Annual report 2019

Danske Commodities

EBIT

50 EURm

EQUITY RATIO

49 %

CASH AND CASH EQUIVALENTS

91 EURm

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STRONG PERFORMANCE IN A TRANSFORMATIVE YEAR

In 2019, Danske Commodities delivered a strong financial performance with EBIT of EUR 50 million in what can be characterised as relatively uneventful energy markets. At the same time, 2019 was a truly transformative year for Danske Commodities as the Company became part of one of the world's biggest energy companies, Equinor.

I am pleased to present Danske Commodities' 2019 Annual Report. It has been an exciting and transformative year for our company; a year, in which we became part of Equinor, onboarded new, promising business and expanded to new markets both inside and outside of Europe. It was also a year with less eventful energy markets than seen in previous years. Despite fewer opportunities in the markets, we successfully delivered strong financial results, once again demonstrating the robustness of our business model.

STRONG PERFORMANCE IN LESS EVENTFUL MARKETS
Benefitting from increased scale and automation, Danske Commodities presents a strong financial performance, delivering EBIT of EUR 50 million in 2019. The results were mainly driven by our ability to grow our traded volumes, as reflected in a 7% revenue increase, landing at EUR 10,046 million. Gross profit was EUR 108 million, and the cost base increased by 12%.

Energy markets were relatively uneventful in 2019. The markets saw a mild winter combined with a trade war between the US and China, which caused a drop in demand for gas in Asia and in turn an oversupply of liquified natural gas in Europe. Comparing with previous years, when we saw extreme weather conditions like cold spells across the continent and heat waves in southern Europe combined with low levels in hydro reservoirs, 2019 was a less eventful year with fewer opportunities to trade spreads across the markets.

PART OF EQUINOR
In February 2019, Danske Commodities became part of Norwegian energy major Equinor in an acquisition that combines Danske Commodities' expertise in energy trading with Equinor's growing renewables portfolio, leading position in gas and strong balance sheet. With Equinor in our corner, we have strengthened our financial muscle and unlocked new business opportunities for Danske Commodities that we can benefit from in the coming years. And we are already harvesting the first commercial synergies:

- In February, Danske Commodities onboarded Equinor's power trading activities to take advantage of Danske Commodities' highly scalable platform.
- During the summer, Danske Commodities entered into three long-term power purchase agreements in the UK, thereby increasing our total renewables portfolio in the UK by 50%.
- In October, Danske Commodities signed the first gas-to-power contract with Equinor for a German utility, thereby entering a new business area with great potential.
- In November, Equinor provided access to a downstream gas storage portfolio of 20 TWh, concentrating short-term opportunistic gas trading in Danske Commodities.

In the coming years, we will continue to identify and unfold synergies between our two great companies.

DRIVING THE ENERGY TRANSITION
We are proud to be at the forefront of Equinor's ambitious investments in renewable energy production. Our role is to be Equinor's route-to-market and create additional value through trading, helping to ensure that green energy is an economically viable business. We do that by utilising our vast market footprint and expertise in offtaking and balancing renewables production. By managing Equinor's growing renewables portfolio in the UK, we are off to a good start, but our shared ambitions are much greater, and we will continue to support Equinor in driving the energy transition forward.

GOING GLOBAL
In 2019, we embarked on a new growth journey. Through the Equinor-owned company Danske Commodities US LLC, we entered the largest wholesale energy market in the US. Supporting Equinor's US activities follows our entry into the Australian power market in 2018, marking the second time we have expanded our business model to markets outside Europe.

Global expansion continues to be a top priority for Danske Commodities and with our new owner Equinor, we expect to grow our global footprint in the coming years.

AUTOMATION ACROSS THE VALUE CHAIN
In 2019, Danske Commodities carried out an average of 5,780 trades per day, an increase of 54% compared to 2018. On one very busy day in December just before the holidays, we reached a new record with 11,500 trades going smoothly through our systems without any bottlenecks, illustrating that we have the platform and processes in place to scale our business. Increasing the traded volumes and number of trades per day is a key factor for continued growth and success in markets with contracting margins. And as a tech-driven energy trading company, we excel in digitalisation across the value chain; from the use of machine learning and algorithms on the trading floors to automation of post-trade processes through the use of robotics.

Together with our focus on global growth, automation is a main pillar in our corporate strategy LEVEL UP, and it will remain a top priority in the coming years.

ENERGY IS OUR BUSINESS, PEOPLE ARE OUR ENERGY
Energy trading moves at the speed of light, and in the 15 years Danske Commodities has existed, market conditions have undergone rapid developments. One thing has remained constant through the years, however, and that is the fact that Danske Commodities is driven by its people. This was proven again in 2019, as the people of Danske Commodities worked tirelessly to make our new alliance with Equinor a success, while maintaining a stern focus on our core business.

2019 was indeed a transformative year for Danske Commodities. We are an even stronger company today than we were a year ago, and we are ready to do our part in pushing the world towards a sustainable future.

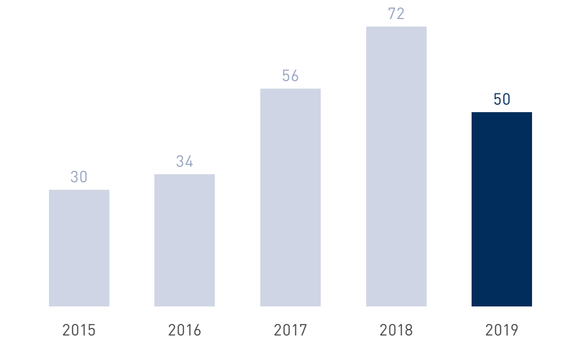
HIGHLIGHTS OF THE YEAR

50

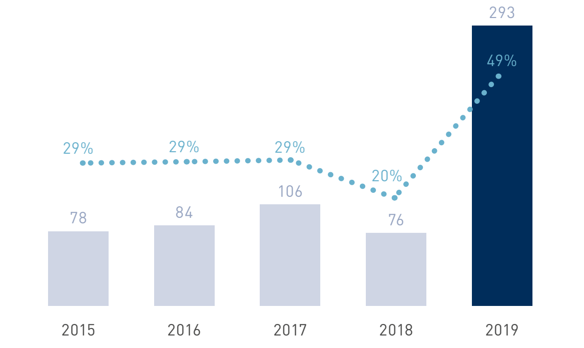
EURm EBIT
in 2019

49%

Equity ratio
in 2019



EBIT (EURm)



EQUITY (EURm) ••• Equity ratio

In a relatively uneventful year for energy markets, Danske Commodities delivered strong financial results. With EBIT of EUR 50 million and gross profit exceeding the EUR 100 million-mark for the third consecutive year, the Company proved the robustness of its business model.

In 2019, energy markets were challenged by declining prices, less volatility and thinner margins than seen in previous years. The markets saw a mild winter combined with a trade war between the US and China, which reduced demand for liquified natural gas in Asia. The gas largely ended up in Europe instead, and with less demand because of warm weather and oversupply, gas prices fell, and margins were thin. At the same time, the lower gas prices sparked gas-fired power plants to produce electricity and because of a record wet autumn, hydro power in Europe produced more electricity than usual. Larger supply and lower demand of electricity also affected prices and margins on power. In these difficult markets, Danske Commodities succeeded in delivering a strong financial performance with EBIT of EUR 50 million.

Revenue growth continued in 2019 as Danske Commodities' ability to scale its business combined with its expertise in automation enabled the Company to increase traded volumes by 39%. The increase in traded volumes was, however, partly offset by lower prices in 2019 compared to 2018, and revenue grew EUR 669 million to EUR 10,046 million in 2019. Employing technologies such as algorithmic trading, machine learning and robotics, Danske Commodities grew its average trades per day by 54% compared to 2018 while growth in the total cost base was only 12% compared to 2018.

Evolving as a tech-driven energy trading company requires heavy investments in data and systems. In 2019, Danske Commodities became part of Equinor, one of the world's biggest energy companies. Backed by a giant, the Company began to unlock the potential of digitalisation, strengthened its financial position and gained access to new commercial opportunities. All of these initiatives contributed to an increase in total assets compared to 2018 to EUR 602 million at 31 December 2019. At the same time, the solvency of the Company was strengthened by significant long-term investments through capital injections by Equinor and retaining this year's profit. Equity grew almost fourfold compared to 2018 to EUR 293 million at 31 December 2019 and the equity ratio increased to 49%.

2019 was a truly transformative year for Danske Commodities; a year when the Company became part of Equinor and solidified its position as a tech-driven energy trading company. Taking on a new decade, Danske Commodities is well-positioned to embark on a new growth journey.

FINANCIAL HIGHLIGHTS AND RATIOS

GROUP FIGURES EUR '000	**2019**	**2018**	**2017**	**2016**	**2015**
Income statement					
Revenue	10,046,074	9,376,686	5,471,723	3,320,551	2,936,265
Gross profit	107,879	123,472	103,439	84,709	82,071
Profit before financial income and expenses and tax (EBIT)	50,224	71,826	55,923	33,746	30,185
Net financials	-917	-233	4,396	-40	467
Profit before tax (EBT)	49,307	71,593	60,319	33,706	30,652
Profit for the year	38,449	55,967	47,193	26,005	23,384
Balance sheet					
Balance sheet total	601,709	373,271	361,962	290,772	271,905
Equity	292,666	76,235	105,855	83,795	77,518
Cash flow statement					
Cash flow from operating activities	-64,697	50,490	28,830	20,175	50,323
Cash flow from investing activities	-91,899	-4,691	-4,174	-5,072	-3,913
– hereof investments in property, plant and equipment	-1,025	-2,058	-130	-749	-694
Free cash flow	-156,596	45,799	24,656	15,103	46,410
Cash flow from financing activities	178,471	-85,634	-25,647	-19,978	-10,732
Change in cash and cash equivalents for the year	21,875	-39,835	-991	-4,875	35,678
Cash and cash equivalents	91,031	69,545	107,768	104,275	110,738
Ratios in %					
Gross margin	1.1%	1.3%	1.9%	2.6%	2.8%
EBIT margin	0.5%	0.8%	1.0%	1.0%	1.0%
Scalability	46.6%	58.2%	54.1%	39.8%	36.8%
Return on assets	8.3%	19.2%	15.4%	11.6%	11.1%
Return on capital employed	26.9%	77.1%	57.5%	40.8%	40.9%
Equity ratio	48.6%	20.4%	29.2%	28.8%	28.5%
Return on equity	20.8%	61.5%	49.8%	32.2%	32.9%
Average number of employees	281	267	262	272	297
Number of employees, end of year	317	295	290	279	299

The ratios have been prepared in accordance with the definitions set out in note 26 to the Financial Statements.

TRADING FOR AN EFFICIENT TOMORROW

Danske Commodities' business model is built on connecting producers, suppliers and consumers to wholesale energy markets. Now, as green ambitions are on the rise, the Company uses its extensive trading expertise and tailor-made services to help bring efficiency to the markets and turn green ambitions into a financially viable business.

RESOURCES

DATA
Weather, market, price, consumption and capacity data

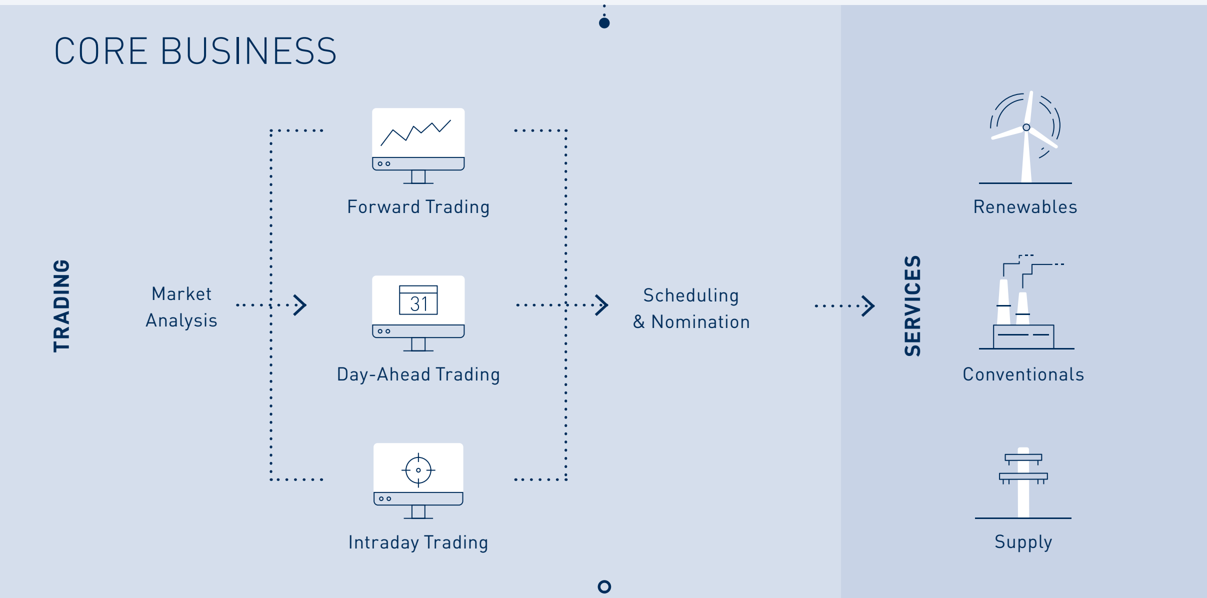
RISK MGMT.
Mature risk management setup and top-tier ETRM system

PEOPLE
High performing energy market specialists

TECHNOLOGY
Trading tools, IT infrastructure and risk management systems

FINANCIALS
Proven record with strong equity ratio and high liquidity

CORE BUSINESS



VALUE CREATED

KNOWLEDGE
Competence building and expertise

MARKET
Competitive prices and market efficiency

SOCIETY
Job creation and tax contributions

ENVIRONMENT
Reduced carbon emissions

FINANCIAL
Risk management for customers

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 holds a leading position in power and gas trading. In addition, 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.

TRADING

FORWARD MARKET

- Forward power and gas trading, covering different derivative products (futures, options, spreads)
- Trading products with yearly to daily maturities
- Trading products with different load profiles (base, peak, profile)
- Physical and financial settlement via standard or structured contracts
- Booking of long-term transport capacities and gas storages
- Active on major energy derivative exchanges
- Trading through large bilateral network

DAY-AHEAD MARKET

- Day-ahead power and gas trading
- Active in major day-ahead markets
- Extensive trading network
- Physical settlement of contracts
- Daily dispatching and scheduling of power and gas flows to national transmission system operators
- Booking of short-term transport capacities
- In-house meteorologists combined with advanced forecasting models

INTRADAY MARKET

- Intraday power and within-day gas trading
- Trading 24/7/365
- Trading from 24 hours to 15 minutes before delivery
- Physical settlement of contracts
- Active in major intraday/within-day markets
- Booking of short-term transport capacities
- Automated trading and dispatching

SERVICES

RENEWABLES

- Management of a portfolio of +4,700 MW
- Power Purchase Agreements (PPAs) on both standard and individually structured terms
- Production management and balancing (forecasting, scheduling and reporting) with 24/7 market access
- Tailor-made hedging services
- Trading in all relevant renewable energy certificates such as GOOs, El-certs, ROCs and REGOs
- Participation in the market for ancillary services

CONVENTIONALS

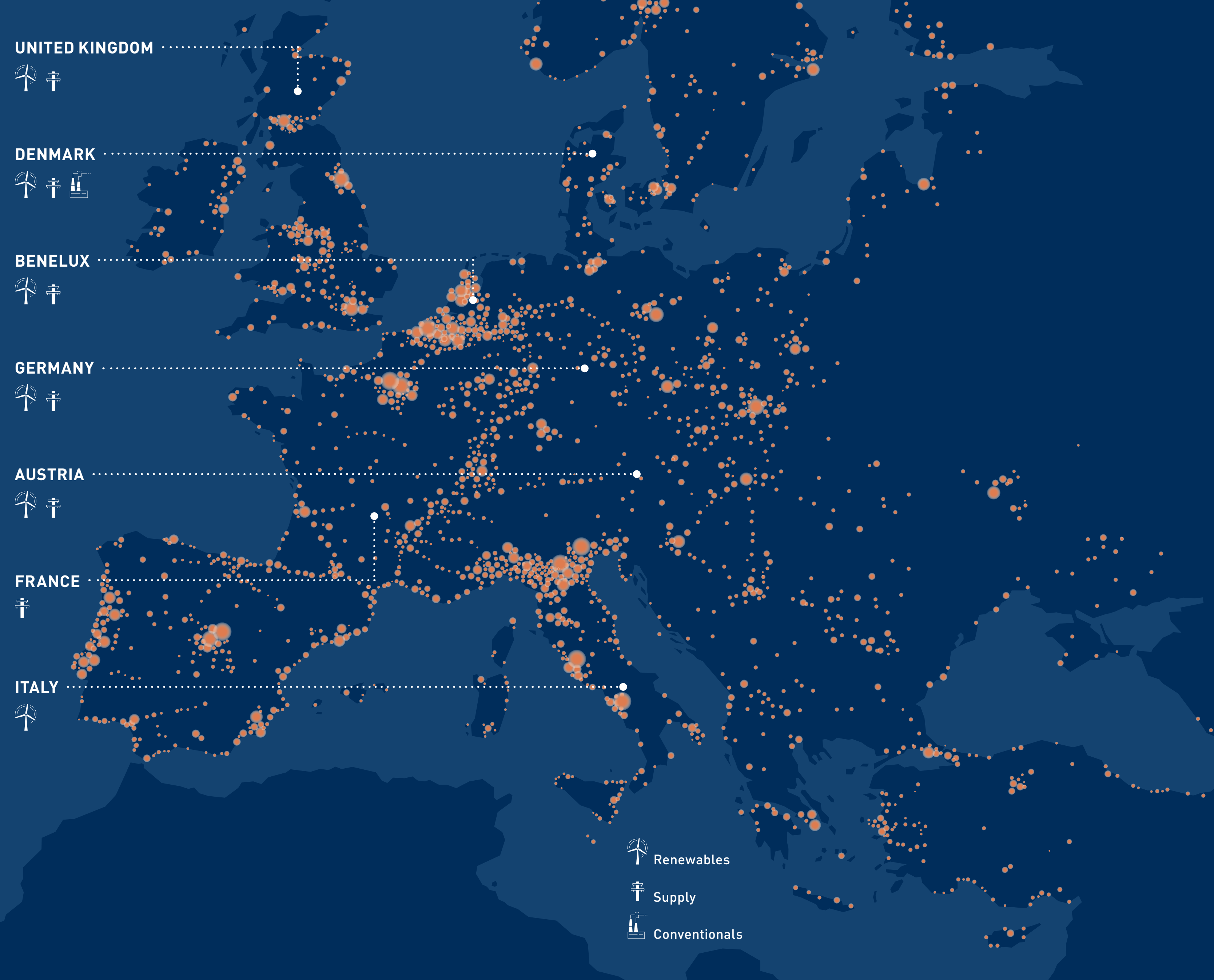
- Management of a portfolio of +1,100 MW
- Production management and balancing (forecasting, scheduling and reporting)
- Production optimisation of heat and power
- Hedging of fuels, subsidies and output (e.g. gas-to-power contracts)
- Trading of relevant emission certificates such as EUAs
- Participation in primary, secondary and tertiary markets for ancillary services
- 24/7/365 monitoring software available on computers, smartphones and tablets

SUPPLY

- Management of a portfolio of +35 TWh
- Consumption management and balancing (forecasting, scheduling and reporting) on a 24/7 basis
- Consumption optimisation, turning market volatility into an advantage
- Hedging solutions tailored to the specific consumption profile, ensuring optimal risk coverage
- Trading of relevant certificates, such as ROCs, El-certs and GOOs

MOVING ENERGY ACROSS BORDERS

Danske Commodities realises the full potential of energy resources by offering energy-related services to customers and trading power and gas in global energy markets.



39
Active power markets

23
Active gas markets

347 TWh
Power traded in 2019

772 TWh
Gas traded in 2019

ACTIVE ON 31 EXCHANGES

Borsa Istanbul, TR
BSP SouthPool (SP), SI
Central Eastern European Gas Exchange (CEEGEX), HU
Central European Gas Hub (CEGH), AU
Croatian Power Exchange (CROPEX), HR
European Energy Exchange (EEX), DE
European Power Exchange (EPEX SPOT), FR
Energy Exchange Austria (EXAA), AU
Energy Exchange Istanbul (EPIAS), TR
Gaspoint Nordic, DK
Gestore Mercati Energetici (GME – IPEX), IT
Hellenic Energy Exchange S.A. (HENEX), GR
Hungarian Power Exchange (HUPX), HU
Hungarian Derivative Energy Exchange (HUDEX), HU
ICE Endex, NL
ICE Futures Europe, UK
ICE Futures US, US*
Independent Bulgarian Energy Exchange, (IBEX), BG
MEFF, ES
MIBGAS, ES
Nasdaq OMX Europe, NO
Nodal Exchange, US*
Nord Pool (NP), NO
OKTE, SK
OMIE, ES
OPCOM, RO
OTE, CZ
PEGAS, FR
Polish Power Exchange (TGE / POLPX), PL
SEMO/SEMOpx, IL
SEEPEX A.D., RS

* Danske Commodities' access to the US power market is through the Equinor-owned company Danske Commodities US LLC.

About Maarten Manders

- Position: Head of US Power Trading
- Employed since: January 2019 (employed with Danske Commodities since February 2014)
- Educational background: Master's in Banking and Finance

INSIGHT

A NEW FRONTIER: TRADING POWER IN THE US

In 2019, Danske Commodities expanded its business activities to the US by supporting the Equinor-owned company Danske Commodities US LLC, based in Stamford, Connecticut. Entering the US is the latest step in Danske Commodities' strategy for global expansion under its new ownership with Equinor. Head of US Power Trading, Maarten Manders, explains why entering the US was a natural next step for Danske Commodities.

Since Danske Commodities was founded in 2004, we have built a successful business in energy trading and related services across the European continent by being at the forefront of the liberalisation of the European energy markets. Danske Commodities uses this trading expertise to support Equinor's activities in the US.

In 2018, we moved outside Europe for the first time, entering the Australian market for power trading. 2019 saw a continuation of our global expansion as we entered the PJM and MISO, which manage two of the largest wholesale power markets in the world. Combined, the two markets cover 25 states and the District of Columbia, serving more than 100 million people.

MARKET DRIVERS AND NETWORK

There are several good reasons for choosing the US as the natural next step in a global expansion strategy. The price drivers in the US market are the same as in Europe, meaning that weather, fuel prices and outages are among the factors that determine the price of energy in Europe as well as in the US, especially given the steady growth in renewable energy sources in the US.

Given the similar price drivers, Danske Commodities US can leverage on the experience we have built within meteorology, price forecasting, outages tracking and spread trading over the past 15 years of operating in Europe. In short, both markets are data-driven, and we specialise in handling and processing vast amounts of data, which gives Danske Commodities US an edge in the American power markets.

Going forward, Danske Commodities US will continue to support Equinor's growing trading activities in the US, combining high ambitions with sound business practice.

ADVANCING OUR BUSINESS TO THE NEXT LEVEL

Last year, Danske Commodities launched an ambitious growth strategy named 'LEVEL UP'. The three-year corporate strategy sets the direction for the Company and aims to advance Danske Commodities to the next level of energy trading. Now, a year on, several strategic leaps have been taken.

STRATEGIC LEAPS IN A TRANSFORMATIVE YEAR
2019 marked the first year of Danske Commodities' LEVEL UP strategy and the Company's first year under Equinor ownership. During the year, Danske Commodities achieved a number of strategic milestones, which will take the trading business to the next level and support Equinor's energy transition.

AUTOMATED TRADING IMPLEMENTED ACROSS THE BUSINESS
In 2019, Danske Commodities implemented trading algorithms throughout its power and gas business. To succeed with the ambitious objectives for automated trading, the Company developed a data strategy that ensures high data quality and streamlined processes, cementing its position as a tech-driven energy trading company.

TRADING ACTIVITIES ESTABLISHED IN THE US
Continuing its global expansion, Danske Commodities facilitated a trading desk in the US with Equinor. With activities already established in Australia, the Company is looking to continue its expansion beyond European borders. As such, supporting Equinor's trading activities in the US is another important step in the Company's globalisation journey.

MULTIPLE LONG-TERM UK PPAS SIGNED
As part of a planned onboarding of Equinor's power trading business, Danske Commodities entered into three long-term balancing PPAs in the UK with a combined production capacity of +400 MW. The addition of these volumes to the Company's portfolio strengthens the long-term business and underlines the commitment to the British renewables market.

GAS STORAGE PORTFOLIO INCREASED BY 20 TWH
Equinor provided Danske Commodities with access to a downstream gas storage portfolio of 20 TWh as part of Equinor's commercial strategy, focusing short-term opportunistic gas trading in Danske Commodities. With this portfolio, a strengthened market presence in CSEE and an increase in traded volumes, Danske Commodities continues to expand the scope of its gas trading activities.

CROSS-COMMODITY TRADING UNLOCKED NEW GROWTH POTENTIAL
In 2019, Danske Commodities grew its newly established cross-commodity trading setup. By expanding the Company's trading perspective on fundamental price drivers, Danske Commodities will be able to improve trading of cross-correlated commodities, like gas-to-power contracts, thereby strengthening the existing business.

OUR COMMERCIAL QUESTS AND ENABLERS

QUESTS

EXCEL IN CORE
By extracting value from trading price differentials across geographical borders and time-delimited markets, we aim to leverage our commercial strongholds in gas and power and protect our leading position in short-term energy trading.

POSITION FOR GROWTH
To grow profit in energy markets with decreasing margins, we want to drive growth initiatives in new or untapped geographies, products and segments where we see significant business opportunities.

HARVEST SYNERGIES
By combining our short-term trading expertise with Equinor's leading gas position, growing renewables portfolio and strong balance sheet, we want to capture and develop synergies within power and gas.

ENABLERS

DIGITALISATION
To remain competitive for the long term, we aim to improve speed and decision-making quality by increasingly applying advanced analytics, algorithms and automation in pre-trade, trade and post-trade processes.

RISK MANAGEMENT
By applying risk-adjusted performance evaluation, we want to make risk-informed decisions and ensure that risk capital is dynamically allocated to the business opportunities with the best risk/reward ratio.

PEOPLE & CULTURE
To continue succeeding, we need passionate, highly talented and knowledgeable people. We commit to strengthen people development, foster our high-performance culture and recruit the needed capabilities to support our growth ambitions.

JOINING FORCES WITH A LEADING ENERGY PRODUCER

In 2019, Danske Commodities became a part of one of the world's biggest energy companies, Equinor. Combining a leading energy producer with a leading energy trading company has made for a landmark year, which included new long-term PPAs and the onboarding of a new 20 TWh downstream gas portfolio.

equinor

1 FEBRUARY 2019
DANSKE COMMODITIES BECAME PART OF EQUINOR
European competition authorities approve Equinor's acquisition and Danske Commodities officially becomes part of one of the world's biggest energy companies.

29 MARCH 2019
BANK AND PARENT COMPANY GUARANTEES RENEGOTIATED
Backed by the financial strength of Equinor, Danske Commodities renegotiates bank and parent company guarantees, resulting in significant annual savings.

1 MAY 2019
CERTIFICATES BUSINESS ONBOARDED
Danske Commodities onboards Equinor's certificates trading activities, including handling and trading of EUAs, El-certs, ROCs and REGOs.

15 MAY 2019
FIRST CAPITAL INJECTION RECEIVED
Equinor injects EUR 89 million into Danske Commodities to unlock business growth and create better conditions when trading with counterparties.

19 JUNE 2019
20-YEAR PPA ONBOARDED
As part of a planned onboarding of PPAs from Equinor, Danske Commodities enters into a 20-year PPA with the world's first floating wind farm Hywind Scotland for 30 MW.

12 JULY 2019
15-YEAR PPA ONBOARDED
Continuing the onboarding of PPAs, Danske Commodities enters into a 15-year PPA with British offshore wind farm Sheringham Shoal for 126 MW.

15 JULY 2019
SECOND CAPITAL INJECTION RECEIVED
Continuing the advance of Danske Commodities to the next level of energy trading, Equinor injects EUR 90 million into Danske Commodities.

16 JULY 2019
15-YEAR PPA ONBOARDED
Completing the onboarding of PPAs, Danske Commodities enters into a 15-year PPA with British offshore wind farm Dudgeon for 281 MW.

8 AUGUST 2019
US POWER MARKET ENTERED
Danske Commodities expands business activities to the US through the Equinor-owned company Danske Commodities US LLC.

2 OCTOBER 2019
GAS-TO-POWER CONTRACT SIGNED
Entering a new business area, Danske Commodities signs its first gas-to-power contract with Equinor for a German utility.

1 NOVEMBER 2019
GRADUAL ONBOARDING OF GAS STORAGE PORTFOLIO INITIATED
Equinor provides access to a downstream gas storage portfolio of 20 TWh, concentrating its short-term opportunistic trading in Danske Commodities.

12 DECEMBER 2019
NORDIC SUPPLY CONTRACT SIGNED
Danske Commodities signs contract to supply Equinor's assets in Norway, representing a total annual consumption portfolio of 6.6 TWh, with power.

INSIGHT

FLOATING WIND FARM UNLOCKS NEW OPPORTUNITIES

In June 2019, Danske Commodities entered a 20-year Power Purchase Agreement (PPA) with the world's first floating wind farm, Hywind, off the shores of Scotland. Turbines that float can be positioned in deeper waters than when using ordinary offshore turbines, meaning they hold a huge potential, explains Danske Commodities' Head of Origination, Marco Verspuij.

Close to 80% of the ocean's wind resource potential is in deep waters, where winds are typically stronger and more consistent because there is nothing to disrupt the wind flow. However, in the areas that hold the strongest potential, it is impossible to establish conventional wind farms using bottom-fixed turbines, simply because of the water depths. The solution to this problem can be seen 30 km off the coast of Scotland, where Hywind's floating wind turbines have been producing power since 2017. The farm, whose total volume is 30 MW, equalling the power consumption of around 20,000 households, is owned by Equinor (75%) and Masdar (25%). After signing the PPA in June 2019, Danske Commodities is now responsible for trading and balancing the wind farm's production.

About Marco Verspuij

- Position: Head of Origination
- Employed since: August 2019 (employed with Equinor since May 2010)
- Educational background: Bachelor's in Economics

FLOATING WIND FARMS – HOW DOES IT WORK?

Hywind's floating wind turbines incorporate familiar offshore technologies into a completely new design. Giant wind turbines are placed on top of floating vertical spars moored by cables or chains to the sea bed. The floating structure underneath each turbine consists of a steel cylinder filled with ballast water and rock or iron ore, and Hywind uses a ballasted catenary layout with three mooring cables with 60 tonne weights hanging from the midpoint of each anchor cable to provide additional tension. Control software on board constantly monitors the operation of the wind turbines and alters the pitch of the blades to effectively dampen the motion of the tower and maximise production. Electricity produced is taken to shore through cables.

HIGH AMBITIONS FOR FLOATING WIND

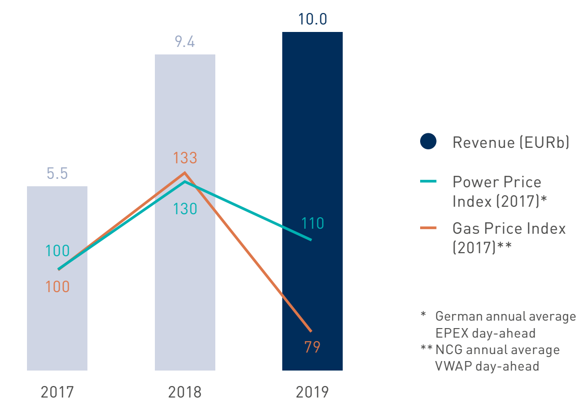
Until recently, development of floating wind turbines had been confined to the drawing board, but the technology has now reached a tipping point in maturity, and while the floating wind market today consists almost exclusively of Hywind Scotland's 30 MW park, we expect to see a rapid acceleration in growth, just as we have witnessed in other renewables technologies. By 2030, the total production of offshore wind will have passed 100 GW, and floating wind is estimated to constitute 10% of that market, powering around 12 million homes worldwide. With decades of offshore experience and high project execution capabilities, Equinor will be at the very forefront of the expansion of floating offshore wind farms, and with our unique market access and highly efficient trading engine, Danske Commodities is well-positioned to optimise the outcome of renewable energy sources and is ready to help turn Equinor's high ambitions into a profitable business.

FINANCIAL PERFORMANCE IN 2019

In a year with changes, challenges and new opportunities, Danske Commodities delivered a strong financial performance with EBIT of EUR 50 million. The results were driven by the Company's scalable business model and data-driven approach to energy trading.

In 2019, Danske Commodities became a part of Equinor. Joining forces with one of the world's biggest energy companies brought new opportunities for business growth, as Equinor unlocked access to a strong balance sheet, a large portfolio of energy assets and global markets. Financially, this was primarily reflected in an increase in total assets, a changed composition of the balance sheet items and increased equity, resulting in a strong equity ratio of 48.6% in 2019.

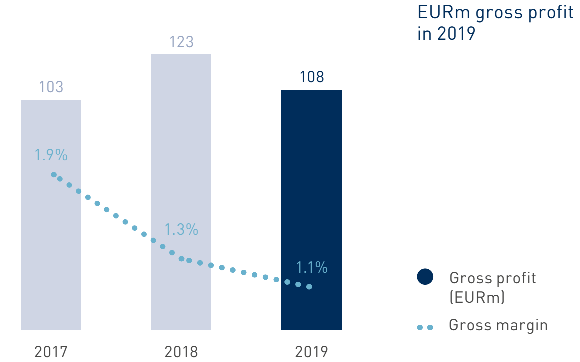
But 2019 was also a year with relatively uneventful energy markets compared to previous years. The markets saw a mild winter, an oversupply of gas, lower margins and more competition. Despite challenging market conditions, Danske Commodities delivered a strong financial performance with EBIT of EUR 50 million and gross profit above EUR 100 million for the third consecutive year.



REVENUE AND PRICE INDEX

108

EURm gross profit in 2019



GROSS PROFIT AND GROSS MARGIN

REVENUE

Danske Commodities continued to grow revenue in 2019, as the figure rose 7% to EUR 10,046 million from EUR 9,377 million in 2018. As in previous years, and as expected, traded volumes grew significantly in 2019; but the effect on revenue was partly offset by significantly lower prices in both power and gas markets.

GROSS PROFIT

Gross profit amounted to EUR 108 million in 2019 compared to EUR 123 million in 2018. The main reason for the lower gross profit in 2019 was the extraordinary year in 2018 affected by extreme weather conditions that resulted in increased market volatility and profitable trading conditions for Danske Commodities. Similar conditions were not seen in 2019, which was characterised by less volatility and lower prices compared to both 2017 and 2018. Despite the challenging market conditions, gross profit for the year exceeded the 2017 gross profit of EUR 103 million.

Suppressed margins in energy markets were a continuing trend in 2019, as reflected by the gross margin of 1.1% in 2019, down from 1.3% in 2018.

COSTS

The cost base increased in 2019 compared to 2018 through higher staff costs as well as increased amortisation, depreciation and impairment.

In 2019, Danske Commodities faced increased compliance and reporting requirements after becoming part of a major listed group, Equinor Group, large investments and an increase in activity levels and the addition of new ones, including supporting the entry into the US. As a result, the average number of employees increased by 5% to 281 FTEs in 2019. In 2019, Danske Commodities also improved the benefit schemes for employees with improved pension and paternity leave schemes. Together with the increased average FTEs, this explains the increase in staff costs of 11% to EUR 39 million in 2019 from EUR 35 million in 2018.

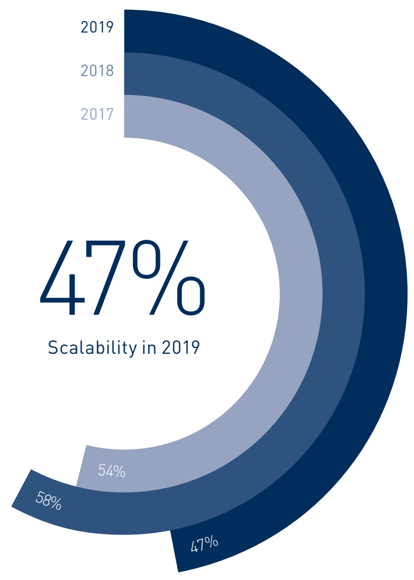
A significant investment in contracts in 2019 reflected as contractual rights was the main explanation behind amortisation, depreciation and impairment increasing by EUR 3 million in 2019 to EUR 6 million. Amortisation, depreciation and impairment primarily consisted of amortisation of intangible assets, and given the large investment in contracts in 2019, it will increase further in 2020 with a full year of amortisation of these assets.

Other external expenses decreased slightly in 2019, amounting to EUR 12 million compared to EUR 13 million in 2018. The Company succeeded in keeping costs low in 2019, despite increasing activities due to a strong focus on automation and cost awareness, and the 'value for money' mindset that is an integrated part of the culture at Danske Commodities.

EARNINGS

EBIT of EUR 50 million in 2019 marked a strong performance in both core business and support functions in a transformative year for Danske Commodities, characterised by relatively uneventful energy markets, a high level of internal activity and increased internal requirements due to the increase in activities. EBIT was down EUR 22 million compared to 2018 due to a combination of lower gross profit and higher total costs in 2019 compared to 2018, as earnings in the first quarter of 2018 were boosted by an extraordinary cold spell in Europe.

EBT was negatively affected by net financials of EUR 1 million and amounted to EUR 49 million, a decrease of 31% compared to 2018.



SCALABILITY — EBIT SHARE OF GROSS PROFIT

> Joining forces with Equinor brought new opportunities for business growth.
>
> — LARS TROEN SØRENSEN, CFO

With an effective tax rate of 22% in 2019, unchanged from 2018, tax on the profit for the year was, like EBT, down 31% compared to 2018, at EUR 11 million in 2019 compared to EUR 16 million in 2018. Consequently, profit for the year decreased by 31% from EUR 56 million in 2018 to EUR 38 million in 2019.

BALANCE SHEET AND EQUITY

2019 was a transformative year for Danske Commodities, and that was clearly reflected in the balance sheet total, which was up by 61% from EUR 373 million in 2018 to EUR 602 million in 2019, and the composition of balance sheet items clearly shifted as a result.

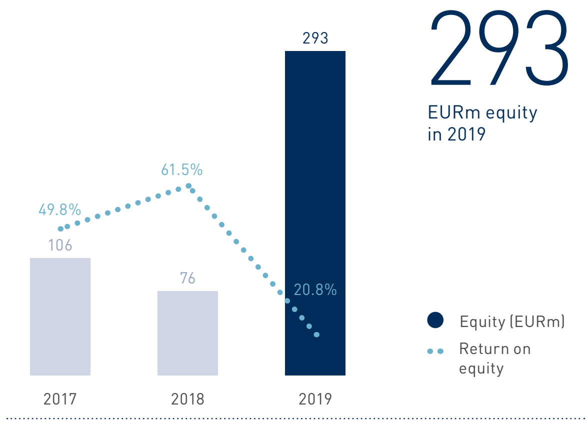
Onboarding of activities enabled Danske Commodities to enter into contracts holding great opportunities and representing great value. When value is related directly to a contract, it entails an investment in the contractual right of the contract. In 2019, such investments were primarily related to long-term PPA contracts as reflected in contractual rights with a booked value of EUR 89 million at 31 December 2019 that drove intangible assets up by EUR 88 million compared to 2018. Property, plant and equipment was down by EUR 3 million in 2019 compared to 2018, primarily due to the carve-out of the subsidiary DC Generation at the beginning of 2019.

Inventories grew almost fourfold from EUR 38 million in 2018 to EUR 145 million in 2019. The significant increase was attributable both to an increased gas storage and to green power certificates from the new activities onboarded in 2019. The increased gas storage was related to short-term gas storage optimisation activities onboarded from Equinor. Of the total inventory, the gas storage amounted to EUR 114 million at 31 December 2019 compared to EUR 38 million in 2018.

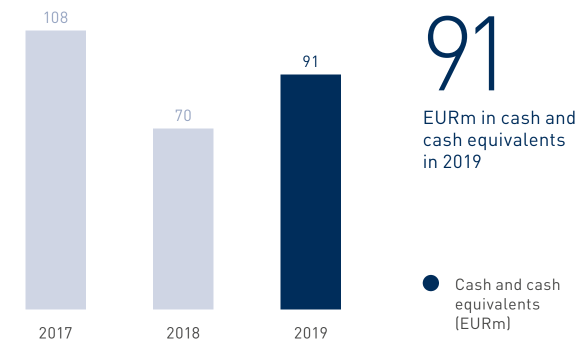
The increase in activity and changes in trading patterns resulted in both receivables and short-term debt going up in 2019 compared to 2018. Other receivables increased by EUR 38 million to EUR 91 million at 31 December 2019, mainly due to an increase in the fair value of derivative financial instruments. The increase was mostly attributable to an increase in the fair value of derivatives from gas forward contracts partly related to the increase in gas volumes in storage.

The total cash position grew 31% in 2019 despite significant investments during the year as they were offset by two capital injections from Equinor and solid earnings for the year. Total cash at the end of December 2019 amounted to EUR 91 million, up from EUR 70 million in 2018.

Equity increased due to capital injections from Equinor. The capital injections were carried out as part of Equinor's strategical investment in Danske Commodities and were made to prepare and bolster the Company for growth and the related necessary investments in 2019. Going forward, the increased capital will also contribute to ensuring that the Company can meet the requirements from stakeholders and counterparties related to the activities onboarded from Equinor and future activities.



EQUITY AND RETURN ON EQUITY



CASH AND CASH EQUIVALENTS

Also, the profit for the year had a direct positive effect on equity. Equity was up EUR 216 million from the end of 2018 to EUR 293 million at the end of 2019. Compared to 2018, return on equity fell significantly in 2019, to 20.8%. This lower return on equity is considered satisfactory as the significant investments made by Equinor are long-term.

The equity ratio increased significantly from 20.4% in 2018 to 48.6% in 2019. With the solid cash position and equity at the end of 2019, Danske Commodities is an even stronger business partner.

CASH FLOW

Significant purchases of gas for storages and green power certificates in late 2019 have, despite solid earnings, resulted in the cash flow from operating activities being an outflow for the first time in company history. The purchases drove up inventories by EUR 107 million and were the main contributor to the cash outflow from operating activities of EUR 65 million compared to an inflow of EUR 50 million in 2018.

Cash flow from investing activities at EUR 92 million in 2019 was the largest outflow in company history, significantly exceeding the 2018 outflow of EUR 5 million. The outflow was attributable to the significant investments in contractual rights acquired when onboarding three long-term PPA contracts that were all in production. As cash flows from both operating and investing activities were outflows, the free cash flow was negative by EUR 157 million in 2019.

During 2019, Danske Commodities received two capital injections from Equinor, amounting to EUR 179 million which resulted in a cash inflow from financing activities of EUR 178 million.

Cash and cash equivalents amounted to EUR 91 million at 31 December 2019, up EUR 21 million from 31 December 2018. The increase was possible due to a cash inflow from solid earnings and significant capital injections from Equinor that were partly offset by the significantly higher net working capital resulting from the purchase of inventories as well as significant investments made in 2019.

INTERNATIONAL OPERATIONS

In 2019, Danske Commodities continued to strengthen its activities outside Europe and increased the activities in Australia and entered the US market by supporting the activities in the Equinor-owned sister company Danske Commodities US LLC.

Due to carve-out of one subsidiary and closing of subsidiaries in Croatia and Sweden, the number of subsidiaries was reduced during the year to optimise the organisational structure of the group. Activities in these countries are now managed elsewhere in the group unaffected by the closures.

OUTLOOK

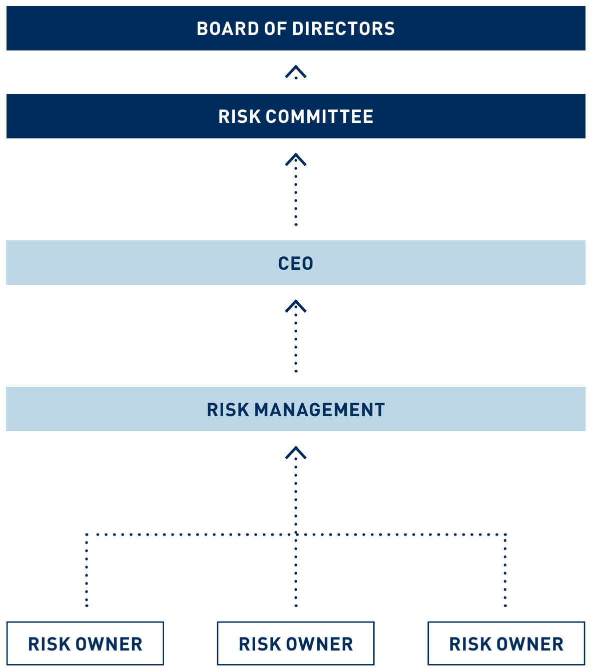
As expected, the EBIT performance in 2019 was not at the same level as in 2018. Compared with previous years, energy markets were relatively uneventful with fewer trading opportunities, and consequently, EBIT for 2019 came in slightly lower than expected. For 2020, performance in terms of EBIT is expected to be higher than in 2019, when the new business invested in during 2019 begins to materialise.

BIGGER BUSINESS, BIGGER RESPONSIBILITY

In 2019, Danske Commodities experienced significant growth within several business areas as new projects were onboarded from Equinor. Risk Management played a central role in this process, making sure the increased risk exposure was transparent and well-managed.

RISK STRATEGY
Danske Commodities is exposed to a variety of risks through its daily trading activities. The risk strategy supports Danske Commodities' strategic objectives by appropriately balancing risk and expected returns. This balance is enforced through risk capital allocation. The definition and allocation of risk capital ensures a clear alignment of the Company's risk appetite with the mandates allocated to its trading activities. Applied risk is monitored continually, and daily, monthly and quarterly reporting on exposure levels, thresholds, risk measures and available headroom in the Company's risk capital ensure mature and consistent fulfilment of its risk management responsibilities.

RISK MANAGEMENT
Risk management is anchored in the entire organisation from the Board of Directors to the individual trader. The Board of Directors is responsible for the risk strategy, including risk governance, risk monitoring and the overall risk appetite. Governance and organisation of risk are encompassed by the Risk Management Framework, owned and reviewed annually by the Board of Directors.



The Company has established a Risk Committee responsible for advising the Board of Directors on the risk framework. To manage the full range of risks, Danske Commodities operates a system with two lines of defence and distinct responsibilities for each line, ensuring an appropriate segregation of duties. The first line consists of the leaders of the operational teams, who are responsible for managing potential risks. This is overseen by the risk management function, which acts as the second line of defence. In addition to the formal framework, a strong risk culture is expected of all employees. Any breaches of policies or mandates must be reported on a daily basis, as stated in the Company's breach management policy. Standardised reports on risks and opportunities are prepared monthly and presented to the Senior Management Group, the Risk Committee and the Board of Directors.

2019 IN BRIEF
In 2019, Danske Commodities grew its allocated risk capital significantly as several large business activities were onboarded from Equinor as part of strategic commercial synergies between the two companies. Among these synergies were an expansion of Danske Commodities' renewables portfolio in the UK, management of Equinor's certificates portfolio, an increase of Danske Commodities' downstream gas storage portfolio and optimisation of a structured gas-to-power contract. When onboarding new business activities and expanding existing activities, Risk Management, mandated by the Board of Directors, conducts an independent quantitative assessment of both the economic deal criteria and established thresholds for various financial ratios as well as a qualitative and broad assessment of e.g. operational risks and organisational risks. The business case is furthermore assessed by the Risk Committee which gives its final recommendations directly to the Board of Directors. This thorough due diligence process when onboarding new business ensures that changes in Danske Commodities' risk profile are deliberate, well-understood and accepted by the entire organisation.

> In 2019, Danske Commodities grew its allocated risk capital significantly as several large business activities were onboarded.
>
> — JAKOB SØRENSEN, CRO

Business growth is also enabled by the prioritisation of investments in a solid IT foundation. A cornerstone in Danske Commodities' IT architecture is the ETRM system and in 2019, the Company added its structured power trading activities to the system and initiated the implementation of the remainder of its power trading activities within physical asset management.

MAIN RISK CATEGORIES
Risk management at Danske Commodities covers the following main risk categories:

- Market risk
- Credit risk
- Operational and IT risk
- Liquidity risk
- Legal risk
- Compliance risk

In addition, risk management at Danske Commodities includes minimising the Company's reputational and strategic risks by aligning trading and business conduct with its corporate values. All major risks are managed on a strong foundation of internal risk management manuals, which are aligned with the general risk policy and specific policies.

OVERVIEW OF MAIN 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 on 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 credit-worthiness of counterparties, who are not covered by credit insurance, are assessed before the Company enters into 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. Danske Commodities incurred zero credit-related losses in 2019.

OPERATIONAL AND IT RISK

Operational and IT risk covers the risk of financial loss due to loss of systems availability, human error or improper internal workflows.

Like most companies in the energy sector, Danske Commodities is dependent on reliable IT systems. In 2019, the IT team continued its on-going efforts to reduce IT risk exposure. This included actions on Cloud platforms, implementation of extended logging capability and extended coverage of malware prevention and detection to ensure that Danske Commodities can match the evolving landscape of threats. In addition, mandatory annual awareness training is conducted for all Danske Commodities' employees.

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 undrawn 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 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

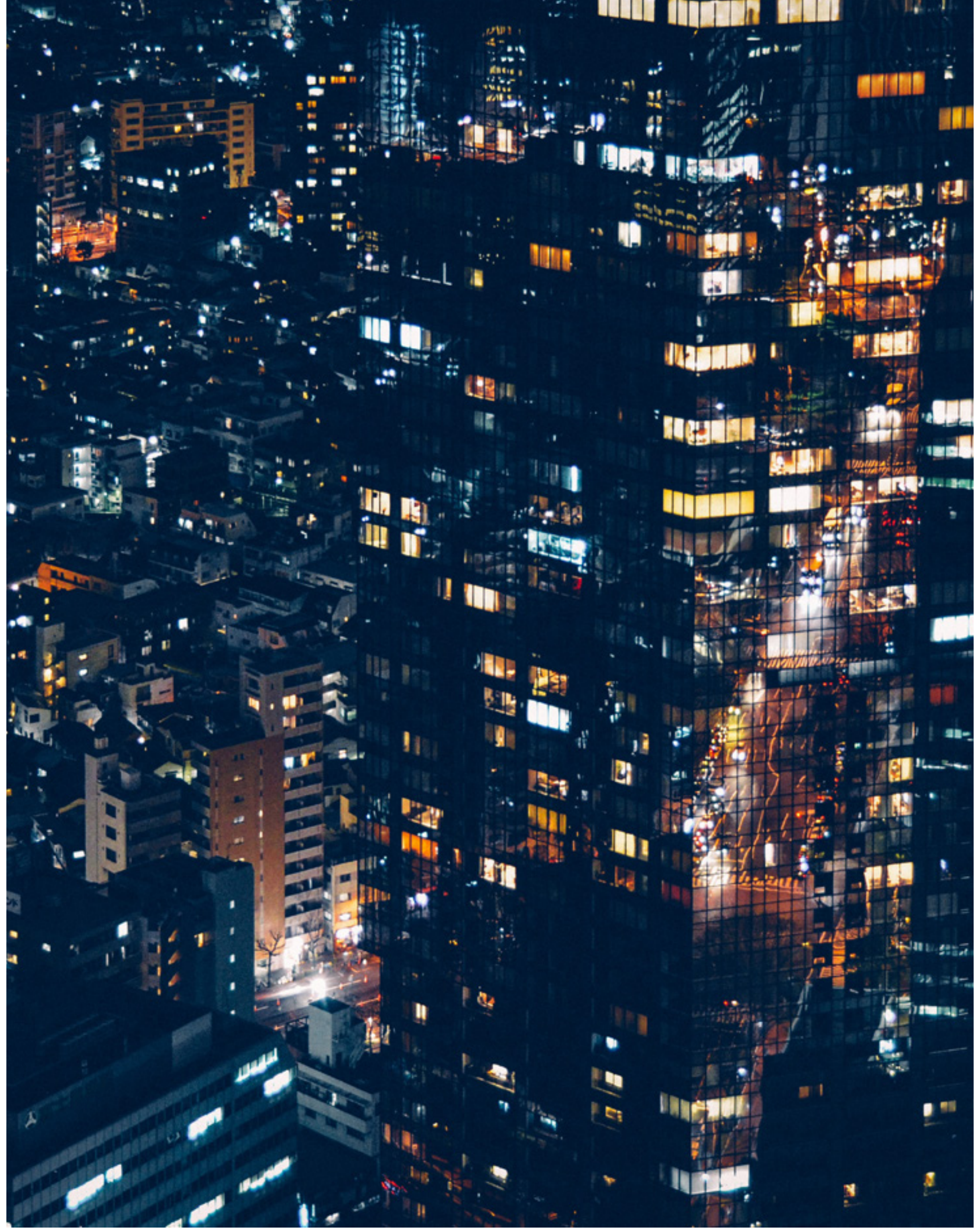
Contractual relationships with customers and business partners bear the potential for legal risks.

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 all support and business teams in the Company. 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 or reputational standing that could result from a failure to act in accordance with laws, regulations and prescribed standards.

Ensuring high ethical standards is fundamental for Danske Commodities, and therefore the implementation of a Code of Conduct was an important task in 2019. Focus was on creating awareness and providing straightforward information on the application of the Code of Conduct. Information and guidance on the Regulation of Energy Market Integrity and Transparency (REMIT) and the Market Abuse Regulation (MAR) have been provided to traders and other relevant staff through written guidelines, training sessions and frequent Q&A sessions with the Company's compliance officer. This is the foundation for creating and maintaining a high level of awareness of compliance risks. In 2019, Danske Commodities updated its processes and systems for conducting regulatory reporting (compliance with the reporting obligations under EMIR and REMIT). Efforts have also been made to explore and harvest synergies with Equinor's compliance teams, which have been successful and resulted in a greater pool of knowledge within the area of compliance risk. Compliance reports prepared on a regular basis provide the Senior Management Group, the Risk Committee and the Board of Directors with an updated status on compliance risks, ensuring an ongoing dialogue on the continued development of a strong compliance culture at Danske Commodities.



About Jesper Vinter Christensen

- Position: Head of Finance & Accounting
- Employed since: November 2014
- Educational background: Master's in Business Administration and Auditing

INSIGHT

GOING DIGITAL ACROSS THE TRADING VALUE CHAIN

As margins continue to decrease across power and gas markets, energy trading has become a volumes game. Here, Danske Commodities' Head of Finance & Accounting Jesper Vinter Christensen explains how the Company has utilised digitalisation to increase traded volumes over the past three years by more than 300% while keeping costs steady.

Digitalisation has ushered in a new era of energy trading. It has become a valuable solution to offset the trend of narrowing margins by improving the quality of decision-making, increasing execution speed and reducing human errors. At the same time, automation eliminates tedious tasks and frees up time for innovation. Of course, most of our industry has seen a great potential in automating trades but post-trade processes have been widely overlooked. At Danske Commodities, we are going digital across the entire trading value chain, including post-trade processes.

THE POTENTIAL OF POST-TRADE AUTOMATION

Over the past three years, Danske Commodities has increased traded volumes by more than 300%. By automating large parts of the post-trade process, we have been able to do that without needing additional resources. As such, post-trade automation represents a huge untapped potential.

Often overlooked, post-trade processes are complex, extensive and time-consuming. This is the part of a transaction that takes place after the trader has executed the trade, meaning confirmation, clearing, settlement and reconciliation. By employing robotics technology, we can automate a great deal of these time-consuming processes. One example is invoice reception, which used to be a manual process. Now, the bot takes care of 80% of the +100 invoices coming in daily. And the potential is limitless. In 2019, post-trade automation technologies carried out standardised and repetitive tasks equivalent to the work of four full-time employees, allowing Danske Commodities to scale its business without incurring additional costs.

Post-trade automation has also been a key business enabler for Danske Commodities. In 2019, we became part of Equinor, which expanded our power and gas trading business by a significant margin, including three long-term PPAs and a downstream gas storage portfolio equalling Denmark's annual electricity consumption. By tapping the potential of post-trade automation, we have onboarded new business without bringing on more people to handle the massively increased post-trade processes.

SCALE TO WIN

Succeeding with post-trade automation requires cross-organisational collaboration and continued investments in data processing. The winners will be those that can significantly scale volumes while lowering cost per trade and building capabilities to handle the exponential growth in data. With Equinor in our corner, we can accelerate our ability to scale our traded volumes and make investments in technology, data and automation across the value chain. And financial strength is not the only prerequisite to achieving scale. It also takes close collaboration across the organisation. At Danske Commodities, the Finance team works shoulder to shoulder with the traders and IT, and together we are automating the entire trading value chain and capturing new opportunities in the markets.

ENERGY IS OUR BUSINESS, PEOPLE ARE OUR ENERGY

There is no better place to boost your personal and professional development.

The success and development of Danske Commodities is closely linked to the success and development of its people. It is the people of Danske Commodities who drive the Company's expansion to new continents and the onboarding of new and bigger business. It is the people who unfold the full potential of being part of Equinor and thereby supporting the energy transition. And it is the people who keep driving Danske Commodities forward, every day and every hour. Consequently, development, motivation and well-being of the people are top priorities at Danske Commodities.

PROFESSIONAL AND PERSONAL DEVELOPMENT

At Danske Commodities, all employees are offered individual development plans which outline personal development opportunities and career aspirations during – and after – the employee's time with Danske Commodities. To support this, all leaders have been trained in coaching and facilitating development dialogue.

Through DC University, an in-house hub for knowledge and training, Danske Commodities runs more than 50 courses every year, and traders are offered tailor-made training programmes which include mental and physical training, dietary advice, meteorology training, compliance training, money management, mentoring and meditation to increase personal health and performance. In addition, Danske Commodities has offered change management training to all leaders in the transition period ahead of becoming part of Equinor, introduced a Leadership Assessment Programme for future leaders and invested in experienced employees wishing to advance their careers as specialists.

The targeted development of the Company's people is combined with benefits such as 16 weeks paternity leave, personal health checks, health insurance, a pension scheme as well as more than 100 social and professional events every year.

WITH EQUINOR COMES MORE OPPORTUNITIES

Since Danske Commodities became part of Equinor in February 2019, the development and career opportunities for the employees have expanded even further. All employees now have access to Equinor University, where they are offered both online and on-site training courses, and to Equinor's job portal with job openings across the world. Additionally, Danske Commodities' employees are offered secondments with Equinor as a means of personal development and cross-company knowledge-sharing.

DIVERSITY ENHANCES PERFORMANCE

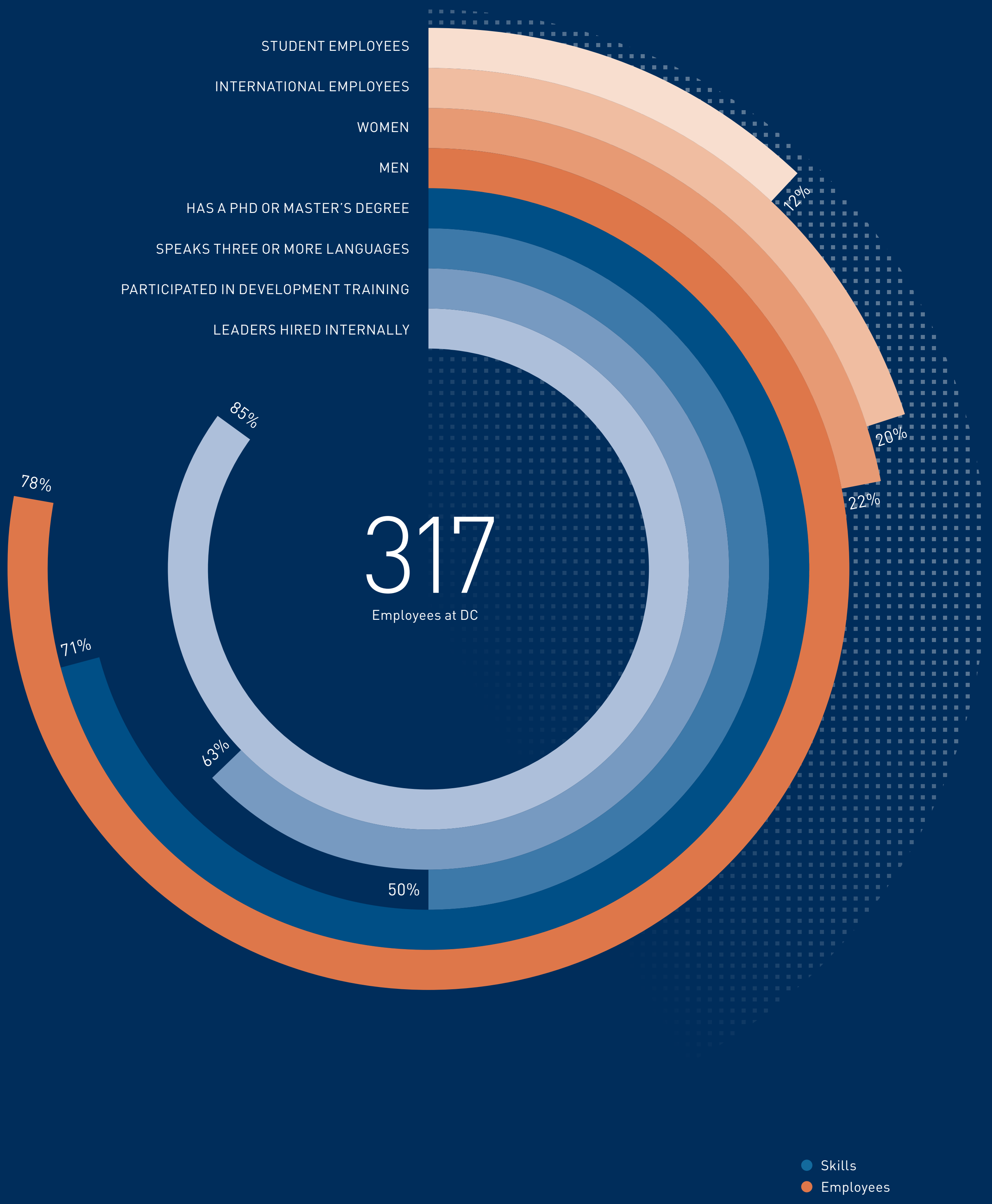
Danske Commodities operates in complex markets across the world, so employing the right combination of top talent and highly specialised senior profiles is a prerequisite for success. At Danske Commodities, specialists from more than 25 different countries – covering everything from meteorologists to quantum physicists – work closely together. In 2019, Danske Commodities continued to focus on strengthening diversity by increasing the talent pool when hiring the best and the brightest. As an example, the share of female applicants for positions on the trading floors increased by 9.8 percentage points from 2018 to 2019.

AMBITIONS FOR THE FUTURE

Danske Commodities has a strategic ambition to level up its leadership to remain the most attractive energy trading company to work for. Recognising leadership's great impact on the motivation and development of the Company's people, one of the new initiatives that Danske Commodities will roll out in 2020 is a clearer definition of which capabilities Danske Commodities' leaders are expected to master in order to impact the business and grow their team members.

Just as the people drive Danske Commodities forward, Danske Commodities drives its people forward, partly by offering development plans, courses and peer-to-peer training, and partly by making sure that the Company's people always work with the newest technologies. In that way, the people ensure the future of the Company, and the Company future-proofs its people's career opportunities – regardless of whether that career evolves inside or outside of Danske Commodities.

THE DC PEOPLE IN NUMBERS



EMBEDDING RESPONSIBILITY IN WHAT WE DO

Danske Commodities is committed to be a responsible business partner as well as an active participant in pushing the world towards a sustainable future. Acting responsibly is firmly embedded in the culture, values and business practices of Danske Commodities.

As a global company, Danske Commodities supports the 17 Sustainable Development Goals (SDGs) adopted by all United Nations member states in 2015 to address the most pressing economic, social and environmental challenges the world needs to solve. The Company supports all the SDGs, but focuses its efforts on selected goals, which are connected to the core of Danske Commodities' business. As its main focus, the Company works towards advancing affordable and clean energy. In addition, the Company supports the goals on climate action and responsible consumption and production.

Danske Commodities employs a holistic corporate responsibility approach, covering four main themes: ethics, equality, people and planet.

ETHICS

POLICIES AND IMPLEMENTATION

An ethical business culture is the cornerstone of a sustainable company, which is entrenched in the Company's Code of Conduct and its anti-corruption and anti-bribery policy, incorporating both anti-abuse regulations and anti-crime (money laundering and VAT fraud).

Code of conduct

The Code of Conduct assists Danske Commodities in conducting business in an ethical and transparent manner. The Code of Conduct applies to all employees and board members.

Anti-corruption and bribery

The Company has a zero-tolerance approach to corruption in any form, including bribery, facilitation payments and trading in influence. Danske Commodities' Ethics Helpline enables anyone to anonymously convey any irregularities or violations of the law. Furthermore, the Company has a no-gift policy, mitigating the risk of bribery and corruption.

Know your customer

All counterparties undergo a Know Your Customer (KYC) process, which includes thorough background checks and financial assessments to avoid doing business with sanctioned parties.

RISKS

Corruption undermines legitimate business activities, it is a hindrance for competition, it is devastating for reputations and it exposes businesses and people to risk. Danske Commodities does not accept corruption in any shape or form, including bribery, facilitation payments and trading in influence. Danske Commodities will comply with all applicable anti-corruption laws and regulations and takes active steps to prevent corruption from occurring in the Company's business.

RESULTS IN 2019

- Code of Conduct implemented.
- Anti-bribery and corruption training conducted for all employees.
- No-gift policy implemented.
- Training in sanctions conducted for relevant employees.

PRIORITIES FOR 2020

- Mandatory Code of Conduct training of all employees.
- Guideline for compliance with applicable sanctions to be compiled.
- Develop relevant awareness campaigns to nurture high ethical standards.

EQUALITY

POLICIES AND IMPLEMENTATION

Danske Commodities respects human rights, maintains a high level of personal safety and supports the right to equality. See Danske Commodities' gender policy here: https://danskecommodities.com/gender-policy-2019/

Human rights

The Company conducts its business consistently in accordance with the United Nations Guiding Principles on Business and Human Rights and does not accept any violation of human rights by its employees, customers, partners or other stakeholders, neither through direct participation nor by silently standing by.

Anti-discrimination

Danske Commodities does not accept discrimination and has a zero-tolerance policy for workplace harassment, which is outlined in the People Handbook and signed by all employees. Danske Commodities firmly believes that a diversified workforce benefits innovation and outperforms homogeneous teams.

Privacy, security and safety

Danske Commodities is committed to providing a safe and secure environment for its people. The Company protects the privacy, integrity and confidentiality of stakeholders' private information in accordance with GDPR. Moreover, the Company has a contingency plan and an established Work Environment Organisation (WEO).

RISKS

As a growing company, securing data and protecting the business becomes increasingly important. Accidents and violations of privacy can cause harm in many ways, which is why Danske Commodities has preventive processes and carries out informative campaigns to uphold a high level of safety and security.

RESULTS IN 2019

- No violations of human rights or cases related to discrimination were reported.
- A new gender policy developed and increased focus on gender diversity.
- IT security awareness training courses conducted with a 100% attendance rate.

PRIORITIES FOR 2020

- Strengthened awareness of GDPR.
- Enhanced IT defence and protection capabilities across platforms.

PEOPLE

POLICIES AND IMPLEMENTATION

Danske Commodities' People Handbook comprises all relevant information on what the Company expects from its employees as well as what employees can expect from the Company. In 2019, the focus was on enhancing work-life balance, employee development and creating a healthy work environment.

Work-life balance

Research in the younger generations of the workforce confirms that work-life balance is an important priority for personal well-being. This is even more so the case for parents of young children. In 2019, Danske Commodities changed its policy on paternal leave and implemented 16 weeks' paid leave.

Employee development

Danske Commodities' employees continuously seek professional and personal development opportunities. In addition to extensive on-the-job-training, Danske Commodities offered more than 50 courses through the Company's internal knowledge hub, DC University.

Healthy work environment

Danske Commodities has optimised its working environment with new office chairs for all employees, following an assessment of each employee's ergonomic needs. Danske Commodities offered all employees an individual personal health assessment to promote the importance of good health.

RISKS

As Danske Commodities has become part of Equinor, there is a need to ensure the integration process remains successful.

To monitor the developments and take necessary action, the Company carries out regular Pulse surveys.

RESULTS IN 2019

- 51 development courses conducted with an average satisfaction score of 4.38 on a 5-point scale.
- 100% of male employees on paternity leave decided to take at least two weeks' leave.
- New office chairs for all employees.

PRIORITIES FOR 2020

- Implementation of new leadership capability framework.
- Addition of new office space to accommodate growing organisation.

PLANET

POLICIES AND IMPLEMENTATION

Through the corporate sustainability policy, Danske Commodities addresses a variety of internal and external societal and environmental challenges.

Light over Mali

Through the project Light over Mali, Danske Commodities provides schools and health clinics in rural Mali with solar panels. The solar panels generate and store energy during the day, and the energy can then be used when night falls. This means that schools can educate children and adults after the sun sets. Also, health clinics are now able to cool medicine and treat people at night.

Sustainable procurement

Danske Commodities applies environmental awareness in its day-to-day operations. Cleaning supplies are biodegradable and organic, all paper is FSC-certified and office supplies are Swan-labelled and recycled whenever possible. Through the outsourcing agreement with ISS catering, the Company supports the use of organic, local and unprocessed food.

Recycling and refurbishing

At Danske Commodities, recycling is a vital focus area. In 2019, +170,000 coffee capsules were recycled and pull rings from soda cans were donated to hospitals and reused for prosthetics. Hardware near end-of-life-time (EOL) is sold to employees, ensuring maximum use of hardware lifetime. Apart from buybacks, Danske Commodities refurbishes, donates and recycles used IT equipment.

RISKS

Succeeding with the Company's sustainability policy requires an effort from all employees. To ensure employee engagement, Danske Commodities launched an internal 'Cut the Carbon' campaign.

RESULTS IN 2019

- Light over Mali provided +5,000 Malians with access to electricity through solar panels on health clinics and schools, installation of central lampposts and distribution of homework lamps.
- A recycling programme of pull rings for prosthetics was implemented.

PRIORITIES FOR 2020

- Implementation of 'Cut the Carbon' campaign.
- Launch of an additional CSR project in Benin with PlanBørnefonden.

DANSKE COMMODITIES GOES CARBON NEUTRAL

Climate change cannot be ignored. It will require a transition to a low-carbon economy and Danske Commodities wants to be part of the solution by pushing the world towards a more sustainable future. In 2019, the Company decided to cut the carbon and become carbon neutral. And it won't end there.

Danske Commodities' sustainability programme 'Cut the Carbon' involves three main workstreams:

1 Reducing carbon emissions
2 Switching to renewable energy
3 Offsetting through certified carbon credits

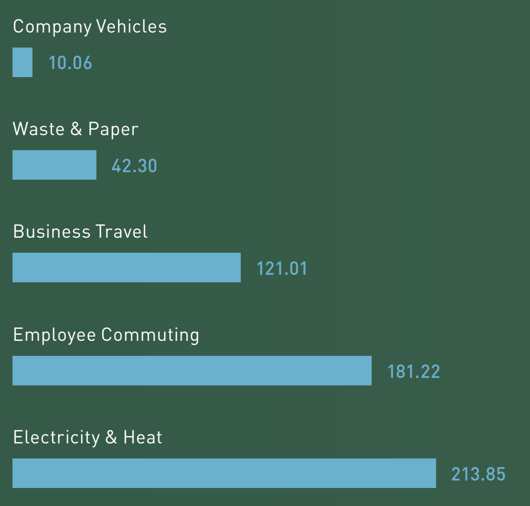
For Danske Commodities, carbon neutrality is an ongoing journey, encompassing a long-term outlook on sustainability and striving for constant improvement of the Company's business practices. In other words, Danske Commodities aims to reduce, balance and repeat.

REDUCE

Danske Commodities currently emits CO_2 directly through company vehicles and indirectly through purchased electricity, business travel, employee commuting, food and waste. To reduce these emissions, the Company has identified several initiatives.

Employee commuting and business travel
Danske Commodities encourages carpooling, travelling by train and opting for teleconferencing instead of business trips where possible. Today, around 75% of employees choose public transportation, bike or walk to work. Employees have the opportunity of working remotely, generating further CO_2 reductions and around 80% avail themselves of this flexibility.

Carbon emission 2019 (tCO_2)



Total: 568.44

Energy efficiency
As part of the 'Cut the Carbon' programme, employees are encouraged to enable power save mode and switch off and unplug office equipment when not in use. Additionally, Danske Commodities' headquarters is managed through an intelligent energy system which adjusts the air conditioning, heating and lighting through automatic sensors.

Waste management
In 2019, the Company has taken the first steps towards better waste separation by acquiring new waste sorting stations to increase recycling, which helps diminish emissions, air pollution and environmental degradation. In addition, the canteen contributes by reducing the Company's meat and dairy consumption and manages food waste by repurposing leftovers.

BALANCE

For Danske Commodities, carbon neutrality is a concept of balance. To balance, the Company sources renewable electricity from local Danish wind turbines and offsets the remaining emissions with carbon credits certified by the Gold Standard, established by WWF to ensure that carbon reduction projects under the UN's Clean Development Mechanism contribute to sustainable development. The Company's emission accounting is based on the world's most widely used emission accounting standard, the Greenhouse Gas Protocol (GHG).

REPEAT

Carbon neutrality is an iterative process, meaning each time Danske Commodities repeats the cycle, the Company moves closer to achieving the goal of becoming a truly green business. Danske Commodities' climate targets are aligned with the Paris Agreement and with the 2030 climate goal of the Danish government to reduce emissions by 70%.

Science-based emissions targets
- For 2020, the target is to reduce the Company's emissions by 10%
- For 2030, the target is to reduce the Company's emissions by 70%

Going forward, Danske Commodities will look at new ways to reduce the Company's emissions further and include more emission types in the scope of Danske Commodities' GHG inventory. The Company will increase its focus on long-term energy efficiency projects within the organisation and look for smarter ways to track internal emissions. This is because Danske Commodities firmly believes that a sustainability programme led through ambitious long-term targets is the business model of the future.

Carbon reductions (CO_2)

OUR GOAL
↓70%
CO_2 reduction in 2030

Carbon offsets (CO_2)

SENIOR MANAGEMENT GROUP

In 2019, the Senior Management Group was expanded from four to seven members by dividing responsibility for Power and Gas Trading and having Risk Management and Legal & Compliance represented in the executive management.

The Senior Management Group is responsible for the implementation and execution of strategic initiatives and the operative supervision of the organisation. The Senior Management Group manages the overall performance of Danske Commodities through setting and following up on the Company's targets and monitoring performance. In cooperation with the Board of Directors, the Senior Management Group defines the strategic direction of the Company.

The individual members of the Senior Management Group have operative management responsibility for the different areas of the organisation and to ensure that Danske Commodities keeps delivering on strategic targets, that Danske Commodities lives up to its corporate values and that these values are embedded in the organisation.

Formal meetings of the Senior Management Group take place three times a month. At these meetings, significant projects and initiatives across the organisation are coordinated and prioritised. Apart from the formal meetings, the members of the Senior Management Group are in close, daily contact.

JESPER PAPE LARSEN

VP, Head of Legal & Compliance

Background
Director, Head of Legal & Compliance at Danske Commodities. Senior Legal Advisor at Vestas. Lawyer at Dahl Law.

LARS TROEN SØRENSEN

CFO and VP, Head of IT & Finance

Background
Various management positions globally with Equinor, including Head of Investor Relations, Head of Finance & Control in Russia, Country Manager in Azerbaijan, CFO in Tanzania and Head of Government & Regulatory Affairs in the UK. Treasurer at Maersk UK. Sales Representative at IBM.

MARIE-LOUISE BREBØL CHRISTENSEN

VP, Head of People & Culture

Background
Head of Compensation & Performance Management at Danske Commodities. Interim Head of People & Communication at Lind Capital. Associate lawyer at Bech-Bruun, Lett law firm and SJ Law. International legal roles in London and Zurich at Hospital Corporation of America and Novo Nordisk.

JAKOB SØRENSEN

CRO and VP, Head of Risk Management

Background
Various positions with Danske Commodities, including as Head of Power Markets and Head of Market Analysis.

JESPER TRONBORG

VP, Head of Power Trading & Origination

Background
Head of Gas Trading at Danske Commodities. Head of Markets at Statoil Gazelle. Oil & Gas Trader at Energi Danmark. Various positions globally with Maersk Group.

HELLE ØSTERGAARD KRISTIANSEN

CEO

Background
CFO and CRO at Danske Commodities, several years of experience in controlling and compliance in the financial sector. Currently a board member of Systematic A/S and DS Norden A/S.

MICHAEL VINCENT

VP, Head of Gas Trading & Origination

Background
Director, Head of Gas Trading at Danske Commodities. Short Term Gas Team Lead at Neas Energy (curr. Centrica Energy Trading). Various trader positions with Nordea and Lind Capital.

BOARD OF DIRECTORS

Combining key industry insights, expertise from global energy markets, risk management and financial skills with several years of international management experience.

The Board of Directors' objective is to promote the long-term interests of Danske Commodities. As part of creating long-term, sustainable value, Danske Commodities establishes and maintains strong, constructive relationships with its primary stakeholders. These include shareholders, customers, counterparties, regulatory entities and other relevant external partners.

The Board of Directors is responsible for the overall strategic direction of Danske Commodities and oversees that the financial and managerial control of the Group is conducted effectively in all respects. In this role, the Board acts as formal adviser to the Company's Senior Management Group in relation to strategic initiatives and monitors the Group's financial condition, risk management and business activities on an ongoing basis.

The members of the Board of Directors are appointed with a view to ensuring the Board's independence of any special interests.

Formal meetings of the Board of Directors are held six times a year.

CHAIRMAN

TOR MARTIN ANFINNSEN

Background
BSc. in Business (hon). Senior Vice President, Marketing and Trading, Midstream and Processing, Equinor ASA. Almost 30 years of experience from the energy sector.

VICE CHAIRMAN

HELGE HAUGANE

Background
MSc in Economics and Finance. Vice President, Finance & Control, Marketing, Midstream and Processing, Equinor ASA. Previously held the role as CFO for Equinor's US business.

BOARD MEMBER

SIV HELEN RYGH TORSTENSEN

Background
MSc in Law. Group General Counsel and Senior Vice President, Legal, Equinor ASA. Prior legal experience from the private and public sector.

BOARD MEMBER

PETER LORENS RAVN

Background
MSc in Engineering and PhD in System Science. Diploma in Business Administration (Finance and Credit). Long-standing career at SimCorp (1983-2012), including 11 years as CEO.

BOARD MEMBER

JENS-PETER SAUL

Background
BSc in Engineering (Energy and Process Technology). President & CEO, Rambøll Group, Denmark. Former President and CEO, Siemens Wind Power, Denmark. Board member in Cubico Sustainable Investments.

BOARD MEMBER

JENS ØKLAND

Background
MSc in Business. Senior Vice President, Business Development, New Energy Solutions, Equinor ASA. Experienced leader with extensive knowledge of the entire energy value chain.

BOARD MEMBER

MOLLY MORRIS

Background
BSc in Chemical Engineering. Vice President, Products and Liquids Trading, Equinor ASA. More than 15 years' trading experience in the US and global markets across several commodities.

BOARD MEMBER

HENRIK LIND

Background
Diploma in Business Administration. CEO of Lind Invest and founder of Danske Commodities. Various board memberships, including in Lind Capital, Lind Capital Fondsmæglerselskab and Frey P/S.

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 2019.

The Annual Report has been prepared in accordance with 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 2019 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 2019.

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, 10 March 2020

EXECUTIVE BOARD

Helle Østergaard Kristiansen
CEO

Lars Troen Sørensen
CFO

BOARD OF DIRECTORS

Tor Martin Anfinnsen
Chairman

Helge Haugane
Vice chairman

Siv Helen Rygh Torstensen
Board member

Peter Lorens Ravn
Board member

Jens-Peter Saul
Board member

Jens Økland
Board member

Molly Morris
Board member

Henrik Lind
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 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with 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 2019 and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2019 in accordance with the Danish Financial Statements Act.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

In preparing the financial statements, Management is responsible for assessing the 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.

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

STATEMENT ON THE MANAGEMENT'S REVIEW

Management is responsible for the Management's review.

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

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

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

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

Aarhus, 10 March 2020
Ernst & Young
Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Hammer-Pedersen
State Authorised Public Accountant
mne21334

Michael Laursen
State Authorised Public Accountant
mne26804

FINANCIAL STATEMENTS

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INCOME STATEMENT

1 JANUARY – 31 DECEMBER

EUR '000	Note	GROUP 2019	GROUP 2018	PARENT 2019	PARENT 2018
Revenue	2	10,046,074	9,376,686	10,056,209	9,383,466
Cost of sales	3	-9,938,195	-9,253,214	-9,949,929	-9,265,754
Gross profit		**107,879**	**123,472**	**106,280**	**117,712**
Other external expenses	3	-12,088	-12,623	-12,161	-12,176
Staff costs	3	-39,225	-35,374	-38,654	-34,291
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	3	-6,342	-3,649	-6,252	-2,795
Profit before financial income and expenses and tax (EBIT)		**50,224**	**71,826**	**49,213**	**68,450**
Share of profit in subsidiaries after tax	8	0	0	329	2,344
Share of profit in associated companies after tax	9	-476	-19	-476	-19
Financial income	4	2,107	2,980	2,649	3,160
Financial expenses	4	-2,548	-3,194	-2,524	-3,060
Profit before tax (EBT)		**49,307**	**71,593**	**49,191**	**70,875**
Tax on profit/loss for the year	5	-10,858	-15,626	-10,742	-14,908
Profit for the year		**38,449**	**55,967**	**38,449**	**55,967**

BALANCE SHEET

AT 31 DECEMBER

ASSETS		GROUP		PARENT	
EUR '000	Note	2019	2018	2019	2018
Contractual rights		88,957	0	88,957	0
Software		8,176	9,262	8,175	9,261
CO2 quotas		0	0	0	0
Intangible assets	6	**97,133**	**9,262**	**97,132**	**9,261**
Land and buildings		0	724	0	0
Other fixtures and fittings, tools and equipment		1,150	3,699	1,142	633
Leasehold improvements		62	61	0	0
Property, plant and equipment	7	**1,212**	**4,484**	**1,142**	**633**
Investments in subsidiaries	8	0	0	4,188	9,534
Investments in associated companies	9	1,737	1,302	1,737	1,302
Other receivables	10	324	310	324	296
Fixed asset investments		**2,061**	**1,612**	**6,249**	**11,132**
Fixed assets		**100,406**	**15,358**	**104,523**	**21,026**
Inventories	11	**144,696**	**37,880**	**144,696**	**37,880**
Trade receivables	12	162,678	192,079	159,345	181,117
Receivables from group enterprises	12	7,785	20	17,910	9,423
Receivables from associated companies	12	0	9	0	9
Other receivables	12, 22	90,512	52,263	71,191	39,223
Corporation tax	14	77	99	0	0
Deferred tax	14	0	39	0	0
Prepayments	15	4,524	5,979	4,459	5,853
Receivables		**265,576**	**250,488**	**252,905**	**235,625**
Current asset investments	16	**30,286**	**19,560**	**30,286**	**19,560**
Cash at bank and in hand		**60,745**	**49,985**	**57,389**	**44,743**
Current assets		**501,303**	**357,913**	**485,276**	**337,808**
Assets		**601,709**	**373,271**	**589,799**	**358,834**

LIABILITIES AND EQUITY		GROUP		PARENT	
EUR '000	Note	2019	2018	2019	2018
Share capital		179,065	498	179,065	498
Reserve for net revaluation under the equity method		0	0	1,349	7,030
Reserve for development costs		0	0	4,378	4,975
Retained earnings		113,601	75,737	107,874	63,732
Equity	17	**292,666**	**76,235**	**292,666**	**76,235**
Provision for deferred tax	14	680	669	680	669
Other provisions	13	598	0	598	0
Provisions		**1,278**	**669**	**1,278**	**669**
Other payables		1,084	0	1,084	0
Long-term debt	18	**1,084**	**0**	**1,084**	**0**
Debt to mortgage credit institutions	18	0	117	0	0
Trade payables	19	211,776	258,300	199,441	246,347
Payables to group enterprises	19	63,965	131	64,742	616
Corporation tax	14	2,688	195	2,654	19
Other payables	19	28,252	37,624	27,934	34,948
Short-term debt		**306,681**	**296,367**	**294,771**	**281,930**
Debt		**307,765**	**296,367**	**295,855**	**281,930**
Liabilities and equity		**601,709**	**373,271**	**589,799**	**358,834**

STATEMENT OF CHANGES IN EQUITY

GROUP

EUR '000	Share capital	Reserve under the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2019	498	-	-	75,737	76,235
Capital decrease	-498	-	-	21	-477
Capital increase	179,065	-	-	0	179,065
Exchange rate adjustment relating to independent foreign entities	0	-	-	-216	-216
Fair value adjustments of hedging instruments, beginning of year	0	-	-	-506	-506
Fair value adjustments of hedging instruments, end of year	0	-	-	116	116
Profit for the year	0	-	-	38,449	38,449
Equity at 31 December 2019	**179,065**	**-**	**-**	**113,601**	**292,666**

PARENT

EUR '000	Note	Share capital	Reserve under the equity method	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2019		498	7,030	4,975	63,732	76,235
Capital decrease		-498	0	0	21	-477
Capital increase		179,065	0	0	0	179,065
Exchange rate adjustment relating to independent foreign entities		0	-216	0	0	-216
Fair value adjustments of hedging instruments, beginning of year		0	0	0	-506	-506
Fair value adjustments of hedging instruments, end of year		0	0	0	116	116
Transferred to retained earnings		0	-5,318	0	5,318	0
Development costs for the year		0	0	-597	597	0
Profit for the year		0	-147	0	38,596	38,449
Equity at 31 December 2019	20	**179,065**	**1,349**	**4,378**	**107,874**	**292,666**

CASH FLOW STATEMENT

GROUP

EUR '000	Note	2019	2018
Profit for the year		38,449	55,967
Adjustments	21	17,577	19,250
Change in working capital	21	-112,345	-5,271
Cash flow from operating activities before financial income and expenses		**-56,319**	**69,946**
Financial income		2,496	1,368
Financial expenses		-2,548	-3,194
Cash flow from ordinary activities		**-56,371**	**68,120**
Corporation tax paid		-8,326	-17,630
Cash flow from operating activities	21	**-64,697**	**50,490**
Purchase of intangible assets		-93,656	-1,303
Purchase of property, plant and equipment		-1,025	-2,058
Sale of property, plant and equipment		3,711	0
Investment in associated companies		-915	-1,321
Payment of fixed asset investments		-102	-13
Repayment of fixed asset investments		88	4
Cash flow from investing activities	21	**-91,899**	**-4,691**
Repayment of debt to mortgage credit institutions		-117	-473
Capital decrease		-477	0
Capital increase		179,065	0
Dividend paid		0	-85,161
Cash flow from financing activities	21	**178,471**	**-85,634**
Change in cash and cash equivalents		**21,875**	**-39,835**
Cash and cash equivalents at 1 January		69,545	107,768
Value and exchange rate adjustments of cash and cash equivalents		-389	1,612
Cash and cash equivalents at 31 December		**91,031**	**69,545**
Cash and cash equivalents are specified as follows:			
Current asset investments		30,286	19,560
Cash at bank and in hand		60,745	49,985
Cash and cash equivalents at 31 December	21	**91,031**	**69,545**

1 BASIS OF PREPARATION AND GENERAL POLICIES

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.

BASIS OF PREPARATION

The Annual Report of Danske Commodities A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The Consolidated Financial Statements are presented in Euro (EUR) and all values are rounded to the nearest thousand (EUR 000's).

The accounting policies applied remain unchanged from the previous year.

RECOGNITION AND MEASUREMENT

The Consolidated Financial Statements have been prepared under the historical cost method.

Revenues are recognised in the income statement as earned. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised. In addition, all expenses incurred to generate the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that were previously recognised in the income statement.

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

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item in the notes.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the maturity period. Amortised cost is calculated as original cost less any repayments and with the addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

Recognition and measurement take into account predictable losses and risks occurring before the presentation of the Annual Report which confirm or invalidate affairs and conditions existing at the balance sheet date. EUR is used as the measurement currency. All other currencies are regarded as foreign currencies.

Basis of consolidation
The Consolidated Financial Statements comprise the Parent Company, Danske Commodities A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or otherwise exercises control. Entities, where the Group holds between 20% and 50% of the voting rights and exercise significant influence, but not control are considered associated companies.

The consolidated financial statements are prepared as a consolidation of the Parent Company's and the individual subsidiaries' financial statements, which are prepared according to the Group's accounting policies. On consolidation, intra-group income and expenses, shareholdings, intra-group balances and dividends as well as realised and unrealised gains on intra-group transactions are eliminated. Unrealised gains on transactions with associated companies are eliminated in proportion to the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains unless they do not reflect impairment.

The subsidiaries' financial statements are fully consolidated in the consolidated financial statements.

Investments in associated companies are recognised in the consolidated financial statements using the equity method.

Translation policies
Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between rates at the transaction date 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; however, see the section on hedge accounting in note 22.

Foreign subsidiaries and associated companies 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.

For value-added tax reporting purposes, amounts are translated from measurement currency EUR into DKK using rates from the European Central Bank.

2 REVENUE

	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
Power trade	4,837,695	3,782,676	4,847,830	3,789,456
Gas and other minerals trade	5,208,379	5,594,010	5,208,379	5,594,010
	10,046,074	**9,376,686**	**10,056,209**	**9,383,466**

ACCOUNTING POLICIES

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

Revenue from the sale of power, gas, certificates and related services is recognised in the income statement when the sale is considered effected based on the following criteria:

- delivery has been made before year end; and
- a binding sales agreement has been made; and
- the selling price has been determined; and
- payment has been received or may with reasonable certainty be expected to be received.

The Company's pan-European trading and asset management activities are to a very large extent carried out from the Company's headquarter in Aarhus, Denmark. In addition, the European commodity markets are becoming more and more integrated. On this basis a geographical split of activities is not considered relevant.

3 COSTS

STAFF COSTS	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
Wages and salaries	36,171	33,263	35,657	32,298
Pensions	1,949	975	1,930	940
Other staff costs	1,105	1,136	1,067	1,053
	39,225	**35,374**	**38,654**	**34,291**
Including remuneration to:				
Executive Board	1,249	1,221	1,249	1,221
Board of Directors	99	215	99	215
	1,348	**1,436**	**1,348**	**1,436**
Average number of employees	**281**	**267**	**277**	**257**

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

3 COSTS – CONTINUED

AUDITORS' REMUNERATION	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
Fee to auditors	139	182	139	182
Total remuneration	**139**	**182**	**139**	**182**
– specified as follows:				
Statutory audit fee	139		139	
Total remuneration	**139**		**139**	

Auditors' remuneration comprises fees to auditors appointed by the Company at the Annual General Meeting.

ACCOUNTING POLICIES

Cost of sales
Cost of sales includes the purchase of power, gas and certificates for resale and transportation thereof incurred to achieve revenue for the year. Furthermore, cost of sales includes changes in the fair values of derivative financial instruments.

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

Staff costs
Staff costs comprise wages and salaries, pensions as well as payroll expenses.

Amortisation, depreciation and impairment losses
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

Leases
All leases are considered operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the lease term.

The Company's total liabilities relating to operating leases and other leases are disclosed in note 23.

4 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
Interest income, group enterprises	0	0	833	752
Other financial income	2,107	2,980	1,816	2,408
	2,107	**2,980**	**2,649**	**3,160**

FINANCIAL EXPENSES	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
Interest expenses, group enterprises	0	0	0	4
Other financial expenses	2,548	3,194	2,524	3,056
	2,548	**3,194**	**2,524**	**3,060**

ACCOUNTING POLICIES

Financial income and expenses comprise interest, realised and unrealised exchange rate adjustments, value adjustment of securities as well as interest on underpaid and overpaid tax under the on-account taxation scheme.

5 TAX ON PROFIT/LOSS FOR THE YEAR

	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
Current tax for the year	10,885	14,291	10,755	13,477
Deferred tax for the year	32	1,505	32	1,620
Adjustment of tax relating to prior years	-38	1,967	-24	1,947
Adjustment of deferred tax relating to prior years	-21	-2,137	-21	-2,136
Tax on entries in equity relating to deferred tax	33	143	33	143
Total tax for the year	**10,891**	**15,769**	**10,775**	**15,051**
– specified as follows:				
Tax on profit/loss for the year	10,858	15,626	10,742	14,908
Tax on entries in equity	33	143	33	143
	10,891	**15,769**	**10,775**	**15,051**
Effective tax rate	**22.1%**	**22.1%**	**22.1%**	**22.0%**

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 in 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.

6 INTANGIBLE ASSETS

EUR '000	GROUP CO2 Quotas	Contractual rights	Software
Cost at 1 January	255	0	21,698
Additions for the year	0	92,115	1,541
Disposals for the year	-255	0	-343
Cost at 31 December	**0**	**92,115**	**22,896**
Amortisation and impairment losses at 1 January	255	0	12,436
Amortisation for the year	0	3,158	2,627
Reversal of amortisation of disposals for the year	-255	0	-343
Amortisation and impairment losses at 31 December	**0**	**3,158**	**14,720**
Carrying amount at 31 December 2019	**0**	**88,957**	**8,176**

EUR '000	PARENT Contractual rights	Software
Cost at 1 January	0	21,568
Additions for the year	92,115	1,541
Disposals for the year	0	-214
Cost at 31 December	**92,115**	**22,895**
Amortisation and impairment losses at 1 January	0	12,307
Amortisation for the year	3,158	2,627
Reversal of amortisation of disposals for the year	0	-214
Amortisation and impairment losses at 31 December	**3,158**	**14,720**
Carrying amount at 31 December 2019	**88,957**	**8,175**

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 Danske Commodities and future use is intended. Costs related to projects that do not meet the criteria for recognition in the balance sheet is recognised as expenses in the income statement as incurred.

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:

CO2 quotas:	5 years
Contractual rights:	3-18 years
Software:	3-5 years

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.

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation. 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. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

The recoverable amount of the asset is calculated as the higher of net selling price and value in use. Where a recoverable amount cannot be determined for the individual asset, assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on an overall assessment.

7 PROPERTY, PLANT AND EQUIPMENT

EUR '000	GROUP Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January	1,805	10,791	2,534
Exchange rate adjustment	0	-5	-12
Additions for the year	0	1,006	19
Disposals for the year	-1,805	-6,292	-130
Cost at 31 December	**0**	**5,500**	**2,411**
Depreciation and impairment losses at 1 January	1,081	7,092	2,473
Exchange rate adjustment	0	-5	-3
Depreciation for the year	19	549	9
Reversal of depreciation on disposals for the year	-1,100	-3,286	-130
Depreciation and impairment losses at 31 December	**0**	**4,350**	**2,349**
Carrying amount at 31 December 2019	**0**	**1,150**	**62**

EUR '000	PARENT Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January	4,455	2,447
Additions for the year	996	0
Disposals for the year	-36	-130
Cost at 31 December	**5,415**	**2,317**
Depreciation and impairment losses at 1 January	3,822	2,447
Depreciation for the year	487	0
Reversal of depreciation on disposals for the year	-36	-130
Depreciation and impairment losses at 31 December	**4,273**	**2,317**
Carrying amount at 31 December 2019	**1,142**	**0**

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 are 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

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.

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. Where a recoverable amount cannot be determined for the individual asset, assets are assessed in the smallest group of assets for which a reliable recoverable amount can be determined based on an overall assessment.

8 INVESTMENTS IN SUBSIDIARIES

EUR '000	PARENT 2019	2018
Cost at 1 January	2,485	2,490
Disposals for the year	-130	-5
Cost at 31 December	**2,355**	**2,485**
Value adjustments at 1 January	7,049	7,247
Exchange rate adjustment	-227	-542
Net profit/loss for the year	329	2,344
Dividend	0	-2,014
Disposals for the year	-5,318	14
Value adjustments at 31 December	**1,833**	**7,049**
Carrying amount at 31 December	**4,188**	**9,534**

Under UK law, Danske Commodities UK Limited is exempt from preparing individual audited accounts by virtue of Section 479A of the Companies Act 2006.

In order to obtain the exemption for Danske Commodities UK Limited, the Parent Company has provided a guarantee for the outstanding liabilities which Danske Commodities UK Limited was subject to at 31 December 2019.

Under German Law, Danske Commodities Deutschland GmbH is exempt from preparing individual audited accounts by virtue of Section 264 (3) of the German Commercial Code.

In order to obtain the exemption for Danske Commodities Deutschland GmbH, the Parent Company has provided a guarantee for the outstanding liabilities which Danske Commodities Deutschland GmbH was subject to at 31 December 2019 and remains subject to until 31 December 2020.

8 INVESTMENTS IN SUBSIDIARIES — CONTINUED

INVESTMENTS IN SUBSIDIARIES ARE SPECIFIED AS FOLLOWS:

Name	Place of registered office	Share capital	Votes and ownership
Danske Commodities Albania Sh.p.k.	Albania	tALL 14,000	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 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 Serbia d.o.o.	Serbia	tRSD 54	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 consider the equity method as the measurement method, and investments in subsidiaries are measured accordingly.

On initial recognition, investments in subsidiaries are measured at cost, i.e. plus transaction costs, and included in the 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.

9 INVESTMENTS IN ASSOCIATED COMPANIES

EUR '000	GROUP 2019	GROUP 2018	PARENT 2019	PARENT 2018
Cost at 1 January	1,321	0	1,321	0
Additions for the year	915	1,321	915	1,321
Cost at 31 December	**2,236**	**1,321**	**2,236**	**1,321**
Value adjustments at 1 January	-19	0	-19	0
Exchange rate adjustment	-4	0	-4	0
Net profit/loss for the year	-476	-19	-476	-19
Value adjustments at 31 December	**-499**	**-19**	**-499**	**-19**
Carrying amount at 31 December	**1,737**	**1,302**	**1,737**	**1,302**

INVESTMENTS IN ASSOCIATED COMPANIES ARE SPECIFIED AS FOLLOWS:

Name	Place of registered office	Share capital	Votes and ownership
Frey GP ApS	Denmark	tDKK 50	50.00%
Frey P/S	Denmark	tDKK 5,000	50.00%

ACCOUNTING POLICIES

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

Investments in associated companies
The Parent Company has chosen to consider the equity method as the measurement method, and investments in associated companies are measured accordingly.

On initial recognition, investments in associated companies are measured at cost, i.e. plus transaction costs, and included in the item 'Investments in associated companies' in the balance sheet.

The total net revaluation of investments in associated companies 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 associated companies.

Associated companies 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 associated companies measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

10 OTHER FIXED ASSET INVESTMENTS

EUR '000	GROUP Other receivables	PARENT Other receivables
Cost at 1 January	310	296
Additions for the year	102	101
Disposals for the year	-88	-73
Cost at 31 December	**324**	**324**
Carrying amount at 31 December 2019	**324**	**324**

11 INVENTORIES

EUR '000	GROUP 2019	GROUP 2018	PARENT 2019	PARENT 2018
Gas	113,949	37,880	113,949	37,880
Certificates	30,747	0	30,747	0
	144,696	**37,880**	**144,696**	**37,880**

Inventories comprise goods for resale. The gas inventory includes a revaluation of EUR 29,445 thousand reflecting the fact that the net realisable value is lower than the cost of acquisition at 31 December 2019. For certificates the carrying amount equals the cost of acquisition.

ACCOUNTING POLICIES

Inventories are measured at the lower of cost according to weighted average and net realisable value. The net realisable value of 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.

12 RECEIVABLES

OTHER RECEIVABLES

EUR '000	GROUP 2019	GROUP 2018	PARENT 2019	PARENT 2018
Fair value of derivative financial instruments, net	48,684	15,114	48,684	15,114
Deposits related to trading	32,880	25,661	22,093	23,597
Other receivables	8,948	11,488	414	512
	90,512	**52,263**	**71,191**	**39,223**

Of the Group's and the Parent's total receivables, EUR 823 thousand matures more than one year after the balance sheet date.

ACCOUNTING POLICIES

Receivables are measured at amortised cost.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been impaired. Provisions for bad debts are determined on the basis of an individual assessment of each receivable. Receivables and debts with the same counterparty that are settled on a net basis are presented as such in the balance sheet.

13 OTHER PROVISIONS

Other provisions consist of provisions for legal disputes.

ACCOUNTING POLICIES

Provisions are recognised when the Group has a legal or constructive obligation as a consequence of a past event, and it is probable that there will be an outflow of the Group's financial resources.

Provisions are measured as the Management's best estimate of the costs required to settle the obligation.

14 CURRENT AND DEFERRED TAX

DEFERRED TAX	GROUP	PARENT
EUR '000	2019	2019
Deferred tax at 1 January	630	669
Deferred tax recognised in profit for the year	11	11
Sale of subsidiary	39	0
Deferred tax at 31 December	**680**	**680**
– recognised in the balance sheet as follows:		
Provision for deferred tax	680	680
	680	**680**

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.

15 PREPAYMENTS

Prepayments comprise prepaid capacities, fees, maintenance, software licenses, rent and insurance premiums.

ACCOUNTING POLICIES

Prepayments comprise prepaid expenses concerning subsequent financial years.

16 CURRENT ASSET INVESTMENTS

Current asset investments consist of listed bonds and shares.

ACCOUNTING POLICIES

Current asset investments are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

17 EQUITY

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

At 31 December 2019, the Company held no treasury shares.

ACCOUNTING POLICIES

Dividend distribution proposed by the Management for the year is disclosed as a separate line item in equity. Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date).

18 LONG-TERM DEBT

	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
The debt falls due as follows:				
Debt to mortgage credit institutions				
Short-term	**0**	**117**	**0**	**0**
Other payables				
1-5 years	1,084	0	1,084	0
Long-term	**1,084**	**0**	**1,084**	**0**

19 SHORT-TERM DEBT

OTHER PAYABLES	GROUP		PARENT	
EUR '000	2019	2018	2019	2018
Deposits received	12,697	27,964	12,584	25,794
Staff obligations	12,923	8,372	12,909	8,175
VAT, taxes and other public payables	129	180	0	0
Other payables	2,503	1,108	2,441	979
	28,252	**37,624**	**27,934**	**34,948**

ACCOUNTING POLICIES

Other liabilities are measured at net realisable value. Debts and receivables with the same counterparty that are settled on a net basis are presented as such in the balance sheet.

20 PROPOSED DISTRIBUTION OF PROFIT

EUR '000	PARENT 2019	2018
Extraordinary dividend paid out during the year	0	75,000
Reserve for net revaluation under the equity method	-147	2,325
Retained earnings	38,596	-21,358
	38,449	**55,967**

21 CASH FLOW

CASH FLOW STATEMENT – ADJUSTMENTS

EUR '000	GROUP 2019	2018
Financial income	-2,107	-2,980
Financial expenses	2,548	3,194
Share of profit in associated companies after tax	476	19
Amortisation, depreciation and impairment losses incl. losses and gains on sale	6,342	3,649
Hedging contracts	-500	149
Tax on profit/loss for the year	10,858	15,626
Exchange rate adjustments	-40	-407
	17,577	**19,250**

CASH FLOW STATEMENT – CHANGE IN WORKING CAPITAL

EUR '000	GROUP 2019	2018
Change in inventories	-106,816	-27,662
Change in receivables	-15,149	-20,839
Change in payables	9,620	43,230
	-112,345	**-5,271**

ACCOUNTING POLICIES

Cash flow statement
The cash flow statement shows the Group's cash flows for the year broken down by operating, investing and financing activities, changes for the year in cash and cash equivalents as well as the Group's cash and cash equivalents at the beginning and end of the year.

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. 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 as well as payments to and from shareholders.

Cash and cash equivalents
Cash and cash equivalents comprise 'Cash at bank and in hand' and 'Current asset investments'. 'Current asset investments' consist of short-term securities that can readily be turned into cash.

The cash flow statement cannot be derived exclusively from the published financial statements.

22 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASURES

Financial risks at Danske Commodities affecting financial instruments are primarily market risk and credit risk. For more information about risk management in general, see the Risk Management section on pages 24-27.

Financial instruments in Danske Commodities mainly consist of commodity derivatives that are traded as part of the Company's ordinary business activity. Financial risks relating to the financial instruments are managed on a portfolio basis and the instruments are measured at fair value and recognised as a net amount in 'Other recevables'. The credit risk is assessed separately and presented in a table in the section Credit Risk below. The net amount in 'Other receivables' can be specified as follows:

EUR '000	GROUP 2019	GROUP 2018	PARENT 2019	PARENT 2018
Fair value of derivative financial instruments, asset	1,210,318	676,549	1,210,318	676,549
Fair value of derivative financial instruments, liability	-1,161,634	-661,435	-1,161,634	-661,435
Fair value of derivative financial instruments, net	**48,684**	**15,114**	**48,684**	**15,114**

Market risk
Danske Commodities' market risk arises in both commodity and financial markets, in which changing energy prices and volumes as well as foreign exchange rate fluctuations are key risk factors.

The risk related to fluctuations in energy prices and volumes are monitored and hedged in accordance with the policies and mandates assigned by the Risk Management function. Value-at-Risk and Cash Flow-at-Risk are Danske Commodities' primary market risk measures covering the majority of the Company's business activity. Positions are only allowed within given mandates. The hedged positions account for a significant part of the derivatives' fair value. At 31 December 2019, the financial instruments consist of commodity and financial derivatives from the trading portfolio, customer business and hedging thereof. Forwards and futures are the primary instruments traded for gas and power with physical delivery, while financially settled instruments also include options and swaps. The traded gross volumes of these derivatives were 740 TWh for physical gas derivatives, 114 TWh for physical power derivatives, 119 TWh for financial derivatives and 21 TWh for power capacities. 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.

The other key risk factor, exchange rate fluctuations, is not deemed to be a part of the core business of Danske Commodities. The risk is mitigated and hedged 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. At the end of 2019, the fair value of foreign exchange forward contracts amounted to EUR 0.6 million. The foreign exchange forward contracts were entered into for the purpose of hedging future cash flows and fair value in a range of currencies, primarily GBP at 31 December 2019. The hedging activity related to these currencies can be specified as follows:

- Hedging of future net cash outflows in GBP was GBP 13.0 million. The GBP forward contracts have a duration of one to two months.

Financial instruments in Danske Commodities at 31 December 2019 can be grouped according to the below table. Comparative figures are not disclosed, as data for periods before 1 January 2019 are not available. Danske Commodities continuously works on improving data as the business expands and develops.

EUR '000	GROUP Fair value of derivative financial instruments – asset	GROUP Fair value of derivative financial instruments – liability	PARENT Fair value of derivative financial instruments – asset	PARENT Fair value of derivative financial instruments – liability
Gas, physical	570,962	-536,920	570,962	-536,920
Power, physical	392,199	-385,054	392,199	-385,054
Financial	240,903	-237,372	240,903	-237,372
Power capacities	3,877	-553	3,877	-553
Foreign exchange forwards	2,377	-1,735	2,377	-1,735
Total at 31 December 2019	**1,210,318**	**-1,161,634**	**1,210,318**	**-1,161,634**

22 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASURES — CONTINUED

Fair value measurement
Financial instruments measured at fair value in the balance sheet are predominately measured based on prices quoted in an active market.

For some derivatives, measurement of the fair value cannot be based on prices in an active market or on observable market data. The fair value of such derivatives are measured by way of internal models with a valuation technique using both observable and non-observable data. Derivatives measured using these valuation techniques are:

Power capacities
- Capacities are recognised at their intrinsic value given by the spread between the two borders, less option premiums and capped at the capacity cost.

Power and gas derivatives traded in very illiquid and/or unquoted markets
- Derivatives are recognised using internal models where main inputs relate to deriving expected future commodity prices.

Structured products
- Derivatives are recognised using internal models where main inputs relate to deriving expected future commodity volatility and prices.

Foreign exchange forward contracts
- Derivatives are recognised based on models using interest rates as well as foreign exchange rates.

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.

Credit risk
Exposure to credit risk can arise in Danske Commodities' trading and treasury operations. Danske Commodities manages credit risk through a clear framework of policies and procedures defined by the Board of Directors, Executive Management and the Risk Management function. Responsibilities are divided between different business teams, Risk Management, the Executive Management and the Board of Directors.

A thorough Know Your Customer (KYC) process is carried out for all counterparties with whom Danske Commodities engages in transactions.

Danske Commodities has credit insurance of bilateral counterparties which outlines the credit line applied to each counterparty. The extent of credit insurance covering each credit rating defined on bilateral counterparties is outlined in the below table. 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, Danske Commodities 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 below credit risk table. The calculation of the figures shown in the 'Of which credit insured' columns is based on the possibility of full or partial offsetting against financial instruments with negative fair value. Comparative figures are not disclosed, as data for periods before 1 January 2019 are not available. Danske Commodities continuously works on improving data as the business expands and develops.

	GROUP			PARENT		
EUR '000	Fair value of derivative financial instruments – asset	Of which credit insured	Net amount	Fair value of derivative financial instruments – asset	Of which credit insured	Net amount
Commodity exchanges	267,217	-	267,217	267,217	-	267,217
Other counterparties:						
AA Rating	72,758	32,355	40,403	72,758	32,355	40,403
A Rating	344,732	299,259	45,473	344,732	299,259	45,473
BBB Rating	284,481	254,057	30,424	284,481	254,057	30,424
BB Rating and lower	225,757	195,903	29,854	225,757	195,903	29,854
Not rated	15,373	0	15,373	15,373	0	15,373
Total at 31 December 2019	**1,210,318**	**781,574**	**428,744**	**1,210,318**	**781,574**	**428,744**

ACCOUNTING POLICIES

Derivative financial instruments
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as 'Other receivables' and 'Other payables', respectively. Derivative financial instruments with positive fair values are offset against derivative financial instruments with negative fair values and presented as a net amount when settled on a net basis. Settlement on a net basis is possible when there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Contracts for the delivery of power and gas are classified as derivative financial instruments when there is a practice of net settlement in respect of similar contracts, including sell-back before delivery.

Changes in the fair values of derivative financial instruments are recognised in the income statement unless the derivative financial instrument is designated and qualifies for hedge accounting, see below.

22 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASURES — CONTINUED

Hedge accounting
Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset are recognised in the income statement as are any changes in the fair value of the hedged asset related to the hedged risk. Fair value hedging comprises binding contracts concerning the delivery of power at a fixed price. Hedged fixed-price contracts are thus recognised at the accumulated change in the fair values of the contracts occurring since the time when the contracts were hedged. Positive and negative values of hedged fixed-price contracts are classified as 'Other receivables' and 'Other payables', respectively.

Changes in the fair values of financial instruments that are designated and qualify as hedges of expected future transactions are recognised after tax in retained earnings in equity as regards the effective portion of the hedge. The ineffective portion is recognised in the income statement. If the hedged transaction results in an asset or a liability, the amount deferred in equity is transferred from equity and recognised in the cost of the asset or the liability, respectively. If the hedged transaction results in an income or an expense, the amount deferred in equity is transferred from equity to the income statement in the period in which the hedged transaction is recognised. The amount is recognised in the same item as the hedged transaction.

23 SECURITY AND OTHER FINANCIAL OBLIGATIONS

	GROUP	PARENT
EUR '000	2019	2019
Security		
The following assets have been placed as security for guarantee limit in banks:		
Deposits related to trading with a carrying amount of	2,620	2,620
Other financial obligations		
The Parent Company has provided guarantees toward counterparties of subsidiaries, which at the balance sheet date amounted to	-	3,310
Furthermore, the Parent Company has provided an unlimited guarantee toward one counterparty of a subsidiary, which at the balance sheet date amounted to	-	0
The Parent Company has provided guarantees for payment toward banks of subsidiaries, which at the balance sheet date amounted to	-	962
The Company has entered into contracts on operating leases with a period of non-terminability of up to 53 months.		
Lease obligation relating to operating leases fall due in:		
0-1 year	20,063	20,040
1-5 years	42,595	42,589
> 5 years	0	0

The Parent Company has provided guarantees for the outstanding liabilities which Danske Commodities UK Limited was subject to at 31 December 2019 and the outstanding liabilities which Danske Commodities Deutschland GmbH was subject to at 31 December 2019 and remains subject to until 31 December 2020, cf. note 8 to the Financial Statements.

The Danish group enterprises are jointly and severally liable for tax on the taxable income etc. in the joint taxation. Total corporation tax payable is shown in the annual report of Equinor Refining Denmark A/S. Equinor Danmark A/S is the administration company of the jointly-taxed companies. Furthermore, the Danish group enterprises are jointly and severally liable for Danish withholding taxes such as tax on dividend, royalty and interests. Any subsequent adjustments to corporation tax and withholding taxes may increase the Company's obligations.

At the balance sheet date, the Company had no other financial obligations.

24 OWNERSHIP AND RELATED PARTIES

Control
Equinor Refining Norway AS (Parent Company)

The Company is included in the Consolidated Financial Statements of its ultimate Parent Company, Equinor ASA.

The consolidated financial statements of Equinor ASA can be obtained at the following address:
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, Executive Board and Senior Management Group of the Company, together with their immediate families. Furthermore, related parties include companies in which Equinor ASA and the aforementioned individuals have significant influence or control.

In January 2019, other related parties also comprised the management of Lind Invest ApS and companies in which Lind Invest ApS had significant influence or control.

In accordance with Section 98C, seventh paragraph of the Danish Financial Statements Act, the Company only reports on transactions with related parties not completed on an arm's length basis.

Ownership
Equinor Refining Norway AS, 5954 Mongstad, 1263 Lindås, Norway is registered in the Company's register of shareholders as holding 100% of the votes and shares.

25 EVENTS AFTER THE BALANCE SHEET DATE

No events have occured since the balance sheet date which could materially affect the Company's financial position.

26 DEFINITIONS OF FINANCIAL RATIOS

$$\text{Gross margin} = \frac{\text{Gross profit x 100}}{\text{Revenue}}$$

$$\text{EBIT margin} = \frac{\text{EBIT x 100}}{\text{Revenue}}$$

$$\text{Scalability} = \frac{\text{EBIT x 100}}{\text{Gross profit}}$$

$$\text{Return on assets} = \frac{\text{EBIT x 100}}{\text{Total assets}}$$

$$\text{Return on capital employed} = \frac{\text{EBIT x 100}}{\text{Average total assets less non-interest bearing debt}}$$

$$\text{Equity ratio} = \frac{\text{Equity at year end x 100}}{\text{Total assets}}$$

$$\text{Return on equity} = \frac{\text{Net profit for the year x 100}}{\text{Average equity}}$$

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

MARKET ACCESS

YEAR	COUNTRIES	POWER GRIDS*	COUNTRIES	GAS HUBS*
2004	Denmark Germany	ENERGINET (DK1, DK2) 50HERTZ, AMPRION, TRANSNET-BW, TENNET-DE	–	–
2006	France Italy Spain Luxembourg Netherlands	RTE TERNA (IT1, IT2, IT3, IT4, IT5, IT6) REE CREOS TENNET-NL	–	–
2007	Austria Switzerland Czech Republic	APG SWISSGRID CEPS	–	–
2008	Belgium Greece Slovenia	ELIA IPTO (ADMIE) ELES	–	–
2009	United Kingdom Sweden Finland Norway	NATIONAL GRID SVENSKE KRAFTNÄT (SE1, SE2, SE3, SE4) FINGRID STATNETT (NO1, NO2, NO3, NO4, NO5)	Denmark Germany	GTF GSPL, NCG, GSPL-L, NCG-L
2010	Hungary	MAVIR	Czech Republic	CZ VTP
2011	Romania Serbia Bulgaria Slovakia Macedonia Portugal Croatia Montenegro Poland	TRANSELECTRICA EMS ESO SEPS MEPSO REN HOPS CGES PSE	Slovakia Austria France Netherlands	PEG-N, TRS TTF
2012	Ukraine Turkey Albania Ireland	UKRENERGO TEIAS OST EIRGRID	Italy Poland Belgium	PSV PL VTP ZTP, ZEE, ZTP-L
2013	Kosovo Bosnia and Herzegovina	KOSTT NOS BIH	Hungary United Kingdom Switzerland	MGP NBP SWISSGAS
2015	Lithuania Estonia Latvia	LITGRID ELERING AUGSTSPRIEGUMA H	Slovenia	PLINOVODI
2016			Spain Luxembourg	PVB CREOS
2017	Georgia	GEORGIAN TRANSMISSION	Ireland Ukraine	IBP UKRTRANSGAZ
2018	Australia	AEMO	Bulgaria Greece Norway (North Sea) Portugal	Bulgartransgaz DESFA Gassco REN Gasodutos
2019	United States of America**	PJM, MISO	Turkey	BOTAŞ

* Danske Commodities' market access as of 2019.
** Danske Commodities' access to the American power market is through the Equinor-owned company Danske Commodities US LLC.

PARENT COMPANY

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Albania

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Australia

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Turkey

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Ukraine

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United Kingdom

BRANCHES

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Czech Republic

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2nd Floor, Waverley House, 7-12 Noel Street
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KEY RELATED COMPANY

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251 Little Falls Drive, Wilmington
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Delaware
United States

Danske Commodities challenges market inefficiencies with international trade, moving energy from where there is more than needed to where it is needed most.

As an agile energy trading house, we compete with established players to bring freedom of choice and fair energy prices to producers, suppliers and consumers.

We trade across borders, ensuring that energy markets stay competitive, efficient and balanced. Every minute of the day. Every day of the year.

We challenge. We compete.
And then we repeat.