

VATTENFALL



Vattenfall A/S

Jupitervej 6, 6000 Kolding

CVR no. 21 31 13 32

Annual Report 2023

Approved at the annual general meeting of shareholders on 20th June 2024

Chairman:

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Jens Kirk Jørgensen

Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Company details	5
Management's review	6
Financial highlights	6
Financial statements for the year 1 January – 31 December	11
Income statement	11
Balance sheet	12
Statement of changes in equity	14
Notes to the financial statements	15

Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Vattenfall A/S for the financial year 1 January – 31 December 2023.

The annual report has been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the financial statements give a true and fair view of the Company's financial position at 31 December 2023 and of the results of the Company's operations for the financial year 1 January – 31 December 2023.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Kolding, 20th June 2024

Executive Board:

Anne Mette Traberg
CEO

Board of Directors:

Kerstin Yvonne Teresia Karlsson
Landgren
Chairman

Anne Mette Traberg

Hans Werner Woltmann

Independent auditors' report

To the shareholder of Vattenfall A/S

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Vattenfall A/S at 31 December 2023 and of the results of the Vattenfall A/S's operations for the financial year 1 January – 31 December 2023 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Vattenfall A/S for the financial year 1 January - 31 December 2023, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Aarhus, 20th June 2024
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
CVR-nr. 33 77 12 31

Claus Dalager
statsautoriseret revisor
Mne26745

Thomas Riis
statsautoriseret revisor
Mne32174

Company details

Name:	Vattenfall A/S
Adress:	Jupitervej 6, 6000 Kolding
CVR no.:	21 31 13 32
Established:	19 October 1998
Registered office:	Kolding
Financial year:	1 January – 31 December
Board of Directors:	Kerstin Yvonne Teresia Karlsson Landgren, Chairman Anne Mette Traberg Hans Werner Woltmann
Executive Board:	Anne Mette Traberg, CEO
Auditors:	PriceWaterhouseCoopers Statsautoriseret Revisionspartnerselskab Jens Chr. Skous Vej 1, 8000 Aarhus

Management's review

Financial highlights

DKK'000	2023	2022	2021	2020	2019
Key figures					
Revenue	2,570,692	4,933,169	1,968,799	450,127	347,315
Operation profit/loss	85,590	-31,819	-17,704	7,301	6,864
Net financials	6,748	2,325	2,671	-137	52
Profit/loss for the year	71,061	-23,303	-11,726	10,487	8,528
Fixed assets	6,523	6,020	4,209	4,167	3,844
Non-fixed assets	823,260	1,476,475	1,136,623	324,404	255,224
Total Assets	829,783	1,482,495	1,140,832	328,571	259,068
Investments, plant and machinery	3,610	4,628	1,918	0	0
Equity	226,563	155,502	74,569	86,296	75,809
Average number of employees	52	47	34	27	21
Financial ratios					
Operating margin	3.3%	-0.6%	-0.9%	1.6%	2.0%
Gross margin	5.4%	0.3%	0.8%	7.3%	8.0%
Return on assets	7.4%	-2.4%	-2.4%	3.6%	4.3%
Solvency ratio	27.3%	10.5%	6.5%	26.3%	29.4%
Return on equity	37.2%	-20.3%	-14.6%	13.0%	11.3%

Financial ratios are calculated in accordance with the Danish Society's recommendations on the calculation of financial ratios. For terms and definitions, please see the accounting policies.

The annual report has been prepared in accordance with the provisions applying to large reporting class C enterprises under the Danish Financial Statements Act.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

In 2022, a merger has taken place between Vattenfall Energy Trading A/S and Vattenfall A/S without adjustment of comparative figures.

Management's review

Business review

The Vattenfall Group has decided to keep its primary focus on wind power production in Denmark through the subsidiary Vattenfall Vindkraft A/S. A few activities outside the wind area remains in Denmark which are placed in Vattenfall A/S.

Operations

The primary activity of Vattenfall A/S is within the business-to-business area. Also, the Company acts as the balance responsible party in the Danish electricity market regarding all the Danish wind parks within the Vattenfall Group as well as a number of group staff functions are placed in the Company.

Unusual matters having affected the financial statements

There has been no unusual matters that would have affected the financial statement.

Development in financial activities and matters

The Company's income statement for 2023 shows a profit of DKK 71,061 thousand against a loss of DKK 23,303 thousand last year. The Company's balance sheet at 31 December 2023 shows equity of DKK 226,563 thousand.

Profit for the year compared with previously expressed expectations

In 2023 the Company realised a decline in revenues due to the decrease in power spot prices, which reduced the financials of the Business-to-Business sales operation. The electricity market function saw increased profitability due to restructuring of fee-structures.

The companies loss/gain in 2023 is mainly explained by a change in charge-out of balancing fees .

Market risks

The Company is facing a limited exposure to market- and price risk in the current setup on the business-to-business area. Handling the balancing activities on behalf of Danish wind-units entails a market risk exposure.

Research and development activities

Vattenfall A/S is not part of any R&D activities.

Knowledge resources

At 31 December 2023, Vattenfall A/S had 58 employees who work at the offices in Kolding and Copenhagen. The nature of their work is of administrative character.

Statutory CSR report

Vattenfall A/S refers to the Vattenfall Group policies in the CSR area in compliance with section 99a (7) of the Danish Financial Statements Act on the reporting of corporate social responsibility.

Vattenfall AB publishes a CSR report where the requirement by ÅRL § 99a are reported and followed up pages 49-81.

<https://group.vattenfall.com/globalassets/corporate/who-we-are/sustainability/vattenfall-annual-and-sustainability-report-2023.pdf>

The Vattenfall Group has decided to comply with the principles defined in the UN Global Compact guidelines, and therefore, Vattenfall's corporate social responsibility work is subject to these principles. Vattenfall's corporate social responsibility work comprises seven areas:

- Environmental impact
- Business ethics
- Anti-corruption policies
- Human rights
- Working environment
- Ethnic diversity
- Gender equality

The results of the environmental efforts are discussed below.

The Company's work in relation to business ethics and anti-corruption policies is reflected in the Company's code of conduct together with a systematic registration of suppliers.

Corporate social responsibility (CSR)

Vattenfall depends on local communities, employees, customers and society at large, including the Company's immediate neighbours, policymakers, environmental organisations, owners and financial markets.

Without the confidence and trust of the surrounding world, we will not be able to operate and develop our business – in short: corporate responsibility creates value. Open and transparent dialogue and corporate responsibility are key to our day-to-day operations.

Vattenfall has integrated the annual CSR-report into one annual and Sustainability report, see link in previous chapter. The CSR reporting provides information that enables the measurement and assessment of the Company's ability to meet the expectations of local communities. The report gives access to data on Vattenfall's results in an environmental, social and financial perspective.

Safety is one of our core values which also involves the safety of our employees, business partners and local communities. We must always make sure that our operations do not interfere with public health and safety. Vattenfall's definition of absence owing to industrial accidents is reflected in a financial ratio that is included in the monthly follow-up of all entities.

Vattenfall's working environment policy supports this work, and the Company is OHSAS 18001 certified. The working environment organisation at the individual locations ensures on a daily basis that the safety rules are complied with. Improvements to the working environment are continuously made in all departments of the Company.

The Company aims to increase the awareness, skills and knowledge of safety and health and to develop a safety and health culture. All employees at Vattenfall must be role models.

Account of the gender composition of the Board

The Board of Directors of Vattenfall A/S has set a goal for the under-represented gender in the board at 33-40%. At present the company does have a balanced representation of gender on top management level. The company will pursue a continued focus on equal representation of gender in management positions.

Moreover, the Board of Directors has confirmed that the Vattenfall group policy, which aims to increase the number of female leaders, also represents a goal for Vattenfall A/S.

Account of the gender composition on general management levels

Moreover, the Board of Directors has confirmed that the Vattenfall group policy, which aims to increase the number of female leaders, also represents a goal for Vattenfall A/S.

There are no employees of Vattenfall A/S which are part of the top management in Vattenfall Group staff functions.

Figures are based on the employees of the company holding management positions within the Vattenfall Group Staff functions reporting to the management level within Group staff functions. Within this group one female manager holds a position.

The policy includes a definition of goals for newly appointed leaders in the Group's business units for 2023, goals for the group management's participation in support activities and the Group's introduction of an international mentoring programme for potential female leaders that is designed to help women create new career and leadership opportunities.

Since there are two or fewer members in the other management, the company is not required to inform about the share of the under-represented gender nor the goals and time horizon for the policy.

	2023	2024	2025	2026	2027
Top Management					
Total no of members	3				
Share of the under-represented gender	33%				
Other Management levels					
Total no of members	1				

Diversity on management level

The Company applies the Vattenfall Group policy in the area of diversity and inclusion.

The policy includes a definition of goals for newly appointed leaders in the Group's business units, goals for the group management's participation in support activities and the Group's introduction of an international mentoring programme for potential female leaders that is designed to help women create new career and leadership opportunities.

Vattenfall Group continuously works on developing the diversity and inclusion aspect via educational programmes and various activities, both via the management levels as well as via the HR-organisation and Workers Council activities. The policy includes practical behaviour instructions and describes the importance of an open culture, active execution of equal rights, being inclusive and create psychological safety in the work space. The Group Management of Vattenfall is supporting the agenda by appointing a D&I Officer on EGM-level to show the high priority the topic has for the Company.

The Vattenfall Group approach is thereby fully executed in the Company.

Management's review

Impact on the external environment

It is Vattenfall's goal that the Group should be a leading developer of environmental, sustainable energy production. Vattenfall has defined the purpose "Working for Fossil Freedom" with a goal to let everyone choose fossil-free ways to move, make and live.

Vattenfall exists to help all our customers power their lives in ever climate smarter ways and free from fossil fuel within one generation. The world urgently needs to find alternative ways of powering and heating its businesses, cities and homes more cleanly. Change has to happen, and fast. The solution is energy that is 100% free from fossil fuel and that powers all aspects of people's lives, including heating, transportation and manufacturing. Power Climate Smarter Living has been defined as Vattenfall's purpose and is the starting point for the strategy.

Following the purpose statement strategic objectives have been defined as

- Setting out to be a leader in the energy transition
- Fossil-free electricity generation is our foundation for value creation
- An integrated utility logic and a diversified portfolio create additional value
- Sustainability is at the core of our strategy

Data Ethics

The company has not formulated a policy for data ethics yet. The company intends to adopt the Vattenfall Group policy on data ethics when this has been finalized. The company does not make use of algorithms for customer data and use of customer data is not an integrated part of the business in the company, since the company is not operating in the end-customer segment.

Recognition and measurement uncertainties

The Company is not facing any recognition and measurement uncertainties.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Outlook

The Company will primarily be active within the business-to-business sales segment in the future. Operationally a positive result is expected for the coming year.

The company is expecting electricity prices to remain on level with the year 2023

The company is expecting revenues in 2024 at level of 2,0 - 2,5 bn and a profit before tax in the range 10 - 20 mDKK.

The expectation for 2024 is subject to great uncertainty due to the energy prices, which are strongly affected by the global uncertainty on energy prices.

Financial statements

Income statement 1 January – 31 December

Note	DKK'000	2023	2022
2	Revenue	2,570,692	4,933,169
	Cost of sales	-2,436,853	-4,920,330
	Other operating income	40,703	31,612
	Other external expenses	-35,887	-29,058
	Gross profit/loss	138,655	15,393
3	Staff costs	-49,958	-44,395
	Amortisation and depreciations	-3,107	-2,817
	Operating profit/loss	85,590	-31,819
4	Financial income	7,549	2,985
5	Financial expenses	-801	-660
	Profit/loss before tax	92,338	-29,494
6	Tax on profit/loss for the year	-21,277	6,191
	Profit/loss for the year	71,061	-23,303

Financial statements

Balance sheet as of December 31

Note	DKK'000	2023	2022
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Fixtures and fittings, tools and equipment	6,523	6,020
	Total Property, plant and equipment	6,523	6,020
	Total fixed assets	6,523	6,020
	Non-fixed assets		
	Receivables		
	Deferred tax asset	1,875	2,298
	Trade receivables	405,957	593,973
8	Receivables from group entities	151,078	816,806
	Tax receivables	202,280	0
	Other receivables	62,044	63,373
	Total receivables	823,234	1,476,450
	Cash	26	25
	Total non-fixed assets	823,260	1,476,475
	TOTAL ASSETS	829,783	1,482,495

Financial statements

Balance sheet as of December 31

Note	DKK'000	2023	2022
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	10,000	10,000
	Retained earnings	216,563	145,502
	Total equity	226,563	155,502
	Liabilities		
	Current liabilities		
	Trade payables	19,579	21,477
	Corporation tax payables	0	31,732
	Payables to group entities	511,914	1,193,364
	Other payables	71,727	80,420
	Total current liabilities	603,220	1,326,993
	Total liabilities	603,220	1,326,993
	TOTAL EQUITY AND LIABILITIES	829,783	1,482,495

- 1 Accounting policies
- 9 Contractual obligations and contingencies, etc.
- 10 Related parties
- 11 Fee to the auditors appointed by the Company in general meeting
- 12 Proposed dividend recognized under equity

Financial statements

Statement of changes in equity

DKK'000	Share capital	Retained earnings	Total
Equity at 1 January 2023	10,000	145,502	155,502
Profit/loss for the year	0	71,061	71,061
Equity at 31 December 2023	10,000	216,563	226,563

The share capital comprises 100,000 shares of nominal value of DKK 100 each. All shares rank equally.

Financial statements

Notes to the financial statements

1 Accounting policies

The annual report of Vattenfall A/S for 2023 has been prepared in accordance with the provisions which apply to the large reporting class C entities under the Danish Financial Statements Act.

The financial statement is reported after same accounting policies as last year.

Business mergers (book value method)

For intra-group business mergers, the book value method is used. In this way, the two companies are combined at book values, and no difference amounts are identified. Any consideration that exceeds the book value of the acquired company is recognized directly in equity. The book value method is carried out per the takeover date, and no comparative figures have been prepared.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The entity's cash flows are part of the consolidated cash flow statement for the parent company, Vattenfall AB.

Basis of recognition and measurement

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the Company and the value of the asset can be reliably measured.

Liabilities are recognized in the balance sheet when, as a result of past events, the Company has a legal or a constructive obligation, when an outflow of economic benefits is probable and when the value of the liability can be reliably measured.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each individual item.

In recognizing and measuring assets and liabilities, any predictable losses and risks occurring prior to the presentation of the annual report that evidence conditions existing at the balance sheet date are taken into account.

Income is recognized in the income statement as earned while costs are recognized at the amounts relating to the financial year. Value adjustments of financial assets and liabilities are recognized in the income statement as financial income or financial expenses.

Reporting currency

The financial statements are presented in Danish kroner (DKK' 000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognized in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognized in the most recent financial statements is recognized in the income statement as financial income or financial expenses.

Income statement

Revenue

Income from the sale of electricity and other related services within the business-to-business area and the balance market is recognized in revenue at the time of delivery and when the risk passes to the buyer, provided that the income can be made up reliably. Revenue is measured net of VAT and other indirect taxes and discounts/rebates granted.

Financial statements

Notes to the financial statements

1 Accounting policies (continued)

Revenue is measured at the fair value of the agreed consideration excluding VAT and taxes charged on behalf of third parties. All discounts and rebates granted are recognized in revenue.

Cost of sales

Cost of sales comprise costs incurred in generating revenue for the year. Such costs include direct and indirect costs related to purchase of electricity.

Other operating income

Other operating income comprises items secondary to the entities' activities. This primarily consists of income related to the role of managing a number of staff functions which support and steer all Danish companies.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pensions, as well as other social security contributions, etc. made to the entity's employees. The item is net of refunds made by public authorities.

Amortisation/depreciation and impairment of property, plant and equipment

The item comprises amortisation/depreciation and impairment of property, plant and equipment.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Financial statements

Notes to the financial statements

1 Accounting policies (continued)

Fixtures and fittings, tools and equipment	3-5 years
Minor equipment (cars, trucks, office equipment and IT equipment)	3-7 years

The basis of depreciation is based on the residual value of the asset and is reduced by impairment losses, if any.

The residual value is determined at the time of acquisition. Where the residual value exceeds the carrying amount of the sub-components, no further depreciation charges are recognized. The depreciation period and the residual value are reassessed every year.

Financial income and financial expenses

Financial income and expenses are recognized in the income statement at the amounts relating to the financial year. Financial income and expenses comprise interest income and expense, realised and unrealised gains and losses on transactions denominated in foreign currencies as well as surcharges and refunds under the tax prepayment scheme, etc.

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognized in the income statement, whereas the portion that relates to transactions taken to equity is recognized in equity.

The Company and its Danish group entities are jointly taxed. The Danish income tax charge is allocated between profit making and loss making Danish entities in proportion to their taxable income).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Property, plant and equipment

Property, plant and equipment, including land and buildings, leasehold improvements, production plant and non-current assets, are measured at cost less accumulated amortisation and impairment losses. The estimated costs for dismantling and removing as well as restoring the asset are added to the cost of property, plant and equipment if such costs are recognized as a provision.

The cost of self-constructed assets comprises direct and indirect costs of materials, components, sub-suppliers and wages.

Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Property, plant and equipment in the course of construction are recognized as property, plant and equipment in the course of construction in the balance sheet until the application date. After the application date, these assets are transferred to the relevant financial statement items under property, plant and equipment.

Subsequent costs, e.g. in connection with replacement of components of property, plant and equipment, are recognized in the carrying amount of the asset if it is probable that the costs will result in future economic benefits for the Company. The replaced components are derecognized in the balance sheet, and their carrying amount is transferred to profit or loss for the year. All other costs incurred for repair and maintenance are recognized in profit or loss as incurred.

Financial statements

Notes to the financial statements

1 Accounting policies (continued)

Impairment tests are conducted of property, plant and equipment if there are indications of impairment losses. The impairment test is conducted of each individual asset or group of assets, respectively. The assets are written down to the higher of the value in use and net realisable value (recoverable amount) of the asset or group of assets if this is lower than the carrying amount.

Receivables

Receivables are measured at amortised cost, which is usually equivalent to the nominal value. Impairment is made of the value for anticipated bad debt losses.

Accrued income, etc. is recognized under other receivables. Other receivables is measured at amortised costs, which is in general equal to the nominal value.

Other receivables

Deposits etc. are recognized under other receivables. These assets are measured at cost.

Cash and cash equivalents

Given the nature of the Group's cash pool arrangement, cash pool balances are not considered cash, but are recognized under "Receivables from group entities".

Corporation tax

Current tax payable and receivable is recognized in the balance sheet as tax computed on the expected taxable income for the year, adjusted for tax on the taxable income of prior years and for prepaid tax.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognized on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallize as current tax. Deferred tax assets are recognized at the expected value of their utilization; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognized in the income statement.

Financial statements

Notes to the financial statements

1 Accounting policies (continued)

Prepayments received from customers

Prepayments received from customers comprise prepaid revenue regarding subsequent financial reporting years.

Liabilities

Financial liabilities are recognized at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortized cost, corresponding to the capitalized value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognized in the income statement over the term of the loan. Financial liabilities also include the capitalized residual lease liability in respect of finance leases.

Other liabilities are measured at net realizable value.

Segment information

Information is provided on business segments. Segment information is based on the Company's accounting policies, risks and internal financial management. Assets in the segment comprises the assets that are used directly in the revenue-generating activity of the segment. Segment liabilities comprise liabilities resulting from the activities of the segment, including trade and other payables.

Financial statements

Notes to the financial statements

1 Accounting policies (continued)

Financial ratios

Financial ratios are calculated in accordance with the Danish Finance Society's guidelines on the calculation of financial ratios "Recommendations and Financial Ratios 2015".

The financial ratios stated under "Financial highlights" have been calculated as follows:

Operating margin	$\frac{\text{Operating profit} \times 100}{\text{Revenue}}$
Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Return on assets	$\frac{\text{Profit/loss from operating activities} \times 100}{\text{Average assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total equity and liabilities at year end}}$
Return on equity	$\frac{\text{Profit/loss for the year after tax} \times 100}{\text{Average equity}}$

Financial statements

Notes to the financial statements

2 Revenue

The Company renders goods and services only in Denmark.

Revenue is distributed in the following segments:

DKK'000	2023	2022
Sale of electricity within the business-to-business area	1,978,290	3,716,493
Sale of electricity within the balancing market	563,993	1,040,404
Sale of electricity to group entities	28,409	176,272
Total revenue	2,570,692	4,933,169

3 Staff costs

Staff costs are recognized as follows:

DKK'000	2022	2022
Wages and salaries	45,752	41,769
Pensions	4,281	3,461
Other social security costs	-75	-835
Total staff costs	49,958	44,395
Average number of full-time employees	52	47

The board of directors and executive board do not receive remuneration for their duties as board members or director. Therefore, the remuneration for the board and management in 2023 amounts to DKK 0 (2022: DKK 0).

DKK'000	2023	2022
4 Financial income		
Interest income, exchange rate gain and similar income	373	2,903
Interest income, group entities	7,176	82
Total other financial income	7,549	2,985

5 Financial expenses

Interest expense, exchange rate loss and similar expenses	801	660
Total other financial expenses	801	660

Financial statements

Notes to the financial statements

6 Tax on the profit/loss for the year

DKK'000	2023	2022
Current tax for the year	-19,839	6,940
Adjustment regarding prior year	-1,016	-161
Adjustment of deferred tax	-422	-588
Total Tax on the profit/loss for the year	-21,277	6,191

7 Property, plant and equipment

DKK'000	Fixtures and fittings, tools and equipment
Cost at 1 January 2023	13,902
Additions	3,610
Disposals	0
Cost at 31 December 2023	17,512
Impairment losses and depreciation at 1 January 2023	-7,882
Depreciations	-3,107
Reversed depreciations concerning disposals	0
Depreciation at 31 December 2023	-10,989
Carrying amount at 31 December 2023	6,523

8 Receivables from group entities

Included in receivables from group entities at 31 December 2023 is a group cash-pool receivable of DKK 148,389 thousand (2022: DKK 808,672 thousand).

9 Contractual obligations and contingencies, etc.

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally liable with other jointly taxed group entities for payment of income taxes for the income year 2013 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Other financial obligations

Liabilities under operating leases concern cars totalling DKK 671 thousand as of 31 December 2023. (In 2022 is zero).

Financial statements

Notes to the financial statements

10 Related parties

The Company has the following related parties:

<u>Related party</u>	<u>Domicile</u>	<u>Basis for control</u>
Vattenfall AB	162 92 Stockholm, Sweden	Parent

Information about consolidated financial statements

<u>Parent</u>	<u>Domicile</u>	<u>Requisitioning of the parent company's consolidated financial statements</u>
Vattenfall AB	162 92 Stockholm, Sweden	www.vattenfall.com

Ownership

The following shareholders are registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of the share capital:

<u>Name</u>	<u>Domicile</u>
Vattenfall AB	162 92 Stockholm, Sweden

Transactions with related parties

According to section 98 (7) of the Danish Financial Statements Act, all transactions between the Company and its related parties are carried out on market terms.

11 Fee to the auditors appointed by the Company in general meeting

Audit fees are not disclosed with reference to section 96(3) of the Danish Financial Statements Act. The fee is specified in the consolidated financial statements for Vattenfall AB.

12 Proposed dividend recognized under equity

DKK'000	2023	2022
Profit/loss for the year	71,061	-23,303
Amount available for distribution	71,061	-23,303
Retained earnings	71,061	-23,303
Retained earnings/accumulated loss	71,061	-23,303