH, which has been in effect since 1 January 2009, the Company's equity remained unchanged from the prior year, at EUR 844,814 thousand.

Provisions for pensions and similar obligations

Reinsurance policies are in place for direct and securities-based **pension obligations.** The following table shows the acquisition costs and the fair values of the offset assets (reinsurance policies relating to pensions):

	Acquisition cost EUR thousand	**Fair value EUR thousand**
Reinsurance policies for pensions	33,357	36,526

In the reporting year, there was an excess of pension obligations of EUR 20,586 thousand (prior year: EUR 20,686 thousand) using the ten-year average interest rate, which is recognised under provisions. Using the seven-year average interest rate, the pension obligation amounts to EUR 21,311 thousand (prior year: EUR 24,471 thousand). The difference in accordance with Sec. 253 (6) HGB therefore comes to EUR 725 thousand (prior year: EUR 3,785 thousand), but is not subject to a transfer restriction. Before offsetting the reinsurance claims of EUR 39,785 thousand (prior year: EUR 36,732 thousand), the settlement amount of the pension obligations in the financial year 2023 is EUR 57,112 thousand (prior year: EUR 60,378 thousand).

The difference between the fair value and the acquisition costs of the reinsurance policies for pensions is subject to a restriction on transfer and distribution in accordance with Sec. 268 (8) HGB and amounts to EUR 3,169 thousand (prior year: EUR 3,642 thousand). Due to the amount of retained profits brought forward, there is effectively no restriction on the transfer of the net profit for the year as at 31 December 2023.

The interest result includes, on the one hand, income from plan assets for pensions of EUR 533 thousand (prior year: EUR 353 thousand), and expenses from the interest element of post-employment benefits of EUR 1,011 thousand (prior year: EUR 1,081 thousand) on the other. Expenses of EUR 39 thousand (prior year: EUR 57 thousand) were offset against interest from plan assets.

Other provisions

Other provisions amount to EUR 419,347 thousand (prior year: EUR 986,058 thousand) and mainly include the following items:

	31.12.2023 EUR thousand	Prior year EUR thousand
Provisions from valuation units	**173,221**	519,239
Provisions for anticipated losses	**163,517**	378,379
Dismantling costs	**31,534**	31,966
Employee bonuses	**15,288**	14,182
Provisions for outstanding invoices	**5,807**	10,091
Provisions for long-service awards and death benefits	**635**	752
Contributions to German social accident insurance institutions	**300**	263
Other	**29,045**	31,186
Total other provisions	**419,347**	986,058

The Company concluded long-term power purchase agreements that are not part of the valuation units and, as in prior years, were analysed for potential risks for anticipated losses from future power purchase obligations, including interest and foreign currency risks. Our assessments showed that potential losses could arise over the entire term of the agreements, which is why provisions for anticipated losses of EUR 163,517 thousand were recognised. The majority of these provisions EUR 136,701 thousand) mainly relate to long-term power positions. The decline in provisions from valuation units is due to a decrease in the Structured Origination, Asset Exposure and Certificate Trading categories, which is partially offset by an opposite effect in the Continental Trading category.

Liabilities

As in the prior year, liabilities have a remaining term of up to one year.

Prepayments received on account of orders include prepayments for green certificates of EUR 1,391 thousand (prior year: EUR 4,197 thousand).

Liabilities to affiliated companies can be analysed as follows:

	31.12.2023 EUR thousand	Prior year EUR thousand
Liabilities to the shareholder Statkraft Germany GmbH from profit transfer agreements	**1,223,338**	381,624
Trade payables	**183,214**	190,923
Cash pool payables to Statkraft AS	**34**	27,426
Trade payables to the shareholder Statkraft Germany GmbH	**0**	3,184
Liabilities from loss absorption obligations	**24**	27
Total liabilities to affiliated companies	**1,406,610**	603,184

Other liabilities

Other liabilities can mainly be analysed as follows as at the balance sheet date:

	31.12.2023 EUR thousand	Prior year EUR thousand
Collateral received	**629,718**	1,283,690
Liabilities from option premiums	**11,209**	34,968
Liabilities from taxes	**217**	266
Other	**158**	8,572
Total other liabilities	**641,302**	1,327,496

As in the prior year, collateral received consists of payments in connection with bilateral agreements including collateral from the closing of open positions on the exchange of EUR 277,221 thousand (prior year: EUR 1,026,101 thousand). In the prior year, write-downs of collateral from the closing of open positions on the exchange amounted to EUR 154,273 thousand. Write downs of EUR 136,945 thousand were reversed in the financial year, meaning that write-downs totalled EUR 17,328 thousand as at 31 December 2023.

Contingent liabilities

As in the prior year, there are no contingent liabilities from bank guarantees and other guarantees or other commitments as at the balance sheet date.

Other financial obligations

Future obligations of EUR 763,194 thousand exist from a marketing agreement with Knapsack Power GmbH & Co. KG that runs until 2035. The increase compared to the prior year (EUR 673,568 thousand) is mainly due to the additional inclusion of cost of materials in the calculation.

Obligations from long-term power purchase agreements until 2035 and 2037 total EUR 262,187 thousand as at 31 December 2023. Obligations in connection with a long-term service agreement until 2028 amount to EUR 10,631 thousand.

Obligations from rental and lease agreements total EUR 12,620 thousand (prior year: EUR 12,548 thousand) as at 31 December 2023, of which EUR 2,030 thousand (prior year: EUR 1,695 thousand) is due within one year and EUR 6,739 thousand (prior year: EUR 6,291 thousand) after more than five years. The rental and lease objects are used in accordance with their normal function. There are no material opportunities or risks arising from rental and lease agreements.

NOTES TO THE STATEMENT OF PROFIT AND LOSS

Revenue

Revenue for the past financial year amounted to EUR 4,909,147 thousand (prior year: EUR 34,239,707 thousand) and can be analysed by division as follows[1]:

	2023 EUR thousand	Prior year EUR thousand
Trading & Origination	**1,070,284**	**1,417,799**
Power trading	761,848	0
Trading in emission and green certificates	220,199	952,090
Gas trading	72,842	443,557
Other	15,395	22,152
Market Access	**3,346,919**	**6,656,878**
Power trading	3,182,007	6,469,351
Trading in emission and green certificates	159,837	181,491
Gas trading	3,255	2,612
Other	1,820	3,424
Operations	**439,636**	**1,005,908**
Power trading	439,636	1,005,908
Trading in emission and green certificates	0	0
Gas trading	0	0
Other	0	0
Other services to customers	**52,308**	**42,383**
Total revenue	**4,909,147**	**9,122,968**

Under Trading & Origination, the trading margins from realised energy trading transactions and included derivatives are reported, broken down by commodity. The margin of EUR 1,070,284 thousand is the result of the gross values for revenue of EUR 24,118,405 thousand (prior year: EUR 26,534,538 thousand) and cost of materials of EUR 23,048,121 thousand (prior year: EUR 26,074,671 thousand).

Due to positive trading margins for all commodities, the total result for Trading & Origination in 2023 is included in revenue. For 2022, net presentation results in a negative trading margin for power trading of EUR 957,932 thousand, which leads to a recognition in cost of materials.

Revenue from other services to customers is mainly generated with affiliated companies.

[1] To ensure comparability with the financial year 2022, the prior year's figures in the notes to the financial statements and our management report for 2023 are also reported net for the T&O division.

Other operating income

Other operating income amounts to EUR 98,135 thousand (prior year: EUR 114,243 thousand) and can be analysed as follows:

	2023 EUR thousand	Prior year EUR thousand
Currency gains[1)]	**71,348**	93,245
Income from the reversal of provisions / other liabilities[2)]	**26,778**	5,304
Reversal of write-downs of fixed assets	**0**	15,638
Other	**9**	56
Total other operating income	**98,135**	114,243

1) Of which unrealised currency gains of EUR 3,113 thousand (prior year: EUR 0 thousand) from the valuation of bank balances
2) Of which EUR 26,778 thousand (prior year: EUR 5,304 thousand) relating to other periods

Cost of materials

Cost of materials amounts to EUR 3,654,308 thousand (prior year: EUR 33,787,225 thousand) and can be analysed as follows[2)]:

The cost of materials from other services from customers is mainly attributable to business relationships with affiliated companies.

	2023 EUR thousand	Prior year EUR thousand
Cost of raw materials, consumables and supplies	**91,571**	**142,723**
Cost of purchased services	**3,562,737**	**8,527,764**
Trading & Origination	**0**	**957,932**
Power trading	0	957,932
Trading in emission and green certificates	0	0
Gas trading	**0**	**0**
Other	0	0
Market Access	**2,946,118**	**6,442,788**
Power trading	2,698,906	6,001,063
Trading in emission and green certificates	44,884	122,160
Gas trading	0	2,719
Other	202,328	316,846
Operations	**391,277**	**861,088**
Power trading	391,277	858,664
Trading in emission and green certificates	0	2,424
Gas trading	0	0
Other	0	0
Other services from customers	**225,342**	**265,956**
Total cost of materials	**3,654,308**	**8,670,487**

2) To ensure comparability with the financial year 2022, the prior year's figures in the notes to the financial statements and our management report for 2023 are also reported net for the T&O division.

Amortisation and write-downs of intangible fixed assets and depreciation and write-downs of property, plant and equipment

This item only includes amortisation of intangible fixed assets and depreciation of property, plant and equipment.

Other operating expenses

Other operating expenses include the following items:

	2023 EUR thousand	Prior year EUR thousand
Currency losses[1)]	**71,263**	115,438
Rental, repair and similar expenses	**25,437**	20,375
Legal and consultancy fees	**9,966**	11,904
IT-related costs	**4,523**	3,765
Costs for telephone and data transmission	**847**	1,013
Services for power plants	**903**	842
Guarantee costs	**576**	620
Marketing and information costs	**655**	550
Memberships	**431**	483
Travel costs	**381**	310
Expenses for external staff	**4**	90
Other	**11,423**	9,610
Total other operating expenses	**126,409**	165,000

[1)] Of which unrealised currency losses of EUR 0 thousand (prior year: EUR 7,342 thousand) from the valuation of bank balances

Income from long-term loans

Income from long-term loans amounts to EUR 35,672 thousand and includes interest income from the loan to Statkraft Germany GmbH.

Other interest and similar income

Interest income amounts to EUR 49,194 thousand and mainly includes interest on collateral in connection with exchange-based energy trading. In the prior year, interest income mainly resulted from interest of EUR 38,459 thousand on receivables from Statkraft Germany GmbH from the 2021 loss absorption.

Interest and similar expenses

Interest expenses for the financial year 2023 amount to EUR 24,976 thousand (prior year: EUR 25,698 thousand) and include expenses of EUR 1,011 thousand (prior year: EUR 1,081 thousand) from the unwinding of discount on provisions for post-employment benefits as well as expenses of EUR 402 thousand (prior year: EUR 154 thousand) from the unwinding of discount on other provisions.

Income taxes

Income taxes amount to EUR 21,382 thousand (prior year: EUR 12,521 thousand) and mainly include foreign corporate income taxes for our permanent establishment in the United Kingdom. The German Minimum Tax Act (MinStG) does not result in any additional tax recapture expenses for the financial year 2023.

Matters relating to other periods

Other operating income includes prior-period income of EUR 26,778 thousand, which mainly results from the reversal of provisions.

OTHER DISCLOSURES

Derivative financial instruments not recognised at fair value

The market values of derivative financial instruments are calculated from the difference between the hedging transactions at the hedging rate (nominal values) and the hedging transactions at the closing rate (fair values).

Currency forwards

Currency forwards are used to hedge against foreign currency risks that are not attributable to trading activities and not included in valuation units.

The following currency forwards were in place as at the balance sheet date:

	Nominal value EUR thousand	Fair value EUR thousand
Positive market values		
GBP sale	149,175	149,373
USD sale	361	365
PLN sale	4,603	4,606
	154,139	**154,344**
Negative market values		
GBP sale	163,912	163,512
USD sale	22,578	22,561
PLN sale	199,842	190,993
	386,332	**377,066**

Anticipated losses from these transactions of EUR 9,353 thousand were included in other provisions.

Interest rate swaps

The following interest rate swaps were in place as at the balance sheet date to hedge interest rate risks:

	Nominal value EUR thousand	Fair value EUR thousand
Positive market values	230,136	246,078
Negative market values	0	0
	230,136	**246,078**

Auditor's fees

The fees charged by the auditor for the financial year 2023 total EUR 447 thousand (prior year: EUR 405 thousand). Of this amount, EUR 428 thousand are attributable to audit services while EUR 19 thousand are attributable to other assurance services.

Management

The following individuals are managing directors authorised to jointly represent the Company:

Charbel Abi Daher, Meerbusch / Germany (from 1 June 2023 until 31 January 2024) Senior Vice President Trading
Dr Gundolf Dany, Düsseldorf / Germany (until 31 December 2022) Vice President Strategic Asset Ownership Continental
Ronald van Eldik, Duisburg / Germany (from 1 January 2024) Senior Vice President Finance
Stefan-Jörg Göbel, Düsseldorf / Germany (from 1 January 2023) Senior Vice President Country Manager Germany
Henrik Møistad, Oslo / Norway
Vice President Finance Global Market Operations
Dr Carsten Poppinga, Düsseldorf / Germany (until 27 March 2023) Senior Vice President Trading & Origination
Dr Christian Redeker, Brühl / Germany (until 31 December 2022) Regional Director
Petrus Schipper, Amsterdam / the Netherlands
Vice President Northwestern European & US Origination
Dr Malte Schwoon, Düsseldorf / Germany
Vice President Energy Management Continent
Maik Thalmann, Dörverden / Germany (from 1 January 2023) Vice President Operation & Maintenance Germany

The managing directors are responsible for the areas listed above within Statkraft Group as part of their primary occupation.

Total remuneration paid to Management

In the financial year 2023, only one managing director received a remuneration from the Company. The remuneration of the other managing directors was passed on to the Company by affiliated companies on the basis of existing service agreements. The remuneration paid to the members of Management in 2023 totalled EUR 26,039 thousand (prior year: EUR 4,116 thousand).

Employees

In the reporting year, the Company had an average of 30 employees (prior year: 26) and 113 manual workers (prior year: 107).

Post-balance sheet date events

No events of particular significance occurred after the balance sheet date that would have led to a different presentation of the assets, liabilities, financial position and financial performance if they had occurred earlier.

Group affiliation

The Company's annual financial statements are included in the consolidated financial statements as at 31 December 2023 of Statkraft AS, Oslo / Norway (smallest group of consolidated entities). The largest group of consolidated entities in which the Company is included is the consolidated financial statements of Statkraft SF, Oslo / Norway.

The consolidated financial statements of Statkraft AS are available from the court of registration (Regnskapsregisteret) in Oslo / Norway under the registration number 987 059 699.

The consolidated financial statements of Statkraft SF are available from the court of registration (Regnskapsregisteret) in Oslo / Norway under the registration number 962 986 277.

Management intends to submit the consolidated financial statements and the group management report of Statkraft AS, prepared in accordance with the International Financial Reporting Standards (IFRS), in electronic form to the German company register in English (under Statkraft Markets GmbH, Düsseldorf / Germany, HRB 37885, Düsseldorf / Germany local court) in accordance with the provisions applicable to the consolidated financial statements and the group management report that are omitted in accordance with Sec. 291 HGB. Should this be the case, Statkraft Markets GmbH is no longer obliged to prepare its own consolidated financial statements and group management report in accordance with Sec. 290 HGB.

Deviations from German law with regard to the consolidated financial statements of Statkraft Markets GmbH may arise in the area of fixed assets due to different useful lives, a different valuation of pension provisions and pending transactions, and the recognition of deferred taxes on account of these different recognition and measurement policies.

Appropriation of net profit

Due to the existing control and profit and loss transfer agreement from the sole shareholder, Statkraft Germany GmbH, Düsseldorf / Germany, our net profit for the year is transferred. We therefore report a result for the period of EUR 0 thousand.

Düsseldorf / Germany, 20 June 2024

The Management

Stefan-Jörg Göbel

Henrik Møistad

Petrus Schipper

Dr. Malte Schwoon

Maik Thalmann

Ronald van Eldik

MOVEMENTS IN FIXED ASSETS IN THE FINANCIAL YEAR 2023

Historical acquisition and production costs

	Balance as at 1 Jan 2023 EUR	Additions EUR	Reclassifications EUR	Disposals EUR	Balance as at 31 Dec. 2023 EUR
I. Intangible fixed assets					
1. Software acquired for a consideration	12,870,704.99	0.00	335,741.28	1,022.60	13,205,423.67
2. Goodwill	11,779,877.84	0.00	0.00	0.00	11,779,877.84
	24,650,582.83	**0.00**	**335,741.28**	**1,022.60**	**24,985,301.51**
II. Property, plant and equipment					
1. Land, land rights and buildings	98,317,905.28	1,530,757.50	0.00	38,511.43	99,810,151.35
2. Technical equipment and machinery	688,733,103.68	619,407.98	937,805.68	927,838.91	689,362,478.43
3. Other equipment, operating and office equipment	21,972,950.51	1,115,928.43	343,518.08	8,184,335.22	15,248,061.80
4. Prepayments made and assets under construction	14,948,786.65	7,318,029.60	–1,617,065.04	576,080.03	20,073,671.18
	823,972,746.12	**10,584,123.51**	**–335,741.28**	**9,726,765.59**	**824,494,362.76**
III. Long-term financial assets					
1. Shares in affiliated companies	220,511,354.00	256,000,000.00	0.00	0.00	476,511,354.00
2. Loans to affiliated companies	825,313,310.95	0.00	0.00	250,200,000.00	575,113,310.95
3. Loans to other long-term investees and investors	4,500,000.00	0.00	0.00	50,000.00	4,450,000.00
4. Long-term securities	2,925,445.09	332,820.29	0.00	0.00	3,258,265.38
	1,053,250,110.04	**256,332,820.29**	**0.00**	**250,250,000.00**	**1,059,332,930.33**
	1,901,873,438.99	266,916,943.80	0.00	259,977,788.19	1,908,812,594.60

Accumulated amortisation, depreciation and write-downs

	Balance as at 1 Jan 2023 EUR	Additions EUR	Reclassifications EUR	Disposals EUR	Reversals of write-downs EUR	Balance as at 31 Dec. 2023 EUR
I. Intangible fixed assets						
1. Software acquired for a consideration	10,136,776.84	194,746.77	0.00	1,022.60	0.00	10,330,501.01
2. Goodwill	11,779,877.84	0.00	0.00	0.00	0.00	11,779,877.84
	21,916,654.68	**194,746.77**	**0.00**	**1,022.60**	**0.00**	**22,110,378.85**
II. Property, plant and equipment						
1. Land, land rights and buildings	77,261,142.54	1,197,943.28	0.00	38,511.43	0.00	78,420,574.39
2. Technical equipment and machinery	507,208,652.07	13,102,709.83	0.00	881,621.05	0.00	519,429,740.85
3. Other equipment, operating and office equipment	18,955,961.08	1,255,050.19	0.00	7,306,752.15	0.00	12,904,259.12
4. Prepayments made and assets under construction	7,069,528.23	0.00	0.00	0.00	0.00	7,069,528.23
	610,495,283.92	**15,555,703.30**	**0.00**	**8,226,884.63**	**0.00**	**617,824,102.59**
III. Long-term financial assets						
1. Shares in affiliated companies	2,500.00	0.00	0.00	0.00	0.00	2,500.00
2. Loans to affiliated companies	0.00	0.00	0.00	0.00	0.00	0.00
3. Loans to other long-term investees and investors	0.00	0.00	0.00	0.00	0.00	0.00
4. Long-term securities	0.00	0.00	0.00	0.00	0.00	0.00
	2,500.00	**0.00**	**0.00**	**0.00**	**0.00**	**2,500.00**
	632,414,438.60	15,750,450.07	0.00	8,227,907.23	0.00	639,936,981.44

Residual book values

	Balance as at 1 Jan 2023 EUR	Balance as at 31 Dec. 2023 EUR
I. Intangible fixed assets		
1. Software acquired for a consideration	2,874,922.66	2,733,928.15
2. Goodwill	0.00	0.00
	2,874,922.66	**2,733,928.15**
II. Property, plant and equipment		
1. Land, land rights and buildings	21,389,576.96	21,056,762.74
2. Technical equipment and machinery	169,932,737.58	181,524,451.61
3. Other equipment, operating and office equipment	2,343,802.68	3,016,989.43
4. Prepayments made and assets under construction	13,004,142.95	7,879,258.42
	206,670,260.17	**213,477,462.20**
III. Long-term financial assets		
1. Shares in affiliated companies	476,508,854.00	220,508,854.00
2. Loans to affiliated companies	575,113,310.95	825,313,310.95
3. Loans to other long-term investees and investors	4,450,000.00	4,500,000.00
4. Long-term securities	3,258,265.38	2,925,445.09
	1,059,330,430.33	**1,053,247,610.04**
	1,268,875,613.16	1,269,459,000.39

INDEPENDENT AUDITOR'S REPORT

To Statkraft Markets GmbH, Düsseldorf / Germany

Audit Opinions

We have audited the annual financial statements of Statkraft Markets GmbH, Düsseldorf / Germany, which comprise the balance sheet as at 31 December 2023, and the statement of profit and loss for the financial year from 1 January to 31 December 2023, and the notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Statkraft Markets GmbH, Düsseldorf / Germany, for the financial year from 1 January to 31 December 2023.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to business corporations and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2023 and of its financial performance for the financial year from 1 January to 31 December 2023 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to Section 322 (3) sentence 1 German Commercial Code (HGB), we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Responsibilities of the Executive Directors for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to business corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud (i.e. fraudulent financial reporting and misappropriation of assets) or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgement and maintain professional scepticism throughout the audit. We also

- identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

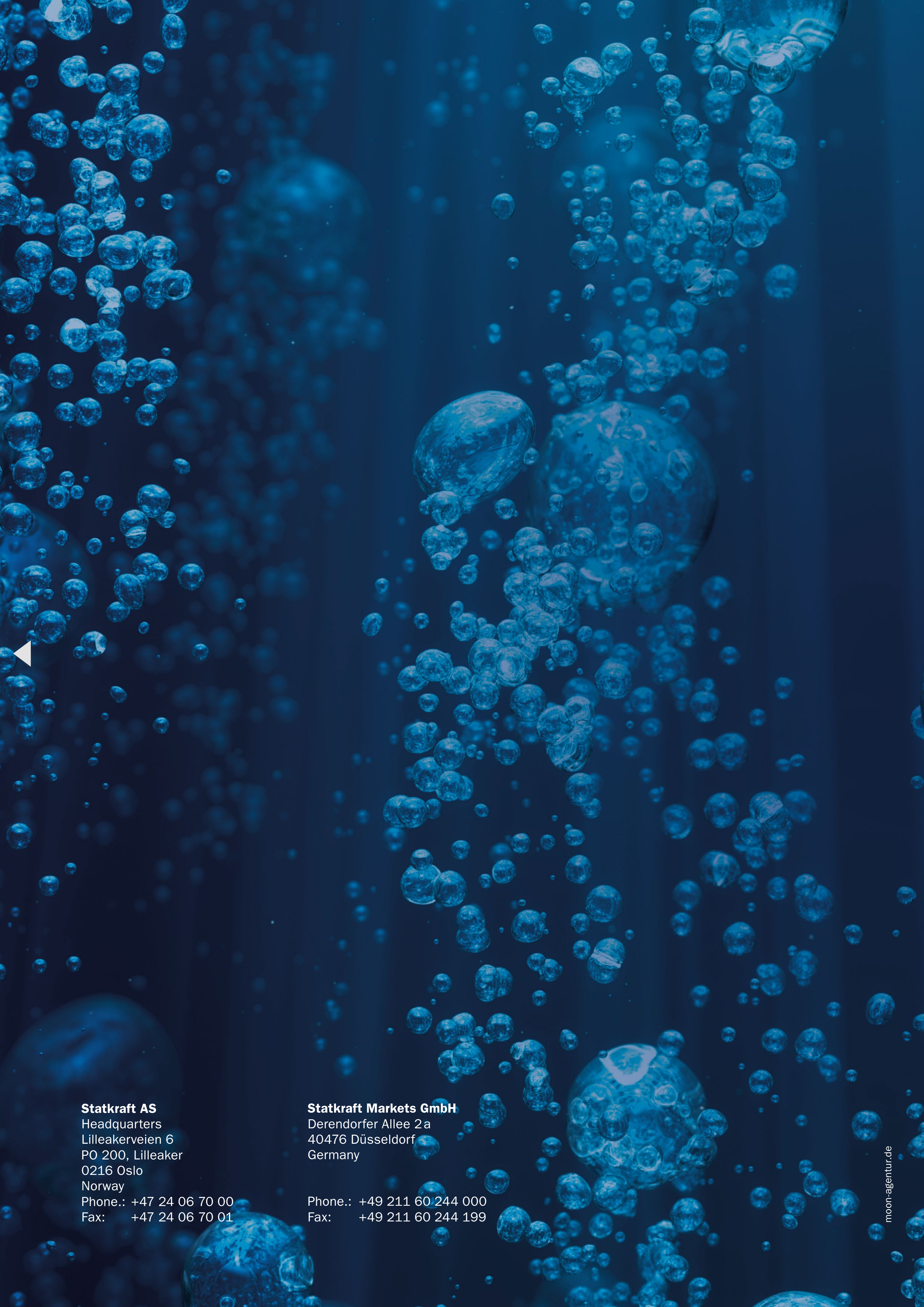
We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Düsseldorf / Germany, 20 June 2024

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Signed:
Dr. Benedikt Brüggemann
Wirtschaftsprüfer
(German Public Auditor)

Signed:
Niklas Polster
Wirtschaftsprüfer
(German Public Auditor)



Statkraft AS
Headquarters
Lilleakerveien 6
PO 200, Lilleaker
0216 Oslo
Norway
Phone.: +47 24 06 70 00
Fax: +47 24 06 70 01

Statkraft Markets GmbH
Derendorfer Allee 2 a
40476 Düsseldorf
Germany

Phone.: +49 211 60 244 000
Fax: +49 211 60 244 199