STATKRAFT MARKETS GMBH
ANNUAL REPORT

2019
Powering a green future

<
>

KEY INDICATORS AND CORPORATE STRUCTURE

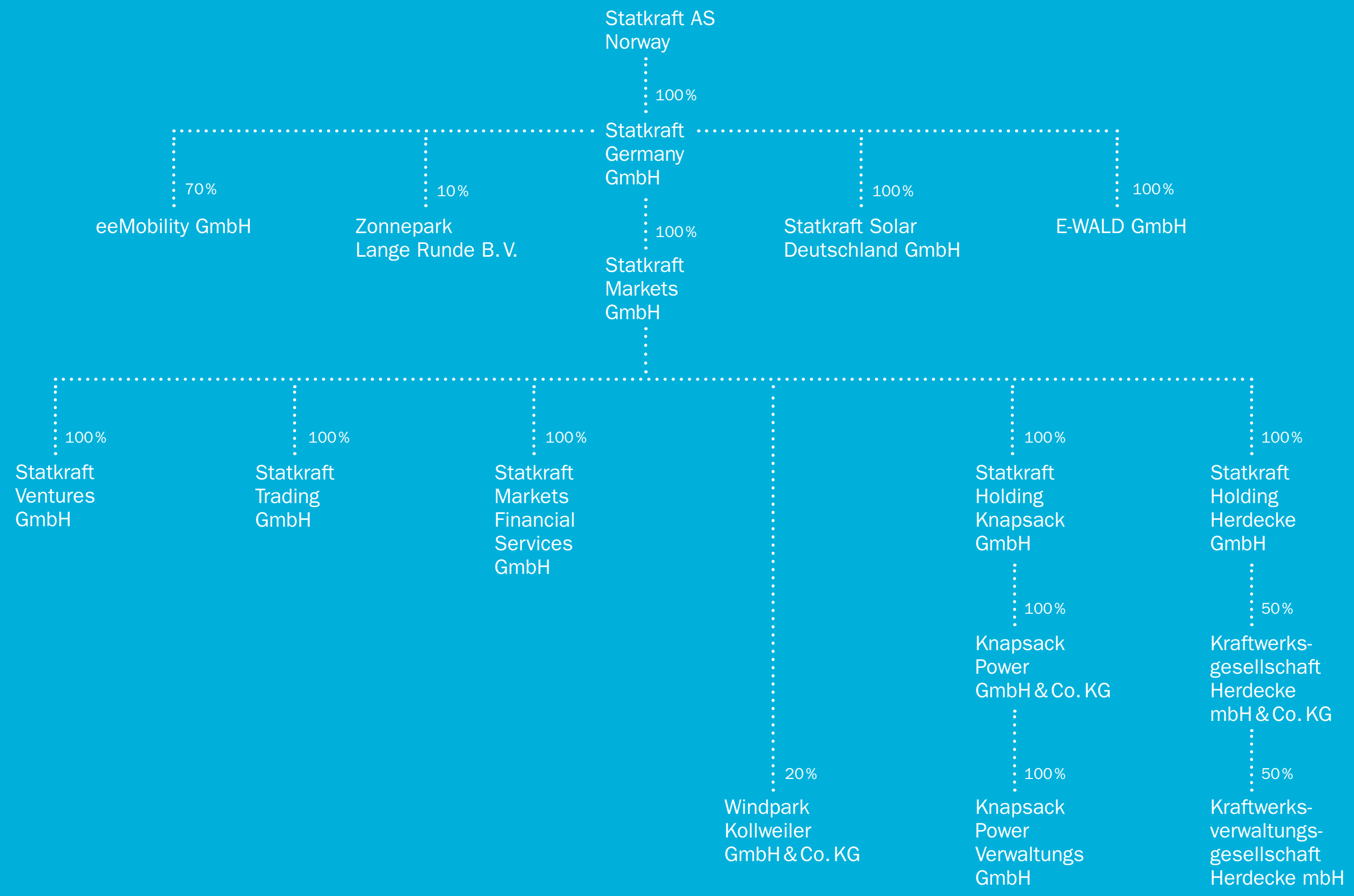
Key indicators of Statkraft Markets GmbH

Values in EUR million	**2019**	**2018**	**2017**	**2016**
Sales revenue	25,224.7	25,567.2	17,385.9	13,196.0
EBIT	187.0	0.3	118.0	–139.8
Profit before taxes	179.2	–5.6	191.7	–177.6
Profit after taxes	179.1	–5.8	191.5	–177.8
Cash flow from continuous operations	37.2	22.0	0.2	–327.9
Cash and cash equivalents	18.0	16.9	29.9	18.0
Net working capital	28.1	381.1	194.2	410.2
Balance sheet total	1,920.6	1,597.2	1,298.8	1,466.5
Equity	670.8	670.8	410.8	410.8
Equity ratio (%)	34.9	42.0	31.6	28.0
Number of employees 31.12.	146	140	168	167

<

Corporate structure

>



Management report for financial year 2019

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 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 37.7 EUR / MWh, the average price for spot deliveries (baseload electricity) on the European Energy Exchange (EEX) was 6.8 EUR / MWh lower than the average price for the year 2018 (44.5 EUR / MWh). Compared to the average prices for the years 2010 to 2018, the average price in Germany in 2019 was about 1.2 EUR / MWh lower. The EEX price for peak hours (peak load from 8 am to 8 pm on weekdays) averaged 44.4 EUR / MWh and was thus 7.1 EUR / MWh lower than 2018 (annual average of 51.5 EUR / MWh).

Gas prices also dropped in 2019 and were on average 9.3 EUR / MWh below the previous year's prices. At the virtual trading point NCG (NetConnect Germany) prices averaged 13.6 EUR / MWh in 2019 (previous year: 22.9 EUR / MWh).

Prices on the emissions market improved significantly. While the average spot prices in 2018 were EUR 15.9 per tonne, the average price in 2019 rose to EUR 24.8 per tonne.

The past year was characterised by extremely low gas prices. Starting from a mild winter, storage levels were consistently high throughout the year. Even the start of the heating period in autumn did not lead to a significant price increase. At the same time, the prices for emission certificates stabilised at a high level as compared with recent years. This resulted in improved conditions for the use of gas-fired power plants, which were therefore able to achieve significantly higher operating times and revenues. Over longer periods, the short-term generation costs of gas-fired power plants were more favourable than those of hard coal-fired power plants and, in some cases, even surpassed lignite-fired power plants.

Volatility on the spot and forward markets remained at a high level. The influence of wind and solar generation dominated spot prices, with 2019 being characterised by very high wind feed-in. On the futures markets, the various scenarios for the concrete implementation of the decisions taken by the “Commission on Growth, Structural Change and Employment” (Kohlekommission) led to considerable uncertainty. At the same time, there was again uncertainty over extended periods of time regarding the availability of French nuclear power plants.

Increased operating times offered additional revenue opportunities for gas-fired power plants through the marketing of reserve capacity. In the first half of the year in particular, the plants were able to benefit from the so-called mixed-price procedure for the tendering of reserve capacity. This procedure favoured thermal plants and pumped-storage power plants, since they were able to provide reserve capacity at working prices close to the day-ahead spot price in the mixed-price procedure. In July, a competitor's complaint against the mixed-price procedure was upheld before Düsseldorf Higher Regional Court (OLG). The Federal Network Agency then ordered a return to what is known as the output price procedure. This significantly reduced revenue from the marketing of reserve capacity for Statkraft's plants in the second half of the year.

The coal commission (Kohlekommission) presented its final report on 26 January 2019. The commission recommended the end of 2038 as the final phase-out and shutdown date. A flexibility clause was agreed on: if the electricity market, labour market and economic situation allow it, the exit date can be brought forward to 2035 in agreement with the operators. This is to be reviewed in 2032. The shutdown plan is also to be assessed in 2023, 2026 and 2029 in terms of security of supply, electricity prices, employment positions and climate targets.

< >

According to the coal commission's (Kohlekommission) final report, coal-fired power plants with a net capacity of 42.6 gigawatts (GW) were still on the market at the end of 2017. 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. From 2018 to 2022, 12.5 GW are to be taken off the grid, thereby reducing capacity to 15 GW of lignite and 15 GW of hard coal. 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. For lignite-fired power plants, the draft law contains a concrete decommissioning path as well as regulations on compensation. The Coal Exit Act (Kohleausstiegsgesetz) provides for a regulation that allows CO_2 certificates that have become free to be deleted. However, the draft law does not contain a concrete decision as to how CO_2 certificates that have become free are to be handled. Changes may still be made during the parliamentary process, which is to be completed by mid-2020. Statkraft Markets GmbH will continue to monitor further developments, and this will be considered when assessing the gas-fired power plants.

Another recommendation in the final report was to consider the introduction of a CO_2 pricing system with a steering effect in sectors outside the European Emissions Trading System. On 29 November 2019, the Federal Council approved the Fuel Emissions Trading Act (Brennstoffemissionshandelsgesetz) passed by the Bundestag. It obliges companies trading in heating oil, liquid gas, natural gas, petrol, coal and diesel to purchase a certificate for the greenhouse gas emissions of their products from 2021 onwards. For this they pay the CO_2 price, starting at EUR 25 per tonne of CO_2. The price will rise gradually to EUR 55 by 2025. From 2026 onwards, there will be an auction procedure involving a fixed price corridor with a minimum and a maximum price.

Independently of the decisions made by the coal commission (Kohlekommission), the expansion of electric mobility is to be accelerated through higher subsidies and an improved charging infrastructure. For example, the German federal government has supported a draft law according to which every parking space in new and renovated residential buildings with more than ten parking spaces must be equipped with protective tubes for electric cables. In commercial buildings, this is to apply to every five parking spaces. From 1 January 2025 onwards, every "non-residential building" with more than 20 parking spaces must be equipped with at least one charging point.

BUSINESS DEVELOPMENT

Trading & Origination had an excellent year in 2019 with the successful conclusion of customer contracts in newly developed 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. Many of these contracts have a term of more than 10 years.

Sales in Market Access decreased in the financial year 2019. Nonetheless, it was also possible to conclude contracts with new customers in the financial year 2019, 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 2019 and the positive earnings contributions from the underlying transactions will be recognised in the future.

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

Statkraft Ventures made three new investments in the financial year 2019. In the field of energy efficiency in buildings, an investment was made in Deepki SAS, a company based in Paris / France. In addition, investments were made in the area of energy efficiency in production facilities in Metron SAS, also based in Paris / Frankreich. A new investment was also made in Betterspace Group GmbH, based in Kassel / Germany, which focuses mainly on providing energy efficiency solutions for hotels. In the course of the year, a portfolio company, Limejump Ltd, based in London / Great Britain, was also sold.

Overall there was a net gain of EUR 179.1 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 loss of EUR 5.8 million.

This was mainly due to volatile prices on electricity and gas markets, positions taken 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.

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

Trading & Origination

The electricity markets in Europe were strongly influenced by the decline in fuel prices in 2019. Coal and gas prices fell by almost 30 % for the 2020 annual contract, with gas deliveries in the summer of 2019 being at times quoted at less than EUR 10 / MWh. The emission price traded with some volatility around a level of EUR 25 / t. The annual delivery contract in electricity fell in Germany from around EUR 51 / MWh to a level of EUR 42 – 43 / MWh at the end of the year. The situation on the Scandinavian markets also eased in such a way that the hydrological deficit of at times 10 TWh saw improvement over the year to levels between 0 and 5 TWh.

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.

In customer trading, the company succeeded in establishing an extensive portfolio of long-term electricity purchase and supply contracts in Spain. Here the sole focus was on the purchase of power from wind farms and solar parks. A similar business model was initiated in Poland, where long-term contracts were concluded for wind power and a sale to a Polish industrial company was successfully concluded.

In Germany, the green power supply agreement with Daimler AG is particularly noteworthy. This agreement was set up in cooperation with Enovos Energie Deutschland GmbH and Enovos Luxemburg S.A. as the end suppliers. Here, Statkraft procures electricity from German wind farms whose EEG subsidies are expiring, from subsidy-free solar parks and from German and Norwegian hydroelectric power. Statkraft also concluded the first long-term power purchase agreement with solar parks in Germany, which was partly used to supply NaturStrom Trading GmbH.

Transactions with globally traded emissions permits 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 the British Renewables Obligation (RO) credit. The Group invested 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.

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. Due to the longer operating times of the gas-fired power plants over the last few years, new operating personnel was taken on in 2019. The optimal dispatch planning for plants again focused more intensively on daily operation. 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 required to generate electricity – developed positively in the year under review as compared to 2018 even though an overhaul of the Herdecke gas-fired power plant carried out in the year under review reduced availability and earnings.

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 waste timber remained low.

In 2019, the hydroelectric power plants operated without technical problems. However, unusually low water levels in the course of the year led to lower electricity generation, though water levels were generally higher than in the previous year. Generation was therefore better 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.

At the Erzhausen pumped storage power plant, a major maintenance project in connection with two generators was completed. This improved the technical substance of the power plant. However, this work has also led to unavailability this year and therefore at times to lower commercial results. During the periods when the plant was available, it was possible to optimise the power plant and successfully market it.

Total generation in 2019, at approx. 5.0 TWh, was significantly higher than the previous year's level of 2.0 TWh. The main reason for this is the much higher level of operation of gas power plants.

These production volumes include figures from the indirect holding company Kraftwerksgesellschaft Herdecke mbH & Co. KG according to the percent ownership in the subsidiaries; 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 expanded in the French, British, Irish and Turkish markets, while the portfolio in Germany and Belgium changed only marginally. Statkraft Markets GmbH in Düsseldorf operates a 24 / 7 balancing management system for all the countries mentioned here.

The direct marketing portfolio in Germany started the year at around 11 GW and grew slightly in a generally weak market environment in which only a small number of new plants were connected to the grid compared to previous years. The revenue situation of the business segment benefited from the overall high level of wind power feed-in. The costs of the associated balancing management were strongly influenced by the above-mentioned return to the output price procedure for the procurement of balancing energy. As such, the costs for balancing management were rather low in the first half of the year as compared to the previous year, but were volatile in the second half of the year.

A more complex valuation system for wind turbines was used for the annual renegotiation phase in autumn, and the pricing was adjusted accordingly. This led to a significant reduction in the portfolio size for 2020 to just under 10 GW. Nevertheless, this means that Statkraft Markets GmbH is still the market leader in the direct marketing of renewable energies in Germany.

In Belgium, Statkraft Markets GmbH is responsible for the long-term marketing of a large offshore wind farm. Although a number of risks did not materialise, particularly with regard to the availability of the Belgian nuclear power plants, balancing management still posed a considerable challenge.

The development of the portfolio in France exceeded expectations. More than 300 MW are now being marketed, and in the course of the coming year the size of the portfolio will double based on plants that have already been contracted and will be connected to the grid in the coming year. Competition in France is very intense, but a high degree of automation has made it possible to keep the operating costs of portfolio management low. The sales team was expanded during the course of the year, so a large number of new contracts can still be concluded in 2020 and the 1,000 MW mark should be exceeded in 2021.

< >

The 3,400 MW wind and solar portfolio in the UK grew only slightly in 2019. However, risks were reduced and contract periods extended through renegotiation. The portfolio of flexible plants (gas engines and batteries) was significantly expanded to a capacity of more than 250 MW. This year, Statkraft Markets GmbH also entered the British reserve market for the first time with this flexible portfolio. The optimisation and activation of third-party plants will mostly be fully automated. The aim is to double the flexible portfolio to some 500 MW in the coming year.

The Irish portfolio has developed positively this year. In addition to the extension of the contract periods of existing plants, the wind portfolio was expanded to a size of more than 200 MW. Furthermore, the Statkraft Group completed and commissioned its first own wind and battery project this year. Statkraft Markets GmbH is responsible for marketing these plants as a service provider. An increase in the direct marketing portfolio is also expected for the coming year.

The Market Access portfolio in Turkey doubled in the course of the year to around 800 MW, thereby crossing the threshold to profitability. Thanks to a high degree of automation, Statkraft Markets GmbH was able to offer tailor-made solutions to a large number of smaller customers. In the coming year, the portfolio will be somewhat smaller, but at the same time will be supplemented with several consumers, making it even more attractive as a balancing group.

Furthermore, Statkraft Markets GmbH is optimising two hydroelectric power plants in Turkey as a service within the Statkraft Group. The power plants receive a feed-in tariff, so the revenues are largely dependent on the amount of electricity generated. 2019 was again rather dry in a long-term comparison, especially in the winter and autumn months, which is when most of the annual precipitation normally falls. Nevertheless, significant additional revenues were generated by the provision of reserve capacity.

In addition, a hydroelectric power plant in Albania is marketed from Düsseldorf. 2019 was affected by continuous drought conditions resulting in lower revenues. These were partially compensated by relatively high price levels. The generation volume continued to decline over the course of the year as the dam of another Statkraft hydroelectric power plant was being filled upstream. The new power plant with an installed capacity of 180 MW will be commissioned in spring 2020.

< >

OPERATING RESULT

This year's turnover amounted to EUR 25.2 billion and is therefore slightly lower than last year's figure at EUR 25.6 billion. The electricity trading business accounted for EUR 9.9 billion (previous year: EUR 10.2 billion) and was affected by lower prices for electricity over the course of the year. Gas trading contributed EUR 2.7 billion to sales (previous year: EUR 3.4 billion) and saw a sharp, mainly price-related decline as compared to the previous year. Emissions and green certificates trading saw a mainly price-driven growth in sales from EUR 12.0 billion in 2018 to EUR 12.7 billion in 2019. In regional terms, the largest turnover of EUR 11.0 billion (previous year: EUR 11.1 billion) and EUR 10.6 billion (previous year: EUR 10.1 billion) was generated in Germany and the UK respectively.

Gross margin (defined as operating performance less cost of materials and services purchased from affiliated companies) increased from EUR 93.2 million in 2018 to EUR 295.8 million in 2019.

<

	2019 EUR million	2018 EUR million
Sales	**25,224.7**	25,567.2
Other own work capitalised	**0.1**	0.2
Other operating income	**141.8**	28.5
Cost of raw materials and supplies	**44.5**	78.6
Cost of purchased services	**25,026.3**	25,424.1
Gross margin	**295.8**	**93.2**

>

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 47.8 million (previous year: EUR 27.9 million), the gross margin amounted to EUR 248.0 million in the financial year 2019 and is thus above the comparable figure for the previous year of EUR 65.3 million.

In addition, higher income from the power plants and from Trading & Origination led to an increase in the gross margin, which is mainly due to lower fuel prices.

In addition, high provisions of EUR 72.7 million were released, mainly for impending losses raised for hedges of undelivered transactions which do not form part of a valuation unit.

Personnel expenses were around the same level as the previous year at EUR 17.8 million (previous year: EUR 17.5 million).

Amortisation of intangible assets and depreciation of property, plant and equipment includes scheduled depreciation of EUR 10.1 million. In the year under review, impairment reversals of EUR 21.4 million were made at the Knapsack 2 gas-fired power plant, as an internal valuation by the management revealed a potential for impairment reversals up to amortised cost in the future due to an improved market environment.

Other operating expenses can be broken down as follows:

	2019 EUR million	2018 EUR million
Currency exchange losses	43.2	30.8
IT related expenses	1.3	1.2
Legal and consultancy fees	5.0	3.9
Rent, repair and similar costs	19.7	19.5
Other	11.9	8.7
Total other operating expenses	**81.1**	**64.0**

Other operating expenses increased from EUR 64.0 million in 2018 to EUR 81.1 million in 2019. This is largely due to a EUR 12.4 million increase in exchange rate losses.

The financial result of Statkraft Markets GmbH was negative in 2019, as in the previous year (EUR 6.0 million), at EUR 3.2 million. The balance of income and expenses from profit transfer and loss absorption is EUR 4.4 million in the financial year 2019, compared to EUR 0.5 million in the previous year.

Interest expenses of EUR 8.9 million mainly relate to fees for parent company guarantees of EUR 6.7 million (previous year: EUR 5.7 million).

The positive result after tax of EUR 179.1 million will be paid to the sole shareholder Statkraft Germany GmbH based on a profit and loss transfer agreement concluded on 1 January 2009.

< >

NET ASSET AND FINANCIAL POSITION

Cash flow for 2019 and 2018 was as follows:

	2019 EUR million	2018 EUR million
Cash flow from operating activities	43.5	22.0
Cash flow from investment activities	–12.7	–82.3
Cash flow from financing activities	6.3	154.8
Net increase / (decrease) in cash	**37.1**	**94.5**
Cash and cash equivalents as of 1.1.	226.8	132.3
Cash and cash equivalents as of 31.12.	263.9	226.8

Cash flow from operating activities amounted to EUR 43.5 million in the financial year 2019 (previous year: EUR 22.0 million). Cash flow from operating activities results mainly from the higher net result before profit transfer and option premiums received. This is offset by the increase in inventories and other assets.

Cash flow from investment activities amounted to EUR –12.7 million (previous year: EUR –82.3 million) and essentially comprises the balance of the capital increases of Statkraft Ventures GmbH of EUR 8.1 million and the increase in plan assets for provisions for pensions and similar obligations of EUR 2.4 million.

Cash flow from financing activities includes cash inflows and outflows from profit and loss transfer agreements totalling EUR 6.3 million.

As a result, this leads to a positive change in cash and cash equivalents to the amount of EUR 37.1 million. Considering the positive cash and cash equivalents of EUR 226.8 million at the beginning of 2019, this results in positive cash and cash equivalents of EUR 263.9 million as of 31 December 2019. Cash and cash equivalents as of 31 December 2019 consist of cash and cash equivalents of EUR 17.9 million and the net positive cash pool balance with Statkraft AS, Oslo, Norway, of EUR 245.9 million.

Amortisation of intangible assets and depreciation of property, plant and equipment amounted to EUR 10.1 million in 2019. Investments in tangible fixed assets and financial assets amount to EUR 3.0 million and EUR 11.3 million respectively. Impairment reversals of EUR 21.4 million were made on the Knapsack 2 power plant.

< >

Total assets rose from EUR 1,597 million as of 31 December 2018 to EUR 1,921 million as of 31 December 2019. On the assets side, this can be attributed in particular, to the impairment reversal at Knapsack 2 power plant, the increase in inventories, trade receivables and other assets. The higher inventory level resulted mainly from the increase in the trading portfolio of certificates from ecological incentive and regulation systems by EUR 134.2 million. The increase in trade receivables is mainly due to the reporting date and also results from the lower offsetting of receivables and liabilities with customers with whom netting agreements exist. The rise in receivables from affiliated companies of EUR 32.4 million was mainly due to the rise in cash pool receivables of EUR 27.4 million from Statkraft AS, Oslo / Norway. Other assets increased by EUR 301.6 million, in particular due to higher securities paid, including lower securities from the settlement of open items on the exchange side, lower CO_2 certificates by EUR 207.9 million and lower option premiums paid in the amount of EUR 28.0 million.

On the liabilities side, other provisions and liabilities to affiliated companies in particular increased. The rise in other provisions mainly results from the provision for valuation units and the increase in provisions for impending losses. The increase in liabilities to affiliated companies mainly results from the higher profit transfer to Statkraft Germany GmbH.

In total, the equity ratio (equity divided by balance sheet total) in the year under review was 34.9 % (previous year: 42.0 %).

In addition to liquid funds of EUR 263.9 million at the end of the year, the company has a credit line of EUR 220.7 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 2020 and the following years.

< >

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 market valuations of pending transactions (market valuation), which are in principal recognised in the IFRS reporting.

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 management of Statkraft Markets GmbH is steered via segments and includes the production volume and the result of the subsidiaries, as those are directly marketed by Statkraft Markets GmbH. Statkraft Markets GmbH represents the key share.

Performance indicators	**2019**	2018
Net operating revenue in million EUR	**400.7**	171.0
EBITDA in million EUR	**242.7**	44.0
Production volume in GWh	**4,933.6**	1,994.6

Gross profit (defined in accordance with IFRS as net operating revenue) and EBITDA increased sharply as compared with the previous year due to reverse effects from the market valuation of pending transactions compared to the previous year.

Due to the complex situation on the various markets it is difficult to offer a reliable forecast for trading. In the previous year, we forecasted net operating revenue of EUR 230 million for 2019. With a net operating revenue for 2019 of EUR 401 million, we exceeded the forecast. This was mainly due to the volatile prices on electricity and gas markets and the position in the trading books which were realised to our advantage, as well as the longer operating times of the gas-fired power plants.

EBITDA amounted to EUR 243 million in 2019 and was therefore EUR 154 million above the forecast amount of EUR 89 million. This is mainly due to reverse effects from the market valuation of pending transactions from the previous year as well as the impairment reversal of the Knapsack 2 power plant.

Due to longer operating times of the Knapsack 1 and Knapsack 2 gas power plants, the actual generation of all power plants in 2019 was 5.0 TWh, thereby meeting the forecast of 5.0 TWh.

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 2019 in Continental Assets increased substantially in comparison with 2018. Accordingly, net operating revenue and EBITDA also increased in 2019. This is attributable to the longer operating times of the gas power plants as well as the technically smooth operation of the other power plants, whereas in the previous year generation was significantly impaired due to a defective generator at the Knapsack 1 gas power plant and the dry summer. Impairment reversals totalling EUR 21.3 million were made in 2019 after unscheduled depreciation in the previous years at the Knapsack 2 power plant.

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

< >

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. 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 has led to a constant improvement in occupational safety statistics. The Statkraft Group attaches great importance to learning lessons from injuries, near-accidents and unsafe conditions.

In the course of 2019, three incidents occurred that required medical treatment. All of them remained without serious consequential damage. In the case of two incidents, downtime was recorded. The incidents were investigated and the relevant risks were repeatedly and emphatically pointed out.

The company persists in focusing on the continuous improvement and implementation of new health & safety guidelines. The Statkraft Group's health and safety management system complies with the OHSAS 18001 standard and international best practice.

Personnel
As of 31 December 2019, there were 146 employees. Statkraft Markets GmbH employed an average of 139 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 2019.

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 2019, no serious environmental incidents were recorded at Statkraft Markets GmbH.

< >

OUTLOOK

The forecasts are based on the consolidated figures under International Financial Reporting Standards (IFRS) used for internal reporting and were prepared before the COVID-19 pandemic.

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 250 million for 2020. The EBITDA figure is expected to be EUR 100 million for 2020.

The forecasts are based on the following assumptions: The Trading & Origination division will continue to benefit from higher prices in the markets for power and gas as well as emission 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 this to make positive contributions in 2020.

In Continental Assets, the predicted longer operating times of the power plants due to expected higher prices will lead to an increased 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.

The forecast generation volume is set at 6.9 TWh due to the rise in prices and associated increase in length of operating times.

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, among other things, to the further development of the COVID-19 pandemic. Despite the current strained situation, it is expected to meet the (assumed) forecast in trading. In the area of operating hours of the gas power plants Knapsack 1 and Knapsack 2 the actual production volume could be lower in 2020 than in the previous year, depending on the length of the COVID-19 pandemic. With a lower utilisation the forecast net result and EBITDA could be slightly below the forecasted values.

< >

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.

The current earnings situation of gas-fired power plants should continue in the coming years. Based on the prices traded on the futures market, gas-fired power plants will remain cheaper than coal-fired power plants over longer periods of time due to relatively low gas prices and continuing stable prices for emission certificates and therefore have longer operating periods.

In terms of the opportunities and risks arising from the final report issued by the coal commission (Kohlekommission) and the German government's draft legislation for the coal phase-out at the end of January 2020, please refer to the explanation in Market Development.

Liquid intraday markets and low balancing costs are essential for the marketing of wind and solar plants. In the UK and Ireland, the expansion of gas engines and batteries in particular continues. Statkraft supports this trend both as an operator and as a long-term market access provider. This considerably reduces the balancing cost risk. In both Turkey and France, sufficient flexibility is available in the medium term due to the generation structure with a significant share of hydroelectric power and thermal plants. In a small market such as Belgium, the liquidity of the intraday market is still low. The planned further expansion of large offshore wind turbines off the coast of Belgium without additional flexible turbines being connected to the grid at the same time continues to lead to a high balancing cost risk.

The intraday market in Germany is very liquid. However, since the above-mentioned return to the output price procedure for the procurement of reserve capacity, the balancing costs have been high, i.e. in some cases they deviate significantly from the day-ahead and intraday traded prices. At the end of 2020, intraday procurement of reserve capacity is to be introduced ("control reserve market"). The tendency here should be lower balancing costs compared to the status quo, while at the same time a current cap on reserve capacity prices is to be lifted. Overall, we expect this to at least lead to higher volatility in balancing costs and thus to a higher risk, which should not have a noticeable impact until 2021.

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.

In addition, risks in the UK arise from the “hard Brexit” on 31 January 2020 and ongoing developments; the company will further continue to make preparations for the consequences in this regard.

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 division of teams, improvement of home office availability, prioritisation of tasks and closer coordination with contractors.

The COVID-19 pandemic has led to a considerable drop of industrial production and power demand in many European countries. As a result of the industrial decline, financial risks may arise. These include, in particular, lower gross margins of the power plants due to lower demand as well as lower margins from customer contracts which include minimum price guarantees. For Statkraft Markets GmbH, which holds short- and long-term contracts with industrial enterprises and suppliers, these developments could result in higher credit and counterpart default risk. At the moment, Statkraft Markets GmbH doesn’t expect that production stops will have an impact on the running hours of the power plants. But if there are unplanned stoppages, repairs are likely 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 credit-worthiness. 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 responsibility (CR), and all Middle Office risk assessments related to 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 again expanded in 2019 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 addition, the decision was taken not to conclude any financial transactions via the licensed subsidiary Statkraft Markets Financial Services GmbH at the beginning of 2019, and the banking licence of Statkraft Markets Financial Services GmbH was returned with effect from 23 May 2019.

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 2019, 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, with no reportable suspicious behaviour having been detected.

< >

All reporting obligations under the EU Regulation on OTC derivatives, central counterparties and trade repositories (EMIR) were complied with in 2019. Processes for coordinating portfolios and clarifying differences, as well as processes for confirming trade exchanges, are agreed and implemented with trading partners. The annual audit of the systems and processes by auditors for 2018 revealed a deficiency for the first time, but at the time of the auditors' findings, the deficiency had already been identified and corrected by Statkraft. 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 a number of different operational risks, including the technical risks inherent in the operation and dispatch of power plants and process risks involved in the handling of trading business, including IT risks in particular. 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.

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, 30 April 2020

Dr Carsten Poppinga

Dr Christian Redeker

Dr Petrus Schipper

Robert Teschke

<
>

BALANCE SHEET AS AT 31 DECEMBER 2019

Assets	31.12.2019 EUR	31.12.2018 EUR '000
A. Fixed assets		
I. Intangible fixed assets		
Purchased Software	1,884,804.46	1,596
II. Tangible fixed assets		
1. Ground, buildings	14,380,289.99	10,923
2. Technical equipment and machines	138,989,434.16	127,070
3. Other assets, operating- and office equipment	3,271,055.56	2,704
4. Assets under construction	1,553,909.85	3,679
	158,194,689.56	144,376
III. Long-term financial assets		
1. Shares in affiliated companies	149,364,645.51	141,222
2. Shares in associated companies	751,000.00	2,438
3. Loans to affiliated and associated companies	0.00	300
4. Long-term investments	2,425,853.76	0
	152,541,499.27	143,960
	312,620,993.29	289,932
B. Current assets		
I. Inventories		
1. Raw materials and supplies	2,027,280.48	3,296
2. Goods	336,149,466.86	201,910
	338,176,747.34	205,206
II. Receivables and other assets		
1. Trade receivables	384,183,514.32	339,935
2. Receivables from affiliated companies	288,511,286.95	256,095
3. Other assets	569,864,465.37	479,467
	1,242,559,266.64	1,075,497
III. Cash-in-hand, bank, balances and cheques	17,983,039.37	16,919
	1,598,719,053.35	1,297,622
C. Prepaid expenses	9,308,672.98	9,625
	1,920,648,719.62	1,597,180

Equity and Libilities	31.12.2019 EUR	31.12.2018 EUR '000
A. Equity		
I. Subscribed capital	4,000,000.00	4,000
II. Capital reserves	658,104,558.71	658,104
III. Retained earnings		
Other retained earnings	45,978.68	46
IV. Profits carried forward	8,663,853.54	8,664
	670,814,390.93	670,814
B. Provisions		
1. Provisions for pensions and similar liabilities	14,651,911.06	9,824
2. Tax provisions	1,744,060.59	0
3. Other provisions	413,379,432.43	275,720
	429,775,404.08	285,544
C. Liabilities		
1. Received prepayments	1,127,256.01	12,866
2. Trade payables	424,688,091.38	367,246
3. Liabilities to affiliated companies	202,221,079.21	51,324
4. Other liabilities of which for taxes EUR 230,598.37 (previous year: EUR 258 thousand)	191,327,890.81	209,359
	819,364,317.41	640,795
D. Deferred income	694,607.20	27
	1,920,648,719.62	1,597,180

< >

INCOME STATEMENT

for the period 1 January to 31 December 2019

	2019 EUR	2018 EUR '000
1. Sales revenue	25,224,708,114.42	25,567,190
2. Other capitalized own costs	61,227.66	198
3. Other operating income	141,805,599.27	28,452
4. Cost of materials		
a) Cost of raw materials and supplies	44,459,017.05	78,600
b) Cost of purchased services	25,026,271,086.70	25,424,076
5. Personnel expenses		
a) Salaries	11,724,948.64	10,880
b) Social security, pensions and other employee benfit costs of which for pensions: EUR 4,153,368.58 (Prior year: EUR 4,818 thousand)	6,113,415.76	6,664
6. Depreciation of tangible fixed assets and intangible fixed assets	10,104,648.85	11,406
7. Other operating expenses	81,083,334.90	63,995
8. Income from long-term equity investments	136,512.00	112
9. Income from profit transfer agreement	4,389,640.08	1,369
10. Other interest and similar income of which due from affiliated companies: EUR 655,934.53 (Prior year: EUR 419 thousand)	1,170,036.51	560
11. Expenses from loss absorption	17,142.50	871
12. Interest and similar expenses of which due from affiliated companies: EUR 6,732,847.39 (Prior year: EUR 5,767 thousand)	8,852,578.86	7,207
13. Taxes on income and earnings	4,428,202.75	–173
14. Result after tax	179,216,753.93	–5,643
15. Other taxes	153,903.52	170
16. Profit transfers (Prior year: Loss transfers)	–179,062,850.41	5,813
17. Net income for the financial year	0.00	0

< >

Notes for financial year 2019

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 recognized 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 recognized 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 256 a 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 2018 G 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 6,951 thousand in the current financial (previous year: EUR 7,487 thousand) year (Section 253 (6) HGB). The valuation of pension provisions is based on the following parameters:

	2019 %	2018 %
Discount rate	**2.71*/1.97****	3.21*/2.32**
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 recognized 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. 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 whole groups of underlying transactions is evaluated at an aggregated level and these groups are jointly hedged against the (net remaining) risk and 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 for the periods that are in accordance with the risk guidelines for trading transactions. As of 31 December 2019, opposite cash flows streams exist for the period up to 2030. 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 during daily trading.

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	701,575
Liabilities	184,302
Pending purchase transactions	19,289,834
Pending sales transactions	20,948,514

The value of the risks hedged through valuation units is EUR 1,704,300 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 recognized. If the overall value is positive then no asset is recognized.

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 recognized 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.

< >

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 2019 of EUR 8,145 thousand. Statkraft South East Europe EOOD, Sofia, Bulgaria, was liquidated in 2019. The shares in enQu GmbH, Kiel, and statt-werk GmbH, Berlin, were sold.

List of shareholdings

This information relates to 31 December 2019, 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	1.093
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	1,685	25	68,170
Knapsack Power Verwaltungs GmbH, Düsseldorf [2]	100	2	25	68
Kraftwerksgesellschaft Herdecke mbH & Co. KG, Hagen [2] [3]	50	2,171	10,000	30,074
Kraftwerksverwaltungsgesellschaft Herdecke mbH, Hagen [2] [3]	50	1	25	42
Statkraft Trading GmbH, Düsseldorf	100	0 [1]	25	25
Statkraft Ventures GmbH, Düsseldorf	100	0 [1]	25	26.570
Windpark Kollweiler GmbH & Co. KG, Billerbeck [3]	20	–3	1.004	1.004

[1] Result after transfer of profit / loss
[2] Indirectly held investments
[3] Last annual financial statements 31. 12. 2018

< >

Receivables and other assets

As in the previous year, all receivables and other assets have a residual term of up to one year. In 2019, a lump sum valuation allowance for receivables of EUR 3,881 thousand (previous year: EUR 3,747 thousand) was posted.

Receivables from affiliated companies are comprised as follows:

	2019 EUR '000	2018 EUR '000
Receivables from cash pool against Statkraft AS, Oslo / Norway	**245,937**	218,474
Trade accounts receivable	**22,145**	4,682
Receivables from profit transfer agreements	**4,390**	7,181
Receivables from shareholder Statkraft Germany GmbH, Düsseldorf	**16,039**	19,944
Receivables from loss transfers by the shareholder Statkraft Germany GmbH, Düsseldorf	**0**	5,813
Total receivables against affiliated companies	**288,511**	**256,094**

<

>

Receivables due from the shareholder (EUR 16,039 thousand) Statkraft Germany GmbH, Düsseldorf, are mainly input tax refund claims.

Other assets mainly include CO_2 certificates of EUR 4,317 thousand (previous year: EUR 212,176 thousand), paid securities of EUR 488,127 thousand (previous year: EUR 170,308 thousand), including securities from the exchange-side settlement of open positions and options premiums paid of EUR 67,139 thousand (previous year: EUR 95,161 thousand).

Prepaid expenses

The prepaid expenses of EUR 9,309 thousand (previous year: EUR 9,625 thousand) mainly concern certificates amounting to EUR 3,139 thousand (previous year: EUR 3,976 thousand).

Deferred tax reimbursements

Deferred tax assets were not recognized during the current financial year because a possible disclosure must now be made at Statkraft Germany GmbH, Düsseldorf, level in its capacity as the tax group holding company (since 1 January 2009).

Equity

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 remained unchanged compared to the previous year and amounts to EUR 670,814 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	27,137	30,848

For the financial reporting period, a deficit of EUR 14,652 thousand (previous year: EUR 9,824 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 17,311 thousand). The difference according to Section 253 (6) HGB thus amounts to EUR 6,951 thousand (previous year: 7,487), but is not subject to a payment restriction. Prior to offsetting the plan assets of EUR 30,848 thousand (previous year: EUR 30,905 thousand), pension obligations in the financial year 2019 amounted to EUR 45,500 thousand (previous year: EUR 40,729 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 3,711 thousand (previous year: EUR 2,952 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 2019.

Net interest results include gains of EUR 680 thousand (previous year: EUR 595 thousand) resulting from plan assets. This also includes expenses due to discounting of pension obligations of EUR 1,296 thousand (previous year: EUR 1,282 thousand). Expenses of EUR 50 thousand (previous year: EUR 46 thousand) were netted against the interest from plan assets.

< >

Other provisions

Other provisions amount to EUR 413,379 thousand (previous year: EUR 275,720 thousand). Other provisions mainly consist of the following:

	2019 EUR '000	2018 EUR '000
Provision for valuation units	299,665	132,806
Provision for onerous contracts	52,049	106,240
Decommissioning provisions	22,036	20,823
Accruals	3,994	4,217
Employee bonuses	918	703
Provisions for jubilee and death payments	711	726
Employees liability insurance association costs	263	282
Other	33,743	9,923
Total other provisions	**413,379**	**275,720**

< >

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 52,049 thousand over the total lifetime of the contract so that provisions for onerous contracts were recognised.

As a result of a change in accounting principles, provisions for onerous contracts for long term power supply and purchase contracts in the countries of Spain, Poland and Belgium of EUR 33.0 million were released and new provisions for valuation units for these contracts were created in 2019. The provision for valuation units increased because of this and due to an increase of negative fair values in the area of sales related CO_2 exchange deals.

Liabilities

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

The received prepayments contain prepayments for green certificates of EUR 1,127 thousand (previous year: EUR 12,866).

Liabilities towards affiliated companies are as follows:

	2019 EUR '000	2018 EUR '000
Liabilities from profit and loss transfer agreement to shareholder Statkraft Germany GmbH	**174,063**	1,369
Trade accounts payable	**27,389**	20,092
Liabilities from deliveries and services to shareholder Statkraft Germany GmbH	**752**	20,439
Liabilities from the transfer of losses	**17**	871
Liabilities from cash pool against Statkraft AS, Oslo / Norway	**0**	8,553
Total liabilities to affiliated companies	**202,221**	**51,324**

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.

As in the preceding years, in 2019 these obligations diminished by the delivered volume without affecting profit and loss.

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

	2019 EUR '000	2018 EUR '000
Liabilities from option premium	**184,302**	181,566
Securities received from counterparties	**3,564**	9,773
Liabilities from environmental certificate purchase agreements	**486**	3,946
Liabilities from power purchase agreement	**486**	2,365
Tax liabilities	**231**	258
Miscellaneous	**2,259**	11,451
Total other liabilities	**191,328**	**209,359**

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

< >

Contingent liabilities

Statkraft Markets GmbH issued a guarantee of EUR 2,000 thousand (previous year: EUR 2,000 thousand) to the Bulgarian State Energy and Water Regulatory Commission relating to liabilities of Statkraft South East Europe EOOD, Sofia, Bulgaria, pursuant to power supply contracts within Bulgaria. Statkraft South East Europe EOOD was liquidated in 2019. The guarantee was re-called.

Other financial obligations

Future obligations of EUR 165,077 thousand arise from the tolling agreement with Knapsack Power GmbH & Co. KG, which runs until 2032.

As of 31 December 2019, obligations relating to long-term power purchase agreements continuing until 2022 or rather 2035 amount to EUR 158,091 thousand. Obligations from a long-term service agreement until 2028 amount to a total of EUR 21,581 thousand.

Obligations from tenancy leases and leasing agreements as of 31 December 2019 amount to EUR 13,567 thousand (previous year: EUR 13,471 thousand). Of this amount, EUR 1,497 thousand (previous year: EUR 1,624 thousand) is due within one year and EUR 8,641 thousand (previous year: EUR 7,389 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 4,927 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.

< >

EXPLANATORY COMMENTS ON THE INCOME STATEMENT

Sales

Sales revenues in the past financial year amounted to EUR 25,224,708 thousand (previous year: EUR 25,567,190 thousand) and were distributed across the segments as follows:

	2019 EUR '000	2018 EUR '000
Power trading	9,867,011	10,202,716
Gas trading	2,679,052	3,359,711
Emissions and green certificates trading	12,663,737	11,981,986
Other services to clients	14,908	22,777
Total sales	**25,224,708**	**25,567,190**

Classified by regional markets, sales are distributed as follows:

<
>

	2019 EUR '000	2018 EUR '000
Germany	11,008,840	11,142,280
Great Britain	10,687,196	10,123,006
Netherlands	2,298,559	2,753,637
France	280,023	354,247
Australia	170,769	270,084
Bulgaria	168,724	161,494
Czech Republic	150,995	220,708
Switzerland	83,403	56,504
Belgium	80,664	105,079
Hungary	70,960	179,819
Luxembourg	43,244	36,754
Austria	41,669	31,861
Norway	29,721	13,954
Italy	20,399	24,912
Spain	17,923	81
Poland	9,791	13,610
USA	5,738	30,873
Slovenia	2,830	5,615
Romania	2,142	1,645
Greece	1,023	7,563
Turkey	444	1,160
Denmark	304	13,616
Other	49,347	18,688
Total sales	**25,224,708**	**25,567,190**

Other operating income

Other operating income amounted to EUR 141,806 thousand (previous year: EUR 28,452 thousand) and consists of the following:

	2019 EUR '000	2018 EUR '000
Currency exchange gains[1)]	47,784	27,906
Gains from the release of provisions / other liabilities[2)]	72,663	339
Impairment reversals of fixed assets	21,351	159
Other	8	48
Total other operating income	**141,806**	**28,452**

[1)] Thereof EUR 0 thousand (previous year: EUR 87 thousand) unrealised currency exchange gains
[2)] Thereof EUR 72,663 thousand (previous year: EUR 339 thousand) from other periods

<

Cost of materials

>

Cost of materials amounted to EUR 25,070,730 thousand (previous year: EUR 25,502,676 thousand) and consists of the following:

	2019 EUR '000	2018 EUR '000
Cost of raw materials and supplies	44,459	78,600
Cost of purchased services	25,026,271	25,424,076
Total cost of materials	**25,070,730**	**25,502,676**

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:

	2019 EUR '000	2018 EUR '000
Currency exchange losses[1]	**43,194**	30,761
Rent, repair and similar costs	**19,696**	19,475
Legal and consulting costs	**5,022**	3,871
Costs from the write off of	**2,079**	0
IT related expenses	**1,345**	1,193
Expenses for telephone and data transmission	**937**	690
Services for power plants	**804**	866
Marketing and information costs	**592**	389
Guarantee costs	**331**	332
Travel costs	**297**	264
Membership fees	**294**	266
Expenses for external employees	**157**	84
Other	**6,335**	5,804
Total other operating expenses	**81,083**	**63,995**

[1] Thereof EUR 5,991 thousand (previous year: EUR 1,758 thousand) unrealised currency exchange losses

Interest and similar expenses

Interest expenses for the financial year 2019 of EUR 8,853 thousand (previous year: EUR 7,207 thousand) includes interest expense on accrued pension liabilities amounting to EUR 1,296 thousand (previous year: EUR 1,282 thousand) and additional interest on accrued other provisions of EUR 602 thousand (previous year: EUR 339 thousand).

Taxes on income

Taxes on income amount to EUR 4,428 thousand (previous year: EUR –173 thousand) and mainly comprise foreign corporation income taxes from prior years.

Issues relating to other periods

The other operating income includes EUR 72,663 thousand of income from other periods which mainly result from the release of provisions.

< >

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	204,199	204,245
Sale of USD	12,542	12,646
	216,741	216,891
Negative market values		
Sale of GBP	104,710	99,596
	321,451	**316,486**

Unrealized losses from these transactions of EUR 4,965 thousand were recognized 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	82,276	82,699
Negative market values	323,225	309,136
	405,501	**391,835**

Unrealized losses from the interest rate hedging transactions of EUR 13,666 thousand were recognized.

Auditor fees

The total fee charged by the auditor for the financial year 2019 amounts to EUR 298 thousand (previous year: EUR 281 thousand). Of this, EUR 279 thousand relates to the audit of the financial statements and EUR 19 thousand to other audit services.

Management

The managing director holding sole power of representation is Dr Gundolf Dany (Vice President Asset Portfolio), Hürth (until 03.04.2019).

Robert Teschke (Vice President Accounting, Tax, Internal Control), Düsseldorf, Dr Carsten Poppinga (Senior Vice President Trading & Origination), Düsseldorf, Dr Petrus Schipper (Senior Vice President Energy Management), Düsseldorf, Roland Harting (Vice President HSSE & Technology), Königswinter (since 03.04.2019 until 01.11.2019) and Dr Christian Redeker (Regional Director), Brühl (since 01.11.2019) 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 two managing directors received remuneration from the company in financial year 2019. 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 2019 amounts to EUR 1,304 thousand (previous year: EUR 1,580 thousand).

Employees

The company had an average of 139 industrial employees in the reporting year (previous year: 140).

Subsequent Events

The shares in Windpark Kollweiler GmbH & Co. KG, Billerbeck, (book value of EUR 751 thousand) were sold in January 2020. The suspensory conditions were not met at the time of the preparation of the annual financial statements.

The COVID-19 pandemic has led to a considerable drop in industrial production and power demand in many European countries. This could lead to a lower utilization and lower gross margins of the power plants in financial year 2020. A further risk as a result of the necessary measures taken to keep distance are potentially longer repair times in case of a power plant downtime. In the trading business, the COVID-19 pandemic could result in a higher credit and counterpart default risk.

The company describes potential effects of the COVID-19 pandemic in Opportunities and risks. In the Outlook the recent developments and expectations for the financial year 2020 are considered.

Group affiliation

The company's annual financial statements are included in the consolidated financial statements of Statkraft AS, Oslo, Norway, as of 31 December 2019 (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 German 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, 30 April 2020

The Management team

Dr Carsten Poppinga

Dr Christian Redeker

Dr Petrus Schipper

Robert Teschke

FIXED ASSET MOVEMENTS

	Gross book values				
	As at 1. 1. 2019 EUR	Additions EUR	Transfers EUR	Disposals EUR	As at 31. 12. 2019 EUR
I. Intangible assets					
1. Purchased software	12,861,485.87	0.00	0.00	0.00	12,861,485.87
2. Goodwill	11,779,877.84	0.00	0.00	0.00	11,779,877.84
	24,641,363.71	0.00	0.00	0.00	24,641,363.71
II. Tangible assets					
1. Land, leasehold rights and buildings	98,031,923.99	29,716.62	69,198.38	0.00	98,130,838.99
2. Technical equipment, plant and machinery	680,400,358.86	474,983.48	2,934,280.64	0.00	683,809,622.98
3. Other equipment, fixtures, fittings	17,827,470.93	1,587,874.13	5,913.31	448,282.12	18,972,976.25
4. Assets under construction	9,841,217.30	879,363.73	–3,009,392.33	7,296.70	7,703,892.00
	806,100,971.08	2,971,937.96	0.00	455,578.82	808,617,330.22
III. Financial assets					
1. Shares in affiliated companies	141,224,720.46	8,144,981.51	0.00	2,556.46	149,367,145.51
2. Investments	2,437,833.61	392,555.00	0.00	2,079,388.61	751,000.00
3. Loans to affiliated and associated companies	300,000.00	400,000.00	0.00	700,000.00	0.00
4. Long-term investments	0.00	2,425,853.76	0.00	0.00	2,425,853.76
	143,962,554.07	11,363,390.27	0.00	2,781,945.07	152,543,999.27
	974,704,888.86	14,335,328.23	0.00	3,237,523.89	985,802,693.20

	Accumulated depreciations				
	As at 1. 1. 2019 EUR	Additions EUR	Disposals EUR	Write-ups EUR	As at 31. 12. 2019 EUR
I. Intangible assets					
1. Purchased software	11,265,922.89	196,099.47	0.00	485,340.95	10,976,681.41
2. Goodwill	11,779,877.84	0.00	0.00	0.00	11,779,877.84
	23,045,800.73	196,099.47	0.00	485,340.95	22,756,559.25
II. Tangible assets					
1. Land, leasehold rights and buildings	87,108,672.53	601,631.01	0.00	3,959,754.54	83,750,549.00
2. Technical equipment, plant and machinery	553,330,510.28	8,394,771.74	0.00	16,905,093.20	544,820,188.82
3. Other equipment, fixtures, fittings	15,123,006.47	912,146.63	332,872.26	360.15	15,701,920.69
4. Assets under construction	6,162,174.85	0.00	12,192.70	0.00	6,149,982.15
	661,724,364.13	9,908,549.38	345,064.96	20,865,207.89	650,422,640.66
III. Financial assets					
1. Shares in affiliated companies	2,500.00	0.00	0.00	0.00	2,500.00
2. Investments	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
4. Long-term investments	0.00	0.00	0.00	0.00	0.00
	2,500.00	0.00	0.00	0.00	2,500.00
	684,772,664.86	10,104,648.85	345,064.96	21,350,548.84	673,181,699.91

< >

	Net book values As at 31.12.2019 EUR	Appendix to the Notes 31.12.2018 EUR
I. Intangible assets		
1. Purchased software	1,884,804.46	1,595,562.98
2. Goodwill	0.00	0.00
	1,884,804.46	1,595,562.98
II. Tangible assets		
1. Land, leasehold rights and buildings	14,380,289.99	10,923,251.46
2. Technical equipment, plant and machinery	138,989,434.16	127,069,848.58
3. Other equipment, fixtures, fittings	3,271,055.56	2,704,464.46
4. Assets under construction	1,553,909.85	3,679,042.45
	158,194,689.56	144,376,606.95
III. Financial assets		
1. Shares in affiliated companies	149,364,645.51	141,222,220.46
2. Investments	751,000.00	2,437,833.61
3. Loans to affiliated and associated companies	0.00	300,000.00
4. Long-term investments	2,425,853.76	0.00
	152,541,499.27	143,960,054.07
	312,620,993.29	289,932,224.00

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 2019, 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, for the period ended 31 December 2019.

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 2019 and its results of operations for the period ended 31 December 2019 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.

< >

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, 30 April 2020

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

(Marion Lammers)	**(Dr Benedikt Brüggemann)**
German Public Auditor	German Public Auditor

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

Statkraft Markets GmbH
Derendorfer Allee 2 a
40476 Düsseldorf
Deutschland
Tel.: +49 (0) 211 60 244 000
Fax: +49 (0) 211 60 244 199

www.moon-agentur.de

<