



Financial Statements 2023

Danske Commodities US LLC



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Company information

Company

Danske Commodities US LLC
c/o Equinor
120 Long Ridge Road
Suite 3E01
Stamford, CT 06902

Main activity

Trading in energy commodities.

Executive Board

Helle Østergaard Kristiansen, President

Board of Directors

Helle Østergaard Kristiansen, Director
Jesper Tronborg, Director
Thor Kalstrup, Director

Parent company

Equinor US Holdings Inc.

Statement of comprehensive income

1 JANUARY – 31 DECEMBER

Income statement

USD	2023	2022
Trading income	9,585,828	29,373,743
Gross Profit	9,585,828	29,373,743
Other external expenses	-7,409,692	-4,648,571
Depreciation and impairment losses of property, plant and equipment	0	-6,548
Operating profit/loss (EBIT)	2,176,136	24,718,625
Financial income	1,508,666	459,270
Financial expenses	-3,376,624	-5,554,325
Profit before tax (EBT)	308,178	19,623,570
Tax of profit/loss for the year	-84,843	-5,743,543
Profit/loss for the year	223,335	13,880,027

Statement of other comprehensive income

USD	2023	2022
Profit for the year	223,335	13,880,027
Other comprehensive income		
<i>Items that may subsequently be reclassified to the income statement:</i>		
Other movements	0	0
Other comprehensive income (net of tax)	0	0
Total comprehensive income (net of tax)	223,335	13,880,027

Balance sheet

At 31 DECEMBER

Assets		
USD	2023	2022
Other fixtures and fittings, tools and equipment	14,596	0
Property, plant and equipment	14,596	0
Deferred tax	0	57,950
Other non-current assets	0	57,950
Non-current assets	14,596	57,950
Trade receivables	886,847	4,381,021
Receivables from group enterprises	11,283,679	0
Prepayments	6,398,816	3,990,480
Derivatives held for trading	23,257,675	167,735,734
Deposits related to trading	5,295,703	17,096,303
Cash and cash equivalents	30,718,256	35,285,761
Current assets	77,840,976	228,489,298
Assets	77,855,572	228,547,248
Liabilities and Equity		
USD	2023	2022
Share capital	20,000,000	20,000,000
Retained earnings	25,821,686	25,598,351
Equity	45,821,686	45,598,351
Deferred tax liabilities	26,893	0
Non-current liabilities	26,893	0
Trade payables	1,226,559	255,957
Prepayments	0	1,900,131
Payables to group enterprises	12,069,503	163,729,368
Corporation tax payable	0	6,238,538
Other payables	1,260,551	2,355,941
Derivatives held for trading	17,450,380	8,468,962
Current liabilities	32,006,993	182,948,897
Liabilities	32,033,886	182,948,897
Liabilities and equity	77,855,572	228,547,248

Statement of changes in equity

2023

USD	Share capital	Retained earnings	Total
Equity at 1 January	20,000,000	25,598,351	45,598,351
Net profit for the year	0	223,335	223,335
Other comprehensive income for the year	0	0	0
Total comprehensive income for the year	0	223,335	223,335
Equity at 31 December	20,000,000	25,821,686	45,821,686

2022

USD	Share capital	Retained earnings	Total
Equity at 1 January	5,000,000	11,718,324	16,718,324
Net profit for the year	0	13,880,027	13,880,027
Other comprehensive income for the year	0	0	0
Capital increase	15,000,000	0	15,000,000
Total comprehensive income for the year	0	13,880,027	13,880,027
Equity at 31 December	20,000,000	25,598,351	45,598,351

Statement of cash flows

USD	2023	2022
<u>Cashflow from operating activities:</u>		
Profit/loss for the year	223,335	13,880,027
Non-cash adjustments:		
Depreciation and impairment of property, plant and equipment	0	6,548
Tax of profit/loss for the year	84,843	5,743,543
Finance income	-1,508,666	-459,270
Finance expense	3,376,624	5,554,325
Working capital adjustments:		
Change in receivables	146,080,817	-105,985,826
Change in payables	-150,941,903	84,466,467
Interest received	1,508,666	459,270
Interest paid	-3,376,624	-5,554,325
Cash flow from operating activities	-4,552,909	-1,889,241
<u>Cash flows from investing activities:</u>		
Purchase of property, plant and equipment	-14,596	0
Net cash from investing activities	-14,596	0
<u>Cash flows from financing activities:</u>		
Capital increase	0	15,000,000
Net cash from financing activities	0	15,000,000
Change in cash and cash equivalents	-4,567,505	13,110,759
Cash and cash equivalents are specified as follows:		
Cash at bank and in hand without restrictions	19,206,265	28,507,270
Restricted cash*	11,511,992	6,778,491
Cash and cash equivalents at end of year	30,718,256	35,285,761

* Restricted cash is relating to initial margin coverage held at clearing banks.

Basis of reporting

BASIS OF PREPARATION

Danske Commodities US LLC ('the Company') is founded in the State of Delaware where it is incorporated as a limited liability company pursuant to the Delaware Limited Liability Company Act. The company is domiciled in Stamford, Connecticut and is a wholly owned subsidiary of Equinor US Holdings Inc.

The company's' primary activity is trading in energy commodities.

The special-purpose financial statements consist of income statement, statement of comprehensive income, balance sheet, statement of cash flow and statement of changes in equity for the year ended 31 December 2023. The Company has prepared the special-purpose financial statements based on recognition and measurement principles of IFRS standards effective at 31 December 2023 with exception of disclosure requirements. The fiscal year for the Company is 1 January – 31 December.

The special-purpose financial statements have been prepared on a going concern basis and under the historical cost convention, except for derivatives, which are measured at fair value.

The financial statements are presented in US Dollars, which is also the Company's functional currency.

The Company has implemented changes in standards and interpretation relevant that are mandatory for 2023. None of these have had a material impact on the financial statements for 2023.

Specific users of the Special-purpose Financial Statements

The Financial Statements serves as a Special-purpose Financial Statements and have been prepared with the sole purpose to comply with requirements presented from United States Independent System Operators and Regional Transmission Organizations. These are ("the users"): PJM, MISO, ERCOT, SPP, CAISO, NYISO, and ISO-NE.

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.

FAIR VALUE MEASUREMENT

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

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

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company 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 in the special-purpose 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 special-purpose financial statements at fair value on a recurring basis, the Company 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. The Company's risk management function determines the policies and procedures for recurring fair value measurement for unquoted financial assets and liabilities.

TRADING INCOME

Trading income comprise net gains and losses arising from trading within energy commodity derivatives. The energy commodity derivatives make up the Company's trading portfolio which includes futures, options, swaps that are financially settled. Net changes in the fair value of energy commodity derivatives held for trading presented as financial assets or financial liabilities, respectively, are included in 'trading income'.

OTHER EXTERNAL EXPENSES

Other external expenses comprise administration costs, facility costs as well as consultancy costs.

FINANCIAL INCOME AND EXPENSES

Financial income and expenses comprise interest income and interest expenses, respectively.

TAX AND DEFERRED TAX

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.

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.

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

PROPERTY, PLANT AND EQUIPMENT

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:

- Other fixtures and fittings, tools and equipment: 3 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. 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.

TRADE RECEIVABLES

Trade receivables are amounts due from the trading activity. 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. Other receivables are measured at amortised cost.

The Company applies the principles in IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Company 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, the Company 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.

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

PREPAYMENTS

Prepayments are measured at amortised cost.

DERIVATIVES HELD FOR TRADING

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

TRADE AND OTHER PAYABLES

Trade payables and other payables are measured at amortised cost and are unsecured.

DEPOSITS RELATED TO TRADING

Deposits relating to trading activities are the amounts of cash required to maintain or open a trading position with certain counterparties. Deposits related to trading consists of margin calls and cash deposits.

Margin calls are a collateral payment to/from OTC counterparties to cover changes in the value of underlying assets used in futures/forward contracts. Cash deposits are used as collateral in order for the Company to open a new position for certain counterparties.

Deposits related to trading are measured at amortised cost.

OFFSETTING FINANCIAL ASSETS AND LIABILITIES

The Company 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 where the Company 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.

CASH FLOW

Cash flow statement

The 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 Company.

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 and impairment losses, and provisions.

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

Cash flows from investing activities

Cash flows from investing activities comprise cash flows from acquisitions property, plant and equipment.

Cash flows from financing activities

Cash flows from financing activities comprise cash flows from payments to and from shareholders.

Cash and cash equivalents

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

Demand deposits held in clearing bank accounts are included as restricted cash if the deposits provided as part of the Company's operating activities and therefore is deemed as held for the purpose of meeting short-term cash commitments, and the deposits can be released from the account without undue expenses.