

Financial Statements 2022

Danske Commodities US LLC

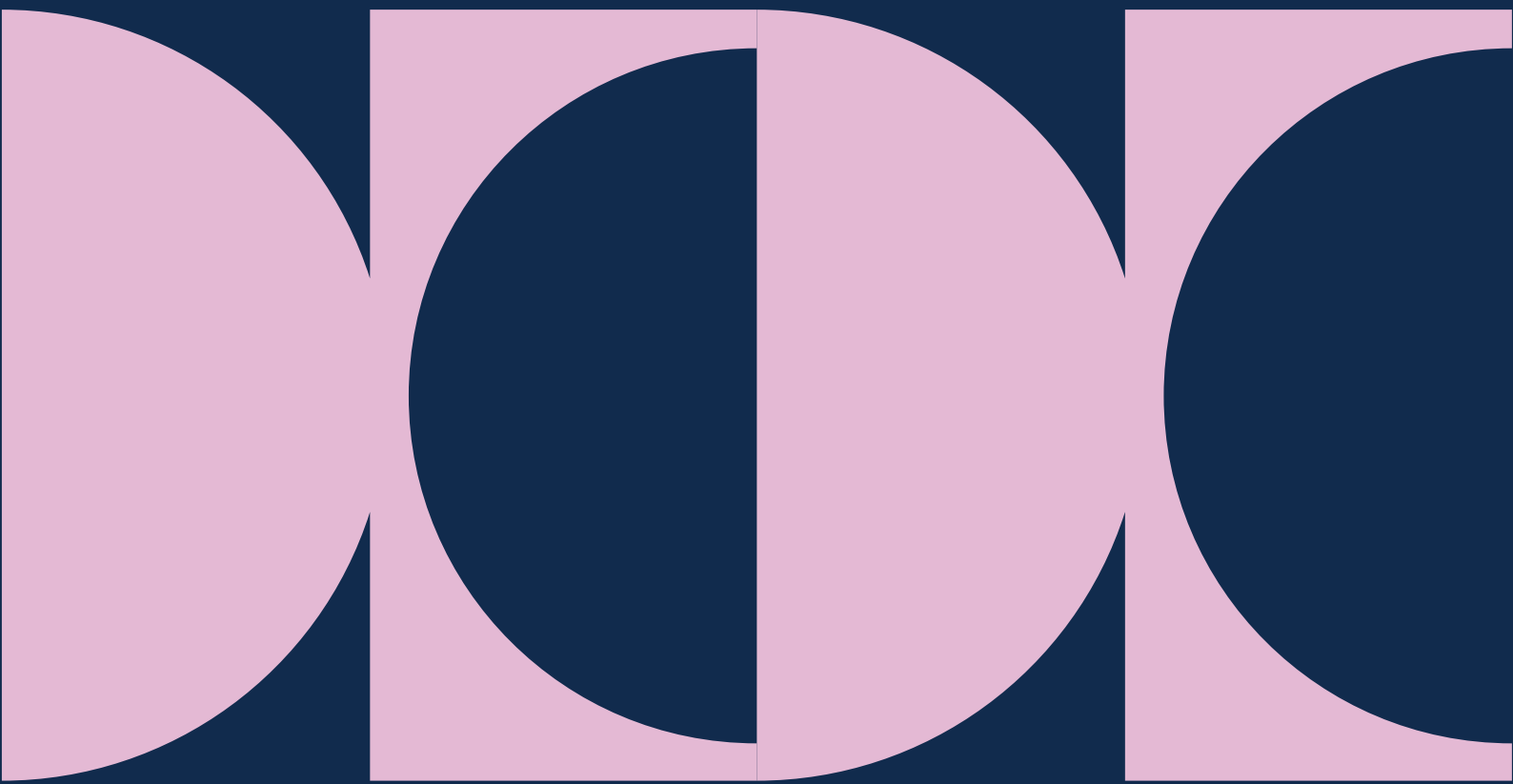


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Company information

Company

Danske Commodities US LLC
c/o Equinor
120 Long Ridge Road
Suite 3E01
Stamford, CT 06902

Main activity

Trading in energy commodities.

Executive Board

Helle Østergaard Kristiansen, President

Board of Directors

Helle Østergaard Kristiansen, Director
Jesper Tronborg, Director
Maarten Jan Manders, Director

Parent company

Equinor US Holdings Inc.

Statement of comprehensive income

1 JANUARY – 31 DECEMBER

Income statement

USD	2022	2021
Trading income	29,373,743	23,099,551
Gross Profit	29,373,743	23,099,551
Other external expenses	-4,648,571	-3,939,432
Depreciation and impairment losses of property, plant and equipment	-6,548	-13,095
Operating profit/loss (EBIT)	24,718,625	19,147,024
Financial income	459,270	0
Financial expenses	-5,554,325	-307,088
Profit before tax (EBT)	19,623,570	18,839,936
Tax of profit/loss for the year	-5,743,543	-5,184,279
Profit/loss for the year	13,880,027	13,655,657

Statement of other comprehensive income

USD	2022	2021
Profit for the year	13,880,027	13,655,657
Other comprehensive income		
<i>Items that may subsequently be reclassified to the income statement:</i>		
Other movements	0	0
Other comprehensive income (net of tax)	0	0
Total comprehensive income (net of tax)	13,880,027	13,655,657

Balance sheet

At 31 DECEMBER

Assets		
USD	2022	2021
Other fixtures and fittings, tools and equipment	0	6,548
Property, plant and equipment	0	6,548
Deferred tax	57,950	0
Other non-current assets	57,950	0
Non-current assets	57,950	6,548
Trade receivables	4,381,021	1,481,535
Prepayments	3,990,480	3,734,098
Derivatives held for trading	167,735,734	72,867,978
Deposits related to trading	17,096,303	9,134,102
Cash and cash equivalents	35,285,761	22,175,001
Current assets	228,489,298	109,392,713
Assets	228,547,248	109,399,261
Liabilities and Equity		
USD	2022	2021
Share capital	20,000,000	5,000,000
Retained earnings	25,598,351	11,718,324
Equity	45,598,351	16,718,324
Deferred tax liabilities	0	437,045
Non-current liabilities	0	437,045
Trade payables	255,957	207,206
Prepayments	1,900,131	0
Payables to group enterprises	163,729,368	72,346,722
Payables to associated companies	0	139,412
Corporation tax payable	6,238,538	3,946,288
Other payables	2,355,941	1,980,000
Derivatives held for trading	8,468,962	13,624,265
Current liabilities	182,948,897	92,243,892
Liabilities	182,948,897	92,680,937
Liabilities and equity	228,547,248	109,399,261

Statement of changes in equity

2022

USD	Share capital	Retained earnings	Total
Equity at 1 January	5,000,000	11,718,324	16,718,324
Net profit for the year	0	13,880,027	13,880,027
Other comprehensive income for the year	0	0	0
Capital increase	15,000,000	0	15,000,000
Total comprehensive income for the year	15,000,000	13,880,027	28,880,027
Equity at 31 December	20,000,000	25,598,351	45,598,351

2021

USD	Share capital	Retained earnings	Total
Equity at 1 January	5,000,000	-1,937,333	3,062,667
Net profit for the year	0	13,655,657	13,655,657
Other comprehensive income for the year	0	0	0
Total comprehensive income for the year	0	13,655,657	13,655,657
Equity at 31 December	5,000,000	11,718,324	16,718,324

Statement of cash flows

USD	2022	2021
Cashflow from operating activities:		
Profit/loss for the year	13,880,027	13,655,657
Non-cash adjustments:		
Depreciation and impairment of property, plant and equipment	6,548	13,095
Tax of profit/loss for the year	5,743,543	5,184,279
Finance income	-459,270	0
Finance expense	5,554,325	307,088
Working capital adjustments:		
Change in receivables	-105,985,826	-130,152,494
Change in payables	84,466,467	131,883,317
Interest received	459,270	0
Interest paid	-5,554,325	-307,088
Cash flow from operating activities	-1,889,241	20,583,855
Cash flows from investing activities:		
Purchase of property, plant and equipment	0	0
Net cash from investing activities	0	0
Cash flows from financing activities:		
Capital increase	15,000,000	0
Net cash from financing activities	15,000,000	0
Change in cash and cash equivalents	13,110,759	20,583,855
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand without restrictions	28,507,270	14,953,772
Restricted cash*	6,778,491	7,221,230
Cash and cash equivalents at end of year	35,285,761	22,175,001

* Restricted cash is relating to initial margin coverage held at clearing banks.

Basis of reporting

BASIS OF PREPARATION

Danske Commodities US LLC ('the Company') is founded in the State of Delaware where it is incorporated as a limited liability company pursuant to the Delaware Limited Liability Company Act. The company is domiciled in Stamford, Connecticut and is a wholly owned subsidiary of Equinor US Holdings Inc.

The company's' primary activity is trading in energy commodities.

The special-purpose financial statements consist of income statement, statement of comprehensive income, balance sheet, statement of cash flow and statement of changes in equity for the year ended 31 December 2022. The Company has prepared the special-purpose financial statements based on recognition and measurement principles of IFRS standards effective at 31 December 2022 with exception of disclosure requirements. The fiscal year for the Company is 1 January – 31 December.

The special-purpose financial statements have been prepared on a going concern basis and under the historical cost convention, except for derivatives, which are measured at fair value.

The financial statements are presented in US Dollars, which is also the Company's functional currency.

Correction of prior year numbers

In line with IAS 8 a correction has been made to the prior year amounts. The Company has changed the presentation of variation margin paid/received from clearing banks to offset the derivative positions. The correction has no effect on the statement of comprehensive income or equity. For 2021 USD 46,7 million has been reclassified from 'deposits related to trading' (assets) to offset 'derivatives held for trading' (liabilities) - decreasing both total assets and total liabilities with USD 46,7 million.

Changes to accounting policies in 2022

IFRIC agenda decision

In April 2022, IFRIC issued an agenda decision on the application of IAS 7 regarding 'Demand Deposits with Restrictions on Use arising from a Contract with a Third Party'. The decision concluded that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash.

The Company hold demand deposits at clearing banks restricted to cover initial margin, and this was previously recognised as deposits held for trading.

The Company has adopted the treatment set out in the IFRIC agenda decision regarding demand deposits, where demand deposits with restrictions on use are subsequently classified as cash and cash equivalents.

The change in accounting treatment has been accounted for retrospectively and comparative information has been restated. The change has no effect on the statement of comprehensive income or equity. The comparative figures for cash and cash equivalents increased by USD 7,2 million and deposits held for trading decreased by USD 7,2 million.

The Company has implemented other changes in standards and interpretation relevant that are mandatory for 2022. None of these have had a material impact on the financial statements for 2022.

Specific users of the Special-purpose Financial Statements

The Financial Statements serves as a Special-purpose Financial Statements and have been prepared with the sole purpose to comply with requirements presented from United States Independent System Operators and Regional Transmission Organizations. These are ('the users'): PJM, MISO, ERCOT, SPP, CAISO, NYISO, ISO-NE, IESO & AESO.

TRANSLATION OF FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the exchange rates prevailing at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income or financial expenses in the income statement. Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the

balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

FAIR VALUE MEASUREMENT

The Company measures financial instruments such as derivatives, at fair value at each balance sheet date. Fair value is the price that would be received for selling an asset or paid for transferring a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured in the special-purpose financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – Quoted and unadjusted market prices in active markets for identical assets or liabilities

Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the special-purpose financial statements at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each period in which the reassessment is based on the lowest level input that is significant to the fair value measurement as a whole. The Company's risk management function determines the policies and procedures for recurring fair value measurement for unquoted financial assets and liabilities.

TRADING INCOME

Trading income comprise net gains and losses arising from trading within energy commodity derivatives. The energy commodity derivatives make up the Company's trading portfolio which includes futures, options, swaps that are financially settled. Net changes in the fair value of energy commodity derivatives held for trading presented as financial assets or financial liabilities, respectively, are included in 'trading income'.

OTHER EXTERNAL EXPENSES

Other external expenses comprise administration costs, facility costs as well as consultancy costs.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income and interest expenses, respectively.

TAX AND DEFERRED TAX

Tax for the year consists of current tax for the year and deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

CURRENT TAX RECEIVABLES AND LIABILITIES

Current tax receivables and liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Tax receivables and liabilities are offset if there is a legally enforceable right of set-off and an intention to settle on a net basis or simultaneously.

DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities. Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities. Deferred tax assets and liabilities are offset within the same legal tax entity and jurisdiction. Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective states at the balance sheet date when the deferred tax is expected to crystallise as current tax.

PROPERTY, PLANT AND EQUIPMENT

Individual components of property, plant and equipment that have different useful lives are accounted for as separate items, which are depreciated separately. Property, plant and equipment is measured at cost less accumulated depreciation and less any accumulated impairment losses. Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

- Other fixtures and fittings, tools and equipment: 3 years

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates if the amount is material. Carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Where a recoverable amount cannot be determined for the individual asset, assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on an overall assessment.

TRADE RECEIVABLES

Trade receivables are amounts due from the trading activity. Trade receivables are measured at amortised cost less allowance for lifetime expected credit losses. They are generally due for settlement within 30 days and are therefore all classified as current. Other receivables are measured at amortised cost.

The Company applies the principles in IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, taking forward-looking factors into account.

In the lifetime expected credit losses calculated, the Company considers a financial asset as being in default when payments are 60 days overdue, accelerating the lifetime expected credit loss factor. The expected loss rates are updated at each reporting date.

In addition to the lifetime expected credit loss allowance on trade receivables, the Company may also recognise an impairment on a specific debtor if there is any internal or external information indicating that a loss will incur. Where receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Recoveries made are recognised in profit or loss. Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

PREPAYMENTS

Prepayments are measured at amortised cost.

DERIVATIVES HELD FOR TRADING

When derivatives do not meet the hedge accounting criteria, they are primarily classified as 'held for trading' for accounting purpose and initially recognised, and subsequently measured at fair value through profit and loss and recognised in the balance sheet as 'derivative financial instruments'. Derivative financial instruments that are held for trading are classified as current assets and liabilities regardless of their maturity date. The Company does not apply any type of hedge accounting in the financial statements. Derivative financial instruments are categorised by means of shared risk and underlying commodity.

TRADE AND OTHER PAYABLES

Trade payables and other payables are measured at amortised cost and are unsecured.

DEPOSITS RELATED TO TRADING

Deposits relating to trading activities are the amounts of cash required to maintain or open a trading position with certain counterparties. Deposits related to trading consists of margin calls and cash deposits.

Margin calls are a collateral payment to/from OTC counterparties to cover changes in the value of underlying assets used in futures/forward contracts. Cash deposits are used as collateral in order for the Company to open a new position for certain counterparties.

Deposits related to trading are measured at amortised cost.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The Company assesses financial assets and liabilities on an individual basis and uses that assessment as the unit of account. Financial assets and liabilities are offset and the net amount is reported in the balance sheet where the Company currently has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

CASH FLOW

Cash flow statement

The statements of cash flows are compiled using the indirect method, showing cash flows from operating, investing, and financing activities as well as cash and cash equivalents at the beginning and end of the year for the Company.

Cash flows from operating activities

Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation and impairment losses, and provisions.

Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions property, plant and equipment.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from payments to and from shareholders.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand.

Demand deposits held in clearing bank accounts are included as restricted cash if the deposits provided as part of the Company's operating activities and therefore is deemed as held for the purpose of meeting short-term cash commitments, and the deposits can be released from the account without undue expenses.



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