

Annual Report 2021



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EXECUTIVE REVIEW

THE COMPANY'S MAIN ACTIVITY

Danske Commodities has built a successful business on trading power and gas across borders. The Company's trading activities cover time-delimited markets from forward to day-ahead and intraday. Using comprehensive data sets, analytical capabilities, automation and deep market knowledge, Danske Commodities turns data into knowledge and knowledge into business. Every day, the Company uses its market expertise, broad market footprint and 24-hour trading setup to support customers through tailor-made services for renewables producers, conventional assets and energy suppliers.

STRONG PERFORMANCE IN DEFINING YEAR FOR ENERGY MARKETS

Danske Commodities delivered adjusted EBIT of EUR 256 million (IFRS EUR 394 million¹) in a year with unprecedented market volatility. Extreme weather events and a faster-than-expected economic bounce-back from Covid-19 combined with low gas storage levels resulted in historically high energy prices, which created both opportunities and challenges for energy market participants.

2021 will be remembered as a defining year for energy markets, with unprecedented price volatility and record high energy prices in Q4.

A number of factors contributed to the surge in prices: world economies recovered faster than expected from Covid-19 lockdowns in the beginning of the year, and a cold and long winter stretched all the way into April, creating a higher demand for energy. At the same time, we saw significantly lower gas storage levels compared to last year, unplanned outages, low wind production in September, political unrest and underperforming deliveries of natural gas from Russia.

We saw the effect of these market drivers at the end of the year. As an example, TTF gas prices were at 19 EUR/MWh in January and rose to a peak at 182 EUR/MWh in December. German day-ahead power prices started the year at 54 EUR/MWh and peaked at 428 EUR/MWh. EUAs started the year at 34 EUR/t and peaked close to 89 EUR/t in December. Similar developments could be seen across commodities and across markets all over the world.

For market participants, the extreme volatility and soaring energy prices increased risks and put an immense pressure on liquidity. Danske Commodities managed to navigate safely through the extreme market conditions and helped bring balance and liquidity to challenged energy markets.

STRONG RESULTS WITH EQUINOR AS A CATALYST

By combining our wide market access and agile business model with the financial strength and commercial opportunities that come from being part of energy major Equinor, Danske Commodities delivered a record adjusted EBIT of EUR 256 million (IFRS EUR 394 million) for 2021, up from EUR 44 million (IFRS EUR 54 million) in 2020 and the expected IFRS EBIT of EUR 40-60 million. Adjusted gross profit for the year was EUR 325 million (IFRS EUR 476 million), up from EUR 96 million (IFRS EUR 126 million) in 2020 and the expected IFRS gross profit of EUR 100-130 million. Driven by our scalable platform, Danske Commodities produced a record gross turnover at EUR 32 billion.

The results for 2021 firmly underline the strength of the cooperation between Danske Commodities and Equinor. Since we became part of Equinor, Danske Commodities has scaled up our business.

¹ Further explanation of performance-adjusted measures is outlined on page 6.



EXECUTIVE REVIEW - CONTINUED

OUTLOOK: VOLATILE MARKET CONDITIONS TO CONTINUE

Looking ahead, we expect the volatile market situation of 2021 to continue in 2022, with the war in Ukraine being a main driver of energy prices. Danske Commodities risk management function ensures that the associated risks are balanced even in the current volatile market, as described on p. 11-12. Risk Management is a company-wide discipline and especially in these times there is heightened awareness with both first and second line of defence to ensure that risk-taking is well-balanced and deliberate. We also expect to see a continuation of the heavy investments in renewable energy and new technological solutions within the renewables space as the world takes further steps towards a sustainable energy future. Backed by Equinor, Danske Commodities remains well-positioned to perform our role of bringing liquidity and balance to global energy markets.

In 2022, gross profit is expected to be in the EUR 325-425 million range and EBIT is expected to be in the EUR 225-325 million range.



FINANCIAL HIGHLIGHTS AND RATIOS

PERFORMANCE-ADJUSTED MEASURES	EUR '000	2021	2020	2019
Gross turnover		32,311,321	11,844,042	10,046,074
Adjusted gross profit		325,472	96,292	101,265
Adjusted EBIT		255,771	44,322	46,805

* Further explanation of performance-adjusted measures is outlined on page 6

GROUP FIGURES	EUR '000	2021	2020	2019	2018**	2017**
Income statement						
Trading income and revenue		2,451,083	791,683	791,474	9,376,686	5,741,723
Gross profit		475,666	126,402	110,178	123,472	103,439
Profit before financial income and expenses and tax (EBIT)		394,127	54,312	52,559	71,826	55,923
Net Financials		-6,922	-2,959	-1,538	-233	4,396
Profit before tax (EBT)		387,205	51,353	51,021	71,593	60,319
Profit for the year		302,909	40,207	39,786	55,967	47,193
Balance sheet						
Balance sheet total		7,488,231	1,231,814	770,564	373,271	361,962
Equity		634,498	332,393	292,711	76,235	105,855
Cash flow statement						
Cash flow from operating activities		-619,237	125,237	-75,812	50,490	28,830
Cash flow from investing activities		-3,332	-20,928	-91,899	-4,691	-4,174
- hereof investments in intangible assets		-2,513	-21,725	-93,656	-1,303	-4,042
- hereof investments in property, plant and equipment		-819	-915	-1,025	-2,058	-130
Free cash flow		-622,569	104,309	-167,771	45,799	24,656
Cash flow from financing activities		1,404,048	-1,050	178,471	-85,634	-25,647
Change in cash and cash equivalents for the year		784,261	101,603	10,760	-39,835	-991
Cash and cash equivalents		946,609	162,348	60,745	69,545	107,768
Ratios in %						
Scalability		82.9%	43.0%	47.7%	58.2%	54.1%
Return on capital employed		29.3%	16.5%	27.5%	77.1%	57.5%
Equity ratio		8.5%	27.0%	38.0%	20.4%	29.2%
Return on equity		62.7%	12.9%	21.6%	61.5%	49.8%
Average number of employees		338	319	281	267	262
Number of employees end of year		370	355	317	295	290

The ratios have been prepared in accordance with the definitions set out in note 8.5 in the Financial Statements.

** Due to a change in accounting principles from Danish GAAP to IFRS, key figures and ratios from 2017-2018 are not comparable with figures from 2019-2021. Restatement of comparison figures 2017-2018 would not affect gross profit but mainly impact Trading income and revenue as well as balance sheet total.



PERFORMANCE-ADJUSTED MEASURES

Gross turnover, adjusted gross profit and adjusted EBIT are used as alternatives to the financial figures prepared in accordance with IFRS. These performance-adjusted measures are used as the primary performance measure internally in Danske Commodities based on the assessment that performance-adjusted measures better reflect the business performance.

GROSS TURNOVER

Revenue from trading activities is presented net under IFRS. To provide readers of the financial statements with an insight into Danske Commodities' gross trading and revenue activities, a gross turnover presentation is included as a part of the performance-adjusted measures. Gross turnover reflects sales contracts for physical delivery of non-financial items consisting of power and gas, whether or not it is considered to be a part of trading activities. The gross turnover amounts to EUR 32.311 million in 2021 compared to the IFRS trading income and revenue of EUR 2,451 million.

The calculation of the adjusted gross profit and adjusted EBIT is based on the corresponding IFRS figures. These are adjusted for the two components, market value of gas storages and reclassification of amortisations.

MARKET VALUE OF GAS STORAGES

IFRS requires that trading inventories measured at fair value use period-end spot prices. To best reflect the business and risk management of economic exposure through derivative transactions in Danske Commodities, internal indicators used to measure performance include valuation of trading inventories based on forward prices according to storage injection and withdrawal planning. The difference between gas storage values applying the two valuation techniques is reflected in the adjustment to IFRS gross profit and IFRS EBIT.

RECLASSIFICATION OF AMORTISATIONS

In 2019 and 2020, Danske Commodities entered into several PPAs and gas storage contracts which were already in operation and favourable, given current market terms. These contracts were recognised as intangible assets

and amortised over the duration of each contract. As the amortisations are considered an important part of the performance of these contracts, the amortisations are reclassified from the financial statement line item 'depreciation and amortisation' to 'gross profit'.

IFRS VS. PERFORMANCE-ADJUSTED MEASURES

2021

EURm	IFRS	Reclas- sification	Gas storage	Adjusted
Gross profit	475.7	-11.8	-138.4	325.5
External expenses	-13.4	-	-	-13.4
Staff costs	-51.6	-	-	-51.6
Amortisations	-16.5	11.8	-	-4.7
EBIT	394.2	0.0	-138.4	255.8

IFRS VS. PERFORMANCE-ADJUSTED MEASURES

2020

EURm	IFRS	Reclas- sification	Gas storage	Adjusted
Gross profit	126.4	-20.1	-10.0	96.3
External expenses	-10.2	-	-	-10.2
Staff costs	-37.2	-	-	-37.2
Amortisations	-24.7	20.1	-	-4.6
EBIT	54.3	0.0	-10.0	44.3

As shown in the tables, IFRS gross profit amounted to EUR 476 million in 2021 and is adjusted downward by EUR 138 million in relation to gas storages and by EUR 11.8 million in reclassification of amortisations, bringing the adjusted gross profit to EUR 326 million. IFRS EBIT is EUR 394 million and adjusted only by the EUR 138 million gas storage adjustment, the adjusted EBIT is EUR 256 million.



STATUTORY REPORTING ON CORPORATE SOCIAL RESPONSIBILITY

RESPONSIBLE OPERATIONS AS THE CORNERSTONE

Danske Commodities' commitment to responsible business operations, high ethical standards, human rights, environmental impact and integrity remains the cornerstone of the Company's operations.

Danske Commodities conducts its business in accordance with the United Nations Guiding Principles on Business and Human Rights, the ten Principles of the Global Compact and the Sustainable Development Goals (SDGs), pledging to be an active participant in pushing the world towards a more sustainable future. The Company supports all SDGs but focuses particularly on advancing SDG 7, 12 and 13. Danske Commodities' business model is inherently linked to the global energy transformation that the UN promotes, bringing freedom of choice and competitive energy prices to consumers. The Company employs a holistic approach to sustainability and responsibility, covering four main themes: ethics, equality, people and planet.

ETHICS

POLICY

Danske Commodities complies with applicable laws, acts in an ethical and responsible manner and practices good governance. The Code of Conduct is the point of departure for all employees and the Ethics Helpline enables anyone to anonymously report any irregularities and violations of the law.

HOW THE POLICIES ARE PUT INTO ACTION

Code of conduct

The Code of Conduct is the Company's guide to ethical business and outlines expectations, commitments and requirements for ethical conduct. Training in the Code of Conduct is mandatory for all Danske Commodities' employees and board members.

Anti-corruption and bribery

Danske Commodities has zero-tolerance for corruption in any form, including bribery, facilitation payments and trading in influence and has a strict no-gift policy, which mitigates the risks of bribery and corruption.

Sanctions compliance

The Company screens all business partners and has included Know Your Customer (KYC) and sanctions compliance in the mandatory training for all traders and portfolio managers.

RISKS

Failure to act in accordance with internal policies and regulations undermines legitimate business activities, distorts competition, damages reputation and exposes companies and individuals to risk. Therefore, Danske Commodities proactively mitigates the risks through continuing dialogue, guidelines and training.

RESULTS IN 2021

- Focus on business ethics with Covid-19 creating different work trends
- Enhanced focus on knowledge-sharing between different teams on KYC and sanctions compliance
- Code of Conduct awareness

PRIORITIES FOR 2022

- Further develop relevant controls to ensure high ethical standards
- Continue the development of ethics compliance set-up outside of Europe

EQUALITY

POLICY

Danske Commodities respects all human rights and is committed to create and maintain an inclusive environment. The Company values diversity of people and is committed to providing an environment recognised for its equality and diversity.

Danske Commodities treats everyone with fairness, respect and dignity, and does not tolerate any discrimination of colleagues or others affected by its work. Discrimination includes all unequal treatment, exclusion or preference based on race, gender, age, disability, sexual orientation, religion, political views, national or ethnic origin or any other characteristic that results in compromising the principle of equality.

This means that employees treat everyone with fairness, respect and dignity and that the Company bases work-related decisions on merit and not on other characteristics that result in compromising the principle of equality.

The Company's gender policy and statutory reporting on diversity in management cf. the Danish Financial Statements Act §99b can be found here: <https://danskecommodities.com/gender-policy-2021/>.

HOW THE POLICY IS PUT INTO ACTION

Respecting human rights

Danske Commodities respects all internationally recognised human rights, which include the right to freedom of association, collective bargaining and rights not to be subject to forced labour or child labour.

Anti-discrimination and harassment



Danske Commodities treats everyone it comes into contact with through work or work-related activities in a respectful manner. The Company will not tolerate any verbal or physical conduct that harasses others, disrupts others' work performance or creates a hostile work environment.

This means that

- Danske Commodities' employees take steps to create and maintain a good working environment
- Danske Commodities' employees never engage in harassment, bullying, workplace violence or other behaviour that colleagues or business partners may regard as threatening or degrading
- Offensive messages, derogatory remarks and inappropriate jokes are never acceptable
- Danske Commodities' employees respect other people's customs and cultures

The Company has a zero-tolerance policy for harassment.

RISKS

Risks of breach of human rights or the principle of equality are mitigated by leadership, strong values, clear policies and the opportunity to report any concerns to various internal channels alternatively an external anonymous Ethics Helpline.

RESULTS IN 2021

- No violations of human rights or cases related to discrimination reported including in anonymous workplace assessment sent to all employees
- Establishment of a diversity and inclusion taskforce

PRIORITIES FOR 2022

- Strategic focus on diversity and inclusion, with particular focus in 2022 on diversity in attraction and recruitment as well as ensuring inclusion in the workplace

PEOPLE

POLICY

In 2021, Danske Commodities updated the Company's People Handbook which encompasses all internal policies and describes what the employees can expect from Danske Commodities and what Danske Commodities expects from its employees. The purpose of the People Handbook is to ensure that all Danske Commodities employees are introduced to and are aware of Danske Commodities' history, culture and values.

HOW THE POLICY IS PUT INTO ACTION

Futureproofing people capabilities

In addition to Danske Commodities' general policies, the focus has been on dedicated work with people development, professional capability mapping, and succession planning.

Security and privacy

Danske Commodities protects data confidentiality and integrity related to all internal and external stakeholders. The Company continues to update and put policies in place to define and direct the rules or guidelines for the organisation and employees.

Safety

In 2021, another important focus was physical safety and mental wellbeing, especially in relation to Covid-19. Furthermore, the Work Environment Organisation as well as safety responsables at Danske Commodities participated in extraordinary emergency response training. Danske Commodities also enhanced psychological safety by hosting workshops on stress as well as caring for individual employees affected by stress or anxiety.

Culture

Danske Commodities conducted a culture survey to gain insight into how employees experience the company culture. The results of the survey were used as input for the new corporate strategy and were included in the process of reviewing all employee benefits. As an example, this benefit review resulted in an extra day off per year for all employees.

Diversity and inclusion

In 2021, emphasis has been on assessing the current situation and identifying areas of improvement.

RISKS

With the Covid-19 situation expected to continue into 2022, focus will remain on people safety, including both physical safety and mental wellbeing. Furthermore, the job market is currently heated which could potentially affect Danske Commodities' ability to recruit as well as the employee turnover level. However, this has not been the case for 2021.

Protecting and reacting to the ever-increasing cyber security threats continue to be a company priority. Cyber security awareness training and campaigns are key controls to reduce the risk of the human risk and technologies are put in place and optimised to reduce the risk surface.

RESULTS IN 2021

- Employee satisfaction score in annual people survey maintained at an all-time-high of 81
- Covid-19 setup in accordance with national guidelines on employee safety implemented and maintained
- New employee benefits site and Leaders Forum launched
- Conducted extraordinary scenario based for Crisis Management exercise
- Reduced security vulnerability surface

PRIORITIES FOR 2022

- Safety during the continuing pandemic and Covid-19 responsables will be appointed
- Prioritising and ensuring time for development, learning and innovation
- Diversity and inclusion – to be able to recruit from a diverse talent pool for an inclusive workplace
- Further strengthening and optimising IT SOX controls
- Performing IT Risk & Vulnerability assessment
- Optimise security operation function



PLANET

POLICY

Danske Commodities' corporate sustainability policy encompasses a long-term outlook on sustainability, addresses a variety of internal and external societal and environmental challenges and strives for constant improvement of the Company's business practices.

HOW THE POLICY IS PUT INTO ACTION

The Greenhouse Gas Protocol

Danske Commodities applies the Greenhouse Gas Protocol to measure and account for the Company's scope 1, 2 and 3 emissions. The Company promotes responsible procurement, opts for environment-friendly transportation, offers remote working flexibility, reduces and sorts waste and sources electricity from Danish wind turbines.

Supporting SDG's

The Company supports the Sustainable Development Goals (SDGs) and focuses particularly on advancing SDG 7, 12 and 13.

Local and global engagement

Danske Commodities supports the local community e.g. by joining Climate Alliance Aarhus to actively support the transition to climate-friendly workplaces in Aarhus well as supporting social renewable energy projects in Mali and Benin.

RISKS

Succeeding with the sustainability policy requires an effort from all employees and other stakeholders to drive change both inside and outside the Company.

RESULTS IN 2021

- Joined Climate Alliance Aarhus to help the municipality becoming carbon neutral in 2030
- Helped local vulnerable citizens in Aarhus with meals during a renovation of a shelter
- Educated 200 solar energy technicians in Africa, focusing especially on women

PRIORITIES FOR 2022

- Increase focus on and participation in local community initiatives and partnerships
- Further engage the broader organisation and cocreate sustainable practices with employees
- Establish internal sustainability task force



DANSKE COMMODITIES DATA ETHICS POLICY

At Danske Commodities, data have always been important assets and a competitive parameter. Danske Commodities is a data-driven company, which sees data as a natural part of its value chain and is aware of the importance of enabling technology in its everyday business. The Company's business model relies on the ability to turn data into knowledge, and knowledge into profitable trading strategies.

For most companies today, the importance of data has become more obvious, transparent and firmly positioned on the strategic agenda. Most companies invest in data and the ability to harvest the value. This has also become easier than ever before and leading organisations in every industry are wielding data and analytics as competitive weapons. The power of data calls for a conscious decision on how to create, use and protect data. Danske Commodities takes data seriously and the purpose of this policy is to formally state Danske Commodities' data ethics principles and describe the overall approach that ensures that the Company always treats data with the highest ethical standards. With clear data ethics principles, Danske Commodities works actively to address data ethics issues across trading activities, innovation and business processes.

THREE DATA ETHIC PRINCIPLES

- 1. Security**
Danske Commodities' usage of fundamental market data requires the Company to process official data with the purpose of supporting critical internal processes. Employees must all comply with the boundaries for data access, sharing and use. Employees are also subject to comprehensive statutory obligations for data security and data protection, and processing data securely and responsibly is an integrated part of the Company's culture and processes. All Danske Commodities employees have been part of the mandatory code of conduct training that sets the ethical guidelines, including the use of data, handling personal data and using data for financial and business reporting purposes.
- 2. Integrity**
To Danske Commodities, integrity is about managing and using data according to the Company's internal data governance principles. With an effective data governance, Danske Commodities ensures that data are consistent, trustworthy and do not get misused. Danske Commodities' integrity principle also has risk management and data quality included as core governance components.
- 3. Responsibility**
As data is considered an integral part of Danske Commodities' value chain, the Company is committed to leveraging this in a fair and responsible way to the best interest of its customers, the energy markets and society in general. This also includes advanced analytics, developing machine learning models and participating in automating trading activities across markets and products.



RISKS

MARKET RISK

Market risk is the risk of the value of open positions changing as a result of fluctuating market conditions.

Danske Commodities' market risk arises in both commodity and financial markets with fluctuating energy prices, production and consumption balancing and foreign exchange rates constituting key risk factors. Due to the potential impact on the Company's earnings, Danske Commodities continuously monitors and stress tests volatility and commodity price developments. Market risk is managed as set out in the Market Risk Policy and the Market Risk Manual. The Market Risk Policy defines the allowable products, regions and commodities whereas the Market Risk Manual provides the specific mandates within the overall market risk appetite. The market risk appetite of Danske Commodities sets out the overall risk limits defined as the allocated risk capital, and the aggregation of the different mandates is kept within those limits, ensuring that the Company monitors its risk profile at all times. Open positions are only accepted if mandates have been established. All open trading positions are monitored by a second line of defence by the Risk Management team. All mandates across the business are reviewed regularly and updated to ensure that they continue to comply with the overall risk appetite and are in sync with changing market conditions. As part of the monitoring process, Danske Commodities operates several warning levels and stop-loss limits to ensure timely action if a mandate is violated. Structured product control, model validations and additional stress tests and risk measures, such as Value-at-Risk and Cash Flow-at-Risk, are used as an integral part of risk management for relevant products and activities. Foreign exchange risk, to which the daily commercial business is exposed, is mitigated and hedged on a daily basis using a Value-at-Risk approach. As foreign exchange risk is not a core business for Danske Commodities, a hedging strategy anchored in the Treasury team is pursued to mitigate the foreign exchange risk. Hence, currency risk is an insignificant component of the overall risk appetite at Danske Commodities.

CREDIT RISK

Credit risk is the risk of financial loss resulting from a counterparty failing to meet contractual obligations.

Danske Commodities manages credit risk through a clearly defined framework of policies and procedures approved by the Board of Directors and defined by the Risk

Management team. The Company has taken out credit insurance on the main portfolio of counterparties. This reduces the risk of potentially uncovered credit exposure. Thorough Know Your Customer (KYC) and sanctions screening processes are performed according to the agreed policy. The financial strength and creditworthiness of counterparties, who are not covered by credit insurance, are assessed before the Company enters any contract and on an ongoing basis during the duration of individual contracts. If required, additional security is requested from counterparties and credit lines are monitored daily. The KYC process is reviewed regularly, and sanctions screening is done on a continual basis.

OPERATIONAL AND IT RISK

Danske Commodities is exposed to operational and IT risks with possible impact on license to operate, financial losses or near misses.

Operational and IT risks can broadly be defined as risks of inadequate or failed internal processes, human errors, system failures or from external events.

Danske Commodities continues to mature and improve operational and IT risk management to make it an integral part of the Company's efforts to reduce the overall risk exposure.

Cybersecurity training is mandatory for all employees and IT risk controls are further strengthened as part of SOX compliance. Risk and Vulnerability assessment has been conducted to identify key risk mitigation initiatives under the Danish Energy Agency preparedness requirements.

Crisis Management and Business Continuity processes, procedures and tooling are updated and exercised on a monthly and biannual basis.



RISKS - CONTINUED

LIQUIDITY RISK

Liquidity risk is the risk of Danske Commodities not being able to meet its liabilities towards counterparties.

Danske Commodities is considered to have low liquidity risk, being under the ownership of Equinor and given its solid capital structure. Cash flows from operations, cash reserves and credit facilities are key aspects that for several years have ensured stable and adequate liquidity. Add to that the bolstering of equity through two capital injections by Equinor in 2019 and access to internal credit facilities, also provided by Equinor. Danske Commodities measures its overall liquidity, consisting of free liquidity, including cash collateral, other deposits and forecasted cash flows, on a daily basis. In addition, different liquidity outcomes are simulated through various stress tests. The stress testing process analyses daily forecasted liquidity against a minimum liquidity level, enabling the Company to better manage liquidity reserves and withstand extreme market movements at all times.

LEGAL RISK

Contractual relationships with customers and business partners bear the potential for legal risks.

Danske Commodities' Legal team is focused on proactive legal work and contributes in a structured way to identifying, prioritising and managing legal risks and opportunities in consultation with teams across the entire organisation.

The Legal team engages in the on-going business activities and decision-making processes at an early stage and takes part in the approval process for new products. By drafting and negotiating well-balanced contracts in accordance with the legal risk tolerance defined by the Board of Directors in line with local legislation and practice in the markets in which Danske Commodities operates, the Company conducts risk assessment on an ongoing basis. As such, the overall level of claims and disputes can be held at a minimum. The legal counsels of Danske Commodities work closely with professional external advisers when expert knowledge is required.

COMPLIANCE RISK

Compliance risk is the risk posed to Danske Commodities' financial, organisational, operational or reputational standing that could result from a failure to act in accordance with relevant laws, regulations and prescribed standards.

High ethical standards and compliance with relevant laws and regulations are fundamental to Danske Commodities. Danske Commodities' Compliance Programme sets out the framework for operating the Company's activities in an ethical and compliant manner and ensures that compliance is embedded with all employees and throughout the organisation, creating a strong culture of compliance.

The Compliance Programme focuses on preventing, detecting and handling non-compliant behaviour and is managed by the Compliance Officer who regularly reports to Senior Leadership and the Risk Committee.

Danske Commodities' Compliance Policy & Guidelines as well as the Code of Conduct is the foundation for the Compliance Programme as they lay out the requirements and expectations of the Company's employees and it applies to all employees. Annual compliance risk assessments are another important part of the Compliance Programme. In 2021, risks assessments were carried out for all trading activities, including algorithmic trading.

Training and education also play a vital role in the Compliance Programme, ensuring that Danske Commodities' employees are regularly provided with up-to-date information and knowledge of compliance issues. Further, select employees also take part in face-to-face training sessions conducted by the Compliance team. In 2021, these training sessions related to the market abuse prohibitions in the REMIT and MAR regulations.

Monitoring and trade surveillance are also an important part of the Compliance Programme and ensure compliance with relevant regulations and allow Danske Commodities to monitor that its activities are carried out in a compliant manner. In 2021, the Company implemented a new trade surveillance system for select trading activities, allowing for a more automated and efficient trade surveillance process.

Oversight with the Compliance Programme is ensured through the preparation of an Annual Compliance Report as well as regular reports to Senior Leadership and the Risk Committee.



MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Danske Commodities A/S for the financial year 1 January – 31 December 2021.

The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2021 of the Group and the Parent Company and of

the results of the Group and the Parent Company operations as well as the consolidated cash flows for 2021.

In our opinion, the Management's Review includes a true and fair view of the development of the Group's and the Parent Company's operations and financial circumstances, of the Group's and the Parent Company's results for the year and of the financial position. Furthermore, the Management's Review provides a description of the most significant risks and elements of uncertainty facing the Group.

We recommend the Annual Report for adoption at the Annual General Meeting.

Aarhus, 5 April 2022

Executive Board

Helle Østergaard Kristiansen
CEO

Jakob Sørensen
CFO

Board of Directors

Helge Haugane
Chair

Fride Seljevold Methi
Vice Chair

Olav Kolbeinstveit
Board Member

Torbjørn Folgerø
Board member

Molly Moris
Board member

Jens-Peter Saul
Board member



INDEPENDENT AUDITOR'S REPORT

To the shareholders of Danske Commodities A/S

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Danske Commodities A/S for the financial year 1 January – 31 December 2021, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2021 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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 consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "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 Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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 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 Statements Act. We did not identify any material misstatement of the Management's review.

Management's responsibilities for the financial statements

Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of 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.



INDEPENDENT AUDITOR'S REPORT - CONTINUED

In preparing the financial statements, Management is responsible for assessing the Group's and the Parent 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 Group or the Parent 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.

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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



INDEPENDENT AUDITOR'S REPORT - CONTINUED

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 5 April 2022

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Steen Skorstengaard
State Authorised Public Accountant
mne19709

Lone Nørgaard Eskildsen
State Authorised Public Accountant
mne32085



STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

INCOME STATEMENT

EUR '000	Note	Group		Parent	
		2021	2020	2021	2020
Trading income and revenue	2.1	2,451,083	791,683	2,437,891	788,648
Cost of sales	2.1	-1,975,417	-665,281	-1,975,416	-665,281
Gross profit		475,666	126,402	462,475	123,367
Other operating income		10	697	10	697
Other external expenses	4.1	-13,410	-10,903	-14,061	-12,135
Staff costs	4.1	-51,594	-37,167	-49,729	-36,148
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	6.1, 6.2	-16,545	-24,717	-16,537	-24,706
Operating profit/loss (EBIT)		394,127	54,312	382,158	51,075
Share of profit in subsidiaries after tax	6.6	0	0	9,353	2,051
Share of profit in associates after tax	6.5	0	-28	0	-28
Financial income	4.3	6,161	5,311	6,709	5,603
Financial expenses	4.3	-13,083	-8,242	-13,121	-7,909
Profit before tax (EBT)		387,205	51,353	385,099	50,792
Tax on profit/loss for the year	7.1	-84,296	-11,146	-82,190	-10,585
Profit for the year		302,909	40,207	302,909	40,207

STATEMENT OF OTHER COMPREHENSIVE INCOME

EUR '000	Group		Parent	
	2021	2020	2021	2020
Profit for the year	302,909	40,207	302,909	40,207
Items that may subsequently be reclassified to the income statement:				
Exchange rate adjustment on translation of foreign operations	-804	-525	-804	-525
Other comprehensive income (net of tax)	-804	-525	-804	-525
Total comprehensive income (net of tax)	302,105	39,682	302,105	39,682



BALANCE SHEET

AT 31 DECEMBER

ASSETS	EUR '000	Note	Group		Parent	
			2021	2020	2021	2020
Contractual rights			74,940	86,778	74,940	86,778
Software			8,579	8,959	8,579	8,959
Intangible assets		6.1	83,519	95,737	83,519	95,737
Land and buildings			3,766	4,842	3,766	4,842
Other fixtures and fittings, tools and equipment			1,438	1,343	1,438	1,339
Leashold improvements			120	149	97	106
Property, plant and equipment		6.2	5,324	6,334	5,301	6,287
Investment in subsidiaries		6.6	0	0	15,734	5,787
Investment in associates		6.5	0	0	0	0
Deferred tax		7.2	640	3,235	0	3,231
Deposits			348	334	348	334
Other non-current assets			988	3,569	16,082	9,352
Non-current assets			89,831	105,640	104,902	111,376
Inventories		5.1	1,124,902	272,254	1,124,902	272,254
Trade receivables		5.2	829,750	209,671	818,303	204,623
Other receivables		5.3	58,153	9,332	45,922	3,782
Deposits related to trading		5.3	1,443,915	47,464	1,443,224	47,250
Receivables from group enterprises			50,363	24,116	82,585	34,936
Corporation tax receivables			178	79	0	0
Prepayments			14,258	4,634	13,258	3,984
Derivatives held for trading		3.5	2,930,272	374,588	2,926,914	374,588
Current asset investments		6.4	0	21,688	0	21,688
Cash and cash equivalents			946,609	162,348	936,226	157,686
Current assets			7,398,400	1,126,174	7,391,334	1,120,791
Assets			7,488,231	1,231,814	7,496,236	1,232,167



BALANCE SHEET

AT 31 DECEMBER

LIABILITIES AND EQUITY	EUR '000	Note	Group		Parent	
			2021	2020	2021	2020
Share capital			179,065	179,065	179,065	179,065
Reserve for currency translation			-1,559	-741	0	0
Reserve for net revaluation under the equity method			0	0	11,910	3,370
Reserve for development cost			0	0	5,494	4,405
Retained earnings			456,992	154,069	438,029	145,553
Equity			634,498	332,393	634,498	332,393
Deferred tax liabilities		7.2	6,129	0	6,129	0
Provisions		5.5	1,083	0	1,083	0
Lease liability			2,930	3,987	2,930	3,987
Other payables		5.4	10,469	9,412	10,469	9,412
Non-current liabilities			20,611	13,399	20,611	13,399
Trade payables			880,630	200,909	879,663	198,545
Payables to group enterprises			1,632,214	45,375	1,648,237	49,820
Corporation tax payable		7.1	41,430	10,045	40,169	9,493
Provisions		5.5	1,714	0	1,714	0
Other payables		5.4	34,086	23,752	30,936	22,576
Deposits related to trading		5.4	1,234,474	166,051	1,234,474	166,051
Prepayments			40,011	2,170	40,012	2,170
Derivates held for trading		3.5	2,967,432	436,645	2,964,791	436,645
Lease liability			1,131	1,075	1,131	1,075
Current liabilities			6,833,122	886,022	6,841,127	886,375
Liabilities			6,853,733	899,421	6,861,738	899,774
Liabilities and equity			7,488,231	1,231,814	7,496,236	1,232,167



STATEMENT OF CHANGES IN EQUITY

2021					
Group					
EUR '000	Share capital	Reserve for currency translation	Retained earnings	Total	
Equity at 1 January	179,065	-741	154,069	332,393	
Net profit for the year	0	0	302,909	302,909	
Other comprehensive income for the year	0	-804	0	-804	
Total comprehensive income for the year	0	-804	302,909	302,105	
Equity at 31 December	179,065	-1,545	456,978	634,498	

2020					
Group					
EUR '000	Share capital	Reserve for currency translation	Retained earnings	Total	
Equity at 1 January	179,065	-216	113,862	292,711	
Net profit for the year	0	0	40,207	40,207	
Other comprehensive income for the year	0	-525	0	-525	
Total comprehensive income for the year	0	-525	40,207	39,682	
Equity at 31 December	179,065	-741	154,069	332,393	

2021					
Parent					
EUR '000	Share capital	Reserve for net revaluation under the equity method	Reserve for development cost	Retained earnings	Total
Equity at 1 January	179,065	3,370	4,405	145,553	332,393
Net profit for the year	0	9,353	0	293,556	302,909
Development costs for the year	0	0	1,089	-1,089	0
Other adjustments	0	-9	0	9	0
Other comprehensive income for the year	0	-804	0	0	-804
Total comprehensive income for the year	0	8,540	1,089	292,476	302,105
Equity at 31 December	179,065	11,910	5,494	438,029	634,498

2020					
Parent					
EUR '000	Share capital	Reserve for net revaluation under the equity method	Reserve for development cost	Retained earnings	Total
Equity at 1 January	179,065	1,349	4,378	107,919	292,711
Net profit for the year	0	2,023	0	38,184	40,207
Development costs for the year	0	0	27	-27	0
Other adjustments	0	523	0	-523	0
Other comprehensive income for the year	0	-525	0	0	-525
Total comprehensive income for the year	0	2,021	27	37,634	39,682
Equity at 31 December	179,065	3,370	4,405	145,553	332,393

The share capital consists of 3,546,937 shares of a nominal value of DKK 377 per share. All shares rank equally.



STATEMENT OF CASH FLOWS

EUR '000	Note	Group		Parent	
		2021	2020	2021	2020
Profit for the year		302,909	40,207	302,909	40,207
Non-cash adjustments	5.7	106,974	38,401	95,786	35,587
Change in working capital	5.7	-975,130	55,517	-970,907	56,346
Cash flow from operating activities before financial income and expenses		-565,247	134,125	-572,212	132,140
Financial income, received	4.3	3,379	5,311	3,927	5,603
Financial expenses, paid	4.3	-13,083	-6,481	-13,121	-6,148
Cash flow from ordinary activities		-574,951	132,955	-581,406	131,595
Corporation tax paid		-44,560	-7,718	-42,384	-7,669
Corporation tax received		274	0	230	0
Cash flow from operating activities		-619,237	125,237	-623,560	123,926
Purchase of intangible assets	6.1	-2,513	-21,725	-2,513	-21,725
Purchase of property, plant and equipment	6.2	-819	-915	-819	-910
Sale of property, plant and equipment		0	9	0	9
Capital increase in subsidiaries	6.6	0	0	-1,469	0
Sale of associates		0	1,713	0	1,713
Disposal of subsidiaries		0	0	71	0
Payment and replacement of other non-current assets		0	-10	0	-10
Cash flow from investing activities		-3,332	-20,928	-4,730	-20,923
Proceeds from borrowings		1,405,049	0	1,405,049	0
Payment of principal portion of lease liabilities		-1,001	-1,050	-1,001	-1,050
Cash flow from financing activities		1,404,048	-1,050	1,404,048	-1,050
Net foreign exchange difference		2,782	-1,656	2,782	-1,656
Change in cash and cash equivalents		784,261	101,603	778,540	100,297
Cash and cash equivalents at 1 January		162,348	60,745	157,686	57,389
Cash and cash equivalents at 31 December		946,609	162,348	936,226	157,686
Cash and equivalents are specified as follows:					
Cash at bank and in hand		946,609	162,348	936,226	157,686
Cash and cash equivalents at 31 December		946,609	162,348	936,226	157,686



NOTES TO FINANCIAL STATEMENTS

BASIS OF REPORTING

1.1 BASIS OF PREPARATION

The consolidated and parent financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and further requirements in the Danish Financial Statements Act applying to large enterprises of reporting class C.

The consolidated and parent financial statements have been prepared on a going concern basis and under the historical cost convention, with the exception of derivatives, gas trading inventories and current asset investments, which are measured at fair value as disclosed in notes 3.5, 5.1 and 6.4. The consolidated financial statements are presented in Euros, which is also Danske Commodities' functional currency. All values are rounded to the nearest thousand [EUR'000], except if otherwise indicated.

Accounting policies related to specific line items are described in the notes to which they relate. The description of accounting policies in the notes form part of the overall description of accounting policies. Accounting policies not directly related to a specific line item covered by a note are presented below.

Minor reclassifications have been made to prior year amounts to enhance comparability with the current year presentation. These reclassifications had no effect on the results reported.

EUR 152 millions has been reclassified from Trade payables to Deposits related to trading regarding cash received from clearing houses. Refer also to note 5.3 for further description of Deposits related to trading.

BASIS FOR CONSOLIDATION

The consolidated financial statements incorporate the financial information of Danske Commodities A/S, the Parent Company, and its subsidiaries, together the Group. Control is achieved where the Group is exposed, or has rights, to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

An associate is an entity over which the Group has significant influence. Significant influence is the power to

participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal stockholdings and balances and unrealised intercompany profits and losses.

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.

Foreign subsidiaries and associates are considered separate entities.

The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date.

Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.



1.1 BASIS OF PREPARATION - CONTINUED

CURRENT / NON-CURRENT

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- expected to be realised or intended to be sold or consumed in the normal operating cycle
- held primarily for the purpose of trading
- expected to be realised within twelve months after the reporting period
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it is:

- expected to be settled in the normal operating cycle
- held primarily for the purpose of trading
- due to be settled within twelve months after the reporting period
- without unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current. Deferred tax assets and liabilities are classified as non-current assets and liabilities.

FAIR VALUE MEASUREMENT

The Group 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.

Danske Commodities 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 or disclosed in the 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 financial statements at fair value on a recurring basis, the Group 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.



1.1 BASIS OF PREPARATION - CONTINUED

Danske Commodities' Risk Management function determines the policies and procedures for recurring fair value measurement for unquoted financial assets and liabilities.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics

and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in note 3.6.

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of Danske Commodities' consolidated and parent financial statements requires management to make estimates and assumptions that can have a significant effect on the application of policies and reported amounts of assets, liabilities, income, expenses and related disclosures. The estimates and underlying assumptions are based on historical experience and various other factors. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Changes in estimates may be necessary if there are changes in the circumstances on which the estimate was based or more detailed information becomes available. Such changes are recognised in the period in which the estimate is revised.

The application of the Group's accounting policies may require management to make judgments that can have a significant effect on the amounts recognised in the consolidated and parent financial statements and related disclosures. Management judgment is required in particular when assessing the substance of transactions that have a complicated structure or legal form.

The critical accounting estimates and judgments can potentially significantly impact the consolidated financial statements.

The table below shows the critical accounting estimates and judgments and their level of potential impact on the consolidated and parent financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS	Estimate/ judgment	Impact from estimates and judgments	Notes
Presentation of net and gross income	Judgment	Large	2.1
Valuation of derivatives held for trading	Estimate	Moderate	3.6
Gas trading inventories at fair value	Estimate	Moderate	5.1



EARNINGS

2.1 TRADING INCOME AND REVENUE

EUR '000	Group		Parent	
	2021	2020	2021	2020
Trading income, net				
Trading income	469,356	71,223	455,447	68,188
Net change in fair value of commodity derivatives and inventory held for trading	-17,210	25,665	-16,493	25,665
Revenue from contracts with customers				
Sales of climate certificates	540,066	260,670	540,066	260,670
Sales of power and energy related services	1,458,871	434,125	1,458,871	434,125
Trading income and revenue	2,451,083	791,683	2,437,891	788,648

Change in fair value of inventory held for trading amounts to negative EUR 61,834 thousand (2020: positive EUR 142,952 thousand)

SIGNIFICANT ACCOUNTING JUDGMENTS

Management uses significant judgments when determining presentation of income from complex contracts that contain certain sales of goods or services that are not clearly defined within the IFRS framework. In this assessment, management takes into consideration both the individual characteristics of the goods and services and the nature of the promise within the context of the contract, evaluating all the facts and circumstances relating to the specific contract under the relevant legal and regulatory framework as well as assessing whether the Group acts as principal or agent to determine the appropriate presentation of income.

ACCOUNTING POLICIES

Trading income, net

Trading income comprises net gains and losses arising from trading within energy commodity derivatives. The energy commodity derivatives make up Danske Commodities' trading portfolio which includes futures, options, swaps and certain forward sales and forward purchases commodity contracts that are either financially or physically settled. A significant part of the sales and purchase contracts included in the trading portfolio are ordinary sales and purchase contracts with physical settlement of energy commodities, primarily power and gas.

As these contracts are managed on a portfolio basis, a practice of net settlement is present, and the contracts are considered in scope of IFRS 9 and treated as derivatives.

Net changes in the fair value of energy commodity derivatives held for trading presented as financial assets or financial liabilities, respectively, as well as net fair value changes in gas storage inventories held for trading are included in 'trading income, net' as it represents

an important part of the trading activity. Net change in fair value of inventory relates to the change from purchase of gas compared to the fair value.

Revenue from contracts with customers

Revenue is measured at the contractually agreed price exclusive of VAT and taxes charged on behalf of third parties.

Sales agreements are divided into individually identifiable performance obligations when applicable. If a sales agreement includes several performance obligations, the sales agreement's transaction price is allocated to each performance obligation.

Revenue from the sale of power and energy-related services comprises the sale of power sourced from energy producers and related services in terms of e.g. production management and balancing. Revenue is recognised when control of the power is transferred to the buyer simultaneously with fulfilment of the related services, that being when the power is delivered. Agreements for the sale of power and energy-related services are considered a series of identical goods and services that are transferred over time and revenue is recognised at the amount to which the Group is entitled.

Revenue from the sale of climate certificates comprises the sale of climate certificates sourced from producers. Revenue is recognised when control of the climate certificate is transferred to the buyer being when the certificate is delivered to the buyer. Agreements for the sale of climate certificates are fulfilled at a point in time.

Cost of sales

Cost of sales includes the purchase of power and certificates for resale and transportation thereof incurred to achieve revenue for the year.



RISK MANAGEMENT

3.1 MARKET RISK

Danske Commodities' market risk arises in both commodity and financial markets, in which changing commodity prices and volumes are key risk factors.

The sensitivity analysis in the following sections relates to open positions at 31 December 2021 and 31 December 2020. The sensitivity is calculated by adjusting the market price used on each individual trade.

The following assumptions have been made in calculating the sensitivity analysis and value-at-risk:

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks and prepared on an 'all else being equal' basis. The disclosed table is based on the financial assets and financial liabilities held at 31 December 2021 and 31 December 2020. Percentage change in commodity prices used to determine sensitivity is based on the currently observable market environment, showing a significantly higher volatility than in prior years.
- The value-at-risk (VaR) is a statistical measure of market risk, representing the market risk losses that could potentially be realised over a set time horizon (holding period) at an established level of confidence. The measure as-

sumes no change in Danske Commodities' trading positions over the set time horizon. The risk management function reports VaR to management on a daily basis to ensure that the collective portfolio exposures are under the approved exposure limit approved by the Board of Directors.

Danske Commodities' business is focused on short-term trading, which is reflected in the maturity of the financial instruments that primarily falls due within 12 months. For more information, refer to note 3.3.

RISK MANAGEMENT PROCEDURES

Danske Commodities' Board of Directors has developed and enacted a risk management strategy for commodity price risk and its mitigation. Danske Commodities' risk management strategy also includes limits on foreign currency exposure.

COMMODITY PRICE RISK

Commodity price risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in underlying commodity prices. Danske Commodities' exposure to the risk of changes in commodity prices and volumes relates primarily to the trading performed at Danske Commodities.

SENSITIVITY BY COMMODITY

EUR '000	Price change	2021	2020
		Effect on profit/ loss before tax	Effect on profit/ loss before tax
Gas	30 % [2020: 10 %]	-289,104	-28,912
	-30 % [2020: -10 %]	349,512	28,625
Power	30 % [2020: 10 %]	67,081	-4,395
	-30 % [2020: -10 %]	33,345	4,212
Certificates	30 % [2020: 10 %]	6,864	3,333
	-30 % [2020: -10 %]	9,341	-3,674

A 30% increase [decrease] in gas prices would positively [negatively] affect the value of the gas storage by EUR 329,533 thousand [2020: 10%, EUR 25,740 thousand].

The table is calculated on an 'all else being equal' basis. The positive effects of the price changes are due to the fact that the sensitivity

calculation does not account for the correlation between products. For some products, the value is affected by multiple commodities.



3.1 MARKET RISK - CONTINUED**FOREIGN CURRENCY RISK**

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. Danske Commodities' exposure to the risk of changes in foreign exchange rates derives primarily from those of the Group's operating activities in which trade receivables, accounts payables and derivatives held for trading are denominated in a currency other than the functional currency.

The foreign currency risk is mitigated and hedged via economic hedges by the Treasury function on a daily basis in accordance with the mandates, policies and hedging strategy approved by the Board of Directors.

The risk relates to a wide range of currencies to which the daily commercial business is exposed; however, no single currency is material. The main underlying currency of the Group's cash flow is Euro as the majority of Danske Commodities' activities are performed in market areas where commodity products are priced in EUR.

INTEREST RATE RISK

Danske Commodities' exposure to the risk of changes in market interest rates relates primarily

to interest-bearing liabilities. The exposure is not material, however.

VALUE-AT-RISK

The table below shows average and period-end VaR for the positions in the trading units in the Group at 31 December 2021 and 31 December 2020.

Danske Commodities measures market risk exposure arising from its trading positions using value-at-risk techniques.

The value at risk arises from possible market price movements and their impact on the future performance of the business.

Danske Commodities manages its commodity price risk by optimising physical gas storages, which is included in the value-at-risk number reported below.

For non-trading units in the Group, the risk is measured using other risk measures e.g. cash-flow-at-risk, which is not included in the below measures, however not material.

The Risk Management function did not make any material changes to the VaR model in 2021 compared to 2020.

VALUE-AT-RISK *

EUR '000		2021	2020
Power	Average	6,898	4,448
	31 December	8,882	3,795
Gas	Average	5,867	982
	31 December	3,475	3,166

* Assumptions used in the calculation: 1-day holding periods, 95% confidence, 1 year historical data

INSTRUMENTS USED BY THE GROUP

Forwards and futures are the primary instruments traded for gas and power with physical delivery, while financially settled instruments other than forwards and futures also include options and swaps.



3.2 CREDIT RISK MANAGEMENT

Exposure to credit risk may arise in Danske Commodities' trading and treasury operations. Trading is generally performed under standard agreements such as EFET and ISDA, which features, for instance, netting provisions. The Group manages credit risk through a clear framework of policies and procedures defined by the Board of Directors, Senior Leadership and the Risk Management function. Responsibilities are divided between different business teams, Risk Management, Senior Leadership and the Board of Directors. A thorough Know Your Customer (KYC) process is carried out for all counterparties with whom the Group engages in transactions.

The Group has credit insurance of bilateral counterparties which outlines the credit line applied to each counterparty. The insurance does not cover clearing houses and entities in or partly in the public sector, as these are considered limited risk counterparties.

In addition, as commodity exchanges generally settle fair values on a daily basis, the Group considers its credit exposure to commodity exchanges to be insignificant.

The credit risk affecting the derivative financial instruments measured at fair value is considered limited based on the individual counterparty's ratings with public rating agencies.

Danske Commodities suffered no realised losses from any single major counterparty in 2021, 2020 nor 2019.

Credit risk from the Company's financial assets primarily concerns derivatives and trade receivables. For more information of credit risk related to receivables, please refer to note 5.2.

CREDIT QUALITY OF THE GROUP'S COUNTERPARTIES

EUR '000	Group		Parent	
	2021	2020	2021	2020
AA Rating	439,737	128,237	439,294	128,144
A Rating	3,580,084	383,723	3,573,207	380,154
BBB Rating	1,770,747	205,291	1,769,687	205,251
BB Rating and lower	209,559	57,705	208,543	56,941
Not rated	201,130	42,944	216,869	48,592
Total at 31 December	6,201,257	817,900	6,207,600	819,082



3.3 LIQUIDITY RISK

Liquidity management is executed on an ongoing daily basis in Danske Commodities' Treasury function. Daily cashflow forecasts are produced, ensuring availability of required liquidity of the Group by appropriate cash management, and maintaining adequate liquidity reserves at any time through a combination of readily available cash, liquid investment portfolios and committed credit facilities provided by Equinor.

The table below shows Danske Commodities' financial liabilities divided into relevant maturity buckets based on their contractual maturities for all financial liabilities and derivative financial instruments. The amounts disclosed in the table are the contractual undiscounted cash flows.

In 2021, the increase in power and gas prices led to higher margin calls and the need for collateral. This led to further draws on the committed credit facility.

The Group and Parent Company's committed credit facility ('Revolving Credit Facility') amounted to EUR 2,400 million at 31 December 2021 (2020: EUR 500 million). The committed credit facility terminates in 2Q 2022. Danske Commodities will engage in a cash pool with Equinor in 2Q 2022 ensuring liquidity for the years to come.

As per 31 December 2021, the committed facility was drawn in the amount of EUR 1,440 million (2020: EUR 35 million), of which EUR 1,440 million (2020: EUR 35 million) are due within one year, leaving an undrawn credit facility in the amount of EUR 960 million (2020: EUR 465 million).

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

EUR '000	Group		Parent	
	2021	2020	2021	2020
Financial instruments, maturity <1 year				
Trade payables	880,630	200,909	879,663	198,545
Lease liabilities	1,131	1,075	1,131	1,075
Payables to group enterprises	192,165	10,375	208,188	14,820
Revolving Credit Facility*	1,440,049	35,000	1,440,049	35,000
Deposits related to trading	1,234,474	166,051	1,234,474	166,051
Other payables	34,086	23,752	30,936	22,576
Financial instruments, maturity 1-5 years				
Lease liabilities	2,930	3,987	2,930	3,987
Other payables	10,469	9,412	10,469	9,412
Derivatives held for trading, maturity <1 year	2,641,499	381,646	2,638,897	381,646
Derivatives held for trading, maturity 1-5 year	325,933	54,999	325,894	54,999
Total financial liabilities	6,763,366	887,206	6,772,631	888,111

* For the Revolving Credit Facility provided by Equinor, the effective interest rate is the base rate (EURIBOR1M) plus a margin rate of 0,6%. In the case the aggregate of the base rate and the rate drops below zero, the effective interest rate will be set at 0,0%. The effective interest rate 31 December 2021 is 0,0% (2020: 0,0 %).



3.4 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt and equity of the Group as disclosed in the statement of equity.

The Group is not subject to any externally imposed capital requirements. The increase in debt is due to utilisation of the Parent Company credit facility as described in note 3.3.

Gearing ratio EUR '000	Group		Parent	
	2021	2020	2021	2020
Debt*	3,835,945	452,731	3,847,852	453,636
Cash and cash equivalents	946,609	162,348	936,226	157,686
Net debt	2,889,336	290,383	2,911,626	295,950
Equity**	634,498	332,393	634,498	332,393
Net debt to equity ratio (%)	455%	87%	459%	89%

*Debt is defined as long- and short-term borrowings, lease liabilities, trade and other payables (excluding derivatives and financial guarantee contracts)

**Equity includes all capital and reserves of the Group.



3.5 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments in Danske Commodities mainly consist of commodity derivatives that are traded as part of the Group's ordinary business activity. Trading activities are undertaken by using a range of contract types in combination to create incremental gains by arbitraging prices between markets, locations and time periods. Financial risks relating to the financial instruments are managed on a portfolio basis. The net of these exposures is monitored primarily using market value-at-risk techniques as described in note 3.1. The credit risk is assessed separately and presented in a table in note 3.2. For further information about offsetting of financial assets and liabilities, refer to note 5.6.

For information about the methods and assumptions used in determining the fair value of derivatives, refer to note 3.6.

ACCOUNTING POLICIES

When derivatives do not meet the hedge accounting criteria, they are primarily classified as 'held for trading' for accounting purpose and initially recognised at cost with subsequent remeasurement at fair value through profit and loss and recognised in the balance sheet as 'derivatives held for trading'. Derivative financial instruments that are held for trading are classified as current assets and liabilities regardless of their maturity date. The Group 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.

Danske Commodities routinely enters into sale and purchase transactions for physical delivery of energy commodities. A considerable part of these transactions for physical delivery of a non-financial item is considered within the scope of IFRS 9 due to the fact that the contracts are net settled, and they are consequently accounted for as derivative financial instruments measured at fair value through profit and loss.

A derivative embedded in a hybrid contract, with non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss.

A portion of the sale and purchase transactions for physical delivery of energy commodities takes the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the physical commodity in accordance with the Group's expected sale, purchase or usage requirements ('own use') and are not within the scope of IFRS 9. The assessment of whether a contract is deemed to be 'own use' is based on the nature of the promise within the contract as well as facts and circumstances of how the contract is included in Danske Commodities' business activity on a Group basis.



3.6 FAIR VALUE MEASUREMENTS

This section explains estimates made in determining the fair value of the financial instruments that are recognised and measured at fair value through profit and loss in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

LEVEL 1

Exchange-traded derivatives are valued using closing prices provided by the exchanges at the balance sheet date. These derivatives are categorised within level 1 of the fair value hierarchy. Exchange-traded derivatives are typically considered settled through the payment or receipt of variation margin.

LEVEL 2

Derivatives designated to level 2 include both power, gas and certificate trades with a typical contract length < 1 year. Over-the-counter (OTC) financial swaps and physical commodity sale and purchase contracts including commodity forwards and options are generally valued using readily available information in the public markets and if necessary, quotations provided by brokers and price index developers. These quotes are corroborated with market data and are predominately categorised within level 2 of the fair value hierarchy.

Structured, capacity and foreign exchange contracts within Danske Commodities are measured using internal models. Internal models refer to standard valuation models that use market forward levels on standard instruments, as well as incorporating inputs for the volatility of the underlying indices, markets or commodities.

LEVEL 3

For some markets, there is only observable prices available for a maximum of three years ahead, after which there is no active market. Danske Commodities hold power forward contracts up to a 10 year time horizon. For OTC commodity derivatives in this time horizon, the market price used in the valuation model is extrapolated from the latest observable prices assuming no price movements (0%). The unobservable prices used range from EUR 64.75 to EUR 65.75.

For the level 3 derivatives, a reasonable alternative assumption is a price movement of 5%. An increase of the

unobservable price inputs of 5% will increase the fair value by EUR 898 thousand (decrease of 5% decreases fair value by EUR 898 thousand).

VALUATION PROCESSES

The valuation process of the derivatives includes input from relevant stakeholders of Danske Commodities, and the final valuation is verified and approved by the Risk Management function. To minimise the use of subjective estimates or modifications of parameters and calculation models, it is Danske Commodities' policy to determine fair values based on the external information that most accurately reflects the market values. The Group uses pricing services and benchmark services to increase the data quality. Danske Commodities' policy is to recognise transfers into and out of fair value hierarchy levels at the end of each reporting period.

Transfers in fair value hierarchy

The method for assessing the hierarchy for the derivatives was changed in 2021.

Derivatives that are traded OTC were previously classified as level 1, when the price for the derivative could be observed using quoted prices in active markets.

Derivatives traded OTC are subsequently classified as level 2 in the fair value hierarchy.

At 1. January 2021 a transfer from level 1 to level 2 has been performed. The transfer amounts to EUR 186,652 thousand for assets and EUR 389,027 thousand for liabilities in 2020. Subsequently no transfers have been performed.

SIGNIFICANT ACCOUNTING ESTIMATES

In some cases, the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This primarily applies to the Group's longer-term, structured derivative contracts or contracts in illiquid markets. The majority of these contracts are valued using models with inputs that include price curves for each of the different products. These price curves are built up from available active market pricing data including volatility and correlation and modelled using the maximum available market-derived information. Additionally, when limited data exist for certain products or market areas, prices are determined using historical and long-term pricing relationships. The use of alternative estimates or valuation methodologies may result in significantly different values for these derivatives.



3.6 FAIR VALUE MEASUREMENTS – CONTINUED

The table shows Danske Commodities' financial instruments in the balance sheet divided into main categories. The categories indicate how the financial instruments are measured in the financial statements.

Group			Quoted prices in active markets	Significant observable inputs	Unobservable inputs	
2021			Level 1	Level 2	Level 3	Total
EUR '000	Note					
Financial assets						
Gas trading derivatives			414,786	782,419	0	1,197,205
Exchange-traded certificates			21,403	0	0	21,403
Power trading derivatives			401,474	1,292,112	18,078	1,711,664
Foreign exchange derivatives			0	2,612	0	2,612
Non-financial assets						
Gas trading inventories	5.1		0	1,098,444	0	1,098,444
Total financial and non-financial assets			837,663	3,175,587	18,078	4,031,328
Liabilities						
Gas trading derivatives			19,461	1,018,031	0	1,037,492
Power trading derivatives			387	1,929,553	0	1,929,940
Foreign exchange derivatives			0	335	0	335
Total financial liabilities			19,848	2,947,919	0	2,967,767
2020						
EUR '000	Note		Level 1	Level 2	Level 3	Total
Financial assets						
Gas trading derivatives			54,405	91,511	0	145,916
Exchange-traded certificates			10,075	0	0	10,075
Power trading derivatives			90,749	127,848	0	218,597
Current asset investments	6.4		21,688	0	0	21,688
Foreign exchange derivatives			0	741	0	741
Non-financial assets						
Gas trading inventories	5.1		0	257,404	0	257,404
Total financial and non-financial assets			176,917	477,504	0	654,421
Liabilities						
Gas trading derivatives *			-903	217,541	0	216,638
Power trading derivatives			2,186	217,821	0	220,007
Foreign exchange derivatives			0	1,437	0	1,437
Total financial liabilities			1,283	436,799	0	438,082

* Due to offsetting principles across commodities, some commodities might show negative amounts.

Group and Parent
Level 3 derivatives

EUR '000	2021	2020
Fair value contracts at 1 January	0	0
Transfers into level 3	2,461	0
Gains (losses) recognized in the income statement	15,617	0
Net fair value of contracts at 31 December	18,078	0



3.6 FAIR VALUE MEASUREMENTS - CONTINUEDParent
2021

EUR '000	Note	Quoted prices in active markets Significant observable inputs Unobservable inputs			Total
		Level 1	Level 2	Level 3	
Financial assets					
Gas trading derivatives		414,786	782,419	0	1,197,205
Exchange-traded certificates		21,403	0	0	21,403
Power trading derivatives		401,472	1,288,756	18,078	1,708,306
Foreign exchange derivatives		0	2,612	0	2,612
Non-financial assets					
Gas trading inventories	5.1	0	1,098,444	0	1,098,444
Total financial and non-financial assets		837,661	3,172,231	18,078	4,027,970
Liabilities					
Gas trading derivatives		19,461	1,018,031	0	1,037,492
Power trading derivatives		387	1,926,912	0	1,927,299
Foreign exchange derivatives		0	335	0	335
Total financial liabilities		19,848	2,945,278	0	2,965,126

2020

EUR '000	Note	Quoted prices in active markets Significant observable inputs Unobservable inputs			Total
		Level 1	Level 2	Level 3	
Financial assets					
Gas trading derivatives		54,405	91,511	0	145,916
Exchange-traded certificates		10,075	0	0	10,075
Power trading derivatives		90,749	127,848	0	218,597
Current asset investments	6.4	21,688	0	0	21,688
Foreign exchange derivatives		0	741	0	741
Non-financial assets					
Gas trading inventories	5.1	0	257,404	0	257,404
Total financial and non-financial assets		176,917	477,504	0	654,421
Liabilities					
Gas trading derivatives *		-903	217,541	0	216,638
Power trading derivatives		2,186	217,821	0	220,007
Foreign exchange derivatives		0	1,437	0	1,437
Total financial liabilities		1,283	436,799	0	438,082

* Due to offsetting principles across commodities, some commodities might show negative amounts.



3.7 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The table shows Danske Commodities' financial instruments in the balance sheet divided into main categories. The categories indicate how the financial instruments are measured in the financial statements.

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR '000	Group		Parent	
	2021	2020	2021	2020
Financial assets measured at fair value through profit or loss				
Derivatives held for trading ¹	2,930,272	374,588	2,926,914	374,588
Derivatives in economic hedges ²	2,612	741	2,612	741
Current asset investments ³	0	21,688	0	21,688
Financial assets measured at amortised cost				
Trade receivables	829,750	209,671	818,303	204,623
Cash and equivalents	946,609	162,348	936,226	157,686
Receivables from group enterprises	50,363	24,116	82,585	34,936
Deposits related to trading and prepayments	1,458,521	47,464	1,456,830	47,250
Financial assets	6,218,127	840,616	6,223,470	841,512
Financial liabilities measured at fair value through profit or loss				
Derivatives held for trading ¹	2,967,432	436,645	2,964,791	436,645
Derivatives in economic hedges ²	335	1,436	335	1,436
Financial liabilities measured at amortised cost				
Trade payables	880,630	200,909	879,663	198,545
Payables to group enterprises	1,632,214	45,375	1,648,237	49,820
Deposits related to trading and prepayments	1,274,485	168,221	1,274,486	168,221
Lease liabilities	4,061	5,062	4,061	5,062
Financial liabilities	6,759,157	857,648	6,771,573	859,729

¹ Derivative financial instruments consist of swaps, futures, forwards and options related to commodity trading derivatives and structured products.

² Derivatives in economic hedges consist of foreign exchange derivatives.

³ Current assets investments consist of listed corporate bonds and listed securities.

3.8 DEFERRED DAY-1 PROFIT OR LOSS RESERVES

Group and Parent

DEFERRED DAY-1 PROFIT OR LOSS RESERVES

EUR '000	2021	2020
Reserve balance at 1 January	6,627	7,511
Profit/loss deferred on new transactions	27,894	5,649
Profit/loss recognised in the income statement	-4,114	-6,533
Reserve balance at 31 December	30,407	6,627

For new transactions in Danske Commodities' trading units, in which the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognised at the transaction price and subsequently measured at fair value. Refer to note 3.6 for further comments on fair value measurements.

ACCOUNTING POLICIES

Danske Commodities uses various valuation techniques to measure the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value at initial recognition and the amount determined at initial recognition using the valuation techniques. Any such gains or losses are deferred and recognised in the income statement over the delivery period of underlying contracts.



OTHER FINANCIAL NOTES

4.1 STAFF COSTS

STAFF COSTS EUR '000	Group		Parent	
	2021	2020	2021	2020
Wages and salaries	47,634	34,040	45,978	33,108
Pensions	2,553	2,244	2,483	2,211
Other staff costs	1,407	883	1,268	829
Staff costs	51,594	37,167	49,729	36,148
Average number of employees	338	319	330	311
Number of employees, end of the year	370	355	361	346

ACCOUNTING POLICIES

Staff Costs

Wages, salaries, pension contributions, social security contributions, sick leave and bonuses are recognised in the year in which the associated services are rendered by employees of the Group.

Other external expenses

Other external expenses comprise other operating expenses, including expenses for premises, consultancy, marketing and office expenses, etc.

Refer to note 4.2 for further information regarding the Group's share savings programme.

4.2 RELATED PARTIES

Danske Commodities A/S is controlled by Equinor Refining Norway AS, 5954 Mongstad, 1263 Lindås, Norway. The ownership is registered in the Company's register of

shareholders as holding 100% of the votes and shares. The company is included in the consolidated financial statements of its ultimate parent company, Equinor ASA.

THE GROUP IS CONTROLLED BY THE FOLLOWING ENTITIES

Name	Type	Place of incorporation	Ownership interest
Equinor ASA*	Ultimate parent entity	Norway	100%
Equinor refining Norway AS**	Immediate parent entity	Norway	100%

* The Norwegian State is the majority shareholder of Equinor ASA

** Equinor ASA holds 100% of the issued ordinary shares of Equinor refining Norway AS

The consolidated financial statements of Equinor ASA can be obtained on request to:
Equinor ASA, Forusbeen 50, 4035 Stavanger, Norway.

OTHER RELATED PARTIES

Other related parties comprise the management of Equinor Refining Norway AS and Equinor ASA as well as the Board of Directors and the Executive Board, together with their immediate families. Furthermore, other related parties include companies in which Equinor ASA and the aforementioned individuals have significant influence, joint control or control.

The majority of the agreements related to these transactions are renegotiated on a regular basis.

There were no transactions with members of the Board of Directors and the Executive Board, other than remuneration, and furthermore, no loans were granted to the Board of Directors or the Executive Board in 2021.

The Group received a Parent Company Guarantee of EUR 100 million to cover ongoing trading commitments.



4.2 RELATED PARTIES - CONTINUED

RELATED PARTY TRANSACTIONS

EUR '000	Group		Parent	
	2021	2020	2021	2020
Transactions with related parties				
Sales of goods and services to related parties	674,376	427,673	789,717	427,673
Sales of goods and services to other related parties	947,585	166,885	947,585	426,664
Purchases of goods and services from related parties	1,192,716	277,593	1,286,648	277,593
Purchases of goods and services from other related parties	379,940	219,349	379,940	271,349
Finance expenses to related parties	240	0	288	0
Finance income from related parties	0	0	711	0
Gains (losses) from derivatives from related parties	80,612	-75,847	59,404	-75,847
Related party balances at 31 December				
Payables to related parties	183,751	1,332	199,774	1,332
Receivables from related parties	18,066	18,436	30,815	18,436
Payables to other related parties	8,414	35,467	8,414	42,204
Receivables from other related parties	32,297	11,566	32,715	16,165
Fair value of derivatives with related parties	34,948	-49,008	13,741	-49,008
Loans from related parties	1,440,049	35,000	1,440,049	35,000
Loans from other related parties	0	0	0	125
Loans to other related parties	0	0	19,055	8,639

The sales to and purchases from related parties are made on EFET terms.

KEY MANAGEMENT REMUNERATION:

During the year key management personnel consisted of the CEO and two different CFOs (effective 4

and 3 months, respectively) [2020: two members]. The current CFO was appointed at 3 January 2022.

REMUNERATION OF THE EXECUTIVE BOARD

EUR '000	2021	2020
Base salary	629	777
Other benefits	409	592
Pensions contributions	98	101
Shared-based payments	121	110
Total remuneration	1,257	1,580

Remuneration to five members of the Board of Directors is paid by the ultimate parent, Equinor ASA.

Remuneration to three members of the Board of Directors is paid by Danske Commodities A/S and amounted to EUR 0.1 million for 2021 [2020: EUR 0.1 million].

Remuneration of the Executive Board comprises a base salary, pension contribution, share-based incentive programmes and other benefits (car, cash bonus, etc.).

After being acquired by Equinor, all employees, including the Executive Board, were eligible for Equinor's share savings programme. In addition to the share savings programme, the CEO of Danske Commodities was invited to participate in a long-term incentive programme ('LTI'), which was also provided by Equinor.

SHARE SAVINGS PROGRAMME

The share savings programme provides employees with the opportunity to purchase Equinor shares through monthly salary deductions. If shares are kept for two full calendar years of continued employment, following the year of purchase, the employees will be allocated one bonus share for each share purchased. The latest vesting date for the granted bonus warrants is 2023. The amount expended for the Executive Board amounted to EUR 21 thousand in 2021 [2020: EUR 11 thousand].



4.2 RELATED PARTIES - CONTINUED

LONG-TERM INCENTIVE PROGRAMME ('LTI')

The LTI is calculated as a portion of the CEO's fixed remuneration. On behalf of the CEO, the company acquires shares equivalent to the net annual grant amount. The shares are subject to a three-year lock-in period and then released for the CEO's disposal. If the lock-in obligations are not fulfilled, the CEO must pay back the gross value of the locked-in shares limited to the gross value of the grant amount.

The level of the annual LTI reward is in the range of 20-30% of the annual base salary for the participant on the condition the CEO is invited to participate in in the LTI programme. The latest vesting date for granted LTI-programmes is 2023. The amount expensed for the LTI programme amounted to EUR 99 thousand in 2021 [2020: EUR 99 thousand].

The total recognised expense for the Executive Board amounts to EUR 120 thousand in 2021 [2020: EUR 110 thousand] and was expensed in the period incurred.

ACCOUNTING POLICIES

Equinor ASA has established share-based incentive programmes which are equity-settled and in which the Executive Board and employees in Danske Commodities can participate. Danske Commodities compensates the parent entity for the cost of both the LTI and the share savings programme through intra-group recharges. The recharges are linked to the fair value of the programmes and the vesting period. Recharged costs from the parent entity are expensed in the period incurred. Costs relating to the share-based programmes are recognised in the income statement within staff costs.

4.3 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

EUR '000	Group		Parent	
	2021	2020	2021	2020
Interest income, group enterprises	0	0	711	381
Other financial income	6,161	5,311	5,998	5,222
Total	6,161	5,311	6,709	5,603

FINANCIAL EXPENSES

EUR '000	2021	2020	2021	2020
Net fair value gains/losses on listed securities	1,723	1,355	1,723	1,356
Interest expense, group enterprises	240	0	288	0
Other financial expenses	11,033	6,782	11,023	6,448
Interest on lease liabilities	87	105	87	105
Total	13,083	8,242	13,121	7,909

Financial income and expenses comprise interest income and interest expenses, realised and unrealised exchange rate adjustments, fair value adjustment of current asset investments as well as interest on extra payments and repayment under the on-account taxation scheme and interest in respect of lease liabilities.

Other financial income primarily comprises realised gains on exchange forward derivatives as well as interest income. Other financial expenses primarily comprise realised and unrealised exchange rate adjustments as well as interest expenses.



WORKING CAPITAL

5.1 INVENTORIES

INVENTORIES	Group		Parent	
	2021	2020	2021	2020
EUR '000				
Gas trading inventories	1,098,444	257,404	1,098,444	257,404
Certificates	26,458	14,850	26,458	14,850
Total inventories	1,124,902	272,254	1,124,902	272,254

Cost of inventories expensed in the income statement

Cost of inventories expensed in the income statement	2021		2020	
	2021	2020	2021	2020
EUR '000				
Gas trading inventories	747,066	251,094	747,066	251,094
Certificates	526,267	254,192	526,267	254,192
Total	1,273,333	505,285	1,273,333	505,285

Expenses relating to the gas trading inventories are recognised as trading income. Expenses relating to certificates are recognised as an expense in 'cost of sales'.

Inventories comprise gas and certificates for resale.

SIGNIFICANT ACCOUNTING ESTIMATES

Fair value measurement of the gas trading inventories requires management to make estimates and use assumptions, as observable market prices for gas kept in storages are not available, whereas closely related proxy prices for gas kept at the gas hubs are. The proxy prices are used to value the storages.

ACCOUNTING POLICIES

Gas trading inventories are measured at fair value less cost to sell, using quoted spot prices at each physical location. Changes in fair value are recognised in the income statement within 'trading income and revenue'. The inventories are categorised within level 2 of the fair value hierarchy.

Certificate inventories are measured at the lower of cost according to FIFO and net realisable value. The net realisable value of certificate inventories is calculated at the amount expected to be generated by sales during normal operations less-selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales.

In the event of a write-down of certificate inventories to net realisable value, the write-down is expensed in the period when the loss occurs. Any subsequent reversal of a write-down, as a result of an increase in the net realisable value, will be recognised as a reduction in the amount of inventory costs recognised in the period when the increase has occurred.



5.2 TRADE RECEIVABLES**TRADE RECEIVABLES**

EUR '000	Group		Parent	
	2021	2020	2021	2020
Trade receivables	829,948	209,671	818,501	204,623
Loss allowance	-198	0	-198	0
Total receivables	829,750	209,671	818,303	204,623

2021**AGING OF THE TRADE RECEIVABLES, GROSS**

EUR '000	Group			
	Current	Between 30 and 60 days	More than 60 days	Total
Expected loss rate	0%	0%	50%	
Carrying amount - trade receivables	3,333,031	0	117	3,333,148
Loss allowance	198	0	0	198

EUR '000	Parent			
	Current	Between 30 and 60 days	More than 60 days	Total
Expected loss rate	0%	0%	50%	
Carrying amount - trade receivables	3,321,584	0	117	3,321,701
Loss allowance	198	0	0	198

2020**AGING OF THE TRADE RECEIVABLES, GROSS**

EUR '000	Group			
	Current	Between 30 and 60 days	More than 60 days	Total
Expected loss rate	0%	0%	50%	
Carrying amount - trade receivables	1,187,311	528	0	1,187,839
Loss allowance	0	0	0	0

EUR '000	Parent			
	Current	Between 30 and 60 days	More than 60 days	Total
Expected loss rate	0%	0%	50%	
Carrying amount - trade receivables	1,182,263	528	0	1,182,791
Loss allowance	0	0	0	0

Information about Danske Commodities' exposure to credit risk and foreign currency risk can be found in notes 3.2 and 3.1. Information about the Group's gross trade receivables balances at 31 December can be found in note 5.6.



5.2 TRADE RECEIVABLES - CONTINUED

ACCOUNTING POLICIES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. 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.

Danske Commodities applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Therefore, Danske Commodities does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. Danske Commodities 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, Danske Commodities considers a financial asset as be-

ing 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.

Management has entered into an insurance contract for which trade receivables that are more than 60 days overdue will be reimbursed up to 90%. Danske Commodities has not recognised any significant impairment of any single debtor in the past four years.

In addition to the lifetime expected credit loss allowance on trade receivables, Danske Commodities may also recognise an impairment on a specific debtor if there is any internal or external information indicating that a loss will incur. When receivables have been written off, Danske Commodities 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.



5.3 OTHER RECEIVABLES AND DEPOSITS RELATED TO TRADING**OTHER RECEIVABLES**

EUR '000	Group		Parent	
	2021	2020	2021	2020
VAT receivables	49,296	7,618	43,295	2,987
Other receivables	8,857	1,714	2,627	795
Total	58,153	9,332	45,922	3,782

Information about the Group's exposure to credit risk and foreign currency risk can be found in notes 3.2 and 3.1.

ACCOUNTING POLICIES**Other receivables and prepayments**

Other receivables, prepayments and deposits related to trading are measured at amortised cost.

Deposits related to trading

Deposits relating to trading activities within the Group are the amounts of cash required to maintain or open a trading position with certain counterparties.

Deposits related to trading consists of margin calls, variation margins, cash deposits and cash paid to clearing houses not subject to offsetting.

Margin calls are a collateral payment to/from OTC counterparties to cover any change in value of underlying assets used in futures/forward contracts

Variation margin is a collateral payment to/from clearing houses and exchanges to cover any change in value of underlying assets used in futures/forward contracts

Cash deposits are used as collateral in order for Danske Commodities to open a new position for certain counterparties.

Margin calls are monitored daily by management and increases/- decreases in margin calls are transferred at a daily basis to ensure credit risk is minimised to the greatest extent possible under the applicable agreements.

5.4 OTHER PAYABLES AND DEPOSITS RELATED TO TRADING**OTHER PAYABLES**

EUR '000	Group		Parent	
	2021	2020	2021	2020
Staff obligations	22,281	18,881	22,281	18,815
Other payables	21,871	13,933	19,124	13,173
VAT and other public payables	403	350	0	0
Total	44,555	33,164	41,405	31,988

For explanations of the Group's liquidity risk management processes, refer to note 3.3

ACCOUNTING POLICIES

Accounts payable, deposits related to trading and other payables are measured at amortised cost and are unsecured. Description of deposits related to trading can be found in note 5.3.



5.5 PROVISIONS

Provisions EUR '000	Group		Parent	
	2021	2020	2021	2020
Onerous contracts				
Arising during the year	1,297	0	1,297	0
Litigation and claims				
Arising during the year	1,500	0	1,500	0
Total	2,797	0	2,797	0
Current	1,714	0	1,714	0
Non-current	1,083	0	1,083	0
Total	2,797	0	2,797	0

Onerous contracts comprise of contracts with delivery from 2022 to 2026. The onerous contracts comprise of contracts for which the unavoidable costs for purchase of commodities exceed the economic benefits for the same commodities.

ACCOUNTING POLICIES

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the

obligation and a reliable estimate can be made of the amount of the obligation.

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.



5.6 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

2021	Group					
	EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet	
Cash collateral (received/pledged)					Net amount	
Financial assets						
Trade receivables	3,333,148	2,503,398	829,750	59,686	770,064	
Derivatives held for trading	22,755,179	19,824,907	2,930,272	1,142,367	1,787,905	
Total	26,088,327	22,328,305	3,760,022	1,202,053	2,557,969	
Financial liabilities						
Trade payables	3,384,028	2,503,398	880,630	92,264	788,366	
Derivatives held for trading	22,792,339	19,824,907	2,967,432	739,772	2,227,660	
Total	26,176,367	22,328,305	3,848,062	832,036	3,016,026	

2021	Parent				
	EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet
Cash collateral (received/pledged)					Net amount
Financial assets					
Trade receivables	3,321,701	2,503,398	818,303	59,686	758,617
Derivatives held for trading	22,751,820	19,824,906	2,926,914	1,142,367	1,784,547
Total	26,073,521	22,328,304	3,745,217	1,202,053	2,543,164
Financial liabilities					
Trade payables	3,383,061	2,503,398	879,663	92,264	787,399
Derivatives held for trading	22,789,697	19,824,906	2,964,791	739,772	2,225,019
Total	26,172,758	22,328,304	3,844,454	832,036	3,012,418

2020	Group				
	EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet
Cash collateral (received/pledged)					Net amount
Financial assets					
Trade receivables	1,187,839	978,168	209,671	13,105	196,566
Derivatives held for trading	3,126,422	2,751,834	374,588	168,952	205,636
Total	4,314,261	3,730,002	584,259	182,057	402,202
Financial liabilities					
Trade payables	1,179,077	978,168	200,909	5,517	195,392
Derivatives held for trading	3,188,479	2,751,834	436,645	7,139	429,506
Total	4,367,556	3,730,002	637,554	12,656	624,898



5.6 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES - CONTINUED

2020 EUR '000	Parent		Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet		Cash collateral [received/pledged]	Net amount
Financial assets					
Trade receivables	1,182,791	978,168	204,623	13,105	191,518
Derivatives held for trading	3,126,422	2,751,834	374,588	168,952	205,636
Total	4,309,213	3,730,002	579,211	182,057	397,154
Financial liabilities					
Trade payables	1,176,713	978,168	198,545	5,517	193,028
Derivatives held for trading	3,188,479	2,751,834	436,645	7,139	429,506
Total	4,365,192	3,730,002	635,190	12,656	622,534

ACCOUNTING POLICIES

Danske Commodities 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 when the Group 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.

Danske Commodities enters into master netting agreements with counterparties to manage the credit risks

associated primarily with over-the-counter commodity trading. These master netting agreements enable Danske Commodities and their counterparties to set off financial liabilities against financial assets in the ordinary course of business as well as in case of default.

Amounts which cannot be offset under IFRS, but which could be offset if certain conditions arise such as collateral received or pledged are presented in the table to show the total net exposure of Danske Commodities.



5.7 CASH FLOW

CASH FLOW STATEMENT - NON-CASH ADJUSTMENTS

EUR '000	Group		Parent	
	2021	2020	2021	2020
Financial income	-6,161	-5,311	-6,709	-5,603
Financial expenses	13,083	8,242	13,121	7,909
Share of profit in associates after tax	0	28	0	28
Share of profit in associates after tax	0	0	-9,353	-2,051
Amortisation, depreciation and impairment losses	16,545	24,717	16,537	24,706
Tax on profit/loss for the year	84,296	11,146	82,190	10,585
Exchange rate adjustments	-789	-421	0	13
Total	106,974	38,401	95,786	35,587

CASH FLOW STATEMENT - CHANGE IN WORKING CAPITAL

EUR '000	Group		Parent	
	2021	2020	2021	2020
Change in inventories	-852,648	-125,616	-852,648	-125,616
Change in trade and other receivables	-2,079,548	-68,858	-2,087,044	-80,809
Change in fair value of derivatives	-24,897	108,299	-24,180	108,300
Change in trade and other payables	1,981,963	141,692	1,992,965	154,471
Total	-975,130	55,517	-970,907	56,346

ACCOUNTING POLICIES

Cash flow statement

The consolidated and parent 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 Group and the Parent Company, respectively.

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, amortisation and impairment losses and provisions.

Cash payments for short-term leases, leases of low value assets and variable lease payments, which are not included in the measurement of the lease liability within operating activities, are classified as cash flows from operating activities.

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 and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt, repayment of lease liabilities as well as payments to and from shareholders.

Cash and cash equivalents

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



CAPITAL EMPLOYED

6.1 INTANGIBLE ASSETS

2021	GROUP AND PARENT		
	Contractual rights	Software	Software development projects in progress
EUR '000			
Cost at 1 January	109,759	23,918	1,299
Additions - internally developed	0	0	904
Additions	0	1,559	50
Disposals	-15,141	-887	0
Transfers to/(from) assets group	0	1,291	-1,291
Cost at 31 December	94,618	25,881	962
Amortisation and impairment losses at 1 January	22,981	16,258	-
Amortisation for the year	11,838	2,893	-
Reversal of amortisation of disposals for the year	-15,141	-887	-
Amortisation and impairment losses at 31 December	19,678	18,264	-
Carrying amount at 31 December	74,940	7,617	962
2020	GROUP AND PARENT		
Contractual rights	Software	Software development projects in progress	
EUR '000			
Cost at 1 January	92,115	22,896	0
Additions - internally developed	0	0	1,794
Additions	17,941	1,884	106
Disposals	-297	-1,373	-88
Transfers to/(from) assets group	0	513	-513
Exchange differences	0	-2	0
Cost at 31 December	109,759	23,918	1,299
Amortisation and impairment losses at 1 January	3,158	14,720	-
Amortisation for the year	20,120	2,911	-
Reversal of amortisation of disposals for the year	-297	-1,373	-
Amortisation and impairment losses at 31 December	22,981	16,258	-
Carrying amount at 31 December	86,778	7,660	1,299

Contractual rights consist of power purchase agreements (PPAs) and gas storage contracts which were acquired in 2019 and 2020 from the ultimate parent company Equinor ASA. All the contracts were in operation at the time of purchase by Danske Commodities. All contracts have been acquired at a price reflecting fair value in the market at the date of acquisition.

ACCOUNTING POLICIES

Intangible assets are measured at cost less accumulated amortisation 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.

Software projects containing significant development aspects are identified as intangible assets when they are clearly defined, identifiable, provide a development opportunity for the Group and future use is intended. Costs related to projects that do not meet the criteria for recognition in the balance sheet are recognised as expenses in the income statement as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.



6.1 INTANGIBLE ASSETS – CONTINUED

Development costs that are directly attributable to the design and testing of identifiable and unique projects, including software products controlled by the Group, are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software and it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources needed to complete the development and to use or sell the software are available
- The expenditure attributable to the software during its development can be reliably measured

Costs associated with maintaining the assets are recognised as an expense as and when incurred. Directly attributable costs that are capitalised as part of the assets include employee costs.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

Amortisation 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:

Contractual rights: 4-18 years

Software: 3-5 years

For the parent entity, a reserve is recognised in equity for software projects that meet the criteria as development projects. The amount recognised corresponds to the amount capitalised as intangible assets for these projects since 1 January 2016. The reserve is reduced concurrently with amortisation of the software projects and presented after tax.

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The key assumptions used by management to determine whether external or internal indicators of impairment on intangible assets exist are commodity prices, market outlook and secondary foreign exchange rates.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. No impairments were identified in neither 2020 nor 2021.

Management assesses the risk of impairment of Danske Commodities' intangible assets. This requires judgment in relation to the identification of cash-generating units (CGUs) and other underlying assumptions used.



6.2 PROPERTY, PLANT AND EQUIPMENT

2021	Group			
	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use-assets	Leasehold improvements
EUR '000				
Cost at 1 January	-	4,838	6,818	2,498
Additions	-	703	86	30
Disposals	-	-1,358	-15	-460
Exchange rate adjustments	-	-6	0	-28
Cost at 31 December	-	4,177	6,889	2,040
Depreciation and impairment losses at 1 January	-	3,563	1,907	2,349
Depreciation for the year	-	647	1,123	44
Exchange rate adjustments	-	-5	0	-13
Reversal of depreciation on disposals for the year	-	-1,358	-15	-460
Depreciation and impairment losses at 31 December	-	2,847	3,015	1,920
Carrying amount at 31 December	-	1,330	3,874	120
2020	Group			
	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use-assets	Leasehold improvements
EUR '000				
Cost at 1 January	-	5,500	5,759	2,411
Additions	-	802	1,059	113
Disposals	-	-1,451	0	0
Exchange rate adjustments	-	-13	0	-26
Cost at 31 December	-	4,838	6,818	2,498
Depreciation and impairment losses at 1 January	-	4,350	900	2,349
Depreciation for the year	-	676	1,007	9
Exchange rate adjustments	-	-12	0	-9
Reversal of depreciation on disposals for the year	-	-1,451	0	0
Depreciation and impairment losses at 31 December	-	3,563	1,907	2,349
Carrying amount at 31 December	-	1,275	4,911	149



6.2 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

2021	Parent			
	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use-assets	Leasehold improvements
EUR '000				
Cost at 1 January	-	4,765	6,818	2,426
Additions	-	703	86	30
Disposals	-	-1,326	-15	-460
Cost at 31 December	-	4,142	6,889	1,996
Depreciation and impairment losses at 1 January	-	3,494	1,907	2,320
Depreciation for the year	-	644	1,123	39
Reversal of depreciation on disposals for the year	-	-1,326	-15	-460
Depreciation and impairment losses at 31 December	-	2,812	3,015	1,899
Carrying amount at 31 December	-	1,330	3,874	97
2020	Parent			
	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use-assets	Leasehold improvements
EUR '000				
Cost at 1 January	-	5,415	5,759	2,317
Additions	-	801	1,059	109
Disposals	-	-1,451	0	0
Cost at 31 December	-	4,765	6,818	2,426
Depreciation and impairment losses at 1 January	-	4,273	900	2,317
Depreciation for the year	-	672	1,007	3
Reversal of depreciation on disposals for the year	-	-1,451	0	0
Depreciation and impairment losses at 31 December	-	3,494	1,907	2,320
Carrying amount at 31 December	-	1,271	4,911	106

Right-of-use assets with carrying amounts of EUR 3,873 thousand (2020: EUR 4,911 thousand) are presented as 'land and buildings' and other 'fixtures and fittings, tools and equipment' in the balance sheet. Right-of-use assets included in the category 'land and buildings' amounted to EUR 3,766 thousand at 31 December 2021 (2020: EUR 4,842 thousand). Right-of-use assets included in the category 'other fixtures and fittings, tools and equipment' amounted to EUR 107 thousand at 31 December 2021 (2020: EUR 68 thousand).

ACCOUNTING POLICIES

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:

Buildings: 15 years

Other fixtures and fittings, tools and equipment: 3-15 years

Leasehold improvements: 3-5 years

Right-of-use assets: 2 - 7 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.



6.2 PROPERTY, PLANT AND EQUIPMENT - CONTINUED

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 of the asset is calculated as the higher of net selling price and value in use. When 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.

6.3 LEASES

Danske Commodities has lease contracts for various items of office spaces, vehicles and other equipment used in its operations. Leases of office spaces generally have lease terms between five and seven years, while motor vehicles and other equipment generally have lease terms between one and four years.

The total cash outflows for leases amounted to EUR 1.2 million and 1.1 million in 2021 and 2020, respectively.

Group and Parent

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

EUR '000	2021	2020
Depreciation of right-of-use-assets	1,123	1,007
Interest on lease liabilities	87	105
Expenses relating to short-term leases	0	79
Expenses relating to low-term leases	56	58
Total	1,266	1,249

ACCOUNTING POLICIES

The Group leases various offices, warehouses, equipment and vehicles.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Lease liabilities are initially recognised at the present value of future lease payments including payments from extension or purchase options that are considered reasonably certain to be exercised.

The lease liability is measured using the implicit borrowing rate in the contracts or, when this is not available, the Group's average incremental borrowing rate at the date of inception. Lease assets are depreciated over a 2–7-year period.

Short-term leases and leases of low value of EUR 5 thousand and below are accounted for as low-value-assets and recognised as expenses in the income statement on a straight-line basis over the lease term.

Subsequent to initial measurement, the liability will be reduced with payments made and increased with interest. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Lease assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date

The lease assets are depreciated using the straight-line method over the shorter of the expected lease term and the useful life of the underlying asset. The lease assets are tested for impairment whenever there is an indication that the assets may be impaired. No impairment indicators were identified at 31 December 2021.



6.4 CURRENT ASSET INVESTMENTS**Group and Parent****CURRENT ASSET INVESTMENTS**

EUR '000	2021	2020
Listed corporate bonds	0	21,215
Listed securities	0	473
Total	0	21,688

The objective of buying and selling listed corporate bonds and listed securities is to optimise the risk-adjusted yield on surplus cash and minimise below-zero interest rate expenses.

ACCOUNTING POLICIES

Current asset investments consist of listed corporate bonds and listed securities which at inception is measured at the transaction price. Current asset investments are subsequently measured at fair value through profit and loss. Fair value is determined on the basis of the latest quoted market price (level 1) at each reporting date.



6.5 INVESTMENTS IN ASSOCIATES

INVESTMENTS IN ASSOCIATES

EUR '000	Group		Parent	
	2021	2020	2021	2020
Cost at 1 January	0	2,236	0	2,236
Disposals for the year	0	-2,236	0	-2,236
Additions for the year	0	0	0	0
Cost at 31 December	0	0	0	0
Value adjustments at 1 January	0	-499	0	-499
Exchange rate adjustments	0	60	0	60
Net profit/loss for the year	0	-28	0	-28
Disposal*	0	467	0	467
Value adjustments at 31 December	0	0	0	0
Carrying amount at 31 December	0	0	0	0

* Gain from divestment amounting to EUR 697 thousand was recognised in 'other operating income' in 2020

Danske Commodities divested Frey GP and Frey P/S in 2020 of which the Parent Company owned a 50 percent interest in.

ACCOUNTING POLICIES

Share of profit in associates after tax

The separate line item 'share of profit in associates after tax' in the income statement includes the proportionate share of the underlying entities' profit after tax for the year.

Investments in associates

An associate is an entity over which Danske Commodities has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Danske Commodities' investment in its associates are accounted for using the equity method. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, Danske Commodities determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss in 'share of profit in associates after tax' in the statement of profit or loss.



6.6 INVESTMENTS IN SUBSIDIARIES

INVESTMENTS IN SUBSIDIARIES

EUR '000	Parent	
	2021	2020
Cost at 1 January	2,432	2,355
Disposals for the year	-77	0
Additions for the year	1,469	77
Cost at 31 December	3,824	2,432
Value adjustments at 1 January	3,355	1,833
Exchange rate adjustments	-804	-529
Net profit/loss for the year	9,353	2,051
Disposal	6	0
Value adjustments at 31 December	11,910	3,355
Carrying amount at 31 December	15,734	5,787

Name	Place of registered office	Share capital	Votes and ownership
Danske Commodities Albania Sh.p.k.	Albania	tALL 14,000	100.00%
Danske Commodities APAC Pte. Ltd.	Singapore	tSGD 2,000	100.00%
Danske Commodities Australia Pty Limited	Australia	tAUD 0	100.00%
Danske Commodities BH d.o.o.	Bosnia and Herzegovina	tEUR 513	100.00%
Danske Commodities Comercializadora de Energia Ltda	Brazil	tBRL 1,000	100.00%
Danske Commodities Deutschland GmbH	Germany	tEUR 25	100.00%
Danske Commodities Italia s.r.l.	Italy	tEUR 10	100.00%
Danske Commodities Kosovo SH.P.K.	Kosovo	tEUR 11	100.00%
Danske Commodities DOOEL Skopje	Macedonia	tMKD 55,822	100.00%
Danske Commodities Turkey Enerji Ticaret A.Ş.	Turkey	tTRY 11,700	100.00%
Danske Commodities Ukraine LLC	Ukraine	tUAH 229	100.00%
Danske Commodities UK Limited	United Kingdom	tGBP 0	100.00%

ACCOUNTING POLICIES

Share of profit in subsidiaries after tax

The separate line item 'share of profit in subsidiaries after tax' in the income statement includes the proportionate share of the underlying entities' profit after tax for the year.

Investments in subsidiaries

The Parent Company has chosen to apply the equity method as the measurement method, and investments in subsidiaries are measured accordingly.

On initial recognition, investments in subsidiaries are measured at cost plus transaction costs and included in the line item 'investments in subsidiaries' in the balance sheet.

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to 'reserve under the equity method' in equity. The reserve is reduced by dividends distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at EUR 0 and any receivables from them are written down by the Parent Company's share of the negative net asset value. Any legal or constructive obligation of the Parent Company to cover the negative balance of the enterprise is recognised in provisions.

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



TAX

7.1 TAX ON PROFIT/LOSS FOR THE YEAR

EUR '000	Group		Parent	
	2021	2020	2021	2020
Current tax for the year	74,953	11,255	72,211	10,689
Deferred tax for the year	9,619	-134	10,255	-134
Adjustment of tax relating to prior years	619	3,818	619	3,819
Adjustment of deferred tax relating to prior years	-895	-3,793	-895	-3,789
Total tax for the year	84,296	11,146	82,190	10,585
The total contribution for the year is specified as follows:				
Profit for the year before tax	387,205	51,353	385,099	50,792
Adjustments (non-deductible)	-840	-672	-10,256	-2,750
Tax on profit/loss for the year	84,572	11,121	82,466	10,555
Effective tax rate	21.8%	21.7%	21.4%	20.8%
Tax on profit [loss] for the year can be explained as follows:				
Calculated tax (22 %)	85,185	11,298	84,722	11,174
Calculated tax in foreign subsidiaries in relation to 22 %	-428	-29	0	0
Non-deductible costs and non-taxable income	-185	-148	-2,256	-619
Effective tax for the year	84,572	11,121	82,466	10,555

ACCOUNTING POLICIES

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.

The Parent Company is subject to the Danish rules on compulsory joint taxation of the Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises showing profit or loss in proportion to their taxable incomes. The jointly-taxed enterprises have adopted the on-account taxation scheme.



7.2 DEFERRED TAX

DEFERRED TAX	Group		Parent	
	2021	2020	2021	2020
EUR '000				
Deferred tax at 1 January	-3,235	692	-3,231	692
Deferred tax recognised in profit and loss for the year	8,724	-3,927	9,360	-3,923
Sale of subsidiary		0		0
Deferred tax 31 December	5,489	-3,235	6,129	-3,231
The items are recognised in the balance sheet as follows:				
Deferred tax asset	-640	-3,235	0	-3,231
Deferred tax liability	6,129	0	6,129	0
Total	5,489	-3,235	6,129	-3,231
Deferred tax relates to the following				
Property, plant and equipment	-526	-501	-526	-501
Intangible assets	1,676	1,446	1,676	1,446
Current liabilities	-1,416	-1,485	-1,416	-1,485
Derivatives held for trading	5,925	-2,630	6,546	-2,630
Losses available for offsetting against future taxable income	-19	0	0	0
Other	-151	-65	-151	-61
Total	5,489	-3,235	6,129	-3,231

Deferred tax and provision for deferred tax comprise all temporary differences between the carrying amount and the tax base of intangible assets, property, plant and equipment, receivables and short-term debt.

ACCOUNTING POLICIES

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.

Joint taxation contributions payable and receivable are recognised in the balance sheet as corporation tax receivable or corporation tax payable.

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 countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.



OTHER NOTES

8.1 AUDITORS' FEES

AUDITORS' FEES

EUR '000	Group		Parent	
	2021	2020	2021	2020
Statutory audit	139	139	139	139
Audit-related services	735	836	735	836
Total	874	975	874	975

Fees to statutory auditors comprise fees to auditors appointed by the Company at the Annual General Meeting.

Audit-related services comprise services related to implementation of an integrated audit.

8.2 OTHER COMMITMENTS AND CONTINGENT LIABILITIES

GAS STORAGE

Danske Commodities has entered into various long-term agreements for storage of gas. The agreements ensure the rights to the capacity or volumes in question, but also impose on the Group the obligation to pay for the agreed-upon service, irrespective of actual use.

The terms of the contracts vary, with durations of up to five years.

MATURITY OF GAS STORAGE AGREEMENTS

EUR '000	Group	Parent
2022	53,369	53,369
2023	44,495	44,495
2024	19,885	19,885
2025	2,681	2,681
2026	0	0

DEPOSITS

Danske Commodities has pledged assets at 31 December 2021 with a carrying amount of EUR 0 thousand (2020: EUR 2,620 thousand) as security for guarantee limits with banks.

OTHER GUARANTEES AND COMMITMENTS TO RELATED PARTIES

The Parent Company has provided guarantees and securities for related parties to third parties with a carrying amount of EUR 2,471 thousand.



8.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Disclosed below are the new and amended standards and interpretations issued but not yet effective that are relevant to Danske Commodities, up to the date of issuance of the Group's financial statements. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

AMENDMENTS TO IAS 1: CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

In January 2020, the IASB issued amendments to paragraphs 69 through 76 of IAS1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practices.

PROPERTY, PLANT AND EQUIPMENT: PROCEEDS BEFORE INTENDED USE – AMENDMENTS TO IAS 16

In May 2020, the IASB issued Property, Plant and Equipment – Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property,

plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on Danske Commodities.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

8.4 EVENTS AFTER BALANCE DATE

No events have occurred since the balance sheet date which could materially impact the Group's financial position.



8.5 DEFINITIONS OF FINANCIAL RATIOS

Scalability	=	$\frac{\text{EBIT} \times 100}{\text{Gross profit}}$
Return on capital employed	=	$\frac{\text{EBIT} \times 100}{\text{Average total assets less non-interest bearing debt}}$
Equity ratio	=	$\frac{\text{Equity at year} \times 100}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

Average number of employees: Calculated as average number of full-time employees

Number of employees, end of year: Calculated as number of employees at end of year



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