Annual report

a most unusual year 2020

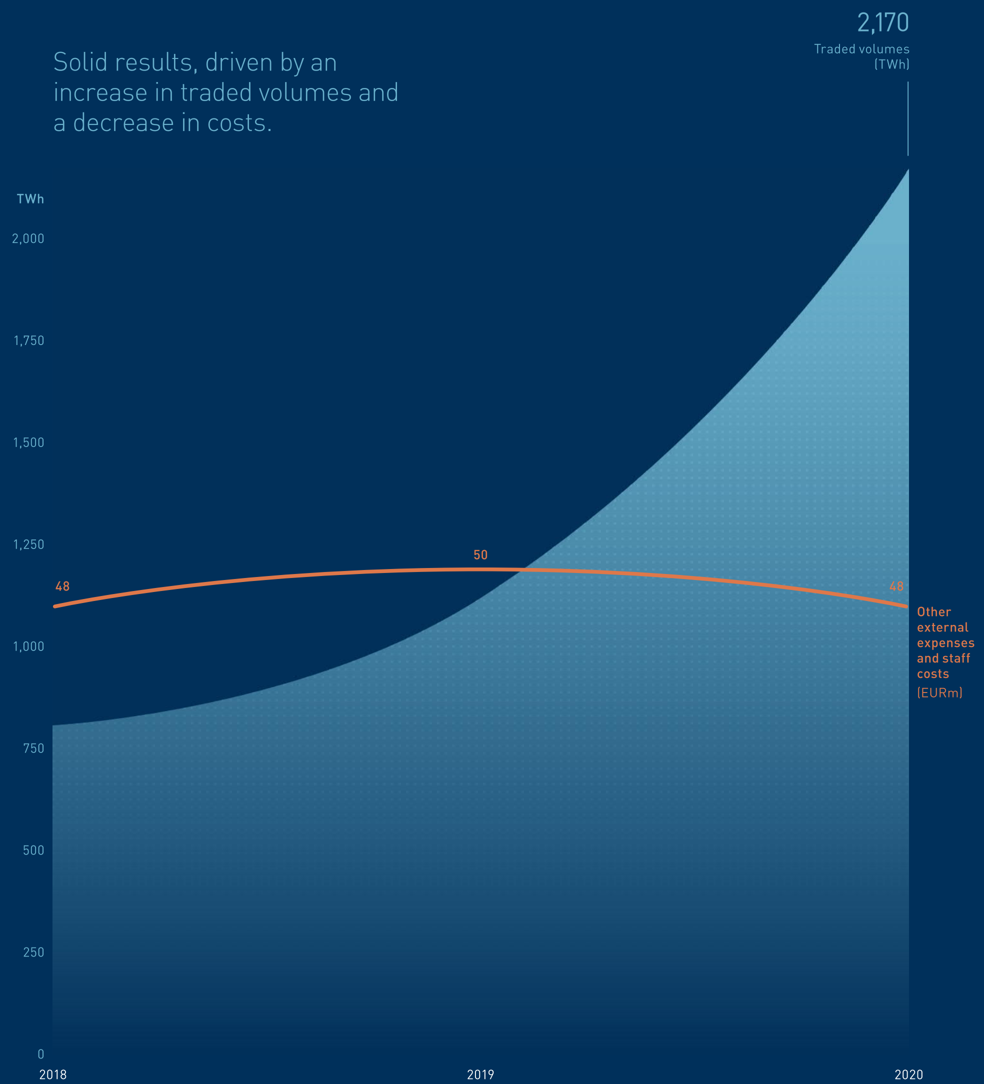
Danske Commodities

44.3
ADJUSTED EBIT*
EURm

162.3
CASH
EURm

332.4
EQUITY
EURm

Solid results, driven by an increase in traded volumes and a decrease in costs.



* Further explanation of performance-adjusted measures is outlined on page 19.

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BUSINESS GROWTH AND SOLID PERFORMANCE IN AN UNUSUAL YEAR

In 2020, Danske Commodities grew its business and delivered a solid financial performance while navigating through the Covid-19 pandemic, reporting adjusted EBIT of 44.3 million (IFRS EBIT 54.3m).

2020 has been an unusual year for all of us. As an energy trading company, Danske Commodities builds its business on an in-depth knowledge of production and consumption of energy. We map out trading strategies based on complex analyses of all the factors that drive energy prices, but in 2020, it is safe to say that our analyses were put to the test. Consumption patterns changed suddenly as societies went into lockdown, industries shut down and people started working from home. Consequently, our traders and analysts had to adjust their pricing models to find out how these unprecedented events affected the energy markets.

Navigating through these market changes while keeping our people safe was the main focus for Danske Commodities in 2020. At the same time, I am proud to say that we kept earnings stable and continued to onboard new and bigger business.

SOLID RESULTS ON LEVEL WITH LAST YEAR

Overcoming tough trading conditions and unpredictable energy markets, Danske Commodities presents a solid financial performance with adjusted EBIT of EUR 44.3 million in 2020 (IFRS EBIT 54.3m). Driven by our scalable business model, we grew traded volumes by 94% to 2,170 TWh, resulting in an 18% increase in gross turnover while keeping costs stable. The amplified commercial activities were also reflected in a 60% increase in the balance sheet total to EUR 1.232 million at the end of 2020. Danske Commodities has the necessary financial strength to support growth of this magnitude as available cash in 2020 more than doubled to EUR 162.3 million combined with equity of EUR 332.4 million.

Like many other market participants, Danske Commodities had to navigate through rapid changes in consumption patterns while safeguarding our people and daily operations. And we succeeded. We grew our business, maintained a stable cost level and kept up the pace, delivering earnings on a level with last year despite the serious impact of Covid-19.

BUSINESS GROWTH WITH EQUINOR IN OUR CORNER

In 2020, Danske Commodities continued executing on the strategic ambition to develop a more diversified business with additional income streams. When we became part of Equinor in 2019, we began the process of harvesting commercial synergies. That work continued in 2020:

- In March, Danske Commodities became responsible for the physical power supply and balancing of Equinor's onshore and offshore assets in Norway, contributing to the electrification of Equinor's Norwegian asset portfolio.
- In April, Danske Commodities completed the onboarding of Equinor's downstream gas storage portfolio of 20 TWh. With the transfer, Equinor placed its short-term opportunistic gas trading in Danske Commodities, unlocking new growth opportunities within flexibility trading in European markets.
- In June, Danske Commodities received a Baa1-rating from one of the world's biggest rating agencies, Moody's Investor Service. The Baa1-rating is two notches above investment grade and will support our continued growth.
- In August, Danske Commodities signed a 15-year power purchase agreement (PPA) for 480 MW with the partly Equinor-owned project Dogger Bank, which is set to become the world's largest offshore wind farm.

As the commercial synergies continue to materialise, they firmly underline the strength of the cooperation between Equinor and Danske Commodities and our shared ambition to drive the energy transition forward.

TAKING AUTOMATION TO THE NEXT LEVEL

Scalability is a key factor for continued growth in energy markets which have become increasingly competitive in recent years. A look at the number of daily trades carried out by Danske Commodities is a good indicator of the need for a scalable business model: in 2018, the average number of trades per day was 3,750. In 2019, it rose to an average of 5,780 trades per day. And in 2020, we completed an average of 8,500 trades per day – some days we even exceeded 20,000 trades. Over the past three years, the average number of daily trades has increased by 127%.

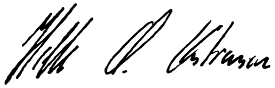
Growing our number of trades is possible because of an intensive focus on digitalisation across the entire value chain. The use of automated solutions such as machine learning, algorithms and robotics from front to back office plays an increasingly important role at Danske Commodities, and it will continue to do so in the future.

OUR PEOPLE ARE OUR ENERGY

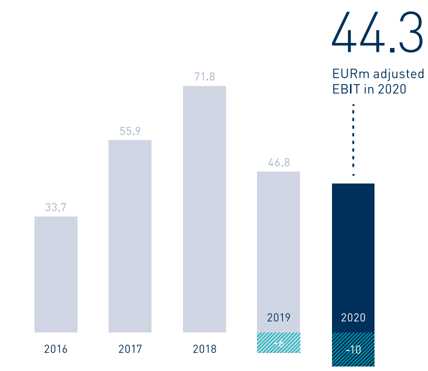
Working life as we know it was turned upside down in 2020. As societies went into lockdown in the countries where we have our offices, we had to establish trading stations with up to eight screens in people's living rooms and kitchens. Our people have worked from home for long periods of time, and some have had to juggle home schooling their children while taking care of their jobs. I have been extremely impressed by the adaptability and enthusiasm shown by the people of Danske Commodities in these unusual times, and it is with pride that I say we achieved the highest satisfaction and motivation scores ever measured at Danske Commodities in this year's employee satisfaction survey.

2021: FINISH STRONG

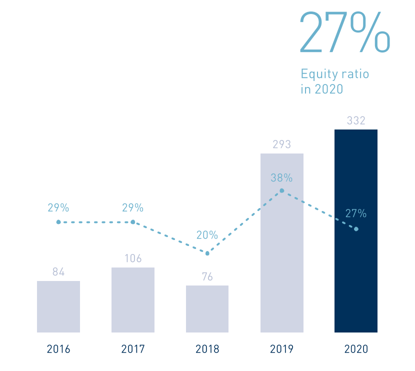
2021 marks the final year of our current three-year corporate strategy, LEVEL UP. When we kicked off the strategy in 2018, our ambition was to grow our business, successfully harvest the commercial synergies with Equinor, establish global trading activities, increase our share of automated trading and be the most attractive workplace in energy trading. Now, we are well on our way to reaching these goals, and as we enter the final year of the strategy, we turn our focus towards the final sprint. In the coming year, our aim is to optimise the value of what we have built over the past two years, cementing that Danske Commodities has truly levelled up.



HIGHLIGHTS OF THE YEAR



ADJUSTED EBIT (EURm)*



EQUITY (EURm) ···· Equity ratio

In an unusual year, Danske Commodities delivered solid financial results with adjusted EBIT of EUR 44.3 million (IFRS EBIT 54.3m). Despite energy markets and ways of working seriously affected by the Covid-19 pandemic, earnings for 2020 were stable and on a level with the previous year. Stable earnings in unpredictable markets demonstrated Danske Commodities' adaptability when market fundamentals change.

In 2020, the world was hit by a pandemic and subsequent national lockdowns. For energy markets, this meant significant changes to consumption patterns. Normally, consumption can be forecasted based on historical patterns and seasonal swings; however, the lockdowns caused an unprecedented decrease in consumption and introduced new consumption patterns across energy markets.

Though Danske Commodities' business was negatively affected by the pandemic, earnings remained stable with adjusted EBIT of EUR 44.3 million on a level with earnings in 2019 (IFRS EBIT 54.3m).

Trading income and other operating revenue remained stable from 2019 to 2020. The impact from the increase in traded volumes was offset by decreasing trading margins and falling commodity prices and the unexpected Covid-19 pandemic affected profitability negatively when market fundamentals changed.

As in previous years, the importance of scalability was cemented in 2020. The trend of increased traded volumes and suppressed margins in the energy markets continued and was reflected in adjusted gross profit at EUR 96.3 million (IFRS gross profit 126.4m) being slightly lower than 2019. In spite of the significant increase in trading activity, Danske Commodities managed to keep both staff costs and other external expenses stable and adjusted EBIT amounted to EUR 44.3 million in 2020 (IFRS EBIT 54.3m). This underlines that the Company's ability to grow traded volumes without significantly increasing costs is more important than ever.

The rise in commercial activities was also reflected by the 60% increase in the balance sheet total to EUR 1,232 million at the end of 2020. Available cash amounted to EUR 162.3 million which was EUR 102 million higher and more than double the 2019 figure. Combined with a solid equity ratio at 27.0%, Danske Commodities has the foundation to bear the increased activity measured by traded volumes and related risks.

Stable earnings in an unusual year yet again demonstrated Danske Commodities' adaptability and proved the scalability of the Company's business model. Moving forward from the restraints of the pandemic, Danske Commodities is well-positioned to continue its growth journey.

FINANCIAL HIGHLIGHTS AND RATIOS

PERFORMANCE-ADJUSTED MEASURES EUR '000	2020	2019
Gross turnover	11,844,042	10,046,074
Adjusted gross profit	96,292	101,265
Adjusted EBIT	44,322	46,805

* Further explanation of performance-adjusted measures is outlined on page 19.

GROUP FIGURES EUR '000	2020	2019	2018**	2017**	2016**
Income statement					
Trading income and revenue	791,683	791,474	9,376,686	5,741,723	3,320,551
Gross profit	126,402	110,178	123,472	103,439	84,709
Profit before financial income and expenses and tax (EBIT)	54,312	52,559	71,826	55,923	33,746
Net financials	-2,959	-1,538	-233	4,396	-40
Profit before tax (EBT)	51,353	51,021	71,593	60,319	33,706
Profit for the year	40,207	39,786	55,967	47,193	26,005
Balance sheet					
Balance sheet total	1,231,814	770,564	373,271	361,962	290,772
Equity	332,393	292,711	76,235	105,855	83,795
Cash flow statement					
Cash flow from operating activities	122,531	-75,812	50,490	28,830	20,175
Cash flow from investing activities	-20,928	-91,899	-4,691	-4,174	-5,072
– hereof investments in intangible assets	-21,725	-93,656	-1,303	-4,042	-4,290
Free cash flow	101,603	-167,771	45,799	24,656	15,103
Cash flow from financing activities	0	178,471	-85,634	-25,647	-19,978
Change in cash and cash equivalents for the year	101,603	10,760	-39,835	-991	-4,875
Cash and cash equivalents	162,348	60,745	69,545	107,768	104,275
Ratios in %					
Scalability	43.0%	47.7%	58.2%	54.1%	39.8%
Return on capital employed	16.5%	27.5%	77.1%	57.5%	40.8%
Equity ratio	27.0%	38.0%	20.4%	29.2%	28.8%
Return on equity	12.9%	21.6%	61.5%	49.8%	32.2%
Average number of employees	319	281	267	262	272
Number of employees end of year	355	317	295	290	279

The ratios have been prepared in accordance with the definitions set out in note 8.7 to the Consolidated Financial Statements.

** Due to a change in accounting principles from Danish GAAP to IFRS, key figures and ratios from 2016-2018 is not comparable with figures from 2019-2020. Restatement of comparison figures 2016-2018 would not affect gross profit but mainly impact Trading income and revenue as well as balance sheet total.

A TECH-DRIVEN ENERGY TRADING COMPANY

Our customers benefit from individual solutions, trading expertise and state-of-the-art IT systems.

Danske Commodities has built a successful business on trading power and gas across borders. The Company's trading activities cover time-delimited markets from forward to day-ahead and intraday. Using comprehensive data sets, analytical capabilities, automation and in-depth market knowledge, Danske Commodities turns data into knowledge and knowledge into business.

Every day, the Company uses its market expertise, broad market footprint and 24-hour trading setup to support customers through tailor-made services for renewables producers, conventional assets and energy suppliers.

RESOURCES

DATA
Weather, market, price, consumption and capacity data

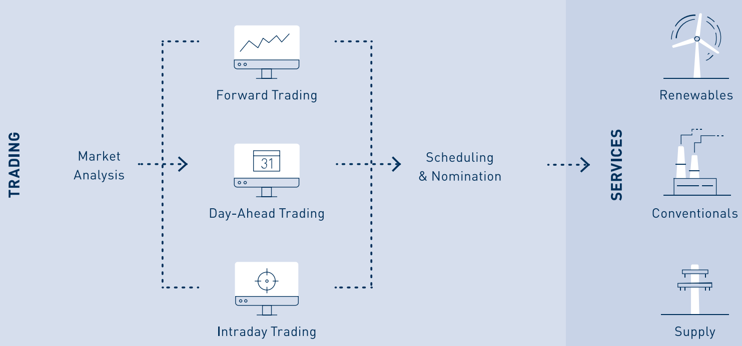
RISK MGMT.
Mature risk management setup and top-tier ETRM system

PEOPLE
High performing energy market specialists

TECHNOLOGY
Trading tools, IT infrastructure and risk management systems

FINANCIALS
Proven record with solid equity ratio and high liquidity

CORE BUSINESS



VALUE CREATED

KNOWLEDGE
Competence building and expertise

MARKET
Competitive prices and market efficiency

SOCIETY
Job creation and tax contributions

ENVIRONMENT
Reduced carbon emissions

FINANCIAL
Risk management for customers

TRADING

FORWARD MARKET

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

DAY-AHEAD MARKET

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

INTRADAY MARKET

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

SERVICES

RENEWABLES

- Management of a contract portfolio of +5,700 MW
- Power purchase agreements (PPAs) on both standard and individually structured terms
- Production management and balancing (forecasting, scheduling and reporting) with 24/7 market access
- Tailor-made hedging services
- Trading in all relevant renewable energy certificates such as GOOs, El-certs, ROCs and REGOs
- Participation in the market for ancillary services

CONVENTIONALS

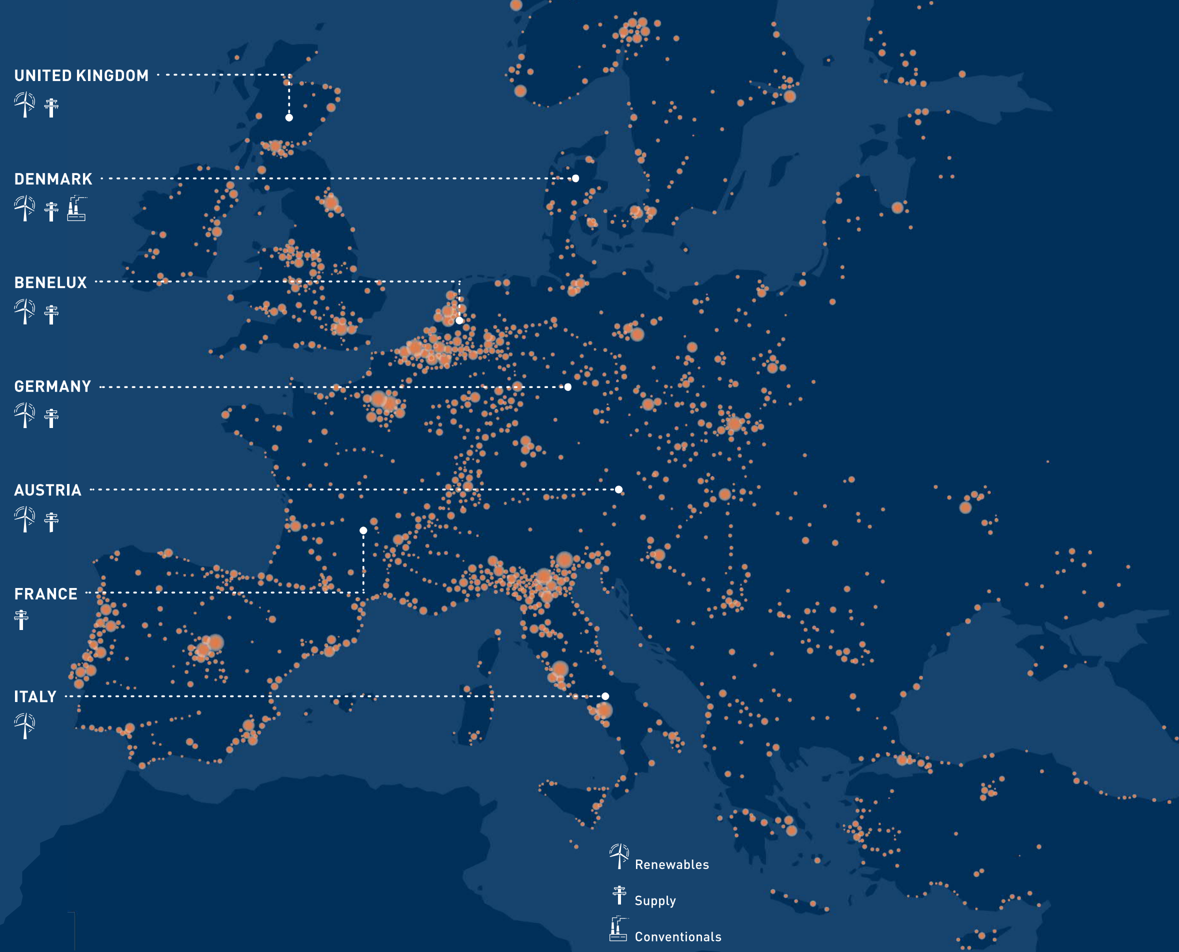
- Management of a portfolio of +1,100 MW
- Production management and balancing (forecasting, scheduling and reporting)
- Production optimisation of heat and power
- Hedging of fuels, subsidies and output (e.g. gas-to-power contracts)
- Trading of relevant emission certificates such as EUAs
- Participation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

SUPPLY

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

BRINGING ENERGY TO WHERE IT IS NEEDED MOST

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



39
active power markets

23
active gas markets

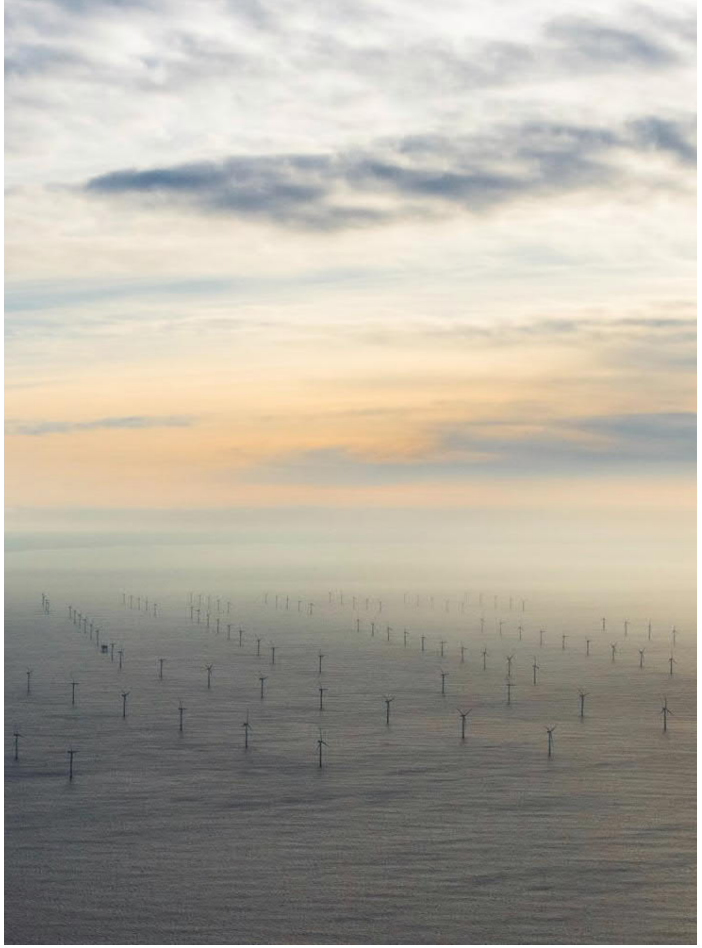
738 TWh
power traded in 2020

1,432 TWh
gas traded in 2020

ACTIVE ON 29 EXCHANGES

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

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



INSIGHT

PARTNERING UP WITH THE WORLD'S LARGEST OFFSHORE WIND FARM

In 2020, Danske Commodities signed a 15-year power purchase agreement (PPA) with the world's largest offshore wind farm, Dogger Bank. Projects like Dogger Bank are crucial to the green transition and we need to install even more renewable energy to meet the climate challenges. But to do so, the projects must also be commercially viable. Here, Head of Origination Marco Verspuij explains how Danske Commodities helps turn renewables into a profitable business.

Dogger Bank Wind Farm is owned by Equinor, SSE Renewables and Eni, and is located 130 km off the coast of Yorkshire in the UK. With a total capacity of 3.6 GW, Dogger Bank is set to become the world's largest offshore windfarm and will provide six million British households with renewable electricity.

The Dogger Bank wind farm consists of three phases; Dogger Bank A, Dogger Bank B and Dogger Bank C. Each phase accounts for 1.2 GW of the farm's total capacity of 3.6 GW. Under the PPA, Danske Commodities will offtake 480 MW power from the first two phases, Dogger Bank A and Dogger Bank B.

BALANCING ONE OF THE MOST VOLATILE COMMODITIES

Renewable energy sources like wind and solar are among the world's most volatile commodities. Why? Simply because you can't control the weather. The influx of renewables in the energy mix means intermittent power generation, but the world cannot function without energy on days with no sunshine and no wind blowing. At the same time, climate change and policy makers call for a phase-out of conventional energy and demand more clean energy.

Danske Commodities helps balance energy grids across markets and move renewable energy from where there is more than needed to where it is needed most. By making the production and distribution of renewable energy efficient, we help make sure that renewable projects like Dogger Bank succeed.

RENEWABLE ENERGY MUST BE COMMERCIALLY VIABLE

To succeed with the green energy transition, the world needs more renewable energy sources. But installing substantial volumes of renewable energy requires large investments – and for investors to make those investments, you need a commercially viable business case. Danske Commodities helps turn renewables into a profitable business by optimising the value of the production. Leveraging our expertise within production and price forecasting, we trade the production from renewable assets in 39 markets, making sure energy systems are balanced and the value of the production is maximised.

When renewable energy is able to compete with conventional energy sources on market terms, more renewable projects like Dogger Bank will be developed – and we are one step closer to succeeding with the green transition.

About Marco Verspuij

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

NEW BUSINESS UNLOCKS NEW OPPORTUNITIES

In 2020, Danske Commodities set out to execute the second year of its ambitious three-year corporate strategy, 'LEVEL UP'. The strategy aims to advance the Company to the next level of energy trading by combining size and speed.

FEBRUARY: GLOBAL TRADING UNIT ESTABLISHED
Danske Commodities established a new unit for global trading to support its growth ambitions outside Europe. With trading activities in Australia and in the US through the Equinor-owned company Danske Commodities US LLC, the Company is looking at new markets in South America. Through this new commercial unit dedicated to global trading and market development, Danske Commodities is expanding its business model on a global scale.

APRIL: ONBOARDING OF EQUINOR'S DOWNSTREAM GAS STORAGES COMPLETED
In 2020, Danske Commodities completed the onboarding of Equinor's sizeable downstream gas storage portfolio of 20 TWh. In combination with existing assets, the Company has now built a well-balanced portfolio of seasonal and fast-cycle storages in markets across Europe with various maturities.

JUNE: BAA1 CREDIT RATING FROM MOODY'S RECEIVED
Backed by the financial strength of Equinor, Danske Commodities received a Baa1-rating from the international credit rating agency Moody's Investor Service. The strong credit rating represents a forward-looking statement about the creditworthiness and credit risk of Danske Commodities in meeting its financial obligations – and it will support the future growth of the Company.

AUGUST: PPA SIGNED WITH WORLD'S LARGEST OFFSHORE WIND FARM
Building on a successful PPA business, the Company entered into a long-term balancing PPA with the world's largest offshore wind farm, Dogger Bank. Danske Commodities will be responsible for balancing and trading 480 MW from the first two stages of the project. Expanding the Company's renewables portfolio means more flexibility and more opportunities to trade around.

DECEMBER: LEVEL OF AUTOMATION INCREASED
Danske Commodities' share of trades handled by algorithmic trading solutions increased significantly in 2020. Algos help isolate patterns and utilise the vast amounts of information available. This enables the Company to make better and faster trading decisions. By harvesting the full potential of automation, the Company reached an average of 8,500 daily trades in 2020 – an increase of 47% compared to 2019. During peak days, total trades per day even exceeded 20,000.

2021: FINISH STRONG
In 2021, Danske Commodities will embark on the third and final year of LEVEL UP. So far, the Company has succeeded in adding new value pools, implementing huge IT projects and onboarding major commercial synergies from Equinor. In the final year of the current strategy period, Danske Commodities will increase its focus on maximising value creation from its core activities and joint business with Equinor.

> Backed by the financial strength of Equinor, Danske Commodities received a Baa1-rating from Moody's.

OUR COMMERCIAL QUESTS AND ENABLERS

QUESTS

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

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

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

ENABLERS

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

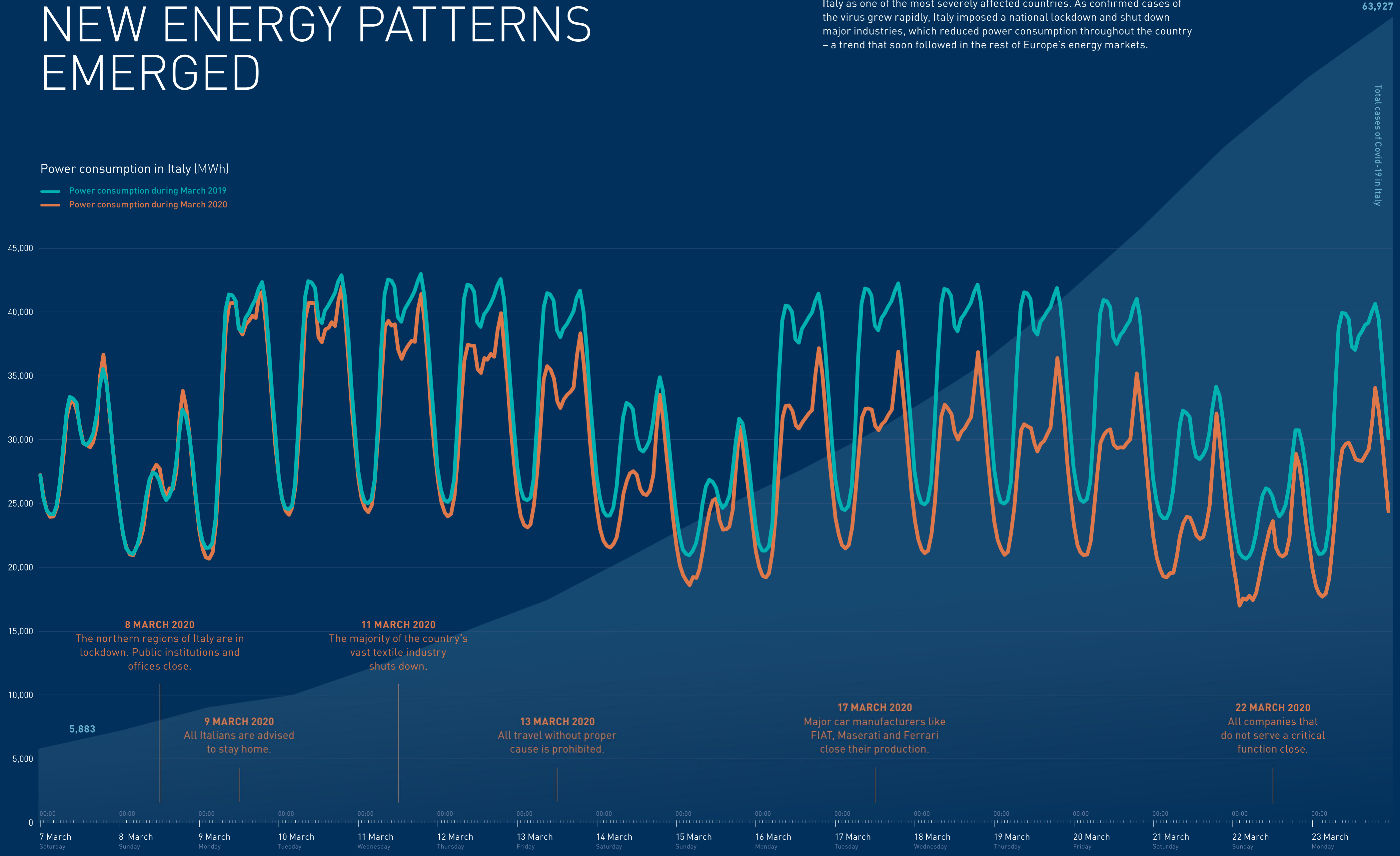
RISK MANAGEMENT
By applying risk-adjusted performance evaluation, we want to make risk-informed decisions and ensure that risk capital is dynamically allocated to the business opportunities with the best risk/reward ratio.

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

WHEN COVID-19 HIT, NEW ENERGY PATTERNS EMERGED

NATIONAL LOCKDOWNS CAUSED A DECREASE IN POWER CONSUMPTION
In 2020, most of the world was hit by Covid-19. The virus started to spread early in the year and by March, the virus had grabbed hold of Europe, with Italy as one of the most severely affected countries. As confirmed cases of the virus grew rapidly, Italy imposed a national lockdown and shut down major industries, which reduced power consumption throughout the country – a trend that soon followed in the rest of Europe's energy markets.

Power consumption in Italy (MWh)



FINANCIAL PERFORMANCE IN 2020

In the most unusual year energy markets have ever seen, Danske Commodities overcame unpredictable markets and delivered solid adjusted EBIT of EUR 44.3 million (IFRS EBIT 54.3m). The results were driven by the Company's fast response to changing market conditions and its highly scalable business model.

In 2020, the world was hit by the Covid-19 pandemic. Like most industries, the energy sector was affected by the challenges of the pandemic, including unpredictable changes in consumption patterns as national lockdowns were enforced. New energy patterns emerged and market expectations rapidly changed.

Overcoming tough trading conditions, Danske Commodities kept up the pace and delivered solid earnings at the same level as the previous year. When the pandemic hit, the Company acted swiftly and set up eight-screen trading stations in the homes of its traders to safeguard business operations and security of supply.

Danske Commodities kept up the pace and delivered solid earnings on level with the previous year.

Danske Commodities' innovative approach to automation was also a driver of the results. The Company benefitted from its scalable business model, which enabled a 94% increase in traded volumes, combined with a 5% decrease in staff costs and other external expenses.

2020 also marked Danske Commodities' transition from reporting under the Danish Financial Statement Act to the International Financial Reporting Standards (IFRS). As part of the transition, Danske Commodities now presents trading income as a net amount in the income statement. Further, Danske Commodities implemented the use of performance-adjusted measures consisting of gross turnover, adjusted gross profit and adjusted EBIT.

TRADING INCOME, REVENUE AND GROSS PROFIT
Trading income and revenue amounted to EUR 791.7 million in 2020 on par with 2019. Danske Commodities generated an 18% increase in gross turnover to EUR 11,844 million in 2020 from EUR 10,046 million in 2019. The growth was related to increased volumes delivered and settled, which were partly offset by significantly lower average prices in 2020 compared to 2019. Due to the adoption of IFRS, sales and purchase contracts with physical delivery of power or gas are presented as a net amount and not as revenue and cost of sales, respectively. Comparative figures for 2019 were restated to reflect the IFRS practice, hence comparison with 2018 and previous years is not possible. See note 8.4 to the financial statements for further explanation. →

PERFORMANCE-ADJUSTED MEASURES

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

GROSS TURNOVER
Revenue from trading activities is presented net under IFRS. To provide readers of the financial statements with an insight into Danske Commodities' gross trading and revenue activities, a gross turnover presentation is included as a part of the performance-adjusted measures. Gross turnover reflects sales contracts for physical delivery of non-financial items consisting of power and gas, whether or not it is considered to be a part of trading activities. The gross turnover amounts to EUR 11,844 million in 2020 compared to the IFRS trading income and revenue of EUR 792 million.

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

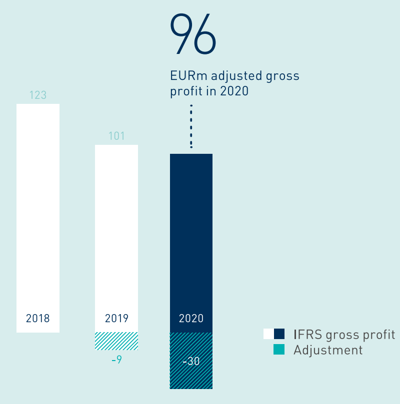
IFRS VS. PERFORMANCE-ADJUSTED MEASURES
2020

EURm	IFRS	Reclassification	Gas storage	Adjusted
Gross profit	**126.4**	**-20.1**	**-10.0**	**96.3**
External expenses	-10,2	–	–	-10.2
Staff costs	-37.2	–	–	-37.2
Amortisations	-24.7	20.1	–	-4.6
EBIT	**54.3**	**0.0**	**-10.0**	**44.3**

IFRS VS. PERFORMANCE-ADJUSTED MEASURES
2019

EURm	IFRS	Reclassification	Gas storage	Adjusted
Gross profit	**110.2**	**-3.2**	**-5.8**	**101.3**
External expenses	-11.2	–	–	-11.2
Staff costs	-39.2	–	–	-39.2
Amortisations	-7.2	3.2	–	-4.1
EBIT	**52.6**	**0.0**	**-5.8**	**46.8**

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



ADJUSTED GROSS PROFIT (EURm)

RECLASSIFICATION OF AMORTISATIONS
In 2019 and 2020, Danske Commodities entered into several PPAs and gas storage contracts which were already in operation and favourable, given current market terms. These contracts were recognised as intangible assets and amortised over the duration of each contract. As the amortisations are considered an important part of the performance of these contracts, the amortisations are reclassified from the financial statement line item 'depreciation and amortisation' to 'gross profit'.

As shown in the tables, IFRS gross profit amounted to EUR 126 million in 2020 and is adjusted downward by EUR 10 million in relation to gas storages and by EUR 20 million in reclassification of amortisations, bringing adjusted gross profit to EUR 96 million. IFRS EBIT is EUR 54 million and adjusted only by the EUR 10 million gas storage adjustment, producing adjusted EBIT of EUR 44 million.

While 2020 in many ways was an unusual year, the trend of suppressed margins in energy markets continued and the growth in gross turnover was not reflected in the adjusted gross profit of EUR 96.3 million, which marked a EUR 5 million decline from 2019. IFRS gross profit amounted to EUR 126.4 million in 2020 as it did not include adjusted gas storage valuation and amortisation reclassification related to contractual rights.

COSTS

The cost base was kept stable in 2020 apart from the expected increase in amortisations in 2020 due to heavy investments in contractual rights in 2019.

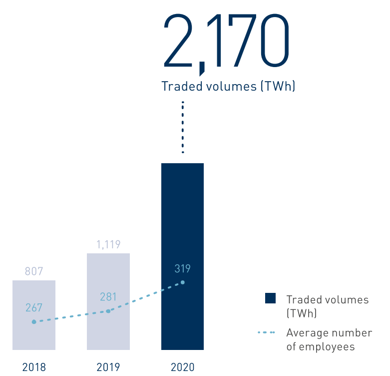
Staff costs were at EUR 37.2 million in 2020 5% lower than in 2019 despite an increased headcount. As expected, the average number of employees increased by 14% to 319 FTEs due to an increase in activity levels and additional compliance and reporting requirements related to e.g. SOX compliance. As many employees were involved in the development of new IT systems, more internal development working hours were capitalised in 2020 than in 2019. This is warping the correlation between number of employees and staff costs and is the primary explanation for the reduced staff costs in 2020 compared to 2019.

A continued stern focus on cost awareness and automation enabled Danske Commodities to keep other external expenses in 2020 at the same level as in previous years, at EUR 10.9 million.

Heavy investments in contracts related to Equinor synergies in the last half of 2019 and in the beginning of 2020 resulted in significantly higher amortisations from contractual rights in 2020 and amortisation, depreciation and impairment increasing by EUR 17 million compared to 2019 to EUR 24.7 million in 2020. The amortisations related to these contractual rights are reclassified to gross profit when assessing the performance and in the calculation of adjusted gross profit as these costs are considered directly related to profit.

EARNINGS

In an unprecedented year, Danske Commodities managed to keep its business safely running in unpredictable markets, delivering solid adjusted EBIT of EUR 44.3 million in 2020 similar to the 2019 adjusted EBIT of EUR 46.8 million. IFRS EBIT amounted to EUR 54.3 million in 2020 and was EUR 10 million higher than the adjusted EBIT due to different gas storage valuation methods as described in the performance-adjusted measures section (see page 19).



TRADED VOLUMES AND FTES

Net financial income and expenses amounted to EUR 3.0 million in 2020, reducing EBT to EUR 51.4 million in 2020. Compared to 2019, EBT increased by 1%. With an effective tax rate of 22% in 2020, unchanged from 2019, tax on profit for the year like EBT was up 3%, leaving profit for the year for 2020 at EUR 40.2 million.

BALANCE SHEET AND EQUITY

The balance sheet total increased significantly, by 60% compared to 2019, primarily due to the increased activity in terms of increased traded volumes, affecting especially inventories, trade receivables and trade payables and derivative financial instruments held for trading.

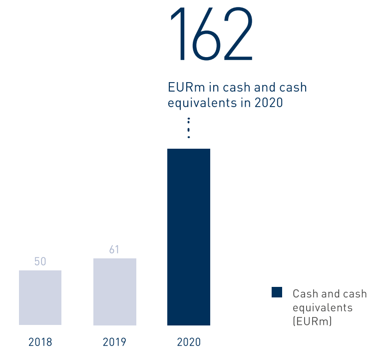
Further onboarding of activities in 2020 enabled Danske Commodities to enter gas storage contracts representing a significant value as they unlock trading opportunities in the years to come. These investments during the year almost offset the significant amortisation and depreciations amounting to EUR 24.7 million in 2020, and intangible assets and property plant and equipment were at a total of EUR 102.1 million in 2020 largely level with EUR 103.2 million in 2019.

Inventories comprise gas and certificates amounting to EUR 257.4 million and EUR 14.9 million at the end of 2020 compared to EUR 115.9 million and EUR 30.7 million, respectively, at the end of 2019. Measured by storage capacity, gas storages more than doubled in 2020 compared to 2019 as Danske Commodities took onboarded downstream gas storages from Equinor. Gas storages increased by 122% in 2020 to EUR 257.4 million due to a combination of bigger volumes in storage and significantly higher spot prices at 31 December 2020 compared to 31 December 2019. Certificates in store are certificates that are purchased as part of different PPAs, in which Danske Commodities purchases the certificates directly from producers. The decrease of EUR 16 million at 31 December 2020 compared to 2019 is explained by lower volumes in storage.

The significant increase in traded volumes in 2020 was clearly reflected in derivative financial instruments held for trading which increased by 79% to EUR 374.6 million at 31 December 2020 compared to EUR 209.8 million at 31 December 2019 while the liability side nearly tripled to EUR 436.6 million at 31 December 2020 from EUR 163.6 million at 31 December 2019.

Total cash position more than doubled in 2020 from EUR 60.7 million at the end of 2019 to EUR 162.3 million at the end of 2020. The significantly higher cash position was a result of the increased trading activity seen in 2020 as bigger cash positions are a necessary part of Danske Commodities' risk management, allowing the Company to withstand sudden unforeseen market movements.

Earnings for the year contributed positively to total equity and were the main contributor to a EUR 40 million increase in equity from EUR 292.7 million at the end of 2019 to EUR 332.4 million at the end of 2020. Equity ratio at 31 December 2020 was strongly affected by an increased balance sheet total, driving the ratio down to 27.0%. Despite the decrease, Danske Commodities remains a financially stable company with a strong cash position and a solid equity ratio.



CASH AND CASH EQUIVALENTS

As a result of the increased activity in 2020, trade payables increased by 67% to EUR 352.9 million at 31 December 2020 compared to EUR 211.8 million at 31 December 2019. For trade receivables, the effect was a 29% increase to EUR 209.7 million at 31 December 2020.

CASH FLOW

The earnings for the year were the main contributor to an inflow from cash flow from operating activity of EUR 122.5 million in 2020.

With the continued investment in contracts related to the onboarding of activities from Equinor synergies, cash flow from investing activities amounted to a EUR 20.9 million outflow in 2020, which was EUR 71 million lower than the historically high outflow of EUR 91.9 million in 2019.

Cash flow from financing activity amounted to EUR 0 million in 2020 since Danske Commodities did not have any change in capital, unlike in 2019.

Earnings were the main contributor to a significant increase in cash and cash equivalents to EUR 162.3 million at 31 December 2020 up from EUR 60.7 million at 31 December 2019.

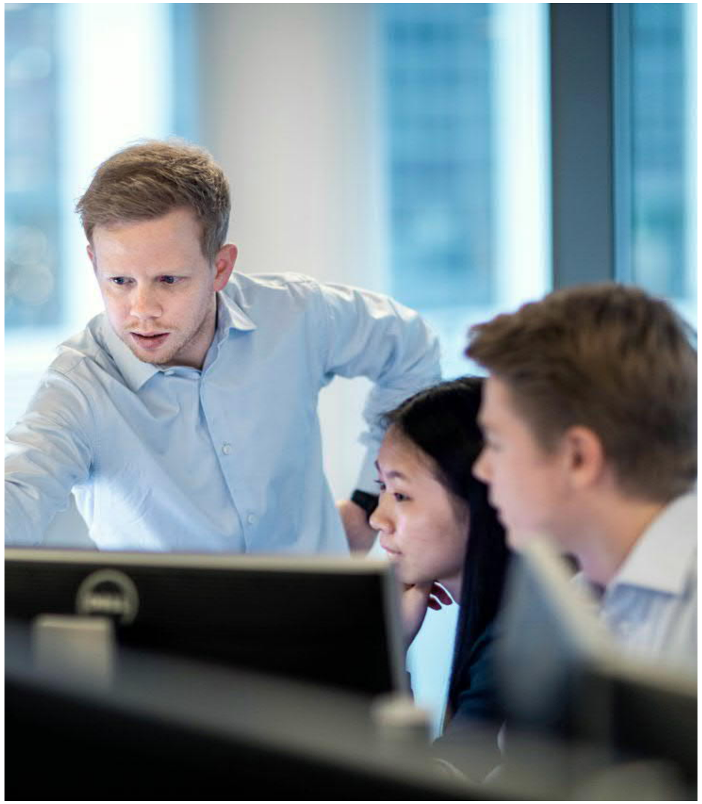
OUTLOOK

Like most industries, Danske Commodities' results for 2020 were negatively affected by Covid-19 and lower than expected. In 2021, gross profit is expected to be in the EUR 100-130 million range and EBIT is expected to be in the EUR 40-60 million range, as new business begins to materialise – and the world slowly returns to normal.

INSIGHT

FINDING THE OPTIMAL ROUTE THROUGH THE POWER GRIDS OF EUROPE

Every single day, Danske Commodities helps optimise the use of renewable energy by moving it from where there is more than needed to where it is needed most. And since the Company completes thousands of trades every day across 39 countries, flowing the traded power physically in the most optimal way can be a rather complicated matter. Here, Jeppe Holmgaard Bak, Head of Power Trading Operations, explains how it is done.



At Danske Commodities, we trade power across borders, buying it in areas where there is a surplus of energy, and flowing it to areas, where the demand is high. Take a windy day in Denmark as an example. On windy days, wind farms in Denmark can produce more power than what can be consumed within the Danish borders. If this coincides with a hot summer day in Italy, and every household and company in the country switch on the air-condition, more power is consumed than local power producers can provide. Instead of switching off wind turbines in Denmark, because we cannot consume the produced power locally, companies like Danske Commodities can flow it to Italy, thereby keeping grids balanced and power prices fair.

The example above is of course simplified. In practice, Danske Commodities constantly buys and sells power across global energy markets, completing thousands of trades every day. On average, we flow 2.2 GWh of power through 22 countries per hour, comparable to 60% of the daily consumption in Denmark.

Adding to the complexity, power must be consumed the instant it is produced, because there are currently no widespread means of storing it in large volumes. So, how do you make sure that power bought in one country at a certain point in time can be consumed thousands of kilometres away at exactly the same time? The responsibility for making this happen lies in a close cooperation between the power traders and Power Trading Operations.

OPTIMISATION SYSTEMS

The Power Trading Operations team is responsible for developing and maintaining systems that help our traders find the most optimal way of flowing power across markets. Though power cannot be seen with the naked eye, it is a physical commodity that is moved from where it is produced to where it is consumed. To do that, we have power grids that connect countries across borders.

In buying and selling power, traders need to buy grid capacity to make sure that there is free 'band width' to flow the power. In some markets, an IT system automatically matches market bids if transmission capacity is available, meaning the power is flown automatically through the exchange. When this is not the case, our optimisation models are ready to play their part. When the capacity is in place and deals have been struck, the optimisation models are ready to play their part. These systems are essentially mathematical models that combine a wide range of factors – the thousands of daily trades criss-crossing geographical borders, the grid capacities acquired for the given time, price expectations and market data. Based on these factors, the systems establish the optimal way of distributing the power from where it is produced to where it is consumed. As fast as snapping your fingers. Again and again. 24/7.

About Jeppe Holmgaard Bak

- Position: Head of Power Trading Operations
- Employed since: November 2016
- Educational background: Master's in Logistics and Supply Chain Management

A CHANGING PORTFOLIO IN CHANGING TIMES

In 2020, Danske Commodities saw significant growth in all major portfolios on volume and products traded, which resulted in an increased risk profile and a higher applied risk capital. At the same time, the Company navigated highly unusual market conditions as Covid-19 impacted both supply and demand factors, making risk management more important than ever.

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

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

In the second half of the year, Danske Commodities embarked on a new journey towards further maturing internal control systems as the process of making the Company's operations compliant with the Sarbanes-Oxley Act (SOX) was initiated. Going forward, this will mean profound changes in internal workflows, code review, valuation methodology decisions and documentation requirements in general, which will mature internal controls.

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

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

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

2020 IN BRIEF
In 2020, Danske Commodities operated with a historically high allocation of risk capital. Apart from the organic growth in the Company's portfolio, 2020 was the first full year of operating the commercial synergies onboarded from Equinor. Among these synergies were an expansion of Danske Commodities' renewables portfolio in the UK, management of Equinor's certificates portfolio, an increase of Danske Commodities' downstream gas storage portfolio and optimisation of a structured gas-to-power contract. When onboarding new business and expanding existing commercial activities, Risk Management, mandated by the Board of Directors, conducts an independent quantitative assessment of both the economic deal criteria and the established thresholds for various financial ratios as well as a qualitative and broad assessment of e.g. operational risks and organisational risks. Business cases are furthermore assessed by the Risk Committee which submits its final recommendations directly to the Board of Directors. Thorough the due diligence process applied when onboarding new business, this ensures that changes in Danske Commodities' risk profile are deliberate, well-understood and accepted by the entire organisation.

In 2020, the Risk Management function kept a stern focus on day-to-day risk management of the new and complex portfolios. With higher exposure levels, more complex dynamics and volatile markets, one of the main challenges this year was to maintain a high level of transparency in the changing valuation of the portfolios.

> 2020 was the first full year of operating the commercial synergies onboarded from Equinor.
>
> — JAKOB SØRENSEN, CRO

OVERVIEW OF MAIN RISKS

MARKET RISK

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

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

CREDIT RISK

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

Danske Commodities manages credit risk through a clearly-defined framework of policies and procedures approved by the Board of Directors and defined by the Risk Management team. The Company has taken out credit insurance on the main portfolio of counterparties. This reduces the risk of potentially uncovered credit exposure. Thorough Know Your Customer (KYC) and sanctions screening processes are performed according to the agreed policy. The financial strength and creditworthiness of counterparties, who are not covered by credit insurance, are assessed before the Company enters any contract and on an ongoing basis during the duration of individual contracts. If required, additional security is requested from counterparties and credit lines are monitored daily. The KYC process is reviewed regularly, and sanctions screening is done on a continual basis. Danske Commodities incurred zero credit-related losses in 2020.

OPERATIONAL AND IT RISK

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

Danske Commodities continues to invest in reducing its operational and IT-related risks. Cybersecurity training is an integral part of the Company's awareness efforts and the cybersecurity areas have been strengthened with more resources to ensure Danske Commodities' ability to prevent, detect and mitigate cybersecurity risks. The Company's general IT controls have been strengthened as part of Danske Commodities' journey towards SOX compliance. Critical processes and procedures have been upgraded and implemented, reducing the Company's overall operational risk level.

LIQUIDITY RISK

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

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

LEGAL RISK

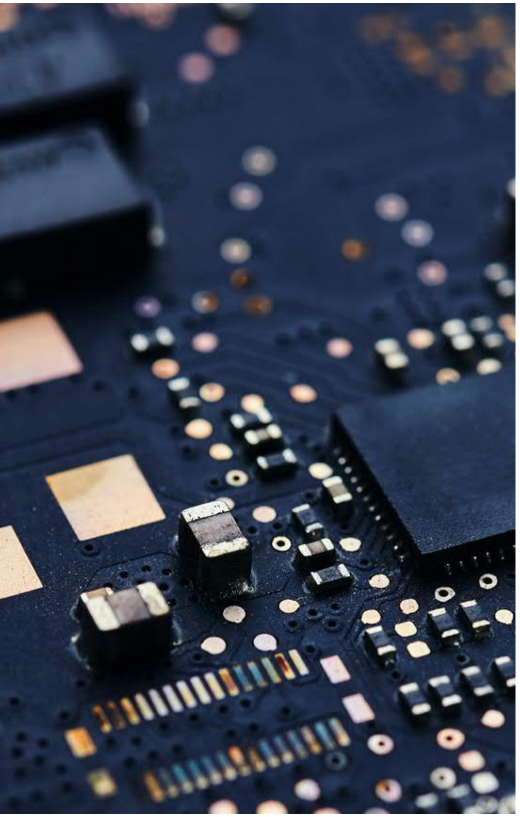
Contractual relationships with customers and business partners bear the potential for legal risks.

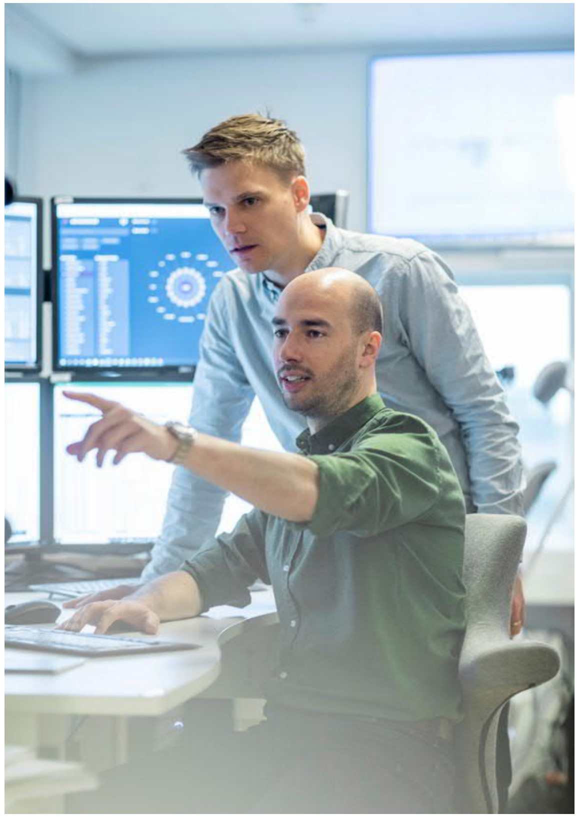
Danske Commodities' Legal team is focused on proactive legal work and contributes in a structured way to identifying, prioritising and managing legal risks and opportunities in consultation with teams across the entire organisation. The Legal team engages in the on-going business activities and decision-making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

COMPLIANCE RISK

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

Ensuring high ethical standards is fundamental for Danske Commodities. The Code of Conduct is the Company's guide to ethical business practice. Information and guidance on the Regulation of Energy Market Integrity and Transparency (REMIT) and the Market Abuse Regulation (MAR) are provided to traders and other relevant staff through written guidelines, training sessions and frequent Q&A sessions with the Company's Compliance Officer. This is the foundation for creating and maintaining a high level of awareness of compliance risks. In 2020, sanctions training was included in the annual mandatory compliance training sessions and a guideline on the same topic was developed. A new system to conduct compliance controls internally was also developed in 2020. In addition, the close collaboration with Equinor's compliance teams successfully continued and the close relationship between Equinor's and Danske Commodities' Compliance teams has improved the knowledge level within compliance risks significantly. Further, algorithmic trading was a focus area in 2020 as well, and with an increased number of trades handled by algorithmic trading solutions, the Company expects this development to continue going forward. Consequently, the Company increased its efforts to ensure a compliant setup when conducting algorithmic trading in both REMIT and MIFID II products. 2020 was also the starting point for Danske Commodities' global expansion, and identification and management of compliance risks in this respect were also key tasks. Finally, compliance reports prepared on a regular basis provided Senior Leadership, the Risk Committee and the Board of Directors with an updated status on compliance risks, ensuring an ongoing dialogue on the continued development of a strong compliance culture at Danske Commodities.





Digitalisation has opened a wealth of opportunities. New technologies are reshaping gas trading at an accelerating pace and Danske Commodities is fusing commercial expertise with technical skills to grow an even stronger business. Here, Danske Commodities' Head of Gas Trading & Optimisation Sebastian Stadler and Head of Gas Systems & Automation Tobias Basse explain the symbiosis between trading and automation.

INSIGHT

USING COMMERCIAL EXPERTISE AND TECHNOLOGY TO LEVEL UP GAS TRADING

In 2020, Danske Commodities onboarded a 20 TWh downstream gas storage portfolio from Equinor – a substantial increase to our existing portfolio and setup, which was made possible by combining commercial expertise with technical knowhow. Since becoming part of Equinor in 2019, Danske Commodities has almost doubled its traded gas volumes – and with the financial strength of Equinor and the continued support of our business model, we are looking forward to expanding our footprint in the European gas markets, adding new opportunities as we grow our business.

BUSINESS ACUMEN + TECHNOLOGY = SCALABILITY

When Equinor acquired Danske Commodities, we were ready to scale up very easily, with limited adjustments required to our setup. Combined with the strong business acumen of our traders and analysts, automation allowed us to transfer assets smoothly and efficiently. Since our tool environment was built in-house, anything that needed changing could be done quickly and in a very customised way. Automation can help in many ways; the biggest time saver is of course the elimination of repetitive tasks, which frees up time and improves execution quality.

GOODBYE, MANUAL PROCESSES

Digitalisation facilitates the automation of manual processes, for example some elements of trade execution, creating a more efficient setup and freeing up resources. It also helps facilitate decision-making based on easily digestible intelligence – eventually the decision-making process can be automated. These decisions can be combined with automated execution. Automation at Danske Commodities has many faces, e.g. facilitating market execution, allowing scalability and identifying signals in data not readily available to the traders. The big wins sometimes lie in automating the small things – it is about improving the efficiency of the workflow, especially around mundane and repetitive tasks, which frees up time and creates robustness in the setup.

AN INTEGRATED VALUE CHAIN APPROACH

We strongly believe that the commercial side of the business and automation link very well together. In Danske Commodities' gas business, we apply an integrated value chain approach to harness the symbiosis between trading and technology, bringing all parts of value generation closer together. As part of our integrated approach, we organise our business to bring technical experts like software developers and business intelligence specialists together with traders, effectively rubbing shoulders every day to create a common understanding, efficient alignment and to share the successes. Together, we will succeed in building a digitally enabled business where our people can focus on value-adding tasks, like optimising our product portfolio, developing trading strategies and of course identifying new commercial opportunities with Equinor.

About Sebastian Stadler

- Position: Head of Gas Trading & Optimisation
- Employed since: January 2017
- Educational background: Master's in Energy Economics & Engineering

About Tobias Basse

- Position: Head of Gas Systems & Automation
- Employed since: September 2014
- Educational background: PhD in Cosmology

PEOPLE MOTIVATION REACHES ALL-TIME HIGH

In a year that has introduced changes to conventional ways of working and put the work culture of many companies to the test, the people of Danske Commodities have shown high motivation and responded with record scores in recent employee engagement surveys.

In 2020, normal working life was turned upside down. As lockdowns spread across the globe, people worked from home, meetings were held online and parents took care of their children and their jobs at the same time. Like the rest of the world, Danske Commodities' employees were affected by the lockdowns and worked remotely for longer periods of time during the year. Fully equipped trading stations were established in home offices in the spring, and teams turned to online platforms for business meetings and social gatherings like virtual Friday bars.

RECORD-HIGH EMPLOYEE MOTIVATION

As a company that has grown strong in fast-changing energy markets, agility and adaptability have been a part of Danske Commodities' business model and mindset from the very beginning. This mindset was an important factor in ensuring a high motivation across the organisation in an unusual year – even increasing employee motivation to record heights across all parameters measured in the engagement survey. Key results included the following:

- On a scale from 1 to 100, overall satisfaction and motivation increased from 77 in 2019 to 81 in 2020, based on questions such as 'I always look forward to going to work' and 'Imagine the perfect place to be an employee. How close to this ideal is your place of work?'.
- The employees' perception of the collaboration across teams and inside their own team rose from 85 in 2019 to an impressive 88 in 2020.
- The perception of Danske Commodities' image among the employees – measured in the category 'Reputation' – increased from 82 to 86.
- The satisfaction rate in the category 'Job Content', which is an indicator of how interesting and challenging the employees find their jobs, rose slightly from 82 to 83.
- 'Performance drive & competitive edge' increased from 83 to 86 measuring how well Danske Commodities' leaders drive high performance in their team and apply relevant trends and market knowledge.
- The loyalty score, covering questions such as 'I would like to be employed at Danske Commodities in two years' time' and 'I would recommend others to seek employment with Danske Commodities' saw a rise from 83 to 86.

The results placed Danske Commodities significantly above the top-in-class benchmark (which is defined as top 10% in the financial sector).

SAFETY IS PARAMOUNT

The Covid-19 pandemic created an increased need to focus on physical health in the office space due to the risk of people becoming infected with the coronavirus in or outside the office. Not only the physical health, but also the mental wellbeing was a focus area in 2020 and will continue to be so going forward. This will include a focus on the effects of working from home as well as the risk of not striking the right balance between workload and focus time. And finally, it is part of a safe work culture that Danske Commodities does not tolerate any verbal or physical conduct that harass others, disrupt others' work performance or create a hostile working environment.

FUTURE-PROOFING CAPABILITIES

In the coming years, digitalisation in the energy trading sector will impact the content of many jobs, and at the same time Danske Commodities will continue to grow globally and increase the scale of its business, underlining the importance of constantly developing the skillset of its employees. Just like the people continuously develop Danske Commodities, Danske Commodities will continue to develop its people. This will be done by offering development plans, more than 50 different courses through the Company's in-house training and knowledge hub, DC University, and access to Equinor University as well as global development opportunities and career offers. Furthermore, Danske Commodities can borrow expertise from either parent company Equinor or a third party and employ new colleagues with complementary skills. In that way, the people prepare Danske Commodities for the future, and Danske Commodities future-proofs its people's capabilities and careers.

SATISFACTION & MOTIVATION 8.1

REPUTATION 8.6

JOB CONTENT 8.3

PERFORMANCE DRIVE & COMPETITIVE EDGE 8.6

COLLABORATION 8.8

LOYALTY 8.6

RESPONSIBILITY IS THE CORNERSTONE OF OUR OPERATIONS

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

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

The Company employs a holistic approach to sustainability and responsibility, covering four main themes: ethics, equality, people and planet.

ETHICS

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

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

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

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

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

RESULTS IN 2020
- Focus on business ethics within a global business setup enhanced
- KYC and sanctions compliance strengthened
- GDPR awareness campaign launched

PRIORITIES FOR 2021
- Continue the development of relevant controls to ensure high ethical standards
- Further develop ethics compliance setup outside of Europe
- Continue awareness and knowledge-sharing on sanctions across different teams at Danske Commodities

EQUALITY

POLICIES AND IMPLEMENTATION
Danske Commodities respects all human rights and is committed to create and maintain an inclusive environment. Guidelines related to equality are outlined in the People Handbook. The Company's gender policy and statutory reporting on diversity in management cf. the Danish Financial Statements Act §99b can be found here: https://danskecommodities.com/gender-policy-2020/.

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

Anti-discrimination and harassment
The Company does not tolerate discrimination, unequal treatment, exclusion or preference based on gender, race, age, sexual orientation, origin, religion, political views or any other characteristic that results in compromising the principle of equality. The Company has a zero-tolerance policy for harassment.

Security and privacy
Danske Commodities protects the privacy, integrity and confidentiality of all stakeholders. The IT security policy defines how the Company handles information to protect business-critical and personal information in accordance with GDPR.

RISKS
Securing confidential information becomes increasingly important as cyber-attacks can have serious consequences. The Company has preventive processes and carries out informative campaigns to uphold a high level of equality and security.

RESULTS IN 2020
- No violations of human rights or cases related to discrimination reported
- Zero-tolerance policy on harassment outlined
- Multi-factor authentication and security analytics improved

PRIORITIES FOR 2021
- Further strengthen IT security organisation
- Mature and optimise our SOX IT General Controls environment

PEOPLE

POLICIES AND IMPLEMENTATION
The People Handbook describes what employees can expect from the Company and what the Company expects from its employees. In addition to general policies, the focus in 2020 has been on maintaining a high level of motivation in unusual times, boosting the quality of leadership and employee safety.

People motivation
In 2020, Danske Commodities maintained a high level of motivation by addressing the physical working environment, expanding office space, carrying out a number of activities to keep spirits high combined with people development initiatives, including individual development plans, 50+ internal courses and 14 internal transfers.

Leadership development
Excellent leadership increases people wellbeing and satisfaction, and clear expectations have been developed to outline what excellent leadership looks like. This includes excelling in people development, inspirational leadership, competitive edge, performance drive, strategic direction as well as being a role model for good collaboration and company values.

Safety and health
With 2020 being severely affected by the Covid-19 pandemic, focus has been on ensuring employee safety. People & Culture and the Work Environment Organisation (WEO) continuously assess the workspace and employ the necessary precautions to protect the welfare, safety and health of employees.

RISKS
With the Covid-19 situation expected to continue into 2021, focus will remain on employee safety, including physical safety and mental wellbeing.

RESULTS IN 2020
- Employee satisfaction score in annual people survey increased from 77 in 2019 to 81 in 2020
- 1,111 m^2 of office space added
- Covid-19 setup in accordance with national guidelines on employee safety implemented
- Extensive mandatory leadership training for all leaders

PRIORITIES FOR 2021
- Continue to focus on employee safety and mental wellbeing
- Expand talent pool into a more diverse group with more women and international candidates

PLANET

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

Green business
The Company supports the transition towards a greener and more efficient energy market by connecting wind turbines and solar panels to the markets through a renewables contract portfolio of more than 5,700 MW.

Cut the Carbon
In 2020, Danske Commodities embarked on carbon neutrality by introducing a number of emissions reducing initiatives such as sourcing 100% renewable energy, implementing central waste sorting stations and making the Company a more bicycle-friendly workplace.

Light over Mali
For three years now, Danske Commodities has provided schools and health clinics with solar panels through the project Light over Mali. The solar panels generate and store energy during the day, and the energy can then be used when the sun sets. This means that schools can educate children after sunset and clinics are able to treat people at night.

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

RESULTS IN 2020
- 100% of Danske Commodities' electricity consumption sourced from Danish wind turbines
- New CSR project in Benin launched
- Waste sorting system implemented

PRIORITIES FOR 2021
- Explore further commercial activities within sustainability
- Identify more carbon reduction initiatives
- Carry out energy audit

BENIN SHINES: ACCESS TO ENERGY THROUGH EDUCATION

Educating solar energy technicians and improving gender equality in Benin

Benin is among the world's poorest countries and has an untapped renewable energy potential. Through Danske Commodities' CSR project 'Benin Shines', the Company helps harvest Benin's most promising energy source – the sun. In Benin, solar energy is not part of standard electricity training and there is a lack of skilled technicians to satisfy the growing demand for off-grid solar installations.

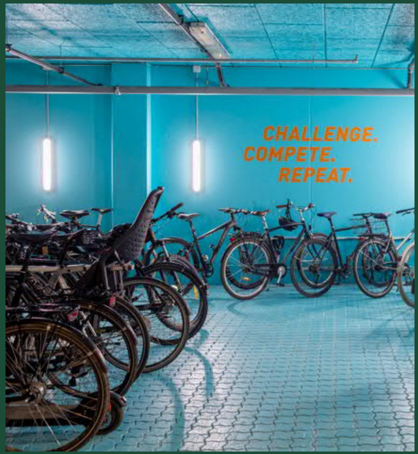
In collaboration with NGO PlanBørnefonden, Danske Commodities offers an alternative to the classical electricity training, educating 100 electricians through tailored modules in solar installation. In addition, the programme has a special focus on training and empowering women.

The programme has a special focus on training and empowering women.

CUT THE CARBON, CUT THE CAR

Harvesting environmental and health benefits of biking

As part of the Company's sustainability programme, Cut the C*rbon, Danske Commodities launched a bicycle project introducing 10 new initiatives, ranging from forming a cycling club, establishing maintenance stations, offering discounts on top-tier bikewear to teaming up with a mechanic – encouraging employees to leave the car at home and take the bike instead.



SMALL RING TAB, BIG DIFFERENCE

Donating ring tabs from soda cans to make prostheses

In 2020, employees and their respective families took matters into their own hands to 'level up' recycling by collecting ring tabs from Danske Commodities' soda cans, along with ring tabs from their private households. The ring tabs are donated to the Chiang Mai hospital in Thailand to make light-weight prostheses for leg amputation patients.

FROM WASTE TO RENEWABLE ENERGY

Sorting and recycling waste to reduce carbon emissions, air pollution and environmental degradation

Maintaining Danske Commodities' firm focus on sustainability, the Company donated all individual trash bins to an NGO and replaced them with central waste sorting stations. By sorting organic waste instead of burning it, the Company helps generate energy by turning waste into biogas, adding more renewables to the energy mix.

SENIOR LEADERSHIP

In 2020, Senior Leadership strengthened its commercial focus and ramped up global ambitions by establishing a dedicated unit for global trading and specialised units for European power and gas trading, respectively.

Senior Leadership is responsible for the implementation and execution of strategic initiatives and the operative supervision of the organisation. Consisting of six highly experienced VPs and the CEO, the group manages the overall performance of Danske Commodities through setting and following up on the Company's targets and monitoring performance. In cooperation with the Board of Directors, Senior Leadership defines the strategic direction of the Company.

The individual members of Senior Leadership have operative management responsibility for the different areas of the organisation and ensure that Danske Commodities delivers on strategic targets and lives up to its corporate values.

Formal meetings within Senior Leadership take place twice 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 Leadership are in close, daily contact.

JESPER PAPE LARSEN

VP, Head of Legal & Compliance

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

LARS TROEN SØRENSEN

CFO and VP, Head of IT & Finance

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

TOR MOSEGAARD

VP, Head of European Power Trading

Background
Head of Power Markets and Cross-Border Trading at Danske Commodities. Various trading positions with Energi Danmark.

MARIE-LOUISE BREBØL CHRISTENSEN

VP, Head of People & Culture

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

HELLE ØSTERGAARD KRISTIANSEN

CEO

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

JAKOB SØRENSEN

CRO and VP, Head of Risk Management

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

JESPER TRONBORG

VP, Head of Global Trading & Market Development and interim Head of European Gas Trading

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

BOARD OF DIRECTORS

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

The Board of Directors' objective is to promote the long-term interests of Danske Commodities. As part of creating long-term, sustainable value, Danske Commodities establishes and maintains strong, constructive relationships with its primary stakeholders. 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 that the financial and managerial control of the Group is conducted effectively in all respects. In this role, the Board acts as formal advisor to the Company's Senior Leadership team 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 have been appointed with a view to ensuring the Board's independence of any special interests. Formal meetings of the Board of Directors take place at least six times a year.

CHAIR

HELGE HAUGANE

Background
MSc in Economics and Finance. Senior Vice President, Gas & Power, Marketing, Midstream and Processing, Equinor ASA. 18 years of experience from the energy sector.

VICE CHAIR

FRIDE SELJEVOLD METHI

Background
MSc in Finance and Process Engineering. Vice President, Finance & Control, Marketing, Midstream and Processing, Equinor ASA. 15 years of experience from the energy sector.

BOARD MEMBER

TORBJØRN FOLGERØ

Background
MSc in Industrial Economics and Technology Management. Senior Vice President and Chief Digital Officer at Equinor ASA. Well-proven track record within digitalisation and 10 years of experience from the energy sector.

BOARD MEMBER

PETER LORENS RAVN

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

BOARD MEMBER

JENS-PETER SAUL

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

BOARD MEMBER

JENS ØKLAND

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

BOARD MEMBER

MOLLY MORRIS

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

BOARD MEMBER

HENRIK LIND

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

MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the Annual Report of Danske Commodities A/S for the financial year 1 January – 31 December 2020.

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

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2020 of the Group and the Parent Company and of the results of the Group and the Parent Company operations as well as cash flows for 2020.

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

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

Aarhus, 8 April 2021

EXECUTIVE BOARD

Helle Østergaard Kristiansen
CEO

Lars Troen Sørensen
CFO

BOARD OF DIRECTORS

Helge Haugane
Chair

Fride Seljevold Methi
Vice chair

Torbjørn Folgerø
Board member

Peter Lorens Ravn
Board member

Jens-Peter Saul
Board member

Jens Økland
Board member

Molly Morris
Board member

Henrik Lind
Board member

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Danske Commodities A/S

OPINION
We have audited the consolidated financial statements and the parent company financial statements of Danske Commodities A/S for the financial year 1 January – 31 December 2020, which comprise income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including accounting policies, for the Group and the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2020 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January – 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

BASIS FOR OPINION
We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" (hereinafter collectively referred to as "the financial statements") section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

STATEMENT ON THE MANAGEMENT'S REVIEW
Management is responsible for the Management's review.

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

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

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

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

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS
Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS
Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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

Aarhus, 8 April 2021
EY – Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Claus Hammer-Pedersen
State Authorised Public Accountant
mne21334

Michael Laursen
State Authorised Public Accountant
mne26804

FINANCIAL STATEMENTS **GROUP**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

CONSOLIDATED INCOME STATEMENT

EUR '000	Note	2020	2019
Trading income and revenue	2.1	791,683	791,474
Cost of sales		-665,281	-681,296
Gross profit		**126,402**	**110,178**
Other operating income		697	0
Other external expenses		-10,903	-11,151
Staff costs	4.1	-37,167	-39,225
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	6.1, 6.2	-24,717	-7,243
Operating profit/loss (EBIT)		**54,312**	**52,559**
Share of profit in associates after tax	6.5	-28	-476
Financial income	4.3	5,311	2,107
Financial expenses	4.3	-8,242	-3,169
Profit before tax (EBT)		**51,353**	**51,021**
Tax on profit/loss for the year	7.1	-11,146	-11,235
Profit for the year		**40,207**	**39,786**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2020	2019
Profit for the year	**40,207**	**39,786**
Items that may subsequently be reclassified to the income statement:		
Exchange rate adjustment on translation of foreign operations	-525	-216
Other comprehensive income (net of tax)	**-525**	**-216**
Total comprehensive income (net of tax)	**39,682**	**39,570**

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

ASSETS

EUR '000	Note	2020	2019	1 January 2019
Contractual rights		86,778	88,956	0
Software		8,959	8,176	9,262
Intangible assets	6.1	**95,737**	**97,132**	**9,262**
Land and buildings		4,842	4,754	6,343
Other fixtures and fittings, tools and equipment		1,343	1,254	3,839
Leasehold improvements		149	62	61
Property, plant and equipment	6.2	**6,334**	**6,070**	**10,243**
Investments in associates	6.5	0	1,737	1,302
Deferred tax	7.2	3,235	0	39
Other receivables		334	324	310
Other non-current assets		**3,569**	**2,061**	**1,651**
Non-current assets		**105,640**	**105,263**	**21,156**
Inventories	5.1	272,254	146,638	39,717
Trade receivables	5.2	209,671	162,678	192,079
Other receivables	5.3	56,796	42,774	39,280
Receivables from group enterprises		24,116	7,785	20
Receivables from associates		0	0	9
Corporation tax receivable		79	77	99
Prepayments		4,634	4,524	5,979
Derivatives held for trading	3.4	374,588	209,794	86,668
Current asset investments	6.4	21,688	30,286	19,560
Cash and cash equivalents		162,348	60,745	49,985
Current assets		**1,126,174**	**665,301**	**433,396**
Assets		**1,231,814**	**770,564**	**454,552**

LIABILITIES AND EQUITY

EUR '000	Note	2020	2019	1 January 2019
Share capital	8.5	179,065	179,065	498
Reserve for currency translation		-741	-216	0
Retained earnings		154,069	113,862	74,055
Equity		**332,393**	**292,711**	**74,553**
Deferred tax liabilities	7.2	0	692	194
Provisions		0	598	0
Lease liability		3,987	4,099	4,944
Other payables		9,412	1,084	0
Non-current liabilities		**13,399**	**6,473**	**5,138**
Trade payables		352,906	211,776	258,300
Payables to group enterprises		45,375	63,965	131
Corporation tax payable	7.1	10,045	2,688	195
Other payables	5.4	39,976	28,554	37,861
Derivatives held for trading	3.4	436,645	163,552	77,442
Lease liability		1,075	845	815
Debt to mortgage credit institutions		0	0	117
Current liabilities		**886,022**	**471,380**	**374,861**
Liabilities		**899,421**	**477,853**	**379,999**
Liabilities and equity		**1,231,814**	**770,564**	**454,552**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

2020

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

2019

EUR '000	Share capital	Reserve for currency translation	Retained earnings	Total
Equity at 1 January	498	0	75,737	76,235
Adjustment related to IFRS conversion	0	0	-1,682	-1,682
Restated total equity at 1 January	**498**	**0**	**74,055**	**74,553**
Net profit for the year	0	0	39,786	39,786
Other comprehensive income for the year	0	-216	0	-216
Total comprehensive income for the year	**0**	**-216**	**39,786**	**39,570**
Capital decrease	-498	0	21	-477
Capital increase	179,065	0	0	179,065
Equity at 31 December	**179,065**	**-216**	**113,862**	**292,711**

CONSOLIDATED STATEMENT OF CASH FLOWS

CONSOLIDATED STATEMENT OF CASH FLOWS

EUR '000	Note	2020	2019
Profit for the year		40,207	39,786
Non-cash adjustments	5.6	37,351	18,897
Change in working capital	5.6	55,517	-125,372
Cash flow from operating activities before financial income and expenses		**133,075**	**-66,689**
Financial income, received	4.3	5,311	2,107
Financial expenses, paid	4.3	-8,137	-3,047
Cash flow from ordinary activities		130,249	-67,629
Corporation tax paid		-7,718	-8,183
Cash flow from operating activities		**122,531**	**-75,812**
Purchase of intangible assets	6.1	-21,725	-93,656
Purchase of property, plant and equipment	6.2	-915	-1,025
Sale of property, plant and equipment		9	3,711
Capital increase in associates	6.5	0	-915
Sale of associates		1,713	0
Payment and repayment of other non-current assets		-10	-14
Cash flow from investing activities		**-20,928**	**-91,899**
Repayment of debt to mortgage credit institutions		0	-117
Capital decrease		0	-477
Capital increase		0	179,065
Cash flow from financing activities		**0**	**178,471**
Change in cash and cash equivalents		**101,603**	**10,760**
Cash and cash equivalents at 1 January		60,745	49,985
Cash and cash equivalents at 31 December		**162,348**	**60,745**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		162,348	60,745
Cash and cash equivalents at 31 December		**162,348**	**60,745**

BASIS OF REPORTING

1.1 BASIS OF PREPARATION

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

For all periods up to and including the year ended 31 December 2019, the Group prepared its financial statements in accordance with local generally accepted accounting principles (The Danish Financial Statements Act). These financial statements for the year ended 31 December 2020 are the first the Group has prepared in accordance with IFRS. Refer to note 8.4 for information on how the Group adopted IFRS. Danske Commodities has prepared the consolidated and parent financial statements in accordance with all IFRS standards effective at 31 December 2020, the transition date being 1 January 2019. The fiscal year for the Group is 1 January – 31 December.

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

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

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

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

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

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

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Foreign subsidiaries and associates are considered separate entities. The income statements are translated at the average exchange rates for the month, and the balance sheet items are translated at the exchange rates at the balance sheet date. Foreign exchange differences arising on translation of the opening equity of foreign entities at the exchange rates at the balance sheet date and on translation of the income statements from average exchange rates to the exchange rates at the balance sheet date are recognised directly in equity.

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

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

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

All other assets are classified as non-current.

A liability is current when it is:

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

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

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

1.1 BASIS OF PREPARATION – CONTINUED

Danske Commodities uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — quoted and unadjusted market prices in active markets for identical assets or liabilities
- Level 2 — valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation at the end of each period in which the reassessment is based on the lowest level input that is significant to the fair value measurement as a whole.

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

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed are summarised in note 3.5.

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS	Estimate/ judgment	Impact from estimate and judgments	Notes
Presentation of net and gross income	Judgment	Large	2.1
Valuation of derivatives held for trading	Estimate	Moderate	3.5
Gas trading inventories at fair value	Estimate	Moderate	5.1
Offsetting of assets and liabilities at the date of transition to IFRS	Judgment	Minor	8.4

1.3 IMPACT OF NEW ACCOUNTING STANDARDS

Refer to note 8.4 for comments relating to the implementation of the International Financial Reporting Standards and the effect on historically reported numbers.

EARNINGS

2.1 TRADING INCOME AND REVENUE

TRADING INCOME AND REVENUE

EUR '000	2020	2019
Trading income		
Trading income	71,223	70,297
Net change in fair value of commodity derivatives and inventory held for trading	25,665	23,530
Revenue from contracts with customers		
Sales of climate certificates	260,670	120,128
Sales of power and energy-related services	434,125	577,519
Trading income and revenue	**791,683**	**791,474**

SIGNIFICANT ACCOUNTING JUDGMENTS

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

ACCOUNTING POLICIES

Trading income
Trading income comprises net gains and losses arising from trading within energy commodity derivatives. The energy commodity derivatives make up Danske Commodities' trading portfolio which includes futures, options, swaps and certain forward sales and forward purchases commodity contracts that are either financially or physically settled. A significant part of the sales and purchase contracts included in the trading portfolio are ordinary sales and purchase contracts with physical settlement of energy commodities, primarily power and gas. As these contracts are managed on a portfolio basis, a practice of net settlement is present, and the contracts are considered in scope of IFRS 9 and treated as derivatives.

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

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

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

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

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

RISK MANAGEMENT

3.1 MARKET RISK

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

The sensitivity analysis in the following sections relates to open positions at 31 December 2020 and 31 December 2019.

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

- The sensitivity of the relevant statement of profit or loss item is the effect of the assumed changes in respective market risks and prepared on an all else equal basis. The disclosed table is based on the financial assets and financial liabilities held at 31 December 2020 and 31 December 2019. Percentage change in commodity prices used to determine sensitivity is estimated by management as the most probable scenario.
- The value-at-risk (VaR) is a statistical measure of market risk, representing the market risk losses that could potentially be realised over a set time horizon (holding period) at an established level of confidence. The measure assumes no change in Danske Commodities' trading positions over the set time horizon. The risk management function reports VaR to management on a daily basis to ensure that the collective portfolio exposures are under the approved exposure limit approved by the Board of Directors.

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

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

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

SENSITIVITY BY COMMODITY

EUR '000	Price change	2020 Effect on profit/ loss before tax and equity	2019 Effect on profit/ loss before tax and equity
Gas	10%	-28,912	-1,738
	-10%	28,625	10,018
Power	10%	-4,395	-2,070
	-10%	4,212	11,804
Certificates	10%	3,333	0
	-10%	-3,674	0

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

The foreign currency risk is mitigated and hedged via economic hedges by the Treasury function on a daily basis in accordance with the mandates, policies and hedging strategy approved by the Board of Directors. The Group ensures that naturally-occurring opposite exposures are netted against each other whenever possible.

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

INTEREST RATE RISK
Danske Commodities' exposure to the risk of changes in market interest rates relates primarily to interest-bearing assets and liabilities. The exposure is not material, however.

3.1 MARKET RISK – CONTINUED

VALUE-AT-RISK
The table below shows average and period-end VaR for the positions in the trading units in the Group at 31 December 2020 and 31 December 2019.

The Risk Management function did not make any material changes to the VaR model in 2020 compared to 2019.

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

VALUE-AT-RISK*

EUR '000		2020	2019
Power	Average	4,448	2,220
	31 December	3,795	2,902
Gas	Average	982	964
	31 December	3,166	992

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

3.2 CREDIT RISK MANAGEMENT

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

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

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

The credit risk affecting the derivative financial instruments measured at fair value is considered limited based on the individual counterparty's ratings with Standard and Poor's or other public rating agencies. The amounts disclosed in the table do not reflect Danske Commodities' actual credit exposure as the positions are calculated before offsetting the Group's debt to such counterparties.

Danske Commodities suffered no losses from any single major counterparty in 2020, 2019 nor 2018.

Credit risk from our financial assets primarily concerns derivatives and trade receivables. For more information of credit risk related to receivables please refer to note 5.2. Refer to note 5.5 for more information on offsetting of financial assets and liabilities.

CREDIT QUALITY OF THE GROUP'S COUNTERPARTIES

EUR '000	2020	2019	1 January 2019
AA Rating	394,605	232,534	105,571
A Rating	2,027,785	869,873	725,425
BBB Rating	1,588,427	821,620	442,672
BB Rating and lower	421,169	165,497	145,456
Not rated	92,087	102,226	118,730
Total at 31 December	**4,524,073**	**2,191,750**	**1,537,854**

3.3 LIQUIDITY RISK

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

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

Danske Commodities' committed credit facility ('Revolving Credit Facility') amounted to EUR 500 million at 31 December 2020 and at 31 December 2019, the Group did not have any committed credit facilities at 1 January 2019.

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

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

EUR '000	2020	2019	1 January 2019
Financial instruments, maturity <1 year			
Trade payables	352,906	211,776	258,300
Lease liabilities	1,075	845	815
Payables to group enterprises	10,375	63,965	131
Revolving Credit Facility*	35,000	0	0
Other payables	39,976	28,554	37,861
Financial instruments, maturity 1-5 years			
Lease liabilities	3,987	4,099	4,944
Other payables	9,412	1,084	0
Derivative financial instruments, maturity <1 year			
Derivatives held for trading	436,645	163,552	77,442
Total financial liabilities	**889,376**	**473,875**	**379,493**

* For the Revolving Credit Facility provided by Equinor, the effective interest rate is the base rate (EURIBOR1M) plus a margin rate of 0.15%. In the case the aggregate of the base rate and the margin rate drops below zero, the effective interest rate will be set at 0.0%. The effective interest rate at 31 December 2020 is 0.0%.

3.4 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments in Danske Commodities mainly consist of commodity derivatives that are traded as part of the Group's ordinary business activity. Trading activities are undertaken by using a range of contract types in combination to create incremental gains by arbitraging prices between markets, locations and time periods. Financial risks relating to the financial instruments are managed on a portfolio basis. The net of these exposures is monitored primarily using market value-at-risk techniques as described in note 3.1. The credit risk is assessed separately and presented in a table in note 3.2. For further information about offsetting of financial assets and liabilities, refer to note 5.5.

For information about the methods and assumptions used in determining the fair value of derivatives, refer to note 3.5.

ACCOUNTING POLICIES

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

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

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

3.5 FAIR VALUE MEASUREMENTS

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

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

Over-the-counter (OTC) financial swaps and physical commodity sale and purchase contracts including commodity forwards are generally valued using readily available information in the public markets and if necessary, quotations provided by brokers and price index developers. These quotes are corroborated with market data and are predominately categorised within level 2 of the fair value hierarchy.

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

No financial instruments were classified in level 3 at 31 December 2020, at 31 December 2019 nor at 1 January 2019.

VALUATION PROCESSES

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

SIGNIFICANT ACCOUNTING ESTIMATES

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

3.5 FAIR VALUE MEASUREMENTS – CONTINUED

The following tables provide the fair value measurement hierarchy of the Group's fianancial assets and liabilities.

2020 EUR '000	Note	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Total
Financial assets				
Gas trading derivatives		139,686	6,230	**145,916**
Exchange-traded certificates		10,075	0	**10,075**
Power trading derivatives		192,120	26,477	**218,597**
Current asset investments	6.4	21,688	0	**21,688**
Foreign exchange derivatives		0	741	**741**
Non-financial assets				
Gas trading inventories	5.1	0	257,404	**257,404**
Total financial and non-financial assets		**363,569**	**290,852**	**654,421**
Liabilities				
Gas trading derivatives		188,041	28,597	**216,638**
Power trading derivatives		202,269	17,738	**220,007**
Foreign exchange derivatives		0	1,437	**1,437**
Total financial liabilities		**390,310**	**47,772**	**438,082**

There were no transfers between Level 1 and Level 2 during 2020.

2019 EUR '000	Note	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Total
Financial assets				
Gas trading derivatives		48,443	64,532	**112,975**
Power trading derivatives		80,950	15,869	**96,819**
Current asset investments	6.4	30,286	0	**30,286**
Foreign exchange derivatives		0	946	**946**
Non-financial assets				
Gas trading inventories	5.1	0	115,891	**115,891**
Total financial and non-financial assets		**159,679**	**197,238**	**356,917**
Liabilities				
Gas trading derivatives		80,094	9,139	**89,233**
Power trading derivatives		66,579	7,740	**74,319**
Foreign exchange derivatives		0	304	**304**
Total financial liabilities		**146,673**	**17,183**	**163,856**

There were no transfers between Level 1 and Level 2 during 2019.

3.5 FAIR VALUE MEASUREMENTS – CONTINUED

1 JANUARY 2019

EUR '000	Note	Quoted prices in active markets Level 1	Significant observable inputs Level 2	Total
Financial assets				
Power trading derivatives		57,598	29,070	**86,668**
Current asset investments	6.4	19,560	0	**19,560**
Foreign exchange derivatives		0	2,131	**2,131**
Non-financial assets				
Gas trading inventories	5.1	0	39,717	**39,717**
Total financial and non-financial assets		**77,158**	**70,918**	**148,076**
Liabilities				
Gas trading derivatives		0	3,993	**3,993**
Power trading derivatives		44,770	28,679	**73,449**
Foreign exchange derivatives		0	236	**236**
Total financial liabilities		**44,770**	**32,908**	**77,678**

3.6 FINANCIAL ASSETS AND LIABILTIES BY CATEGORY

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

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR '000	2020	2019	1 January 2019
Financial assets measured at fair value through profit or loss			
Derivatives held for trading[1]	374,588	209,794	86,668
Derivatives in economic hedges[2]	741	946	2,131
Current asset investments[3]	21,688	30,286	19,560
Financial assets measured at amortised cost			
Trade receivables	209,671	162,678	192,079
Cash and cash equivalents	162,348	60,745	49,985
Receivables from group enterprises	24,116	7,785	20
Other receivables	47,464	32,880	25,661
Financial assets	**840,616**	**505,114**	**376,104**
Financial liabilities measured at fair value through profit or loss			
Derivatives held for trading[1]	436,645	163,552	77,442
Derivatives in economic hedges[2]	1,436	304	236
Financial assets measured at amortised cost			
Trade payables	352,906	211,776	258,300
Payables to group enterprises	45,375	63,965	131
Other payables	12,656	12,697	27,964
Lease liabilities	5,062	4,945	5,759
Financial liabilities	**854,080**	**457,239**	**369,832**

[1] Derivative financial instruments consist of swaps, futures, forwards and options related to commodity trading derivatives and structured products.
[2] Derivatives in economic hedges consist of foreign exchange derivatives.
[3] Current assets investments consist of listed corporate bonds and listed securities.

3.7 DEFERRED DAY-1 PROFIT OR LOSS RESERVES

DEFERRED DAY-1 PROFIT OR LOSS RESERVES

EUR '000	2020	2019
Reserve balance at 1 January	**7,511**	**3,629**
Profit/loss deferred on new transactions	5,649	6,215
Profit/loss recognised in the income statement	-6,533	-2,333
Reserve balance at 31 December	**6,627**	**7,511**

For new transactions in Danske Commodities' trading units, in which the valuation technique used to measure fair value requires significant inputs that are not based on observable market data, the financial instrument is initially recognised at the transaction price and subsequently measured at fair value. Refer to note 3.5 for further comments on fair value measurements.

ACCOUNTING POLICIES

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

OTHER FINANCIAL NOTES

4.1 STAFF COSTS

STAFF COSTS

EUR '000	2020	2019
Wages and salaries	34,040	36,171
Pensions	2,244	1,949
Other staff costs	883	1,105
Staff costs	**37,167**	**39,225**
Average number of employees	319	281
Number of employees, end of year	355	317

ACCOUNTING POLICIES

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

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

4.2 RELATED PARTIES

Danske Commodities A/S is controlled by Equinor Refining Norway AS, 5954 Mongstad, 1263 Lindås, Norway. The ownership is registered in the Company's register of shareholders as holding 100% of the votes and shares. The company is included in the consolidated financial statements of its ultimate parent company, Equinor ASA.

THE GROUP IS CONTROLLED BY THE FOLLOWING ENTITIES:

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

* The Norwegian State is the majority shareholder of Equinor ASA

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

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

4.2 RELATED PARTIES – CONTINUED

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

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

There were no transactions with members of the Board of Directors and the Executive Board, other than remuneration, and furthermore, no loans were granted to the Board of Directors or the Executive Board in 2020.

RELATED PARTY TRANSACTIONS

EUR '000	2020	2019
Transactions with related parties		
Sales of goods and services to related parties	427,673	226,954
Sales of goods and services to other related parties	166,885	60,005
Purchases of goods and services from related parties	277,593	343,547
Purchases of goods and services from other related parties	219,349	141,505
Capital transactions	0	179,105
Related party balances at 31 December		
Payables to related parties	1,332	52,884
Receivables from related parties	18,436	7,696
Payables to other related parties	35,467	11,080
Receivables from other related parties	11,566	4,594
Loans from related parties	35,000	0

KEY MANAGEMENT REMUNERATION:
At 31 December 2020, key management personnel consisted of the CEO and CFO (2019: 2 members).

REMUNERATION OF THE EXECUTIVE BOARD

EUR '000	2020	2019
Base salary	777	712
Other benefits	592	369
Pensions contributions	101	98
Shared based payments	110	71
Total remuneration	**1,580**	**1,250**

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

Remuneration to three members of the Board of Directors is paid by Danske Commodities A/S and amounted to EUR 0.1 million for 2020 and EUR 0.1 million for 2019, respectively.

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

4.2 RELATED PARTIES – CONTINUED

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

SHARE SAVINGS PROGRAMME
The share savings programme provides employees with the opportunity to purchase Equinor shares through monthly salary deductions. If shares are kept for two full calendar years of continued employment, following the year of purchase, the employees will be allocated one bonus share for each share purchased. The latest vesting date for the granted bonus warrants is 2022. The amount expensed for the Executive Board amounted to EUR 11 thousand in 2020 and EUR 0 thousand in 2019.

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

The level of the annual LTI reward is in the range of 20-30% of the annual base salary for the participant on the condition the CEO is invited to participate in in the LTI programme. The latest vesting date for granted LTI-programmes is 2023. The amount expensed for the LTI programme amounted to EUR 99 thousand in 2020 and EUR 71 thousand in 2019.

The total recognised expense for the Executive Board amounts to EUR 110 thousand and EUR 71 thousand for 2020 and 2019, respectively, and was expensed in the period incurred.

ACCOUNTING POLICIES

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

4.3 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

EUR '000	2020	2019
Net fair value gains/losses on listed securities	0	389
Other financial income	5,311	1,718
Total	**5,311**	**2,107**

FINANCIAL EXPENSES

EUR '000	2020	2019
Net fair value gains/losses on listed securities	1,355	0
Other financial expenses	6,782	3,048
Interest on lease liabilities	105	122
Total	**8,242**	**3,170**

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

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

WORKING CAPITAL

5.1 INVENTORIES

INVENTORIES

EUR '000	2020	2019	1 January 2019
Gas trading inventories	257,404	115,891	39,717
Certificates	14,850	30,747	0
Total inventories	**272,254**	**146,638**	**39,717**

Inventories comprise gas and certificates for resale.

SIGNIFICANT ACCOUNTING ESTIMATES

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

ACCOUNTING POLICIES

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

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

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

5.2 TRADE RECEIVABLES

TRADE RECEIVABLES

EUR '000	2020	2019	1 January 2019
Trade receivables	209,671	162,678	192,079
Loss allowance	0	0	0
Trade receivables	**209,671**	**162,678**	**192,079**

AGING OF TRADE RECEIVABLES, GROSS

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

Information about Danske Commodities' exposure to credit risk and foreign currency risk can be found in notes 3.2 and 3.1. Information about the Group's gross trade receivables balances at 31 December can be found in note 5.5.

ACCOUNTING POLICIES

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are measured at amortised cost less allowance for lifetime expected credit losses. They are generally due for settlement within 30 days and are therefore all classified as current.

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

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

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

In addition to the lifetime expected credit loss allowance on trade receivables, Danske Commodities may also recognise an impairment on a specific debtor if there is any internal or external information indicating that a loss will incur. When receivables have been written off, Danske Commodities continues to engage in enforcement activity to attempt to recover the receivable due. Recoveries made are recognised in profit or loss.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

5.3 OTHER RECEIVABLES

OTHER RECEIVABLES

EUR '000	2020	2019	1 January 2019
Deposits related to trading	47,464	32,880	25,661
Other receivables	9,332	9,894	13,619
Total	**56,796**	**42,774**	**39,280**

Deposits related to trading are the amounts of cash required to open a trading position with certain counterparties.

ACCOUNTING POLICIES

Other receivables are measured at amortised cost. Information about the Group's exposure to credit risk and foreign currency risk can be found in notes 3.2 and 3.1.

5.4 OTHER PAYABLES

OTHER PAYABLES

EUR '000	2020	2019	1 January 2019
Deposits received	14,054	12,697	27,964
Staff obligations	18,881	12,923	8,372
Other payables	6,691	2,805	1,345
VAT and other public payables	350	129	180
Total other payables	**39,976**	**28,554**	**37,861**

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

ACCOUNTING POLICIES

Accounts payable and other payables are measured at amortised cost and are unsecured.

5.5 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

2020 EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet: Cash collateral (received/pledged)	Net amount
Financial assets					
Trade receivables	1,187,839	-978,168	**209,671**	-13,105	196,566
Derivatives held for trading	3,126,422	-2,751,834	**374,588**	-16,955	357,633
Total	**4,314,261**	**-3,730,002**	**584,259**	**-30,060**	**554,199**
Financial liabilities					
Trade payables	1,331,074	-978,168	**352,906**	-5,517	347,389
Derivatives held for trading	3,188,479	-2,751,834	**436,645**	-7,139	429,506
Total	**4,519,553**	**-3,730,002**	**789,551**	**-12,656**	**776,895**

5.5 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – CONTINUED

2019 EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet: Cash collateral (received/pledged)	Net amount
Financial assets					
Trade receivables	874,332	-711,654	**162,678**	-7,706	154,972
Derivatives held for trading	1,222,847	-1,013,053	**209,794**	-8,559	201,235
Total	**2,097,179**	**-1,724,707**	**372,472**	**-16,265**	**356,207**
Financial liabilities					
Trade payables	923,430	-711,654	**211,776**	-4,499	207,277
Derivatives held for trading	1,176,605	-1,013,053	**163,552**	-4,997	158,555
Total	**2,100,035**	**-1,724,707**	**375,328**	**-9,496**	**365,832**

1 JANUARY 2019 EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	Net amounts presented in the balance sheet	Related amounts not set off in the balance sheet: Cash collateral (received/pledged)	Net amount
Financial assets					
Trade receivables	785,659	-593,580	**192,079**	-2,836	189,242
Derivatives held for trading	674,418	-587,750	**86,668**	-2,836	83,831
Total	**1,460,077**	**-1,181,330**	**278,747**	**-5,672**	**273,074**
Financial liabilities					
Trade payables	851,880	-593,580	**258,300**	-12,345	245,955
Derivatives held for trading	665,192	-587,750	**77,442**	-12,345	65,097
Total	**1,517,072**	**-1,181,330**	**335,742**	**-24,690**	**331,052**

ACCOUNTING POLICIES

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

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

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

5.6 CASH FLOW

CASH FLOW STATEMENT – NON-CASH ADJUSTMENTS

EUR '000	2020	2019
Financial income	-5,311	-2,107
Financial expenses	8,242	3,169
Share of profit in associates after tax	28	476
Amortisation, depreciation and impairment losses	24,717	7,243
Other non-cash adjustments	-1,050	-937
Tax on profit/loss for the year	11,146	11,235
Exchange rate adjustments	-421	-182
Total	**37,351**	**18,897**

CASH FLOW STATEMENT – CHANGE IN WORKING CAPITAL

EUR '000	2020	2019
Change in inventories	-125,616	-106,921
Change in trade and other receivables	-233,652	-114,246
Change in trade and other payables	414,785	95,795
Total	**55,517**	**-125,372**

ACCOUNTING POLICIES

Cash flow statement
The consolidated and parent statements of cash flows are compiled using the indirect method, showing cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and end of the year for the Group and the Parent Company, respectively.

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

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

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

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

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

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

CAPITAL EMPLOYED

6.1 INTANGIBLE ASSETS

2020 EUR '000	Contractual rights	Software	Software development projects in progress
Cost at 1 January	92,115	22,896	0
Additions – internally developed	0	0	1,794
Additions	17,941	1,884	106
Disposals	-297	-1,373	-88
Transfers to/(from) asset groups	0	513	-513
Exchange differences	0	-2	0
Cost at 31 December	**109,579**	**23,918**	**1,299**
Amortisation and impairment losses at 1 January	3,158	14,720	–
Amortisation for the year	20,120	2,911	–
Reversal of amortisation of disposals for the year	-297	-1,373	–
Amortisation and impairment losses at 31 December	**22,981**	**16,258**	**–**
Carrying amount at 31 December	**86,778**	**7,660**	**1,299**

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

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

6.1 INTANGIBLE ASSETS – CONTINUED

ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

Contractual rights: 1-18 years
Software: 3-5 years

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

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

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Intangible assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period. No impairments identified in either 2019 and 2020, respectively.

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

6.2 PROPERTY, PLANT AND EQUIPMENT

2020 EUR '000	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use assets	Leasehold improvements
Cost at 1 January	0	5,500	5,759	2,411
Additions	0	802	1,059	113
Disposals	0	-1,451	0	0
Exchange rate adjustments	0	-13	0	-26
Cost at 31 December	**0**	**4,838**	**6,818**	**2,498**
Depreciation and impairment losses at 1 January	0	4,350	900	2,349
Depreciation for the year	0	676	1,007	9
Exchange rate adjustments	0	-12	0	-9
Reversal of depreciation on disposals for the year	0	-1,451	0	0
Depreciation and impairment losses at 31 December	**0**	**3,563**	**1,907**	**2,349**
Carrying amount at 31 December	**0**	**1,275**	**4,911**	**149**

2019 EUR '000	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use assets	Leasehold improvements
Cost at 1 January	1,805	10,791	0	2,534
Adjustment from adoption of IFRS 16	0	0	5,759	0
Additions	0	1,006	0	19
Disposals	-1,805	-6,292	0	-130
Exchange rate adjustments	0	5	0	-12
Cost at 31 December	**0**	**5,500**	**5,759**	**2,411**
Depreciation and impairment losses at 1 January	1,081	7,092	0	2,473
Depreciation for the year	19	549	900	9
Exchange rate adjustments	0	-5	0	-3
Reversal of depreciation on disposals for the year	-1,100	-3,286	0	-130
Depreciation and impairment losses at 31 December	**0**	**4,350**	**900**	**2,349**
Carrying amount at 31 December	**0**	**1,150**	**4,859**	**62**

Right-of-use assets with carrying amounts of EUR 4,911 thousand, EUR 4,859 thousand and EUR 5,759 thousand at 31 December 2020, at 31 December 2019 and at 1 January 2019, respectively, are presented as 'land and buildings' and other 'fixtures and fittings, tools and equipment' in the balance sheet. Right-of-use assets included in the category 'land and buildings' amounted to EUR 4,843 thousand at 31 December 2020, EUR 4,754 thousand at 31 December 2019 and EUR 5,618 thousand at 1 January 2019. Right-of-use assets included in the category 'other fixtures and fittings, tools and equipment' amounted to EUR 68 thousand at 31 December 2020, EUR 104 thousand at 31 December 2019 and EUR 140 thousand at 1 January 2019.

6.2 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

ACCOUNTING POLICIES

Individual components of property, plant and equipment that have different useful lives are accounted for as separate items, which are depreciated separately.

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

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

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

Buildings:	15 years
Other fixtures and fittings, tools and equipment:	3-15 years
Leasehold improvements:	3-5 years
Right-of-use assets:	1-7 years

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates if the amount is material.

Carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by depreciation. If so, an impairment test is carried out to determine whether the recoverable amount is lower than the carrying amount, and the asset is written down to its lower recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

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

6.3 LEASES

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

Danske Commodities adopted IFRS 16 effective as of 1 January 2019. The reclassifications and the adjustments arising from the new leasing rules were therefore recognised in the opening balance sheet on 1 January 2019.

Total amounts of EUR 1.2 million and EUR 1.1 million were recognised in the income statement for the financial years 2020 and 2019 respectively, mainly consisting of depreciation of right-of-use assets and interests on lease liabilities. The total cash outflows for leases amounted to EUR 1.0 million and 1.1 million in 2020 and 2019, respectively.

AMOUNTS RECOGNISED IN THE INCOME STATEMENT

EUR '000	2020	2019
Depreciation of right-of-use assets	1,007	901
Interest on lease liabilities	105	122
Expenses relating to short-term leases	79	2
Expenses relating to low-value leases	58	55
Total	**1,249**	**1,080**

6.3 LEASES – CONTINUED

ACCOUNTING POLICIES

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.3%.

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

On initial application of IFRS 16, the Group used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as of 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease
- assets at a value of EUR 5 thousand and below from inception of contract are accounted for as low-value assets

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

The lease liability is measured using the implicit borrowing rate in the contracts or, when this is not available, the Group's average incremental borrowing rate at the date of inception. Lease assets are depreciated over a 1 – 7 year period.

Short-term leases and leases of low value are recognised as expenses in the income statement on a straight-line basis over the lease term.

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

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

The lease assets are depreciated using the straight-line method over the shorter of the expected lease term and the useful life of the underlying asset. The lease assets are tested for impairment whenever there is an indication that the assets may be impaired. No impairment indicators were identified at 31 December 2020.

6.4 CURRENT ASSET INVESTMENTS

CURRENT ASSET INVESTMENTS

EUR '000	2020	2019	1 January 2019
Listed corporate bonds	21,215	29,310	19,560
Listed securities	473	976	0
Total	**21,688**	**30,286**	**19,560**

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

ACCOUNTING POLICIES

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

6.5 INVESTMENTS IN ASSOCIATES

INVESTMENTS IN ASSOCIATES

EUR '000	2020	2019
Cost at 1 January	2,236	1,321
Disposals for the year	2,236	0
Additions for the year	0	915
Cost at 31 December	**0**	**2,236**
Value adjustments at 1 January	-499	-19
Exchange rate adjustment	60	-4
Net profit/loss for the year	-28	-476
Disposal*	467	0
Value adjustments at 31 December	**0**	**-499**
Carrying amount at 31 December	**0**	**1,737**

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

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

ACCOUNTING POLICIES

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

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

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

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

TAX

7.1 TAX ON PROFIT / LOSS FOR THE YEAR

TAX ON PROFIT / LOSS FOR THE YEAR

EUR '000	2020	2019
Current tax for the year	11,255	10,775
Deferred tax for the year	-134	519
Adjustment of tax relating to prior years	3,818	-38
Adjustment of deferred tax relating to prior years	-3,793	-21
Total tax for the year	**11,146**	**11,235**
The total tax contribution for the year is specified as follows:		
Profit for the year before tax	51,353	51,021
Adjustments (non-deductible)	-672	478
Tax on profit/loss for the year	11,121	11,294
Effective tax rate	**21.7%**	**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 subject to the Danish rules on compulsory joint taxation of the Danish group enterprises. The tax effect of the joint taxation is allocated to enterprises showing profit or loss in proportion to their taxable incomes. The jointly-taxed enterprises have adopted the on-account taxation scheme.

7.2 DEFERRED TAX

DEFERRED TAX

EUR '000	2020	2019
Deferred tax at 1 January	692	155
Deferred tax recognised in profit and loss for the year	-3,927	498
Sale of subsidiary	0	39
Deferred tax at 31 December	**-3,235**	**692**
The items are recognised in the balance sheet as follows:		
Deferred tax asset	-3,235	0
Deferred tax liability	0	692
Total	**-3,235**	**692**

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

ACCOUNTING POLICIES

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

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

Deferred tax assets and liabilities
Deferred tax is recognised in respect of all temporary differences between the carrying amount and the tax base of assets and liabilities.

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

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

Deferred tax is measured according to the tax rules and at the tax rates applicable in the respective countries at the balance sheet date when the deferred tax is expected to crystallise as current tax.

OTHER NOTES

8.1 AUDITORS' FEES

AUDITORS' FEES

EUR '000	2020	2019
Statutory audit	139	139
Audit-related services	836	0
Fees to statutory auditors	**975**	**139**

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

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

8.2 OTHER COMMITMENTS AND CONTINGENT LIABILITIES

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

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

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

MATURITY OF GAS STORAGE AGREEMENTS

EUR '000	
2021	84,162
2022	73,570
2023	67,195
2024	34,787
2025	5,670

8.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

AMENDMENTS TO IAS 1:
CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT
In January 2020, the IASB issued amendments to paragraphs 69 through 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

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

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

PROPERTY, PLANT AND EQUIPMENT:
PROCEEDS BEFORE INTENDED USE – AMENDMENTS TO IAS 16
In May 2020, the IASB issued Property, Plant and Equipment — Proceeds before Intended Use, which prohibits entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

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

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

8.4 FIRST TIME ADOPTION

These financial statements, for the year ended 31 December 2020, are the first Danske Commodities has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2019, Danske Commodities prepared its financial statements in accordance with the Danish Financial Statements Act.

Accordingly, Danske Commodities has prepared financial statements that comply with IFRS applicable at 31 December 2020, together with the comparative period data for the year ended 31 December 2019, as described in the summary of significant accounting policies. In preparing the financial statements, the Group's opening statement of financial position was prepared at 1 January 2019, Danske Commodities' date of transition to IFRS. This note explains the principal adjustments made by Danske Commodities in restating its local GAAP financial statements, including the statement of financial position at 1 January 2019 and the financial statements at 31 December 2019.

SIGNIFICANT ACCOUNTING JUDGMENTS

Management has exercised significant judgments to ensure that the net amounts of financial assets and liabilities presented in the balance sheet at the date of transition to IFRS are complete and accurate. The judgments applied primarily relate to assessing whether a legal right to offset the underlying derivative contracts was present at the date of transition. Further, the judgments applied were necessary as trading data were not available to the same extent as currently due to improved IT systems.

In connection with the preparation of the financial statements, the following reclassification and adjustments to the profit and loss statement and the balance sheet were performed.

A IFRS 16 Leasing
Under local GAAP, a lease is classified as a finance lease or an operating lease. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term.

Under IFRS, as explained in note 6.3, a lessee applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The lessee recognises a lease liability to make lease payments and a right-of-use asset, which is depreciated, representing the right to use the underlying asset.

B Offsetting of derivatives held for trading
Under local GAAP 'derivatives held for trading' was offset in the balance sheet in the financial statement line item 'other receivables'. Under IFRS, as explained in note 5.5, derivatives held for trading that met the criteria's presented in IAS 32 have been offset to the financial statement line items 'derivatives held for trading'. Management has adjusted historically-reported numbers based on extended analysis of the numbers reported under local GAAP to comply with IFRS.

C Change in measurement of gas trading inventories and accounting for virtual sell storages
Gas trading inventories have been measured at fair value less cost to sell, resulting in a minor increase of inventory value. Under local GAAP, gas inventories were measured at the lower of cost according to weighted average and net realisable value. Management has furthermore reclassified virtual sell storages from 'inventories' to 'derivatives held for trading' resulting in a minor increase. Virtual sell storages are measured at fair value through profit and loss.

D Hedge reserve
Under local GAAP, the fair value of forward foreign exchange contracts was recognised on equity and designated as cash flow hedges. Under IFRS, the fair value of forward foreign exchange contracts does not qualify as hedge accounting under IFRS 9 and, hence, the reserve has been adjusted against retained earnings.

E Revenue
Under local GAAP, all contracts for sale of a non-financial item with physical delivery have been presented gross as revenue. Under IFRS facts and circumstances and current interpretations of the framework have resulted in net presentation of all contracts in Danske Commodities' trading activity irrespectively of physical delivery. This net presentation results in a material amount of purchase contracts presented as 'cost of sales' under local GAAP reclassified and presented net together with the sales contracts in 'trading income and revenue' as specified in note 2.1 to the consolidated financial statements.

The transition from the Danish Financial Statement Act to IFRS has not had any material impact on the statement of cash flows. Under local GAAP, a lease is classified as a finance lease or an operating lease. Cash flows arising from operating lease payments are classified as operating activities. Under IFRS, a lessee generally applies a single recognition and measurement approach for all leases and recognises lease liabilities. Cash flows arising from payments of principal portion of lease liabilities are classified as financing activities.

8.4 FIRST TIME ADOPTION – CONTINUED

ASSETS	Balance sheet at 31 December 2019				Balance sheet at 1 January 2019			
EUR '000	Local GAAP	Reclassification and re-measurements	Note	IFRS	Local GAAP	Reclassification and re-measurements	Note	IFRS
Contractual rights	88,956	0		**88,956**	0	0		**0**
Software	8,176	0		**8,176**	9,262	0		**9,262**
Intangible assets	**97,132**	**0**		**97,132**	**9,262**	**0**		**9,262**
Land and buildings	0	4,754	A	**4,754**	724	5,619	A	**6,343**
Other fixtures and fittings, tools and equipment	1,150	104	A	**1,254**	3,699	140	A	**3,839**
Leasehold improvements	62	0		**62**	61	0		**61**
Property, plant and equipment	**1,212**	**4,858**		**6,070**	**4,484**	**5,759**		**10,243**
Investments in associates companies	1,737	0		**1,737**	1,302	0		**1,302**
Deferred tax	0	0		**0**	39	0		**39**
Other receivables	324	0		**324**	310	0		**310**
Other non-current assets	**2,061**	**0**		**2,061**	**1,651**	**0**		**1,651**
Non-current assets	**100,405**	**4,858**		**105,263**	**15,397**	**5,759**		**21,156**
Inventories	144,696	1,942	C	**146,638**	37,880	1,837	C	**39,717**
Trade receivables	162,678	0		**162,678**	192,079	0		**192,079**
Other receivables	90,512	-47,738	B	**42,774**	52,263	-12,983	B	**39,280**
Receivables from group enterprises	7,785	0		**7,785**	20	0		**20**
Receivables from associates	0	0		**0**	9	0		**9**
Corporation tax receivable	77	0		**77**	99	0		**99**
Prepayments	4,524	0		**4,524**	5,979	0		**5,979**
Derivatives held for trading	0	209,794	B	**209,794**	0	86,668	B	**86,668**
Current asset investments	30,286	0		**30,286**	19,560	0		**19,560**
Cash and cash equivalents	60,745	0		**60,745**	49,985	0		**49,985**
Current assets	**501,303**	**163,998**		**665,301**	**357,874**	**75,522**		**433,396**
Assets	**601,708**	**168,856**		**770,564**	**373,271**	**81,281**		**454,552**

8.4 FIRST TIME ADOPTION – CONTINUED

LIABILITIES AND EQUITY	Balance sheet at 31 December 2019				Balance sheet at 1 January 2019			
EUR '000	Local GAAP	Reclassification and re-measurements	Note	IFRS	Local GAAP	Reclassification and re-measurements	Note	IFRS
Share capital	179,065	0		**179,065**	498	0		**498**
Reserve for currency translation	0	0		**216**	0	0		**0**
Retained earnings	113,601	45	D,C,A	**113,430**	75,737	-1,682	C	**74,055**
Equity	**292,666**	**45**		**292,711**	**76,235**	**-1,682**		**74,553**
Deferred tax liabilities	680	12	A,C	**692**	669	-475	A,C	**194**
Provisions	598	0		**598**	0	0		**0**
Lease liability	0	4,099	A	**4,099**	0	4,994	A	**4,944**
Other payables	1,084	0		**1,084**	0	0		**0**
Non-current liabilities	**2,362**	**4,111**		**6,473**	**669**	**4,469**		**5,138**
Trade payables	211,776	0		**211,776**	258,300	0		**258,300**
Payables to group enterprises	63,965	0		**63,965**	131	0		**131**
Corporation tax payable	2,688	0		**2,688**	195	0		**195**
Other payables	28,252	303	B	**28,554**	37,624	237	B	**37,861**
Derivatives held for trading	0	163,552	B,C	**163,552**	0	77,442	B,C	**77,442**
Lease liability	0	845	A	**845**	0	815	A	**815**
Debt to mortgage credit institutions	0	0		**0**	117	0		**117**
Current liabilities	**306,681**	**164,700**		**471,380**	**296,367**	**78,494**		**374,861**
Liabilities	**309,043**	**168,811**		**477,853**	**297,036**	**82,963**		**379,999**
Liabilities and equity	**601,709**	**168,856**		**770,564**	**373,271**	**81,281**		**454,552**

8.4 FIRST TIME ADOPTION – CONTINUED

CONSOLIDATED INCOME STATEMENT 1 JANUARY – 31 DECEMBER 2019

EUR '000	Local GAAP	Reclassifications and remeasurements	Note	IFRS
Trading income and revenue	10,046,074	-9,254,600	C,E	**791,474**
Cost of sales	-9,938,195	9,256,899	E	**-681,296**
Gross profit	**107,879**	**2,299**		**110,178**
Other external expenses	-12,088	937	A	**-11,151**
Staff costs	-39,225	0		**-39,225**
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	-6,342	-901	A	**-7,243**
Operating profit/loss (EBIT)	**50,224**	**2,335**		**52,559**
Share of profit in associates after tax	-476	0		**-476**
Financial income	2,107	0		**2,107**
Financial expenses	-2,548	-621	A	**-3,169**
Profit before tax (EBT)	**49,307**	**1,714**		**51,021**
Tax on profit/loss for the year	-10,858	-377		**-11,235**
Profit for the year	**38,449**	**1,337**		**39,786**

8.5 EQUITY

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

8.6 EVENTS AFTER BALANCE SHEET DATE

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

8.7 DEFINITIONS OF FINANCIAL RATIOS

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

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

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

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

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

FINANCIAL STATEMENTS **PARENT**

STATEMENT OF COMPREHENSIVE INCOME

1 JANUARY – 31 DECEMBER

INCOME STATEMENT

EUR '000	Note	2020	2019
Trading income and revenue	2.1	788,648	789,876
Cost of sales		-665,281	-681,297
Gross profit		**123,367**	**108,579**
Other operating income		697	0
Other external expenses		-12,135	-11,225
Staff costs	4.1	-36,148	-38,653
Amortisation, depreciation and impairment losses of intangible assets and property, plant and equipment	6.1, 6.2	-24,706	-7,152
Operating profit/loss (EBIT)		**51,075**	**51,549**
Share of profit in subsidiaries after tax	6.5	2,051	329
Share of profit in associates after tax	6.6	-28	-476
Financial income	4.3	5,603	2,649
Financial expenses	4.3	-7,909	-3,146
Profit before tax (EBT)		**50,792**	**50,905**
Tax on profit/loss for the year	7.1	-10,585	-11,119
Profit for the year		**40,207**	**39,786**

STATEMENT OF COMPREHENSIVE INCOME

EUR '000	2020	2019
Profit for the year	**40,207**	**39,786**
Items that may subsequently be reclassified to the income statement:		
Exchange rate adjustment on translation of foreign operations	-525	-216
Other comprehensive income (net of tax)	**-525**	**-216**
Total comprehensive income (net of tax)	**39,682**	**39,570**

BALANCE SHEET

AT 31 DECEMBER

ASSETS

EUR '000	Note	2020	2019	1 January 2019
Contractual rights		86,778	88,956	0
Software		8,959	8,175	9,261
Intangible assets	6.1	**95,737**	**97,131**	**9,261**
Land and buildings		4,842	4,754	5,619
Other fixtures and fittings, tools and equipment		1,339	1,246	773
Leasehold improvements		106	0	0
Property, plant and equipment	6.2	**6,287**	**6,000**	**6,392**
Investments in subsidiaries	6.5	5,787	4,188	9,534
Investments in associates	6.6	0	1,737	1,302
Deferred tax	7.2	3,231	0	0
Other receivables		334	324	296
Other non-current assets		**9,352**	**6,249**	**11,132**
Non-current assets		**111,376**	**109,380**	**26,785**
Inventories	5.1	272,254	146,638	39,717
Trade receivables	5.2	204,623	159,345	181,117
Other receivables	5.3	51,032	23,454	26,239
Receivables from group enterprises		34,936	17,910	9,423
Receivables from associates		0	0	9
Prepayments		3,984	4,459	5,853
Derivatives held for trading	3.4	374,588	209,794	86,668
Current asset investments	6.4	21,688	30,286	19,560
Cash and cash equivalents		157,686	57,389	44,743
Current assets		**1,120,791**	**649,275**	**413,329**
Assets		**1,232,167**	**758,655**	**440,114**

LIABILITIES AND EQUITY

EUR '000	Note	2020	2019	1 January 2019
Share capital	8.5	179,065	179,065	498
Reserve for net revaluation under the equity method		3,370	1,349	7.030
Reserve for development costs		4,405	4,378	4.975
Retained earnings		145,553	107,919	62,050
Equity		**332,393**	**292,711**	**74,553**
Deferred tax liabilities	7.2	0	692	195
Provisions		0	598	0
Lease liability		3,987	4,099	4,944
Other payables		9,412	1,084	0
Non-current liabilities		**13,399**	**6,473**	**5,139**
Trade payables		350,542	199,441	246,347
Payables to group enterprises		49,820	64,742	616
Corporation tax payable	7.1	9,493	2,654	19
Other payables	5.4	38,800	28,238	35,183
Derivatives held for trading	3.4	436,645	163,551	77,442
Lease liability		1,075	845	815
Current liabilities		**886,375**	**459,471**	**360,422**
Liabilities		**899,774**	**465,944**	**365,561**
Liabilities and equity		**1,232,167**	**758,655**	**440,114**

STATEMENT OF CHANGES IN EQUITY

2020

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

2019

EUR '000	Share capital	Reserve for net revaluation under the equity method	Reserve for development cost	Retained earnings	Total
Equity at 1 January	498	7,030	4,975	63,732	76,235
Adjustment from adoption of IFRS	0	0	0	-1,682	-1,682
Restated total equity at 1 January	**498**	**7,030**	**4,975**	**62,050**	**74,553**
Net profit for the year	0	-147	0	39,933	39,786
Development costs for the year	0	0	-597	597	0
Other adjustments	0	-5,318	0	5,318	0
Other comprehensive income for the year	0	-216	0	0	-216
Total comprehensive income for the year	**0**	**-5,681**	**-597**	**45,848**	**39,570**
Capital decrease	-498	0	0	21	-477
Capital increase	179,065	0	0	0	179,065
Equity at 31 December	**179,065**	**1,349**	**4,378**	**107,919**	**292,711**

STATEMENT OF CASH FLOWS

STATEMENT OF CASH FLOWS

EUR '000	Note	2020	2019
Profit for the year		40,207	38,786
Non-cash adjustments	5.6	34,537	17,991
Change in working capital	5.6	56,346	-125,234
Cash flow from operating activities before financial income and expenses		**131,090**	**-67,457**
Financial income, received	4.3	5,603	2,649
Financial expenses, paid	4.3	-7,804	-3,024
Cash flow from ordinary activities		128,889	-67,832
Corporation tax paid		-7,669	-7,987
Cash flow from operating activities		**121,220**	**-75,819**
Purchase of intangible assets	6.1	-21,725	-93,656
Purchase of property, plant and equipment	6.2	-910	-996
Sale of property, plant and equipment		9	21
Capital increase in associates	6.6	0	-915
Sale of associates		1,713	0
Sale of subsidiaries		0	5,451
Payment and repayment of other non-current assets		-10	-28
Cash flow from investing activities		**-20,923**	**-90,123**
Capital decrease		0	-477
Capital increase		0	179,065
Cash flow from financing activities		**0**	**178,588**
Change in cash and cash equivalents		**100,297**	**12,646**
Cash and cash equivalents at 1 January		57,389	44,743
Cash and cash equivalents at 31 December		**157,686**	**57,389**
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		157,686	57,389
Cash and cash equivalents at 31 December		**157,686**	**57,389**

BASIS OF REPORTING

1.1 BASIS OF PREPARATION

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

For all periods up to and including the year ended 31 December 2019, Danske Commodities A/S prepared its financial statements in accordance with local generally accepted accounting principles (The Danish Financial Statements Act). These financial statements for the year ended 31 December 2020 are the first Danske Commodities A/S has prepared in accordance with IFRS. Refer to note 8.4 for information on how Danske Commodities A/S adopted IFRS. Danske Commodities A/S has prepared the parent financial statements in accordance with all the IFRS standards effective at December 31 2020, the transition date being 1 January 2019. The fiscal year for the Company is 1 January – 31 December.

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

Accounting policies related to specific line items are described in the notes to which they relate. The description of accounting policies in the notes form part of the overall description of accounting policies which are described in the consolidated financial statements.

If not mentioned in these financial statements explicitly, the accounting policies, estimates and judgments applied in preparing the parent financial statements are the same as those applied in the consolidated financial statements, to which references will be made. Management has only presented the notes for which there are material differences in carrying amounts to the note disclosed in the consolidated financial statements.

Reference is made to note 1.1 to the consolidated financial statement for further description of the basis of preparation.

1.2 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Reference is made to note 1.2 to the consolidated financial statements.

1.3 IMPACT OF NEW ACCOUNTING STANDARDS

Reference is made to note 1.3 to the consolidated financial statements.

EARNINGS

2.1 TRADING INCOME AND REVENUE

TRADING INCOME AND REVENUE

EUR '000	2020	2019
Trading income		
Trading income	68,188	68,699
Net change in fair value of commodity derivatives and inventory held for trading	25,665	23,530
Revenue from contracts with customers		
Sales of climate certificates	260,670	120,128
Sales of power and energy related services	434,125	577,519
Trading income and revenue	**788,648**	**789,876**

Reference is made to note 2.1 to the consolidated financial statements for significant judgments and accounting policies on trading income and revenue.

RISK MANAGEMENT

3.1 MARKET RISK

Reference is made to note 3.1 to the consolidated financial statements.

3.2 CREDIT RISK MANAGEMENT

CREDIT QUALITY OF DANSKE COMMODITIES' COUNTERPARTIES

EUR '000	2020	2019	1 January 2019
AA Rating	394,512	231,626	105,492
A Rating	2,024,216	869,015	724,553
BBB Rating	1,588,387	772,817	407,910
BB Rating and lower	420,405	163,991	143,865
Not rated	86,629	99,218	106,141
Total at 31 December	**4,514,149**	**2,136,667**	**1,487,961**

Reference is made to note 3.2 to the consolidated financial statements for further description and accounting policies on credit risk management.

3.3 LIQUIDITY RISK

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

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

The Company's committed credit facility ('Revolving Credit Facility') amounted to EUR 500 million at 31 December 2020 and at 31 December 2019, the Company did not have any committed credit facilities at 1 January 2019.

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

CONTRACTUAL MATURITIES OF FINANCIAL LIABILITIES

EUR '000	2020	2019	1 January 2019
Financial instruments, maturity <1 year			
Trade payables	350,542	199,441	246,347
Lease liabilities	1,075	845	815
Payables to group enterprises	14,820	64,742	616
Revolving Credit Facility*	35,000	0	0
Other payables	38,800	28,238	35,183
Financial instruments, maturity 1-5 years			
Lease liabilities	3,987	4,099	4,944
Other payables	38,800	1,084	0
Derivative financial instruments, maturity <1 year			
Derivatives held for trading	436,645	163,551	77,442
Total financial liabilities	**890,281**	**462,000**	**365,347**

* For the Revolving Credit Facility provided by the parent company, the effective interest rate is the base rate (EURIBOR1M) plus a margin rate of 0.15%. In the case the aggregate of the base rate and the margin rate drops below zero, the effective interest rate will be set at 0.0%. The effective interest rate at 31 December 2020 is 0.0%.

3.4 DERIVATIVE FINANCIAL INSTRUMENTS

Reference is made to note 3.4 to the consolidated financial statements.

3.5 FAIR VALUE MEASUREMENTS

Reference is made to note 3.5 to the consolidated financial statements.

3.6 FINANCIAL ASSETS AND LIABILTIES BY CATEGORY

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

FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

EUR '000	2020	2019	1 January 2019
Financial assets measured at fair value through profit or loss			
Derivatives held for trading[1]	374,588	209,794	86,668
Derivatives in economic hedges[2]	741	946	2,131
Current asset investments[3]	21,688	30,286	19,560
Financial assets measured at amortised cost			
Trade receivables	204,623	159,345	181,117
Cash and cash equivalents	157,686	57,389	44,743
Receivables from group enterprises	34,936	17,910	9,423
Other receivables	47,250	22,093	23,597
Financial assets	**841,512**	**497,763**	**367,239**
Financial liabilities measured at fair value through profit or loss			
Derivatives held for trading[1]	436,645	163,551	77,442
Derivatives in economic hedges[2]	1,436	304	236
Financial assets measured at amortised cost			
Trade payables	350,542	199,441	246,347
Payables to group enterprises	49,820	64,742	616
Other payables	12,656	12,697	27,964
Lease liabilities	5,062	4,945	5,759
Financial liabilities	**856,161**	**445,680**	**358,364**

[1] Derivative financial instruments consist of swaps, futures, forwards, options related to commodity trading derivatives and structured products.
[2] Derivatives in economic hedges consist of foreign exchange derivatives.
[3] Current assets investments consist of listed corporate bonds and listed securities.

3.7 DEFERRED DAY-1 PROFIT OR LOSS RESERVES

Reference is made to note 3.7 to the consolidated financial statements.

OTHER FINANCIAL NOTES

4.1 STAFF COSTS

STAFF COSTS

EUR '000	2020	2019
Wages and salaries	33,108	35,657
Pensions	2,211	1,930
Other staff costs	829	1,067
Staff costs	**36,148**	**38,654**
Average number of employees	311	277
Number of employees, end of year	346	310

Reference is made to note 4.1 to the consolidated financial statements for accounting policies on staff costs .

4.2 RELATED PARTIES

Danske Commodities A/S is controlled by Equinor Refining Norway AS, 5954 Mongstad, 1263 Lindås, Norway. The ownership is registered in the Company's register of shareholders as holding 100% of the votes and shares. The company is included in the consolidated financial statements of its ultimate parent company, Equinor ASA as shown in the table below.

THE GROUP IS CONTROLLED BY THE FOLLOWING ENTITIES:

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

* The Norwegian State is the majority shareholder of Equinor ASA
** Equinor ASA holds 100% of the issued ordinary shares of Equinor refining Norway AS

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

4.2 RELATED PARTIES – CONTINUED

OTHER RELATED PARTIES

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

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

There were no transactions with members of the Board of Directors and the Executive Board, other than remuneration, and furthermore, no loans were granted to the Board of Directors or the Executive Board in 2020.

RELATED PARTY TRANSACTIONS

EUR '000	Note	2020	2019
Transactions with related parties			
Sales of goods and services to related parties		427,673	226,954
Sales of goods and services to other related parties		426,664	461,538
Purchases of goods and services from related parties		277,593	343,547
Purchases of goods and services from other related parties		271,349	600,943
Capital transactions, net		0	179,105
Related party balances at 31 December			
Payables to related parties		1,332	52,884
Receivables from related parties		18,436	7,696
Payables to other related parties		42,204	11,856
Receivables from other related parties		16,165	14,719
Loans from related parties		35,000	0
Loans from other related parties		125	470
Loans to other related parties		8,639	18,899

4.3 FINANCIAL INCOME AND EXPENSES

FINANCIAL INCOME

EUR '000	2020	2019
Interest income, group enterprises	381	833
Net fair value gains/losses on listed securities	0	389
Other financial income	5,222	1,427
Total	**5,603**	**2,649**

FINANCIAL EXPENSES

EUR '000	2020	2019
Other financial expenses	1,356	0
Net fair value gains/losses on listed securities	6,448	3,024
Interest on lease liabilities	105	122
Total	**7,909**	**3,146**

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

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

WORKING CAPITAL

5.1 INVENTORIES

Reference is made to note 5.1 to the consolidated financial statements.

5.2 TRADE RECEIVABLES

TRADE RECEIVABLES

EUR '000	2020	2019	1 January 2019
Trade receivables	204,623	159,345	181,117
Loss allowance	0	0	0
Trade receivables	**204,623**	**159,345**	**181,117**

AGING OF TRADE RECEIVABLES, GROSS

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

Information about Danske Commodities' exposure to credit risk and foreign currency risk can be found in notes 3.2 and 3.1. Information about the Company's gross trade receivables balances at 31 December can be found in note 5.5.

Reference is made to note 5.2 to the consolidated financial statements for accounting policies on trade receivables.

5.3 OTHER RECEIVABLES

OTHER RECEIVABLES

EUR '000	2020	2019	1 January 2019
Deposits related to trading	47,250	22,093	23,597
Other receivables	3,782	1,361	2,642
Total	**51,032**	**23,454**	**26,239**

Deposits related to trading are the amounts of cash required to open a trading position with certain counterparties.

Reference is made to note 5.3 to the consolidated financial statements for accounting policies on other receivables.

5.4 OTHER PAYABLES

OTHER PAYABLES

EUR '000	2020	2019	1 January 2019
Deposits received	14,054	12,584	25,794
Staff obligations	18,815	12,909	8,175
Other payables	5,931	2,745	235
VAT and other public payables	0	0	979
Total other payables	**38,800**	**28,238**	**35,183**

For explanations on the Company's liquidity risk management processes, refer to note 3.3

Reference is made to note 5.4 to the consolidated financial statements for accounting policies on other payables.

5.5 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

				Related amounts not set off in the balance sheet	
2020 EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	**Net amounts presented in the balance sheet**	Cash collateral (received/pledged)	Net amount
Financial assets					
Trade receivables	1,182,791	-978,168	**204,623**	-13,105	191,518
Derivatives held for trading	3,126,422	-2,751,834	**374,588**	-16,955	357,633
Total	**4,309,213**	**-3,730,002**	**579,211**	**-30,060**	**549,151**
Financial liabilities					
Trade payables	1,328,710	-978,168	**350,542**	-5,517	345,025
Derivatives held for trading	3,188,479	-2,751,834	**436,645**	-7,139	429,506
Total	**4,517,189**	**-3,730,002**	**787,187**	**-12,656**	**774,531**

				Related amounts not set off in the balance sheet	
2019 EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	**Net amounts presented in the balance sheet**	Cash collateral (received/pledged)	Net amount
Financial assets					
Trade receivables	833,393	-674,048	**159,345**	-7,706	151,639
Derivatives held for trading	1,222,847	-1,013,053	**209,794**	-8,559	201,235
Total	**2,056,240**	**-1,687,101**	**369,139**	**-16,265**	**352,874**
Financial liabilities					
Trade payables	873,489	-674,048	**199,441**	-4,499	194,942
Derivatives held for trading	1,176,604	-1,013,053	**163,551**	-4,997	158,554
Total	**2,050,093**	**-1,687,101**	**362,992**	**-9,496**	**353,496**

5.5 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES – CONTINUED

				Related amounts not set off in the balance sheet	
1 JANUARY 2019 EUR '000	Gross amounts of recognised financial asset/liability	Gross amounts offset in the balance sheet	**Net amounts presented in the balance sheet**	Cash collateral (received/pledged)	Net amount
Financial assets					
Trade receivables	743,072	-561,955	**181,117**	-2,893	178,224
Derivatives held for trading	674,418	-587,750	**86,668**	-2,779	83,889
Total	**1,417,490**	**-1,149,705**	**267,785**	**-5,672**	**262,113**
Financial liabilities					
Trade payables	808,303	-561,956	**246,347**	-12,295	233,755
Derivatives held for trading	665,192	-587,750	**77,442**	-12,098	65,344
Total	**1,473,495**	**-1,149,706**	**323,789**	**-24,690**	**299,099**

Reference is made to note 5.5 to the consolidated financial statements for accounting policies on offsetting financial assets and financial liabilities.

5.6 CASH FLOW

CASH FLOW STATEMENT – NON-CASH ADJUSTMENTS

EUR '000	2020	2019
Financial income	-5,603	-2,649
Financial expenses	7,909	3,146
Share of profit in associates after tax	28	476
Share of profit in subsidiaries after tax	-2,051	-329
Amortisation, depreciation and impairment losses	24,706	7,152
Other non-cash adjustments	-1,050	-937
Tax on profit/loss for the year	10,585	11,119
Exchange rate adjustments	13	13
Total	**34,537**	**17,991**

CASH FLOW STATEMENT – CHANGE IN WORKING CAPITAL

EUR '000	2020	2019
Change in inventories	-125,616	-106,921
Change in trade and other receivables	-245,603	-116,379
Change in trade and other payables	427,565	98,066
Total	**56,346**	**-125,234**

Reference is made to note 5.6 to the consolidated financial statements for accounting policies on cash flow.

CAPITAL EMPLOYED

6.1 INTANGIBLE ASSETS

Reference is made to note 6.1 to the consolidated financial statements

6.2 PROPERTY, PLANT AND EQUIPMENT

2020 EUR '000	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use assets	Leasehold improvements
Cost at 1 January	0	5,415	5,759	2,317
Additions	0	801	1,059	109
Disposals	0	-1,451	0	0
Cost at 31 December	**0**	**4,765**	**6,818**	**2,426**
Depreciation and impairment losses at 1 January	0	4,273	900	2,317
Depreciation for the year	0	672	1,007	3
Reversal of depreciation on disposals for the year	0	-1,451	0	0
Depreciation and impairment losses at 31 December	**0**	**3,494**	**1,907**	**2,320**
Carrying amount at 31 December	**0**	**1,271**	**4,911**	**106**

6.2 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

2019 EUR '000	Land and buildings	Other fixtures and fittings, tools and equipment	Right-of-use assets	Leasehold improvements
Cost at 1 January	0	4,455	0	2,447
Adjustment from adoption of IFRS 16	0	0	5,759	0
Additions	0	996	0	0
Disposals	0	-36	0	-130
Cost at 31 December	**0**	**5,415**	**5,759**	**2,317**
Depreciation and impairment losses at 1 January	0	3,822	0	2,447
Depreciation for the year	0	487	900	0
Reversal of depreciation on disposals for the year	0	-36	0	-130
Depreciation and impairment losses at 31 December	**0**	**4,273**	**900**	**2,317**
Carrying amount at 31 December	**0**	**1,142**	**4,859**	**0**

Right-of-use assets with carrying amounts of EUR 4,911 thousand, EUR 4,859 thousand and EUR 5,759 thousand at 31 December 2020, 31 December 2019 and at 1 January 2019, respectively, are presented as 'land and buildings' and 'other fixtures and fittings, tools and equipment' in the balance sheet. Right-of-use assets included in the category 'land and buildings' amounted to EUR 4,843 thousand at 31 December 2020, EUR 4,754 thousand at 31 December 2019 and EUR 5,618 thousand at 1 January 2019.

Right-of-use assets included in the category 'other fixtures and fittings, tools and equipment' amounted to EUR 68 thousand at 31 December 2020, EUR 104 thousand at 31 December 2019 and EUR 140 thousand at 1 January 2019.

Reference is made to note 6.2 to the consolidated financial statements for accounting policies on property, plant and equipment.

6.3 LEASES

Reference is made to note 6.3 to the consolidated financial statements.

6.4 CURRENT ASSET INVESTMENTS

Reference is made to note 6.4 to the consolidated financial statements.

6.5 INVESTMENTS IN SUBSIDIARIES

INVESTMENTS IN SUBSIDIARIES

EUR '000	2020	2019
Cost at 1 January	2,355	2,485
Disposals for the year	0	-130
Additions for the year	77	0
Cost at 31 December	**2,432**	**2,355**
Value adjustments at 1 January	1,833	7,049
Exchange rate adjustment	-529	-227
Net profit/loss for the year	2,051	329
Disposals for the year	0	-5,318
Value adjustments at 31 December	**3,355**	**1,833**
Carrying amount at 31 December	**5,787**	**4,188**

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

In order to obtain the exemption for Danske Commodities UK Limited, the Parent Company has provided a guarantee for the outstanding liabilities which Danske Commodities UK Limited was subject to at 31 December 2020.

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

In order to obtain the exemption for Danske Commodities Deutschland GmbH, the Parent Company has provided a guarantee for the outstanding liabilities which Danske Commodities Deutschland GmbH was subject to at 31 December 2020 and remains subject to until 31 December 2021.

INVESTMENTS IN SUBSIDIARIES ARE SPECIFIED AS FOLLOWS:

Name	Place of registered office	Share capital	Votes and ownership
Danske Commodities Albania Sh.p.k.	Albania	tALL 14,000	100.00%
Danske Commodities Australia Pty Limited	Australia	tAUD 0	100.00%
Danske Commodities BH d.o.o.	Bosnia and Herzegovina	tEUR 513	100.00%
Danske Commodities Deutschland GmbH	Germany	tEUR 25	100.00%
Danske Commodities Italia s.r.l.	Italy	tEUR 10	100.00%
Danske Commodities Kosovo SH.P.K	Kosovo	tEUR 11	100.00%
Danske Commodities DOOEL Skopje	Macedonia	tMKD 55,822	100.00%
Danske Commodities Serbia d.o.o.	Serbia	tRSD 9,347	100.00%
Danske Commodities Turkey Enerji Ticaret A.Ş.	Turkey	tTRY 11,700	100.00%
Danske Commodities Ukraine LLC	Ukraine	tUAH 229	100.00%
Danske Commodities UK Limited	United Kingdom	tGBP 0	100.00%

6.5 INVESTMENTS IN SUBSIDIARIES – CONTINUED

ACCOUNTING POLICIES

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

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

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

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

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

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

6.6 INVESTMENTS IN ASSOCIATES

Reference is made to note 6.5 to the consolidated financial statements.

TAX

7.1 TAX ON PROFIT / LOSS FOR THE YEAR

TAX ON PROFIT / LOSS FOR THE YEAR

EUR '000	2020	2019
Current tax for the year	10,689	10,645
Deferred tax for the year	-134	519
Adjustment of tax relating to prior years	3,819	-24
Adjustment of deferred tax relating to prior years	-3,789	-21
Total tax for the year	**10,585**	**11,119**
The total tax contribution for the year is specified as follows:		
Profit for the year before tax	50,792	50,905
Adjustments (non-deductible)	-2,750	-159
Tax on profit/loss for the year	10,555	11,164
Effective tax rate	**20.8%**	**21.9%**

Reference is made to note 7.1 to the consolidated financial statements for accounting policies on tax on profit / loss for the year.

7.2 DEFERRED TAX

DEFERRED TAX

EUR '000	2020	2019
Deferred tax at 1 January	692	194
Deferred tax recognised in profit and loss for the year	-3,923	498
Deferred tax at 31 December	**-3,231**	**692**
The items are recognised in the balance sheet as follows:		
Deferred tax asset	-3,231	0
Deferred tax liability	0	692
Total	**-3,231**	**692**

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.

Reference is made to note 7.2 to the consolidated financial statements for accounting policies on deferred tax.

OTHER NOTES

8.1 AUDITORS' FEES

AUDITORS' FEES

EUR '000	2020	2019
Statutory audit	139	139
Audit-related services	836	0
Fees to statutory auditors	**975**	**139**

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

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

8.2 OTHER COMMITMENTS AND CONTINGENT LIABILITIES

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

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

MATURITY OF GAS STORAGE AGREEMENTS

EUR '000	
2021	84,162
2022	73,570
2023	67,195
2024	34,787
2025	5,670

OTHER GUARANTEES AND COMMITMENTS TO RELATED COMPANIES
The Parent Company has provided guarantees and securities for related parties to third parties with a carrying amount of EUR 3,387 thousand.

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

8.3 STANDARDS ISSUED BUT NOT YET EFFECTIVE

Reference is made to note 8.3 to the consolidated financial statements.

8.4 FIRST TIME ADOPTION

All reclassifications and remeasurements to the profit and loss statement and the balance sheet in the process of restating local GAAP financial statements into IFRS financial statements are identical for Group and Parent.

Reference is made to note 8.4 to the consolidated financial statements.

8.5 EQUITY

Reference is made to note 8.5 to the consolidated financial statement.

8.6 EVENTS AFTER BALANCE SHEET DATE

Reference is made to note 8.6 to the consolidated financial statements.

MARKET ACCESS

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

* Danske Commodities' market access as of 2020.
** Danske Commodities' access to the American power market is through the Equinor-owned company Danske Commodities US LLC.

PARENT COMPANY

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KEY RELATED COMPANY

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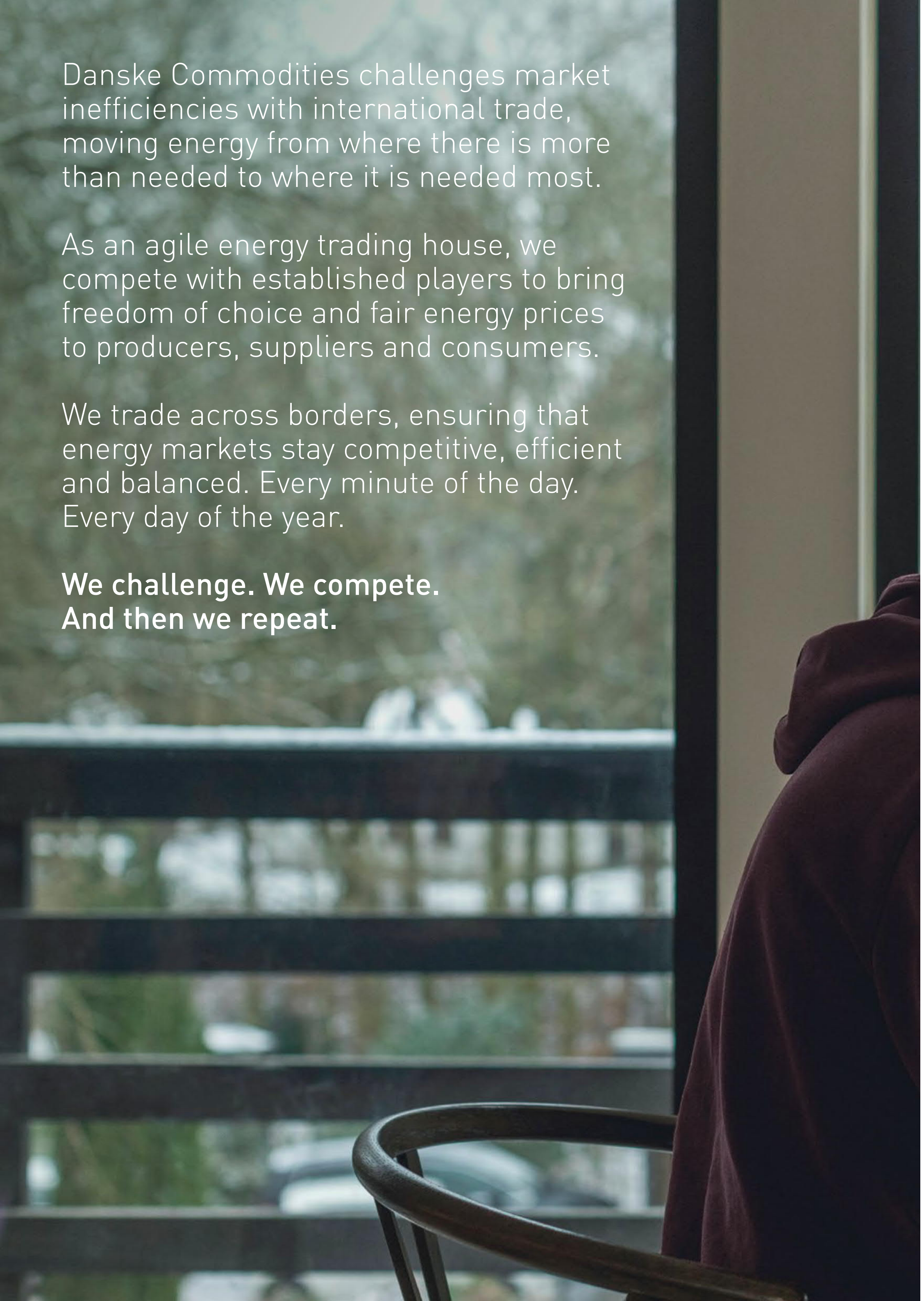
United States



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

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

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

**We challenge. We compete.
And then we repeat.**