Danske Commodities A/S

Værkmestergade 3, 3., 8000 Aarhus C

CVR-no. 28 11 39 51

Annual Report for 2017

The Annual Report is adopted and approved on the ordinary Annual General Meeting on 9/4 2018.

Chairman

Danske Commodities

ANNUAL REPORT 2017

EBT

+60 EURm

2016: +34 EURm

FREE CASH FLOW

+25 EURm

2016: +15 EURm

RETURN ON EQUITY

50%

2016: 32%

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STRONGEST YEAR IN THE HISTORY OF DANSKE COMMODITIES

Generating EBT of EUR 60 million, we delivered our best financial results ever in 2017, and we are well-positioned for further growth.

It is my great pleasure to present Danske Commodities' Annual Report 2017 – a year in which we continued on our path of planned growth, generating the strongest financial results in the history of our Company and improving on all key financial parameters.

In 2017, we generated EBT of EUR 60 million, up 79% from last year, and grew our gross profit by 22% to EUR 103 million, showing both top- and bottom-line growth. Making our financial results even more satisfactory is the fact that they were not built on isolated events, but rather on robust and timely execution of our corporate strategy "One Team. Creating Profitable Growth" and the tireless, continuous efforts of our dedicated employees across the entire organisation.

STRONGER ACROSS ALL BUSINESS AREAS

We have continued to develop and expand our activities in short-term physical energy trading and related services across all of Europe. Highlights from 2017 include:

- Our Gas Trading team expanded its geographical footprint by adding two new markets in Europe.
- Our Power Trading team benefitted from a strong presence in East and Southern Europe, while significantly strengthening capabilities in analysing weather data.
- Algorithmic trading has been enhanced in our trading teams.
- A designated Automated Trading team was established to proactively prepare our core business for the opportunities and challenges of increasing automation and digitalisation in the energy sector.
- We optimised our portfolio of 6,000 MW renewable assets under management in eight countries.
- We successfully optimised our Direktvermarktung-portfolio and delivered value for our customers in Germany despite challenging market conditions.
- We expanded our presence in the United Kingdom through our London office and substantially improved our deal flow.

As these highlights indicate, we strengthened our position across the entire business. All core business areas contributed to our financial performance, providing us with a robust platform for further growth.

ENHANCED RISK MANAGEMENT

Having a best-in-class setup for risk management is a prerequisite for business growth, and during the past year we continued to refine risk management as a proactive business tool.

During 2017, we strengthened our risk management framework and solidified the mandate of the risk management function. This implies ongoing evaluation of risk-adjusted returns and a more active allocation of risk capital, making the risk perspective a central part of both operational and strategic decision-making processes. With a new Energy Trading and Risk Management (ETRM) system, we are improving scalability and reducing operational risk by applying straight-through processing across the value chain based on timely and effective deal capturing.

EMPLOYEE ENGAGEMENT AT AN ALL-TIME HIGH

Danske Commodities is built on the bright ideas and hard work of our employees; from traders to accountants, from originators to receptionists, from software developers to dispatchers – and everyone in-between. Working closely together as a unified team, all employees have an important role to play in making our company a success. We invest significant time and resources in maintaining high rates of people satisfaction and engagement. In 2017, we did it through individual development plans, internal job rotation and an increased focus on setting clear targets and providing continuous feedback. Each year, we conduct employee satisfaction surveys, and in 2017 we measured the highest satisfaction and engagement rates ever seen in company history.

UNFOLDING OUR POTENTIAL

Over the past three years, we have delivered ever stronger financial results with a smaller, but more mature and experienced organisation, and all core business areas are delivering and expanding as planned. Undoubtedly, achieving the best annual result in the history of Danske Commodities marks an important milestone, but the potential of our company will continue to unfold in the coming years: we will strengthen our core business even further, we will explore the potential for trading new commodities, and we will expand to new markets in a controlled manner – one market at a time.

Fourteen years into our journey, we remain challengers by heart, we are competitive by nature, and we repeatedly deliver on our targets.

With our "Challenge. Compete. Repeat."-mindset, we are stronger than ever going into 2018.

The potential of Danske Commodities will continue to unfold in the coming years.

HENRIK LIND, CEO

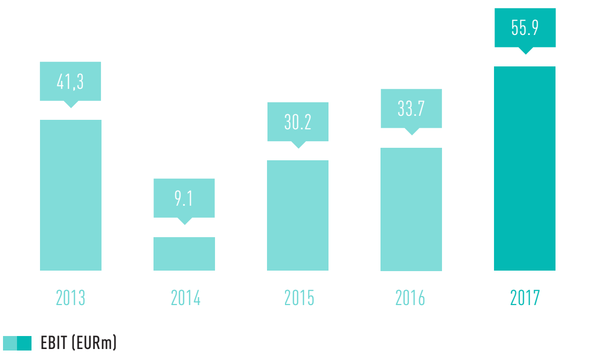
HIGHLIGHTS OF THE YEAR

Danske Commodities had an incredible year in 2017 with improvements in all key financial parameters. Higher revenue and gross profit combined with lower costs produced the highest EBIT in the history of Danske Commodities.

66%

EBIT

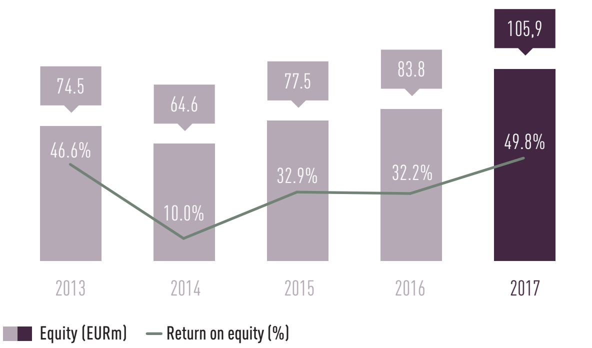
INCREASE IN EBIT IN 2017



49.8%

EQUITY & RETURN ON EQUITY

RETURN ON EQUITY IN 2017



Through a 22% increase in gross profit to EUR 103 million in 2017 and a 7% decrease in costs, Danske Commodities generated a 66% increase in EBIT to EUR 56 million, the highest in company history.

Growing both the top- and the bottom-line is a strong achievement, and the impressive performance is a strong indicator that Danske Commodities is executing well on its corporate strategy "One team. Creating Profitable Growth", and that the Company has succeeded in creating a scalable business model. The performance in 2017 resulting in a net profit of EUR 47 million was achieved without increasing the number of employees or the general cost level, underlining the true scalability of Danske Commodities' business model.

As expected, pressure on margins continued in 2017. However, the impact of lower margins was offset by Danske Commodities' ability to grow volumes even more. This was underlined by the 65% growth in revenue to EUR 5.5 billion and the 22% increase in gross profit to EUR 103 million, for a gross margin of 1.9%, down 0.7 percentage point from 2.6% in 2016.

Given the current market conditions the gross margin is considered to be satisfactory.

The higher activity level during 2017 – especially towards the end of the year – drove up net working capital, increasing total assets and creating a cash out flow, resulting in a free cash flow of EUR 25 million in 2017, despite significantly larger profits.

Danske Commodities remains financially well positioned with an equity ratio of 29.2% in 2017, 0.4 percentage point up from 28.8% in 2016. In addition, return on equity was 49.8%, which is 17.6 percentage points higher than in 2016 and the highest in more than five years, underlining the strong performance of 2017.

The impressive performance in 2017 proved that Danske Commodities has built the necessary platform – expertise, systems and access to markets – and is poised to capitalise on market opportunities as they emerge. Danske Commodities has the ambition and position to continue to grow in existing and selected future markets while maintaining current earnings.

FINANCIAL HIGHLIGHTS AND RATIOS

GROUP FIGURES EUR '000	2017	2016	2015	2014	2013
INCOME STATEMENT					
Revenue	5,471,723	3,320,551	2,936,265	2,518,761	1,932,041
Gross profit	103,439	84,709	82,071	75,689	91,854
Profit before financial income and expenses and tax (EBIT)	55,923	33,746	30,185	9,083	41,333
Net financials	4,396	-40	467	-157	2,803
Profit before tax (EBT)	60,319	33,706	30,652	8,926	44,136
Profit for the year	47,193	26,005	23,384	6,961	32,633
BALANCE SHEET					
Balance sheet total	361,962	290,772	271,905	204,127	206,646
Equity	105,855	83,795	77,518	64,622	74,549
CASH FLOW STATEMENT					
Cash flow from operating activities	28,830	20,175	50,323	7,295	40,119
Cash flow from investing activities	-4,174	-5,072	-3,913	-4,075	-5,722
- hereof investments in property, plant and equipment	-130	-749	-694	-2,952	-2,657
Free cash flow	24,656	15,103	46,410	3,220	34,397
Cash flow from financing activities	-25,647	-19,978	-10,732	-16,926	-24,638
Change in cash and cash equivalents for the year	-991	-4,875	35,678	-13,706	9,759
Cash and cash equivalents	107,768	104,275	110,738	76,844	89,332
RATIOS IN %					
Gross margin	1.9%	2.6%	2.8%	3.0%	4.8%
EBIT margin	1.0%	1.0%	1.0%	0.4%	2.1%
Scalability	54.1%	39.8%	36.8%	12.0%	45.0%
Return on assets	15.4%	11.6%	11.1%	4.4%	20.0%
Return on capital employed	57.5%	40.8%	40.9%	12.4%	53.5%
Equity ratio	29.2%	28.8%	28.5%	31.7%	36.1%
Return on equity	49.8%	32.2%	32.9%	10.0%	46.6%
Average number of employees	262	272	297	392	279
Number of employees, end of year	290	279	299	360	423

The ratios have been prepared in accordance with the definitions set out in note 24 to the Financial Statements.

DANSKE COMMODITIES GENERATES VALUE BY CONNECTING PRODUCERS, SUPPLIERS AND CONSUMERS TO WHOLESALE ENERGY MARKETS, AND CREATES COMMERCIAL OPPORTUNITIES BY RAPIDLY RESPONDING TO NEEDS IN AN EVER-CHANGING ENERGY LANDSCAPE

THE 10 MOST IMPORTANT MARKET EVENTS OF 2017

Changing market dynamics call for trading expertise, innovative customer solutions and proactive risk management.

For the European energy markets, 2017 turned out to be another year of significant developments. After three consecutive mild winters, many parts of Europe were hit by colder weather in January. Increased demand for power, higher fuel costs, unplanned outages by conventional power plants and wind turbines shut down due to icing on blades led to soaring power prices and high volatility levels.

Come spring, the markets normalised on the back of above-normal temperatures, lower fuel and carbon costs, and improved plant availability. Despite being in a 'quiet' season with snow melting and demand dropping, there were instances of extreme price fluctuations in the UK and continental Europe.

During the summer, northern and western Europe had normal to cool weather conditions, whereas the southern and eastern parts of the continent experienced multiple heat waves and limited precipitation in an already tight hydrological situation, which sent spot power prices higher and drove cross-border spreads in the region wider.

In the final few months of the year, rising fuel prices and supply tightness in France caused by limited nuclear availability once again drove prices and volatility levels up.

Underpinning these price and volatility developments are the changing market dynamics. The shifting political focus, unforeseen events, the emergence of new players, new business models and technology advances are reshaping the energy markets profoundly. It also calls for trading companies like Danske Commodities to carve out innovative trading and risk management solutions to bring balance to the market and meet new market needs.

2 RENEWABLE ENERGY IN GERMANY SETS RECORD IN DECEMBER

In December, Germany achieved an all-time high generation of renewable power accounting for more than 44% of Germany's total power supply, corresponding to a green power supply of around 21.85 TWh.

4 MARKET COUPLING AND SPLITTING REMAIN IN THE SPOTLIGHT

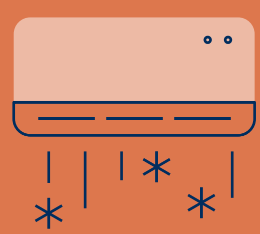
The launch of the pan-European intraday market coupling platform, XBID, was postponed to June 2018, while Germany and Austria agreed to split their common price zone in October 2018.

1 SUBSIDY-FREE RENEWABLES COME TO LIGHT

German offshore wind auction produced the first EUR 0/MWh bids, meaning the projects will not receive a subsidy on top of the wholesale electricity prices.

3 HEATWAVE "LUCIFER" SENDS POWER PRICES SOARING

In August, heatwave Lucifer caused above 40-degree temperatures in southern Europe. Combined with low water levels in hydro reservoirs, markets such as Italy and the Balkans faced unusually high power prices in Q3.



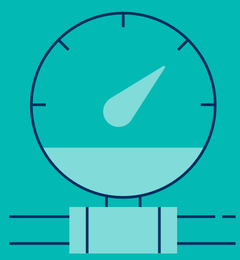
2017 EVENTS

10 DECOMMISSIONING OF ROUGH STORAGE

Decommissioning of the UK's biggest gas storage facility Rough – accounting for 70% of total storage capacity – led to a tighter and more volatile short-term natural gas market, resulting in high natural gas prices in December. The 32-year old storage facility is scheduled to close permanently for safety and financial reasons.

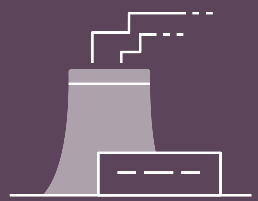
8 ITALY DECLARES STATE OF EMERGENCY

Following the Baumgarten gas explosion in December, Italy has faced serious supply problems, and the country has declared a state of emergency, resulting in gas prices reaching EUR 80/MWh for next day delivery, compared to a yearly average of EUR 19/MWh.



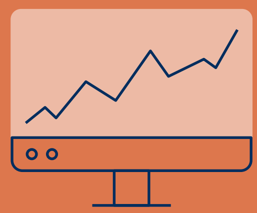
6 EU ETS REFORMS FORGE AHEAD

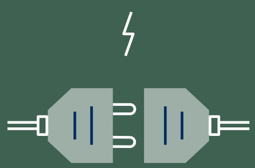
In November, the EU reached a provisional agreement on post-2020 carbon market reforms to help the EU turn the Paris Agreement into reality and tackle the supply glut of emission allowances that has depressed prices for years.



9 EUROPEAN POWER PRICES MOVING HIGHER

German average day-ahead power prices increased by 18% from last year due to colder weather combined with low hydro reservoir levels, production issues in France and overall increases in coal, natural gas and EUA prices, all of which drove up marginal production costs for conventional assets.





7 NUCLEAR UNCERTAINTY IN FRANCE ONCE AGAIN INCREASED SYSTEM TIGHTNESS

With 19 out of 58 reactors unavailable in October, France's nuclear power generation fell to its lowest level since 2007 with an overall generation of 28 TWh – 14% less than the average of the past ten years.

5 COAL EXIT ATTRACTS MORE POLITICAL ATTENTION

A number of European countries, including France, Italy and the Netherlands, joined an alliance to phase out coal-fired power generation by 2030.

CASE
HUPX

"Danske Commodities is a valued member of HUPX and is always an active partner in developing plans and actions to increase liquidity.

PÉTER TÓTH, CEO, HUPX

The Hungarian power exchange, HUPX, operates an efficient and secure national day-ahead, physical futures and 24/7 intraday power market and produces a reference price for all of the Balkans and Central Eastern Europe.

Since its foundation, HUPX has witnessed the benefits of having liberalised energy markets first-hand.

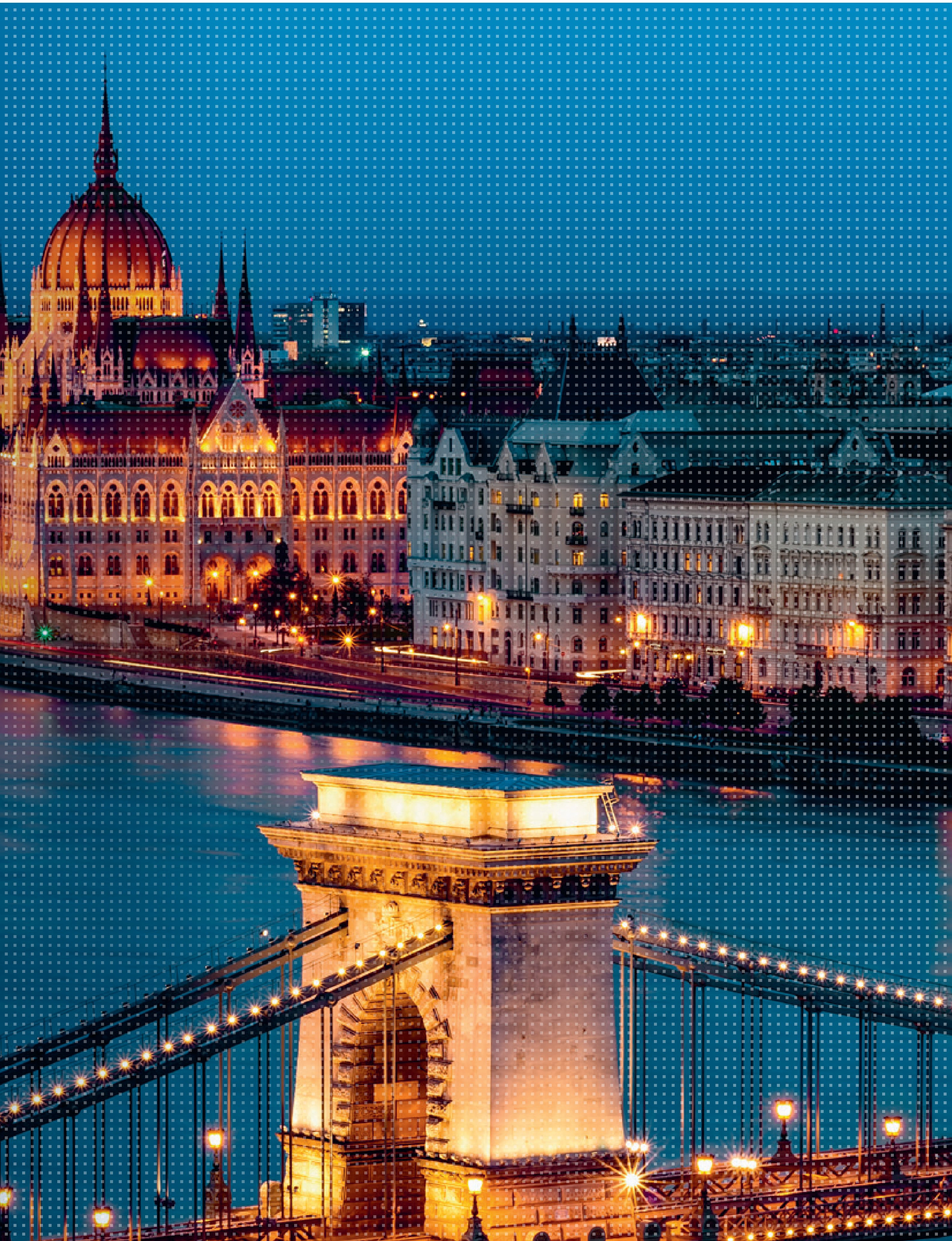
"Organised energy markets contribute to enhancing market efficiency by providing a trading platform for both conventional and flexible energy sources and therefore lower the price of electricity for consumers. In addition, a transparent and liquid market ensures prices that can provide a basis for long-term investments," says HUPX CEO, Péter Tóth.

"Due to the market coupling process, the more effective border capacity allocation mechanism has already performed better than expected: market price volatility has dropped, liquidity has risen, higher volumes have contributed to more stable prices, and convergence of national prices to the regional market levels has strengthened. The entry of foreign market participants has reduced market concentration and given Hungary one of the most liquid electricity markets in Europe."

Danske Commodities entered the Hungarian market shortly after the launch of HUPX in 2010, and its trading activities on the exchange have increased year by year, contributing to the liquidity of the exchange.

"Danske Commodities is a valued member of HUPX and is always an active partner in developing plans and actions to increase liquidity. With its young, innovative and energetic approach to trading in the European energy markets, the company is an example for all traders across Europe. Without them, the liquidity and dynamics of the markets and the cross-border energy flows would not be as efficient and economical as they are today," says Péter Tóth.

hupx
HUNGARIAN POWER EXCHANGE



CORPORATE STRATEGY DELIVERS PROFITABLE GROWTH

Through three commercial tracks, Danske Commodities secures stable growth and supports the ongoing development of a more efficient, transparent and economically viable energy market.

Danske Commodities has become a European leader in trading and balancing energy by connecting producers, suppliers and consumers to wholesale energy markets, creating commercial opportunities by rapidly responding to market needs in an ever-changing energy landscape.

PROFITABLE GROWTH

In 2015, Danske Commodities developed its current corporate strategy "One Team. Creating Profitable Growth" with the overall purpose of creating profitable growth by focusing on the Company's leading position in short-term physical power trading, gas trading and balancing of energy production and consumption in selected markets. More specifically, the strategy has outlined three commercial tracks that steer priorities and guide the direction of the Company:

1. Strengthen our core – Danske Commodities invests to strengthen its leading market position in short-term trading and to build an even more competitive platform.

2. Focus our development – Danske Commodities gives priority to customers, markets and activities where the Company makes the biggest difference and has a clear, competitive edge.

3. Foster innovation – Danske Commodities promotes a culture where new ideas can grow from both internal and external sources.

Focused on three commercial tracks, the strategy has significantly improved Danske Commodities' financial results with a more mature, focused and lean business model. The Company has improved its scalability and is well-positioned for further growth in core business areas, related services and new markets.

HIGHLIGHTS IN 2017

With the three commercial tracks as a platform for profitable growth, Danske Commodities undertook several new commercial initiatives as well as other initiatives to improve operational excellence in 2017:

- Successfully entered three new power and gas markets (Ireland, Ukraine and Georgia).
- Established a dedicated automated trading team.
- Development of an automated weather analysis system.
- Implemented an enhanced risk management framework.
- Continued the implementation process of a new ETRM system.
- Improved the renewables portfolio in eight countries.
- Expanded its presence and improved its deal flow in the United Kingdom.

RAISING THE BAR

In 2018, "One Team. Creating Profitable Growth" will be followed by a new three-year corporate strategy that will further build on the momentum created over the past three years. As part of the new strategy, Danske Commodities will explore the potential for expanding to selected markets outside Europe and investigate the potential for trading new commodities, while always maintaining a stern focus on its core business in power and gas trading and related services. Our role in the market will still be to challenge inefficiencies within international trade and to compete to bring freedom of choice and fair energy prices to producers, suppliers and consumers.

STRATEGY HIGHLIGHTS
2015-2017

STRENGTHEN
OUR **CORE**

FOCUS OUR
DEVELOPMENT

FOSTER
INNOVATION

ORGANISATIONAL ACHIEVEMENTS

- Defined competitive edge criteria with a clear focus and commercial prioritisation.
- Enhanced governance procedures and approval process for new products and projects.
- Successfully entered nine additional power and gas trading markets.
- Established a dedicated Algorithmic Trading team.
- Enhanched target operating model, resulting in streamlined processes and improved cross-functional operations.
- Implemented a new ERP system and started the implementation process of a new ETRM system, leading to improved scalability and reduced operating costs.
- Enhanced transparency in profitability as a result of cost allocation, better financial reporting and data management.
- Implemented an enhanced risk management framework, maturing our governance framework and decision making.
- Implemented clear management principles and a new company creed: "Challenge. Compete. Repeat."
- Highest employee satisfaction rating ever achieved in 2017, placing Danske Commodities among the 25 best places to work in Denmark.

FINANCIAL ACHIEVEMENTS

- Revenue more than doubled from EUR 2.5 billion in 2014 to EUR 5.5 billion in 2017.
- Record-high EBIT in 2017 with a compound annual growth rate of 83%.
- Scalability, measured as EBIT/gross profit, increased from 12.0% in 2014 to 54.1% in 2017.
- Average return on equity of 38.3% from 2015 to 2017 compared to 10.0% in 2014.

CASE
VINDENERGI
DANMARK

Danske Commodities helps Vindenergi Danmark identify and capture opportunities in the markets.

NIELS DUPONT, CEO, VINDENERGI DANMARK

Vindenergi Danmark is an independent cooperative managing the financial interests of wind turbine owners in energy markets and working to ensure the best possible prices for the power produced by its members.

Vindenergi Danmark and Danske Commodities work closely together, combining the deep knowledge that Vindenergi Danmark has about its members with Danske Commodities' market access and insights. This collaboration brings the benefits of economies of scale, innovative product offerings and effective risk mitigation to the members of Vindenergi Danmark.

"The long-standing cooperation means that we have been able to automate our data flows over time, ensuring robust and cost-efficient administration, even with many wind turbines in our portfolio," explains Niels Dupont, CEO of Vindenergi Danmark.

With the increasing penetration of renewables in energy systems, combined with rapidly evolving energy legislation across Europe, Danske Commodities is pleased to have a partnership fostering innovation and value creation:

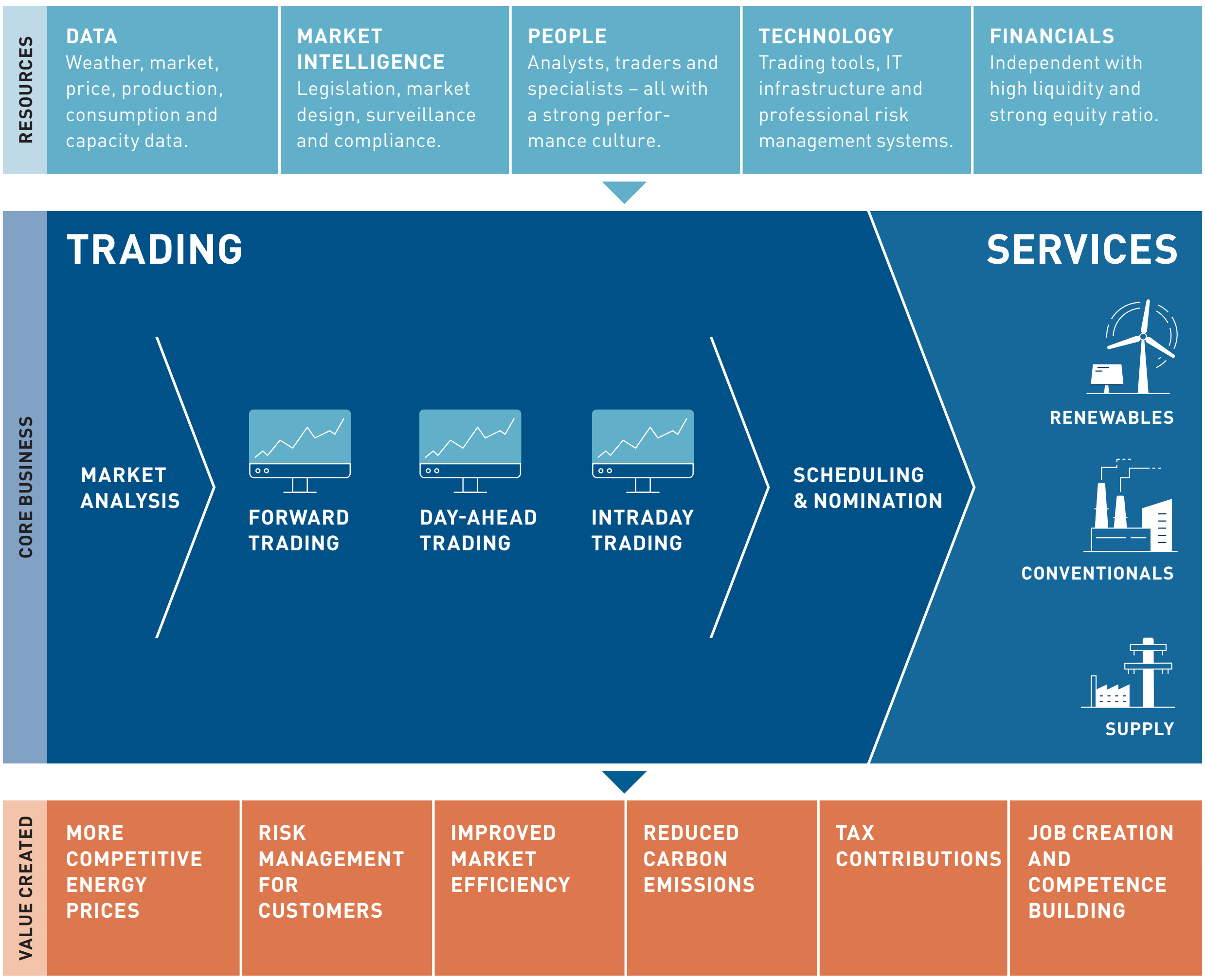
"Danske Commodities helps Vindenergi Danmark identify and capture opportunities in the markets, and when opportunities are identified, results soon follow."

MOVING ENERGY ACROSS BORDERS

Every day of the year, all across Europe, Danske Commodities moves energy from where it is abundant to where it is in demand.

Danske Commodities has built a successful business of trading power and gas across borders, moving energy from where it is plentiful to where it is needed most. The Company's trading activities span different time dimensions from forward to day-ahead and intraday markets. Danske Commodities uses comprehensive data sets, strong analytical capabilities, automation and profound market knowledge to make informed trading decisions and strengthen its leading market position in short-term power and gas trading.

In addition, Danske Commodities uses its market expertise, pan-European footprint and 24-hour trading setup to support its customers through tailor-made services, targeting renewable producers, conventional assets and energy suppliers.

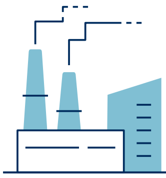


RENEWABLES

The volatile nature of power generation from renewable assets presents producers and developers with considerable challenges. The key to success is finding the right partner to help manage and sell the power produced, balance requirements and generally control market risks. Danske Commodities operates a pan-European portfolio of renewable assets of more than 6,000 MW and has a proven track record in the field. This provides us with relevant expertise and a profound understanding of how to make the market work for our customers.

SERVICES FOR RENEWABLE ASSETS

- Power Purchase Agreements (PPAs) on both standard and individually structured terms.
- Production management and balancing (forecasting, scheduling and reporting) with 24/7 market access.
- Tailor-made hedging services from day ahead and up to 10 years.
- Trading in all relevant renewable energy certificates such as GOOs, El-Certs, ROCs and REGOs.
- Participation in the market for ancillary services.

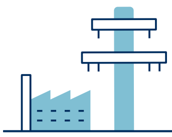


CONVENTIONALS

Maximising the return from a conventional power production unit is no easy task, with price volatility, demanding environmental requirements and political uncertainty. Identifying and connecting the flexibility of the asset with the most value-adding markets is essential, and with a combined heat and power plant of our own, Danske Commodities can provide hands-on experience to help customers increase the value of their power plants.

SERVICES FOR CONVENTIONAL ASSETS

- Production management and balancing (forecasting, scheduling and reporting) on a 24/7 basis.
- Production optimisation of heat and power, enabling asset owners to focus on their core business.
- Hedging of fuels, subsidies and output to minimise price sensitivity and stabilise cash flows.
- Trading of all relevant certificates such as EUAs, EUAAs and CERs to comply with EU regulation.
- Participation in primary, secondary and tertiary markets for ancillary services.
- 24/7/365 monitoring software available on computers, smartphones and tablets.



SUPPLY

Whether you are a wholesaler or an industrial company, optimising your power consumption is necessary in order to maximise your value. Managing 15% of the daily power consumption in Denmark, Danske Commodities is an expert in this field. The Company procures and optimises wholesale consumption, and tailors individual portfolio management solutions for its wholesale partners, to match their needs and add value to their operations.

SERVICES FOR CONSUMPTION CUSTOMERS

- Consumption management and balancing (forecasting, scheduling and reporting) on a 24/7 basis.
- Consumption optimisation, turning market volatility into an advantage.
- Hedging solutions tailored to the specific consumption profile, ensuring optimal risk coverage.
- Trading of all relevant certificates, either in the market or directly from the renewable assets.

ACTIVE ON 31 EXCHANGES

Borsa Italiana (IDEX), *Italy*

Borsa Istanbul, *Turkey*

BSP SouthPool (SP), *Slovenia*

Central Eastern European Gas Exchange (CEEGEX), *Hungary*

Central European Gas Hub (CEGH), *Austria*

CME Group, *United Kingdom*

Croatian Power Exchange (CROPEX), *Croatia*

European Energy Exchange (EEX), *Germany*

European Power Exchange (EPEX SPOT), *France*

Energy Exchange Austria (EXAA), *Austria*

Energy Exchange Istanbul (EPIAS), *Turkey*

Gaspoint Nordic, *Denmark*

Gestore Mercati Energetici (GME – IPEX), *Italy*

Hungarian Power Exchange (HUPX), *Hungary*

Independent Bulgarian Energy Exchange (IBEX), *Bulgaria*

ICE Endex, *Netherlands*

ICE Futures Europe, *United Kingdom*

LAGIE (HEMO), *Greece*

MEFF, *Spain*

MIBGAS, *Spain*

Nasdaq OMX Europe, *Norway*

Nord Pool Spot (NP), *Norway*

OKTE, *Slovakia*

OMIE, *Spain*

OMIP, *Portugal*

OPCOM, *Romania*

OTE, *Czech Republic*

PEGAS, *France*

Polish Power Exchange (TGE / POLPX), *Poland*

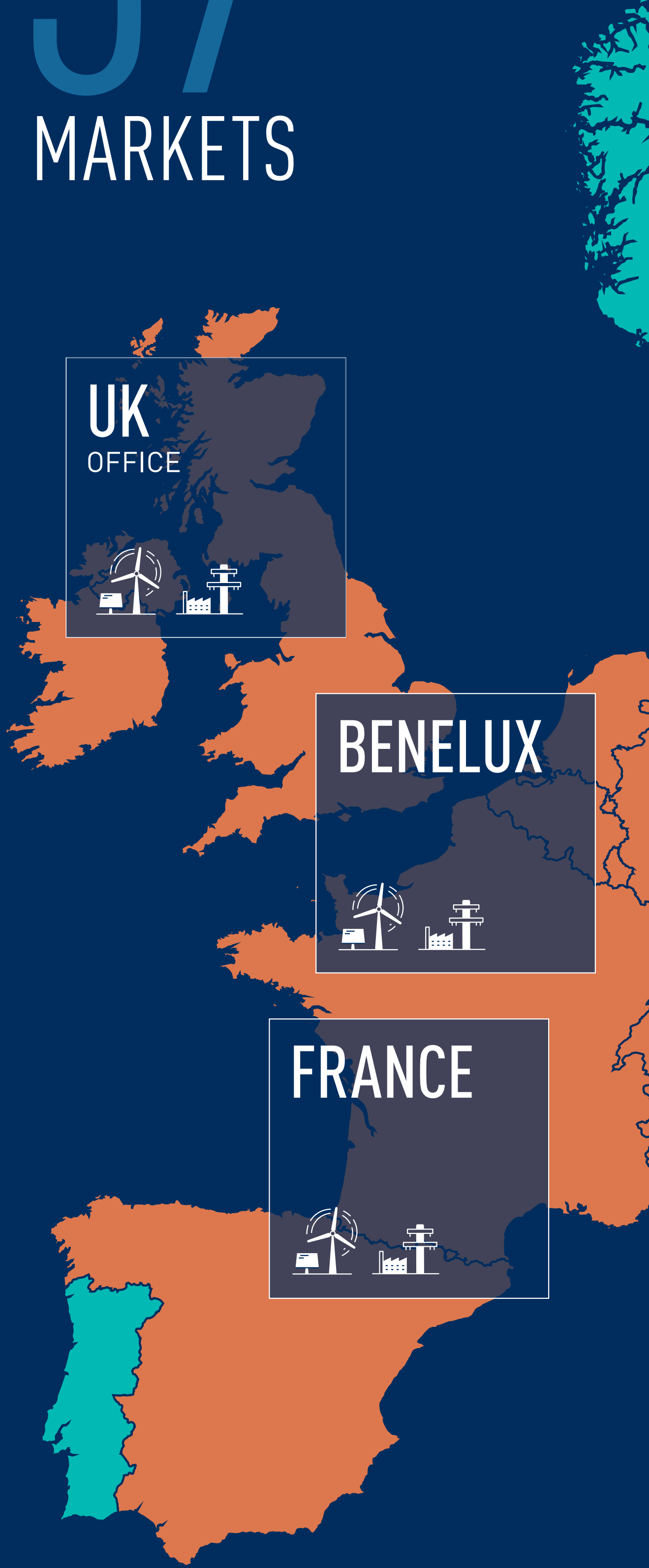
Power Exchange Central Europe (PXE), *Czech Republic*

SEMO, *Ireland*

TRADING ACTIVITIES **IN POWER**

TRADING ACTIVITIES **IN POWER AND GAS**

TRADING IN 37 MARKETS



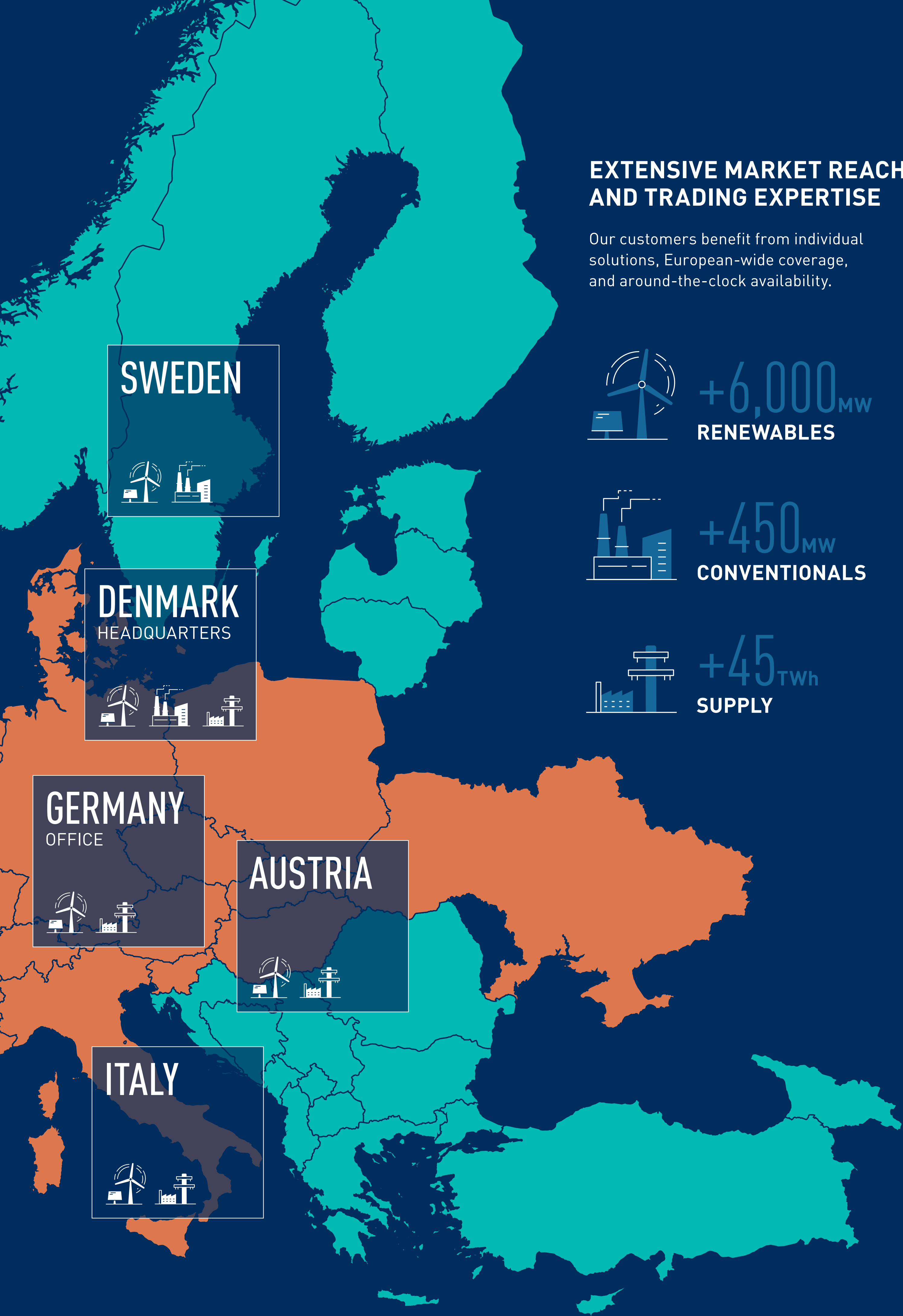
EXTENSIVE MARKET REACH AND TRADING EXPERTISE

Our customers benefit from individual solutions, European-wide coverage, and around-the-clock availability.

+6,000 MW
RENEWABLES

+450 MW
CONVENTIONALS

+45 TWh
SUPPLY



CASE
WHYSOL INVESTMENTS

We continue to be impressed by Danske Commodities' efficiency, dilligence and ability to adapt to our specific needs.

ALBERTO MARCON, DIRECTOR, WHYSOL INVESTMENTS

Whysol Investments I S.p.A. is the holding company of an 89 MW wind portfolio joint venture between Whysol Investments, an independent investment company specialising in energy infrastructure in Italy and in early stage innovative tech ventures in international markets, and VEI Green, an investment company dedicated to the renewable energy sector in Italy with over 200MW of installed capacity in photovoltaic and wind power.

Danske Commodities trades the power produced by Whysol Investments I S.p.A.'s wind assets in the European energy markets – a partnership that took its beginning in 2015 and is now as strong as ever.

"Our cooperation with Danske Commodities has consistently been a positive experience which is why we have chosen them as our energy trading partner for three years running." says Alberto Marcon, Director at Whysol Investments.

"A long-term partnership creates a strong relationship between companies. We truly appreciate Danske Commodities' dedication to its clients and the personal attention they have always shown us, and we continue to be impressed by Danske Commodities' efficiency, diligence and ability to adapt to our specific needs. In particular, Danske Commodities has been really supportive in the context of recent extraordinary transactions which required a review of existing PPAs."

WHYSOL
INVESTMENTS

FINANCIAL PERFORMANCE IN 2017

Danske Commodities once again demonstrated the strength of its business model in 2017, delivering top- and bottom-line growth resulting in record high EBT of EUR 60 million.

Danske Commodities had a record year in 2017. Most financial parameters improved compared to 2016 due to a continued focus on developing and maturing the business model by following the corporate strategy and thanks to a dedicated effort from all employees.

66%

EBIT INCREASED BY AN IMPRESSIVE 66% TO EUR 56 MILLION IN 2017

The main drivers of the performance were higher gross profit and lower costs, which produced EBIT of EUR 56 million, equivalent to a 66% increase compared to 2016.

REVENUE

Increasing by 65% from EUR 3,321 million in 2016 to EUR 5,472 million in 2017, revenue was driven by a significant increase in traded volumes combined with higher prices during the year.

Gas and other minerals trading produced revenue of EUR 2,529 million, a 50% increase on 2016 while power trading grew its revenue by 80% to EUR 2,943 million in 2017. The balance between power trading and gas and other minerals trading shifted in 2017 with power trading now counting for a larger proportion of total revenue.

GROSS PROFIT

An increase in volumes traded and enhanced exploitation of opportunities in the markets where Danske Commodities operates were some of the drivers of the EUR 18 million increase in gross profit from EUR 85 million in 2016 to EUR 103 million in 2017.

Margins in many of Danske Commodities' core markets remain under pressure, as illustrated by the fact that revenue proportionally outgrew gross profit. This brought the gross profit margin to 1.9% in 2017 compared to 2.6% in 2016. To offset this effect in gross profit, operational excellence and focused risk management is firmly embedded in Danske Commodities' strategy.

103 EURm

GROSS PROFIT ABOVE EUR 100 MILLION FOR THE FIRST TIME IN THE HISTORY OF DANSKE COMMODITIES

COSTS

Total costs fell for the third consecutive year. In 2017, the decrease was 7%, from EUR 51 million in 2016 to EUR 48 million in 2017, with amortisation, depreciation and impairment as the main contributors to the fall.

Staff costs slightly decreased compared to 2016, amounting to EUR 34 million in 2017. A scalable business model and continued focus on efficiency and operational excellence were the main drivers behind the decrease in average number of FTEs to 262 FTEs in 2017 from 272 FTEs in 2016.

Other external expenses decreased EUR 1 million in 2017 to EUR 12 million. The decrease was mainly due to lower consultancy costs because of enhanced insourcing driven by improved efficiency, operational excellence and more experienced employees.

Amortisation, depreciation and impairment amounted to EUR 2 million in 2017, less than half of the 2016 figure of EUR 4 million. Explaining the significant decrease, a large part of the investments made during 2012-2014, when Danske Commodities expanded rapidly on the FTE side, were fully depreciated during 2017 while amortisation of IT systems was negligible.

EARNINGS

Stronger bottom-line growth combined with top-line growth proved the scalability of Danske Commodities' business model and was key to the EUR 56 million EBIT generated in 2017, equal to a 66% increase compared to 2016 – and significantly better than expected. Danske Commodities built its controlled growth on a solid foundation of expertise, systems and access to markets, utilised as opportunities emerged in the European energy markets.

60 EURm

EBT OF EUR 60 MILLION IS ALL-TIME HIGH FOR DANSKE COMMODITIES

In 2017, the scalability of Danske Commodities increased to 54.1% from 39.8% in 2016, showing that for every EUR 100 earned in gross profit, EBIT of EUR 54 was generated.

Financial items were extraordinarily high in 2017 with net financial income of EUR 4 million. The high financial income was to a very large extent attributable to Danske Commodities' Treasury team working to optimise returns on periodically excess liquidity, as some of the bond investments were very profitable. This further strengthened EBT, which ended at EUR 60 million – almost 80% higher than the EUR 34 million in 2016.

With an effective tax rate of 22.3%, tax on the profit for the year was EUR 13 million in 2017, an increase from EUR 8 million in 2016. The effective tax rate was at the same level as in 2016.

BALANCE SHEET AND EQUITY

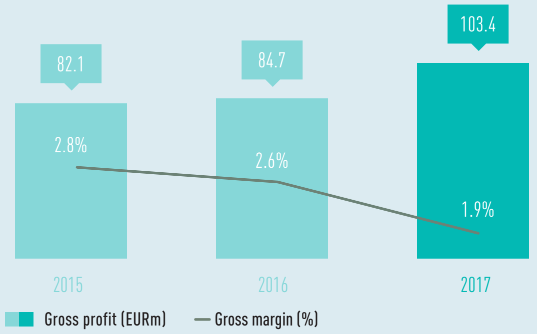
Total assets increased significantly mainly due to the higher activity level at the end of 2017 compared to 2016.

The continuing investment in a new ETRM system was the primary explanation for the EUR 2 million increase in fixed assets in 2017 from EUR 12 million at 31 December 2016 to EUR 14 million at 31 December 2017. Profound work was put into the implementation of the ETRM system during 2017 and after an extensive test and parallel run period the first phase was fully deployed in January 2018. More phases will follow and be implemented in the years to come. The implementation will reduce operational risk through improved efficiency, operational excellence and enhanced transparency.

GROSS PROFIT & GROSS MARGIN

103 EURm

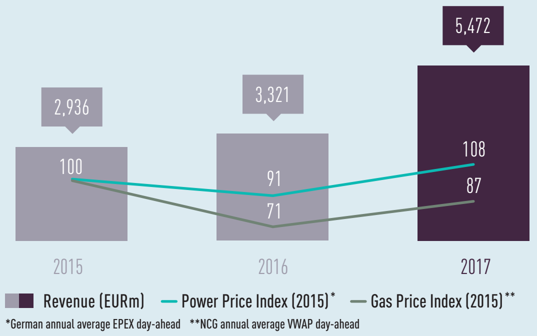
GROSS PROFIT IN 2017



REVENUE & PRICE INDEX

5,472 EURm

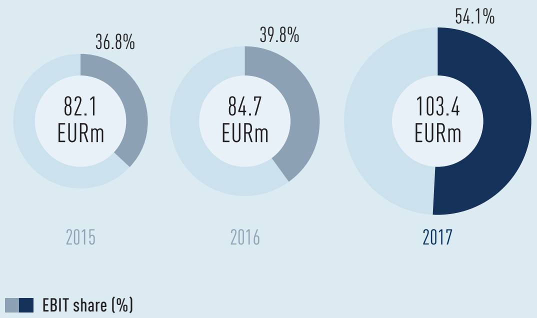
REVENUE IN 2017



EBIT SHARE OF GROSS PROFIT

54.1%

SCALABILITY IN 2017



Inventories increased from EUR 7 million in 2016 to EUR 10 million in 2017. Higher volumes in stock at the end of 2017 combined with higher prices during 2017 compared to 2016 explained the higher inventory.

Receivables increased to EUR 230 million at the end of 2017 from EUR 168 million at the end of 2016. The increase was due to a significantly higher level of activity towards the end of 2017 compared to 2016 as well as changes in trading patterns related to counterparties and products.

The main contributor to the increase was trade receivables, which is characterised as a very short-term item because the main part is collected within the first month of 2018.

Cash and cash equivalents increased by EUR 3 million to EUR 108 million at the end of 2017. Cash at bank and in hand was up by EUR 13 million to EUR 86 million at 31 December 2017, while current asset investments fell by EUR 10 million to EUR 22 million at 31 December 2017.

49.8%

FOR EVERY EUR 100 IN EQUITY, DANSKE COMMODITIES GENERATED A PAY-OFF OF EUR 50 IN 2017

The record profit for the year lifted equity by 26% from EUR 84 million in 2016 to EUR 106 million in 2017. Return on equity increased by 17.6 percentage points from 32.2% in 2016 to 49.8% in 2017. Return on equity was considerably higher than anticipated, mainly because the net profit for the year also exceeded expectations.

Danske Commodities delivered record-breaking financial results in 2017, showing top- and bottom-line growth while keeping its cost base stable. The financial performance underlines the scalability of the Company's business model.

HELLE ØSTERGAARD KRISTIANSEN, CFO

The satisfactory equity ratio of 29.2% at 31 December 2017, up by 0.4 percentage point from 28.8 % at 31 December 2016, underpins Danske Commodities' position as a solid business partner.

CASH FLOW

At EUR 29 million, cash flow from operating activities was up by 43% compared to EUR 20 million at 31 December 2016. The cash flow from the strong net profit was partly offset by an increase in net working capital due to the higher level of activity towards the end of 2017 compared to 2016.

Investments in the ETRM system were the primary driver of cash flow from investing activities, producing a EUR 4 million cash outflow in 2017. The free cash flow was satisfactory at a EUR 25 million inflow in 2017, which is a EUR 10 million increase on 2016.

Cash flow from financing activities were a EUR 26 million outflow in 2017. The outflow was primarily driven by investment in company shares and dividend pay-out.

Total cash flows for 2017 were an outflow of EUR 1 million, which when offset by a EUR 4 million value adjustment of current asset investments, resulted in a 3% increase in cash and cash equivalents to EUR 108 million at 31 December 2017. This end-of-year cash position confirms the picture of Danske Commodities as a strong and solid business partner.

25 EURm

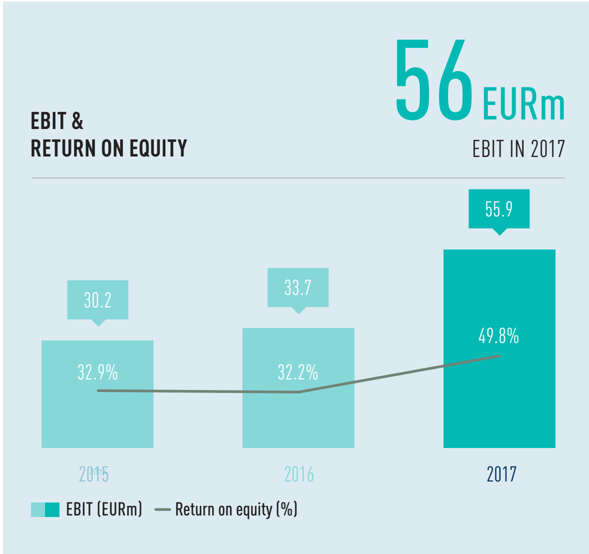
SATISFACTORY POSITIVE FREE CASH FLOW IN A YEAR WITH STRONG GROWTH AND INVESTMENTS

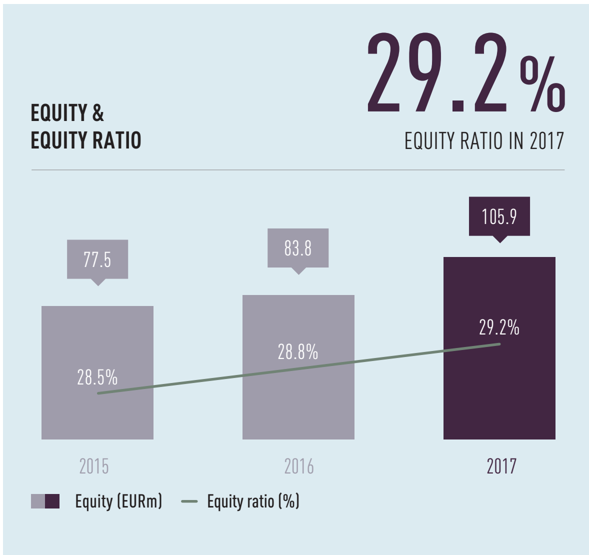
INTERNATIONAL OPERATIONS

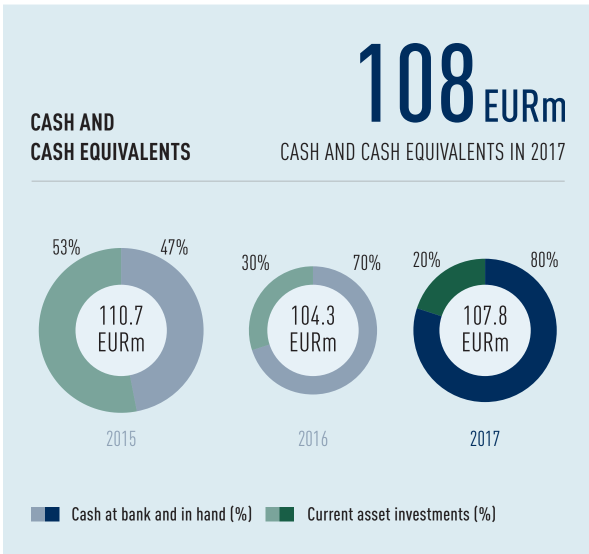
In 2017, Danske Commodities continued the efforts to reduce complexity and to streamline the business, which led to the closing down of one of the subsidiaries in Macedonia and the disposal of a subsidiary in the UK, while two other subsidiaries, in Croatia and Serbia, are under liquidation. The disposal or close down of the four entities does not change Danske Commodities' presence in the countries in question.

OUTLOOK

2017 was a record year exceeding expectations. The financial growth seen in 2017 is not anticipated to continue at the same pace in 2018, hence performance in terms of EBIT and return on equity is not expected to exceed 2017.







OPTIMISING BUSINESS THROUGH PROACTIVE RISK MANAGEMENT

At Danske Commodities, having a top-tier risk management setup is a prerequisite for business growth and the Company continued to improve on its perfomance in this field in 2017.

RISKS AND RISK MANAGEMENT

Danske Commodities is exposed to a variety of risks through its daily trading activities. The risk strategy supports Danske Commodities' strategic objectives by ensuring appropriate balance between risk and expected return. This balance is enforced through risk capital allocation. Here, the Company's risk capital is derived from its capital structure and allocated to the different risk categories. Thresholds are continuously monitored and reported.

The definition and allocation of risk capital ensures a clear alignment between the Company's risk appetite and the mandates allocated to its trading activities. Another assessment of acceptable risk is made through the risk grid in which all risks in the Company's operating environment are ranked in order of priority based on qualitative and quantitative measures.

RISK MANAGEMENT FRAMEWORK

Danske Commodities' risk management framework is defined in the general risk policy as defined by the Board of Directors, which is responsible for the risk strategy, including risk governance, risk monitoring and the overall risk appetite. The Company has established a Risk Committee that is responsible for advising the Board of Directors on the risk framework.

To manage the full range of risks to which the Company is exposed, Danske Commodities operates a system with two lines of defence and distinct responsibilities for each line, ensuring an appropriate segregation of duties. The first line consists of the Managers and Directors of the operational teams, who are responsible for managing potential risks. This is overseen by the risk management function which acts as the second line of defence.

In addition to the formal framework, a conduct supporting a strong risk culture is expected of all employees. Any breaches of policies or mandates must be reported on a daily basis, as stated in the breach management policy. Standardised reports on risks and opportunities are prepared monthly and presented to the Senior Management Group, the Risk Committee and the Board of Directors.

2017 IN BRIEF

In 2017, the risk management function was further solidified with the reinforcement of both risk control and valuation setup as well as governance mandate through the risk framework. During 2017, Danske Commodities implemented quantifiable risk measures on all market values, adding more transparency to the market risk present in the Company's portfolio. The quantification of risk also allowed the Company to define and implement the risk capital allocation methodology, ensuring that a risk-based perspective is included as part of both operational and strategic decision-making processes.

Market trends had a negligible impact on the risk profile of Danske Commodities' positions in 2017. Despite increased volatility in Q1 and Q4 impacted the risk profile, it was held within the predefined acceptable limits.

In 2017, the Risk Committee undertook the following key tasks:

- Reviewed the overall risk management framework.
- Approved the methodology for deriving available risk capital.
- Monitored risk developments in key risk areas via a risk grid.
- Reviewed policies and limits for market risk, credit risk and operational risk.
- Reviewed risk measurement on activities and positions.
- Provided training in compliance and regulatory reporting for traders, portfolio managers, support functions and IT.
- Analysed projects and business proposals from a risk perspective and suggested risk mitigation initiatives.

During 2017, Danske Commodities was in the process of implementing a new top-tier Energy Trading and Risk Management (ETRM) system, which will replace the

> *Complete risk control across all business activities is part of our platform for future growth. The quantification of risk allows for mature discussions about risk-adjusted returns and allocation of risk capital, adding another dimension to our decision-making processes at Danske Commodities.*
>
> *JAKOB SØRENSEN, HEAD OF RISK MANAGEMENT*

current proprietary solution. The benefits of the new ETRM system are twofold: first, it will optimise Danske Commodities' straight-through processing of trades, providing higher efficiency, scalability and greater transparency. Second, the new ETRM system will enhance the foundation for the risk management function by centralising trading data. The new ETRM system will be implemented in steps, with the focus on business areas with high trading activity.

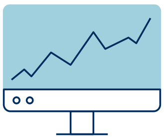
MAIN RISK CATEGORIES

Risk Management at Danske Commodities covers the following main risk categories:

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

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

OVERVIEW OF MAIN RISKS



MARKET RISK

Market risk is the risk that the value of open positions may change as a result of fluctuating market conditions.

Danske Commodities' market risk arises in both commodity and financial markets where fluctuating energy prices, production and consumption balancing and foreign exchange rates constitute key risk factors. Due to the potential impact on the Company's earnings, Danske Commodities continuously monitors and stress tests volatility and commodity price developments.

Market risk is managed as set out in the market risk policy and the internal market risk manual. The market risk policy defines the allowable products, regions and commodities whereas the market risk manual provides the specific mandates within the overall market risk appetite. The market risk appetite of Danske Commodities sets out the overall risk limits defined as the allocated risk capital, and the aggregation of the different mandates is kept within those limits, ensuring that the Company monitors its risk profile at all times.

Open positions are only accepted at Danske Commodities if mandates have been established. All open trading positions are monitored by a second line of defence in the Risk Management team. All mandates across the business are reviewed regularly and updated as necessary to ensure that they continue to comply with the overall risk appetite and are in step with changing market conditions.

As part of the monitoring process, Danske Commodities operates several warning levels and stop-loss limits to ensure timely action if a mandate is violated. Structured product control, model validations and additional stress tests and risk measures such as Value-at-Risk and Cash-Flow-at-Risk are used as an integral part of the Risk Management for relevant products and activities.

Foreign exchange risk, to which the daily commercial business is exposed, is mitigated and hedged on a daily basis using a Value-at-Risk approach. As foreign exchange risk is not a core business for Danske Commodities, a hedging strategy anchored in the Treasury team is pursued to mitigate the foreign exchange risk. Hence, currency risk is an insignificant component of the overall risk appetite at Danske Commodities.

CREDIT RISK

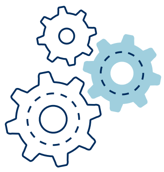
Credit risk is the risk of financial loss resulting from a counterparty failing to meet contractual obligations.

Exposure to credit risk can arise in Danske Commodities' Trading, Origination and Treasury operations. Danske Commodities manages credit risk through a clear framework of policies and procedures approved by the Board of Directors and defined by the Risk Management team. Responsibilities are allocated to the different business teams, Risk Management, the Senior Management Group and the Board of Directors.

Danske Commodities has taken out credit insurance on the main portfolio of counterparties. This significantly reduces the Company's risk of potentially uncovered credit exposure.

A thorough Know Your Customer (KYC) process is carried out for all counterparties with credit lines and customers with whom Danske Commodities engages in transactions. The financial strength and creditworthiness of counterparties who are not covered by credit insurance is assessed before Danske Commodities enters into any contract and on an ongoing basis during the duration of individual contracts. If required, additional security is requested from counterparties and credit lines are monitored on a daily basis. The KYC process is reviewed regularly.

Danske Commodities incurred three minor credit-related losses in 2017, which is considered acceptable and consistent with the Company's credit risk appetite. Most of the loss was covered by the credit insurance, resulting in a EUR 0.2 million loss recognised in the financial statements.



OPERATIONAL AND IT RISK

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

Like most companies in the energy sector, Danske Commodities is dependent on reliable IT-systems. In 2017, new regulations governing the utilities sector were passed. According to the regulation, IT risk assessment, IT contingency plans, IT incident response capability and cyber awareness training must now be reviewed and approved by authorities. Danske Commodities has complied with all requirements and deadlines, or is currently awaiting approval from the Danish Energy Agency. The results of the IT risk assessment will be incorporated during the annual review of the IT security road map in 2018.

To ensure system robustness, Danske Commodities has two physically separate data centres to allow business operations to function even if unexpected events occur. In 2017, the Company continued to invest in increased robustness with the ongoing implementation of a new ETRM system and an Automated Nomination System. In addition, the Risk Committee has introduced systematic reporting on operational risk with a view to analyse and mitigate root causes. Risk Management will facilitate this reporting. No material operational events occurred in 2017.

LIQUIDITY RISK

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

Danske Commodities is considered to have low liquidity risk, given the Company's solid capital structure. Positive cash flows from operations, substantial cash reserves, and undrawn external credit facilities are key aspects that for several years have ensured stable and adequate liquidity.

Danske Commodities measures on a daily basis its overall liquidity, which consists of free liquidity, including cash collateral and other deposits, and forecasted cash flows.

In addition, different liquidity outcomes are simulated through various stress tests. The stress testing process analyses daily forecasted liquidity against a minimum liquidity level, enabling the Company to better manage liquidity reserves and withstand extreme market movements at all times.

COMPLIANCE RISK

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

The implementing and delegated acts on the Markets in Financial Instruments Directive II (MiFID II) were finalised during 2017. Danske Commodities has chosen to make use of the ancillary activity exemption rules under MiFID II, which exempts the Company from applying for an investment firm license. However, MiFID II requires other obligations and compliance with these obligations has been ensured. Danske Commodities will continue to monitor the ramifications caused by MiFID II to ensure compliance is maintained.

Danske Commodities strongly supports the continued development of an efficient marketplace. A Market Abuse guideline has been implemented, providing traders and other relevant staff with information on Regulation of Energy Market Integrity and Transparency (REMIT) and Market Abuse Regulation (MAR) requirements. In addition, Danske Commodities provides regular training to traders and other relevant staff at which market abuse rules and the latest market practice are presented.

There is a high level of awareness of compliance risks at Danske Commodities. All traders and portfolio managers go through mandatory compliance training courses, while back office and IT staff completes courses on regulatory reporting. Compliance reports are prepared on a regular basis and submitted to the Senior Management Group and the Risk Committee. The reports constitute one of several tools used to develop and maintain a strong compliance culture at Danske Commodities.

LEGAL RISK

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

Danske Commodities' Legal team focuses on preventive legal work and contributes in a structured way to identifying, prioritising and managing legal risks and opportunities in consultation with all support and business teams in the Company. The legal team engages in the on-going business activities and decision-making processes at an early stage and takes part in the approval process for new products.

The Legal team minimises the risk of legal claims and disputes by creating and negotiating well-balanced contracts in accordance with the legal risk tolerance defined by the Board of Directors and in line with local legislation and practice in the markets in which Danske Commodities operates. This is undertaken in close co-operation between the internal legal counsels and professional external advisers.

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Allegro’s ETRM solution helps Danske Commodities streamline functions and analyse key data for greater control and profitability.

MICHAEL W. HINTON, CHIEF STRATEGY AND CUSTOMER OFFICER, ALLEGRO

A global leader in commodity trading and risk management software, Allegro Development, is the company behind Danske Commodities’ new Energy Trading and Risk Management (ETRM) system. With more than three decades of industry experience, Allegro Development’s enterprise platform drives profitability and efficiency across the entire value chain while managing the complex logistics associated with physical commodities. The ETRM system provides position visibility, increases trader productivity, enables more efficient risk management, improves accounting and settlement, and simplifies compliance.

“As a tier one ETRM system, Allegro’s platform provides necessary front, middle and back office transparency across any portfolio. Allegro’s ETRM solution helps Danske Commodities streamline functions and analyse key data for greater control and profitability. The software is designed to deliver business objectives faster and with greater flexibility and a minimum of risk and disruption,” says Michael W. Hinton, Chief Strategy and Customer Officer.

The ETRM system is customised to the needs of Danske Commodities and has the flexibility to adapt as the needs of the company changes, whether it be through an increasing number of transactions, complexity of financial and physical contracts, higher market and credit risk, or the expansion into new commodities. Thus, the system supports the scalability of Danske Commodities.

“New products and markets can easily be added through the front end. In addition, the ETRM system allows for large quantities of transactional and volumetric data to be stored and aggregated as the business grows,” says Asbjorn B. Hansen, Senior Director Services EMEA.

Allegro
Commodity Management


TEST SUPPLY COMPOSITION, 2 MIN COMPARISON
NonReported (NR)
Reported Storage
15-Jan
16-Jan
17-Jan
18-Jan
140
120
100
80
60
40
20

PEOPLE ARE DANSKE COMMODITIES' GREATEST ASSET

Clear targets, continuous feedback and visible management principles yielded record-high people engagement in 2017.

The success of Danske Commodities is built on having great ambition and on having highly talented people who are willing and able to execute on those ambitions. Attracting the brightest, most passionate people and keeping them engaged and motivated is key for Danske Commodities, which is why providing the best possible working conditions for the employees is a top priority. The aim is to remain among the very best workplaces in Denmark and in the energy sector.

RECORD-HIGH EMPLOYEE SATISFACTION IN 2017

Danske Commodities measures employee satisfaction twice a year with the help of Great Place to Work, an international authority on building, sustaining and recognising high-trust, high performance workplace cultures. The survey tracks a broad spectrum of factors including satisfaction with management, relations with colleagues, the level of communication in a company, work-life balance and sense of pride. For several years, Danske Commodities has been featured on the Great Place to Work list of the best medium-sized workplaces in Denmark, and in 2017 Danske Commodities was given the highest employee satisfaction rating in company history. 95% of all employees agreed with the statement: "Taking everything into account, I would say that this is a great place to work".

BOOSTING ENGAGEMENT

This record-high employee satisfaction rate is the result of a strategic approach to identifying and strengthening the driving forces behind what engages the people of the Company. With an average age of 33 and high educational backgrounds – 74% of the employees have a Master's Degree or higher – the people at Danske Commodities are in great demand, and they have lofty expectations to their workplace, their future career and the opportunities to develop through their job. Danske Commodities has over the years fostered a culture, in which people development is a key factor and employees are given responsibilities that match their ambitions and skills.

In 2017, the Company built on this work by focusing specifically on the following areas:

1. Setting clear, consistent and ambitious targets for all employees annually. This ensures that all employees know exactly what is expected of them, and how their individual targets are linked to the overall targets of Danske Commodities.

2. Following up and providing feedback. Managers follow up on targets and provide monthly feedback to their direct reports, so all employees know how they are performing, what is going well and where they can improve.

3. Growing key employees through personal development plans, job expansion and the opportunity for rotation or promotion within the Company.

The above-mentioned focus areas are embedded in Danske Commodities' management principles, which also include management's responsibility for developing low performers and for celebrating successes. Moreover, Danske Commodities has conducted a pre-manager training programme for employees with the ambitions and skills to become managers, and the Company continues to expand its extensive benefit scheme, invest in having a great working environment and arranges more than 100 professional, sporting and social events for the employees each year.

ON-BOARDING MORE SENIOR SPECIALISTS

Through the history of Danske Commodities, the Company has built its workforce on attracting young talent and developing these people internally through courses, peer-to-peer learning and on-the-job training. While Danske Commodities continues to do this – among other things through an extensive Graduate Programme in our Trading business – focus on on-boarding more experienced specialists and managers has grown as the Company and the energy markets have matured. Through the combined focus on developing key employees and attracting senior specialists and managers, Danske Commodities now has an even more skilled organisation that delivers increasingly strong financial results with leaner and more efficient operations.

BENEFITTING FROM DIVERSITY

Since the foundation of Danske Commodities, it has been a core belief in the Company that the best ideas are brought to life, when different minds work together. New colleagues are found among top candidates from all over the world, and right now, people of 28 different nationalities work at Danske Commodities. As Danske Commodities operates across 37 countries in Europe, the diversity of the workforce is key to gaining an understanding of market players across geographical and cultural borders. At the same time, it creates an inspirational international atmosphere and culture in the Company itself.

AMBITIONS FOR THE FUTURE

Attracting, retaining and developing people at Danske Commodities will remain a key focus going forward. As described, the Company successfully developed key employees and talent through individual development plans, and in 2018 this practice will be broadened to include all employees, further heightening the engagement and motivation across the entire organisation. At the same time, employees identified as high potentials will be offered a more extensive development scheme focused on their personal development needs. The effort to ensure high quality feedback to all employees will be strengthened through targeted feedback training of all managers and a strengthened framework for feedback sessions. A continuous development of the employee benefit scheme is also in the works for 2018.

THE DC PEOPLE IN NUMBERS

290
EMPLOYEES

53%
SPEAK THREE OR MORE LANGUAGES

33
YEARS IS THE AVERAGE AGE

17
FORMER PROFESSIONAL ATHLETES

28
NATIONALITIES EMPLOYED

74%
HAVE A MASTER'S DEGREE OR HIGHER

5
TRADING GRADUATES

95%
SAY DANSKE COMMODITIES IS A GREAT PLACE TO WORK

50+
SPECIALISED TRADERS

28%
WOMEN

98%
SAY THEY WERE MADE TO FEEL WELCOME WHEN THEY JOINED THE COMPANY

72%
MEN

MAKING REAL SOCIETAL CHANGE

Danske Commodities brings a unique and measurable approach to Corporate Social Responsibility and the Company presented a new CSR-project in 2017.

Acting with responsibility is firmly embedded in the culture, values and business practices of Danske Commodities. The Company's Corporate Social Responsibility (CSR) efforts cover its approach to ensuring the well-being and development of its employees, its contribution to the energy markets and its support for selected CSR projects. Danske Commodities has no formal CSR policy, but maintains high ethical standards, executes its activities with integrity and accountability, and is compliant with applicable legislation in all markets where the Company is present. For information about Danske Commodities' gender policy for management, see the Group policy of Danske Commodities' parent company, Lind Invest ApS: http://www.lind-invest.dk/wp-content/uploads/Diversification-in-management-in-the-Lind-Invest-group-2017.pdf.

Danske Commodities supports the transition towards more green energy across Europe by connecting wind turbines and solar panels to the markets, thereby making renewable energy more efficient. By moving energy across borders, Danske Commodities restores energy balances, keeping Europe's energy supply secure, affordable and carbon-efficient. By connecting producers and suppliers to wholesale energy markets, Danske Commodities brings freedom of choice and more competitive energy prices to consumers.

MAKING A LASTING IMPACT

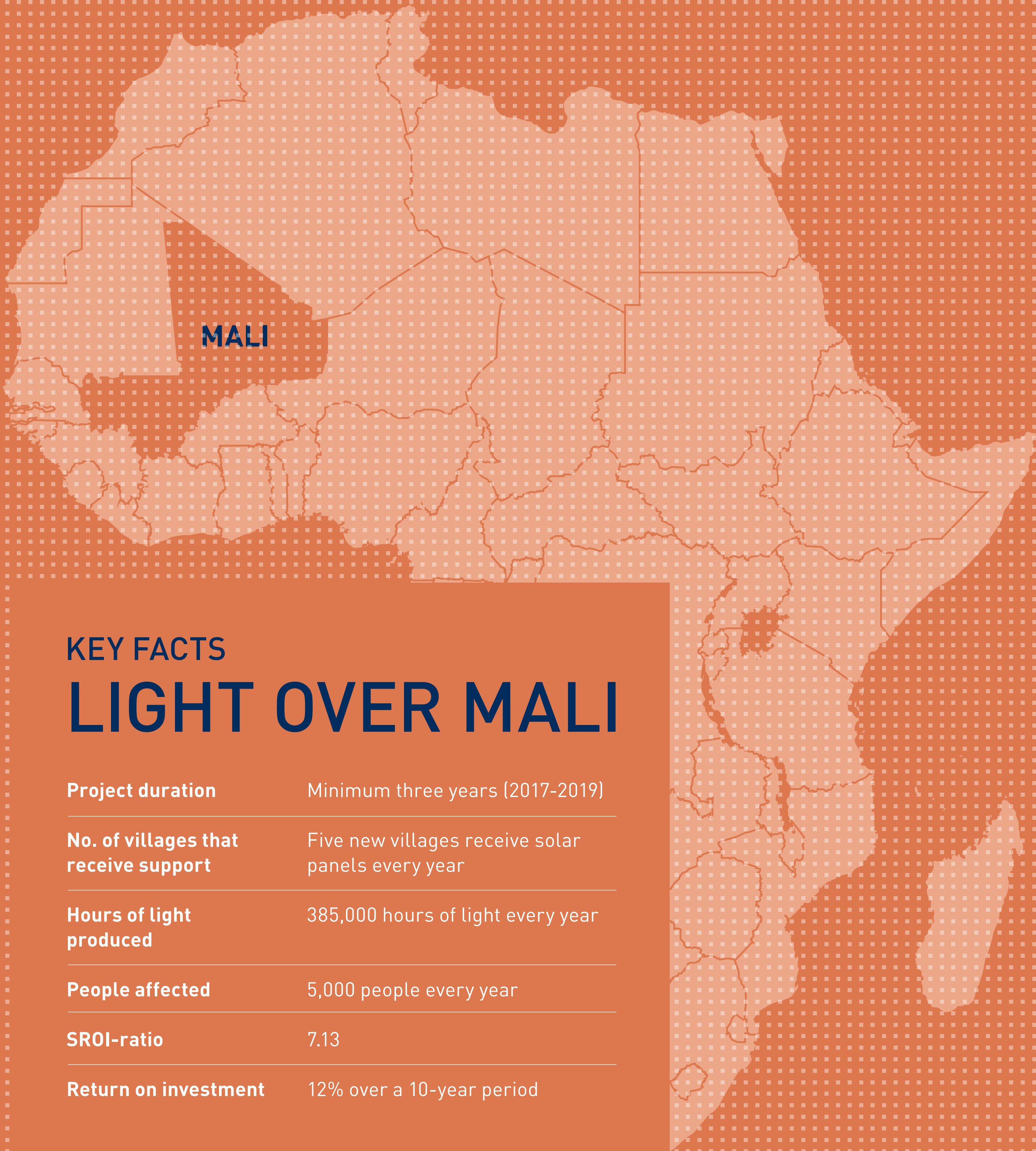
Danske Commodities believes in making a lasting impact and real societal change in both its business and in its approach to CSR, which is why the Company has created a clear framework for 1) identifying a CSR-project where the biggest possible change can be achieved and 2) measuring the impact of the CSR-project in question. The Company conducts a Social Return on Investment analysis (SROI) that measures and documents the economic value of the social and environmental outcomes from the project, and it follows up on the progress of the project to make sure that real value is created. While such analyses enable Danske Commodities to advise its project partners on potential project improvements, they are also very useful to Danske Commodities' partners as they can be used to document the effects of the partners' hard work and efforts. Data is a prerequisite for developing this SROI-analysis, and that is why data is collected annually to assess project specific effects.

LIGHT OVER MALI

Following thorough analysis, Danske Commodities chose to support the project Light over Mali that aims to help some of the poorest people in the world by providing them with electricity. The project provides five villages in rural Mali with solar panels on schools and health clinics and every year five new villages are added to the project. The solar panels generate and store energy during the day, which can be used to light up schools and health clinics after dark. By installing solar panels, the schools can educate the adult population of the villages, when they are not working. Also, children can use the classrooms at night to prepare for exams and tests while receiving academic support from teachers. When solar panels are installed at the health clinics, they can treat more people, as they can function after the sun sets.

Apart from installing solar panels at schools and health clinics, the project will also provide solar-driven lamps to children living in remote areas away from the villages, so they can do their homework in the evening. As part of the project, solar-driven lampposts will also be installed in the villages to minimise the risk of theft.

Before the decision was made to support and partner up with Light over Mali, an initial SROI-analysis showed that for each DKK 1 spent on Light over Mali, DKK 7.13 is generated for Malinese society. This preliminary analysis also established that Danske Commodities' contribution will benefit the villages by producing 385,000 hours of light, give 5,000 people access to light and enable 100 adults to receive education every year. All in all, the different aspects of the project will be mutually supportive and improve the lives of rural villagers in Mali.



KEY FACTS

LIGHT OVER MALI

Project duration	Minimum three years (2017-2019)
No. of villages that receive support	Five new villages receive solar panels every year
Hours of light produced	385,000 hours of light every year
People affected	5,000 people every year
SROI-ratio	7.13
Return on investment	12% over a 10-year period

BOARD OF DIRECTORS

The Board of Directors combine key industry insights, expertise from European energy markets, risk management and financial skills with several years of management experience from international businesses.

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

The Board of Directors is responsible for the overall strategic direction of Danske Commodities and oversees the effective conduct of financial and managerial control of the Group in all respects. In this role, the Board acts as formal advisers to the Company's Senior Management Group in relation to strategic initiatives and monitors the Group's financial condition, risk management and business activities on an ongoing basis. The members of the Board of Directors are independent of any special interests.

At least one member of the Board of Directors will at all times serve on Danske Commodities' Risk Committee. Formal meetings of the Board of Directors are held at Danske Commodities' headquarters in Aarhus six times a year.

PETER L. RAVN
CHAIRMAN

Appointed to the Board in 2013.

Key skills
IT, risk management, corporate governance, leadership and internationalisation.

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

Board memberships
Systematic A/S (Chairman), Adform A/S (Chairman), DitaExchange ApS (Chairman), Stibo A/S and LED iBond A/S.

VOLKER BECKERS
VICE CHAIRMAN

Appointed to the Board in 2016.

Key skills
European utilities (energy, water and telecoms), turnaround and strategic positioning, programme management and IT.

Background
Professional board member. 20 years at RWE, most recently as Group CEO and Group CFO at RWE Npower Plc. Diploma in Economics/Business Administration from the University of Cologne.

Board memberships
ECFEB of Erasmus University (Chairman), Reactive Technologies Ltd. (Chairman), Albion Community Power Plc. (Chairman), Advisory Board of PwC UK (Chairman), Foresight Metering Ltd. (Chairman), Cornwall Insight Ltd. (Chairman), Elexon Ltd., Nuclear Decommissioning Authority, Advisory Board of EUCERS at King's College, Mercatus Inc. (Advisor), Forum for the Future (Trustee) and Energy Live News (Chair).

JENS-PETER SAUL
BOARD MEMBER

Appointed to the Board in 2014.

Key skills
General management, sales, internationalisation, energy and growth.

Background
President & CEO, Rambøll Group, Denmark. Former President and CEO, Siemens Wind Power, Denmark. Dipl. Ing. Energy and Process Technology (Masters equivalent) from the University of Hannover.

Board memberships
The Danish-German Chamber of Commerce (Chairman) and Confederation of Danish Industry's Committee on Business Policy.

ANNE BROENG
BOARD MEMBER AND CHAIRMAN OF THE RISK COMMITTEE

Appointed to the Board in 2016.

Key skills
Strategy, IT, risk management including cybersecurity, corporate governance, finance and asset management.

Background
Professional board member. Until 2014 12 years with PFA, the last 5 years as group executive vice president, CIO and CFO. Previously held various leading positions in the financial sector. M.Sc. (Economics).

Board memberships
NASDAQ Nordic Ltd., NNIT A/S (Chairman of Audit Committee), VKR Holding A/S (member of Audit Committee), Velux A/S (Chairman of Audit Committee), Købmand Hermand Sallings Fond, Købmand Ferdinand Sallings Mindefond, F. Salling Holding A/S, F. Salling Invest A/S, ATP (member ORSA/risk committee), Lønmodtagernes Garantifond, Arbejdsmarkeds Fond for Udstationerede, PensionDanmark and Bikubenfonden.

PETER L. RAVN
Chairman

VOLKER BECKERS
Vice Chairman

ANNE BROENG
Board member

JENS-PETER SAUL
Board member

SENIOR MANAGEMENT GROUP

Danske Commodities' Senior Management Group embodies the Company's strong team feeling, subject matter expertise and experience in dynamic energy markets.

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

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

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

JESPER TRONBORG
VP, HEAD OF TRADING

Appointed to the Senior Management Group in September 2014.

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

CARL HAGERT
VP, HEAD OF ORIGINATION

Appointed to the Senior Management Group in September 2016.

Background
More than 20 years of pan-European experience within Energy Trading and Origination. Corporate Development Director at Koch Supply & Trading S.á.r.l., SVP positions in RWE Supply and Trading Switzerland and Essent Trading International, Head of Nordic Origination at TXU Nordic.

HELLE ØSTERGAARD KRISTIANSEN
CFO

Appointed to the Senior Management Group in September 2014.

Background
CRO at Danske Commodities, several years of experience in the energy sector and in controlling and compliance in the financial sector.

DION SØRENSEN
VP, HEAD OF HUMAN CAPITAL

Appointed to the Senior Management Group in September 2014.

Background
Executive Director, Group HR at Saxo Bank, founder of TalentShaper, Group HR Consultant at Maersk Group, author of several books on leadership.

HENRIK LIND
CEO

Appointed CEO in October 2016.

Background
Founder of Lind Invest, founder of Danske Commodities, founder of Lind Capital and founder of Lind Capital Fondmæglerselskab.

MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Danske Commodities A/S for the financial year 1 January – 31 December 2017.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2017 of the Group and the Parent Company and of the results of the Group and Parent Company operations as well as the consolidated cash flows for 2017.

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

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

Aarhus, 13 March 2018

EXECUTIVE BOARD

Henrik Lind
CEO

Helle Østergaard Kristiansen
CFO

BOARD OF DIRECTORS

Peter L. Ravn
Chairman

Volker Beckers
Vice Chairman

Anne Broeng

Jens-Peter Saul

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Danske Commodities A/S

OPINION
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2017, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Danske Commodities A/S for the financial year 1 January – 31 December 2017, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for 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.

STATEMENT ON MANAGEMENT'S REVIEW
Management is responsible for Management's Review.

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

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

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

Based on the work we have performed, in our view, Management's Review is in accordance with the Consolidated Financial Statements and the Parent Company Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement in Management's Review.

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS
Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

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

Aarhus, 13 March 2018

PricewaterhouseCoopers
Statsautoriseret
Revisionspartnerselskab
CVR.-no. 33 77 12 31

Henrik Kragh
State Authorised Public
Accountant
mne26783

Benny Voss
State Authorised Public
Accountant
mne15009

FINANCIAL STATEMENTS

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Danske Commodities has strengthened its core business, solidified its risk management, identified new market opportunities and improved operational efficiency. With a highly scalable business platform, the Company is well prepared to continue its path of profitable expansion.

PETER L. RAVN, CHAIRMAN OF THE BOARD

INCOME STATEMENT
1 JANUARY – 31 DECEMBER

		GROUP		PARENT	
EUR '000	Note	2017	2016	2017	2016
Revenue	2	5,471,723	3,320,551	5,477,557	3,350,725
Cost of sales	3	-5,368,284	-3,235,842	-5,379,957	-3,272,092
Gross profit		**103,439**	**84,709**	**97,600**	**78,633**
Other external expenses	3	-11,840	-12,530	-10,926	-15,361
Staff costs	3	-33,746	-34,443	-33,075	-32,156
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	3	-1,930	-3,990	-1,149	-3,157
Profit before financial income and expenses and tax (EBIT)		**55,923**	**33,746**	**52,450**	**27,959**
Share of profit in subsidiaries after tax	8	0	0	2,531	2,648
Financial income	4	6,981	3,869	7,326	4,035
Financial expenses	4	-2,585	-3,909	-2,391	-1,976
Profit before tax (EBT)		**60,319**	**33,706**	**59,916**	**32,666**
Tax on profit/loss for the year	5	-13,126	-7,701	-12,723	-6,661
Profit for the year		**47,193**	**26,005**	**47,193**	**26,005**

BALANCE SHEET AT 31 DECEMBER
ASSETS

		GROUP		PARENT	
EUR '000	Note	2017	2016	2017	2016
Software		10,415	7,358	10,415	7,354
CO2 quotas		0	0	0	0
Intangible assets	6	**10,415**	**7,358**	**10,415**	**7,354**
Land and buildings		955	1,071	0	0
Other fixtures and fittings, tools and equipment		2,604	3,198	39	92
Leasehold improvements		85	211	39	154
Property, plant and equipment	7	**3,644**	**4,480**	**78**	**246**
Investments in subsidiaries	8	0	0	9,757	8,426
Other receivables	9	301	300	284	276
Fixed asset investments		**301**	**300**	**10,041**	**8,702**
Fixed assets		**14,360**	**12,138**	**20,534**	**16,302**
Inventories	10	**10,218**	**6,726**	**10,218**	**6,726**
Trade receivables	11	154,856	102,676	131,225	81,028
Receivables from group enterprises	11	0	7	22,560	14,699
Other receivables	11, 20	70,602	62,357	56,408	39,580
Corporation tax	12	105	597	0	524
Deferred tax	12	0	194	0	194
Prepayments	13	4,053	1,802	3,790	891
Receivables		**229,616**	**167,633**	**213,983**	**136,916**
Current asset investments	14	**21,678**	**31,694**	**21,678**	**31,694**
Cash at bank and in hand		**86,090**	**72,581**	**82,215**	**66,062**
Current assets		**347,602**	**278,634**	**328,094**	**241,398**
Assets		**361,962**	**290,772**	**348,628**	**257,700**

BALANCE SHEET AT 31 DECEMBER

LIABILITIES AND EQUITY

		GROUP		PARENT	
EUR '000	Note	2017	2016	2017	2016
Share capital		498	498	498	498
Reserve for net revaluation under the equity method		0	0	7,247	5,848
Reserve for development costs		0	0	5,508	3,348
Retained earnings		91,357	71,297	78,602	62,101
Proposed dividend for the year		14,000	12,000	14,000	12,000
Equity	15	**105,855**	**83,795**	**105,855**	**83,795**
Provision for deferred tax	12	1,262	256	1,185	0
Provisions		**1,262**	**256**	**1,185**	**0**
Debt to mortgage credit institutions		118	591	0	0
Long-term debt	16	**118**	**591**	**0**	**0**
Debt to mortgage credit institutions	16	472	472	0	0
Trade payables	17	173,629	151,173	159,227	118,692
Payables to group enterprises	17	0	0	2,406	1,376
Corporation tax	12	1,430	398	1,087	0
Other payables	17	79,196	54,087	78,868	53,837
Short-term debt		**254,727**	**206,130**	**241,588**	**173,905**
Debt		**254,845**	**206,721**	**241,588**	**173,905**
Liabilities and equity		**361,962**	**290,772**	**348,628**	**257,700**

STATEMENT OF CHANGES IN EQUITY

	GROUP					
EUR '000	Share capital	Reserve under the equity method	Reserve for develop-ment costs	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2017	498	-	-	71,297	12,000	83,795
Exchange rate adjustment	0	-	-	-130	0	-130
Ordinary dividend paid	0	-	-	286	-12,000	-11,714
Extraordinary dividend paid	0	-	-	431	-10,000	-9,569
Exchange rate adjustment relating to independent foreign entities	0	-	-	-317	0	-317
Fair value adjustments of hedging instruments, beginning of year	0	-	-	98	0	98
Fair value adjustments of hedging instruments, end of year	0	-	-	390	0	390
Acquisition of company shares	0	-	-	-4,863	0	-4,863
Sale of company shares	0	-	-	972	0	972
Profit for the year	0	-	-	23,193	24,000	47,193
Equity at 31 December 2017	**498**	**-**	**-**	**91,357**	**14,000**	**105,855**

		PARENT					
EUR '000	Note	Share capital	Reserve under the equity method	Reserve for develop-ment costs	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2017		498	5,848	3,348	62,101	12,000	83,795
Exchange rate adjustment		0	0	0	-130	0	-130
Ordinary dividend paid		0	0	0	286	-12,000	-11,714
Extraordinary dividend paid		0	0	0	431	-10,000	-9,569
Exchange rate adjustment relating to independent foreign entities		0	-317	0	0	0	-317
Fair value adjustments of hedging instruments, beginning of year		0	0	0	98	0	98
Fair value adjustments of hedging instruments, end of year		0	0	0	390	0	390
Transferred to retained earnings		0	-815	0	815	0	0
Development costs for the year		0	0	2,160	-2,160	0	0
Acquisition of company shares		0	0	0	-4,863	0	-4,863
Sale of company shares		0	0	0	972	0	972
Profit for the year	18	0	2,531	0	20,662	24,000	47,193
Equity at 31 December 2017		**498**	**7,247**	**5,508**	**78,602**	**14,000**	**105,855**

CASH FLOW STATEMENT

		GROUP	
EUR '000	Note	2017	2016
Profit for the year		47,193	26,005
Adjustments	19	10,833	11,540
Change in working capital	19	-18,596	-11,103
Cash flow from operating activities before financial income and expenses		**39,430**	**26,442**
Financial income		2,497	3,869
Financial expenses		-2,585	-2,321
Cash flow from ordinary activities		**39,342**	**27,990**
Corporation tax paid		-10,512	-7,815
Cash flow from operating activities	19	**28,830**	**20,175**
Purchase of intangible assets		-4,042	-4,290
Purchase of property, plant and equipment		-130	-749
Payment of fixed asset investments		-9	-44
Repayment of fixed asset investments		7	11
Cash flow from investing activities	19	**-4,174**	**-5,072**
Repayment of debt to mortgage credit institutions		-473	-454
Acquisition of company shares		-4,863	0
Sale of company shares		972	0
Dividend paid		-21,283	-19,524
Cash flow from financing activities	19	**-25,647**	**-19,978**
Change in cash and cash equivalents		**-991**	**-4,875**
Cash and cash equivalents at 1 January		104,275	110,738
Value and exchange rate adjustments of current asset investments		4,484	-1,588
Cash and cash equivalents at 31 December		**107,768**	**104,275**
Cash and cash equivalents are specified as follows:			
Current asset investments		21,678	31,694
Cash at bank and in hand		86,090	72,581
Cash and cash equivalents at 31 December	19	**107,768**	**104,275**
Share of the Group's cash and cash equivalents provided as security for the Group's commitments	21	4,997	37,937

1 BASIS OF PREPARATION AND GENERAL POLICIES

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

BASIS OF PREPARATION

The Annual Report of Danske Commodities A/S for 2017 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from the previous year.

During 2017, it was identified that certain trades settled through one of the Company's clearing banks were presented net in revenue in the income statement in 2016. Subsequently, all trades subject to this issue have been reviewed and grossed up. This has resulted in a correction of an understatement of EUR 465 million in revenue and cost of sales in the 2016 comparative figures. The adjustment has no impact on the profit for the year for 2016, balance sheet or equity at 31 December 2016.

RECOGNITION AND MEASUREMENT

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

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

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

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

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

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

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

Basis of consolidation
The Consolidated Financial Statements comprise the Parent Company, Danske Commodities A/S, and subsidiaries in which the Parent Company directly or indirectly holds more than 50% of the votes or otherwise exercises control.

On consolidation, items of a uniform nature are combined. Elimination is made of intercompany income and expenses, shareholdings, dividends and accounts as well as of realised and unrealised profits and losses on transactions between the consolidated enterprises.

Translation policies
Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income or financial expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement; however, see the section on hedge accounting in note 20.

2 REVENUE

EUR '000	GROUP 2017	GROUP 2016	PARENT 2017	PARENT 2016
Power trade	2,942,927	1,633,299	2,948,761	1,663,473
Gas and other minerals trade	2,528,796	1,687,252	2,528,796	1,687,252
	5,471,723	**3,320,551**	**5,477,557**	**3,350,725**

ACCOUNTING POLICIES

Revenue is recognised exclusive of VAT and net of discounts relating to sales.

Revenue from the sale of goods for resale is recognised in the income statement when the sale is considered effected based on the following criteria:

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

3 COSTS

STAFF COSTS

EUR '000	GROUP 2017	GROUP 2016	PARENT 2017	PARENT 2016
Wages and salaries	31,104	32,271	30,520	30,160
Pensions	931	993	925	971
Other staff costs	1,711	1,179	1,630	1,025
	33,746	**34,443**	**33,075**	**32,156**
Including remuneration to:				
Executive Board	1,239	1,458	1,239	1,458
Board of Directors	228	245	228	245
	1,467	**1,703**	**1,467**	**1,703**
Average number of employees	**262**	**272**	**256**	**259**

As part of the remuneration to the Senior Management Group, the Company has agreed to provide share-based remuneration. The Company allots 0.1% annually of the Company's share capital as restricted shares up to a maximum of 5% of its share capital. Under the terms of the share-based remuneration to the Senior Management Group, the shares vest after a period of three years from the date of allotment. There is no self-payment from the Senior Management Group for the restricted shares.

In accordance with the Danish Financial Statements Act, the Company has not recognised share-based remuneration for the year in the financial statements.

Incentive Share Programme 2017
In 2017, the Company allotted 3,706 restricted shares each with a nominal value of DKK 1 to the Senior Management Group as part of share-based remuneration.

At 31 December 2017, a total of 7,412 restricted shares were eligible for allocation to the Senior Management Group, 3,706 at 31 December 2019 and an additional 3,706 at 31 December 2020.

3 COSTS – CONTINUED

Incentive Share Programme 2016
In 2016, the Company terminated the share-based remuneration agreement of restricted shares to the Executive Board.

7,414 restricted shares lapsed in 2016. At 31 December 2016 no restricted shares were allocated to the Executive Board.

In 2016, the Company allotted 3,706 restricted shares each with a nominal value of DKK 1 to the Senior Management Group as part of share-based remuneration.

At 31 December 2016, a total of 3,706 restricted shares were eligible for allocation to the Senior Management Group at 31 December 2019.

ACCOUNTING POLICIES

COST OF SALES
Cost of sales includes the purchase of goods for resale and transportation thereof incurred to achieve revenue for the year.

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

STAFF COSTS
Staff costs comprise wages and salaries as well as payroll expenses.

AMORTISATION, DEPRECIATION AND IMPAIRMENT LOSSES
Amortisation, depreciation and impairment losses comprise amortisation, depreciation and impairment of intangible assets and property, plant and equipment.

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

4 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

	GROUP		PARENT	
EUR '000	2017	2016	2017	2016
Interest income, group enterprises	53	82	802	654
Other financial income	6,928	3,787	6,524	3,381
	6,981	**3,869**	**7,326**	**4,035**

FINANCIAL EXPENSES

	GROUP		PARENT	
EUR '000	2017	2016	2017	2016
Interest expenses, group enterprises	0	0	18	27
Other financial expenses	2,585	3,909	2,373	1,949
	2,585	**3,909**	**2,391**	**1,976**

ACCOUNTING POLICIES

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

5 TAX ON PROFIT/LOSS FOR THE YEAR

	GROUP		PARENT	
EUR '000	2017	2016	2017	2016
Current tax for the year	12,269	8,223	11,423	7,245
Deferred tax for the year	1,166	-613	1,355	-613
Adjustment of tax relating to previous years	-343	345	-79	414
Adjustment of deferred tax relating to previous years	34	-254	24	-385
Tax on entries in equity relating to deferred tax	110	-28	110	-28
Total tax for the year	**13,236**	**7,673**	**12,833**	**6,633**
– specified as follows:				
Tax on profit/loss for the year	13,126	7,701	12,723	6,661
Tax on entries in equity	110	-28	110	-28
	13,236	**7,673**	**12,833**	**6,633**
Effective tax rate	**22.3%**	**22.6%**	**22.3%**	**22.1%**

ACCOUNTING POLICIES

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

Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

The Parent Company is jointly taxed with Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises showing profits or losses in proportion to their taxable incomes. The jointly taxed enterprises have adopted the on-account taxation scheme.

6 INTANGIBLE ASSETS

EUR '000	GROUP CO2 quotas	GROUP Software
Cost at 1 January	255	16,870
Additions for the year	0	4,042
Disposals for the year	0	-175
Cost at 31 December	255	20,737
Amortisation and impairment losses at 1 January	255	9,512
Amortisation for the year	0	985
Reversal of amortisation of disposals in the year	0	-175
Amortisation and impairment losses at 31 December	255	10,322
Carrying amount at 31 December 2017	**0**	**10,415**

EUR '000	PARENT Software
Cost at 1 January	16,740
Additions for the year	4,042
Disposals for the year	-175
Cost at 31 December	20,607
Amortisation and impairment losses at 1 January	9,386
Amortisation for the year	981
Reversal of amortisation of disposals in the year	-175
Amortisation and impairment losses at 31 December	10,192
Carrying amount at 31 December 2017	**10,415**

ACCOUNTING POLICIES

Intangible assets are measured at cost less accumulated amortisation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

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

CO2 quotas: 5 years
Software: 3-5 years

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

The carrying amounts of intangible assets are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

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

7 PROPERTY, PLANT AND EQUIPMENT

EUR '000	GROUP Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improve-ments
Cost at 1 January	1,713	9,018	2,532
Exchange rate adjustment	0	-31	-20
Additions for the year	97	29	4
Cost at 31 December	1,810	9,016	2,516
Depreciation and impairment losses at 1 January	642	5,820	2,321
Exchange rate adjustment	0	-20	-10
Depreciation for the year	213	612	120
Depreciation and impairment losses at 31 December	855	6,412	2,431
Carrying amount at 31 December 2017	**955**	**2,604**	**85**

EUR '000	PARENT Other fixtures and fittings, tools and equipment	Leasehold improve-ments
Cost at 1 January	3,776	2,447
Additions for the year	0	0
Cost at 31 December	3,776	2,447
Depreciation and impairment losses at 1 January	3,684	2,293
Depreciation for the year	53	115
Depreciation and impairment losses at 31 December	3,737	2,408
Carrying amount at 31 December 2017	**39**	**39**

ACCOUNTING POLICIES

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Cost comprises the cost of acquisition and expenses directly related to the acquisition up until the time when the asset is ready for use.

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

Buildings	15 years
Other fixtures and fittings, tools and equipment	3-15 years
Leasehold improvements	3-5 years

Carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount.

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

8 INVESTMENTS IN SUBSIDIARIES

	PARENT	
EUR '000	2017	2016
Cost at 1 January	2,578	1,671
Exchange rate adjustment	-4	8
Additions for the year	5	902
Disposal for the year	-89	-3
Cost at 31 December	2,490	2,578
Value adjustments at 1 January	5,848	3,392
Exchange rate adjustment	-317	-192
Net profit/loss for the year	2,531	2,648
Dividend	-806	0
Disposals for the year	-9	0
Value adjustments at 31 December	7,247	5,848
Investments with negative net asset value	20	0
Carrying amount at 31 December	**9,757**	**8,426**

Under Danish law, DC Generation A/S is exempt from preparing financial statements as reporting class C enterprise by virtue of Section 78A of the Danish Financial Statements Act.

In order to obtain the exemption for DC Generation A/S, the Parent Company has guaranteed the outstanding liabilities which DC Generation A/S was subject to at 31 December 2017 and until the annual report for 2018 for DC Generation A/S has been submitted.

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

In order to obtain the exemption for Danske Commodities UK Limited, the Parent Company has guaranteed the outstanding liabilities which Danske Commodities UK Limited was subject to at 31 December 2017.

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

In order to obtain the exemption for Danske Commodities Deutschland GmbH, the Parent Company has guaranteed the outstanding liabilities which Danske Commodities Deutschland GmbH was subject to at 31 December 2017 and until 31 December 2018.

8 INVESTMENTS IN SUBSIDIARIES – CONTINUED

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Danske Commodities Albania Sh.p.k.	Albania	tALL 14,000	100.00%
Danske Commodities Australia Pty Limited	Australia	tAUD 100	100.00%
Danske Commodities BH d.o.o.	Bosnia and Herzegovina	tEUR 513	100.00%
Danske Commodities d.o.o.	Croatia	tHRK 430	100.00%
DC Generation A/S	Denmark	tDKK 500	100.00%
Danske Commodities Deutschland GmbH	Germany	tEUR 25	100.00%
Danske Commodities Italia s.r.l.	Italy	tEUR 10	100.00%
Danske Commodities Kosovo SH.P.K	Kosovo	tEUR 11	100.00%
Danske Commodities DOOEL Skopje	Macedonia	tMKD 55,822	100.00%
Danske Commodities Invest d.o.o.	Serbia	tRSD 0	100.00%
Danske Commodities Serbia d.o.o.	Serbia	tRSD 54	100.00%
Danske Commodities Sweden AB	Sweden	tSEK 50	100.00%
Danske Commodities Turkey Enerji Ticaret A.Ş.	Turkey	tTRY 2,000	100.00%
Danske Commodities Ukraine LLC	Ukraine	tEUR 5	100.00%
Danske Commodities UK Limited	United Kingdom	tGBP 0	100.00%

ACCOUNTING POLICIES

SHARE OF PROFIT IN SUBSIDIARIES AFTER TAX
The item "Share of profit in subsidiaries after tax" in the income statement includes the proportionate share of the profit after tax for the year.

INVESTMENTS IN SUBSIDIARIES
Investments in subsidiaries are recognised and measured under the equity method.

The item "Investments in subsidiaries" in the balance sheet includes the proportionate ownership share of the net asset value of the enterprises calculated on the basis of the fair values of identifiable net assets at the time of acquisition.

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

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

9 OTHER FIXED ASSET INVESTMENTS

	GROUP	PARENT
EUR '000	Other receivables	Other receivables
Cost at 1 January	300	276
Exchange rate adjustment	-1	0
Additions for the year	9	9
Disposals for the year	-7	-1
Cost at 31 December	301	284
Carrying amount at 31 December 2017	**301**	**284**

10 INVENTORIES

The cost of goods for resale equals the cost of acquisition. Inventories comprise gas inventory.

ACCOUNTING POLICIES

Inventories are measured at the lower of cost according to weighted average and net realisable value. The net realisable value of inventories is calculated at the amount expected to be generated by sale in the process of normal operations less selling expenses. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales.

11 RECEIVABLES

OTHER RECEIVABLES

	GROUP		PARENT	
EUR '000	2017	2016	2017	2016
Fair value of financial transactions, net	9,439	12,398	9,439	12,398
Deposits related to trading	48,915	22,966	45,610	19,460
Other receivables	12,248	26,993	1,359	7,722
	70,602	**62,357**	**56,408**	**39,580**

ACCOUNTING POLICIES

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Receivables and debts with the same counterparty that are settled on a net basis are presented as such in the balance sheet. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

12 CURRENT AND DEFERRED TAX

DEFERRED TAX

	GROUP	PARENT
EUR '000	2017	2017
Deferred tax at 1 January	62	-194
Deferred tax recognised in profit for the year	1,200	1,379
Deferred tax at 31 December	**1,262**	**1,185**
– recognised in the balance sheet as follows:		
Provision for deferred tax	1,262	1,185
	1,262	**1,185**

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

ACCOUNTING POLICIES

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

DEFERRED TAX ASSETS AND LIABILITIES
Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

Deferred tax assets and liabilities are offset within the same legal tax entity.

13 PREPAYMENTS

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

ACCOUNTING POLICIES

Prepayments comprise prepaid expenses concerning subsequent financial years.

14 CURRENT ASSET INVESTMENTS

Current asset investments consist of listed bonds and shares.

ACCOUNTING POLICIES

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

15 EQUITY

SHARE CAPITAL

The share capital consists of 3,706,823 shares of a nominal value of DKK 1. All shares rank equally.

In 2017, the Company acquired 89,422 company shares at a price of DKK 36 million (EUR 5 million) for the purpose of option programmes for the Senior Management Group. In 2017 the Company sold 17,881 company shares at a price of DKK 7 million (EUR 1 million). At 31 December 2017 the Company held 159,886 company shares of a nominal value of DKK 1 each. The Company's holding of company shares accounted for 4.31% of the total share capital corresponding to nominal value of DKK 159,886.

ACCOUNTING POLICIES

Dividend distribution proposed by Management for the year is disclosed as a separate line item in equity.

16 LONG-TERM DEBT

EUR '000	GROUP 2017	GROUP 2016
The debt falls due as follows:		
Debt to mortgage credit institutions		
> 5 years	0	0
1-5 years	118	591
Long-term share	118	591
0-1 year	472	472
	590	**1,063**

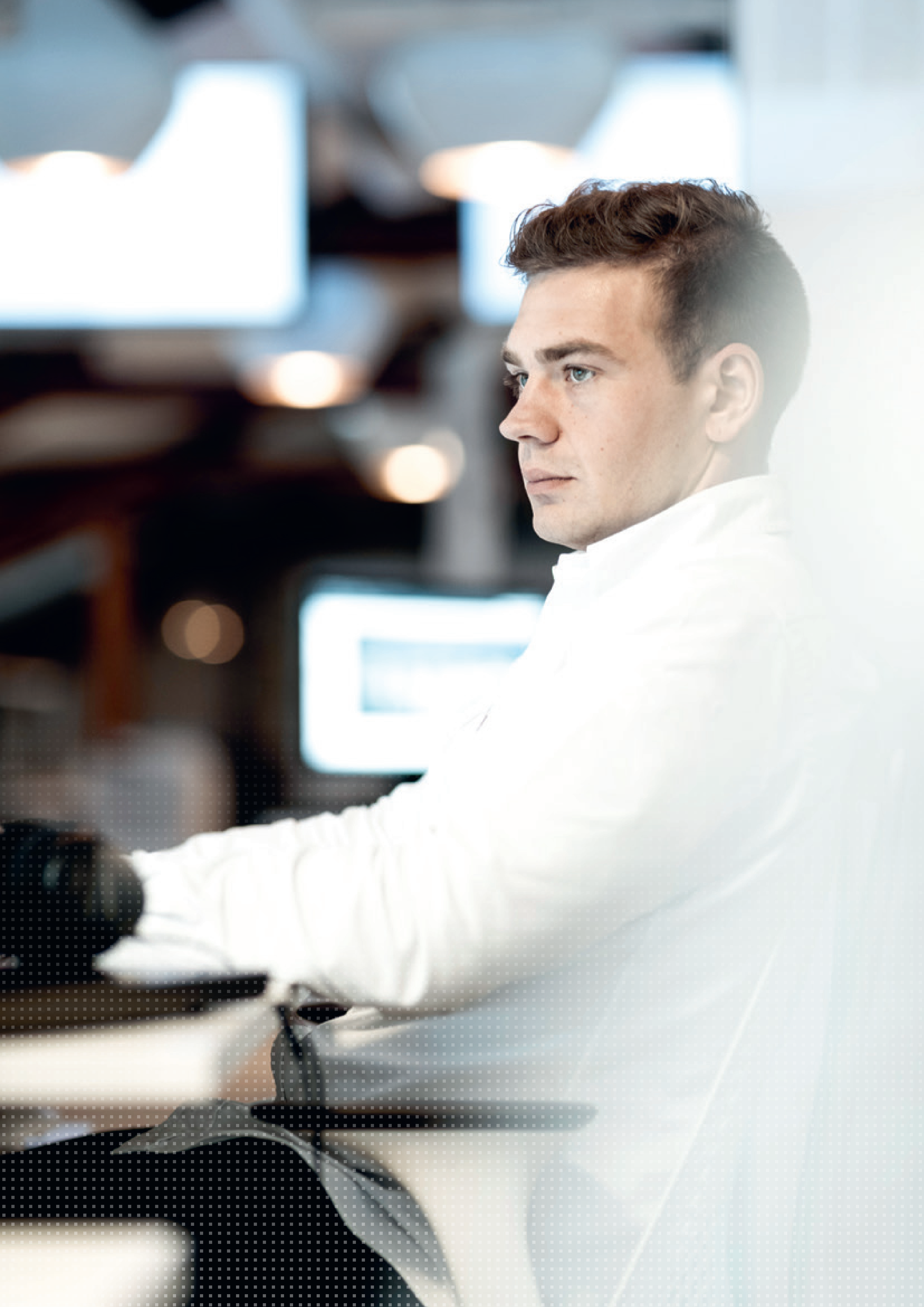
17 SHORT-TERM DEBT

OTHER PAYABLES

EUR '000	GROUP 2017	GROUP 2016	PARENT 2017	PARENT 2016
Deposits received	6,522	2,842	6,522	2,842
Staff obligations	9,860	8,838	9,818	8,613
VAT, taxes and other public payables	61,312	42,407	61,096	42,382
Other payables	1,502	0	1,432	0
	79,196	**54,087**	**78,868**	**53,837**

ACCOUNTING POLICIES

Other debts are measured at amortised cost, substantially corresponding to nominal value. Debts and receivables with the same counterparty that are settled on a net basis are presented as such in the balance sheet.



18 PROPOSED DISTRIBUTION OF PROFIT

EUR '000	PARENT 2017	PARENT 2016
Proposed dividend for the year	14,000	12,000
Extraordinary dividend paid out in the year	10,000	12,000
Reserve for net revaluation under the equity method	2,531	2,648
Retained earnings	20,662	-643
	47,193	**26,005**

19 CASH FLOW

CASH FLOW STATEMENT – ADJUSTMENTS

EUR '000	GROUP 2017	GROUP 2016
Financial income	-6,981	-3,869
Financial expenses	2,585	3,909
Amortisation, depreciation and impairment losses incl. losses and gains on sale	1,930	3,990
Hedging contracts	625	-404
Tax on profit/loss for the year	13,126	7,701
Exchange rate adjustments	-452	213
	10,833	**11,540**

CASH FLOW STATEMENT – CHANGE IN WORKING CAPITAL

EUR '000	GROUP 2017	GROUP 2016
Change in inventories	-3,492	4,471
Change in receivables	-62,669	-28,956
Change in payables	47,565	13,382
	-18,596	**-11,103**

19 CASH FLOW – CONTINUED

ACCOUNTING POLICIES

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

CASH FLOWS FROM OPERATING ACTIVITIES
Cash flows from operating activities are calculated as the net profit/loss for the year adjusted for changes in working capital and non-cash operating items such as depreciation, amortisation and impairment losses, and provisions.
Working capital comprises current assets less short-term debt excluding items included in cash and cash equivalents.

CASH FLOWS FROM INVESTING ACTIVITIES
Cash flows from investing activities comprise cash flows from acquisitions and disposals of intangible assets, property, plant and equipment as well as fixed asset investments.

CASH FLOWS FROM FINANCING ACTIVITIES
Cash flows from financing activities comprise cash flows from the raising and repayment of long-term debt as well as payments to and from shareholders.

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

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

20 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASURES

Financial risks in Danske Commodities affecting financial instruments are primarily market risks and credit risk. For more information about risk management in general, refer to the Risk Management section on pages 28-31.

As commodity exchanges generally settle fair values on a daily basis, Danske Commodities considers its exposure to commodity exchanges to be insignificant. In addition, the remaining fair value exposure is to a large extent covered by credit insurance.

	GROUP		PARENT	
EUR '000	2017	2016	2017	2016
Fair value of financial transactions, asset	306,707	287,241	306,707	287,241
Fair value of financial transactions, liability	-297,268	-274,843	-297,268	-274,843
Fair value of financial transactions, net	**9,439**	**12,398**	**9,439**	**12,398**

	GROUP		PARENT	
EUR '000	Fair value of financial transactions – assets	Fair value of financial transactions – liability	Fair value of financial transactions – assets	Fair value of financial transactions – liability
Commodity exchanges	240,086	234,696	240,086	234,696
Other	66,621	62,572	66,621	62,572
Total at 31 December 2017	**306,707**	**297,268**	**306,707**	**297,268**

20 DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASURES – CONTINUED

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

The risk related to fluctuations in energy prices and volumes are monitored and hedged in accordance with the policies and mandates assigned by the Risk Management function. Positions are only allowed within given mandates. The hedged positions account for a significant part of the derivatives' fair value. At 31 December 2017 power derivatives from the trading portfolio, customer business and hedging thereof amounted to a net receivable of EUR 8.3 million. Derivatives regarding power capacities amounted to a net receivable of EUR 0.7 million at 31 December 2017. The traded gross volumes of these derivatives were 131.3 TWh for power derivatives and 14.4 TWh for power capacities.

The other key risk factor, exchange rate fluctuations, is not deemed to be a part of the core business of Danske Commodities. The risk is mitigated and hedged by the Treasury function on a daily basis in accordance with the hedging strategy approved by the Board of Directors. The risk relates to a wide range of currencies to which the daily commercial business is exposed. At the end of 2017, the fair value of foreign exchange forward contracts amounted to EUR 0.4 million. The foreign exchange forward contracts had been entered into for the purpose of hedging future cash flows in a range of currencies, primarily GBP, RON and TRY. The hedging activity related to these can be specified as follows:

- Hedging of future net cash inflows in GBP was GBP 89.8 million. The GBP forward contracts have a duration of one to two months.
- Hedging of future net cash inflows in RON amounted to RON 4.4 million. The RON forward contracts have a duration of one to two months.
- Hedging of future net cash inflows in TRY was TRY 4.0 million. The TRY forward contracts have a duration of one to two months.

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

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

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

The credit risk affecting the derivative financial instruments measured at fair value are considered minimal.

Fair value measurement
Financial instruments measured and held at fair value in the balance sheet are as a main rule measured based on prices in an active market.

For some derivatives, measurement cannot be based on prices in an active market or on observable data. Such derivatives are measured by way of internal models with a valuation technique using non-observable data. Derivatives measured using non-observable data are:

- Power capacities
  - Capacities are recognised at their intrinsic value given by the spread between the two borders, less option premiums and capped at the capacity cost.
- Power derivatives traded in very illiquid and/or not quoted markets
  - Derivatives are recognised using internal models where main inputs relate to deriving expected future commodity prices.

The valuation process of the derivatives includes input from relevant stakeholders of Danske Commodities, and the final valuation is verified and approved by the Risk Management function.

ACCOUNTING POLICIES

DERIVATIVE FINANCIAL INSTRUMENTS
Derivative financial instruments are initially recognised in the balance sheet at cost and are subsequently remeasured at their fair values. Positive and negative fair values of derivative financial instruments are classified as "Other receivables" and "Other payables", respectively. Derivative financial instruments with positive fair values are offset against derivative financial instruments with negative fair values when settled on a net basis.

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

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

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

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

21 SECURITY AND OTHER FINANCIAL OBLIGATIONS

	GROUP	PARENT
EUR '000	2017	2017
Security		
The following assets have been placed as security for debt to mortgage credit institutions:		
Buildings with a carrying amount of	955	0
Other fixtures, fittings, tools and equipment with a carrying amount of	2,548	0
The following assets have been placed as security for debt to banks:		
Mortgages registered to the mortgagor totalling DKK 4 million, security in buildings and other property, plant and equipment at a total carrying amount of	3,503	0
The following assets have been placed as security for guarantee limits with banks:		
Cash at bank and in hand with a carrying amount of	4,997	4,997
Deposits related to trading with a carrying amount of	1,710	1,710
Other financial obligations		
The Parent Company has provided guarantees toward counterparties of subsidiaries, which at the balance sheet date amounted to	-	127,248
Furthermore, the Parent Company has provided unlimited guarantees toward counterparties of subsidiaries.		
The Parent Company has provided guarantees for payment toward banks of subsidiaries, which at the balance sheet date amounted to	-	9,190
The Company has entered into contracts on operating leases with a period of non-terminability of up to 40 months.		
The lease obligation relating to operating leases fall due:		
0-1 year	1,697	1,628
1-5 years	341	336
> 5 years	0	0

The Parent Company has guaranteed the outstanding liabilities which Danske Commodities UK Limited was subject to at 31 December 2017 and the outstanding liabilities which DC Generation A/S was subject to at 31 December 2017 and until the annual report for 2018 for DC Generation A/S has been submitted. Moreover, the Parent Company has guaranteed the outstanding liabilities which Danske Commodities Deutschland GmbH was subject to at 31 December 2017 and until 31 December 2018, cf. note 8 to the Financial Statements.

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

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

22 OWNERSHIP AND RELATED PARTIES

Control
Lind Invest ApS (Parent Company)

The Company is included in the Consolidated Financial Statements of the Parent Company.

The consolidated financial statements of Lind Invest ApS can be obtained at the following address: Vaerkmestergade 25, 14., DK-8000 Aarhus C

Other related parties
Other related parties comprise the management of Lind Invest ApS as well as the Board of Directors, Executive Board and Senior Management Group of the Company, together with their immediate families. Furthermore, related parties include companies in which Lind Invest ApS and the aforementioned individuals have significant influence or control.

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

Ownership
The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

- Lind Invest ApS, Vaerkmestergade 25, 14., DK-8000 Aarhus C
- Danske Share ApS, Vaerkmestergade 25, 14., DK-8000 Aarhus C
- Danske Share II ApS, Vaerkmestergade 25, 14., DK-8000 Aarhus C

23 EVENTS AFTER THE BALANCE SHEET DATE

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

24 EXPLANATION OF FINANCIAL RATIOS

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

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

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

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

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

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

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

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

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

MARKET ACCESS

Year	COUNTRY OVERVIEW	POWER GRIDS*
2004	Denmark Germany	ENERGINET (DK1, DK2) 50HERTZ, AMPRION, TRANSNET-BW, TENNET-DE
2006	France Italy Spain Luxembourg Netherlands	RTE TERNA (IT1, IT2, IT3, IT4, IT5, IT6) REE CREOS TENNET-NL
2007	Austria Switzerland Czech Republic	APG SWISSGRID CEPS
2008	Belgium Greece Slovenia	ELIA IPTO (ADMIE) ELES
2009	United Kingdom Sweden Finland Norway	NATIONAL GRID SVENSKE KRAFTNÄT (SE1, SE2, SE3, SE4) FINGRID STATNETT (NO1, NO2, NO3, NO4, NO5)
2010	Hungary	MAVIR
2011	Romania Serbia Bulgaria Slovakia Macedonia Portugal Croatia Montenegro Poland	TRANSELECTRICA EMS ESO SEPS MEPSO REN HOPS CGES PSE
2012	Ukraine Turkey Albania Ireland	UKRENERGO TEIAS OST EIRGRID
2013	Kosovo Bosnia and Herzegovina	KOSTT NOS BIH
2015	Lithuania Estonia Latvia	LITGRID ELERING AUGSTSPRIEGUMA H
2016		
2017	Georgia	GEORGIAN TRANSMISSION

Year	COUNTRY OVERVIEW	GAS HUBS*
2004		
2006		
2007		
2008		
2009	Denmark Germany	GTF GSPL, NCG, GSPL-L, NCG-L
2010	Czech Republic	CZ VTP
2011	Slovakia Austria France Netherlands	SK VTP CEGH PEG-N, TRS TTF
2012	Italy Poland Belgium	PSV PL VTP ZTP, ZEE, ZTP-L
2013	Hungary United Kingdom Switzerland	MGP NBP SWISSGAS
2015	Slovenia	PLINOVODI
2016	Spain Luxembourg	PVB CREOS
2017	Ireland Ukraine	IBP UKRTRANSGAZ

*Danske Commodities' market access as of 2017

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BOSNIA AND HERZEGOVINA

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10 000 Zagreb
CROATIA

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SERBIA

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

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

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

WE CHALLENGE. WE COMPETE. AND THEN WE REPEAT.

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