



Vattenfall Vindkraft A/S

Jupitervej 6, 6000 Kolding

CVR no. 31 59 75 44

Annual Report 2020

Approved at the Company's annual general meeting on 5 July 2021

Chairman: Hans Werner Woltmann

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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 Vindkraft A/S for the financial year 1 January - 31 December 2020.

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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020.

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.

Copenhagen, 5 July 2021
Executive Board:

Thomas Bisgaard Hansen
CEO

Board of Directors:

Robert Zurawski
Chairman

Thomas Bisgaard Hansen

Hans Werner Woltmann

Independent auditors' report

To the shareholder of Vattenfall Vindkraft A/S

Opinion

We have audited the financial statements of Vattenfall Vindkraft A/S for the financial year 1 January - 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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 the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement 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.

Independent auditor's report

- ▶ 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 conclusion is 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.

Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the 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 the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we conclude that the Management's review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 5 July 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Torben Bender
State Authorised
Public Accountant
mne21332

Karsten Bøgel
State Authorised
Public Accountant
mne27849

Company details

Name:	Vattenfall Vindkraft A/S
Adress:	Jupitervej 6, 6000 Kolding
CVR no.:	31 59 75 44
Established:	3 July 2008
Registered office:	Kolding
Financial year:	1 January - 31 December
Board of Directors:	Robert Zurawski, Chairman Thomas Bisgaard Hansen Hans Werner Woltmann
Executive Board:	Thomas Bisgaard Hansen, CEO
Auditors:	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, 2000 Frederiksberg

Management's review

Financial highlights

DKK'000	2020	2019	2018	2017	2016
Key figures					
Revenue	365,001	453,760	408,289	500,951	360,815
Gross profit	221,868	326,746	224,112	239,718	188,260
Operating profit/loss	-196,451	1,163	60,590	-15,340	-96,201
Net financials	-28,922	-39,622	-9,115	-6,414	-8,634
Profit/loss for the year	358,788	150,924	202,428	-18,946	-67,180
Financial ratios					
Equity	4,454,076	4,095,418	2,451,254	2,243,069	1,760,881
Total Assets	11,441,129	9,470,743	5,373,825	2,644,402	2,059,354
Investments in property, plant and equipment	42,142	77,828	53,150	87,434	28,508
Average number of employees	301	267	237	209	174
Gross margin	60.8%	72.0 %	54.9 %	47.9 %	52.2 %
Operating Margin (EBIT-Margin)	-53.8%	0.3 %	14.8 %	-3.1 %	-26.7 %
Return on assets	-1.9%	0.0 %	1.5 %	-0.7 %	-7.3 %
Solvency ratio	38.9%	43.2 %	45.6 %	84.8 %	85.5 %
Return on equity	8.4%	4.6 %	8.6 %	-0.9 %	-1.9 %

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 Company has in the financial year 2017 merged with Vattenfall Vindkraft Hagesholm A/S, Vattenfall Vindkraft Klim Holding A/S and Vattenfall Renewables Wind DK A/S. Comparative figures have been adjusted for 2016.

The presentation of the income statement, the financial statement is reported after same accounting policies as last year.

The implementation of the Danish Financial statement act 2020 has no effect on the financial highlights.

Business review

Vattenfall Vindkraft A/S manages the part of the Vattenfall Group's activities in Denmark that relate to the production of renewable energy based on wind. Today, Vattenfall Vindkraft A/S is one of the largest owner and operator of onshore wind turbines in Denmark and considering the planned offshore projects, Vattenfall Vindkraft A/S will become the absolute largest owner and operator in Denmark.

The Vattenfall Group is one of the largest investors in the production of renewable energy in Northern Europe.

Operations

The Company's core operation is to run and develop wind farms and sell electricity. The Company is also the service company for all of its subsidiaries and the Company's staff is further supporting other Vattenfall assets and projects in Europe.

Unusual matters having affected the financial statements

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

Management's review

Development in financial activities and matters

The Company's income statement for 2020 shows a profit of DKK 358,788 thousand against a profit of DKK 150,924 thousand last year. The Company's balance sheet at 31 December 2020 showed equity of DKK 4,454,076 thousand.

Profit for the year compared with previously expressed expectations

The operational result for 2020 is showing a decline compared to 2019. As expected the lower electricity prices in 2020 impacted the power-revenue negatively. Further the result is impacted by impairments of development projects following the decision to cease the danish Onshore Wind development work, this has caused impairments of plant and machinery.

The profit for 2020 has as expected improved significantly compared to 2019 due to the full-year impact of Offshore windfarm Horns Rev 3 but as well impacted negatively by the operational issues.

Market risks

The Company is exposed to market prices as it is selling electricity on the spot market.

Research and development activities

Vattenfall Vindkraft A/S participates in the joint research and development activities of the Vattenfall Group by participating in the programmes that are relevant to onshore and offshore wind turbines in the form of optimisation projects and several other measures.

Knowledge resources

At 31 December 2020, Vattenfall Vindkraft A/S had 319 employees who works at the offices in Esbjerg and Kolding. The average for the whole year was 301 employees.

Vattenfall Vindkraft A/S makes an effort to prevent industrial accidents. The safety organisations at the individual locations ensure on a daily basis that the safety rules are complied with. Again in 2020, Vattenfall Vindkraft A/S has had primary focus on personal injuries and the working environment. The organisation makes a determined effort to integrate environment and working environment in the project development.

Statutory CSR report

Vattenfall Vindkraft 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.

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.

Management's review

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.

Each year, Vattenfall publishes a CSR report (on the Group's social responsibility) which complies with the guidelines of Global Reporting Initiative (GRI). The CSR report 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. Read the CSR report and download it at Vattenfall's website:

https://group.vattenfall.com/siteassets/corporate/investors/annual-reports/2020/vattenfall-annual-and-sustainability-report-2020_.pdf

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 Management

The Board of Directors of Vattenfall Vindkraft A/S has set a goal for the under-represented gender in the board at 33-40%. It is the Board of Directors' intention to meet the goal by within 3 years. At present, the under-represented gender accounts for 0% of the three board members appointed by the general meeting of shareholders. This is partly due to only a small amount of female managers in Vattenfall Vindkraft A/S. The target figure was not reached in 2020, as the elected board member was male, and was the most qualified candidate for the position. The Company assesses how to meet its 33% goal.

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 Vindkraft A/S.

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.

No new managers have been appointed during the financial year 2020. Within the BA Wind organisation 16 managers are employed by Vattenfall Vindkraft, the gender composition is 7 female and 9 male.

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 during 2019 defined a new purpose "Power Climate Smarter Living" with a goal to become fossil free within one generation.

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

- ▶ Leading towards sustainable consumption
- ▶ Leading towards sustainable production
- ▶ Having high performing operations
- ▶ Having empowered and engaged people

Management's review

Recognition and measurement uncertainties

Recognition and measurement of provisions for expected future costs for dismantling and restoring production facilities, etc. are subject to uncertainties in particular as regards the time frame. The provision is based on the Management's best estimate.

The applied estimates for calculations of impairment needs are based on historic observations and other factors, which management considers as valid, but which subject to uncertainties. Assumptions can be incomplete or incorrect and unexpected events can happen. This includes expectations of future electricity prices.

Impairment uncertainty

Impairment are calculated every year with forecast both on costs and sales. When forecasting sales there is an uncertainty with both the volume produced and the spot prices. It is not unusually to that production variates to up to 15% from year to year.

The spot market has also shown rather large fluctuations over the last few years.

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 outlook for 2021 will be impacted by the commissioning of the Kriegers Flak windfarm, which is completed during the year. With both main offshore subsidiaries, Horns Rev 3 and Kriegers Flak, operating with a guaranteed minimum-price, the impact of market-price fluctuations on the bottom line will be relatively small.

The company is further expecting increased activity levels in the engineering department following work for various Vattenfall projects, which will increase revenues and cost while having a limited positive impact on profits.

The company is expecting improved market conditions following increased electricity prices in the beginning of 2021.

The company is expecting revenues in 2021 at level of 450 mDKK and a profit before tax in the range 600-700mDKK.

Financial statements for the period 1 January - 31 December

Income statement

Note	DKK'000	2020	2019
3	Revenue	365,001	453,760
	Changes in inventories	-12,552	-12,180
	Work performed for own account and listed as assets	142,238	49,810
	Other operating expenses	-5,884	-7,726
	Other operating income	0	20,092
	Cost of sales	-107,080	-88,687
	Other external costs	-159,855	-88,323
	Gross margin	221,868	326,746
4	Staff costs	-254,496	-231,672
6,7	Amortisation and depreciations	-163,823	-93,911
	Operating profit/loss	-196,451	1,163
	Income from investments in group entities	689,078	287,594
	Financial income from group entities	42,377	12,150
	Other financial income	5,574	0
	Financial expenses from group entities	-68,022	-43,686
	Other financial expenses	-8,851	-8,086
	Profit before tax	463,705	249,135
5	Tax on profit/loss for the year	-104,917	-98,211
	Profit for the year	358,788	150,924

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	ASSETS		
	Fixed assets		
6	Intangible assets		
	Acquired intangible assets	0	29,134
		0	29,134
7	Property, plant and equipment		
	Land and buildings	18,858	21,496
	Plant and machinery	321,191	417,810
	Fixtures and fittings, tools and equipment	4,823	4,732
	Property, plant and equipment under construction	25,602	49,568
		370,474	493,606
8	Investments		
	Investments in group entities	7,998,797	5,344,852
	Receivables from group entities	2,400,000	2,700,000
		10,398,797	8,044,852
	Total fixed assets	10,769,271	8,567,592
	Non fixed assets		
	Inventories		
	Finished goods	17,371	23,276
		17,371	23,276
	Receivables		
	Trade receivables	18,412	894
9	Receivables from group entities	544,646	645,425
	Other receivables	36,806	18,303
	Corporation tax receivables	0	46,649
10	Deferred tax	43,864	135,970
11	Prepayments	6,709	3,084
	Receivables	650,437	850,325
	Cash at bank and in hand	4,050	29,550
	Total non fixed assets	671,858	903,151
	TOTAL ASSETS	11,441,129	9,470,743

Financial statements for the period 1 January - 31 December

Balance sheet

Note	DKK'000	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	150,000	150,000
	Restricted equity	0	130
	Net revaluation reserve according to the equity method	119,176	0
	Retained earnings	4,184,900	3,945,288
		<u>4,454,076</u>	<u>4,095,418</u>
12	Provisions		
	Other provisions	270,892	262,783
		<u>270,892</u>	<u>262,783</u>
	Liabilities other than provisions		
13	Non-current liabilities		
	Payable to group entities	6,500,000	5,000,000
	Other payables	23,743	6,979
	Non-current liabilities	<u>6,523,743</u>	<u>5,006,979</u>
	Liabilities other than provisions		
	Current liabilities		
	Short-term of non-current liabilities	5,250	5,250
	Trade payables	42,277	33,676
	Corporation tax payables	12,809	0
9	Payables to group entities	60,894	10,062
	Other payables	71,188	56,575
	Total current liabilities	<u>192,418</u>	<u>105,563</u>
	Total liabilities other than provisions	<u>6,716,161</u>	<u>5,112,542</u>
	TOTAL EQUITY AND LIABILITIES	<u>11,441,129</u>	<u>9,470,743</u>

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 14 Joint operations
- 15 Contractual obligations and contingencies, etc.
- 16 Related parties
- 17 Fee to the auditors appointed by the Company in general meeting
- 18 Proposed dividend recognised under equity

Financial statements for the period 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Restricted equity	Net revaluation reserve according to the equity method	Retained earnings	Total
Equity at 1 January 2020	150,000	130	0	3,945,288	4,095,418
Other value adjustment of equity	0	-130	0	0	-130
Profit/loss for the year	0	0	119,176	239,612	358,788
Equity at 31 December 2020	150,000	0	119,176	4,184,900	4,454,076

The share capital comprises 150,000 shares of nominal value of DKK 1,000 each. All shares rank equally.

No changes have been made to the share capital for the past 5 years.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Vattenfal Vindkraft A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act as regards large reporting class C enterprises.

The presentation of the income statement, the financial statement is reported after same accounting policies as last year.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures.

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.

Consolidated financial statements

Referring to section 112(1) of the Danish Financial Statements Act, no consolidated financial statements are prepared. The financial statements for Vattenfal Vindkraft A/S and its group entities are part of the consolidated financial statements for Vattenfall AB.

Basis of recognition and measurement

Assets are recognised 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 recognised 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 recognising 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 recognised in the income statement as earned while costs are recognised at the amounts relating to the financial year. Value adjustments of financial assets and liabilities are recognised 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 recognised 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 recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Intra-group business combinations

The pooling-of-interest method is applied to intra-group acquisitions and sales of investments in subsidiaries. This implies that investments are considered having been acquired, respectively sold, at the first day of the financial year and that any differences between the acquisition cost, respectively the selling price, and the net asset value of the investments are taken directly to equity at the beginning of the year. Comparative figures are restated accordingly.

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are included in "Other receivables" and "Other payables", respectively.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of the fair value of a recognised asset or liability are recognised in the income statement together with changes in the fair value of the hedged asset or liability.

Changes in the fair value of derivative financial instruments designated as and qualifying for recognition as a hedge of future cash flows are recognised in receivables or payables and in equity. If the future transaction results in recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the hedged forecast transaction results in income or expenses, amounts previously deferred in equity are transferred to the income statement in the period in which the hedged item affects profit or loss.

For derivative financial instruments that do not qualify for hedge accounting, changes in fair value are recognised in the income statement on a regular basis.

Public grants

Government grants include grants for environmentally friendly electricity production, grants for and funding for R&D activities, investment grants, etc. Government grants are recognised when there is reasonable assurance that the grants will be received.

Grants for electricity production are recognised in revenue as the related revenue from the electricity production is recognised.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Income statement

Revenue

Income from the sale of electricity, heating and other related services is recognised 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.

Income from the sale advisory services is recognised in revenue as the service is provided.

Realised and unrealised gains and losses on commodity-based derivative financial instruments are included in the revenue.

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 recognised 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 expenses

Other operating expense comprises items secondary to the entities' activities, including loss on disposal of intangible assets and items of property, plant and equipment.

Other operating income

Other operating income comprises items secondary to the entities' activities, including gains on disposal of intangible assets and items of property, plant and equipment.

Other external costs

Other external costs 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 intangible assets and property, plant and equipment

The item comprises amortisation/depreciation and impairment of intangible assets and 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:

Buildings	15-25 years
Plant and machinery	10-25 years
Fixtures and fittings, tools and equipment	5 years
Intangible assets	10-30 years

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 recognised. The depreciation period and the residual value are reassessed every year.

Income from investments in group entities and associates

The proportionate share of the profit/loss after tax of the individual subsidiaries is recognised in the income statement after full elimination of intra-group profits/losses.

Financial income and financial expenses

Financial income and expenses are recognised 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, surcharges and refunds under the tax prepayment scheme as well as amortization of future costs for dismantling and restoration of production plant 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 recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised 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.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

User rights are measured at cost less accumulated amortisation and impairment losses. The carrying amount is written down to the recoverable amount if this is lower. User rights are amortised over the term of the rights.

Amortisation and impairment losses on intangible assets are recognised in the income statement.

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 recognised 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 recognised 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 recognised 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 derecognised 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 recognised in profit or loss as incurred.

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.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Investments in group entities

On initial recognition, equity investments in group entities are measured at cost.

Investments in group entities are measured, using the equity method, at the companies' proportionate share of such enterprises' equity plus goodwill and less intra-group profits. Investment in enterprises with negative net asset values are measured at DKK 0 (nil), and any receivables from such associates are written down by the parent company's share of the negative net asset values. If the negative equity value exceeds the receivable, the balance is recognised under provisions to the extent the parent company has a legal or constructive obligation to cover a deficit in the enterprise.

Equity investments in subsidiaries are measured at net asset value and are subject to impairment test requirements if there is any indication of impairment.

Net revaluations of investments in subsidiaries are taken to the net revaluation reserve according to the equity method to the extent the carrying amount exceeds the costs.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Impairment of non-current assets

The carrying amount of non-current assets is tested annually for indications of impairment.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. Assets are written down to the lower of the carrying amount and the recoverable amount.

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the net present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognized impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale and raw materials and consumables are measured at cost, comprising purchase price plus delivery costs.

The cost of finished goods and work in progress includes the cost of raw materials, consumables, direct labour and production overheads. Indirect production overheads include the indirect cost of material and labour as well as maintenance and depreciation of production machinery, buildings and equipment and expenses relating to plant administration and management.

The net realisable value of inventories is calculated as the sales amount less costs of completion and costs necessary to make the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

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 recognised under other receivables. Other receivables is measured at amortised costs, which is in general equal to the nominal value.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash and cash equivalents

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

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Equity - reserve for net revaluation according to equity method

The net revaluation reserve according to the equity method includes net revaluations of investments in subsidiaries and associated relative to cost. The reserve can be eliminated in case of losses, realisation of investments or a change in accounting estimates. The reserve cannot be recognised at a negative amount.

Provisions

Provisions comprise expected future costs for dismantling and restoration of production plant, etc. as well as contracts entered into regarding future delivery of goods.

Provisions are recognised when the enterprise has a legal or a constructive obligation and it is probable that there may be an outflow of resources embodying economic benefits to settle the obligation.

Provisions that are expected to be repaid later than one year after the balance sheet date are measured at the present value of the expected payments. Other provisions are measured at net realisable value.

The value of provisions related to dismantling and restoration of production plant is recognised in property, plant and equipment and depreciated together with the relevant assets. The increase of the present value due to the passage of time is recognised in the income statement as financial expenses.

Corporation tax

Current tax payable and receivable is recognised 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 recognised 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 crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; 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 recognised in the income statement.

Liabilities

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

Other liabilities are measured at net realisable value.

Financial statements for the period 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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 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	$\frac{\text{Profit/loss from operating activities}}{\text{Average assets} \times 100}$
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 for the period 1 January - 31 December

Notes to the financial statements

2 Recognition and measurement uncertainties

The computation of the carrying amount of certain assets and liabilities requires assessments, estimates and assumptions regarding future events. The estimates used are based on historical experience and other factors which by Management are assessed to be reliable, but which by nature are associated with uncertainty. The assumptions may be incomplete or incorrect, and unexpected events or circumstances may arise. A change of the electricity price by -10% can create a need for impairments of 50-60 m DKK as calculated on 31. december 2020.

3 Revenue

The Company provides electricity production to the Danish market. In addition, the Company renders goods and services to existing Vattenfall windpower projects in other European countries. Revenue is distributed in the following segments:

DKK'000	2020	2019
Sale of electricity, etc.	129,983	182,592
Engineering services, etc.	235,018	271,168
Total revenue	365,001	453,760

The geographic segments of "other services" are Denmark 60%, Netherlands 25% and Rest-of-Europe 15% in 2020. The comparable figures for 2019 were respectively 85% and 15%.

4 Staff costs

Staff costs are recognised as follows:

DKK'000	2020	2019
Wages and salaries	224,572	199,330
Pensions	21,918	19,448
Other social security costs	2,454	2,845
Other personal expenses	5,552	10,049
Total Staff costs	254,496	231,672
Average number of full-time employees	301	267

According to section 98b(3) of the Danish Financial Statements Act, remuneration of the Executive Board is not disclosed. No remuneration was paid to the Board of Directors (2018: DKK 0 thousand).

5 Tax on the profit/loss for the year

DKK'000	2020	2019
Current tax for the year	12,809	-46,649
Adjustment of deferred tax	92,107	151,042
Adjustment regarding prior year	1	16
Adjustment regarding prior year deferred tax	0	-6,198
Total Tax on the profit/loss for the year	104,917	98,211

Financial statements for the period 1 January - 31 December

Notes to the financial statements

6 Intangible assets

DKK'000	Acquired intangible assets
Cost at 1 January 2020	39,326
Disposal	27,126
Cost at 31 December 2020	12,200
Impairment losses and depreciation at 1 January 2020	10,192
Depreciations	945
Impairments	6,637
Reversed depreciation	-5,574
Impairment losses and depreciation at 31 December 2020	12,200
Carrying amount at 31 December 2020	0

7 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Other plant and equipment	Property, plant and equipment under construction	Total
Cost at 1 January 2020	34,508	1,692,142	11,905	82,538	1,821,093
Additions	0	4,217	1,663	36,262	42,142
Disposals	-1,439	-27,682	0	-690	-29,811
Transferred*	0	11,745	0	-11,745	0
Cost at 31 December 2020	33,069	1,680,422	13,568	106,365	1,833,424
Impairment losses and depreciation at 1 January 2020	13,012	1,274,332	7,173	32,970	1,327,487
Depreciation	1,338	83,360	1,572	0	86,270
Reversed depreciation concerning disposals	-139	-20,639	0	0	-20,778
Other reversals	0	0	0	-5,517	-5,517
Impairments	0	22,178	0	53,310	75,488
Impairment losses and depreciation at 31 December 2020	14,211	1,359,231	8,745	80,763	1,462,950
Carrying amount at 31 December 2020	18,858	321,191	4,823	25,602	370,474

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

Impairment test

Due to the development in the Company's settlement prices, Management has assessed that there are indications of an decrease in the expected future cash flows from the wind farms.

Consequently, Management has prepared an impairment test and thereby calculated the recoverable amount of the Company's property, plant and equipment at 31 December 2020.

The calculation of the recoverable amount is based on the value in use of the plant, which is determined based on expected future net cash flows on the basis of budgets from the Company's business plan for year 2021-2025 as well as forecast for subsequent

Financial statements for the period 1 January - 31 December

Notes to the financial statements

years. The calculation of the value in use is based on Management's assessment of the discount factor, inflation as well as the useful life of the plant.

The recoverable amount of the plants have been compared to the recognised value of the plants. This has given rise to a further impairment, as the impairment tests are conducted at park-level. Including prior-year impairment losses and this year's impairment, impairment losses at 31 December 2020 total DKK 109,578 thousands remains.

8 Investments

DKK'000	Investment in group entities	Receivables from group entities	Total
Cost at 1 January 2020	5,779,600	2,700,000	8,479,600
Additions	2,100,021	0	2,100,021
Disposals	0	-300,000	-300,000
Cost at 31 December 2020	7,879,621	2,400,000	10,279,621
Value at 1 January 2020	-434,748	0	-434,748
Dividend received	-135,024	0	-135,024
Profit/ loss for the year	685,314	0	685,314
Impairment	3,764	0	3,764
Equity adjustments	-130	0	-130
Value adjustments at 31 December 2020	119,176	0	119,176
Carrying amount at 31 December 2020	7,998,797	2,400,000	10,398,797

Name and domicile	Interest	Result DKK'000	Equity DKK'000
Group Entities			
Vattenfall Vindkraft Bajlum P/S, Skive	87,49 %	-4,962	81,741
Vattenfall Vindkraft Nørrekær Enge A/S, Esbjerg	100,00 %	-6,926	102,869
<i>Vattenfall Vindkraft Nørrekær Enge I P/S, Esbjerg</i>	98,59 %	-8,981	93,197
Vattenfall Vindkraft Ejning P/S, Esbjerg	96,86 %	-3,791	29,758
Vattenfall Vindkraft Klim P/S, Esbjerg	98,15 %	35,270	515,990
Vattenfall Vindkraft Horns Rev 3 P/S, Esbjerg	100,00 %	651,269	4,042,517
Vattenfall Vindkraft Komplementar ApS, Esbjerg	100,00 %	11	40
Vattenfall Vindkraft Kriegers Flak Holding A/S, Esbjerg	100,00 %	-20,014	2,863,434
<i>Vattenfall Vindkraft Kriegers Flak P/S, Esbjerg</i>	100,00 %	-25,893	2,852,776
Vattenfall Vindkraft Vesterhav Nord Holding A/S, Esbjerg	100,00 %	17,602	189,980
<i>Vattenfall Vindkraft Vesterhav Nord P/S, Esbjerg</i>	100,00 %	-1,692	170,124
Vattenfall Vindkraft Vesterhav Syd Holding A/S, Esbjerg	100,00 %	16,768	193,171
<i>Vattenfall Vindkraft Vesterhav Syd P/S, Esbjerg</i>	100,00 %	-1,614	174,217

The above numbers are based on the individual

companies' financial statements for 2020.

Impairment test

Management has prepared an impairment test and thereby calculated the recoverable amount of the investment in the subsidiaries at 31 December 2020.

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Notes to the financial statements

The calculation of the recoverable amount is based on the equity value of the subsidiaries, which is determined based on expected future net cash flows, on the basis of budgets from the subsidiaries' business plans for the years 2021-2025 as well as forecast for subsequent years. The net cash position at 31 December 2020 in the subsidiaries has been added to arrive at the equity value. The calculation of the equity value is based on Management's assessment of the discount factor, inflation, the useful life of the windfarms in the subsidiaries as well as the recognised tax effect of the expected future cash flows from the subsidiary companies, which are transparent for tax purposes.

Based on expected selling prices of produced energy in the subsidiaries, Management has assessed that there are no indications of a change in the expected future cash flows from the subsidiaries, which may lead to the need for impairment write-down of the investment in the subsidiaries.

9 Receivables/payables from group entities

Included in receivables from group entities is a group cash-pool receivable of DKK -9,816 thousand (2019: cash-pool receivable of DKK 80,864 thousand).

10 Deferred tax

DKK'000	2020	2019
Deferred tax is related to:		
Property, plant and equipment	-98,284	-88,193
Intangible assets	136,609	170,674
Provisions	0	49,380
Prepayments	1,777	4,080
Currency hedges	3,762	29
	<u>43,864</u>	<u>135,970</u>
Deferred tax is recognized in the balance sheet as follows:		
Deferred tax asset	43,864	135,970
Deferred tax liability	0	0
	<u>43,864</u>	<u>135,970</u>

11 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years, including rent, insurance policies, subscriptions and interests.

12 Provisions

Provisions comprise expected future costs for dismantling and restoring the production sites.

Based on Management's expectations of the liabilities' date of payment, the liabilities are recognized as long-term liabilities.

13 Non-current liabilities

All non-current liabilities are due within 1-5 years

Financial statements for the period 1 January - 31 December

Notes to the financial statements

14 Joint operations

Investments in joint operations are consolidated on a pro rata basis in the consolidated financial statements, implying that the items are recognised in proportion to the Company's share of the joint operations' profit/loss and equity:

Horns Rev 1 I/S Ocean Wind farm, Esbjerg, Denmark, 60 % ownership interest.

Through pro rata consolidation Vattenfall Vindkraft A/S recognises:

Revenue: (60% of DKK 121,582 thousand) DKK 72,949 thousand.

Profit/loss for the year (excl. depreciations): (60% of DKK 37,683 thousand) DKK 22,610 thousand.

All non-current assets and liabilities are fully integrated in the financial accounts on owner-level.

15 Contractual obligations and contingencies, etc.

Together with the other participants, the Company is jointly liable for Horns Rev I I/S Ocean Wind farm's liabilities.

Vattenfall Vindkraft A/S is part of multiple lawsuits, which independently and together are estimated as immaterial for the Company's financial position.

After the segregation of the wind segment in 2008 from Vattenfall A/S to Vattenfall Vindkraft A/S, Vattenfall Vindkraft A/S is jointly liable with Vattenfall A/S for the total liabilities, which existed as of 1 January 2008.

The Company is jointly taxed with other Danish group entities and is jointly liable with other jointly taxed group entities for payment of income taxes as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 July 2012.

Other financial liabilities

Liabilities under operating leases concern cars totalling DKK 1,183 thousand as of 31 December 2020 (DKK 1,370 thousand in 2019).

Rent obligations relating to the contract of the renting of land, which is non-terminable for 12 years, represents DKK 16,378 thousand (DKK 18,123 thousand in 2019).

Rent obligations relating to the contract of the renting of buildings represents DKK 28,991 thousand (DKK 7,498 thousand in 2019).

In addition, through group entities, Vattenfall Vindkraft A/S has long-term (20-30 years) tenancy agreements with plot owners.

The company is general partner in Vattenfall Vindkraft Bajlum P/S and Vattenfall Vindkraft Nørrekær Enge P/S and are liable unlimited and directly for the partnership companies obligation.

16 Related parties

Parties exercising control

Related party	Domicile	Share holding
Vattenfall AB	16287 Stockholm, Sweden	Parent

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Vattenfall AB	16287 Stockholm, Sweden	www.vattenfall.com

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Notes to the financial statements

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 Vindkraft AB	16287 Stockholm, Sweden

Transactions with related parties

The Company has had the following transactions with related parties:

DKK'000	2020	2019
Sale of other services to group entities	365,001	453,760
Other external costs from group entities	290,324	270,533
Interest income from group entities	42,377	12,150
Interest expenses from group entities	68,022	43,686
Receivables from group entities	2,944,646	3,345,425
Payables to group entities	6,566,144	5,015,312

Received dividend from related parties are presented in note 8

17 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. Financial statements for the period 1 January - 31 December

Notes to the financial statements

18 Distribution of profit/loss

DKK'000	2020	2019
Profit/loss for the year	358,788	150,924
Amount available for distribution	358,788	150,924
Transferred to equity reserve	119,176	0
Retained earnings	239,612	150,924
Retained earnings/accumulated loss	358,788	150,924