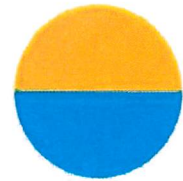


VATTENFALL



Vattenfall Vindkraft Horns Rev 3 P/S

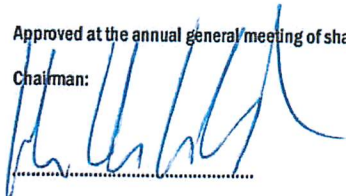
Exnersgade 2, 6700 Esbjerg

CVR no. 36 68 76 06

Annual Report 2019

Approved at the annual general meeting of shareholders on 19 May 2020

Chairman:



Contents

Statement by the Board of Directors and the Executive Board	2
Independent auditors' report	3
Management's review	5
Financial statements for the year 1 January - 31 December	6
Income statement	6
Balance sheet	7
Statement of changes in equity	9
Notes to the financial statements	10

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 Homs Rev 3 P/S for the financial year 1 January - 31 December 2019.

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

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31 December 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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


Esbjerg, 19 May 2020
Executive Board:



Frederik Bernard Hendrik Hiensch
CEO

Board of Directors:

Catrin Fee Jung Draschil
Chairman



Jonas Van-Mansfeld



Jacob Nørgaard Andersen



Hans Werner Wolmann

Independent auditors' report

To the shareholders of Vattenfall Vindkraft Homs Rev 3 P/S

Opinion

We have audited the financial statements of Vattenfall Vindkraft Homs Rev 3 P/S for the financial year 1 January – 31 December 2019, which comprise Income statement, balance sheet 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 2019 and of the results of the Company's operations for the financial year 1 January – 31 December 2019 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 as to 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.

Independent auditor's report

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

Independent auditors' report

- ▶ 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 note 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 the work we have performed, 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 Statements Act. We did not identify any material misstatement of the Management's review.

Copenhagen, 19 May 2020
ERNST & YOUNG
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Karsten Bøgel
State Authorised Public Accountant
mne27849

Management's review

Business review

The Company's activity is to run and own the wind farm "Horns Rev 3" in the North Sea which consists of 49 turbines with a total capacity of 407 MW.

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.

Events after the balance sheet date

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

Covid-19 risk

Vattenfall follows the advices from the local Governments. Most personnel is working from home as requested at the moment. For all the employees that still need to work outside their home, all necessary measures and recommendations from the authorities are followed to secure the employees as much as possible. This also applies to externals who work at Vattenfall sites.

Business-wise, Covid-19 can have a negative impact on the electricity prices, however the potential impact on the business of Vattenfall Vindkraft Horns Rev 3 P/S is difficult to quantify at the moment.

Financial statements for the year 1 January - 31 December

Income statement

Note	DKK'000	<u>2019</u>	<u>2018</u>
	Gross profit/loss	760,490	-28,793
4	Amortisation and depreciations	-327,678	0
	Operating profit/loss	<u>432,812</u>	<u>-28,793</u>
	Financial income	11,377	22,171
	Financial expenses from group entities	-18,750	-5,577
	Financial expenses	-12,416	-9,699
	Profit/loss for the year	<u>413,023</u>	<u>-21,898</u>
	Proposed profit appropriation/distribution of loss		
	Retained earnings/accumulated loss	<u>413,023</u>	<u>-21,898</u>
		<u>413,023</u>	<u>-21,898</u>

Financial statements for the year 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	ASSETS		
	Fixed assets		
4	Property, plant and equipment		
	Plant and machinery	7,252,609	0
	Property, plant and equipment under construction	0	5,810,442
	Total property, plant and equipment	7,252,609	5,810,442
	Total fixed assets	7,252,609	5,810,442
	Non-fixed assets		
	Receivables		
	Trade receivables	101,520	0
	Receivables from group entities	87,255	0
	Other receivables	8,178	381,583
	Prepayments	4,113	29
	Total receivables	201,066	381,612
	Total non-fixed assets	201,066	381,612
	TOTAL ASSETS	7,453,675	6,192,054

Financial statements for the year 1 January - 31 December

Balance sheet

Note	DKK'000	2019	2018
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	100,501	100,501
	Share premium	0	2,249,999
	Restricted equity	130	6,890
	Retained earnings	3,290,747	627,725
		<u>3,391,378</u>	<u>2,985,115</u>
	Provisions		
	Other provisions	310,980	265,186
		<u>310,980</u>	<u>265,186</u>
	Liabilities other than provisions		
5	Non-current liabilities		
	Payables to group entities	2,700,000	0
	Non-current liabilities	<u>2,700,000</u>	<u>0</u>
	Current liabilities		
	Short-term of non-current liabilities		
	Trade payables	312,150	0
	Payables to group entities	209,901	2,344,269
6	Other payables	529,046	597,264
		220	220
	Total current liabilities	<u>1,051,317</u>	<u>2,941,753</u>
	Total liabilities other than provisions	<u>3,751,317</u>	<u>2,941,753</u>
	TOTAL EQUITY AND LIABILITIES	<u>7,453,675</u>	<u>6,192,054</u>

- 1 Accounting policies
- 2 Recognition and measurement uncertainties
- 3 Employee costs
- 7 Currency and interest rate risks and use of derivative financial instruments
- 8 Related parties

Financial statements for the year 1 January - 31 December

Statement of changes in equity

DKK'000	Share capital	Share premium	Restricted equity	Retained earnings	Total
Equity at 1 January 2019	100,501	2,249,999	6,890	627,725	2,985,115
Transferred from share premium account	0	-2,249,999	0	2,249,999	0
Value adjustment, hedging of future cash flows	0	0	-6,760	0	-6,760
Profit/loss for the year	0	0	0	413,023	413,023
Equity at 31 December 2019	100,501	0	130	3,290,747	3,391,378

Financial statements for the year 1 January - 31 December Notes to the financial statements

1

Accounting policies

Vattenfall Vindkraft Homs Rev 3 P/S' annual report for 2019 has been prepared in accordance with the provisions which apply to reporting class B entities under the Danish Financial Statements Act and elective choice of certain provisions applying to reporting class C entities.

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

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 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

Gross profit/loss

Gross profit/loss includes revenue, cost of sales and other external expenses.

Revenue

Income from the sale of electricity 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.

Financial statements for the year 1 January - 31 December Notes to the financial statements

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 external expenses

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

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:

Plant and machinery	10-25 years
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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.

Financial income and expenses

Financial income and expenses are recognized in the income statements at the amounts that concern the financial year. The items comprise interest income and expenses, realized and unrealized capital gains and losses on transactions denominated in foreign currencies as well as amortization of financial assets and liabilities.

Tax

The limited partnership company is tax transparent and therefore is not independently taxable of its income. The individual partners in the company is therefore responsible for the tax. As a result of this, there is no current or deferred tax is recognized in the financial statements.

Balance sheet

Property, plant and equipment

Property, plant and equipment, including production plants, 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

Financial statements for the year 1 January - 31 December Notes to the financial statements

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.

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 amortized cost, which is usually equivalent to the nominal value. Write-down is made of the value for anticipated bad debt losses.

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

Prepayments

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

Provisions

Provisions comprise expected future costs for dismantling and restoring the production plant, etc.

Provisions are recognized 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 realizable value.

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

Liabilities

Financial liabilities comprising trade payables, amounts owed to group entities as well as other payables are recognized at the date of borrowing at cost. In subsequent periods, financial liabilities are measured at net realizable value.

Other liabilities are measured at net realizable value.

Derivative financial instruments

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

Fair value adjustments of derivative financial instruments designated and qualifying as hedging of future assets or liabilities are recognised in other receivables or other payables and in equity. If the forecast transaction results in the recognition of assets or liabilities, amounts previously recognised in equity are transferred to the cost of the asset or liability, respectively. If the forecast transaction results in income or expenses, amounts previously recognised in equity are transferred to the income statement in the period in which the hedged item affects the income statement.

Fair value adjustments of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement on an ongoing basis.

Financial statements for the year 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.

3 Employee costs

The Company has no employees in 2019 and 2018.

The Company buys the necessary resources for operations under a SLA with its parent company.

4 Property, plant and equipment

DKK'000	Plant and machinery	Property, plant and equipment under construction	Total
Cost at 1 January 2019	0	5,810,442	5,810,442
Additions	1,769,865	0	1,769,865
Transferred	5,810,422	-5,810,422	0
Cost at 31 December 2019	7,580,287	0	7,580,287
Impairment losses and depreciation at 1 January 2019	0	0	0
Depreciation	-327,678	0	-327,678
Impairment losses and depreciation at 31 December 2019	-327,678	0	-327,678
Carrying amount at 31 December 2019	7,252,609	0	7,252,609

Impairment test

Management has prepared an impairment test and thereby calculated the recoverable amount of the Company's property, plant and equipment at 31 December 2019.

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 2020-2024 as well as forecast for subsequent 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 impairment test has not shown any need for impairments in 2019.

5 Non-current liabilities

The non-current liabilities are due within 1-5 years.

6 Payables to group entities

Included in payables to group entities is a group cash pool payable of DKK 410,018 thousand (2018: DKK 535,090 thousand).

Financial statements for the year 1 January - 31 December
Notes to the financial statements

7 Currency and interest rate risks and use of derivative financial instruments

The Company uses forward exchange contracts to hedge recognised and non-recognised transactions.

Forecast transactions

The Company uses forward exchange contracts to hedge expected currency risks relating to sale and purchase of planned investments in the coming year.

DKK'000	Period	Contractual value		Gains and losses recognised in equity and expected to be realised after the balance sheet date	
		2019	2018	2019	2018
Forward exchange contracts	0-12 months	22,979	2,915,473	130	6,890

8 Related parties

Vattenfall Vindkraft Homs Rev 3 P/S' related parties comprise the following:

Parties exercising control

Vattenfall Vindkraft A/S, CVR.nr.: 31 59 75 44, Jupitervej 6, 6000 Kolding, Denmark, which exercises control.

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Vattenfall AB	Stockholm, Sweden	Vattenfall AB SE-169 92 Stockholm, Sweden https://corporate.vattenfall.com/investors/financial-reports/