

# **Centrica Energy Trading A/S**

Skelagervej 1  
9000 Aalborg

CVR-No.  
20293195

## **Annual Report 2020**

The Annual Report has been adopted and approved on the Annual General Meeting on 10 May, 2021.

Chairman of the General Meeting

Rasmus Søgaard Barslund

An aerial photograph of a wind farm in a lush green agricultural landscape. The image shows several white wind turbines with three blades each, situated in a field of vibrant green crops, likely corn. A dirt road or path winds through the fields, connecting the turbines. The overall scene is bright and sunny, with a clear blue sky. The text 'ANNUAL REPORT' is written in large, bold, white capital letters, and '2020' is written in large, light blue outlined numbers, both positioned in the upper right quadrant of the image.

# ANNUAL REPORT

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# 2020

**centrica**  
Energy Trading

# Contents

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## Management's Review

### Preface And at A Glance

|                      |   |
|----------------------|---|
| Executive review     | 5 |
| Financial Highlights | 9 |

### Corporate Review

|   |    |
|---|----|
| Our diversity                           | 12 |
| Corporate governance                    | 14 |
| Centrica Group Corporate Responsibility | 15 |
| Reporting on Corporate Responsibility   | 16 |
| Financial review                        | 17 |

### Reports

|  |    |
|--|----|
| Statement by the Management on the annual report | 23 |
| Independent auditor's report                     | 25 |

## Financial Statements

|                                       |    |
|---------------------------------------|----|
| Accounting policies                   | 28 |
| Income statement                      | 32 |
| Balance sheet                         | 33 |
| Statement of changes in equity        | 35 |
| Cash flow statement                   | 36 |
| Notes                                 | 37 |
| Notes regarding Financial Instruments | 48 |



**5-10**

# **PREFACE AND AT A GLANCE**

## Executive Review

# A YEAR IN THE FUTURE OF ENERGY

2020 was a year of external challenges and internal changes. Against this backdrop, our 2020 performance was all the more impressive, with operating profit increasing 37% year-on-year and net after-tax profit of 258 mDKK, up 20% from 2019.

***We exceeded  
our 2019  
results by  
20%***

The world of energy is changing, global interconnectivity is increasing, and penetration of renewables continues at a fast pace. Our role is the same: We're here to serve the markets as they evolve.

We started 2020 with significant organizational change to better align the business along value chains and to increase process automation. The ambition was also to strengthen our focus and to improve our capabilities in providing excellent customer services and continue to be a market leader in the optimisation of renewable energy.

Shortly into the year, the COVID-19 lockdown reached Denmark. We were prepared and able to set up most of our employees to work and collaborate from home within 24 hours. This enabled those employees critical for market management and operations to remain safely in the office.

## New management with an ambitious renewable strategy

We kicked off the second half of 2020 with the appointment of a new management team and an ambitious growth strategy, one which underpins our position and ambition to move the energy markets into a fully renewable future.

Today, energy markets are characterized by a robust decarbonization agenda, and so are we. We put renewable energy in front of every strategic decision. The marked decline in pollution during the COVID-19 pandemic have stimulated the green movement further. And despite the crisis, the interest in Power Purchase Agreements has never been stronger. This growing demand is also reflected in our pipeline of potential deals.

We are a market leader in renewable energy trading in Europe, with the ability and setup to move the green transition forward. We do so by making physical Power and Green Gas Purchase Agreements bankable, risk managed and operational in a subsidy-free context. And we are committed to continue to do so with our matured and scalable risk management framework. By the end of 2020, we had approximately 14 GW of third-party asset capacity contracted across Europe, more than 85% of which consists of renewable energy. Circa 10.7 GW of this capacity is currently commissioned. We shape and sleeve more than 2.5 GW of the renewable energy to corporate consumers. In fact, we manage approximately 20% of the Corporate Power Purchase Agreement market in Europe.<sup>1</sup>



***We manage  
approximately 20%  
of the Corporate  
Power Purchase  
Agreement market  
in Europe<sup>1</sup>***

<sup>1</sup> Source: WindEurope.org: Financing and investment trends – The European wind industry in 2020

## We continue to move energy into the future

During 2021, we expect to expand our presence across European countries, as well as globally. Our digital and algorithmic operational platform remains a key focus for the business to ensure that we continuously forecast and balance within ever-shorter time periods and at a lower cost.

Demand for low-carbon consumer solutions is growing rapidly, and the green credibility and transparency requirements will only increase. We are constantly refining our value proposition and services to continue to offer best-in-class solutions to our customers and supply corporates with renewable power. We are building our green gas business and our capability in sourcing and managing credible certificates and carbon offsets to support corporations committing to ambitious net zero targets. Of particular importance for the green transition is the ability to balance increasing volumes of renewable generation with flexible consumption in real time, and we are at the forefront of this global dynamic.

We see the future transition towards a fully renewable power grid being enabled by flexible electricity generation, more flexible optimisation and marketing of wind and solar energy, as well as the electrification of heat and gases such as hydrogen and ammonia. To this end, we optimised and traded the largest onshore renewable asset in Denmark in the ancillary services market during 2020, and we see similar opportunities emerging across the remaining Nordic markets and in the United Kingdom. Flexible generation is not new to us, and we are leveraging on our long-standing capability to support the future renewable transition including electrification of other industries. During 2020, we have supported the transformation of the Danish heating industry with the installation of more than 20 heat pumps, fueling the heating industry with renewable energy from the Danish power grid.

As our strong 2020 organizational and financial results demonstrate, we can be a trusted and reliable partner to companies looking to further their green agenda in 2021 and beyond.

***We are constantly refining our value proposition and services to continue to offer best-in-class solutions to our customers and supply corporates with renewable power***



## Business Model

Centrica Energy Trading A/S (CET) is part of Centrica plc's Energy Marketing & Trading business unit. CET trades gas, power and energy attributes and connects independent producers, suppliers and corporate consumers in the wholesale energy markets.

CET has built and matured a successful business in energy trading across the European continent based on extensive expertise from the liberalised Nordic and UK energy markets. CET operates within two principal business areas: Power Asset Management and Gas & Power Trading.

The Power Asset Management business area services independent power producers, suppliers and large corporate consumers in the wholesale energy markets, by providing market leading route-to-market, dispatching, risk management and trading optimisation services with physical and financial settlement approaches and with the integrated support of proprietary, sophisticated software and automated solutions. We leverage advanced quantitative forecasting models, in-house meteorologists, and our best-in-class trading setup to efficiently balance the variable production output from renewable energy sources until moments before delivery.

Power Asset Management includes trading energy as well as energy attributes, covering Renewable Energy Guarantees of Origin, Renewable Energy Certificates (RECs) and Renewable Obligation Certificates (ROCs) as well as emissions, such as European Union Allowances (EUAs), Certified Emission Reductions (CERs) and Voluntary Emission Reduction (VERs).

The Gas and Power Trading business area is proprietary in nature. CET traders operate in the volatile short-term, day-ahead, and within-day spot markets as well as in forward markets, covering yearly to daily contracts with futures, options, and structured products.

CET uses its extensive quantitative and automated data platform, analytical setup, and market presence across Europe to capture opportunities and efficiently move energy across grids and borders to the markets and hubs, where it is needed the most and with the best yield. With a pan-European position, CET challenges established markets and brings liquidity, efficiency, and transparency to wholesale energy markets.

## Pan-European footprint with global ambitions

Each year we focus to expand our European trading capabilities and market access. We currently trade power across 22 European countries and gas across 15. To service our clients across Europe, we have branches in Norway and Sweden as well as subsidiaries in Germany, Singapore, and England. We expect to expand our capabilities and market access to new continents in the near future.



## Financial Highlights

| Amounts in million DKK      | 2020            | 2019     | Change in % |
|-----------------------------|-----------------|----------|-------------|
| Revenue                     | <b>64,899.5</b> | 77,826.1 | <b>-17%</b> |
| EBITDA *                    | <b>260.5</b>    | 197.2    | <b>32%</b>  |
| EBIT **                     | <b>230.3</b>    | 168.4    | <b>37%</b>  |
| Profit before tax           | <b>317.1</b>    | 257.2    | <b>23%</b>  |
| Profit for the year         | <b>258.1</b>    | 214.4    | <b>20%</b>  |
| Equity                      | <b>1,333.7</b>  | 1,081.2  | <b>23%</b>  |
| Equity ratio                | <b>32.3%</b>    | 24.7%    | <b>31%</b>  |
| Average number of employees | <b>315.0</b>    | 334.0    | <b>-6%</b>  |

\* Profit before amortisation and depreciation

\*\* Operating profit

## Financial Highlights

Amounts in TDKK

| Financial highlights                        | 2020       | 2019       | 2018       | 2017       | 2016       |
|---|------------|------------|------------|------------|------------|
| <b>Income statement</b>                     |            |            |            |            |            |
| Revenue                                     | 64,899,470 | 77,826,081 | 69,259,259 | 37,370,674 | 19,778,697 |
| Index                                       | 328        | 393        | 350        | 189        | 100        |
| Profit before amortisation and depreciation | 260,542    | 197,202    | 213,597    | 236,608    | 197,531    |
| Index                                       | 132        | 100        | 108        | 120        | 100        |
| Operating profit                            | 230,345    | 168,390    | 190,640    | 219,161    | 177,127    |
| Index                                       | 130        | 95         | 108        | 124        | 100        |
| Results from net financials                 | 86,765     | 88,855     | 5,521      | 29,841     | -69,333    |
| Index                                       | 225        | 228        | 108        | 143        | 100        |
| Profit before tax                           | 317,110    | 257,245    | 196,161    | 249,002    | 107,794    |
| Index                                       | 294        | 239        | 182        | 231        | 100        |
| Profit for the year                         | 258,080    | 214,361    | 150,376    | 198,597    | 81,298     |
| Index                                       | 317        | 264        | 185        | 244        | 100        |
| <b>Balance sheet</b>                        |            |            |            |            |            |
| Assets                                      | 4,125,943  | 4,379,284  | 4,226,932  | 2,642,662  | 2,111,621  |
| Index                                       | 195        | 207        | 200        | 125        | 100        |
| Investment in development projects          | 19,882     | 34,314     | 31,636     | 26,852     | 19,818     |
| Index                                       | 100        | 173        | 160        | 135        | 100        |
| Investment in property, plant and equipment | 2,384      | 25,852     | 93,137     | 22,789     | 3,590      |
| Index                                       | 66         | 720        | 2,594      | 635        | 100        |
| Cash less bank loans                        | 440,551    | 275,467    | 310,046    | 124,042    | 205,347    |
| Index                                       | 215        | 134        | 151        | 60         | 100        |
| Share capital                               | 123,507    | 123,507    | 123,507    | 123,507    | 123,507    |
| Index                                       | 100        | 100        | 100        | 100        | 100        |
| Equity                                      | 1,333,739  | 1,081,164  | 865,352    | 714,763    | 516,124    |
| Index                                       | 258        | 209        | 168        | 138        | 100        |
| Current liabilities excluding bank loans    | 2,615,384  | 3,146,798  | 3,137,089  | 1,681,577  | 1,536,342  |
| Index                                       | 170        | 205        | 204        | 109        | 100        |
| <b>Cash flow</b>                            |            |            |            |            |            |
| <b>Net cash flow from:</b>                  |            |            |            |            |            |
| Operating activities                        | 190,507    | 15,035     | 310,757    | -45,033    | -93,844    |
| Investment activities                       | -25,423    | -49,614    | -124,753   | -36,272    | -18,207    |
| Financing activities                        | 0          | 0          | 0          | 0          | -362,372   |
| Cash flow for the year                      | 165,084    | -34,579    | 186,004    | -81,305    | -474,423   |
| <b>Financial ratios</b>                     |            |            |            |            |            |
|   | 2020       | 2019       | 2018       | 2017       | 2016       |
| <b>Profitability</b>                        |            |            |            |            |            |
| Return on equity                            | 21.4%      | 22.0%      | 19.0%      | 32.3%      | 17.1%      |
| Profit margin                               | 0.4%       | 0.2%       | 0.3%       | 0.6%       | 0.9%       |
| Equity ratio                                | 32.3%      | 24.7%      | 20.5%      | 27.0%      | 24.4%      |
| Other: Average number of employees          | 315        | 334        | 328        | 286        | 252        |

12-21

# CORPORATE REVIEW

FEMALE  
EMPLOYEES

23  
%

MALE  
EMPLOYEES

77  
%

## Level of Education

54% MASTER

5% PH.D / MBA

16% HD / BACHELOR

25% OTHER

25

DIFFERENT  
NATIONALITIES  
EMPLOYED



## Our diversity

Diversity is a vital and expected part of our culture and the Centrica Group. At Centrica Energy Trading we are committed to support the responsible business ambitions of Centrica plc. Having a diverse work force is key to satisfy the changing needs of our international customers and to serve the global energy transition. We are committed to

demonstrate that career opportunity is equal irrespective of gender, nationality, ethnicity, age etc. During 2020, the percentage of female managers grew from 16% to 21%.

Almost 30% of our employees comes with an international background and so we employ 25 different nationalities. We have a consistent ambition of employing a large base of students to support the development of essential practical work experience at the local Universities. Currently 17% of our work force consists of student workers. To specifically promote essential industry skills, we are partnering with Aalborg University to continue to conclude our Commodity Economics master's course.

**During 2020, the percentage of female managers grew from 16% to 21%**

|                         | Female |      | Male |      |
|-------------------------|--------|------|------|------|
|                         | 2020   | 2019 | 2020 | 2019 |
| Board of directors      | 50%    | 50%  | 50%  | 50%  |
| Executives              | 25%    | 25%  | 75%  | 75%  |
| Other management levels | 21%    | 16%  | 79%  | 84%  |
| All employees           | 23%    | 25%  | 77%  | 75%  |



# Corporate Governance

## EXECUTIVES

Cassim Mangerah

*CEO*

## BOARD OF DIRECTORS

Stefka Georgieva Gerova

*Chairman*

Mandeep Bamal

*Board member*

Kristian Gjerløv-Juel

*Board member*

Ailsa Zoya Longmuir

*Board member*

Susanne Majbritt Lindbjerg Christensen

*Employee representative*

Peter Holm

*Employee representative*

***As our strong 2020 organizational and financial results demonstrate, we can be a trusted and reliable partner to companies looking to further their green agenda in 2021 and beyond***

**Cassim Mangerah, CEO**



## Centrica Group Corporate Responsibility

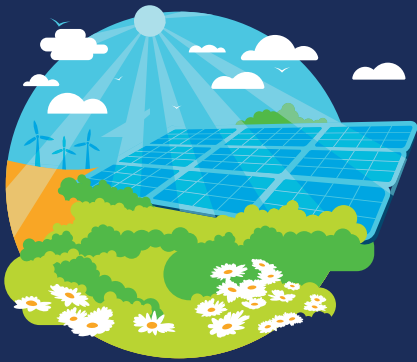
As a company in the Centrica Group, Centrica Energy Trading's reporting on corporate policies and annual review of progress are covered by Centrica Plc. Centrica reviews a number of corporate functions and Corporate Citizenship in the group's annual report and a number of reports/updates on "Responsible Business" measures.

The 2020 Centrica plc  
annual report is  
available here:

<https://www.centrica.com/media/4860/centrica-ar2020.pdf>



## Reporting on Corporate Responsibility



Information and data on Centrica's performance within Corporate Responsibility can be found in the Centrica Annual Report (Page 28-33):

<https://www.centrica.com/media/4860/centrica-ar2020.pdf>



The latest version of the Communication on Progress for the UNGC along reports on the CR Basis of Reporting, Performance Review and a number of other CR related reports/updates can be found in the Centrica Annual Report (Page 28-33):

<https://www.centrica.com/media/4860/centrica-ar2020.pdf>



The 2020 update on Centrica's general Corporate Responsibility and principle can be found in the Centrica Annual Report (Page 28-33):

<https://www.centrica.com/media/4860/centrica-ar2020.pdf>



## Financial Review

### INCOME STATEMENT

2020 was a year of strong financial performance. Whilst we expected 2020 financial results to be comparable to 2019, both gross profit and operating profit exceeded management's expectations. The main drivers of the strong performance include higher-than-normal market volatility and a scalable business model helping to keep costs low.

On a consolidated group level (measured in accordance with International Financial Reporting Standards, IFRS), CET along with its investments in group enterprises realized gross profit of 883 mDKK resulting in CET group EBIT of 504 mDKK. The main difference from the income statement in this annual report is income from group enterprises and remeasurement of gas storage, which, under IFRS, is measured at spot prices. Total inventory under IFRS is 490 mDKK.

2020 revenue amounted to 64,899 mDKK. Gross profit was 572.7 mDKK, equivalent to a gross margin of 0.88%.

***On a consolidated group level (measured in accordance with International Financial Reporting Standards, IFRS), CET along with its investments in group enterprises realized gross profit of 883 mDKK resulting in CET group EBIT of 504 mDKK.***

Gross profit is equal to contribution margins from the buying, selling and trading of energy, portfolio management and administrative and technical services for electricity producers, gas companies and energy off-takers.

Revenue is down 16.6% compared to 2019, driven by lower commodity prices in 2020.

Gross profit grew compared to previous years, as the increasing maturity and sophistication of the business enables us to better take advantage of market dislocations and other trading opportunities, further aided by increased use of advanced analytics.

Operating profit was 230.3 mDKK compared to 168.4 mDKK in 2019. Profit margin realised at 0.35 %.

### BALANCE SHEET

Total assets as of 31 December 2020 were 4,125.9 mDKK, of which 3,781.1 mDKK were current assets. Working capital consisted predominantly of receivables from the buying and selling of commodities, and the value of open positions and holdings at the balance sheet date. Cash amounted to 440.6 mDKK compared to 275.5 mDKK in 2019.

Equity comprised 1,333.7 mDKK and was up from 1,081.2 mDKK or 23.4 % compared to 2019. The increase was mainly driven by strong results in year, boosting retained earnings.

**The equity ratio increased from 24.7% last year to 32.3 % this year**

The equity ratio increased from 24.7% last year to 32.3 % this year.

In 2020 CET has had new development projects in progress of 26 mDKK. Development projects in progress include development of software used in both Power Asset Management and in Gas and Power Trading.

Trade receivables and trade payables are netted when possible. At the balance date in 2020, more balances have been netted than at the same time in 2019, thus reducing both trade receivables and trade payables.

Receivables from group enterprises represents the CET balance against other entities in the Centrica Group. Centrica optimizes cash positions at group level, creating some volatility in the receivables from group enterprises.

### RISK MANAGEMENT

As a result of the business model, Centrica Energy Trading uses financial instruments and is exposed to a variety of financial risks: market risk (including commodity price risk and currency risk), credit risk and liquidity risk. The company follows Centrica EM&Ts risk policy, which is designed to identify, manage, and mitigate these risks.

To monitor and manage market risk, CET uses risk capital allocation. The allocation of risk capital helps management evaluate the development of CET's risk profile. Risk capital is monitored continually, ensuring immediate reaction to unexpected events. Commodity price

risk management is carried out in accordance with individual business unit policies and directives including appropriate escalation routes.

Treasury risk management, including management of currency risk and liquidity risk is carried out by a Treasury function in accordance with the Group's financing and treasury policy and Centrica EM&Ts hedging policy. In accordance with the hedging policy, CET does not hedge out EUR positions, but hedge out all other material currency positions.

Credit risks associated with commodity trading are managed by a Credit risk function in accordance with the Centrica EM&Ts risk policy. CET continually reviews its rating thresholds for relevant counterparty credit limits and updates these as necessary, based on a consistent set of principles. It continues to operate within its limits. In respect of trading activities there is an effort to maintain a balance between exchange-based trading and bilateral transactions. This allows for a reasonable balance between counterparty credit risk and potential liquidity requirements. In addition, the Group actively manages the trade-off between credit and liquidity risks by optimising the use of contracts with collateral obligations and physically settled contracts without collateral obligations.

#### ***Sensitivity analysis***

IFRS 7 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the company's financial position and performance to changes in market variables as a result of changes in the fair value or cash flows associated with the company's financial instruments. The sensitivity analysis provided discloses the effect on profit or loss at 31 December 2020, assuming that a reasonably possible change in commodity prices had occurred at 31 December 2020, and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss.

The sensitivity analysis provided is hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced. This is because the company's actual exposure to market rates is changing constantly as the company's portfolio of commodity, debt and foreign currency contracts changes.

**Transactional currency risk**

The company has performed an analysis of the sensitivity of the company's financial position and performance to changes in foreign exchange rates. The company deems a 0.5% change to the Euro and a 10% change to the Pound Sterling currency rates relative to the Danish Krone to be reasonable possible. The impact of such movements on profit are as follows:

|     | 2020            |                       | 2019            |                       |
|-----|-----------------|-----------------------|-----------------|-----------------------|
|     | Currency change | P/L effect before tax | Currency change | P/L effect before tax |
| EUR | +0.5%           | 4,746                 | +0.5%           | -11                   |
|     | -0.5%           | -4,746                | -0.5%           | 11                    |
| GBP | +10%            | -3,161                | +10%            | -235                  |
|     | -10%            | 3,161                 | -10%            | 235                   |

**Interest rate risk**

The company is not exposed to movements in interest rates.

**Commodity price risk**

The impact of reasonable possible changes in commodity prices on profit, based on the assumptions set out above are as follows:

|                   | 2020         |                       | 2019         |                       |
|-------------------|--------------|-----------------------|--------------|-----------------------|
|                   | Price change | P/L effect before tax | Price change | P/L effect before tax |
| Nordic Power      | +10%         | 15,557                | +4%          | 11,197                |
|                   | -10%         | -15,557               | -4%          | -11,197               |
| Continental Power | +10%         | -13,388               | +4%          | -25,581               |
|                   | -10%         | 13,388                | -4%          | 25,581                |
| UK Power          | +10%         | 3,000                 | +5%          | -694                  |
|                   | -10%         | -3,000                | -5%          | 694                   |
| Europe Gas        | +10%         | -41,118               | +5%          | -26,748               |
|                   | -10%         | 41,118                | -5%          | 26,748                |

For further comments on risk, see notes regarding financial instruments

**CASH FLOW STATEMENT**

Net cash flow for the year amounted to 165.1 mDKK in 2020 compared to -34.6 mDKK in 2019.

Changes in net working capital amounted to -91.3 mDKK in 2020 and corporation tax paid during 2020 amounted to -16.3 mDKK. This was compensated by profit before tax which amounted to 317.1 mDKK, resulting in net cash flow from operating activities of 190.5 mDKK in 2020.

Net cash flow from investing activities was -25.4 mDKK in 2020 and net cash flow from financing activities was 0 mDKK in 2020.

**OUTLOOK**

CET A/S was ready when COVID-19 hit the markets, and the increased volatility in the market created increased opportunities in the Gas & Power Trading business. Covid-19 as a consequence had a positive effect on gross profit and total earnings in 2020.

In 2021, we expect gross profit to be in the range of 550-750 mDKK and EBIT in the range of 200-400 mDKK.



23-26

# REPORTS

## Statement by The Management on The Annual Report

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The Board of Directors and the Executive Board have today considered and approved the annual report of Centrica Energy Trading A/S for the financial year 01.01.2020 - 31.12.2020.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 10.05.2021

## **CEO**

Cassim Mangerah

## **The Supervisory Board of Directors**

Stefka Georgieva Gerova

Ailsa Zoya Longmuir

Mandeep Bamal

Kristian Gjerløv-Juel

Susanne Majbritt Lindbjerg Christensen

Peter Holm

## **Chairman**

The annual report was presented and approved at the company's ordinary annual general meeting held on 10 May, 2021.

Rasmus Søgaard Barslund



## Independent Auditor's Report

### To the shareholders of Centrica Energy Trading A/S

#### Opinion

We have audited the financial statements of Centrica Energy Trading A/S for the financial year 01.01.2020 - 31.12.2020, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2020 and of the results of its operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with the Danish Financial Statements Act.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Management's Responsibilities for The Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the

preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for The Audit of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the 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 these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism through-out 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 Entity'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 Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on The Management Commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our

knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary 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 commentary.

*Aalborg, 10.05.2021*

## **Deloitte**

**Statsautoriseret Revisionspartnerselskab**  
**Business Registration No 33 96 35 56**

Lars Birner Sørensen  
State-Authorised  
Public Accountant  
MNE no mne11671

Peter Mølkjær  
State-Authorised  
Public Accountant  
MNE no mne24821

An aerial night photograph of a city, likely New York City, showing a dense grid of lights and highways. The sky is dark blue with some clouds, and the city lights create a warm, golden glow. The text 'FINANCIAL STATEMENTS' is overlaid in white, bold, sans-serif font at the bottom center.

**FINANCIAL  
STATEMENTS**

## Accounting Policies

### General

This Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C. This includes the use of International Financial Reporting Standards for recognition, measurement and presentation and disclosure of financial instruments in accordance with IFRS 7, IFRS 9 and IFRS 13.

According to the exemption in §112 of the Danish Financial Statements Act, no consolidated financial statements have been prepared. The financial statements of Centrica Energy Trading A/S and subsidiaries are included in the consolidated financial statements of CENTRICA Plc. (Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, No.: 3033654).

The accounting policies applied remain unchanged from the previous years.

### Foreign currency

The Annual Report is presented in Danish kroner (DKK).

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 or financial expenses in the income statement.

### Basis of Recognition and Measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities.

All expenses including depreciation, amortization and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when future financial benefits are likely to accrue to the company and the value of such assets can be reliably measured. Liabilities are recognised in the

balance sheet when they are probable and can be measured reliably. Upon initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each item.

Predictable losses and risks arising before the date of presentation of the financial statements and the facts that confirm or rebut circumstances and conditions existing at the reporting date are taken into consideration upon recognition and measurement.

### Income Statement

#### Revenues

##### Physical Production

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

Income from the sale of energy and certificates, also including trading activities connected to physical energy, is recognised in accordance with the delivery principle such that income is recognised as and when delivery takes place.

Income from the sale of services is recognised linearly as and when the services are delivered also according to the delivery principle. Profits and loss is included in the income statement as revenue.

##### Derivative financial instruments

Profits/losses from financial trading activities are recognised as ascertained and open positions are adjusted to the fair value on the reporting date and the adjustment effect is thus recognised in the income statement as revenue. As an addition reserves are applied as part of the fair value to adjust for the risk of over estimation effectively resulting in a lower valuation price for both bids and offers respectively.

Day 1 gains and losses from contracts in non-observable markets (level 2 and level 3) are set aside by reserves corresponding to the value of the day 1 gains and losses. The reserves are recognised over the duration of the contracts.

Foreign currency adjustments arising as part of the adjustment to fair value is recognised in the income statement as revenue.

## Cost

Cost is recognised in the income statement upon delivery of the acquired service or physical item. Provisions are made for deliveries referring to the reporting period. Cost referring to future periods is accrued as prepayments.

## Other operating income

Other operating income includes items of a secondary nature in relation to the company's activities, including income from service agreements with group enterprises.

## Depreciation and Amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment aim to ensure linear amortisation and depreciation over the expected useful life of the asset in question. The following useful lives and residual values apply:

|                     | Useful life | Residual value |
|---------------------|-------------|----------------|
| Land and Buildings  | 50 years    | 2%             |
| Software            | 3-5 years   | 0%             |
| Plant and equipment | 5 years     | 0%             |

## Net Financials

Net financials comprise of interest income, interest expenses and foreign currency adjustments.

Interest and other costs on loans to finance the production of intangible and tangible assets, which relate to the production period, are not recognized in the cost price.

## Taxes

The company is included in the joint taxation with Danish affiliated companies. The current Danish corporation tax is distributed among the jointly taxed companies in proportion to their taxable income (Full distribution with reimbursement of tax losses).

The company is administration company for the joint taxation from 19th November 2020 and as a result settles all payments of corporation tax with the tax authorities. The tax for the year, which consists of the current tax for the year and the change in deferred tax, is recognised in the income statement with the portion attributable to the net profit or loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

## Balance Sheet Intangible Assets

Intangible assets are measured in the balance sheet at the lower of cost less accumulated amortisation and the recoverable amount. The recoverable amount is the value of the asset in continued use or from sale. Directly and indirectly incurred costs are included in cost.

IT-development projects are recognised at cost, including costs of, for example, wages directly or indirectly attributable to the development projects. Development projects are recognised in the balance sheet where these aim to develop a particular product or system that the company intends to produce with the intention to sell or use in own production. Other development costs are recognised in the income statement in the year they are incurred.

Capitalised development costs are amortised from the time of completion the product or system linearly over the period where they are expected to generate economic benefits.

In the balance sheet intangible assets are shown as software and all assets within this category are own developed assets.

## Property, plant and equipment

Property, plant and equipment is measured in the balance sheet at lower of cost less the accumulated depreciation and the recoverable amount. The recoverable amount is the value of the asset in continued use or from sale.

The recoverable amount of the asset is calculated as the higher of the net selling price and the capital value. The capital value is calculated as the present value of the expected net cash flows from application of the asset or asset group and expected net cash flows from sale of the asset or asset group after the end of useful life.

Cost includes the acquisition price and costs directly related with the acquisition up until the time the asset is ready for use. For own-manufactured assets, the cost price includes direct and indirect costs for labor consumption, materials, components and subcontractors.

### Equity investments in group enterprises or associated companies

Equity investments in group enterprises and associated companies are recognised and measured according to the 'Equity Method'. Accordingly, investments are measured at the pro rata share of the companies' equity value with addition or subtraction of unamortized positive or negative goodwill respectively and with subtraction or addition of unrealised intercompany profits and losses.

In the income statement the parent company's share of the company's profits is recognised for the year after elimination of intercompany profits and losses and with subtraction or addition of amortization of positive or negative goodwill respectively.

Group enterprises and associated companies with a negative equity value are measured at nil and any receivables from such companies are reduced by the parent company's share of the negative equity value to the extent that it is regarded irrecoverable. If the negative equity value exceeds the receivable the exceeding amount is recognised as a provision only to the extent that the parent company has a legal or de facto obligation to indemnify the liabilities of the company in question.

### Inventories

Inventories comprise goods for resale. In general inventories are measured at the lower of cost or net realisable value.

Gas inventories, ROCs Certificates and other inventories are measured at weighted-average cost.

Other certificates are measured at cost based on the FIFO principle.

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.

For the Annual Report 2020 the spot price is used as an expression of the net realisable value for the gas storage. The change in the calculation method does not change the accounting value in the Annual Report 2020.

### Receivables

Receivables consist primarily of settled and realised gains from counterparties related to physical trading.

Receivables are measured at amortised cost, which usually corresponds to nominal value less write-down to meet expected loss.

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable has been impaired. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

### Other Receivables

Other receivables consist primarily of unrealised gains from financial trading activities and deposits.

Unrealised gains from financial trading activities are recognised at fair value. Deposits are measured at nominal value.

### Prepayments

Prepayments contains prepaid cost for delivery in periods after status date. The prepayments mainly consist of prepaid cost for trading capacities and external suppliers cost.

### Equity

Net revaluation of equity investments in subsidiaries is recognised under equity in reserve for net revaluation according to the equity method, to the extent the carrying amount exceeds the acquisition value.

The acquisition and sale of own equity investments and dividend from these are recognised directly in equity under retained earnings.

A reserve for development cost is recognised in the equity.

### Current and Deferred Taxes

Current tax payables and receivables are recognised in the balance sheet as calculated tax on the taxable income, adjusted for tax on taxable incomes for prior years and tax paid on account.

Joint taxation contributions payable and receivable are recog-

nised in the balance sheet as corporation tax under receivables or liabilities.

Deferred tax liabilities and deferred tax assets are calculated on the basis of all temporary differences arising between the carrying amount of assets and liabilities and their respective tax assets, and are recognised in the balance sheet at the prevailing tax rate. However, deferred tax of temporary differences regarding non-amortisable goodwill and other items is not recognised where temporary differences, except for company acquisitions, have arisen at the time of acquisition without any impact on the profit or loss or taxable income.

Deferred tax assets are recognised at their assessed expected realisable value by offsetting against deferred tax liabilities or against tax on future earnings.

### Liabilities Other Than Provisions

Liabilities other than provisions are measured at cost at the time when the liability is incurred. Liabilities other than provisions are subsequently measured at amortised cost, with capital losses and loan costs being distributed over the term of the liability on the basis of the calculated, effective rate of interest at the time at which the liability is incurred.

### Payables

Payables consist primarily of settled and realised gains from counterparties related to physical trading.

Payables are measured at nominal value.

### Other payables

Other payables consist primarily of liabilities towards public institutions and employees.

Other payables are measured at nominal value.

### Deferred Income

Deferred income contains prepayments received for delivery after status date related to the handling of energy assets.

### Cash Flow Statement

The cash flow statement is prepared according to the indirect

method, showing cash flows from operating, investing and financing activities, as well as changes in cash flows for the year and cash equivalents at the beginning and end of the year. Cash flows from operating activities are calculated as the net profit or loss for the year, adjusted for non-cash operating items, corporate income tax paid and changes in working capital.

Cash flows from investing activities consist of the additions to and disposals of intangible assets, property, plant and equipment and investments, appropriately adjusted for changes in the amount of receivables and payables for such items.

Cash flows from financing activities consist of cash flows provided by, and dividend paid to shareholders, as well as the securing of and repayment of non-current liabilities other than provisions. Cash flows at the beginning and end of the year comprise cash and short-term bank debt.

### Calculation of Financial Ratios

Financial ratios have been calculated in accordance with the recommendations of the Danish Society of Financial Analysts:

#### Return on equity

$$\frac{\text{Profit for the year}}{\text{Average equity}}$$

#### Profit margin

$$\frac{\text{Operating profit}}{\text{Revenue}}$$

#### Equity ratio

$$\frac{\text{Equity at year-end}}{\text{Total assets}}$$

## Income Statement

Amounts in TDKK

|      |  | 2020              | 2019              |
|------|--|-------------------|-------------------|
| Note |  |                   |                   |
| 1    | <b>Revenue</b>                                     | <b>64,899,470</b> | <b>77,826,081</b> |
|      | Cost of sales                                      | -64,326,726       | -77,319,977       |
|      | <b>Gross profit</b>                                | <b>572,744</b>    | <b>506,104</b>    |
|      | Own work capitalised                               | 19,436            | 30,748            |
|      | Other operating income                             | 40,691            | 27,910            |
|      | Other external expenses                            | -91,132           | -74,845           |
| 2    | Staff costs  | -281,197          | -292,715          |
|      | <b>Profit before amortisation and depreciation</b> | <b>260,542</b>    | <b>197,202</b>    |
|      | Depreciation, amortisation and impairment losses   | -30,197           | -28,812           |
|      | <b>Operating profit</b>                            | <b>230,345</b>    | <b>168,390</b>    |
| 3    | Income from investments in group enterprises       | 48,552            | 66,135            |
| 4    | Income from investments in associates              | 709               | 1,406             |
| 5    | Other financial income                             | 61,159            | 32,088            |
| 6    | Other financial expenses                           | -23,655           | -10,774           |
|      | <b>Profit before tax</b>                           | <b>317,110</b>    | <b>257,245</b>    |
| 7    | Tax on profit                                      | -59,030           | -42,884           |
|      | <b>Profit for the year</b>                         | <b>258,080</b>    | <b>214,361</b>    |

## Distribution of Profit for The Year

Amounts in TDKK

|   | 2020           | 2019           |
|---|----------------|----------------|
| <b>Proposed distribution of profit:</b> |                |                |
| Retained earnings                       | 258,080        | 214,361        |
| <b>Total</b>                            | <b>258,080</b> | <b>214,361</b> |



## Balance Sheet

Amounts in TDKK

| <b>Assets</b> |                                      | <b>2020</b>      | <b>2019</b>      |
|---------------|--------------------------------------|------------------|------------------|
| Note          |                                      |                  |                  |
|               | Development projects                 | 55,170           | 66,934           |
|               | Development projects in progress     | 25,713           | 17,410           |
| 8             | <b>Intangible assets</b>             | <b>80,883</b>    | <b>84,344</b>    |
|               | Land and buildings                   | 118,259          | 119,857          |
|               | Plant and equipment                  | 9,546            | 12,866           |
|               | Plant and equipment in progress      | 1,354            | 906              |
| 9             | <b>Property, plant and equipment</b> | <b>129,159</b>   | <b>133,629</b>   |
|               | Investments in group enterprises     | 128,060          | 81,268           |
|               | Investments in associates            | 6,783            | 6,666            |
| 10            | <b>Fixed asset investments</b>       | <b>134,843</b>   | <b>87,934</b>    |
|               | <b>Non-current assets</b>            | <b>344,885</b>   | <b>305,907</b>   |
| 11            | <b>Inventories</b>                   | <b>296,367</b>   | <b>441,907</b>   |
|               | Trade receivables                    | 1,071,188        | 1,827,699        |
|               | Receivables from group enterprises   | 655,474          | 75,647           |
|               | Receivables from associates          | 7,014            | 8,297            |
| 12            | Derivative financial instruments     | 903,267          | 1,174,824        |
| 13            | Other receivables                    | 347,138          | 242,700          |
| 14            | Prepayments                          | 60,059           | 26,836           |
|               | <b>Receivables</b>                   | <b>3,044,140</b> | <b>3,356,003</b> |
|               | <b>Cash</b>                          | <b>440,551</b>   | <b>275,467</b>   |
|               | <b>Current assets</b>                | <b>3,781,058</b> | <b>4,073,377</b> |
|               | <b>Assets</b>                        | <b>4,125,943</b> | <b>4,379,284</b> |

## Balance Sheet

Amounts in TDKK

|                               |   | <b>2020</b>      | <b>2019</b>      |
|-------------------------------|---|------------------|------------------|
| <b>Equity and liabilities</b> |   |                  |                  |
| Note                          |   |                  |                  |
| 15                            | Share capital   | 123,507          | 123,507          |
|                               | Reserve for net revaluation according to the equity method    | 117,742          | 69,343           |
|                               | Reserves for development costs                                | 69,517           | 66,777           |
|                               | Retained earnings   | 1,022,973        | 821,537          |
| 16                            | <b>Equity</b>   | <b>1,333,739</b> | <b>1,081,164</b> |
| 7                             | Provision for deferred tax                                    | 9,143            | 10,151           |
|                               | <b>Provisions</b>   | <b>9,143</b>     | <b>10,151</b>    |
| 12, 17                        | Derivative financial instruments                              | 150,817          | 132,971          |
| 18                            | Other payables  | 16,860           | 8,200            |
|                               | <b>Non-current liabilities other than provisions</b>          | <b>167,677</b>   | <b>141,171</b>   |
| 12, 17                        | Derivative financial instruments                              | 1,013,551        | 654,512          |
| 19                            | Other provisions  | 31,354           | 32,878           |
|                               | Debt to group enterprises                                     | 107,364          | 272,706          |
|                               | Trade payables  | 1,155,391        | 1,936,049        |
|                               | Income tax payable  | 60,699           | 16,933           |
|                               | Other payables  | 233,022          | 221,348          |
| 20                            | Deferred income   | 14,003           | 12,372           |
|                               | <b>Current liabilities other than provisions</b>              | <b>2,615,384</b> | <b>3,146,798</b> |
|                               | <b>Liabilities other than provisions</b>                      | <b>2,783,061</b> | <b>3,287,969</b> |
|                               | <b>Equity and liabilities</b>                                 | <b>4,125,943</b> | <b>4,379,284</b> |
| 21                            | Guarantees  |                  |                  |
| 22                            | Contingent liabilities  |                  |                  |
| 23                            | Contractual obligations                                       |                  |                  |
| 24                            | Fees paid to auditors appointed at the annual general meeting |                  |                  |
| 25                            | Related parties   |                  |                  |

## Statement of Changes in Equity

Amounts in TDKK

|                                   | Share capital  | Reserve for net revaluation according to the equity method | Reserve for development costs net of tax | Retained earnings | Total            |
|-----------------------------------|----------------|--|--|-------------------|------------------|
| Balance as of 01.01.2020          | 123,507        | 69,343   | 66,777                                   | 821,537           | 1,081,164        |
| Correction opening balance        | 0              | 0  | -14,691                                  | 14,691            | 0                |
| Adjusted balance as of 01.01.2020 | 123,507        | 69,343   | 52,086                                   | 836,228           | 1,081,164        |
| Capitalized development costs     | 0              | 0  | 2,137                                    | -2,137            | 0                |
| Exchange rate adjustments         | 0              | 0  | 0  | -5,505            | -5,505           |
| Transfer to reserves              | 0              | 48,399   | 0  | -48,399           | 0                |
| Profit/loss for the year          | 0              | 0  | 0  | 258,080           | 258,080          |
| <b>Balance as of 31.12.2020</b>   | <b>123,507</b> | <b>117,742</b>   | <b>54,223</b>                            | <b>1,038,267</b>  | <b>1,333,739</b> |

## Cash Flow Statement

Amounts in TDKK

|   | <b>2020</b>    | <b>2019</b>    |
|---|----------------|----------------|
| <b>Profit before tax</b>                              | <b>317,110</b> | <b>257,245</b> |
| Adjustment of non-cash items                          | -19,060        | -38,735        |
| <b>Operating profit adjusted for non-liquid items</b> | <b>298,050</b> | <b>218,510</b> |
| Corporation tax paid                                  | -16,272        | -42,200        |
| <b>Changes in net working capital:</b>                |                |                |
| Receivables   | 311,863        | -473,679       |
| Inventories   | 145,540        | 376,548        |
| Payables  | -548,674       | -64,144        |
| <b>Net cash flow from operating activities</b>        | <b>190,507</b> | <b>15,035</b>  |
| <b>Investment in non-current assets:</b>              |                |                |
| Purchase of intangible assets                         | -19,882        | -34,314        |
| Purchase of property, plant and equipment             | -2,384         | -25,852        |
| Purchase of financial assets                          | -3,722         | 0              |
| Disposal of financial assets                          | 565            | 10,552         |
| <b>Net cash flow from investing activities</b>        | <b>-25,423</b> | <b>-49,614</b> |
| <b>Net cash flow from financial activities</b>        | <b>0</b>       | <b>0</b>       |
| <b>Total net cash flow for the year</b>               | <b>165,084</b> | <b>-34,579</b> |
| Cash at the beginning of the year                     | 275,467        | 310,046        |
| <b>Cash at the end of the year</b>                    | <b>440,551</b> | <b>275,467</b> |
| <b>Cash at end of year specified as follows:</b>      |                |                |
| Cash  | 440,551        | 275,467        |
| <b>Total</b>  | <b>440,551</b> | <b>275,467</b> |

## Notes

Amounts in TDKK

### 1. Revenue

|   | 2020              | 2019              |
|---|-------------------|-------------------|
| <b>Total revenue</b>                      | <b>64,899,470</b> | <b>77,826,081</b> |
| <b>Profit from fair value instruments</b> | <b>555,920</b>    | <b>427,704</b>    |

More than 90% of Centrica Energy Trading A/S's revenue is within the segment of gas and power trading, and as a result we have not split revenue into segments.

Centrica Energy Trading A/S carries out almost all activities from Denmark as all handling of physical production and trading is done from the main office in Aalborg thus a split of the activity is not relevant. Furthermore Centrica Energy Trading A/S see the European market as an integrated Pan-European market with more and more synergies across countries.

### 2. Staff costs

|  | 2020           | 2019           |
|--|----------------|----------------|
| Wages and salaries   | 256,607        | 265,586        |
| Pension costs  | 14,494         | 15,349         |
| Other social security costs  | 2,868          | 3,395          |
| Other staff costs  | 7,228          | 8,385          |
| <b>Total</b>   | <b>281,197</b> | <b>292,715</b> |
| <b>Average number of employees</b>   | <b>315</b>     | <b>334</b>     |
| Remuneration to board of directors   | 90             | 0              |
| Remuneration to executive board, including pensions and bonus schemes            | 4,700          | 0              |
| Remuneration to CEO and board of directors, including pensions and bonus schemes | 0              | 4,488          |
| <b>Total remuneration to CEO and board of directors</b>                          | <b>4,790</b>   | <b>4,488</b>   |

The Executive Board and other senior executives are covered by bonus schemes that depends on profit for the year and personal performance.

### 3. Income from investments in group enterprises

|                                   | 2020          | 2019          |
|-----------------------------------|---------------|---------------|
| Share of profit/loss for the year | 48,552        | 66,135        |
| <b>Total</b>                      | <b>48,552</b> | <b>66,135</b> |

## Notes

Amounts in TDKK

### 4. Income from investments in associates

|                                   | <b>2020</b> | <b>2019</b>  |
|-----------------------------------|-------------|--------------|
| Share of profit/loss for the year | 709         | 1,406        |
| <b>Total</b>                      | <b>709</b>  | <b>1,406</b> |

### 5. Other financial income

|   | <b>2020</b>   | <b>2019</b>   |
|---|---------------|---------------|
| Financial income arising from group enterprises | 60,640        | 31,084        |
| Financial income from associates                | 239           | 548           |
| Interest income                                 | 280           | 456           |
| <b>Total</b>                                    | <b>61,159</b> | <b>32,088</b> |

### 6. Other financial expenses

|   | <b>2020</b>   | <b>2019</b>   |
|---|---------------|---------------|
| Financial expenses from group enterprises | 1,229         | 346           |
| Guarantee provision                       | 1,968         | 2,897         |
| Exchange rate adjustments                 | 14,766        | 444           |
| Interest expenses                         | 5,692         | 7,087         |
| <b>Total</b>                              | <b>23,655</b> | <b>10,774</b> |

## Notes

Amounts in TDKK

### 7. Tax on profit from ordinary activities

|   | <b>2020</b>   | <b>2019</b>   |
|---|---------------|---------------|
| Tax on current year taxable income                                    | 60,788        | 37,578        |
| Change in deferred tax for the year                                   | -1,008        | 4,748         |
| Correction to current tax, previous years                             | -750          | 95            |
| Correction to deferred tax, previous years                            | 0             | 463           |
| <b>Total</b>  | <b>59,030</b> | <b>42,884</b> |
| <b>Deferred tax is computed at 22% and is broken down as follows:</b> |               |               |
| Intangible assets   | 17,794        | 18,555        |
| Plant and equipment   | -1,753        | -1,171        |
| Current assets  | -6,898        | -7,233        |
| <b>Total provision for deferred tax, closing balance</b>              | <b>9,143</b>  | <b>10,151</b> |
| Total provision for deferred tax, opening balance                     | 10,151        | 4,940         |
| <b>Provision for deferred tax for the year</b>                        | <b>-1,008</b> | <b>5,211</b>  |

## Notes

Amounts in TDKK

### 8. Intangible assets

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| <b>Development projects</b>                            |                |                |
| Cost price as of 01.01.2020                            | 196,315        | 168,206        |
| Transfers during the year                              | 11,579         | 28,733         |
| Disposals during the year                              | -15,084        | -624           |
| <b>Cost price as of 31.12.2020</b>                     | <b>192,810</b> | <b>196,315</b> |
| Amortisations as of 01.01.2020                         | 129,381        | 109,153        |
| Amortisations during the year                          | 20,744         | 20,557         |
| Reversal of amortisations on disposals in the year     | -12,485        | -329           |
| <b>Amortisations as of 31.12.2020</b>                  | <b>137,640</b> | <b>129,381</b> |
| <b>Book value as of 31.12.2020</b>                     | <b>55,170</b>  | <b>66,934</b>  |
| <b>Development projects in progress</b>                |                |                |
| Cost price as of 01.01.2020                            | 17,410         | 11,829         |
| Additions during the year                              | 19,882         | 34,314         |
| Transfers during the year                              | -11,579        | -28,733        |
| <b>Cost price as of 31.12.2020</b>                     | <b>25,713</b>  | <b>17,410</b>  |
| <b>Book value as of 31.12.2020</b>                     | <b>25,713</b>  | <b>17,410</b>  |
| <b>Booked value intangible assets as of 31.12.2020</b> | <b>80,883</b>  | <b>84,344</b>  |

Development projects contains own developed software supporting all business areas.



## Notes

Amounts in TDKK

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| <b>9. Property, plant and equipment</b>                            |                |                |
| <b>Land and buildings</b>  |                |                |
| Cost price as of 01.01.2020  | 126,890        | 98,855         |
| Transfers during the year  | 1,149          | 28,035         |
| <b>Cost price as of 31.12.2020</b>                                 | <b>128,039</b> | <b>126,890</b> |
| Depreciation as of 01.01.2020                                      | 7,033          | 2,831          |
| Depreciation during the year                                       | 2,747          | 4,202          |
| <b>Depreciation as of 31.12.2020</b>                               | <b>9,780</b>   | <b>7,033</b>   |
| <b>Book value as of 31.12.2020</b>                                 | <b>118,259</b> | <b>119,857</b> |
| <b>Plant and equipment</b>   |                |                |
| Cost price as of 01.01.2020  | 27,974         | 23,206         |
| Transfers during the year  | 787            | 4,768          |
| Disposals during the year  | -2,526         | 0              |
| <b>Cost price as of 31.12.2020</b>                                 | <b>26,235</b>  | <b>27,974</b>  |
| Depreciation as of 01.01.2020                                      | 15,108         | 11,350         |
| Depreciation during the year                                       | 4,107          | 3,758          |
| Reversal of depreciations on disposals in the year                 | -2,526         | 0              |
| <b>Depreciation as of 31.12.2020</b>                               | <b>16,689</b>  | <b>15,108</b>  |
| <b>Book value as of 31.12.2020</b>                                 | <b>9,546</b>   | <b>12,866</b>  |
| <b>Plant and equipment in progress</b>                             |                |                |
| Cost price as of 01.01.2020  | 906            | 7,857          |
| Additions during the year  | 2,384          | 25,852         |
| Transfers during the year  | -1,936         | -32,803        |
| <b>Cost price as of 31.12.2020</b>                                 | <b>1,354</b>   | <b>906</b>     |
| <b>Book value as of 31.12.2020</b>                                 | <b>1,354</b>   | <b>906</b>     |
| <b>Booked value property, plant and equipment as of 31.12.2020</b> | <b>129,159</b> | <b>133,629</b> |

## Notes

Amounts in TDKK

|   | <b>2020</b>    | <b>2019</b>   |
|---|----------------|---------------|
| <b>10. Fixed asset investments</b>                                  |                |               |
| <b>Investment in group enterprises</b>                              |                |               |
| Cost price as of 01.01.2020   | 7,413          | 21,751        |
| Additions during the year   | 3,722          | 0             |
| Disposals during the year   | 0              | -14,338       |
| <b>Cost price as of 31.12.2020</b>                                  | <b>11,135</b>  | <b>7,413</b>  |
| Revaluation and depreciation as of 01.01.2020                       | 73,855         | 2,478         |
| Share of profit/loss for the year                                   | 48,552         | 66,135        |
| Reversal of revaluations and depreciations on disposals in the year | 0              | 3,786         |
| Fair value adjustments in the year                                  | -5,482         | 1,456         |
| <b>Revaluation and depreciation as of 31.12.2020</b>                | <b>116,925</b> | <b>73,855</b> |
| <b>Book value as of 31.12.2020</b>                                  | <b>128,060</b> | <b>81,268</b> |
| <b>Investment in associates</b>                                     |                |               |
| Cost price as of 01.01.2020   | 11,178         | 11,178        |
| Disposals during the year   | -5,212         | 0             |
| <b>Cost price as of 31.12.2020</b>                                  | <b>5,966</b>   | <b>11,178</b> |
| Revaluation and depreciation as of 01.01.2020                       | -4,512         | -5,919        |
| Share of profit/loss for the year                                   | 709            | 1,406         |
| Reversal of revaluations and depreciations on disposals in the year | 4,647          | 0             |
| Fair value adjustments in the year                                  | -27            | 1             |
| <b>Revaluation and depreciation as of 31.12.2020</b>                | <b>817</b>     | <b>-4,512</b> |
| <b>Book value as of 31.12.2020</b>                                  | <b>6,783</b>   | <b>6,666</b>  |

## Notes

Amounts in TDKK

### 10. Fixed asset investments

| <b>Group enterprises</b>          | <b>Domicile</b>        | <b>Percentage owned</b> |
|-----------------------------------|------------------------|-------------------------|
| Neas Invest A/S                   | Aalborg, Denmark       | 100%                    |
| Neas Energy Ltd.                  | London, United Kingdom | 100%                    |
| Centrica Energy Trading GmbH.     | Hamburg, Germany       | 100%                    |
| Centrica Energy Trading Pte. Ltd. | Singapore              | 100%                    |
| <b>Associates</b>                 |                        |                         |
| Vindpark Kεblowo ApS              | Hobro, Denmark         | 50%                     |

## Notes

Amounts in TDKK

### 11. Inventories

|              | 2020           | 2019           |
|--------------|----------------|----------------|
| Gas          | 233,081        | 341,661        |
| Certificates | 63,286         | 100,211        |
| Other        | 0              | 35             |
| <b>Total</b> | <b>296,367</b> | <b>441,907</b> |

### 12. Derivative financial instruments

|   | 2020            | 2019           |
|---|-----------------|----------------|
| Receivable derivative financial instruments as of 01.01.2020                    | 1,174,824       | 831,682        |
| Receivable derivative financial instruments as of 31.12.2020                    | 903,267         | 1,174,824      |
| <b>Financial assets measured at fair value through profit/loss</b>              | <b>-271,557</b> | <b>343,142</b> |
| Receivables related to derivative financial instruments above 1 year amounts to | <b>125,211</b>  | <b>104,067</b> |
| Payable derivative financial instruments as of 01.01.2020                       | 787,483         | 1,117,807      |
| Payable derivative financial instruments as of 31.12.2020                       | 1,164,368       | 787,483        |
| <b>Financial liabilities measured at fair value through profit/loss</b>         | <b>-376,885</b> | <b>330,324</b> |

### 13. Other receivables

|              | 2020           | 2019           |
|--------------|----------------|----------------|
| Deposits     | 311,028        | 206,861        |
| Others       | 36,110         | 35,839         |
| <b>Total</b> | <b>347,138</b> | <b>242,700</b> |

### 14. Prepayments

Prepayments contains prepaid costs.

## Notes

Amounts in TDKK

### 15. Share capital

Share capital comprises 123,507,152 shares at a nominal value of DKK 1 each - 84,998,992 A-shares and 38,508,160 B-shares.

#### Changes in share capital

|                                 |                |
|---------------------------------|----------------|
| Balance as of 01.01.2016        | 123,507        |
| <b>Balance as of 31.12.2020</b> | <b>123,507</b> |

### 16. Distribution of profit for the year

|   | 2020           | 2019           |
|---|----------------|----------------|
| <b>Proposed distribution of profit:</b> |                |                |
| Retained earnings                       | 258,080        | 214,361        |
| <b>Total</b>                            | <b>258,080</b> | <b>214,361</b> |

### 17. Derivative financial instruments

|                       | 2020             | 2019           |
|-----------------------|------------------|----------------|
| Nominal value of debt | 1,164,368        | 787,483        |
| Within 1 year         | 1,013,551        | 654,512        |
| 2-5 years             | 128,073          | 129,781        |
| After 5 years         | 22,744           | 3,190          |
| <b>Total</b>          | <b>1,164,368</b> | <b>787,483</b> |

### 18. Other payables (non-current)

|                       | 2020          | 2019         |
|-----------------------|---------------|--------------|
| Nominal value of debt | 16,860        | 8,200        |
| 2-5 years             | 16,860        | 8,200        |
| <b>Total</b>          | <b>16,860</b> | <b>8,200</b> |

## Notes

Amounts in TDKK

### 19. Other provisions

Centrica Energy Trading A/S is part in legal disputes which are expected to be settled this year. Management has made provisions of 31,354 TDKK which are considered to be sufficient to cover potential losses.

### 20. Deferred income

Deferred income are prepayments received relating to income in subsequent years, where the company has not yet provided the goods.

### 21. Guarantees

The Company's banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to

| 2020    | 2019    |
|---------|---------|
| 534,241 | 532,890 |

### 22. Contingent liabilities

Until 19th of November 2020 the Groups Danish Companies participated in a Danish joint taxation arrangement in which Spirit Energy Danmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2018 for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

The 19th November 2020 the Group disposed the Spirit Energy companies in Denmark. From there the group of companies participating in the Joint Taxation was changed, and Centrica Energy Trading A/S became the administration company.

Centrica Energy A/S has declared a letter of comfort towards Centrica Energy Trading GmbH to furnish it at all times with necessary funds and to ensure that Centrica Energy Trading GmbH will always be able to fulfill all of its financial and economic obligations. The aggregate of the liability under the letter of comfort can not exceed EUR 25,000,000. Centrica Energy Trading GmbH has a positive equity at the balance sheet date.

### 23. Contractual obligations

#### Non-financial rent and leasing payments:

|               | 2020         | 2019         |
|---------------|--------------|--------------|
| Within 1 year | 1,611        | 2,480        |
| 2 -5 years    | 1,689        | 465          |
| After 5 years | 785          | 0            |
| <b>Total</b>  | <b>4,085</b> | <b>2,945</b> |

### 24. Fees paid to auditors appointed at the annual general meeting

|  | 2020       | 2019       |
|--|------------|------------|
| Mandatory audit of the annual accounts | 235        | 382        |
| <b>Total</b>                           | <b>235</b> | <b>382</b> |

## Notes

Amounts in TDKK

### 25. Related parties

#### Controlling influence:

Centrica Overseas Holding Limited, United Kingdom

#### Basis of influence:

Parent company

#### Significant influence:

Cassim Mangerah

*Windsor, United Kingdom*

CEO

Stefka Georgieva Gerova

*Maidenhead, United Kingdom*

Chairman of the supervisory board of directors

Ailsa Zoya Longmuir

*Balham, United Kingdom*

Member of the supervisory board of directors

Mandeep Bamal

*Copenhagen, Denmark*

Member of the supervisory board of directors

Kristian Gjerløv-Juel

*Støvring, Denmark*

Member of the supervisory board of directors

Susanne Majbritt Lindbjerg Christensen

*Aalborg, Denmark*

Member of the supervisory board of directors  
- Employee Representative

Peter Holm

*Svenstrup, Denmark*

Member of the supervisory board of directors  
- Employee Representative

#### Group enterprises:

Neas Invest A/S, Aalborg, Denmark

Neas Energy Ltd, London, United Kingdom

Centrica Energy Trading GmbH, Hamburg, Germany

Centrica Energy Trading Pte. Ltd., Singapore

Vindpark Kεblowo Aps, Hobro, Denmark

#### The Group Structure is as follows:

Centrica Overseas Holdings Ltd, UK

GB Gas Holdings Ltd, UK

Centrica Holdings Ltd, UK

Centrica PLC, UK

The consolidated accounts of Centrica PLC are available at Centrica's website: [www.centrica.com](http://www.centrica.com)

#### Ownership structure:

Centrica Energy Trading A/S, the parent company, appears as a subsidiary in the consolidated accounts for Centrica Plc (Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, No.: 3033654) which includes the biggest and smallest group in which the parent company is a subsidiary.

The following shareholders are registered in the company's Register of Shareholders with a shareholding of more than 5%: Centrica Overseas Holding Limited, United Kingdom.

#### Transactions:

Fees to the executive and supervisory boards, re. note 2.

Transactions with related parties, is only mentioned in case the transactions are not performed at arm's length. There is no such transaction in the financial year 2020.

## Notes Regarding Financial Instruments

Amounts in TDKK

Centrica Energy Trading's use of IFRS 9 – Financial instruments requires further information in accordance with IFRS 7 – Financial instruments: Disclosures and IFRS 13 – Fair Value Measurement. The notes in the following section is an addition related to the use of IFRS 9 and covers the following categories of financial instruments in the annual report:

|   | 2020             | 2019             |
|---|------------------|------------------|
| Derivative financial instruments  | 903,267          | 1,174,824        |
| <b>Financial assets measured at fair value through profit/loss</b>      | <b>903,267</b>   | <b>1,174,824</b> |
| Trade receivables   | 1,071,188        | 1,827,699        |
| Receivables from group enterprises                                      | 655,474          | 75,647           |
| Cash  | 440,551          | 275,467          |
| <b>Financial assets measured at fair value through profit/loss</b>      | <b>2,167,213</b> | <b>2,178,813</b> |
| Derivative financial instruments  | 1,164,368        | 787,483          |
| <b>Financial liabilities measured at fair value through profit/loss</b> | <b>1,164,368</b> | <b>787,483</b>   |
| Trade payables  | 1,155,391        | 1,936,049        |
| <b>Financial liabilities measured at amortised cost</b>                 | <b>1,155,391</b> | <b>1,936,049</b> |

### Financial risk

As a result of the business model Centrica Energy Trading is exposed to a variety of financial risks: market risk (including commodity price risk and currency risk), credit risk and liquidity risk. The company follows Centrica EM&Ts risk policy, which is designed to identify, manage and mitigate these risks.

To monitor and manage market risk, Centrica Energy Trading uses risk capital allocation. The allocation of risk capital helps management evaluate the development of Centrica Energy Trading's risk profile. Risk capital is monitored continually, ensuring immediate reaction to unexpected events. Commodity price risk management is carried out in accordance with individual business unit policies and directives including appropriate escalation routes.

Treasury risk management, including management of currency risk and liquidity risk is carried out by a Treasury function in accordance with the Group's financing and treasury policy and Centrica EM&Ts hedging policy. In accordance with the hedging policy, Centrica Energy Trading does not hedge out EUR positions, but hedge out all other material currency positions.

Credit risks associated with commodity trading are managed by a Credit risk function in accordance with the Centrica EM&Ts risk policy. Centrica Energy Trading continually reviews its rating thresholds for relevant counterparty credit limits and updates these as necessary, based on a consistent set of principles. It continues to operate within its limits. In respect of trading activities there is an effort to maintain a balance between exchange-based trading and bilateral transactions. This allows for a reasonable balance between counterparty credit risk and potential liquidity requirements. In addition, the Group actively manages the trade-off between credit and liquidity risks by optimising the use of contracts with collateral obligations and physically settled contracts without collateral obligations.



## Notes Regarding Financial Instruments

Amounts in TDKK

### 26. Market risk

Market risk is the risk of loss that results from changes in market prices (commodity prices, foreign exchange rates and interest rates). The level of market risk to which Centrica Energy Trading is exposed at a point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the company's physical asset and contract portfolio.

#### Commodity price risk

Market Risk Management constantly monitors risk exposure across business areas using a standard Value-at-Risk metric (VaR) (1-day 95%) approach complimented by internally developed models to compensate for some of the known limitations of the VaR approach. The VaR utilization during 2020 ranged between 5,5 and 17,8m DKK. The associated risk limits are set in the Risk Policy on the Group level and in the Risk Guidelines for the respective business areas. As an energy trading company Centrica Energy Trading is active in most power and gas markets throughout Europe, as well as the related markets for e.g. green certificates.

The VaR numbers, as defined in the Risk Policy, reported ultimo 2019 and 2020 respectively are 10,1 mDKK and 10,7 mDKK. The majority of market risk exposure reflected in these numbers is related to price spread among price areas or as time spreads within price area as oppose to an outright exposure against the general price level of power or gas.

Renewable production volumes and the associated volumetric risk are regularly reassessed. Meteorologists, traders and quantitative analysts carry out this evaluation. Based on their evaluation the hedge is adjusted within the limits set in the Risk Policy.

#### Interest rate risk

Centrica Energy Trading does not have any interest-bearing debt and is therefore not exposed to interest rate risk.

#### Currency risk

The framework for open currency positions is based on the risk assessment of the foreign currency market. Each currency is associated with a risk weight reflecting the risk related to the respective currencies. The commercial currency exposure is accumulated in a portfolio managed by Centrica Energy Trading's Treasury department and subsequently hedged in the market.

Trading energy throughout Europe in different currencies naturally entails currency risk, which is handled by the Treasury Department with the purpose of removing all material currency risk.

#### Sensitivity analysis

IFRS 7 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the company's financial position and performance to changes in market variables (commodity prices, foreign exchange rates and interest rates) as a result of changes in the fair value or cash flows associated with the company's financial instruments. The sensitivity analysis provided discloses the effect on profit or loss at 31 December 2020, assuming that a reasonably possible change in the relevant risk variable had occurred at 31 December 2020, and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss.

The sensitivity analysis provided is hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced. This is because the company's actual exposure to market rates is changing constantly as the company's portfolio of commodity, debt and foreign currency contracts changes.

## Notes Regarding Financial Instruments

Amounts in TDKK

### 26. Market risk (continued)

#### *Transactional currency risk*

The company has performed an analysis of the sensitivity of the company's financial position and performance to changes in foreign exchange rates. The company deems 0.5% movements to Euro and 10% movements to Pounds Sterling currency rates relative to Danish kroner to be reasonably possible. The impact of such movements on profit are as follows:

|     | 2020            |                       | 2019            |                       |
|-----|-----------------|-----------------------|-----------------|-----------------------|
|     | Currency change | P/L effect before tax | Currency change | P/L effect before tax |
| EUR | +0.5%           | 4,746                 | +0.5%           | -11                   |
|     | -0.5%           | -4,746                | -0.5%           | 11                    |
| GBP | +10%            | -3,161                | +10%            | -235                  |
|     | -10%            | 3,161                 | -10%            | 235                   |

#### *Interest rate risk*

The company is not exposed to movements in interest rates.

#### *Commodity price risk*

The impact of reasonable possible changes in commodity prices on profit, based on the assumptions set out above are as follows:

|                   | 2020         |                       | 2019         |                       |
|-------------------|--------------|-----------------------|--------------|-----------------------|
|                   | Price change | P/L effect before tax | Price change | P/L effect before tax |
| Nordic Power      | +10%         | 15,557                | +4%          | 11,197                |
|                   | -10%         | -15,557               | -4%          | -11,197               |
| Continental Power | +10%         | -13,388               | +4%          | -25,581               |
|                   | -10%         | 13,388                | -4%          | 25,581                |
| UK Power          | +10%         | 3,000                 | +5%          | -694                  |
|                   | -10%         | -3,000                | -5%          | 694                   |
| Europe Gas        | +10%         | -41,118               | +5%          | -26,748               |
|                   | -10%         | 41,118                | -5%          | 26,748                |

## Notes Regarding Financial Instruments

Amounts in TDKK

### 27. Liquidity risk

Liquidity risk is the risk that the company is unable to meet its financial obligations as they fall due. The company experiences significant movements in its liquidity position primarily due to the seasonal nature of its business and margin cash arrangements. To mitigate this risk the company maintains significant committed facilities.

During 2020 Centrica Energy Trading has had a positive cash flow and has a solid liquidity reserve to support the business, limiting the liquidity risk concerning obligations to customers and counterparties. The continuous focus on daily monitoring and reporting on liquidity to ensure optimal placement of cash relative to earnings has been maintained.

Maturities of derivative financial instruments and trade payables are provided in the following tables:

|  | Ultimo 2020      | 2021             | 2022           | 2023          | After 2024    |
|--|------------------|------------------|----------------|---------------|---------------|
| Trade payables                                   | 1,155,391        | 1,155,391        | 0              | 0             | 0             |
| Fair value of physical and financial instruments | 1,164,367        | 1,024,712        | 116,665        | -3,796        | 26,786        |
| <b>Total</b>                                     | <b>2,319,758</b> | <b>2,180,103</b> | <b>116,665</b> | <b>-3,796</b> | <b>26,786</b> |

|  | Ultimo 2019      | 2020             | 2021          | 2022          | After 2023   |
|--|------------------|------------------|---------------|---------------|--------------|
| Trade payables                                   | 1,936,049        | 1,936,049        | 0             | 0             | 0            |
| Fair value of physical and financial instruments | 787,483          | 650,335          | 87,192        | 41,862        | 8,095        |
| <b>Total</b>                                     | <b>2,723,532</b> | <b>2,586,384</b> | <b>87,192</b> | <b>41,862</b> | <b>8,095</b> |

Centrica Energy Trading has credit facilities in form of guaranties at Euler Hermes 350 mDKK. At Sydbank the credit facility in form of guaranties is 180 mDKK, where 100 mDKK can be used as a cash overdraft.

## Notes Regarding Financial Instruments

Amounts in TDKK

### 28. Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to discharge its obligations under a contract.

According to Centrica Energy Trading's Risk Policy, all counterparties are required to be credit-rated and an internal limit imposed defining the maximum exposure allowed. Credit evaluating each counterparty specifically is creating this foundation by setting the basic boundaries for the trading activities. During and after onboarding, the credit team monitors the customer's or counterparty's credit worthiness and decides what should be done in order to enter a contract or a cooperation including the issues regarding bank guarantees, parent company guarantee, CSA etc. Centrica Energy Trading's credit risk monitoring covers a daily report of the overall credit lines and exposure to trading counterparties. The credit rating used in the analysis below has been taken from external credit rating bureau's. If the counterparty has no official rating it appears as not rated. Provision for loss debt was at the beginning of the year 1.4 mDKK. Given a use of provision through the year of 0.4 mDKK and no need for further, the provision at 31.12.2020 was 1.0 mDKK. Bad debt for the year was 0.6 mDKK.

| 2020  | Trade<br>Receivables | Fair value of<br>physical and<br>financial<br>instruments | Total            |
|---|----------------------|---|------------------|
| <b>The credit quality of the group's counterparties</b> |                      |   |                  |
| Clearing centers  | 143,628              | 24,205  | 183,325          |
| Minimal risk (Rated A)                                  | 357,726              | 126,727   | 452,896          |
| Low risk (Rated B)                                      | 538,572              | 749,391   | 1,306,786        |
| High risk (Rated C)                                     | 31,262               | 2,867   | 31,371           |
| Not rated   | 0                    | 77  | 77               |
| <b>Total</b>  | <b>1,071,188</b>     | <b>903,267</b>  | <b>1,974,455</b> |

| 2019  | Trade<br>Receivables | Fair value of<br>physical and<br>financial<br>instruments | Total            |
|---|----------------------|---|------------------|
| <b>The credit quality of the group's counterparties</b> |                      |   |                  |
| Clearing centres  | 848,215              | 42,604  | 890,819          |
| Minimal risk (Rated A)                                  | 147,666              | 170,972   | 318,638          |
| Low risk (Rated B)                                      | 810,343              | 955,484   | 1,765,827        |
| High risk (Rated C)                                     | 21,475               | 4,183   | 25,658           |
| Not rated   | 0                    | 1,581   | 1,581            |
| <b>Total</b>  | <b>1,827,699</b>     | <b>1,174,824</b>  | <b>3,002,523</b> |

## Notes Regarding Financial Instruments

Amounts in TDKK

### 28. Credit risk (continued)

A considerable part of Centrica Energy Trading's counterparts are covered by the standard EFET agreement. This agreement also contain regulation on credit, payment and offsetting. This mean that Centrica Energy Trading is less exposed to credit risk as opposed to trading with less or no standardised terms.

Minimal and low risk covers TSO's, Power Plants and A-rated counterparts. It is the assessment of the Centrica Energy Trading that these counterparts carry no or only little credit risk as they are part of partly public security of supply or have high credit ratings. The category "Not rated" covers counterparts with smaller claims that has not been formally classified in the year end process or counterparts without any formal rating.

Centrica Energy Trading carries out an evaluation of the credit risk towards any counterpart before trading is commenced.

## Notes Regarding Financial Instruments

Amounts in TDKK

### 28. Credit risk (continued)

Centrica Energy Trading enters in to offsetting agreements with counterparts also covering financial contracts. Both long and short positions are traded with these counterparts and the gross value of these contracts can be significant. However, the possibility to offset individual contracts with these counterparts mean that the actual cash settlement of the contracts is significantly lower. Offsetting is mainly done on specific counterparts on the specific product, but Centrica Energy Trading also apply master netting agreements with the possibility to do cross commodity netting. The netting is carried out also in the actual settlement in cash. The table below shows the financial assets and liabilities that are subject to offsetting.

#### Offsetting of receivables

|   | 2020              |                   |                  | 2019              |                   |                  |
|---|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
|   | Gross             | Netting           | Net              | Gross             | Netting           | Net              |
| Trade receivables   | 5,604,346         | 4,533,158         | 1,071,188        | 10,259,765        | 8,432,066         | 1,827,699        |
| Other receivables   | 0                 | 0                 | 0                | 0                 | 0                 | 0                |
| Receivable from group enterprises, current portion                  | 655,474           | 0                 | 655,474          | 75,647            | 0                 | 75,647           |
| <b>Fair value of physical and financial instruments</b>             |                   |                   |                  |                   |                   |                  |
| Other Receivables: Fair value of physical and financial instruments | 7,380,422         | 6,477,155         | 903,267          | 7,504,925         | 6,330,099         | 1,174,826        |
| Paid/Received cash on futures                                       | 0                 | 0                 | 0                | 0                 | 0                 | 0                |
| Total   | 7,380,422         | 6,477,155         | 903,267          | 7,504,925         | 6,330,099         | 1,174,826        |
| <b>Total</b>  | <b>13,640,242</b> | <b>11,010,313</b> | <b>2,629,929</b> | <b>17,840,337</b> | <b>14,762,165</b> | <b>3,078,172</b> |

#### Offsetting of payables

|  | 2020              |                   |                  | 2019              |                   |                  |
|--|-------------------|-------------------|------------------|-------------------|-------------------|------------------|
|  | Gross             | Netting           | Net              | Gross             | Netting           | Net              |
| Trade payables                                   | 5,688,549         | 4,533,158         | 1,155,391        | 10,368,115        | 8,432,066         | 1,936,049        |
| Fair value of physical and financial instruments | 7,641,523         | 6,477,155         | 1,164,368        | 7,117,582         | 6,330,099         | 787,483          |
| Paid/Received cash on futures                    | 34,499            | 0                 | 34,499           | 210,930           | 0                 | 210,930          |
| Total  | 7,676,022         | 6,477,155         | 1,198,867        | 7,328,512         | 6,330,099         | 998,413          |
| <b>Total</b>                                     | <b>13,364,571</b> | <b>11,010,313</b> | <b>2,354,258</b> | <b>17,696,627</b> | <b>14,762,165</b> | <b>2,934,462</b> |

## Notes Regarding Financial Instruments

### 29. Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The company has documented internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

#### Fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of the three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

- Level 1:** Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities;
- Level 2:** Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data; and
- Level 3:** Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

#### 2020

|                    | Level 1        | Level 2        | Level 3         | Total          |
|--------------------|----------------|----------------|-----------------|----------------|
| <b>ASSETS</b>      |                |                |                 |                |
| Power              | -11,472        | 152,098        | 241,450         | 382,076        |
| Gas                | 195            | 560,974        | -101,331        | 459,838        |
| Other              | 0              | 61,353         | 0               | 61,353         |
| Total              | -11,277        | 774,425        | 140,119         | 903,267        |
| <b>LIABILITIES</b> |                |                |                 |                |
| Power              | -12,594        | -141,245       | -131,343        | -285,182       |
| Gas                | -17,144        | -93,279        | -681,850        | -792,273       |
| Other              | 0              | -121,412       | 0               | -121,412       |
| Total              | -29,738        | -355,936       | -813,193        | -1,198,867     |
| <b>Total</b>       | <b>-41,015</b> | <b>418,489</b> | <b>-673,074</b> | <b>295,600</b> |

## Notes Regarding Financial Instruments

Amounts in TDKK

### 29. Fair value of financial instruments (continued)

2019

|                    | Level 1         | Level 2         | Level 3        | Total          |
|--------------------|-----------------|-----------------|----------------|----------------|
| <b>ASSETS</b>      |                 |                 |                |                |
| Power              | -8,625          | 248,462         | 256,129        | 495,966        |
| Gas                | 706             | 85,127          | 616,084        | 701,917        |
| Other              | 0               | -23,059         | 0              | -23,059        |
| Total              | -7,919          | 310,530         | 872,213        | 1,174,824      |
| <b>LIABILITIES</b> |                 |                 |                |                |
| Power              | -132,721        | -165,341        | -36,208        | 334,270        |
| Gas                | -78,472         | -555,463        | 22,299         | -611,636       |
| Other              | 0               | -52,507         | 0              | -52,507        |
| Total              | -211,193        | -773,311        | -13,909        | -998,413       |
| <b>Total</b>       | <b>-219,112</b> | <b>-462,781</b> | <b>858,304</b> | <b>176,411</b> |

The reconciliation of the Level 3 fair value measurements during the year is as follows.

#### Level 3 financial instruments

|  | 2020              | 2019           |
|--|-------------------|----------------|
| 1st January  | 858,304           | -820           |
| Transfers between level 2 and 3                                  | -207,189          | 333,217        |
| Total realized and unrealized (losses)/Gains                     | -1,324,189        | 525,907        |
| <b>31st December</b>   | <b>-673,074</b>   | <b>858,304</b> |
| <b>Total (losses)/gains for the year for level 3 instruments</b> | <b>-1,324,189</b> | <b>525,907</b> |

Transfers between levels are deemed to occur at the beginning of the reporting period.



## Notes Regarding Financial Instruments

Amounts in TDKK

### 29. Fair value of financial instruments (continued)

#### Valuation techniques used to derive Level 2 and Level 3 fair values and Group valuation process

Level 2 energy derivatives are fair valued by comparing the difference between the expected contractual cash flow for the relevant commodities and the quoted prices or prices derived from quoted prices. Renewable energy contracts with volume flexibility enters the valuation with their expected production profile.

Level 2 foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market.

Level 3 energy derivatives are instruments based on non-observable input. Market values based on non-observable input comprise primarily long-term contracts on the purchase of power and to a lesser extent sale of power and purchase/sale of gas related derivatives. As there are no active markets for long term gas and power, the market values have been determined through an estimate of future prices. In most markets observability is limited to 3-4 years. The price is projected by extending the observable forward curve. Valuation of options are based on standard simulation models.

The fair values disclosed only concern contracts within the scope of IFRS 9. Centrica Energy Trading also holds contracts outside the scope of IFRS 9. Such contracts are not fair valued.

The Risk Management team perform valuation of derivatives for financial reporting purposes, including Level 3 valuations. It is also Risk Management that derives future commodity price curves based on available external data and these prices feed into the energy derivatives valuations.

#### Sensitivity analysis of Level 3 contracts

The market risk for all Level 3 contracts is included in the risk limits set in the Risk Policy and consequently hedged in the underlying markets or through proxy hedge in correlated markets (Level 1 and 2 contracts).

The sensitivity analysis reflects the financial impact of a change in the underlying commodity prices (delta values). The most critical non observable input is power prices and gas prices in the specified regions.

|                   | 2020         |                       | 2019         |                       |
|-------------------|--------------|-----------------------|--------------|-----------------------|
|                   | Price change | P/L effect before tax | Price change | P/L effect before tax |
| Nordic Power      | +10%         | 33,703                | +4%          | 15,200                |
|                   | -10%         | -33,703               | -4%          | -15,200               |
| Continental Power | +10%         | 12,788                | +4%          | -7,645                |
|                   | -10%         | -12,788               | -4%          | 7,645                 |
| UK Power          | +10%         | 4,715                 | +5%          | 2,784                 |
|                   | -10%         | -4,715                | -5%          | -2,784                |
| Europe Gas        | +10%         | -275,199              | +5%          | -125,064              |
|                   | -10%         | 275,199               | -5%          | 125,064               |

## Notes Regarding Financial Instruments

Amounts in TDKK

### 30. Deferred day-one gain or loss reserves

Centrica Energy Trading does not recognize day-one gains or losses on the initial recognition of financial instruments, because the gain or loss is not directly observable on an active market. Valuation of day one gains and losses are based on observable and unobservable data by using internally developed methodologies that result in management's best estimate of fair value.

Adjustment to opening balance relates to corrections of existing contracts.

|  | <b>2020</b>    | <b>2019</b>    |
|--|----------------|----------------|
| <b>Day-one gain or loss deferred</b>               |                |                |
| 1st January  | 191,261        | 112,650        |
| Adjustment to opening balance                      | 80,501         | 0              |
| Net gain/loss deferred on transactions in the year | 26,601         | 76,425         |
| Net amounts recognised in the income statement     | -35,680        | 2,186          |
| <b>31st December</b>                               | <b>262,683</b> | <b>191,261</b> |

