Statkraft

STATKRAFT MARKETS GMBH
ANNUAL REPORT

2020

Powering a green future

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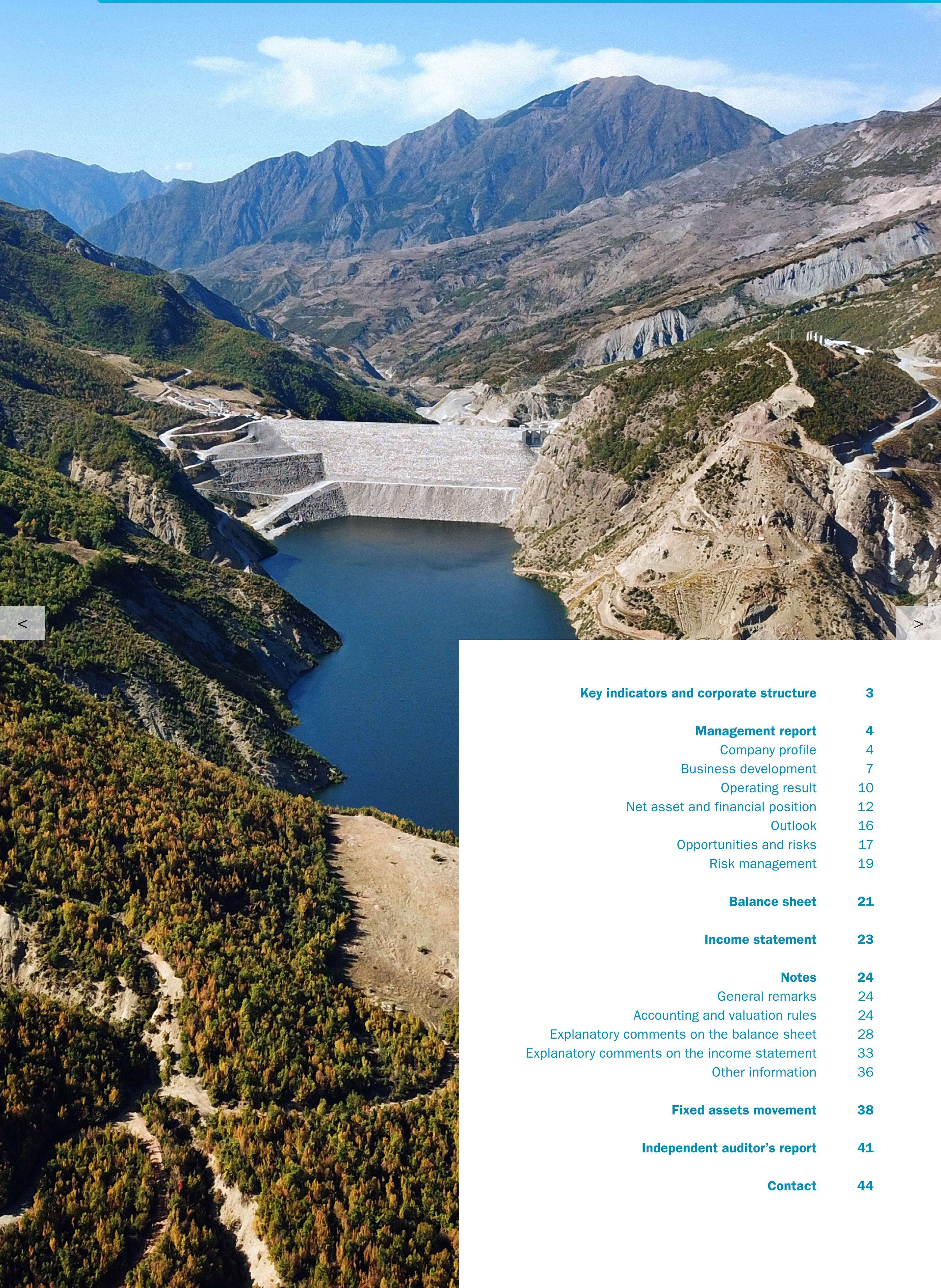

KEY INDICATORS AND CORPORATE STRUCTURE

Key indicators of Statkraft Markets GmbH

Values in EUR million	**2020**	**2019**	**2018**	**2017**
Sales revenue	25,385.8	25,224.7	25,567.2	17,385.9
EBIT	131.7	187.0	0.3	118.0
Profit before taxes	105.5	179.2	–5.6	191.7
Profit after taxes	105.0	179.1	–5.8	191.5
Cash flow from continuous operations	366.3	43.5	22.0	0.1
Cash and cash equivalents	21.1	18.0	16.9	29.9
Net working capital	468.6	364.6	381.1	194.2
Balance sheet total	1.928.4	1,920.6	1,597.2	1,298.8
Equity	844.8	670.8	670.8	410.8
Equity ratio (%)	43.8	34.9	42.0	31.6
Number of employees 31.12.	144	146	140	143

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Corporate structure

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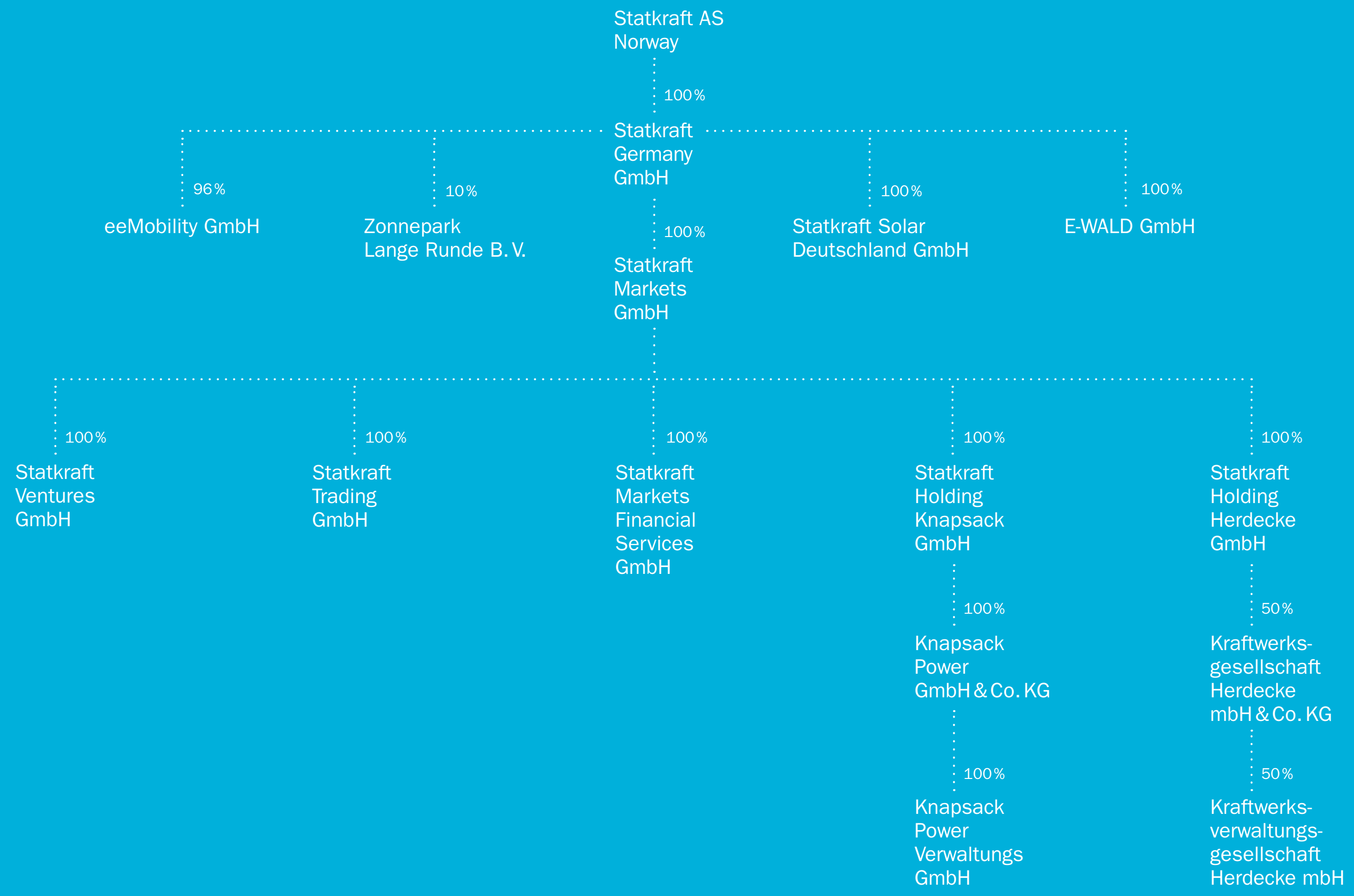

Management report for financial year 2020

COMPANY PROFILE

Business model

Statkraft Markets GmbH is a company of the Statkraft Group (Statkraft AS, Oslo, Norway), the largest European producer of renewable energy. The Group develops, builds and operates hydropower, wind power, gas-fired power and district heating power plants, and is a significant player on the European energy trading exchanges with particular know-how in physical and financial energy trading as well as in the bilateral electricity market.

Statkraft Markets GmbH is engaged in trading power and fuels in continental Europe as well as emission certificates worldwide. In Germany, Statkraft Markets GmbH generates electricity from its own power plants. Power is generated in environmentally friendly solar, run-of-river, pumped storage, biomass and gas-fired power plants. The most important operating subsidiaries and affiliated companies are Knapsack Power GmbH & Co. KG, Düsseldorf, Statkraft Holding Knapsack GmbH, Düsseldorf, and Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen.

Furthermore, Statkraft Markets GmbH participates in the formation and further development of start-ups through its subsidiary Statkraft Ventures GmbH, Düsseldorf, in the form of minority shares.

Statkraft Markets GmbH, its subsidiaries and affiliated companies have a total installed electricity generation capacity of 2,390 MW from gas-fired power plants, 261 MW from hydroelectric power plants and 41 MW from biomass plants, 750 kWp from a solar park, as well as a battery storage capacity of 3 MW.

The business divisions of Statkraft Markets GmbH are mainly divided into Trading & Origination and Continental Assets & Market Access.

Trading & Origination includes both proprietary trading and customer trading. Standard products are traded bilaterally or on the different European exchanges. In addition, different structured products are offered that are adapted directly to the customer's requirements.

Continental Assets & Market Access is responsible for the marketing of electricity, which is generated at the company's generation plants as well as at third-party renewable energy plants, and provides industrial customers with access to the energy exchanges.

Market Development

During most of the reporting year, electricity prices in Germany were lower than in the previous year. At 30.4 EUR / MWh, the average price for spot deliveries (baseload electricity) on the European Energy Exchange (EEX) was 7.2 EUR / MWh lower than the average price for 2019 (37.7 EUR / MWh). Compared to the average prices for the years 2010 to 2019, the average price in Germany in 2020 was about 6.7 EUR / MWh lower. The EEX price for peak hours (peak load from 8 am to 8 pm on weekdays) averaged 37.3 EUR / MWh and was thus 7 EUR / MWh lower than 2019 (annual average of 44.4 EUR / MWh).

Gas prices also dropped in 2020 and were on average 4 EUR / MWh below the previous year's prices. At the virtual trading point NCG (NetConnect Germany) prices averaged 9.3 EUR / MWh in 2020 (previous year: 13.6 EUR / MWh).

Prices on the emissions market were very volatile throughout the year, even though the average spot price in 2020 was 24.8 EUR / t and therefore at the same level as it was in 2019 (24.8 EUR / t).

There are two key factors influencing the use and profitability of the gas-fired power plants. First of all, the gas price plays a key role in relation to the coal price (corrected in each case by the respective costs for CO_2). For the time, gas prices were lower than the coal "switching price" for most of the year, so that demand for electricity was primarily covered by the proportionally cheaper gas-fired power plants. The low gas price resulted from high storage levels and the rather low demand overall, mainly due to another mild winter and the subsequent reduced economic activity caused by the measures to tackle the COVID-19 pandemic.

The second major factor influencing the operation of the gas-fired power plants is the wind feed-in, which strongly influences the required electricity demand from thermal plants. Since gas-fired power plants had virtually consistently lower variable costs compared to coal-fired power plants, it could be observed that wind feed-in alone was almost solely driving the use of gas-fired power plants. A rather windy first quarter with low operating times was followed by six months of summer with little wind. Especially with heat-related high electricity prices in the third quarter, there were exceptionally high contribution margins at operating times close to base load. The fourth quarter started off windy again, but towards the end of the quarter the combination of low wind feed-in and low gas prices relative to coal emerged again, which is extremely advantageous for gas-fired power plants.

For a more detailed analysis of the generation costs from coal and gas, the above mentioned CO_2 price must be taken into consideration. CO_2, which is virtually a storable security, appears to be more strongly correlated with equities than with energy commodities. CO_2 traded around EUR 25 / t for a long time until a COVID-19-induced crash to approximately EUR 15 / t in March occured. Similarly to what happened with the stock markets, there was a rapid, sustained recovery to EUR 30 / t in July. With the uncertainties regarding the second COVID-19 wave, vaccine development, but also the uncertainty regarding the handling of British CO_2 certificates depending on the structure and form of the Brexit agreement, the CO_2 price was then relatively volatile between EUR 22.5 and EUR 30 / t in the second half of the year. This high price level in a long-term comparison strengthened the competitiveness of gas-fired power plants compared to coal-fired power plants.

The fluctuations in the CO_2 price, which ultimately reflect assumptions about the level of general economic activity and its development with a view to the further course of the pandemic, led to corresponding volatility on the futures markets for power. In addition, there were further uncertainties regarding the availability of the French nuclear power plants, longer-term weather forecasts, but also regarding the first auction for the decommissioning of coal-fired power plants within the framework of the coal phase-out.

The European Green Deal (EGD) puts climate at the top of the European Commission's agenda. The unprecedented scope of the EGD aims to transform European economies and societies to become sustainable and competitive. The proposed 55% emissions reduction target for 2030 and the enshrinement of the 2050 climate neutrality target in law set the framework for the future development of all European policy guidelines. In addition to zero emissions, the EGD has set a target for the achievement of zero pollution and a strong focus on biodiversity.

By summer 2021, the EU Commission will publish revised legislation to achieve the proposed 55% target, including renewable energies, energy efficiency, emissions trading and a revision of the Energy Taxation Directive to support the green transition. Consequently, the EGD has significant economic consequences for Statkraft's activities, risks and opportunities.

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Germany's Act on the reduction and termination of coal-fired power generation (Coal-fired Power Generation Termination Act [Kohleverstromungsbeendigungsgesetz – KVBG]) entered into force on 14 August 2020. Germany is to cease the generation of electricity from coal completely by 2038, at the latest. By the end of 2022, 30 gigawatts (GW) of the current approximately 40 GW of coal-fired power plant capacity (15 GW each of hard coal and lignite-fired power plants) is still to be in operation. This is set to be reduced to 17 GW (8 GW of hard coal and 9 GW of lignite) by 2030. A review will be carried out in 2026, 2029 and 2032 to check whether the end date for complete cessation can be brought forward and whether the phase-out can be completed by 2035. In 2020, the first lignite-fired power plants were decommissioned and the first call for tenders for the decommissioning of hard coal-fired power plants was carried out.

By 2030, that output is to drop to a maximum of 17 GW, with the remaining coal-fired power plants to be shut down by 2038. In the period 2020 to 2026, tenders are to be held for the decommissioning of hard coal-fired power plants in return for compensation. From 2027 onwards, the decommissioning of hard coal-fired power plants will take place purely in accordance with the regulations, i. e. without compensation. The EU Commission has granted state aid approval for this. In 2020, coal-fired power plants with a capacity of around 4 GW were taken off the grid. A concrete decommissioning path was laid out for lignite-fired power plants. Certificates from the European Emissions Trading System are to be cancelled to the extent that the coal phase-out leads to reductions in emissions, unless the authorisations have already been withdrawn from the market through the market stability reserve. Statkraft Markets GmbH will continue to monitor further developments, and this will be considered when assessing the gas-fired power plants.

A new Fuel Emissions Trading Act (Brennstoffemissionshandelsgesetz) came into force in January 2021, and with it a CO_2 pricing system with a steering effect in sectors outside the European Emissions Trading System. Companies bringing heating oil, natural gas, petrol and diesel to the market will pay a CO_2 price for these products from 2021. These companies undertake to purchase emissions rights for the greenhouse gas emissions caused by these fuels. The price for these rights starts at EUR 25 / t of CO_2. This price will rise gradually to EUR 55 / t by 2025. From 2026 onwards, there will be an auction procedure involving a fixed price corridor with a minimum and a maximum price.

At the end of 2020, the German government passed an amendment to the German Renewable Energy Sources Act [Erneuerbare-Energien-Gesetz – EEG]. According to this amendment, there is to be a temporary further subsidy for wind turbines that have been removed from the grid from 2021 onwards. The EU Competition Commission approved this change under state aid law on April 29, 2021.

Germany passed a national hydrogen strategy in June 2020. The aim is to accelerate the market ramp-up of hydrogen, its future production, transport, use and re-use. Special consideration is given here to "green" hydrogen produced from renewable energies. Exemptions from the EEG surcharge are being considered and are to be implemented in the near future.

At least seven to ten million electric vehicles are set to hit Germany's roads by 2030, with one million charging points being available by then. To achieve this, the German government has already resolved on various incentive measures in 2019. These include buyer's premiums, tax allowances and comprehensive subsidies to improve the charging infrastructure. These incentive measures were expanded again as part of the coronavirus-related economic stimulus package in 2020.

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BUSINESS DEVELOPMENT

Trading & Origination had an excellent year in 2020 with very profitable proprietary trading and the successful conclusion of customer contracts in business areas such as long-term power purchase and supply contracts in Germany, Spain and Poland as well as green power supply for German industrial customers.

Sales in Market Access decreased in the financial year 2020. Nonetheless, it was also possible to conclude contracts with new customers in the financial year 2020, and these are set to have a positive impact on the results in the years to come. Provisions for impending losses were created for the relevant price-hedging transactions due to a rise in energy prices. These provisions had a negative impact on the results in 2020 and the positive earnings contributions from the underlying transactions will be recognised in the future.

Utilisation of power plants was higher than in the previous year, allowing for a positive contribution to earnings be made in Continental Assets.

Statkraft Ventures GmbH made three new investments in the financial year 2020. In the field of the automated assessment of risks for critical infrastructure, e.g. power grids, an investment was made in Enview Inc., a company based in San Francisco / United States. Furthermore, in the area of scrap metal recycling, investments were made in the company Schrott24 GmbH, based in Graz / Austria, and in vialytics GmbH, based in Stuttgart / Germany. The company offers solutions for the inspections and infrastructure management of roads.

Overall, there was a net gain of EUR 105.0 million for Statkraft Markets GmbH prior to profit transfer to Statkraft Germany GmbH through the existing profit and loss transfer agreement.
In the previous year, the company recorded a profit of EUR 179.1 million.

Details of developments in the main business divisions are set out below.

Trading & Origination

The energy markets in Europe were shaped by considerable volatility in 2020. This was caused by the pandemic and the associated lockdown measures, but also by above-average precipitation in Scandinavia and the decision of the EU countries of the EGD in December 2020 to reduce greenhouse gas emissions by 55 % compared with 1990 levels.

The price of emissions certificates fell from a level of EUR 24 / t at the beginning of the year to below EUR 15 / t in the first lockdown in March, only to climb to over EUR 33 / t by the end of the year, supported by a more positive economic outlook, the rapid availability of a COVID-19 vaccine and the stricter climate targets. In Germany, the price of electricity was on average lower in 2020 than in 2019.

The price developments mentioned above were analysed by proprietary trading and converted into excellent results in trade with emission certificates, fuel and electricity. Statkraft Markets GmbH's trading activities are carried out at the Düsseldorf and London sites.

Customer trading in Spain was particularly impacted by the effects of the pandemic. Income remains significantly below expectations. At the same time, it has been possible to successfully manage default risks in electricity supply contracts and thereby avert greater economic damage. In Poland, long-term purchase contracts were concluded for wind energy that will have a positive impact on the portfolio and results in the years to come.

In Germany, the green electricity business was successfully and consistently expanded further. In addition to numerous purchase contracts for electricity from wind farms where the EEG subsidies are expiring, solar electricity was contracted on a long-term basis and resold to customers, such as the supplier Naturstrom AG based in Düsseldorf / Germany and the industrial company Robert Bosch GmbH based in Stuttgart / Germany, in the form of structured products.

Transactions with globally traded emissions certificates saw another strong year. Both Trading and Origination activities significantly exceeded expectations in many of these global markets. This applies, in particular, to the income from EU emissions trading. The Group continued to invest time and resources to promote growth of similar certification systems (e.g. I-RECs) outside of its EU core markets in order to better support and provide added value to multinational customers and own assets.

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Continental Assets & Market Access

Continental Assets
The operating hours and power generated by the gas-fired power plants in Hürth-Knapsack were substantially higher than in the previous year. The optimal dispatch planning for plants continues to have a strong focus on daily operations. (Clean) spark spreads – the theoretical gross margins of a gas-fired power plant from the sale of a unit of electricity and the purchase of the units of gas (and CO_2 emission certificates) required to generate electricity – developed positively in reporting period compared to 2019.

The revenue situation of biomass power plants continues to show a positive trend. The maintenance strategy optimised over the previous years ensures availability is constantly high, thereby guaranteeing high annual electricity volumes. Fuel prices for timber used remained low.

In 2020, the hydroelectric power plants operated without technical problems. However, unusually high water levels in the first quarter of the year (flooding) led to lower electricity generation. Generation was therefore lower overall compared with the previous year.

In the period just ended, our focus once again lay in the continuous improvement of fish protection in the run-of-river power plants along the Weser, Werra, Fulda and Eder.

Total generation in 2020, at approximately 5.6 TWh, was significantly higher than the previous year's level of 5.0 TWh. The main reason for this is the much higher level of operation of gas-fired power plants.

These production volumes include figures from the joint venture company Kraftwerksgesellschaft Herdecke mbH & Co. KG according to the percent ownership; fully owned subsidiaries are included with 100% share.

Market Access
Activities in short-term purchase contracts for wind and solar power as well as flexibility and storage were influenced by consolidation and new focal points. Statkraft Markets GmbH in Düsseldorf operates a 24 / 7 balancing management system for the markets in Germany, France, the United Kingdom, Turkey and Ireland.

A direct marketing portfolio with around 10 GW was managed in Germany. This market usually has relatively short contract periods of one to two years, which created the challenge of also having to renew a large proportion of contracts under COVID-19 conditions. Once again, Statkraft Markets GmbH was able to demonstrate that it is a reliable partner, especially in difficult times. As a result, existing contracts were extended at an early stage and the portfolio will also be of a similar size in the coming year. This means that Statkraft is still the market leader in the direct marketing of renewable energies in Germany.

Revenues are strongly dependent on the amount of wind feed-in. The first few months saw high wind volumes with correspondingly high revenues, followed by six months of summer with low wind levels. In the fourth quarter, wind feed-in increased again, as is usual for the course of the year. The balancing costs were similar to those in the previous year. However, with the introduction of the control reserve market in November, there seems to have been an unexpected shortage in the supply of reserve capacity. This led to considerable price peaks for balancing energy, which did not have a material impact on Statkraft, however.

The portfolio in the United Kingdom comprises photovoltaics and biomass plants along with wind turbines and produces some 3,700 MW in total. In the highly competitive market for large offshore wind turbines, Statkraft has succeeded in contracting a large wind farm, with the result that growth of at least 15% can be expected in the coming year. At the same time, business with new flexible generation, such as gas engines and batteries, has since grown significantly by 300 MW over the course of 2020 to 700 MW. Of this amount, a good 500 MW is already in operation, whereby optimisation is largely fully automated in the spot markets as well as in the control reserve market (balancing mechanism).

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The French portfolio continues to show strong growth. As the market integration of renewable energies has so far only been mandatory for new plants in France, the contracts are usually concluded long before the start of actual generation. Both the contracted generation capacities and those already feeding into the grid grew by around 50% year on year. Statkraft is now a leading provider of market access services in France. Despite intensive competition, new customers were also added in 2020. This means that contractual relationships now exist with a large proportion of the project developers and plant operators operating in France. In addition to Power Purchase Agreements (PPAs) for renewable energy producers under the French CfD subsidy scheme, Statkraft also provides new solutions such as downstream PPAs for energy buyers. In this context, Statkraft is now represented on the board of the French Wind Energy Federation (France Énergie Éolienne – FEE) and is working with renewable energy producers and all market participants to further accelerate the integration of renewable energies into the French energy system. In 2021, the team will expand to ensure the continued growth of the renewables portfolio through market access contracts as well as new product development.

In Ireland, the portfolio continues to develop positively, with around 200 MW of wind contracted during the year. At the same time, Statkraft started marketing batteries and has already contracted a capacity of over 100 MW. In the coming year, the aim is to achieve further growth in both wind and flexible plants, including gas engines, making the most of the experience already gained in the United Kingdom.

In Belgium, the hope for a promising development of the market for services in the context of the integration of renewable energies has not come to fruition. Regulatory changes led to an extraordinary increase in balancing risk. Statkraft Markets GmbH has therefore decided to withdraw from that market. An amicable solution was found with the operator for the termination of an existing long-term purchase contract, and it was terminated in the autumn.

In addition, Statkraft's hydroelectric power generation in Albania is marketed from Düsseldorf. In spring, the second Moglicë power plant was commissioned in Albania, which means there is now a total installed capacity of 250 MW. Marketing went very smoothly both during and after the initial operation. However, extreme drought prevailed throughout the second half of the year, with the result that production volumes fell significantly short of expectations.

The low precipitation levels also had a negative effect on generation volumes and with them the revenues of the two Statkraft hydropower plants in Turkey, which are commercial optimisation from the Düsseldorf office. For the smaller plant, Çakıt, the guaranteed feed-in tariff, which is high compared to the spot market, ends in 2021, meaning that further reduced revenues can be expected in the coming year.

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OPERATING RESULT

This year's turnover amounted to EUR 25.4 billion and is therefore slightly higher than last year's figure at EUR 25.2 billion. The electricity trading business accounted for EUR 7.8 billion (previous year: EUR 9.9 billion) and was affected by lower prices for electricity over the course of the year. Gas trading contributed EUR 2.3 billion to turnover (previous year: EUR 2.7 billion) and saw a moderate, mainly price-related decline as compared to the previous year. Emissions and green certificates trading saw a mainly price-driven sales growth from EUR 12.7 billion in 2019 to EUR 15.3 billion in 2020. In regional terms, the largest turnover of EUR 13.4 billion (previous year: EUR 10.6 billion) and EUR 9.3 billion (previous year: EUR 11.0 billion) was generated in the UK and Germany respectively.

Gross margin (defined as operating performance less cost of materials and services purchased from affiliated companies) decreased from EUR 295.8 million in 2019 to EUR 286.0 million in 2020.

	2020 EUR million	2019 EUR million
Sales revenue	**25,385.8**	25,224.7
Other capitalised own costs	**0.4**	0.1
Other operating income	**148.8**	141.8
Cost of raw materials and supplies	**47.1**	44.5
Cost of purchased services	**25,201.9**	25,026.3
Gross margin	**286.0**	**295.8**

It should be noted that this amount also includes income from exchange rate gains but not exchange rate losses. Adjusted for this effect of EUR 82.0 million (previous year: EUR 47.8 million), the gross margin amounted to EUR 204.0 million in the financial year 2020 and is thus lower than the comparable figure for the previous year of EUR 248.0 million.

Details on the volume and price development in the business areas are presented in the previous section.

In all, higher income from the power plants and trading success from the optimisation of Trading & Origination led to a satisfactory but lower gross margin compared to the previous year, which is mainly due to lower fuel prices and volatile electricity prices.

The increase in other operating income by EUR 7.0 million to EUR 148.8 million is mainly due to impairment reversals totalling EUR 66.7 million after impairment reversals of EUR 21.4 million in the previous year: EUR 52.1 million at the Knapsack II gas-fired power plant and EUR 14.6 million in total at the hydropower and biomass power plants, as an internal valuation by the management revealed a potential for impairment reversals up to amortised cost due to an improved market environment in the future. Currency exchange rate gains grew by EUR 34.2 million to EUR 81.9 million. In the previous year, this item was mainly affected by income from the reversal of provisions for impending losses of EUR 72.7 million.

Within the gross margin, high allocations to other provisions of EUR 69.1 million had a negative effect on the result (previous year: +EUR 136.7 million); these are mainly due to provisions for impending losses raised for hedges (EUR +101.9 million), which were concluded for pending transactions and which do not form part of a valuation unit. This was offset by reduced provisions from valuation units (EUR –21.4 million) and other provisions (EUR –13.4 million).

Personnel expenses increased by EUR 2.7 million to EUR 20.5 million (previous year: EUR 17.8 million), which is mainly due to increased expenditure on pensions.

Amortisation of intangible assets and depreciation of property, plant and equipment includes scheduled depreciation of EUR 11.9 million.

Other operating expenses can be broken down as follows:

	2020 EUR million	2019 EUR million
Currency exchange losses	80.1	43.2
IT related expenses	1.7	1.3
Legal and consultancy fees	8.7	5.0
Rent, repair and similar costs	19.7	19.7
Other	11.7	11.9
Total other operating expenses	**121.8**	**81.1**

Other operating expenses increased from EUR 81.1 million in 2019 to EUR 121.8 million in 2020. This is largely due to a EUR 36.9 million increase in exchange rate losses.

The financial result of Statkraft Markets GmbH was negative in 2020, as in the previous year (EUR –3.2 million), at EUR –12.4 million, largely due to the higher fees for guarantees and higher interest expenses.

The balance of income and expenses from profit transfer and loss absorption is EUR 1.4 million in the financial year 2020, compared to EUR 4.4 million in the previous year. Interest expenses of EUR 14.2 million (previous year: EUR 8.9 million) mainly concern EUR 9.1 million (previous year: EUR 6.7 million) of fees for parent company guarantees.

Income tax expenses of EUR 13.8 million were higher than the previous year's figure of EUR 4.4 million, mainly due to higher foreign corporation income taxes.

The positive result after tax of EUR 105.0 million will be paid to the sole shareholder Statkraft Germany GmbH based on a profit and loss transfer agreement concluded on 1 January 2009.

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NET ASSET AND FINANCIAL POSITION

Cash flow for 2020 and 2019 was as follows:

	2020 EUR million	2019 EUR million
Cash flow from operating activities	366.3	43.5
Cash flow from investment activities	–21.2	–12.7
Cash flow from financing activities	–0.7	6.3
Net increase / (decrease) in cash	**344.4**	**37.1**
Cash and cash equivalents as of 1 Jan	263.9	226.8
Cash and cash equivalents as of 31 Dec	608.3	263.9

Cash flow from operating activities amounted to EUR 366.3 million in the financial year 2020 (previous year: EUR 43.5 million). The high cash flow from operating activities results mainly from the net result before profit transfer and decrease in inventories due to the sale of certificates from environmental incentive and regulatory systems at the end of the trading period, lower collateral payments including lower collateral payments from the settlement of open positions carried out on the stock exchange as well as lower option premiums paid and lower trade receivables due to the reporting date. This was offset by the settlement of liabilities.

Cash flow from investment activities amounted to EUR –21.2 million (previous year: EUR –12.7 million) and essentially comprises the balance of the capital increases of Statkraft Ventures GmbH of EUR 17.6 million and the investments in tangible fixed assets of EUR 4.6 million.

Cash flow from financing activities includes cash inflows and outflows from profit and loss transfer agreements and equity increases totalling EUR 174.7 million.

As a result, this leads to a positive change in cash and cash equivalents to the amount of EUR 344.4 million. Considering the positive cash and cash equivalents of EUR 263.9 million at the beginning of 2020, this results in positive cash and cash equivalents of EUR 608.3 million as of 31 December 2020. Cash and cash equivalents as of 31 December 2020 consist of cash and cash equivalents of EUR 21.1 million and the net positive cash pool balance from Statkraft AS, Oslo / Norway, of EUR 587.2 million.

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to EUR 11.9 million in 2020. Investments in tangible fixed assets and financial assets amount to EUR 4.6 million and EUR 19.8 million respectively. Impairment reversals on power plants totalling EUR 66.7 million were recognised again in 2020 after unscheduled depreciation and amortisation in prior years.

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Total assets rose from EUR 1,921 million as of 31 December 2019 to EUR 1,928 million as of 31 December 2020. On the assets side, this can be attributed in particular to the impairment reversal of the power plants and the increase in receivables from affiliated companies.

This was offset by the drop in inventories, trade receivables and other assets.

The lower inventory level resulted mainly from the decrease in the trading portfolio of certificates from ecological incentive and regulation systems by EUR 96.1 million. The decrease in trade receivables is mainly due to the reporting date and also results from the higher offsetting of receivables and liabilities with customers with whom netting agreements exist.

The rise in receivables from affiliated companies of EUR 344.9 million was mainly due to the rise in cash pool receivables of EUR 341.3 million from Statkraft AS, Oslo / Norway. Other assets decreased, in particular due to lower securities paid of EUR 191.0 million, including lower securities from the settlement of open items on the exchange side and lower option premiums paid in the amount of EUR 28.0 million.

On the liabilities side, capital reserves increased mainly due to the capital increases of EUR 174.0 million and other provisions. The rise in other provisions mainly results from the provision for valuation units and the increase in provisions for impending losses. The decrease in liabilities to affiliated companies mainly results from the lower profit transfer to Statkraft Germany GmbH. Other liabilities decreased, largely due to the lower option premiums received.

In total, the equity ratio (equity divided by balance sheet total) in the year under review was 43.8 % (previous year: 34.9 %).

In addition to liquid funds of EUR 608.3 million at the end of the year, the company has a credit line of EUR 219.2 million to the parent company's cash pool. The company therefore has sufficient cash and cash equivalents to secure the independent financing of its operating activities in 2021 and the following years.

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Financial and non-financial performance indicators

Management systematically reviews segment results in order to make decisions on resource allocations and measure target achievement.

Financial performance indicators

The performance indicators used by management for internal reporting purposes are based on consolidated figures under International Financial Reporting Standards (IFRS) and include the fair values of pending transactions (market valuation), which are in principle recognised in profit or loss in the IFRS figures.

The financial performance indicators listed below primarily reflect the results of Statkraft Markets GmbH, Knapsack Power GmbH & Co. KG and a share in Kraftwerksgesellschaft Herdecke mbH & Co. KG. The internal management of Statkraft Markets GmbH is carried out via segments and includes the production volume and the results of the subsidiaries, as these are marketed directly by Statkraft Markets GmbH. Statkraft Markets GmbH accounts for the major share.

Performance indicators	2020	2019
Net operating revenue in EUR million	**394.5**	400.7
EBITDA in EUR million	**205.0**	242.7
Production volume in GWh	**5,567.3**	4,933.6

Gross profit (defined in accordance with IFRS as net operating revenue) and EBITDA decreased compared with the previous year, mainly due to lower fuel prices and volatile electricity prices. In all, higher income from the power plants and trading success from the optimisation of Trading & Origination lead to satisfactory net operating revenue and EBITDA.

In the trading business, it is difficult to make a reliable forecast due to the complex situation on the various markets. In the previous year, we forecast net operating revenue of EUR 250 million for 2020. We considerably exceeded the forecast amount with a net operating revenue of EUR 395 million for 2020, which was mainly due to the volatile prices on the electricity and gas markets and the items in the trading books, which were realised to the advantage of Statkraft Markets GmbH.

In Continental Assets, the forecast was not quite reached because the contribution to operating income was lower due to the operating periods being shorter than planned. However, we outperformed the production volume and contribution to operating income of the previous year.

EBITDA amounted to EUR 205 million in 2020 and was therefore EUR 105 million higher than the forecast amount of EUR 100 million. This is mainly due to the items in the trading books, which were realised to the advantage of Statkraft Markets GmbH.

As a result of the lower than planned operating times of the gas-fired power plants Knapsack I and Knapsack II, the actual generation of all power plants in 2020 was 5.6 TWh, meaning that the forecast of 6.9 TWh was not reached. At 5.0 TWh, the production volume of all power plants was therefore higher in 2020 than in the previous year.

The net operating revenue and EBITDA of Trading & Origination was positively influenced mainly by the volatile prices on electricity and gas markets and the items in the trading books, which were realised to our advantage, continuing high prices for European and international emission certificates and the establishment of long-term purchase and sales contracts in several countries.

Total production in 2020 in Continental Assets increased substantially in comparison with 2019. Accordingly, net operating revenue and EBITDA also increased in 2020. This is attributable to the longer operating times of the gas-fired power plants compared with the previous year as well as the technically smooth operation of the other power plants. Impairment reversals totalling EUR 66.7 million were made in 2020 after unscheduled depreciation and amortisation in the previous years.

In Market Access, net operating revenue and EBITDA in turn decreased substantially, which is particularly due to the activities in Germany, France, Ireland, Belgium and Turkey. We also refer to the explanations on business development.

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Non-financial performance indicators

Health & Safety
The Statkraft Group and Statkraft Markets GmbH place great emphasis on occupational safety and have set themselves the clear goal of preventing serious industrial accidents and violations of occupational safety requirements. Measures to develop a safety-conscious environment, clear requirements and tight controls in all operational processes and project stages are crucial to guarantee safe workplaces and achieve good results in occupational safety. The continuous implementation of these principles leads to a constant improvement in occupational safety statistics. A particular focus of our current occupational health and safety activities is to learn lessons from injuries, near-accidents and unsafe conditions and to introduce measures to prevent mistakes from being repeated.

In the course of 2020, eight incidents occurred that required medical treatment. All of them remained without serious consequential damage. In the case of seven incidents, downtime was recorded. An investigation into the incidents was carried out and appropriate measures were derived and implemented to prevent repetition.

The work for our Health & Safety management system is also a priority to ensure continuous improvement. For this, we are complying with the provisions of the OHSAS 18001 standard as well as other international best practice approaches.

Personnel
As of 31 December 2020, there were 144 employees. Statkraft Markets GmbH employed an average of 137 people during the year.

The Statkraft Group and Statkraft Markets GmbH strive for a diverse working environment and promote equal treatment in the recruitment of new employees and in personnel policy. Statkraft Markets GmbH, together with its subsidiaries, operates throughout Europe and employs personnel from different countries. This international environment is very attractive for new employees and has a positive effect on the development potential of new European markets.

The management would like to take this opportunity to thank all employees for their excellent performance in 2020.

Climate and environmental impact
Statkraft Markets GmbH applies internationally proven environmental practices and the Group’s environmental management system is based on ISO 14001.

In 2020, no serious environmental incidents were recorded at Statkraft Markets GmbH.

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OUTLOOK

The forecasts are based on the consolidated figures under International Financial Reporting Standards (IFRS) used for internal reporting.

For internal reporting purposes and based on the consolidated figures under International Financial Reporting Standards, Statkraft Markets GmbH forecasts a lower year-on-year net operating revenue of approximately EUR 245 million for 2021. The EBITDA figure is expected to be approximately EUR 90 million for 2021.

The forecasts are based on the following assumptions. The Trading & Origination division will continue to benefit from higher year-on-year prices in the markets for power and gas as well as emissions certificates and make a positive, but presumably lower contribution to the net operating revenue and EBITDA, as compared to the previous year. Business with long-term power purchase and supply agreements is to be further expanded in Germany, Spain and Poland; we expect to make positive contributions from this for 2021.

In Continental Assets, the predicted shorter operating times of the power plants will lead to a decreased net operating revenue and EBITDA. Further growth potential is forecast for the Market Access division, particularly in the UK. Positive contributions are also expected from the business with long-term electricity purchase and supply contracts.

Based on adjusted short-term market expectations and the resulting lower operating times, the production volume is expected to be 4.0 TWh. For the long term, however, the management expects the market environment to improve in the future, which is also the basis for the impairment reversals of the power plants.

As far as non-financial performance indicators are concerned, Statkraft takes every effort to prevent accidents at work and environmental incidents of any kind.

Actual results may differ from those anticipated due in particular to the further development of the COVID-19 pandemic. Despite the current difficult situation, the trading sector is expected to achieve the forecast set. In terms of the operating hours of the Knapsack I and Knapsack II gas-fired power plants however, the actual production volume of the power plants in 2021 could be below the volume produced in the previous year, depending on the duration of the COVID-19 pandemic. With lower capacity utilisation, the forecast net operating revenue and EBITDA could therefore be slightly below the forecast values.

However, the first quarter so far shows higher generation at the power plants than planned and a positive development in energy prices. Therefore, actual results in 2021 could be higher than forecast.

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OPPORTUNITIES AND RISKS

For the Trading & Origination division, risks and opportunities exist in the development of the market. False estimates of future price developments can have negative effects on the individual portfolios. At the same time, new and innovative products offer the opportunity to create added value.

The risks in the sale of green power certificates and proof of origin, which are included in the inventories on the balance sheet date, are regarded as being low since, as in the experience of the management, these certificates are requested by power suppliers in the summer of the following year in order to fulfil their regulatory obligations.

Opportunities exist in the expected market consolidation and Statkraft Markets GmbH's leadership in innovation. With the gradual phase-out of coal and the simultaneous completion of the phase-out of nuclear energy, gas-fired power plants are indispensable for covering the base load, at least in periods of low wind speeds. This is reflected in the prices traded on the futures market. As the gas supply remains good and the price for emissions certificates is high in a long-term comparison, gas-fired power plants will remain cheaper than coal-fired power plants for the foreseeable future, with the result that correspondingly long operating times can be expected.

For the opportunities and risks arising from the coal phase-out, please refer to the explanation in the Market Development section.

The decommissioning of large thermal plants is accompanied by a reduction in flexibility. With the simultaneous expansion of wind farms and solar plants in particular, a liquid intraday market on the one hand and small-scale, decentralised flexibility, for example through gas engines and batteries, on the other hand, are indispensable in order to cost-effectively counteract short-term fluctuations in renewable energy feed-in. To do this, it is important to have a regulatory environment that sets the right incentives and guarantees the necessary information for market participants. The UK and Ireland environments are excellent examples of meeting these requirements. Statkraft's activities in the area of market access for renewable energy and also for decentralised flexibility units are growing accordingly.

Germany can be seen to have the most liquid intraday market in Europe, yet the regulations continue to struggle with the recognition of the importance of the market for the cost-efficient integration of renewable energy and the associated grid stability. On the contrary, the expectation of the Federal Network Agency and the transmission system operators that the introduction of the control reserve market would increase competition and thereby reduce the costs for balancing energy or for balancing fluctuating generation has not yet been met. Instead, due to the simultaneous lifting of the price cap for the provision of balancing energy, there were extremely high balancing costs. A maximum value of EUR 15,859.10 / MWh was reached on 2 December 2020. Such prices represent a considerable risk not only for direct marketers but for every balancing group manager. As an immediate response, the Federal Network Agency instructed the transmission system operators to reintroduce a "technical price cap" of EUR 9,999.99 / MWh, which was implemented in January 2021. Continued low liquidity in the control reserve market in Germany and the integration of the European control reserve markets set for 2022, which currently does not provide for a comparable price cap but for marginal pricing at the same time, lead us to expect further regulatory changes in the short term. The structure of such changes will have a significant impact on the risks associated with direct marketing and therefore on the price level in this area.

Statkraft sees itself as a leading provider of market access and hedging products for producers on the one hand and green electricity supplies and hedging transactions for industrial and commercial customers on the other. As part of this business strategy, Statkraft Markets GmbH is exposed to significant electricity price and / or volume risks in relation to the contracted long-term electricity purchase and supply volumes on the generation and consumption side. In addition, there are significant credit default and regulatory risks due to the long-term nature of the contracts. These risks are monitored on an ongoing basis by the risk management department. The internal guidelines for controlling the relevant portfolios are applied here in the usual way and are constantly 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 limited as far as possible by means of appropriate contractual arrangements and change-in-law clauses.

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In addition, risks in the UK arise from the negotiated trade and cooperation agreement with the EU, which came into force provisionally on 1 January 2021, as well as further developments; and the company will continue to prepare for the consequences. This concerns the positions of the British Renewable Obligation Credit (ROC) system in particular as well as negative effects on long-term power purchase and supply contracts if industrial demand and prices fall sharply.

Despite the difficult situation due to the COVID-19 pandemic, business is proceeding as normal for the company. Risk assessments for day-to-day business, 24 / 7 operations and projects have been prepared and measures have been taken to avoid the identified risks and their effects. The measures include spatial separation of teams, the introduction of on-call services, improvement of the ability to work remotely, prioritisation of tasks and closer coordination with contractors, protection against infection as workplace safety measure as well as the free distribution of personal protective equipment and disinfectants; there is also a daily self-test offer for employees who cannot work remotely.

The COVID-19 pandemic has led to significantly reduced industrial production and electricity demand in many European countries. Financial risks could also arise as a result of the economic downturn. These include, in particular, lower contribution margins of the power plants due to declining demand as well as lower margins from customer contracts that contain minimum price guarantees. These developments translate into a higher credit and counterparty risk of default for Statkraft Markets GmbH, which holds short- and long-term sales contracts with industrial companies and suppliers.
At present, Statkraft Markets GmbH does not expect any impact on the operating times of the power plants due to production shutdowns. However, should unplanned shutdowns occur, repairs could actually take longer than under normal circumstances.

For the Trading & Origination business, there is currently increased volatility in the various markets with a significant drop in the price level for electricity derivatives and emission certificates. The trading department was well prepared for this development, so no negative effect on the trading business is expected. However, the current situation leads to increased default risks for the customers of Statkraft Markets GmbH.
A default of trading partners and customers could have a negative impact on trading business.

On the short-term markets relevant to Market Access, we expect higher price volatility if there are restrictions on power plant availability. These volatilities constitute both opportunities and risks.

RISK MANAGEMENT

Statkraft Markets GmbH is engaged in trading activities which are exposed to a number of risks. This includes in particular market price risks, counterparty credit risks, operative risks and risks connected with IT systems. Risk management therefore has the greatest priority at Statkraft Markets GmbH.

Business activities include trading and selling standardised term products, power profiles and other structured products. A large part of the profiles and structured products are hedged with corresponding futures contracts. Other parts of the derivative position will be closed out, usually through short-term deals to offset open positions. In total, the sum of the transactions should produce a positive arbitrage. Statkraft Markets GmbH is subject to financial risks, which can lead to fluctuations in profits and cash flow. In order to identify these risks on a timely basis and to address them, the company has drawn up appropriate risk management guidelines, which form an active part of the management of the company.

The management determines the risk policy with regard to the individual areas of business. The middle office plays a decisive role in risk management. It supervises daily business within the risk management system and delivers independent, professional assessments. The middle office managers systematically analyse all new business opportunities and prepare risk assessments to support the company management in making decisions. This increases risk awareness and ensures risks are effectively limited. Furthermore, the middle office draws up daily and weekly risk reports regarding Statkraft Markets GmbH's market positions. These are analysed and discussed weekly by management.

Risk is managed by means of a limit system. Trades can only be concluded if they are within the trading limits. The limit system is divided according to limits for the price change risk and the (credit) default risk. The market price risks that appear in the volatile power and gas market will be measured using the Value-at-Risk method (VaR) and Profit-at-Risk analyses (PaR). The middle office monitors the open positions on the portfolios and the company's total risk position. If the risk positions are exceeded, the middle office ensures that open positions are closed and risks from unsecured positions are minimised.

Credit and default risk is managed by means of an internal rating process. The credit limit of every counterpart is monitored and periodically checked, whilst the credit position is reported and discussed with individual counterparties on a regular basis. The rating and limit system allows the company to focus on counterparties with very good creditworthiness. Default risks exist in the derivative financial instruments amounting to the positive market values. Besides evaluating potential counterparty risks, all products, business opportunities and counterparties are assessed with regard to the principles of corporate social responsibility (CSR), and all middle office risk assessments related to the change of mandates or products must take this into account.

Risks arising from the fluctuation of liquidity resulting from the use of financial instruments such as forward contracts are managed by Statkraft Markets GmbH through regular monitoring of medium- and long-term cash flow and daily cash management.

Compliance with the financial and energy market rules introduced by the EU (REMIT, EMIR, MiFID, MAR, etc.) is monitored by a specialised compliance department. Personnel in this department was expanded in 2020 in order to meet the growth in business activities and the further increase in regulatory requirements.

With regard to the financial market regulations of MiFID II, Statkraft Markets GmbH has notified the German Federal Financial Supervisory Authority (BaFin) of a non-core activity exemption in accordance with RTS 20. Position limits were also continuously reviewed in line with RTS 21.

In order to meet the behavioural requirements of the EU Regulation on Wholesale Energy Market Integrity and Transparency (REMIT) and the Market Abuse Regulation (MAR), employees were comprehensively trained in the calendar year 2020, further instructions and guidelines were issued and additional monitoring measures introduced. All trading activities in financial products are checked by means of an automatic trade monitoring system.

All reporting obligations under the EU Regulation on OTC derivatives, central counterparties and trade repositories (EMIR) were complied with in 2020. Processes for coordinating portfolios and clarifying differences, as well as processes for confirming trade exchanges, are agreed and implemented with trading partners. The annual review of the systems and processes by auditors for 2019 resulted in the identification of one deficiency, which was, however, identified and remedied by Statkraft itself and reported to the auditors and BaFin. The reporting obligations under REMIT are properly fulfilled by a specialised department for both the Statkraft Group and a large number of counterparties.

Statkraft Markets GmbH does not face significant financing or default risks due to the long-term secured financing by an affiliated company and the outstanding receivables and liabilities owed from and to affiliated companies. The company is – like all of its affiliated companies – included in the cash pooling of the Statkraft Group.

Statkraft Markets GmbH is also exposed to various operational risks; these include process risks arising from the settlement of trading business and technical risks arising from the use of process control technology and IT, including risks from cyberattacks. These risks are actively managed. In this respect, the Statkraft Markets GmbH energy management function is in close contact with power plant personnel and takes potential technical failures into account in its marketing strategy. The company strives to have a high degree of redundancy for all core operations. Following this philosophy, multiple staff members are trained in key processes and backup routines are aligned in order to ensure that essential skills are always available. The risk management system is monitored by internal auditing.

In addition to the risks arising from the trading activities of Statkraft Markets GmbH, the operation and maintenance of the power plants also entail risks that need to be evaluated and managed. These risks mainly include hazards to persons, damage to property and the non-fulfilment of contractual obligations, especially in the area of electricity generation. The consideration of risks and their consequences is therefore an elementary component of all power plant processes, in particular maintenance planning, investment planning and the planning and evaluation of technical changes (management of change). The processes are described in the rules and regulations for the operation and maintenance of the power plants, and their correct implementation is monitored and supervised. Due to the size of the power plants in Knapsack and the Statkraft virtual power plant (> 420 MW), Statkraft Markets GmbH must also comply with the information security requirements pursuant to Section 8a German Federal Office for Information Security Act (Gesetz über das Bundesamt für Sicherheit in der Informationstechnik – BSIG) and Section 11(1b) German Energy Industry Act (Energiewirtschaftsgesetz – EnWG). For this purpose and to address cyberrisks, Statkraft Markets GmbH has implemented dedicated information security management systems (ISMS) in each case.

Management does not view the development of the company as being endangered by the aforementioned risks, but rather – also based on the explanations in the opportunities section – projects a positive development for the company.

Düsseldorf, 7 May 2021

Dr Gundolf Dany

Dr Carsten Poppinga

Dr Christian Redeker

Dr Petrus Schipper

Dr Malte Schwoon

Robert Teschke

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BALANCE SHEET AS AT 31 DECEMBER 2020

Assets	31.12.2020 EUR	31.12.2019 EUR '000
A. Fixed assets		
I. Intangible fixed assets		
Purchased Software	3,204,487.13	1,885
II. Tangible fixed assets		
1. Ground, buildings	23,339,088.93	14,380
2. Technical equipment and machines	189,089,410.93	138,990
3. Other assets, operating- and office equipment	3,655,196.83	3,271
4. Assets under construction	394,022.44	1,554
	216,477,719.13	158,195
III. Long-term financial assets		
1. Shares in affiliated companies	165,964,645.51	149,364
2. Shares in associated companies	0.00	751
3. Loans to affiliated and associated companies	2,100,000.00	0
4. Long-term investments	2,572,615.49	2,426
	170,637,261.00	152,541
	390,319,467.26	312,621
B. Current assets		
I. Inventories		
1. Raw materials and supplies	2,017,095.15	2,027
2. Goods	240,012,689.31	336,150
	242,029,784.46	338,177
II. Receivables and other assets		
1. Trade receivables	276,669,597.66	384,184
2. Receivables from affiliated companies	633,441,945.97	288,511
3. Other assets	361,152,654.70	569,864
	1,271,264,198.33	1,242,559
III. Cash-in-hand, bank, balances and cheques	21,133,068.31	17,983
	1,534,427,051.10	1,598,719
C. Prepaid expenses	3,612,872.26	9,309
	1,928,359,390.62	1,920,649

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Equity and Libilities	31.12.2020 EUR	31.12.2019 EUR '000
A. Equity		
I. Subscribed capital	4,000,000.00	4.000
II. Capital reserves	832,104,558.71	658,104
III. Retained earnings		
Other retained earnings	45,978.68	46
IV. Profits carried forward	8,663,853.54	8,664
	844,814,390.93	670,814
B. Provisions		
1. Provisions for pensions and similar liabilities	17,657,643.23	14,652
2. Tax provisions	0.00	1,744
3. Other provisions	482,490,811.85	413,380
	500,148,455.08	429,776
C. Liabilities		
1. Received prepayments	477,928.69	1,127
2. Trade payables	360,694,102.26	424,688
3. Liabilities to affiliated companies	171,543,774.54	202,221
4. Other liabilities of which for taxes EUR 411,010.53 (prior year: EUR 231 thousand)	50,645,075.01	191,328
	583,360,880.50	819,364
D. Deferred income	35,664.11	695
	1,928,359,390.62	1,920,649

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INCOME STATEMENT

for the period 1 January to 31 December 2020

	2020 EUR	2019 EUR '000
1. Sales revenue	25,385,840,292.28	25,224,708
2. Other capitalised own costs	415,395.53	61
3. Other operating income	148,803,940.87	141,806
4. Cost of materials		
a) Cost of raw materials and supplies	47,145,666.90	44,459
b) Cost of purchased services	25,201,934,963.47	25,026,271
5. Personnel expenses		
a) Salaries	12,959,519.22	11,725
b) Social security, pensions and other employee benfit costs of which for pensions: EUR 5,008,689.11 (Prior year: EUR 4,153 thousand)	7,543,227.43	6,113
6. Depreciation of tangible fixed assets and intangible fixed assets	11,972,213.61	10,105
7. Other operating expenses	121,823,730.90	81,083
8. Income from long-term equity investments	0.00	136
9. Income from profit transfer agreement	1,790,520.70	4,390
10. Other interest and similar income of which due from affiliated companies: EUR 200,199.84 (Prior year: EUR 656 thousand)	395,268.23	1,170
11. Expenses from loss absorption	360,928.84	17
12. Interest and similar expenses of which due from affiliated companies: EUR 10,272,793.44 (Prior year: EUR 6,733 thousand)	14,246,914.80	8,853
13. Taxes on income and earnings of which tax allocations from subsidiares: EUR 666,663.38 (Prior year: EUR 1,679 thousand)	13,776,924.30	4,428
14. Result after tax	105,481,328.14	179,217
15. Other taxes	470,712.27	154
16. Profit transfers	−105,010,615.87	−179,063
17. Net income for the financial year	0.00	0

Notes for financial year 2020

GENERAL REMARKS

Statkraft Markets GmbH is based in Düsseldorf. The company is listed in the register of the Local Court Düsseldorf under no. HRB 37885.

The annual financial statements have been prepared in compliance with Sections 242 et seq. and Sections 264 et seq. of the German Commercial Code (HGB) as well as with the relevant provisions of the German Limited Liability Company Act (GmbHG).

The regulations for large companies apply.

The income statement was prepared according to the total expenditure format.

The accounting and valuation rules applied are applied consistently to prior years, unless mentioned otherwise.

ACCOUNTING AND VALUATION RULES

The following accounting and valuation rules were applied when preparing these annual financial statements.

Intangible assets are recognised at acquisition cost and the **tangible assets** are recognised at acquisition or production cost. Production costs include both direct attributable costs (primarily personnel costs) as well as a proportionate share of overheads. **Borrowing costs,** which are incurred on the financing of the production of an asset, are capitalised as long as these arise during the construction period. Assets that are subject to wear and tear are depreciated in accordance with their useful life. Impairments are recognised when a decrease in value is probably permanent. Impairment reversals are recognised when the cause for initial impairment is no longer apparent. For **intangible** and **tangible assets** the following useful economic lives are applied:

Balance sheet items	Useful life in years	Depreciation method
Intangible assets	3–25	straight-line
Leasehold rights and buildings	6–33	straight-line
Technical equipment, plant and machinery	1–40	straight-line and diminishing balance
Other equipment, fixtures, fittings and equipment	3–13	straight-line and diminishing balance

Since financial year 2018, **low-value assets** with a net value of up to EUR 250.00 have been directly expensed in the income statement. A collective item for low-value assets with a net value of more than EUR 250.00 and up to EUR 1,000.00 is recognised in tangible fixed assets and depreciated over a five-year period using the straight-line method. The item is, in its totality, of only minor importance.

The **financial assets** are recognised at the lower of cost of acquisition or fair values, if fair values are likely to be permanently lower.

Inventories are recognised at weighted average or individual cost of acquisition. Write-downs to net realisable value are recognised when necessary. Deviating from the consistency principle, the inventories were separated into raw materials and supplies and finished goods for the first time in 2019. For 2018, a comparison figure of EUR 201,909 thousand was calculated and reclassified from raw materials and supplies to finished goods.

Receivables and other assets are capitalised at nominal value. Provisions are raised to cover any positions at risk.

Other assets in **foreign currency** are translated at the average spot exchange rate according to Section 256a HGB. For positions in foreign currency with a maturity of one year or less cost of acquisition principles according to Section 253 (1) sentence 1 HGB and the imparity principles of Section 252 (1) no. 4 half-sentence 2 HGB are not applied. Positions with a maturity of over one year did not exist at the balance sheet date.

Liquid assets are recognised at nominal value.

Expenses incurred before the balance sheet date are disclosed as **prepaid expenses** on the assets side to the extent that these constitute expenditures for a certain time after this date.

Pension provisions were measured according to the projected unit credit method, applying actuarial principles, and are based on Prof Klaus Heubeck's 2018G mortality tables published in 2018. These provisions were discounted at the average market interest rate of the past ten years as published by the Deutsche Bundesbank, and which apply to remaining term of 15 years (Section 253 (2) second sentence HGB). The difference between the calculation of the provisions taking the corresponding market interest rate from the previous ten years compared to the calculation of the provisions with the corresponding market interest rate from the previous seven years amounts to EUR 7,469 thousand in the current financial (previous year: EUR 6,951 thousand) year (Section 253 (6) HGB). The valuation of pension provisions is based on the following parameters:

	2020 **%**	2019 %
Discount rate	**2.31* / 1.60****	2.71* / 1.97**
Salary increases	**3.00 p.a.**	3.00 p.a.
Pension increases	**1.00 p.a.**	1.00 p.a.
Fluctuation	**0.00 – 6.00 p.a.**	0.00 – 6.00 p.a.

* ten-year average
** seven-year average

The valuation of bond secured pension obligations takes place in accordance with Section 253 (1) third sentence HGB. The amount of the pension obligations is completely based on the fair value of the reinsurance policies. To fulfil these employee pension obligations, capital is deposited in special funds, which in the case of bond secured pension obligations, is derived from salary sacrifice and is therefore solely employee financed.

Reinsurance policies have been concluded to secure direct pension obligations. These are not accessible to creditors. They are measured at fair value and offset against pension obligations. Fair value is determined based on the policy reserves projected by the insurance company. The discount rate changes are included in interest costs. The effect from the offset of plan assets is recognised in the interest expenses.

According to Section 246 (2) second sentence HGB, the **fair values of reinsurance policies** and pension obligations are offset for balance sheet presentation.

Other provisions cover all contingent liabilities as well as impending losses from pending transactions. They are calculated based on the expected settlement amount including future price increases common to normal business undertakings. Other provisions with a residual term of more than one year are discounted according to the average market interest rate of the past seven years as announced by Deutsche Bundesbank.

Unlike last year, provisions for impending losses for long-term power supply and purchase contracts in the countries Spain, Poland and Belgium, were not created because these were combined in macro valuation units.

Valuation units in accordance with Section 254 HGB. Statkraft Markets GmbH's commercial activities include physical and financial trading and optimisation activities in electricity, gas, emission rights and other commodities relating to the energy industry. Amongst other things, futures contracts are concluded for this purpose.

Statkraft Markets GmbH distinguishes between the Trading and the Origination divisions. While standard products are used in the Trading division to achieve margins with a short-term horizon, the Origination division also involves long-term optimisation activities with structured products and inventories. Both operating divisions are divided into different mandates in order to ensure adequate risk monitoring and management of trading/optimisation activities whilst strict segregation of duties between trading and risk controlling is followed. The definition of the individual mandates is generally based on the region traded, traded products and commodities, the time horizon or the trading strategies.

Risk limits for the trading mandates are determined by the Value-at-Risk (VaR) calculations, which are performed for each trading date by the risk management team. Defined procedures for reducing risk are initiated if specified limits are breached.

Risk limits for the origination mandates are based on Profit-at-Risk (PaR) calculations, which are also carried out on a daily trading date basis by the risk management. If limits are breached in Origination mandates, risk reduction measures are taken.

In principle, transactions concluded in the Trading and Origination Divisions are combined in macro valuation units in which the risk-compensating effect of comparable risks is taken into consideration. A macro valuation unit exists if the risk-compensating effect of a whole group of underlying transactions is evaluated at an aggregated level and these groups are jointly hedged against the (net remaining) risk and if this is in accordance with the risk management practice.

In each of the macro valuation units financial and economic risks, in the form of price and foreign exchange risks, are hedged through traded commodities within their mandate frame. The balance sheet presentation of the effective parts of the valuation units is done in accordance with the freezing method, according to which the changes in value in basic and hedging transactions which balance against one another and which can be traced back to the particular risk hedged, are not reported in the balance sheet.

The hedging intention of the macro valuation units exists continuously throughout the periods and these are in accordance with the risk guidelines for trading transactions. As of 31 December 2020, opposite cash flows streams exist for the period up to 2032. A documented, appropriate, working risk management system exists to determine the expected effectiveness. The scope of actions, responsibilities and controls according to internal guidelines are determined and binding. Trading in commodity derivatives is permitted within predefined limits. The limits are defined by independent organisational units and monitored daily during trading.

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The assets, liabilities and contingent transactions are included in the valuation units with the following nominal values (book values):

Transaction type	Nominal value in EUR '000
Assets	341,506
Liabilities	46,300
Pending purchase transactions	18,421,214
Pending sales transactions	18,356,702

The value of the risks hedged through valuation units is EUR 1,331,493 thousand.

The macro valuation units are tested for ineffectiveness on the balance sheet values at the end of the year by looking at the current market values of the particular valuation unit to which it relates. If the market value of all relevant commercial transactions is negative, considering all assets and liabilities included in the valuation units, a provision for the valuation unit is recognised. If the overall value is positive then no asset is recognised.

Liabilities are recognised at the amounts at which they will be settled. Present values of long-term obligations are calculated by applying comparable market interest rates. Received Prepayments are recognised at the amounts at which they will be settled.

Income received before the balance sheet date is disclosed as deferred income on the liabilities side to the extent that this constitutes income for a certain time after this date.

Receivables and credits or liabilities denominated in **foreign currencies** are posted at the rates in effect at the date of initial posting and are re-measured at the balance sheet date applying the average spot exchange rate. The losses from exchange rate changes on the balance sheet date are recognised as losses. In contrast, unrealised profits from exchange rate changes are recognised if they relate to receivables and liabilities with a remaining term of up to one year.

Affiliated companies are all those companies which are included in the consolidated financial statements of Statkraft SF, Oslo, Norway, and those in which Statkraft SF, Oslo, Norway, either directly or indirectly holds the majority interest, but which are not included in the consolidated financial statements according to the choice of accounting policy.

Sales from trading are disclosed as gross figures.

Internal expenditure capitalised comprises mainly personnel costs for own employees.

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EXPLANATORY COMMENTS ON THE BALANCE SHEET

Fixed assets

The movements in fixed assets and their amortisation and depreciation and interest for the financial year are presented in the statement of movements in fixed assets (Appendix to the Notes). Borrowing costs were not capitalised in the financial year.

The 100 % subsidiary Statkraft Ventures GmbH, Düsseldorf, which was founded in 2015, received a capital increase in 2020 of EUR 17,600 thousand. The shares of Windpark Kollweiler GmbH & Co. KG, Billerbeck, were sold. On 18 December 2020, Statkraft Windpark Oedelsheim GmbH & Co. KG was founded. It didn't receive share capital until reporting day.

List of shareholdings

This information relates to 31 December 2020, to the extent not stated otherwise.

Name and registered office	Investment held 31.12. %	Results for financial year EUR '000	Share capital / limited liability capital EUR '000	Equity EUR '000
Statkraft Markets Financial Services 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	116,472
Knapsack Power GmbH & Co. KG, Düsseldorf[2]	100	–109	25	68,060
Knapsack Power Verwaltungs GmbH, Düsseldorf[2]	100	2	25	70
Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen[2][3]	50	3,488	10,000	32,962
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen[2][3]	50	1	25	43
Statkraft Trading GmbH, Düsseldorf	100	0[1]	25	25
Statkraft Ventures GmbH, Düsseldorf	100	0[1]	25	44,170
Statkraft Windpark Oedelsheim GmbH & Co. KG, Düsseldorf[3]	1	0	0	0

[1] Result after transfer of profit / loss
[2] Indirectly held investments
[3] Last annual financial statements 31.12.2019

Receivables and other assets

As in the previous year, all receivables and other assets have a residual term of up to one year. In 2020, a lump sum valuation allowance for receivables of EUR 2,801 thousand (previous year: EUR 3,881 thousand) was posted.

Receivables from affiliated companies are comprised as follows:

	2020 EUR '000	2019 EUR '000
Receivables from cash pool against Statkraft AS, Oslo / Norway	**587,212**	245,937
Trade accounts receivable	**32,633**	22,145
Receivables from profit transfer agreements	**1,791**	4,390
Receivables from shareholder Statkraft Germany GmbH, Düsseldorf	**11,806**	16,039
Total receivables against affiliated companies	**633,442**	**288,511**

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Receivables due from the shareholder (EUR 11,806 thousand) Statkraft Germany GmbH, Düsseldorf, are mainly input tax refund claims.

Other assets mainly include paid securities of EUR 287,889 thousand (previous year: EUR 488,127 thousand), including securities from the exchange-side settlement of open positions, options premiums paid of EUR 39,114 thousand (previous year: EUR 67,139 thousand), and CO_2 certificates of EUR 31,088 thousand (previous year: EUR 4,317 thousand).

Prepaid expenses

The prepaid expenses of EUR 3,613 thousand (previous year: EUR 9,309 thousand) mainly concern power purchase agreements of EUR 2,932 thousand (previous year: EUR 1,800 thousand) and certificates amounting to EUR 258 thousand (previous year: EUR 3,139 thousand).

Deferred tax reimbursements

Deferred tax assets are not recognised as any likely disclosure must be made at the level of Statkraft Germany GmbH, Düsseldorf, in its capacity as the tax group holding company (since 1 January 2009).

Equity

In the current year a capital injection of EUR 174,000 thousand was made. As a consequence of the controlling and profit and loss transfer agreement with Statkraft Germany GmbH, Düsseldorf, in force since 1 January 2009, the company's equity increased solely by this amount to EUR 844,814 thousand.

Provisions for pensions and similar obligations

Reinsurance policies have been concluded to secure direct and bond secured **pension obligations.** The costs as well as the fair values of the plan assets are shown in the following table:

	Acquisition costs EUR '000	Fair value EUR '000
Pension reinsurance policies	28,861	33,171

For the financial reporting period, a deficit of EUR 17,658 thousand (previous year: EUR 14,652 thousand) was assessed and recognised in the pension provisions, based on the 10-year average rate. Applying the 7-year average rate, this would have resulted in pension obligations of EUR 21,603 thousand (previous year: EUR 25,127 thousand). The difference according to Section 253 (6) HGB thus amounts to EUR 7,469 thousand (previous year: 6,951), but is not subject to a payment restriction. Prior to offsetting the plan assets of EUR 33,171 thousand (previous year: EUR 30,848 thousand), pension obligations in the financial year 2020 amounted to EUR 50,829 thousand (previous year: EUR 45,500 thousand).

The difference between the fair value and cost of the pension reinsurance policies is subject to a payment and distribution restriction in accordance with Section 268 (8) HGB and amounts to EUR 4,310 thousand (previous year: EUR 3,711 thousand). As a result of the amount of the profit carried forward there is in principle no payment restriction for the annual net profit at 31 December 2020.

Net interest results include gains of EUR 512 thousand (previous year: EUR 680 thousand) resulting from plan assets. This also includes expenses due to discounting of pension obligations of EUR 1,218 thousand (previous year: EUR 1,296 thousand). Expenses of EUR 51 thousand (previous year: EUR 50 thousand) were netted against the interest from plan assets.

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Other provisions

Other provisions amount to EUR 482,491 thousand (previous year: EUR 413,379 thousand). Other provisions mainly consist of the following:

	2020 EUR '000	2019 EUR '000
Provision for valuation units	**278,225**	299,665
Provision for onerous contracts	**153,935**	52,049
Decommissioning provisions	**22,962**	22,036
Accruals	**5,035**	3,994
Employee bonuses	**970**	918
Provisions for jubilee and death payments	**688**	711
Employees liability insurance association costs	**375**	263
Other	**20,301**	33,744
Total other provisions	**482,491**	**413,380**

The company has concluded long-term power supply contracts that, as in the preceding years, have been examined for possible risks of expected losses from the future power supply obligations, including interest and currency rate risks. The valuation showed a possible loss of EUR 153,935 thousand over the total lifetime of the contract so that provisions for onerous contracts were recognised.

Liabilities

As in the previous year, liabilities are due within one year.

The received prepayments contain prepayments for green certificates of EUR 478 thousand (previous year: EUR 1,127).

Liabilities towards affiliated companies are as follows:

	2020 EUR ’000	2019 EUR ’000
Liabilities from profit and loss transfer agreement to shareholder Statkraft Germany GmbH	**105,011**	174,063
Trade accounts payable	**64,387**	27,389
Liabilities from deliveries and services to shareholder Statkraft Germany GmbH	**1,786**	752
Liabilities from the transfer of losses	**361**	17
Total liabilities to affiliated companies	**171,544**	**202,221**

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Other liabilities

In financial year 2013, the company agreed to acquire the contractual rights and obligations of a power purchase agreement with Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen, an affiliated company. The power purchase agreement runs until the end of 2037. Statkraft Markets GmbH received EUR 94,364 thousand for the acquisition of the power purchase agreement. The value reflected the expected future loss from this agreement as of the time of the transfer.

The liability of EUR 486 thousand reported in the 2019 financial statements was reduced in full with no effect on profit or loss in the current fiscal year. At the balance sheet date, there was no need to recognize any liabilities from the power purchase agreement.

The following table shows the details of other liabilities at the balance sheet date:

	2020 EUR ’000	2019 EUR ’000
Liabilities from option premium	**45,059**	184,302
Securities received from counterparties	**1,984**	3,564
Liabilities from environmental certificate purchase agreements	**0**	486
Liabilities from power purchase agreement	**0**	486
Tax liabilities	**411**	231
Miscellaneous	**3,191**	2,259
Total other liabilities	**50,645**	**191,328**

As in the previous year, the securities received represent receipts from bilateral margin agreements.

Contingent liabilities

As in the previous year, there were no contingent liabilities from bank guarantees and other guarantees or other commitments as of the balance sheet date.

Other financial obligations

Future obligations of EUR 153,286 thousand arise from the tolling agreement with Knapsack Power GmbH & Co. KG, which runs until 2032.

As of 31 December 2020, obligations relating to long-term power purchase agreements continuing until 2022 or rather 2035 amount to EUR 147,691 thousand. Obligations from a long-term service agreement until 2028 amount to a total of EUR 17,640 thousand.

Obligations from tenancy leases and leasing agreements as of 31 December 2020 amount to EUR 14,758 thousand (previous year: EUR 13,567 thousand). Of this amount, EUR 1,596 thousand (previous year: EUR 1,497 thousand) is due within one year and EUR 7,025 thousand (previous year: EUR 8,641 thousand) after five years. The rental and leasing properties are used according to their normal purpose. No significant opportunities or risks exist from the rental and leasing contracts.

Additional financial obligations amounting to EUR 4,650 thousand relate to legal disputes that have not yet been resolved. As the company does not expect to lose the disputes no provision was recognised.

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EXPLANATORY COMMENTS ON THE INCOME STATEMENT

Sales

Sales revenues in the past financial year amounted to EUR 25,385,840 thousand (previous year: EUR 25,224,708 thousand) and were distributed across the segments as follows:

	2020 EUR '000	2019 EUR '000
Emissions and green certificates trading	15,281,708	12,663,737
Power trading	7,793,389	9,867,011
Gas trading	2,254,322	2,679,052
Other services to clients	56,421	14,908
Total sales	**25,385,840**	**25,224,708**

Classified by regional markets, sales are distributed as follows:

	2020 EUR '000	2019 EUR '000
Great Britain	13,388,203	10,687,196
Germany	9,286,296	11,008,840
Netherlands	1,870,614	2,298,559
France	196,859	280,023
Australia	79,272	170,769
Belgium	72,918	80,664
Bulgaria	70,879	168,724
Switzerland	65,975	83,403
Spain	56,986	29,721
Norway	53,830	17,923
Czech Republic	47,540	150,995
Poland	35,297	9,791
Slovenia	29,115	43,244
Ireland	21,549	2,830
Austria	21,090	304
Albania	18,182	41,669
Luxembourg	16,201	444
Hungary	14,155	70,960
Greece	11,124	1,023
Italy	9,509	20,399
USA	4,169	49,346
Romania	1,894	5,738
Other	14,183	2,142
Total sales	**25,385,840**	**25,224,708**

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Other operating income

Other operating income amounted to EUR 148,804 thousand (previous year: EUR 141,806 thousand) and consists of the following:

	2020 EUR '000	2019 EUR '000
Currency exchange gains[1]	**81,940**	47,784
Impairment reversals of fixed assets	**66,718**	21,351
Gains from the release of provisions / other liabilities[2]	**142**	72,663
Other	**3**	8
Total other operating income	**148,804**	**141,806**

[1] Thereof EUR 0 thousand (previous year: EUR 0 thousand) unrealised currency exchange gains
[2] Thereof EUR 142 thousand (previous year: EUR 72,663 thousand) from other periods

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Cost of materials

Cost of materials amounted to EUR 25,249,081 thousand (previous year: EUR 25,070,730 thousand) and consists of the following:

	2020 EUR '000	2019 EUR '000
Cost of raw materials and supplies	**47,146**	44,459
Cost of purchased services	**25,201,935**	25,026,271
Total cost of materials	**25,249,081**	**25,070,730**

Depreciation and amortisation of intangible fixed assets and tangible assets

The depreciation and amortisation of tangible assets comprises solely normal depreciation.

Other operating expenses

Other operating expenses comprise the following:

	2020 EUR '000	2019 EUR '000
Currency exchange losses [1]	**80,078**	43,194
Rent, repair and similar costs	**18,815**	19,696
Legal and consulting costs	**8,686**	5,022
IT related expenses	**1,690**	1,345
Expenses for telephone and data transmission	**1,427**	937
Services for power plants	**868**	804
Guarantee costs	**373**	331
Marketing and information costs	**340**	592
Membership fees	**317**	294
Travel costs	**123**	297
Expenses for external employees	**1**	157
Costs from the write off-of assets	**0**	2,079
Other	**9,105**	6,334
Total other operating expenses	**121,824**	**81,083**

[1] Thereof EUR 4,889 thousand (previous year: EUR 5,991 thousand) unrealised currency exchange losses

Interest and similar expenses

Interest expenses for the financial year 2019 of EUR 14,247 thousand (previous year: EUR 8,853 thousand) includes interest expense on accrued pension liabilities amounting to EUR 1,219 thousand (previous year: EUR 1,296 thousand) and additional interest on accrued other provisions of EUR 269 thousand (previous year: EUR 602 thousand).

Taxes on income

Taxes on income amount to EUR 13,777 thousand (previous year: EUR 4,428 thousand) and mainly comprise foreign corporation income taxes from prior years.

Issues relating to other periods

The other operating income includes EUR 142 thousand of income from other periods which mainly result from the release of provisions.

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OTHER INFORMATION

Derivative financial instruments not recognised at fair value

The market values of the currency forwards were calculated on the difference between the hedging transactions at the hedging rate (nominal values) and the hedging transactions at the closing rate (fair values).

Forward exchange transactions

Currency forwards are used to hedge against foreign currency risks.

At the balance sheet date following forward exchange transactions existed:

	Nominal value EUR '000	Fair value EUR '000
Positive market values		
Sale of GBP	37,737	37,790
Sale of USD	0	0
	37,737	37,790
Negative market values		
Sale of GBP	139,515	138,263
	177,252	**176,053**

Unrealised losses from these transactions of EUR 1,199 thousand were recognised in other provisions.

Interest rate hedging transactions

At the balance sheet date following interest rate hedging transactions to secure the interest risk existed:

	Nominal value EUR '000	Fair value EUR '000
Positive market values	0	0
Negative market values	222,462	200,892
	222,462	**200,892**

Unrealised losses from the interest rate hedging transactions of EUR 21,570 thousand were recognised.

Auditor fees

The total fee charged by the auditor for the financial year 2020 amounts to EUR 330 thousand (previous year: EUR 298 thousand). Of this, EUR 312 thousand relates to the audit of the financial statements and EUR 18 thousand to other audit services.

Management

Dr Carsten Poppinga (Senior Vice President Trading & Origination), Düsseldorf,
Dr Christian Redeker (Regional Director), Brühl,
Dr Petrus Schipper (Vice President North-western European & US Origination), Amsterdam,
Robert Teschke (Vice President Accounting, Tax, Internal Control), Düsseldorf,
Dr Gundolf Dany (Vice President Strategic Asset Ownership Continental), Düsseldorf (since 1 April 2021),
Dr Malte Schwoon (Vice President Energy Management Continent), Düsseldorf (since 1 April 2021)

are the managing directors with joint powers of representation.

The managing directors perform the duties and responsibilities of the divisions shown above as their full-time occupation within the Statkraft Group.

Total remuneration paid to the management

Only one managing director received remuneration from the company in financial year 2020. The remuneration of the other managing directors was recharged to the company on basis of the existing service agreements with affiliated companies. The total remuneration of the members of the management for 2020 amounts to EUR 3,293 thousand (previous year: EUR 1,304 thousand).

Employees

The company had an average of 137 industrial employees in the reporting year (previous year: 139).

Subsequent Events

There were no events of special significance after the end of the financial year.

Group affiliation

The company's annual financial statements are included in the consolidated financial statements of Statkraft AS, Oslo, Norway, as of 31 December 2020 (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 for Statkraft AS are available from the registered court (Regnskapsregisteret) in Oslo, Norway, under register number 987 059 699.

The consolidated financial statements for Statkraft SF are available from the registered court (Regnskapsregisteret) in Oslo, Norway, under register number 962 986 277.

The management intends to file the consolidated financial statements and the management report of Statkraft AS, prepared in accordance with the International Financial Reporting Standards (IFRS), in English with the online version of the Bundesanzeiger (German Federal Gazette) according to the relevant provisions for consolidated financial statements and consolidated management reports pursuant to Section 291 HGB under Statkraft Markets GmbH, Düsseldorf / HRB 37885 / Düsseldorf District Court. In this case, Statkraft Markets GmbH will not be obligated to prepare its own consolidated financial statements and a consolidated management report according to Section 290 HGB.

Deviations from German legal requirements with respect to the annual financial statements of Statkraft Markets GmbH can arise in the area of fixed assets due to different definitions of useful life, on different valuations of pension provisions and pending trading transactions as well as the creation of deferred taxes which derive from the different accounting and valuation methods.

Proposal for distribution of profits / losses

The accumulated profit of the year will be absorbed by the sole shareholder, Statkraft Germany GmbH, Düsseldorf, pursuant to the controlling and profit and loss transfer agreement. The net result that will be disclosed for the year therefore amounts to EUR 0.

Düsseldorf, 7 May 2021

The Management team

Dr Gundolf Dany

Dr Carsten Poppinga

Dr Christian Redeker

Dr Petrus Schipper

Dr Malte Schwoon

Robert Teschke

FIXED ASSET MOVEMENTS

	Gross book values As at 1. 1. 2020 EUR	Additions EUR	Transfers EUR	Disposals EUR	As at 31. 12. 2020 EUR
I. Intangible assets					
1. Purchased software	12,861,485.87	253,175.59	0.00	0.00	13,114,661.46
2. Goodwill	11,779,877.84	0.00	0.00	0.00	11,779,877.84
	24,641,363.71	253,175.59	0.00	0.00	24,894,539.30
II. Tangible assets					
1. Land, leasehold rights and buildings	98,130,838.99	48,350.29	135,868.64	0.00	98,315,057.92
2. Technical equipment, plant and machinery	683,809,622.98	2,763,873.08	1,376,717.71	0.00	687,950,213.77
3. Other equipment, fixtures, fittings	18,972,976.25	1,438,378.86	0.00	24,986.06	20,386,369.05
4. Assets under construction	7,703,892.00	352,698.94	1,512,586.35	0.00	6,544,004.59
	808,617,330.22	4,603,301.17	0.00	24,986.06	813,195,645.33
III. Financial assets					
1. Shares in affiliated companies	149,367,145.51	17,600,000.00	0.00	1,000,000.00	165,967,145.51
2. Investments	751,000.00	0.00	0.00	751,000.00	0.00
3. Loans to affiliated and associated companies	0.00	2,100,000.00	0.00	0.00	2,100,000.00
4. Long-term investments	2,425,853.76	146,761.73	0.00	0.00	2,572,615.49
	152,543,999.27	19,846,761.73	0.00	1,751,000.00	170,639,761.00
	985,802,693.20	24,703,238.49	0.00	1,775,986.06	1,008,729,945.63

	Accumulated depreciations					
	As at 1. 1. 2020 EUR	**Additions EUR**	**Transfers EUR**	**Disposals EUR**	**Write-ups EUR**	**As at 31. 12. 2020 EUR**
I. Intangible assets						
1. Purchased software	10,976,681.41	117,460.40	0.00	0.00	1,183,967.48	9,910,174.33
2. Goodwill	11,779,877.84	0.00	0.00	0.00	0.00	11,779,877.84
	22,756,559.25	117,460.40	0.00	0.00	1,183,967.48	21,690,052.17
II. Tangible assets						
1. Land, leasehold rights and buildings	83,750,549.00	885,063.79	0.00	0.00	9,659,643.80	74,975,968.99
2. Technical equipment, plant and machinery	544,820,188.82	9,914,573.27	0.00	0.00	55,873,959.25	498,860,802.84
3. Other equipment, fixtures, fittings	15,701,920.69	1,055,116.15	0.00	24,986.06	878.56	16,731,172.22
4. Assets under construction	6,149,982.15	0.00	0.00	0.00	0.00	6,149,982.15
	650,422,640.66	11,854,753.21	0.00	24,986.06	65,534,481.61	596,717,926.20
III. Financial assets						
1. Shares in affiliated companies	2,500.00	0.00	0.00	0.00	0.00	2,500.00
2. Investments	0.00	0.00	0.00	0.00	0.00	0.00
3. Loans to affiliated and associated companies	0.00	0.00	0.00	0.00	0.00	0.00
4. Long-term investments	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
	673,181,699.91	11,972,213.61	0.00	24,986.06	66,718,449.09	618,410,478.37

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	Net book values	
	As at 31.12.2020 EUR	As at 31.12.2019 EUR
I. Intangible assets		
1. Purchased software	3,204,487.13	1,884,804.46
2. Goodwill	0.00	0.00
	3,204,487.13	1,884,804.46
II. Tangible assets		
1. Land, leasehold rights and buildings	23,339,088.93	14,380,289.99
2. Technical equipment, plant and machinery	189,089,410.93	138,989,434.16
3. Other equipment, fixtures, fittings	3,655,196.83	3,271,055.56
4. Assets under construction	394,022.44	1,553,909.85
	216,477,719.13	158,194,689.56
III. Financial assets		
1. Shares in affiliated companies	165,964,645.51	149,364,645.51
2. Investments	0.00	751,000.00
3. Loans to affiliated and associated companies	2,100,000.00	0.00
4. Long-term investments	2,572,615.49	2,425,853.76
	170,637,261.00	152,541,499.27
	390,319,467.26	312,620,993.29

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INDEPENDENT AUDITOR'S REPORT
TO STATKRAFT MARKETS GMBH, DÜSSELDORF

Audit opinions

We have audited the annual financial statements of Statkraft Markets GmbH, Düsseldorf, comprising the balance sheet as at 31 December 2020, the income statement for the period ended 31 December 2019 and the notes to the financial statements, together with the recognition and measurement policies presented therein. We also audited the management report of Statkraft Markets GmbH, Düsseldorf/ Germany, for the period ended 31 December 2020.

In our opinion, based on the findings of our audit,

- the attached annual financial statements have in all material respects been prepared in accordance with the requirements of German commercial law applicable to corporations and give a true and fair view of the net assets and financial position of the company as at 31 December 2020 and its results of operations for the period ended 31 December 2020 in accordance with the German principles of proper accounting and
- the attached management report provides a suitable 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.

In accordance with Sec. 322 (3) Sentence 1 German Commercial Code (HGB), we declare that our audit did not lead 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 the management report in accordance with Sec. 317 German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW). Our responsibilities under these provisions and standards are defined in more detail 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 conducted our other professional obligations in Germany in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and suitable to provide a basis for our audit opinions on the annual financial statements and the management report.

Legal representatives' responsibility for the annual financial statements and the management report

The legal representatives are responsible for ensuring that the annual financial statements are prepared in all material respects in accordance with the requirements of German commercial law relating to corporations, and that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the company in accordance with the German principles of proper accounting. In addition, the legal representatives are responsible for the internal controls that they have determined necessary in compliance with the German principles of proper accounting to allow the preparation of annual financial statements that are free from material misstatements, intentional or otherwise.

In preparing the annual financial statements, the legal representatives are responsible for assessing the company's ability to continue as a going concern. They are also responsible for disclosing, if applicable, matters related to going concern. In addition, they are responsible for accounting on the basis of the going-concern principle, unless otherwise prevented from doing so by any actual or legal circumstances.

The legal representatives are also responsible for preparing the management report so that it provides as a whole a true and fair view of the company's position and is in all material respects consistent with the annual financial statements, complies with the German legal requirements, and accurately presents the opportunities and risks of future development. In addition, the legal representatives are responsible for taking precautions and introducing measures (systems) which they have deemed necessary to ensure the preparation of the management report is in accordance with the applicable German legal requirements and that sufficient appropriate evidence can be provided for the statements made in the management report.

Auditor's responsibilities for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatements, intentional or otherwise; 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 results of our 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 containing our audit opinions on the annual financial statements and the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Sec. 317 German Commercial Code (HGB) and the German generally accepted standards for the audit of financial statements promulgated by the Institute of Public Auditors in Germany (IDW) will always detect a material misstatement. Misstatements can result from legal violations or inaccuracies and are considered to be material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of readers of the annual financial statements and management report made on the basis of said annual financial statements and management report.

We exercise professional judgment and maintain professional scepticism throughout the audit. In addition:

- We identify and assess the risks of material misstatements, intentional or otherwise, in the annual financial statements and the management report, plan and conduct audit activities as a response to these risks and obtain audit evidence that is sufficient and suitable to provide a basis for our audit opinions. The risk of material misstatements not being detected is higher in the case of legal violations than in the case of inaccuracies, as legal violations can include fraudulent conduct, forgery, intentionally incomplete disclosures, misleading statements, and the circumvention of internal controls.
- We gain an understanding of the internal control system relevant to the audit of the annual financial statements and the precautions and measures relevant to the audit of the management report in order to plan audit activities that are appropriate under the given circumstances but are not aimed at issuing an audit opinion on the effectiveness of these systems at the company.
- We evaluate the appropriateness of accounting policies used by the legal representatives and the reasonableness of estimates and related disclosures made by the legal representatives.
- We draw conclusions on the appropriateness of the legal representatives' 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 undertake 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 opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Future events or circumstances can, however, lead to the company being unable to operate as a going concern.
- We 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 gives a true and fair view of the net assets, financial position, and results of operations of the company in compliance with the German principles of proper accounting.
- We assess the consistency of the management report with the annual financial statements, its compliance with legal requirements, and the view it gives of the company's position.
- We conduct audit activities on the forward-looking statements made by the legal representatives in the management report. On the basis of sufficient appropriate audit evidence, we evaluate, in particular, the significant assumptions used by the legal representatives as a basis for the forward-looking statements, and evaluate the proper derivation of the forward-looking statements from these assumptions. We do not issue a separate audit opinion on the forward-looking statements or the underlying assumptions. There is a substantial unavoidable risk that future events will deviate materially from the forward-looking statements.

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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, 7 May 2021

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Dr Benedikt Brüggemann)	**(Niklas Polster)**
German Public Auditor	German Public Auditor

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