

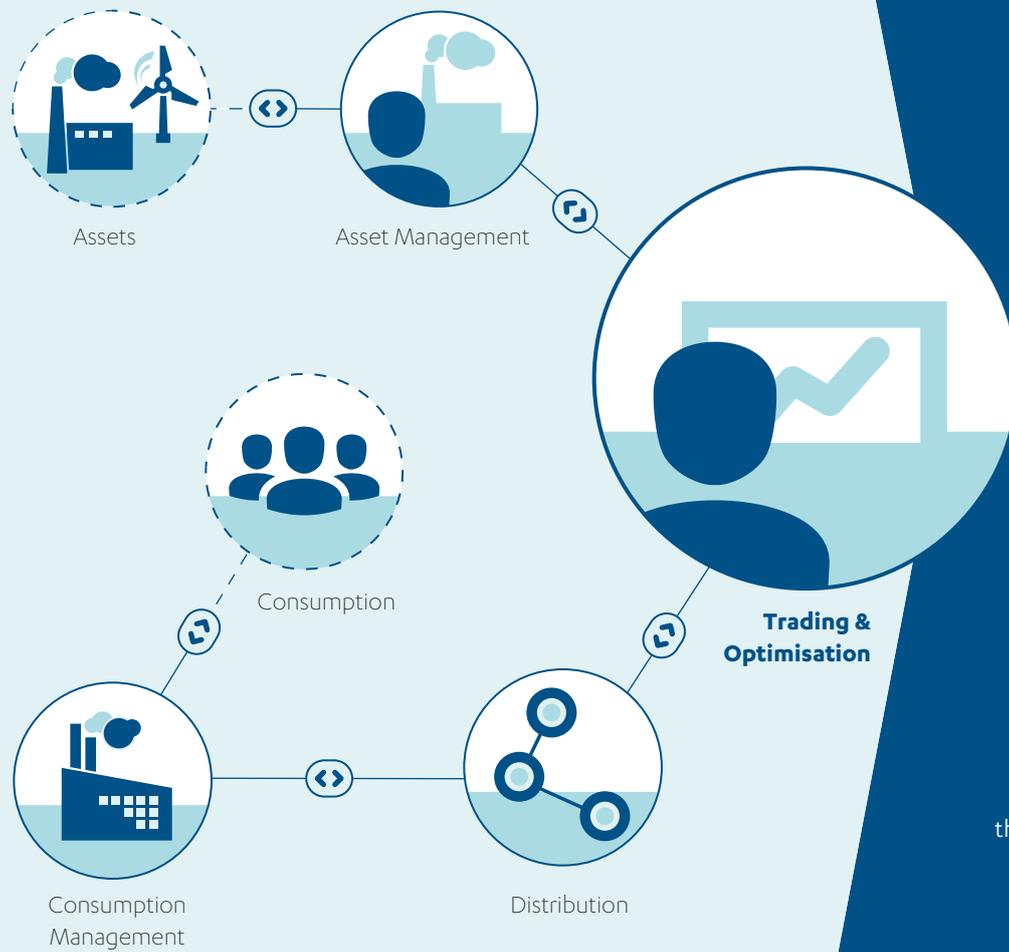
Annual Report

2014



# DANSKE COMMODITIES IN BRIEF

Trading is the **core business** of  
Danske Commodities



Our unique **trading**  
us to provide expert  
our customers

Trading 24/7



Access  
to Data



Access to more  
than 33 Countries



**engine** enables  
services to

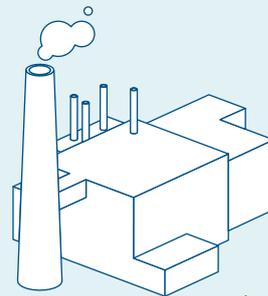
We offer **services** that optimise  
profit for a wide range of customers



Market Access  
Solutions



Hedging & Risk  
Management



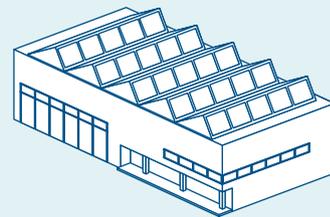
Asset  
Management



Forecasts



Renewable Energy  
Management



Consumption  
Management



IT Systems

## **OUR VISION**

Our vision defines the purpose and direction of our organisation. We want all stakeholders in the energy business to acknowledge us as:

“The most value-adding, flexible and innovative energy and service provider”

## **OUR MISSION**

Our mission describes our organisation’s overall function. It defines the key measures of our success. Our mission:

“We are a provider of energy trading and closely related products, concepts and services.

Our people are our greatest asset. We focus on creating a company culture that inspires all of us to do what it takes.

We live our values and use them as a powerful, positive force to guide us towards our vision and our objectives.”

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# READY TO UNFOLD THE POTENTIAL OF DANSKE COMMODITIES

Focus and consolidation were key words for Danske Commodities in 2014, a year in which several steps were taken to ensure that the Company maintains its strong position in maturing and increasingly competitive markets.

After a period of tremendous growth in the years 2010-2013 it was necessary to consolidate in 2014. The aim of the consolidation was to make the organisation leaner and more flexible and to reduce the marginal cost of operations. As the markets mature, so does Danske Commodities. 12 business teams were merged into two overall business units – Trading and Origination – to ensure greater efficiency in the organisation and thus provide customers and counterparties with even better service and solutions.

As part of the restructuring of the organisation, Danske Commodities strengthened the leadership structure by establishing a Senior Management Group to assist the CEO in defining and evaluating the strategic direction for Danske Commodities, supervise day-to-day activities and manage the overall performance of the Company. The Senior Management Group consists of the heads of the organisation's five units – Trading, Origination, Group Finance, IT and People & Communications.

New processes have been introduced to enhance the platform for innovation by having the right procedures in place to ensure governance and to always deliver effective decision-making, coordination and prioritisation. The organisation is guided by a commitment to deliver on targets within five strategic focus areas: balanced growth, effective innovation, people competencies, operational excellence and corporate governance.

Despite the restructuring of the organisation and the implementation of new processes, Danske Commodities maintains a strong focus on business and presents a positive result for the year.

Revenue grew by 30% and Danske Commodities delivered EUR 9 million in EBIT. The Company's financial position remains strong and all organisational changes in 2014 were funded in-house.

Operating activities generated a cash flow of EUR 7 million, return on equity was 10%, and total cash and cash equivalents amounted to EUR 77 million at 31 December 2014.

Demand for Danske Commodities' services and solutions that connect energy producers and consumers to opportunities in the European energy markets is as high as ever. Danske Commodities has more than 700 customers and counterparties.

In 2014, Danske Commodities consolidated its position as the biggest independent provider of Direktvermarktung solutions in Germany under that country's Renewable Energy act, and it is the second biggest in general with more than 4600 MW of renewables under management. In 2015 this service will be expanded to other European countries.

2014 marked the 10th anniversary of Danske Commodities. The Company was founded by Henrik Lind and has since then grown rapidly, ventured into new business areas and changed focus from being exclusively a trading house to also becoming a service provider that uses its knowledge of the markets to provide solutions to customers within the energy sector. But even though the business has changed, the core values have remained the same, and innovation, speed to market, customer orientation and business acumen are still the main drivers for the Company. That will continue under my leadership as CEO.

The consolidation process that Danske Commodities went through in 2014 has been completed. Like any other successful company, we will constantly be looking to improve cost efficiency and our processes, but our main focus will be on business.

With our combination of market knowledge, a strong customer base and a solid market position, we are now ready to unfold the potential of Danske Commodities.

Dirk Mausbeck, CEO

# FINANCIAL HIGHLIGHTS AND RATIOS

EUR '000	2014	2013	2012	2011	2010
<b>INCOME STATEMENT</b>					
Revenue	2,518,761	1,932,041	1,252,690	817,978	397,726
Gross profit	75,689	91,854	62,220	35,953	25,210
Profit before financial income and expenses and tax (EBIT)	9,083	41,333	36,560	22,980	15,707
Net financials	-157	2,803	2,163	-886	1,251
Profit before tax (EBT)	8,926	44,136	38,723	22,094	16,958
Profit for the year	6,961	32,633	29,246	16,478	11,270
<b>BALANCE SHEET</b>					
Balance sheet total	204,127	206,646	167,059	103,431	86,358
Equity	64,622	74,549	65,415	48,709	39,624
<b>CASH FLOW STATEMENT</b>					
Cash flow from operating activities	7,295	40,119	44,399	17,590	25,312
Cash flow from investing activities	-4,075	-5,722	-10,534	-1,522	-296
- hereof investments in property, plant and equipment	-2,952	-2,657	-6,611	-259	-124
Free cash flow	3,220	34,397	33,865	16,068	25,016
Cash flow from financing activities	-16,926	-24,638	-9,412	-7,516	148
Change in cash and cash equivalents for the year	-13,706	9,759	24,453	8,552	25,164
Cash and cash equivalents	76,844	89,332	76,374	49,986	42,099
<b>RATIOS IN %</b>					
Gross margin	3.0%	4.8%	5.0%	4.4%	6.3%
EBIT margin	0.4%	2.1%	2.9%	2.8%	3.9%
Return on assets	4.4%	20.0%	21.9%	22.2%	18.2%
Return on capital employed	16.0%	59.7%	61.8%	51.6%	42.7%
Equity ratio	31.7%	36.1%	39.2%	47.1%	45.9%
Return on equity	10.0%	46.6%	51.3%	37.3%	28.9%
Average number of employees	392	279	149	72	36
Number of employees end of year	360	423	231	107	54

The ratios have been prepared in accordance with the definitions in note 19 to the Financial Statements.

# HIGHLIGHTS OF THE YEAR

The celebration of the Company’s 10th anniversary, significant changes in the energy market and an internal service review of the organisation made 2014 a year of change for Danske Commodities.

The year was characterised by significant pressure on margins in the energy market. Following previous years’ tremendous growth, 2014 became a year of internal consolidation for Danske Commodities with the implementation of a leaner and more flexible organisation. This resulted among other things in staff reduction of 110 employees and a sharp focus on cost efficiency.

With the consolidation followed an enhanced focus on core business to maintain and secure solid earnings in the future. As a result of the changes carried out during 2014, Danske Commodities is now well positioned for future challenges and continued growth.

Revenue growth continued, with an increase of EUR 587 million. Gross profit decreased by EUR 16 million.

The gross margin was significantly affected by the high pressure on margins in the energy market, resulting in a gross margin of 3.0%.

EBIT decreased to EUR 9 million due to lower margins and higher costs compared with 2013.

A solid cash reserve was maintained throughout the year, with total cash and cash equivalents of EUR 77 million at the end of 2014.

Equity amounted to EUR 65 million with an equity ratio of 31.7%, compared with EUR 75 million and 36.1% in 2013.

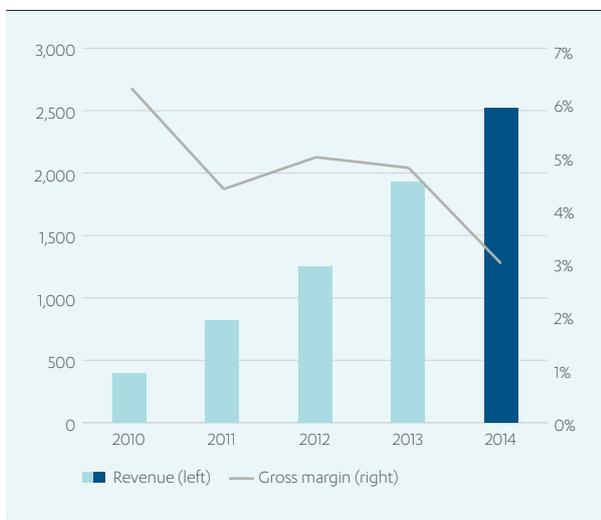
### MAJOR EVENTS IN 2014

- New organisational structure with the appointment of a new executive management level, the Senior Management Group
- Introduction of a new leaner and more flexible organisation
- Enhanced focus on core business and efficiency throughout the organisation
- Dirk Mausbeck was appointed new CEO in December 2014. Dirk has a vast experience in the European energy market

With the implemented initiatives, Danske Commodities has strengthened the competitive position for the years to come.

### REVENUE & GROSS MARGIN

EUR million



### EQUITY

EUR million





“ The rapid transformation towards more renewable energy in Europe poses challenges for the energy system, as the infrastructure in the power markets struggles to keep pace with the growing share of renewable energy in the market.



## MARKET TRENDS

The European energy system continues on the transformation path, with an increasingly large share of renewable energy in the power generation mix.

The reforms to Germany's Renewable Energy Act (EEG 2.0) introduced on 1 August 2014 led to a significant increase in responsibility for the renewables sector, as renewables became part of Germany's mainstream power generation mix. Under the reforms, Germany will continue its ambitious Energiewende, or energy transformation, while reducing its costs through tighter integration of renewables into the energy market. For example, EEG 2.0 makes direct marketing mandatory if renewables producers want to receive the full market premium.

The rapid transformation towards more renewable energy in Europe poses challenges for the energy system, as the infrastructure in the power markets struggles to keep pace with the growing share of renewable energy in the market. The massive inflow of renewables into the energy system, the low power prices caused by the mild weather in 2014, and generally lower demand for power has put pressure on conventional assets. Major production capacities of conventional assets have deteriorated in recent years, resulting in continuing divestment programmes implemented by large utility companies in 2014.

With the increase in renewables and the low price levels expected to persist in 2015, more conventional production assets are expected to be withdrawn from the market in the coming years as they are no longer profitable. This has led to a shift in the debate on the European energy sector towards supply security. To secure the stability of the system, the European Union and transmission system operators (TSOs) are in a process of creating greater integration of the internal European energy markets. In addition to improvements and capacity increases for interconnectors and an increased focus on flexibility and asset optimisation, key projects to maximise the use of cross-border capacities throughout Europe include the market coupling scheme. Work plans for the Agency for the Cooperation of Energy Regulators (ACER) were finalised in 2014, focusing in particular on Western Europe. In the coming years, the focus will shift towards the full integration of Eastern Europe, as the market coupling initiatives continue to expand across Europe.

A direct effect of the market coupling initiatives has been an increase in liquidity in both Eastern and Western Europe, and this trend is even more apparent in the short-term markets

### GERMAN SPOT POWER PRICES, 2012-2014

EUR/MWh



*The German power prices have shown a continuously declining trend throughout 2012-2014 affected by low demand, a massive inflow of renewables and mild weather in 2014. Source: EEX.*

with a larger share of renewable energy in the system. This implies that short-term optimisation becomes even more critical to balancing the system. It is therefore expected that liquidity will continue to move towards the short-term markets. However, while the inflow of renewable energy sources into the supply mix has previously been associated with increasing volatility, greater competition and liquidity have contributed to offsetting this trend in Europe's most mature markets, where liberalisation has driven overall market efficiency and optimisation of the internal European energy markets.

Despite the challenging environment for conventional assets, they will continue to have a major role in the energy system in the future. In order to support the inflow of renewables and to maintain supply security, these conventional production assets have to provide the flexibility that the market needs. Consequently, a discussion is taking place in several countries about the possibility of introducing market-wide capacity mechanisms; in the UK, such a scheme was introduced in December 2014. The capacity mechanisms compensate dispatchable production assets for their flex-

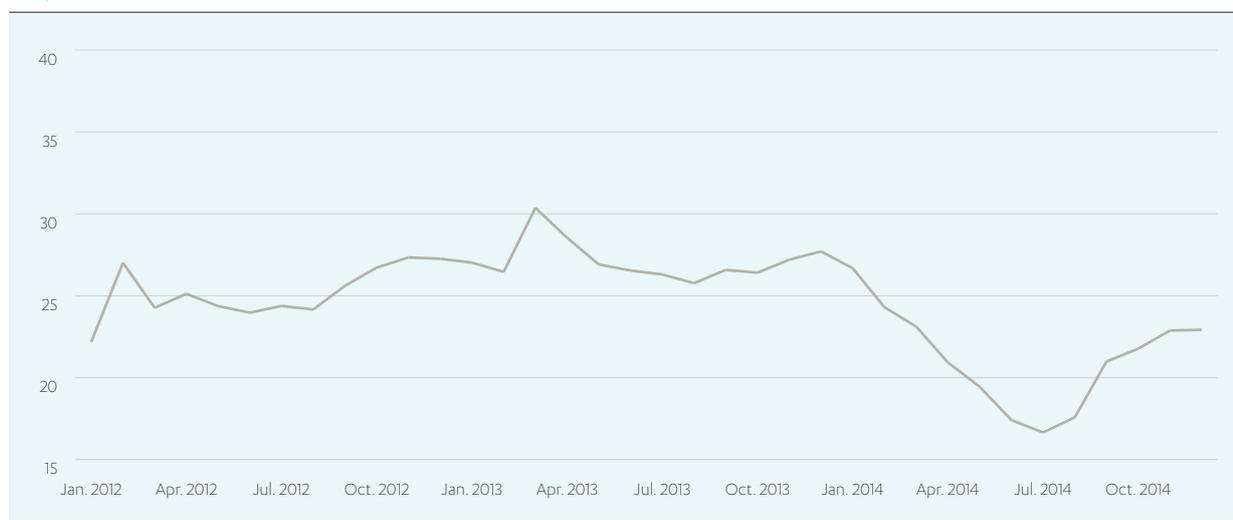
ibility. Therefore, in addition to better control of renewable assets, expanded interconnector capacities and market coupling schemes, flexibility on both the demand and the supply side and optimisation of conventional assets are key to balancing the system in the years to come.

In the gas market, the mild weather had a noticeable effect on demand in 2014, weighing on the consumption of gas used for heating and as fuel for gas-fired power production assets, as negative clean-spark spreads were observed in large parts of Europe.

Similar to the power market, the gas market is becoming more efficient, as the maturing process has led to improved liquidity on both the long-term and short-term markets. Despite the increased efficiency of the gas markets, geopolitical concerns relating to the conflict between Russia and Ukraine have directly affected the gas market and added to the volatility of the entire European gas market.

#### GERMAN (NCG) SPOT GAS PRICES, 2012-2014

EUR/MWh



The German (NCG) gas prices were significantly lower in the summer of 2014 in comparison to recent years. This was in part a result of weak demand and Russia pushing large amounts of gas into Europe in Q2 2014. Source: EEX.

## DIRECTION AND PRIORITIES

Innovation, speed to market and business acumen have been key factors for Danske Commodities' success since the Company was founded in 2004, and they are still the main drivers today.

Staying innovative, lean and flexible is imperative in order to maintain Danske Commodities' solid position in increasingly competitive markets. Danske Commodities trimmed and restructured the organisation in 2014 to increase flexibility and cost efficiency, and at the same time strengthened innovation through new procedures for delivering effective implementation, coordination and prioritisation at all times.

Danske Commodities experienced a contraction of the gross margins. The gradual normalisation of margins reflects maturing energy markets as well as increasing competition and places high demands on the Company to increase volumes and/or efficiency. Danske Commodities wants to offset margin contraction by optimising core business areas, while at the same time developing business in areas where the Company has competitive advantage and is able to capture higher margins by delivering added value through customised solutions and concepts.

Danske Commodities' vision and mission are:

### **Vision**

*We want to be the most value-adding, flexible and innovative energy and service provider.*

### **Mission**

*We are a provider of energy trading and closely related products, concepts and services.*

*Our people are our greatest asset. We focus on creating a company culture that inspires all of us to do what it takes.*

*We live our values – bring passion, build trust and create value – and use them as a powerful, positive force to guide us towards our vision and our objectives.*

Danske Commodities has defined a set of values that are the guiding beliefs about how the Company should operate. They reflect who Danske Commodities is as a company.

### **Danske Commodities' three main values**

*Bring passion*

*Challenge to develop. Promote innovation. Put ideas into action.*

### *Build trust*

*Listen and understand. Align expectations. Act with integrity.*

### *Create value*

*Always create value. For the customer. For the market.*

### **Core business and markets**

Danske Commodities' core business is energy trading and optimisation and the overall business areas are power, gas, certificates and services. In the coming years, Danske Commodities will concentrate its business exclusively on Europe and in particular on key markets: The Nordic countries, Germany and the UK.

Danske Commodities will stay focused on short-term trading/optimisation and will only engage in asset-light/non-liquidity intensive business. The Company will trade across all markets in Europe and will originate mostly in markets with a certain level of maturity.

Danske Commodities has identified multiple business opportunities in areas such as:

- Working with power production plants to optimise their power production and achieve the best market prices.
- Acting as a balance responsible party to minimise imbalance costs.
- Providing market access and around-the-clock availability to always ensure the best price available for customers.
- Offering hedging solutions to stabilise customers' cash flows and reduce market risk.
- Accrediting renewable units and trading green certificates through a strong European distribution network.

To achieve the Company's vision, Danske Commodities has committed to delivering on the specific strategic focus areas listed on the next page in the coming period.



### BALANCED GROWTH

By focusing on Balanced Growth, Danske Commodities commits to strengthening the Company's market position by prioritising investments in core business, growth business and pipeline business. To fight off competition and offset exposure to decreasing margins in key markets, Danske Commodities will invest more in core businesses and the processes that support them.

The ambition is to ensure that Danske Commodities has robust and scalable core business areas, which provide the financial basis for developing growth and pipeline business areas and ultimately transforming them into new core business areas.



### EFFECTIVE INNOVATION

The structural changes in the European energy market mean that Danske Commodities' ability to innovate effectively and adapt to new market conditions are key to future success.

Through Effective Innovation Danske Commodities commits to enhancing the Company's platform for innovation by ensuring that the right procedures are in place to always deliver effective decision-making, coordination and prioritisation.

The aim is to increase Danske Commodities' speed to market, manage risks and ensure proper implementation across the Company's value chain. It is a common objective for the entire organisation to keep the innovation process as effective as possible.



### PEOPLE COMPETENCIES

To live up to the ambitions and vision of the Company, Danske Commodities needs talented people with the right competencies in all critical positions across the organisation. By making People Competencies one of Danske Commodities' focus areas, the Company commits to further developing the critical competencies that are already in place and attracting competent people to the organisation.

Danske Commodities will increase focus on identifying talent across the organisation and on maximising its contribution by providing challenging jobs and assignments. This will develop the employees and managers on the job while at the same time assessing their potential for taking on more responsibility. At the same time, Danske Commodities will also add more experienced people across the organisation.



### OPERATIONAL EXCELLENCE

As Danske Commodities continues to grow the business, the Company comes to rely more and more on business structures, processes and systems. With focus on Operational Excellence, Danske Commodities commits to developing an even stronger foundation for doing business that will allow the Company to remain competitive in the future. Operational Excellence implies staying focused on improving operational capabilities, processes and systems.

To manage processes and systems, Danske Commodities will to a much greater extent rely on enterprise architecture (EA) in the coming years. EA defines the logic for organising business processes and IT infrastructure – i.e. the systems needed to run business effectively from front to back – and this makes it a prerequisite for achieving operational excellence within any trading organisation.



### CORPORATE GOVERNANCE

With Corporate Governance, Danske Commodities commits to a clear and simplified leadership structure that ensures a transparent and effective decision-making process with clear mandates at all times.

Corporate Governance involves, among other things, moving towards a more hierarchical leadership structure in order to ensure clear levels of authority and responsibility.

# BUSINESS AREAS

## TRADING AND ORIGINATION

Danske Commodities is a pan-European energy trading company that uses its trading know-how to provide customers with trading-related services such as risk, consumption, balancing and asset management.

In 2014 Danske Commodities restructured into a leaner and more flexible organisation in order to ensure the Company's position in the increasingly competitive markets. As part of the restructuring, 12 business teams were merged into two overall business units: Trading and Origination.

This has been done to strengthen collaboration internally in the organisation, which in turn will provide customers and counterparties with even better service.

Through the Trading unit, Danske Commodities offers customers customised market access without compromising on supply security. The trading know-how also enables Danske Commodities to provide expert services to customers, e.g. within asset management, consumption management and regulatory power.

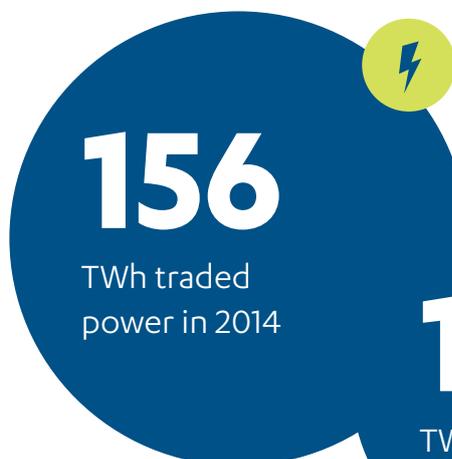
In the Origination unit Danske Commodities develops and markets a range of products to optimise profits for energy producers and consumers.

The two business units are supported by three units: Group Finance, IT and People & Communications.

The new unit structure reduces complexity in both business and administrative functions, making the organisation lean and efficient.

### HIGHLIGHTS

- 200+ counterparties in Power Markets
- 100+ counterparties in Gas (bilateral)
- 185 counterparties in Intraday
- 155 EFET Gas agreements
- 237 EFET Power agreements
- 392 EFET agreements all in all
- 97 people in Trading
- 72 people in Origination
- 79 EFET agreements signed in 2014

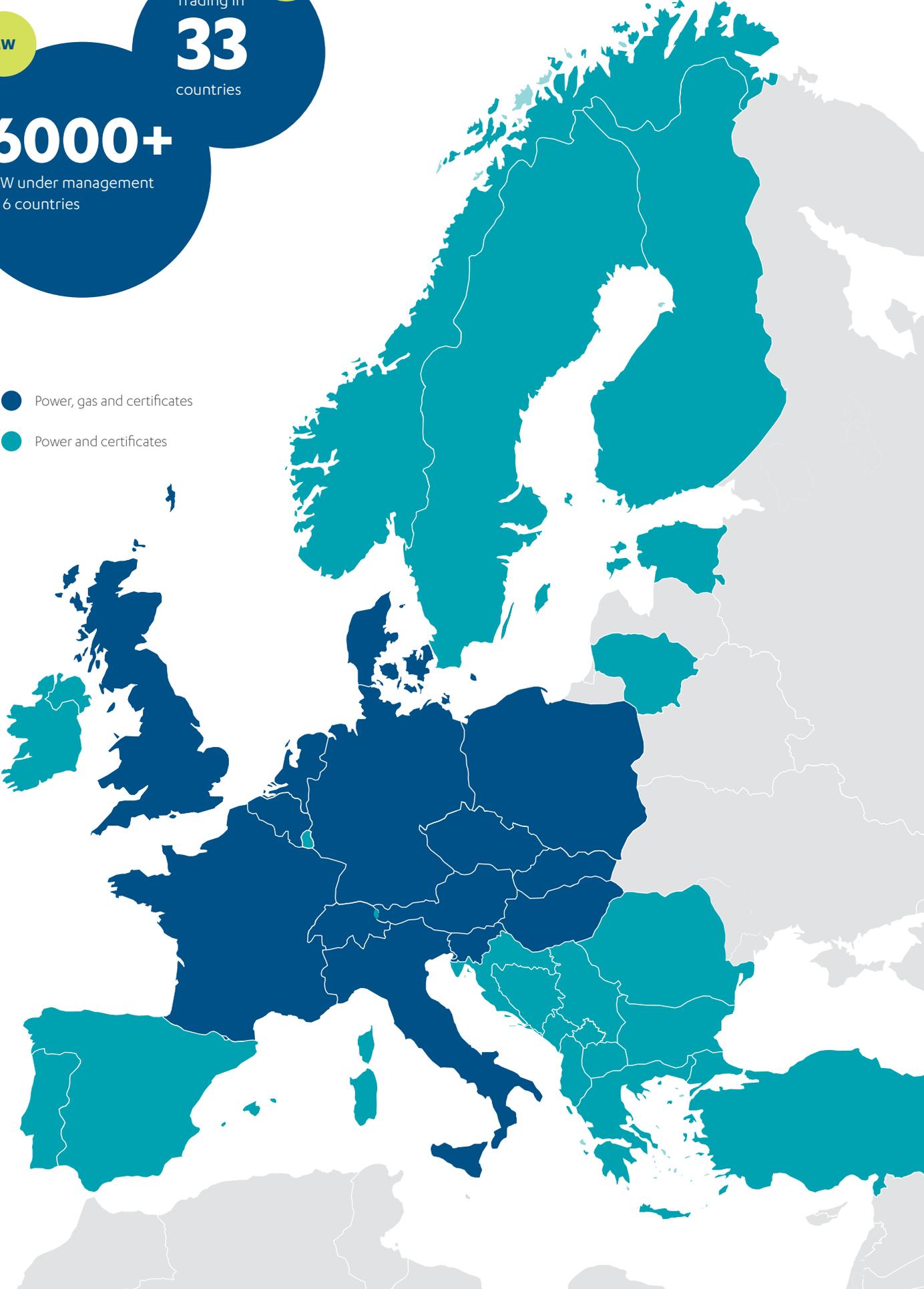


MW

Trading in **33** countries

**6000+**  
MW under management  
in 6 countries

- Power, gas and certificates
- Power and certificates



## TRADING

Trading is the core business of Danske Commodities. The Trading team consists of nearly 100 people, and Danske Commodities trades power and gas around the clock, 365 days a year.

The traders process enormous amounts of data every day, and Danske Commodities offers customised market access to customers without compromising on supply security through this unique trading engine.

The trading know-how also enables Danske Commodities to provide expert services to customers within asset management, VPP (Virtual Power Plant) operations, consumption management and regulatory power.

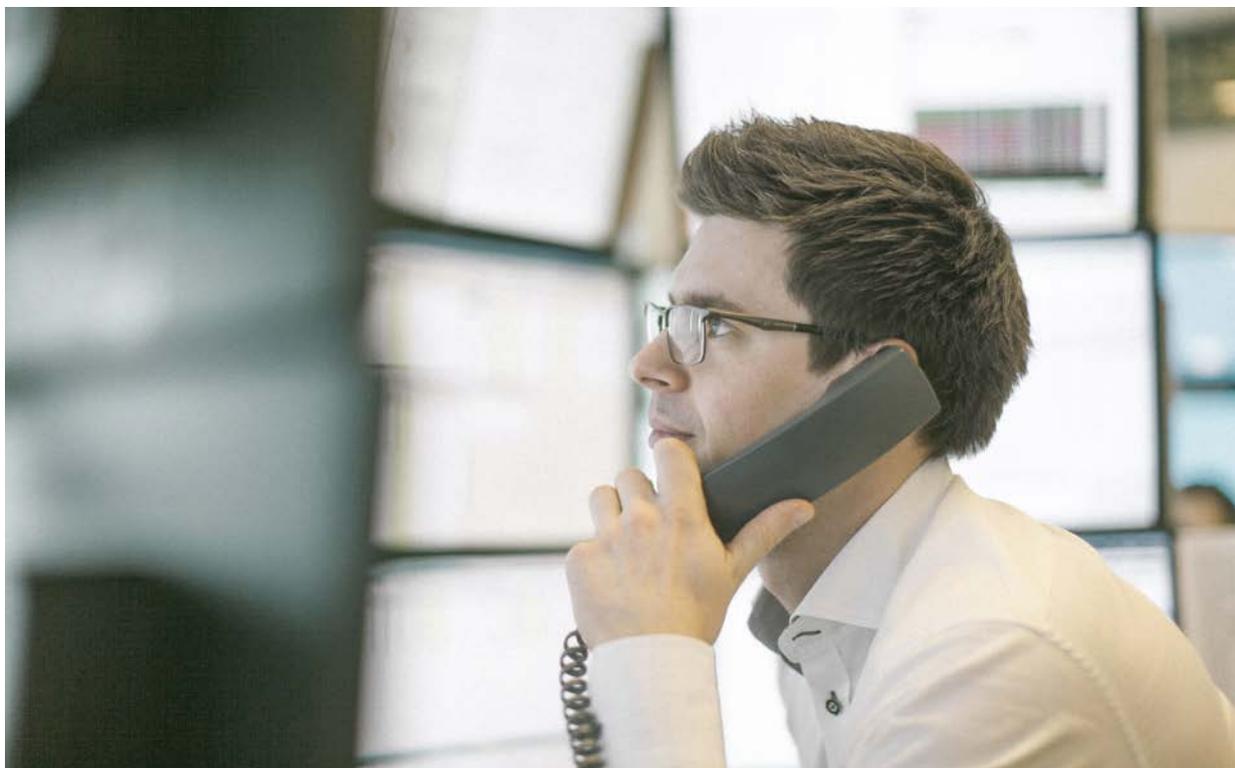
The Trading unit operates in three areas: Intraday, Power Markets and Gas.

### INTRADAY

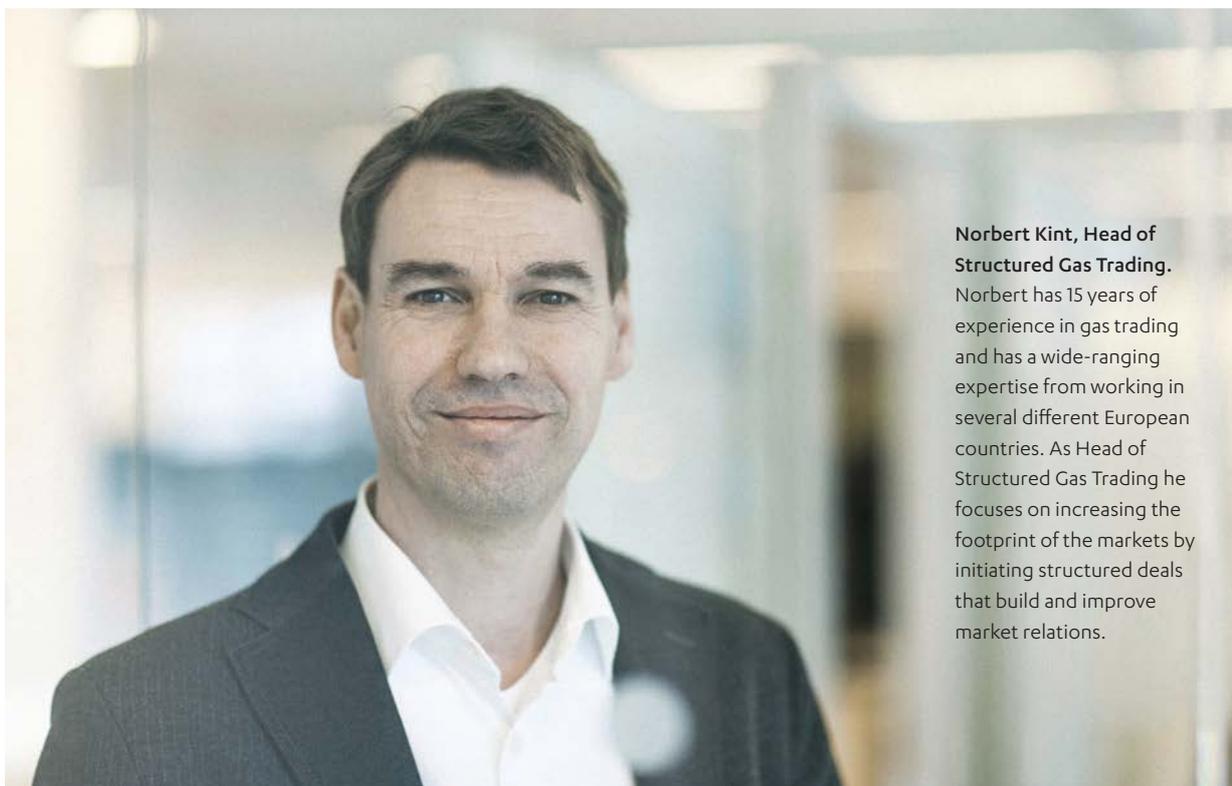
Danske Commodities has one of the most proactive trading teams on the European intraday power market. A trading team with 8 years of experience in intraday trading.

The Intraday team trades 24/7 with utilities, end suppliers, TSOs and other trading houses, and offers customers fast access to competitive prices and reliable delivery across Europe.

The Intraday team has great experience and know-how in trading in the majority of European grids. With a strong setup



**Lars Kristensen, Head of Intraday Analysis.** The Intraday Analysis team provides traders with forecasts of the price development on the intraday market and builds the software that monitor the market. The team is headed by Lars, who has a background as trader. Lars received all his professional training in Danske Commodities, having joined the Company directly from university, after finishing his Master's degree in economics.



**Norbert Kint, Head of Structured Gas Trading.**

Norbert has 15 years of experience in gas trading and has a wide-ranging expertise from working in several different European countries. As Head of Structured Gas Trading he focuses on increasing the footprint of the markets by initiating structured deals that build and improve market relations.

of analysis, forecasts, scheduling systems and assets under management, it positions itself against market movements, trends and geographical opportunities.

The team combines intraday power market expertise with asset management experience. The team is market leader in using expert knowledge to maximise earnings for power-producing utilities, especially in the wind and solar segments.

**POWER MARKETS**

In 2014 Danske Commodities consolidated the Emerging Markets, Nordic and Central & Western Europe teams into a strong and lean Power Markets team. Where the team was previously organised according to the geographical location of markets, it now has a functional structure, where people work across markets and borders, to exploit pan-European opportunities.

The Power Markets team's core competences are high-quality analysis, forward trading, asset optimisation and short term portfolio optimisation. The team provides customers with effective solutions in terms of pricing and optimisation. In addition the team trades on own accounts within the mandates given.

**GAS**

Danske Commodities has been trading gas since 2009, and the experienced gas trading team offers competitive prices by trading 24/7 in multiple markets across Europe. Trading partners get 24/7 access to price quotes on all hubs, including the more illiquid market areas. The 24/7 availability and competitiveness enable Danske Commodities' clients to balance their portfolio outside normal business hours.

Danske Commodities also offers customised products and flexible services to producers, traders and distributors of natural gas, and provides energy distributors with base load pricing, structures, swing contracts and portfolio management. The flexibility and market access give customers access to competitive prices, and sales are properly and instantly hedged.

## ORIGINATION

Origination develops and markets products that optimise profits for European energy producers and consumers.

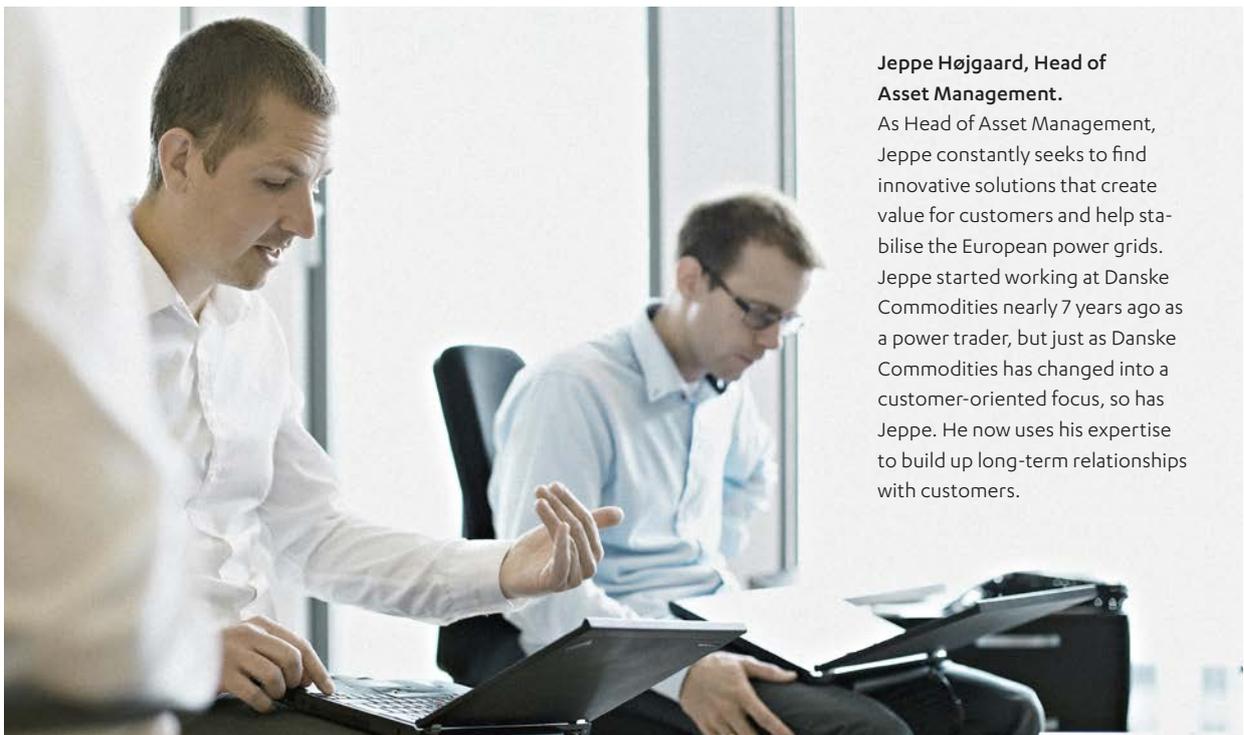
The Origination unit is organised by function in four teams: Asset Management, Renewables Management, Certificates and Customer & Markets. Sales and customer relations across the European energy markets are run by the Customer & Markets team. The Customer & Markets team is organised geographically to ensure close relations with customers and their markets.

The function-based organisational structure in Origination allows for specialisation and focus. The value of dedication is directly transferred to customers through optimised returns in the market. The portfolio analysts in Renewables Management are committed to optimising forecast tools and daily management of renewable energy. At the same time, the interaction between customers, account managers, originators and analysts is crucial for the overall service and products that Danske Commodities provides to customers.

### ASSET MANAGEMENT

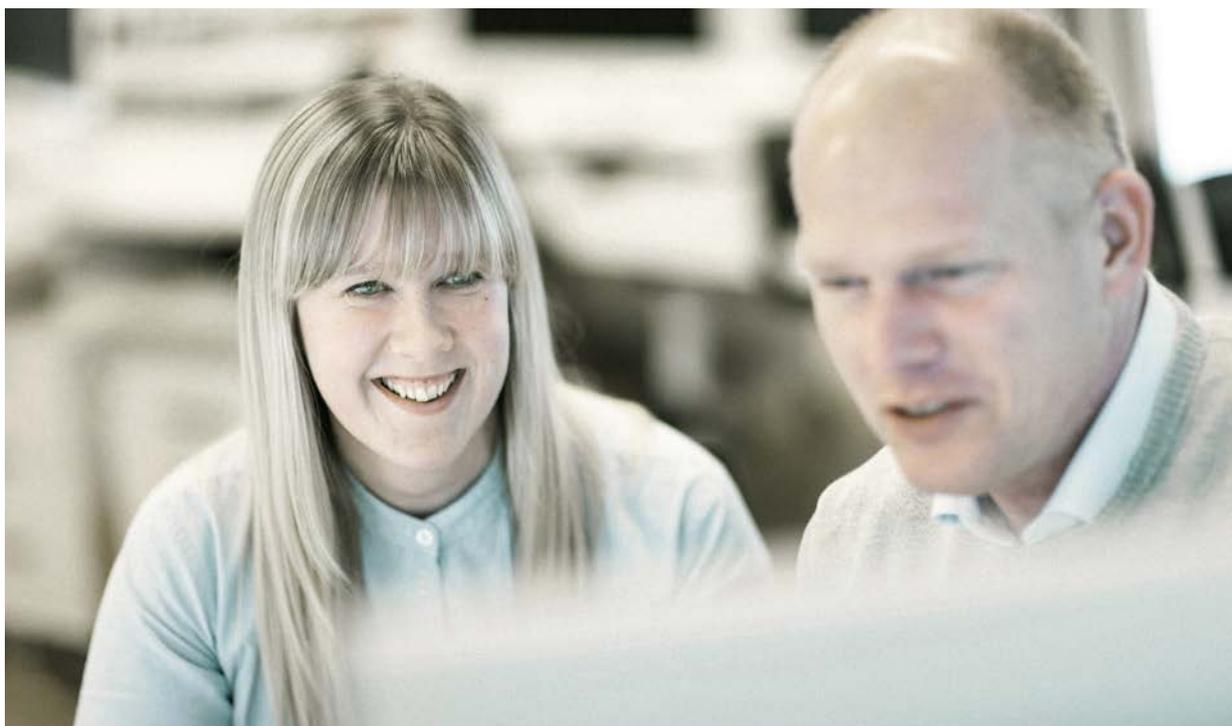
The Asset Management team develops and manages the optimisation of flexible consumption and production units in the energy markets. A combination of flexible analysis tools and great market access to power and gas trading contribute to maximising the value creation in the best possible way for customers.

The key word is flexibility. If a power plant or a consumer has flexibility to reorganise its production or consumption, value can be created by optimising their trades. When the Asset Management team optimises a power plant's power production, the plant's yielding capacity is thoroughly analysed in close co-operation with the customer, and on the basis of the plant's capacity Danske Commodities provides a plan of how to optimise it. In other words, Danske Commodities finds out when to produce and which market to produce in.



#### **Jeppe Højgaard, Head of Asset Management.**

As Head of Asset Management, Jeppe constantly seeks to find innovative solutions that create value for customers and help stabilise the European power grids. Jeppe started working at Danske Commodities nearly 7 years ago as a power trader, but just as Danske Commodities has changed into a customer-oriented focus, so has Jeppe. He now uses his expertise to build up long-term relationships with customers.



**Randi Kristiansen, Head of Customer Desk Nordic.** For a wide range of customers, Randi is the one point of contact at Danske Commodities. With a background as Business Analyst, Randi now uses her expert knowledge to help customers in the Nordic region with anything they may need, from product development and mitigating risk exposure to daily questions about billing or communication about market development. "If I do not have the answer to the question myself, I will find an expert at Danske Commodities who does. And I will not rest until the customers get the answer they need."

That results in the best possible price for the power that is produced. This is not only a benefit for the energy market, but also for the producer of the energy.

#### RENEWABLES MANAGEMENT

The Renewables Management team develops trade solutions for producers of renewable energy across Europe. The team combines analysis of production – on the basis of advanced meteorological analysis tools and evaluations of the weather by Danske Commodities' own meteorologists – with a deep knowledge of the power markets. This ensures that the producers of renewable energy get the highest possible yield from their production plants.

The system for handling the production of renewable energy is both flexible and scalable. This means that both systems and the experience gained from weather analysis and trading can be transferred from customer to customer and from one market to another.

#### CERTIFICATES

The Certificates team issues and trades green certificates for customers from renewable power production. Through accreditation and by issuing certificates, producers can sell the power they produce as green energy. This includes qualifying renewable producers for marketing in the lucrative UK market, where they receive a higher payment for the elec-

tricity they produce. Consumers that buy green certificates can use them in green accounting or to cover specific obligations to procure power from renewable energy sources.

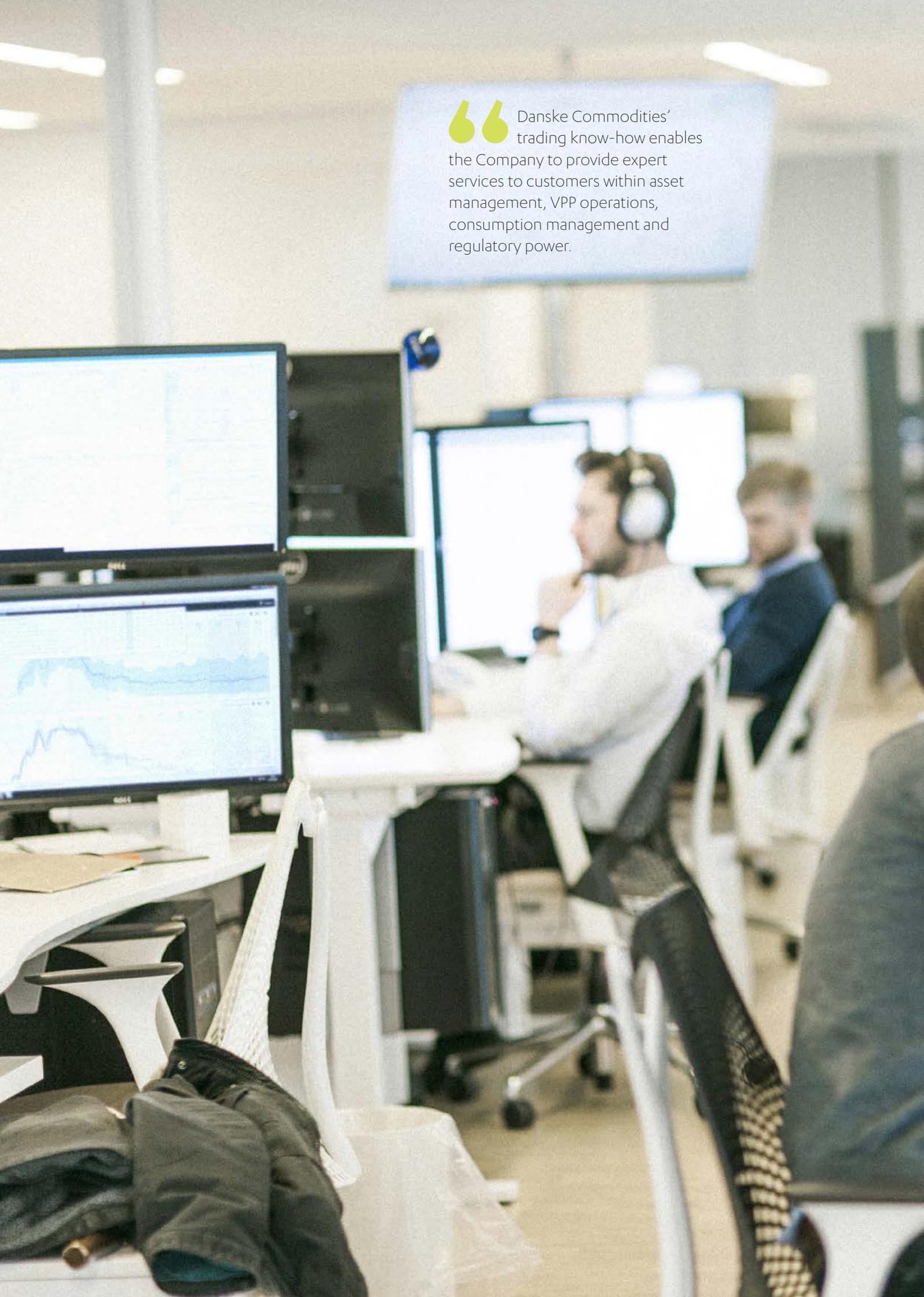
Danske Commodities' portfolio managers handle the trade from the production facilities through the power grid to the consumer. The accreditation team ensures that the producers are classified as green energy providers according to current market definitions.

The portfolio managers also trade in CO<sub>2</sub> quotas and climate credits on behalf of quota companies and power producers.

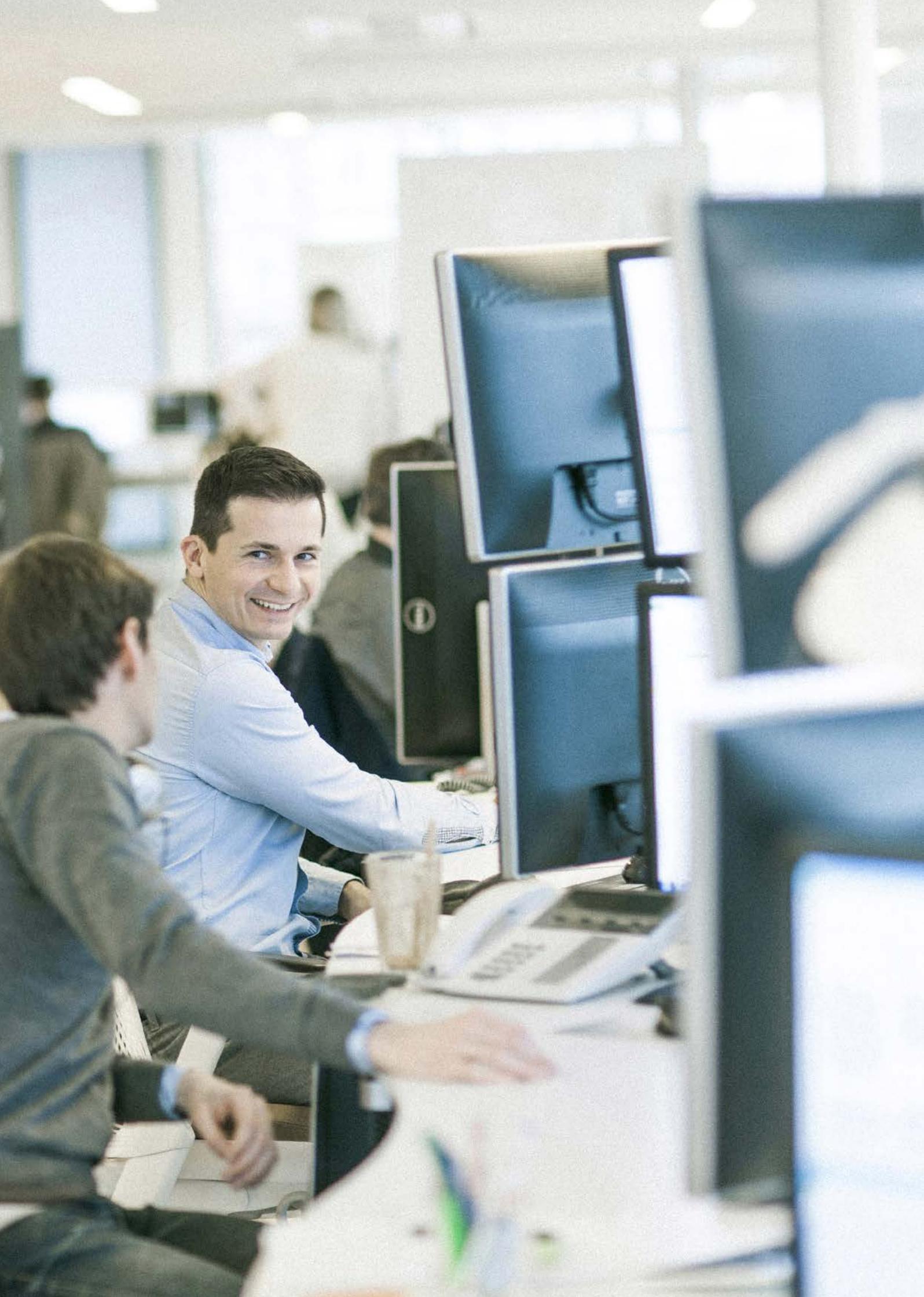
#### CUSTOMER & MARKETS

Customer & Markets focuses on sales and building lasting and mutually value-adding customer relations. Customer & Markets is geographically organised to ensure that Danske Commodities is close to the customers. Customers are met by an account manager who speaks their language and has in-depth knowledge of Danske Commodities' products.

Customer & Markets ensures a smooth and focused process for customers, from the very first meeting through contract formation and delivery to follow-up, while the product teams – Asset Management, Renewables Management and Certificates – offer the necessary competencies to develop and deliver exactly the right solutions to customers.



“ Danske Commodities’ trading know-how enables the Company to provide expert services to customers within asset management, VPP operations, consumption management and regulatory power.



# RISK MANAGEMENT

## STRIVING FOR OPERATIONAL EXCELLENCE

Risk Management supports the overall strategy of Danske Commodities, ensuring a responsible balance between risk and return in its daily operations.

In a business with ever changing conditions and significant volatility, Danske Commodities strives to align strategic objectives, risk appetite, risk capacity and current risk profiles at all times, thereby ensuring a controlled growth.

Danske Commodities has put great effort into ensuring a proper governance structure, including risk governance. The company's risk policy describes the risk organisation and in particular the roles of the Board of Directors and Executive Management. The establishment of a Risk Committee is an additional initiative to further enhance risk management at Danske Commodities.

Danske Commodities operates with a three lines of defence system (operational, oversight and audit functions) with clear responsibilities for each line ensuring appropriate segregation of duties.

Danske Commodities seeks to promote a strong risk culture throughout the organisation. Employees at all levels are responsible for the management and escalation of risks. Employees are expected to exhibit behaviour that sup-

ports a strong risk culture. In 2015, Danske Commodities will continue the on-going development of a sound risk culture across the entire organisation. This will include a quality assessment of the risk management framework to ensure that Danske Commodities acts according to best risk management practices and is able to meet all new and existing regulatory requirements.

Danske Commodities continuously endeavours to enhance and develop the risk management framework to further understand and manage the risks associated with the business portfolio. The approach is based on a combination of overall risk management tools, such as scenario and sensitivity analyses, and specific policies governing the risk management in all key areas.

Standardised reports on risks and opportunities are prepared on a monthly basis and presented to the Board of Directors, Executive Management and the Risk Committee.

All major risk classes are managed on the basis of risk management processes.



Danske Commodities' risk management operates within the following six risk categories:

- Operational and IT risk
- Market and financial risk
- Liquidity risk
- Credit risk
- Regulatory risk
- Legal risk

#### **RISK ORGANISATION**

Danske Commodities' corporate governance structure ensures clear levels of authority and responsibility in the organisation.

At the top of the structure is the Board of Directors, which is responsible for the risk strategy, including risk governance and the overall risk appetite and tolerances. The Board of Directors is furthermore responsible for overseeing the risk management practices of Danske Commodities.

To assist the Board of Directors, a Risk Committee consisting of Board members, the CEO, the CFO and the Head of Risk Management has been established.

The Committee meets every two months and reports to the Board of Directors.

#### **OPERATIONAL AND IT RISK**

Operational risk relates to the risk of financial loss as a result of human or system error, including inappropriate internal procedures. Danske Commodities has continued its efforts to develop and implement IT systems and internal procedures that mitigate risks that may result in a financial loss.

In 2014, Danske Commodities' dependency on external hosting partners providing data centre capacity and data access was minimised. Danske Commodities implemented a high-availability setup with data centres on Danske Commodities premises as well as offsite. Furthermore, the implementation of multiple high-capacity internet lines has now been completed. This has led to an improvement in availability, resilience and capacity for the IT infrastructure.

The Company's strong focus on IT security continues; a new infrastructure security officer position was created and has been operational since the beginning of October 2014. This has resulted in a renewed focus on Danske Commodities' ability to address operational and IT risks, as well as in support for Danske Commodities' combined risk management activities.

#### **MARKET AND FINANCIAL RISK**

Market risk is the risk that the value of open positions may change as a result of changing market prices. Due to their strong potential impact on the Company's earnings, volatility and commodity price development require constant monitoring and stress testing.

Danske Commodities' market risks arise in both commodity and financial markets where changing energy prices as well as interest rate and foreign exchange rate fluctuations constitute the key risk factors.

Open positions are only accepted at Danske Commodities if mandates have been established and all positions are monitored closely by the second line of defence, the risk management team. All mandates were reviewed in 2014 and standardised across the business areas in accordance with the overall risk management framework. Danske Commodities' risk appetite sets the overall risk limits, and the aggregation of the various mandates are kept within those limits ensuring that the Company knows its risk profile at all times.

As part of the monitoring process Danske Commodities operates with several warning levels to ensure timely action if a mandate is violated. Furthermore, additional stress tests have been introduced as an integrated part of the risk management framework.

Interest rate and exchange rate risks are factors that may have an adverse impact on Danske Commodities' consolidated income statement and balance sheet due to changes in interest rate levels or foreign exchange rates.

Since Danske Commodities has a positive net cash position, the interest rate risk is mainly related to fluctuations in short term interest rates.

The foreign exchange rate risk to which the daily commercial business is exposed is mitigated and hedged on a daily basis.

A new product approval process was implemented in 2014. The process includes a thorough risk assessment analysis of all new products. Risk Management has the mandate to reject any product proposals if the risks are considered to be unmanageable or not in line with the risk appetite.

Risk Management has in 2014 been strengthened by establishing a dedicated quantitative modelling team. The key focus areas of the team are to ensure valid P&L and risk reporting across the entire organisation and to support the risk management function in the risk monitoring by creating tools and systems and by carrying out risk assessments for the entire business. To strengthen the department even more, further resources will be added to the risk management department in 2015.

#### **LIQUIDITY RISK**

Danske Commodities is committed to maintaining financial stability without significant month-to-month volatility in the balance sheet. Given a solid capital structure, which is mainly based on low external funding and a sound working capital level, the liquidity risk is considered low.

The key aspects, which have ensured stable and adequate liquidity over a number of years, are the strong cash flows

from operations, substantial cash reserves and unutilised credit facilities.

On a daily basis, Danske Commodities measures its overall liquidity, consisting of the daily free liquidity including collateral and other deposits, as well as future cash flows. In addition, different liquidity outcomes are simulated through various stress tests. The application of a minimum level of liquidity concept puts the Company in an even better position to manage liquidity reserves and to withstand extreme market movements at all times.

#### **CREDIT RISK**

Credit risk is the risk of financial loss to Danske Commodities if a counterpart fails to meet its contractual obligations. Exposure to credit risk can arise in Danske Commodities' trading, origination and treasury operations. Danske Commodities manages its credit risk through a framework of clear policies and procedures defined by the Board of Directors and the Credit Risk Management team. Responsibilities are segregated between different business teams, Credit Risk Management and the Board of Directors.

The financial strength and creditworthiness of all counterparties are assessed prior to entering into any contracts as well as for the duration of their individual contracts. A thorough Know Your Customer process is carried out for all counterparties with credit lines and customers with which Danske Commodities engages in transactions. All counterparties are rated using an internally built credit model and assigned individual credit lines and terms. Additional security is requested from the counterparties if required and the credit lines are monitored on a daily basis.

The focus on credit risk in 2014 involved upgrading the systems and updating the business-specific procedures to allow Danske Commodities to adapt to the fast changing business environment. The systems in Credit Risk Management were updated during the year, in terms of both setting and managing credit lines, in order to ensure that credit risk is assessed and monitored adequately on an ongoing basis and to derive appropriate courses of action.

Danske Commodities had one credit-related loss in 2014, amounting to EUR 35.6 thousand. Given the volume of the business this is considered acceptable.

#### **REGULATORY RISK**

In 2014, Danske Commodities continued to develop and implement the compliance function, as Danske Commodities is firmly focused on new regulation that has had and will continue to have a severe impact on the energy markets in the years to come.

The European Market Infrastructure Regulation (EMIR) came into force in 2014. The purpose of this regulation is to improve transparency and reduce the risk related to trading Over-The-Counter (OTC) derivatives. The requirements under EMIR relate to central clearing for some companies, mitigation techniques and data reporting on financial OTC trades. In 2014, Danske Commodities set up a system to support data reporting in order to comply with EMIR.

Parts of the Regulation on Energy Market Integrity and Transparency (REMIT) also came into force in 2014. The purpose of REMIT is to prevent insider trading and market manipulation with electricity and gas wholesale products. Internal guidelines describing timely disclosure of inside information and training courses for all traders are key ingredients of Danske Commodities' efforts to comply with REMIT. The second phase of REMIT, which consists of data reporting on transactions, will come into force from October 2015, and Danske Commodities is preparing for this requirement as well.

The energy markets are facing another major change – the Revision of the Markets in Financial Instruments Directive (MiFID II). MiFID II and the corresponding regulation (MiFIR) will come into force in January 2017. Danske Commodities will focus on analysing and assessing the impact of MiFID II on its operations.

#### **LEGAL RISK**

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

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

Furthermore, the legal department attempts to minimise the risk of legal claims and disputes by creating and negotiating well-balanced contracts in compliance with local legislation and practice in the markets in which Danske Commodities operates. This is done in a close co-operation between internal legal advisors and professional external advisors.



“ A strong risk management framework and culture constitutes the backbone of our business.

Martin Skovgaard Hansen,  
Head of Risk Management.

# PERFORMANCE IN 2014

2014 was a year of consolidation for Danske Commodities, with a mid-year announcement of a leaner and more flexible organisation to align the cost base to the revised growth scenario.

Revenue growth continued in 2014. The increase of 30% reflects a strong position in the market as well as the market's trend towards higher volumes and lower margins. Gross profit declined by 18% compared with 2013. Danske Commodities reacted in August by adapting the organisation and cost base to the changed market conditions.

Although the reshaping of the organisation added costs in the short term, Danske Commodities managed to absorb the upfront restructuring costs within the ordinary activities and generated a positive EBIT of EUR 9 million.

## REVENUE

Revenue increased by 30% to EUR 2,519 million in 2014 compared with revenue of EUR 1,932 million in 2013.

Growth continued and was broadly based across all business areas. Power trading showed an increase of 16%. Gas and other minerals trading increased by 64%, contributing with 38% of total revenue compared with 30% in 2013.

## GROSS PROFIT

Danske Commodities generated gross profit of EUR 76 million in 2014, a 18% decrease compared with 2013. The gross margin decreased to 3.0% in 2014 against 4.8% in 2013. The development was in line with the general market trend of higher volumes, less volatility and lower margins on trading activities. In order to offset the margin erosion in the Trading activities, the Origination organisation was established to ensure increased focus on customer service activities.

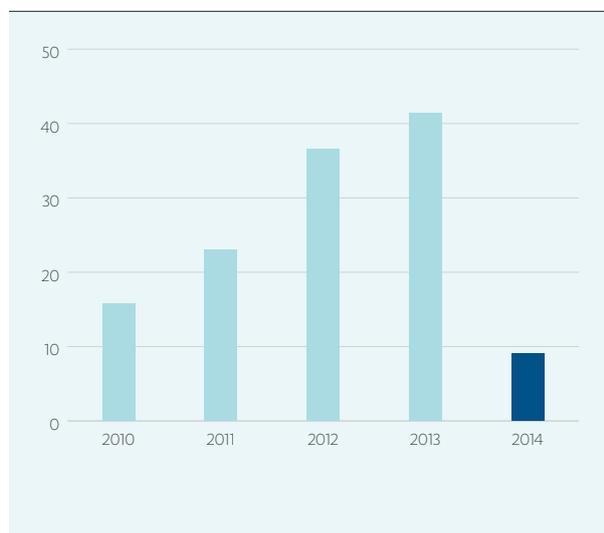
## COSTS

Total costs increased by 32% to EUR 67 million, compared with EUR 51 million in 2013.

The increase in total costs was mainly driven by a 41% increase in staff costs due to the growth in the number of employees during 2013 and until the staff reductions were announced in August 2014. Staff costs per employee were at the same level as in 2013. Staff reductions carried out as part of the implementation of a leaner and more flexible organisation in August led to 110 redundancies. Financial compensa-

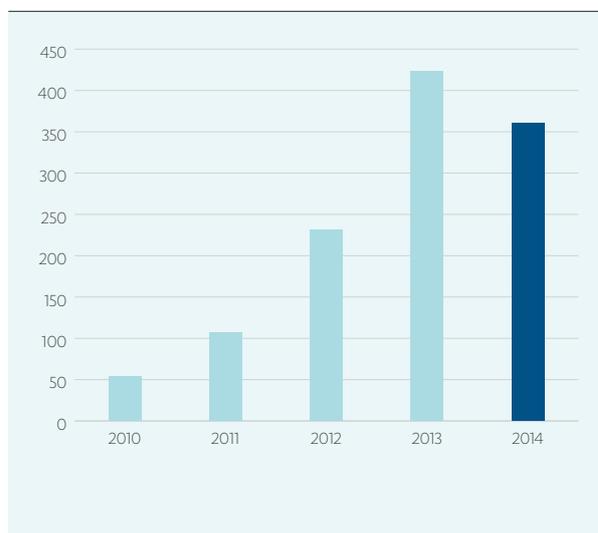
## EBIT

EUR million



## EMPLOYEES END OF YEAR

Headcount



tion to redundant employees amounted to EUR 2 million. The number of employees was 360 at the end of 2014 against 423 at the end of 2013. The staff costs for 2015 is expected to be lower than in 2014.

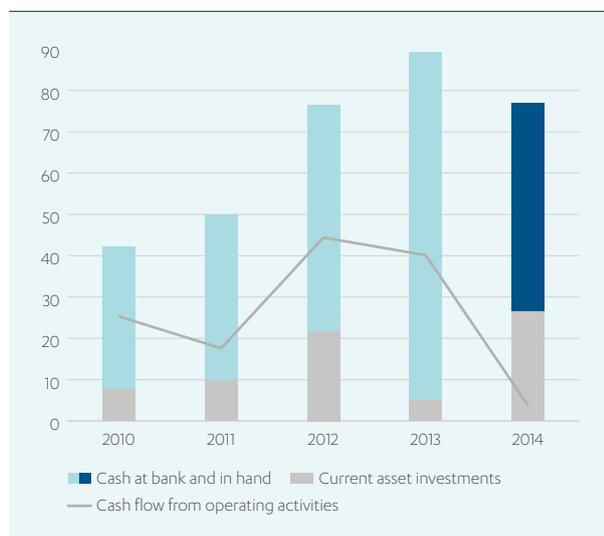
During the year, Danske Commodities invested in the establishment of a new data centre to ensure a platform that supports the expected future growth. IT development projects launched in previous years were finalised during 2014 and, together with the establishment of the data centre, contributed to higher IT cost. Due to changes in the energy market, an enhanced focus on cost efficiency was implemented in order to stabilise the cost level. Other external costs in the amount of EUR 20 million were at the same level as in 2013.

Amortisation, depreciation and impairment losses more than doubled, from EUR 3 million in 2013 to EUR 6 million in 2014. The value of capitalised IT systems were reassessed and written down by EUR 1.5 million. Other write-downs were recognised on leasehold improvements as a consequence of a physical relocation of employees. Furthermore, depreciations were affected by the full-year depreciation effect of large-scale investments in 2013. In 2014, investments in IT systems were reduced by half compared with 2013 due to the planned finalisation of IT development projects. Investments in property, plant and equipment were at the same level as in the previous year.

Taking into consideration that 2014 was a year of restructuring and consolidation for Danske Commodities, the cost level is considered acceptable. Because of the changes and initiatives resulting from the focus on a leaner and more flexible organisation in the second half of 2014, Danske Commodities ended 2014 in a stronger competitive position, ready to keep exploiting the growth potential.

**CASH AND CASH EQUIVALENTS**

EUR million



**EARNINGS**

EBIT decreased from EUR 41 million in 2013 to EUR 9 million in 2014. The EBIT margin also declined to 0.4%, compared with 2.1% in 2013.

Financial items were nil in 2014 compared with EUR 3 million in 2013, resulting in profit before tax of EUR 9 million in 2014.

Tax on profit amounted to EUR 2 million in 2014, corresponding to an effective tax rate of 24.6%. The year-on-year decrease in the effective tax rate is mainly attributable to a lower company tax rate in Denmark.

**BALANCE SHEET AND EQUITY**

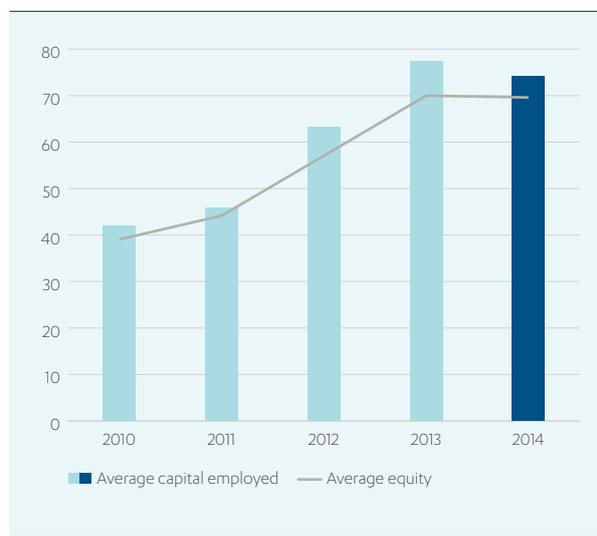
Total assets decreased to EUR 204 million, compared with EUR 207 million in 2013.

Non-current assets amounted to EUR 12 million, compared with EUR 14 million in 2013. The 16% decrease was mainly driven by the reassessment of software and lower investments in 2014 compared with 2013. Significant investments in IT platforms made in previous years were finalised during 2014 and enhanced focus on core business reduced the need for further significant investments in IT systems in 2014.

Inventories went up by 77% to EUR 9 million, due to increased activity in the gas and other minerals market.

**CAPITAL EMPLOYED & EQUITY**

EUR million



Receivables at the end of 2014 were EUR 106 million, compared with EUR 98 million in 2013. Average debtor days at the end of 2014 were 11 days, which is considered to be very satisfactory.

Cash and cash equivalents in 2014 were EUR 77 million, 14% lower than in 2013. With cash and cash equivalents of EUR 77 million, Danske Commodities maintains a considerable cash reserve. Current asset investments increased to EUR 27 million compared with EUR 5 million in 2013. The increase was due to a decision by Risk Management to minimise the risk of holding major cash portfolios.

Equity at the end of 2014 was 13% lower than at the end of 2013 due to the dividend distribution based on the 2013 annual report. Danske Commodities is a solid company with an equity ratio of 31.7% and even in a year of consolidation generated a return on equity of 10.0%.

At EUR 2 million, interest-bearing debt was at the same low level as in 2013. Combined with the solid cash reserve, it reflects the high degree of self-financing at Danske Commodities.

#### CASH FLOW

Cash flow from ordinary activities was EUR 14 million, a decrease compared with EUR 57 million in 2013. The decrease was mainly attributable to the decline in profit for the year compared to 2013 and to a smaller extent by changes in working capital being EUR 12 million lower than 2013.

Lower investments in 2014 reduced the cash outflow from investing activities by EUR 2 million to EUR 4 million.

Danske Commodities maintained a positive free cash flow in 2014 of EUR 3 million.

2014 showed a net cash outflow from financing activities of EUR 17 million.

There was a net decrease in cash and cash equivalents of EUR 12 million in 2014, mainly because the profit for the year was lower than the dividend paid.

#### INTERNATIONAL OPERATIONS

As part of the new organisation with its focus on core competences, Danske Commodities continued to concentrate on the European countries: a new subsidiary established in Spain takes the total number of Danske Commodities' subsidiaries to 18.

#### EVENTS AFTER THE BALANCE SHEET DATE

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



# CORPORATE GOVERNANCE

**RESPONSIBILITY** and **SUSTAINABLE SOLUTIONS** are integral to Danske Commodities' strategy and business model. To ensure **CONTINUED VALUE CREATION**, the operations must be run responsibly and sustainably while improving **EFFECTIVENESS** and **EFFICIENCY**. This was reflected in Danske Commodities' focus in 2014 on **OPTIMISING** the managerial and organisational setup to ensure that the company is ready for further **SCALABLE GROWTH**.

Danske Commodities has a two-tier management structure, with a Board of Directors, a CEO and a Senior Management Group. **HIGH-LEVEL DECISIONS** on vision, mission, strategy and policies are the **RESPONSIBILITY** of the Board, while the CEO and the Senior Management Group are responsible for the **DAY-TO-DAY MANAGEMENT** of the Company.

## EXECUTIVE LEADERSHIP AND SENIOR MANAGEMENT GROUP



### **DION SØRENSEN**

VP, Head of People & Communications  
Born: 1976

Background: Nine years of experience in HR. Executive Director, Group HR at Saxo Bank. Founder of TalentShaper. Group HR Consultant at Maersk Group. Author of several books on leadership. MSc, Psychology from Aalborg University. Cand. Psych. Aut., Business Psychology.

### **RASMUS LUNDGAARD PEDERSEN**

VP, Head of IT  
Born: 1975

Background: CIO at Danske Commodities. Department Manager, Group IT at Danske Bank. System Developer at Danske Bank. More than 15 years of experience in IT. MSc in IT, Organisation from Aarhus School of Business.

### **KRISTIAN GJERLØV-JUEL**

VP, Head of Origination  
Born: 1979

Background: Head of Strategic Business Development at Danske Commodities. Head of Structured Power and Gas Trading at NEAS Energy. Power Trader. MSc in Economics, International Economics and Finance from Aalborg University.


**DIRK MAUSBECK**

CEO  
Born: 1962

Background: Several leadership positions at Shell and EnBW. More than 20 years of experience in trading and wholesale. PhD in Chemical Engineering as well as a university degree in Finance.

**HELLE ØSTERGAARD KRISTIANSEN**

CFO  
Born: 1978

Background: CRO at Danske Commodities. Six years of experience in controlling and compliance in the financial sector in Denmark. MSc in Business Economics and Auditing from Aarhus University.

**JESPER TRONBORG**

VP, Head of Trading  
Born: 1972

Background: Head of Gas at Danske Commodities. Head of Markets at Statoil Gazelle. Oil & Gas Trader at Energi Danmark. Various positions globally in the A.P.Møller-Maersk Group. More than 16 years of experience in the energy sector. Maersk International Shipping Education.

## BOARD OF DIRECTORS

The Board of Directors combines key industry insights, important business and financial skills as well as many years of experience in managing international businesses.

The Board of Directors is responsible for providing competent and visionary advice to Danske Commodities, supporting the continued strategic development and further strengthening Danske Commodities' leading position in the European market. The Board of Directors serves as a highly qualified and focused partner for the management of Danske Commodities.



**PETER L. RAVN**

Chairman  
Born: 1955

Key skills: IT, risk management, corporate governance, leadership, internationalisation

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

Board memberships: Systematic A/S (Chairman), Stibo A/S and CodeSealer ApS.



**SØREN VESTERGAARD-POULSEN**

Vice Chairman  
Born: 1969

Key skills: Strategy, internationalisation, M&A

Background: Partner with responsibility for Nordic Investments at CVC Capital Partners. Consultant at McKinsey & Co. MSc in Economics & Business Administration.

Board memberships: CVC Capital Partners, SICAV-FIS S.A., Keravel S.A., Mholdings S.à r.l. MIE Group S.A., Post Invest Europe S.à r.l. Ahlsell AB, Paroc Group Oy.



**HENRIK ØSTENKJÆR LIND**

Board member  
Born: 1975

Key skills: Business development, trading, strategy

Background: Managing Director of Lind Invest ApS. Founder of Danske Commodities A/S in 2004. Banking education and Diploma in Business Administration (Finance).

Board memberships: Cornerstone Properties A/S (Chairman), Kristensen Partners III A/S (Chairman), Lind Capital (Chairman), 4U-Development A/S, Dbh Technology A/S, Hemonto A/S, SE Blue Equity Management A/S, and Skako A/S.



**JENS-PETER SAUL**

Board member  
Born: 1966

Key skills: Sales, internationalisation, energy, growth

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

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

## Turning vision into concrete actions

Chairman Peter L. Ravn elaborates on how the Board of Directors turned the overall vision and mission of the Board into concrete actions in 2014.

### *What were the Board's particular priorities in 2014?*

A permanent element of the Board's duties is the ongoing control and supervision of Danske Commodities' business, including regular improvement of risk management initiatives and the continued streamlining and automation of Danske Commodities' internal processes. We also put great effort into searching for and identifying the right CEO, someone who can ensure further growth at Danske Commodities; we focused in particular on adapting the organisation to future market conditions while maintaining momentum and winning market shares in our most important markets. As part of the new organisational structure, we have established a Senior Management Group, which reports to the CEO, and we encourage the members of this group – as well as the Company as a whole – to work as a team.

### *How does the collaboration between the Board and the CEO work?*

Our collaboration is 100 per cent based on mutual trust and open communication. We have a clear segregation of duties: the CEO is responsible for all day-to-day operations at Danske Commodities and for implementing strategy, while the Board of Directors is first and foremost in charge of controlling and supervising the business, as well as for defining strategy in close cooperation with the CEO and the rest of the Senior Management Group. We also provide coaching and advice in selected areas. Although the Board should not get involved operationally, it should still have sufficient insight into the business to be a sparring partner for daily management issues.

### *How do you envisage the composition of the Board in the future?*

Danske Commodities has a rather small Board of Directors. This means that it is easy to make decisions and each member is committed to all the issues discussed. On the other hand, there are a number of areas in which the expertise of the Board is dependent on specific individuals. As part of self-assessment within the Board, we also consider which competences should ideally be represented collectively. These competences must underpin the strategy adopted by the Company. Following an assessment of the Board's current skill set, a gap in expertise may be identified and used as a starting point for establishing the profile of potential new Board candidates. I believe that diversity is generally a plus on a Board of Directors. But it is still essential for the background of the individual Board members to be 100 per cent relevant to Danske Commodities' business. Diversity isn't just about gender. It's also about nationality, educational background, age, professional experience, etc. Danish legislation stipulates that the company must set a target for the proportion of the under-represented gender; in Danske Commodities' case this refers to women. So in a few years' time, I expect we will also have women represented on the Board, but it is important for me to emphasise that candidates are selected first and foremost on the basis of the relevant skills and expertise.

### *What will be the most important focus areas for the Board in 2015?*

We have to work towards maturing the new organisation and continue to grow the business in a controlled manner. We focus on increasing our earnings, market share and efficiency as well as retaining a high level of innovation.

# STATUTORY REPORTING ON CORPORATE SOCIAL RESPONSIBILITY

Danske Commodities worked specifically on various aspects of the CSR agenda in 2014, at a business level, as well as in terms of environmental and social responsibility.

At the level of business strategy, Danske Commodities trades renewable energy and carbon certificates and provides green accreditation services throughout Europe. Furthermore, Danske Commodities seeks to act as a trading partner and market access provider for those who want to invest in these technologies.

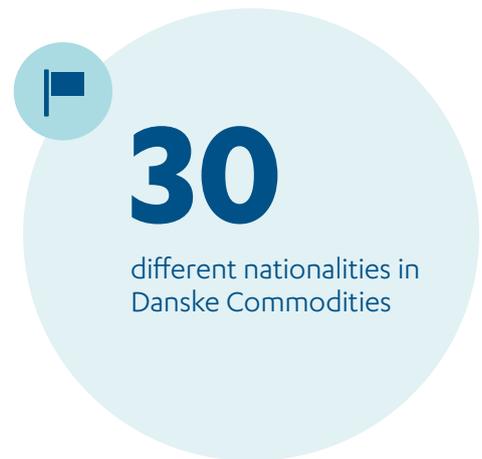
In addition, Danske Commodities reduces its CO2 emissions by using energy-efficient IT solutions and hardware and by applying responsible procurement guidelines, for instance in buying ecological products. Danske Commodities exclusively uses Swan-labelled and FSC-certified products.

Danske Commodities does not have formal policies for social responsibility, but does engage in projects with a social agenda. Most notably, the Company has established a long-term relationship with the Mwereni School for the Blind in Moshi, Tanzania, and has already made a big impact by donating funds for the protection and education of albino children in Tanzania. Apart from donating money to the school, the employees of Danske Commodities donated clothes and toys to the school children in 2014.

For information about Danske Commodities' gender policy for management, please see the Group policy of Danske Commodities' parent company, Lind Invest: [www.lind-invest.dk/?page\\_id=2427](http://www.lind-invest.dk/?page_id=2427).

## EMPLOYEES

Number of employees at the end of the year	360
Proportion of female employees	30%
Proportion of male employees	70%
Proportion of Graduates + Trainees	5.6%
Number of nationalities	30
Average age (years)	31.7



## Attracting and retaining experienced employees

**Dion Sørensen, VP, Head of People & Communications, shares his vision for implementing the strategy.**

As a knowledge-based company, attracting and retaining experienced employees is a key strategic focus for Danske Commodities. A major priority will be to provide the best possible working conditions for employees at Danske Commodities and to identify talent across the organisation and maximise their contribution by providing challenging jobs and assignments. This allows Danske Commodities to develop employees and managers on the job while at the same time assessing their potential for taking on more responsibility. In this way, Danske Commodities ensures that the growth of the organisation is in sync with the development of our people.

***What concrete steps will Danske Commodities take to add experienced people to the current workforce?***

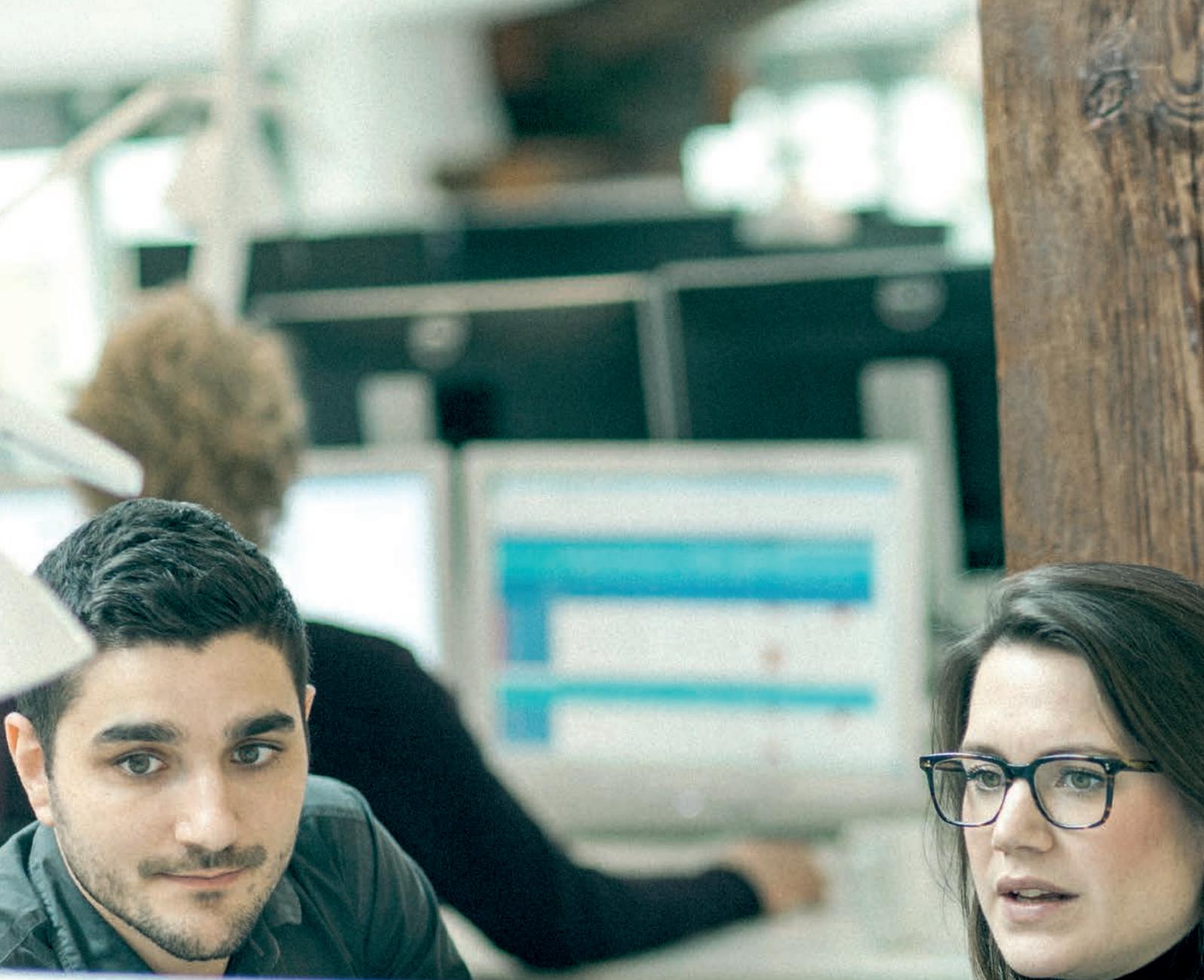
We are going to focus more on practical work experience when we hire new people. Going forward, it will be even more important that new employees have experience from other companies that they can bring to Danske Commodities. We value the people we have today, but as our business areas become more complex, we need to add particular competencies to the current workforce.

***How would you describe the culture at Danske Commodities?***

We have a culture where we challenge and develop our people professionally, celebrate our successes and create a solid framework for how we work. In addition, we want to bring people closer together across departments, as this will stimulate a strong flow of information, new ideas, greater efficiency, etc. We will do this by implementing job rotation or peer-to-peer training, for example.

***What concrete initiatives does Danske Commodities take to develop its employees?***

We encourage all people at Danske Commodities to take responsibility for their own development in close cooperation with their direct managers, as learning activities are identified on an individual level, where they add value to the employee as well as to Danske Commodities. Research has shown that the greatest part of an employee's performance and skills development is generated on the job. For this reason, many of the learning activities at Danske Commodities are implemented directly on the job, by assigning challenging tasks and projects, encouraging cooperation with colleagues, giving guidance to employees, as well as providing coaching and feedback from their line managers and others. In addition, Danske Commodities offers learning activities to build professional and personal skills among employees, talents and managers at Danske Commodities on the basis of a blended approach. We use different kinds of learning methods, adapted to the specific learning activity and our employees' needs, e.g. on-the-job training, self-study, attendance courses, workshops and e-learning courses.



“ The solid capital structure forms a strong foundation to unfold the potential of Danske Commodities.



# MANAGEMENT'S STATEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and adopted the Annual Report of Danske Commodities A/S for the financial year 1 January – 31 December 2014.

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

In our opinion, the Parent Company Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position at 31 December 2014 of the Group and the Parent Company and of the results of the Group and Parent Company operations as well as the consolidated cash flows for 2014.

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

We recommend that the Annual Report be adopted at the Annual General Meeting.

Aarhus, 24 March 2015

## EXECUTIVE BOARD

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Dirk Mausbeck  
CEO

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Helle Østergaard Kristiansen  
CFO

## BOARD OF DIRECTORS

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Peter L. Ravn  
Chairman

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Søren Vestergaard-Poulsen  
Vice Chairman

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Henrik Østenkjær Lind

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Jens-Peter Saul

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Danske Commodities A/S

## REPORT ON PARENT COMPANY FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

We have audited the Parent Company Financial Statements and the Consolidated Financial Statements of Danske Commodities A/S for the financial year 1 January – 31 December 2014, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement, notes and summary of significant accounting policies for both the Group and the Parent Company. The Parent Company Financial Statements and the Consolidated Financial Statements are prepared in accordance with the Danish Financial Statements Act.

## MANAGEMENT'S RESPONSIBILITY FOR THE PARENT COMPANY FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS

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

## AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Parent Company Financial Statements and the Consolidated Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Parent Company Financial Statements and the Consolidated Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Consolidated

Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Parent Company Financial Statements and the Consolidated Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

## OPINION

In our opinion, the Parent Company Financial Statements and the Consolidated Financial Statements give a true and fair view of the financial position of the Parent Company and the Group at 31 December 2014 and of the results of the Parent Company and Group operations and cash flows for the financial year 1 January – 31 December 2014 in accordance with the Danish Financial Statements Act.

## STATEMENT ON MANAGEMENT'S REVIEW

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Parent Company Financial Statements and the Consolidated Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Parent Company Financial Statements and the Consolidated Financial Statements.

Aarhus, 24 March 2015

PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab



Henrik Kragh  
State Authorised Public Accountant



Benny Voss  
State Authorised Public Accountant

## FINANCIAL STATEMENTS

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# INCOME STATEMENT

## 1 JANUARY - 31 DECEMBER

EUR '000	Note	GROUP		PARENT	
		2014	2013	2014	2013
Revenue	1	2,518,761	1,932,041	2,543,993	1,945,472
Cost of sales		-2,443,072	-1,840,187	-2,472,442	-1,856,726
<b>Gross profit</b>		<b>75,689</b>	<b>91,854</b>	<b>71,551</b>	<b>88,746</b>
Other external expenses		-19,812	-19,128	-19,637	-17,879
Staff costs	2	-40,465	-28,617	-38,615	-27,776
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		-6,329	-2,776	-5,681	-2,237
<b>Profit before financial income and expenses and tax (EBIT)</b>		<b>9,083</b>	<b>41,333</b>	<b>7,618</b>	<b>40,854</b>
Share of profit in subsidiaries after tax		0	0	1,031	-4
Financial income	3	2,731	4,834	2,153	3,682
Financial expenses	4	-2,888	-2,031	-2,249	-365
<b>Profit before tax (EBT)</b>		<b>8,926</b>	<b>44,136</b>	<b>8,553</b>	<b>44,167</b>
Tax on profit/loss for the year	5	-1,965	-11,503	-1,592	-11,534
<b>Profit for the year</b>		<b>6,961</b>	<b>32,633</b>	<b>6,961</b>	<b>32,633</b>
<b>Proposed distribution of profit</b>					
Proposed dividend for the year				0	13,404
Reserve for net revaluation under the equity method				1,031	-4
Retained earnings				5,930	19,233
				<b>6,961</b>	<b>32,633</b>

## BALANCE SHEET AT 31 DECEMBER

### - ASSETS

EUR '000	Note	GROUP		PARENT	
		2014	2013	2014	2013
Software		4,066	6,251	4,032	6,178
CO2 quotas		102	153	0	0
<b>Intangible assets</b>	6	<b>4,168</b>	<b>6,404</b>	<b>4,032</b>	<b>6,178</b>
Land and buildings		1,282	893	0	0
Other fixtures and fittings, tools and equipment		5,061	5,707	1,933	2,538
Leasehold improvements		1,140	726	1,140	726
<b>Property, plant and equipment</b>	7	<b>7,483</b>	<b>7,326</b>	<b>3,073</b>	<b>3,264</b>
Investments in subsidiaries	8	0	0	3,546	2,333
Other investments	9	0	54	0	54
Other receivables	9	265	372	264	356
<b>Fixed asset investments</b>		<b>265</b>	<b>426</b>	<b>3,810</b>	<b>2,743</b>
<b>Fixed assets</b>		<b>11,916</b>	<b>14,156</b>	<b>10,915</b>	<b>12,185</b>
<b>Inventories</b>		<b>9,206</b>	<b>5,188</b>	<b>8,722</b>	<b>4,537</b>
Trade receivables		76,937	84,193	53,826	72,467
Receivables from group enterprises		1	2	9,627	10,564
Other receivables	10	22,090	11,274	14,890	9,094
Corporation tax		3,614	24	3,610	0
Prepayments		3,519	2,477	2,586	2,098
<b>Receivables</b>		<b>106,161</b>	<b>97,970</b>	<b>84,539</b>	<b>94,223</b>
<b>Current asset investments</b>		<b>26,516</b>	<b>4,918</b>	<b>26,516</b>	<b>4,918</b>
<b>Cash at bank and in hand</b>		<b>50,328</b>	<b>84,414</b>	<b>36,181</b>	<b>67,065</b>
<b>Current assets</b>		<b>192,211</b>	<b>192,490</b>	<b>155,958</b>	<b>170,743</b>
<b>Assets</b>		<b>204,127</b>	<b>206,646</b>	<b>166,873</b>	<b>182,928</b>

## BALANCE SHEET AT 31 DECEMBER

### - LIABILITIES AND EQUITY

EUR '000	Note	GROUP		PARENT	
		2014	2013	2014	2013
Share capital	11	498	498	498	498
Reserve for net revaluation under the equity method		0	0	1,672	629
Retained earnings		64,124	60,647	62,452	60,018
Proposed dividend for the year		0	13,404	0	13,404
<b>Equity</b>		<b>64,622</b>	<b>74,549</b>	<b>64,622</b>	<b>74,549</b>
Provision for deferred tax		738	1,560	616	1,460
<b>Provisions</b>		<b>738</b>	<b>1,560</b>	<b>616</b>	<b>1,460</b>
Debt to mortgage credit institutions		1,503	1,954	0	0
<b>Long-term debt</b>	12	<b>1,503</b>	<b>1,954</b>	<b>0</b>	<b>0</b>
Debt to mortgage credit institutions		467	463	0	0
Trade payables		111,571	107,786	56,760	81,700
Payables to group enterprises		0	67	22,948	6,977
Corporation tax		325	551	0	509
Other payables	13	23,529	19,716	20,555	17,733
Deferred income		1,372	0	1,372	0
<b>Short-term debt</b>		<b>137,264</b>	<b>128,583</b>	<b>101,635</b>	<b>106,919</b>
<b>Debt</b>		<b>138,767</b>	<b>130,537</b>	<b>101,635</b>	<b>106,919</b>
<b>Liabilities and equity</b>		<b>204,127</b>	<b>206,646</b>	<b>166,873</b>	<b>182,928</b>
Security and other financial obligations	14				
Ownership and related parties	15				

## STATEMENT OF CHANGES IN EQUITY

EUR '000	GROUP				Total
	Share capital	Reserve under the equity method	Retained earnings	Proposed dividend for the year	
Equity at 1 January 2014	498	0	60,647	13,404	74,549
Exchange rate adjustment	0	0	138	0	138
Dividend paid	0	0	274	-13,404	-13,130
Exchange rate adjustment relating to independent foreign entities	0	0	12	0	12
Fair value adjustments of hedging instruments beginning of year	0	0	-646	0	-646
Fair value adjustments of hedging instruments end of year	0	0	87	0	87
Acquisition of company shares	0	0	-3,349	0	-3,349
Profit for the year	0	0	6,961	0	6,961
<b>Equity at 31 December 2014</b>	<b>498</b>	<b>0</b>	<b>64,124</b>	<b>0</b>	<b>64,622</b>

EUR '000	PARENT				Total
	Share capital	Reserve under the equity method	Retained earnings	Proposed dividend for the year	
Equity at 1 January 2014	498	629	60,018	13,404	74,549
Exchange rate adjustment	0	0	138	0	138
Dividend paid	0	0	274	-13,404	-13,130
Exchange rate adjustment relating to independent foreign entities	0	12	0	0	12
Fair value adjustments of hedging instruments beginning of year	0	0	-646	0	-646
Fair value adjustments of hedging instruments end of year	0	0	87	0	87
Acquisition of company shares	0	0	-3,349	0	-3,349
Profit for the year	0	1,031	5,930	0	6,961
<b>Equity at 31 December 2014</b>	<b>498</b>	<b>1,672</b>	<b>62,452</b>	<b>0</b>	<b>64,622</b>

## CASH FLOW STATEMENT

EUR '000	Note	GROUP	
		2014	2013
Profit for the year		6,961	32,633
Adjustments	16	8,056	12,432
Change in working capital	17	284	12,252
<b>Cash flow from operating activities before financial income and expenses</b>		<b>15,301</b>	<b>57,317</b>
Financial income		1,513	1,635
Financial expenses		-2,888	-2,031
<b>Cash flow from ordinary activities</b>		<b>13,926</b>	<b>56,921</b>
Corporation tax paid		-6,631	-16,802
<b>Cash flow from operating activities</b>		<b>7,295</b>	<b>40,119</b>
Purchase of intangible assets		-1,351	-2,870
Purchase of property, plant and equipment		-2,952	-2,657
Fixed asset investments made		-85	-202
Disposal of property, plant and equipment		67	0
Disposal of fixed asset investments		246	7
<b>Cash flow from investing activities</b>		<b>-4,075</b>	<b>-5,722</b>
Repayment of debt to mortgage credit institutions		-447	-499
Acquisition of company shares		-3,349	0
Dividend paid		-13,130	-24,139
<b>Cash flow from financing activities</b>		<b>-16,926</b>	<b>-24,638</b>
<b>Change in cash and cash equivalents</b>		<b>-13,706</b>	<b>9,759</b>
Cash and cash equivalents at 1 January		89,332	76,374
Value and exchange rate adjustments of current asset investments		1,218	3,199
<b>Cash and cash equivalents at 31 December</b>		<b>76,844</b>	<b>89,332</b>
Cash and cash equivalents are specified as follows:			
Current asset investments		26,516	4,918
Cash at bank and in hand		50,328	84,414
<b>Cash and cash equivalents at 31 December</b>		<b>76,844</b>	<b>89,332</b>
Share of the Group's cash and cash equivalents have been provided as security for the Group's commitments	14	26,148	36,435

## NOTES TO THE FINANCIAL STATEMENTS

### 1 REVENUE

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
Electricity trade	1,561,205	1,346,651	1,587,758	1,360,082
Gas and other minerals trade	957,556	585,390	956,235	585,390
	<b>2,518,761</b>	<b>1,932,041</b>	<b>2,543,993</b>	<b>1,945,472</b>

### 2 STAFF COSTS

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
Wages and salaries	38,154	26,683	36,483	25,975
Pensions	576	476	540	428
Other staff costs	1,735	1,458	1,592	1,373
	<b>40,465</b>	<b>28,617</b>	<b>38,615</b>	<b>27,776</b>
Including remuneration to:				
Executive Board	731	524	731	524
Board of Directors	155	231	155	231
	<b>886</b>	<b>755</b>	<b>886</b>	<b>755</b>
<b>Average number of employees</b>	<b>392</b>	<b>279</b>	<b>377</b>	<b>265</b>

### 3 FINANCIAL INCOME

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
Interest income, group enterprises	0	41	441	310
Other financial income	2,731	4,793	1,712	3,372
	<b>2,731</b>	<b>4,834</b>	<b>2,153</b>	<b>3,682</b>

**4 FINANCIAL EXPENSES**

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
Interest expenses, group enterprises	0	0	278	10
Other financial expenses	2,888	2,031	1,971	355
	<b>2,888</b>	<b>2,031</b>	<b>2,249</b>	<b>365</b>

**5 TAX ON PROFIT/LOSS FOR THE YEAR**

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
Current tax for the year	2,872	10,973	2,514	10,973
Deferred tax for the year	-680	318	-678	325
Adjustment of tax relating to previous years	-81	238	-75	236
Adjustment of deferred tax relating to previous years	47	-26	7	0
Change in tax rate	-193	0	-176	0
Tax on entries in equity relating to deferred tax	28	215	28	215
<b>Total tax for the year</b>	<b>1,993</b>	<b>11,718</b>	<b>1,620</b>	<b>11,749</b>
- specified as follows:				
Tax on profit/loss for the year	1,965	11,503	1,592	11,534
Tax on entries in equity	28	215	28	215
	<b>1,993</b>	<b>11,718</b>	<b>1,620</b>	<b>11,749</b>
<b>Effective tax rate</b>	<b>24.6%</b>	<b>25.6%</b>	<b>24.4%</b>	<b>25.6%</b>

**6 INTANGIBLE ASSETS**

EUR '000	GROUP	
	Software	CO2 quotas
Cost at 1 January	7,950	255
Additions for the year	1,351	0
Disposals for the year	-7	0
Cost at 31 December	9,294	255
Amortisation and impairment losses at 1 January	1,699	102
Impairment losses for the year	1,476	0
Amortisation for the year	2,058	51
Reversal of amortisation of disposals in the year	-5	0
Amortisation and impairment losses at 31 December	5,228	153
<b>Carrying amount at 31 December 2014</b>	<b>4,066</b>	<b>102</b>

EUR '000	PARENT
	Software
Cost at 1 January	7,827
Additions for the year	1,350
Disposals for the year	-7
Cost at 31 December	9,170
Amortisation and impairment losses at 1 January	1,649
Impairment losses for the year	1,476
Amortisation for the year	2,018
Reversal of amortisation of disposals in the year	-5
Amortisation and impairment losses at 31 December	5,138
<b>Carrying amount at 31 December 2014</b>	<b>4,032</b>

## 7 PROPERTY, PLANT AND EQUIPMENT

EUR '000	GROUP		
	Land and buildings	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January	1,027	7,471	1,167
Exchange rate adjustment	0	2	0
Additions for the year	516	1,204	1,232
Disposals for the year	0	-645	0
Cost at 31 December	1,543	8,032	2,399
Depreciation and impairment losses at 1 January	134	1,764	441
Impairment losses for the year	0	0	107
Depreciation for the year	127	1,617	711
Reversal of depreciation on disposals in the year	0	-410	0
Depreciation and impairment losses at 31 December	261	2,971	1,259
<b>Carrying amount at 31 December 2014</b>	<b>1,282</b>	<b>5,061</b>	<b>1,140</b>

EUR '000	PARENT	
	Other fixtures and fittings, tools and equipment	Leasehold improvements
Cost at 1 January	3,560	1,167
Additions for the year	820	1,232
Disposals for the year	-642	0
Cost at 31 December	3,738	2,399
Depreciation and impairment losses at 1 January	1,022	441
Impairment losses for the year	0	107
Depreciation for the year	1,194	711
Reversal of depreciation on disposals in the year	-411	0
Depreciation and impairment losses at 31 December	1,805	1,259
<b>Carrying amount at 31 December 2014</b>	<b>1,933</b>	<b>1,140</b>

**8 INVESTMENTS IN SUBSIDIARIES**

EUR '000	PARENT	
	2014	2013
Cost at 1 January	1,645	535
Exchange rate adjustment	4	-1
Additions for the year	110	1,141
Disposal for the year	0	-30
Cost at 31 December	1,759	1,645
Value adjustments at 1 January	629	639
Exchange rate adjustment	12	-6
Net profit/loss for the year	1,031	-4
Value adjustments at 31 December	1,672	629
Investments with negative net asset value	115	59
<b>Carrying amount at 31 December</b>	<b>3,546</b>	<b>2,333</b>

## 8 INVESTMENTS IN SUBSIDIARIES – CONTINUED

Investments in subsidiaries are specified as follows:

Name	Place of registered office	Share capital	Votes and ownership
Danske Commodities Albania Sh.p.k.	Albania	tALL 14,000	100.00%
Danske Commodities BH d.o.o.	Bosnia and Herzegovina	tEUR 513	100.00%
Danske Commodities d.o.o.	Croatia	tHRK 430	100.00%
DC Generation A/S	Denmark	tDKK 500	100.00%
Danske Commodities Deutschland GmbH	Germany	tEUR 25	100.00%
Danske Commodities Italia s.r.l.	Italy	tEUR 10	100.00%
Danske Commodities Kosovo SH.P.K	Kosovo	tEUR 100	100.00%
Danske Commodities DOOEL Skopje	Macedonia	tMKD 308	100.00%
Danske Commodities Invest DOOEL Skopje	Macedonia	tMKD 308	100.00%
Danske Commodities Bucharest S.R.L.	Romania	tRON 0	100.00%
Danske Commodities Invest d.o.o.	Serbia	tRSD 0	100.00%
Danske Commodities Serbia d.o.o.	Serbia	tRSD 54	100.00%
Danske Commodities España, S.L.	Spain	tEUR 3	100.00%
Danske Commodities Sweden AB	Sweden	tSEK 50	100.00%
Danske Commodities AG - in liquidation	Switzerland	tCHF 100	100.00%
Danske Commodities Turkey Enerji Ticaret A.Ş.	Turkey	tTRY 2,000	100.00%
Danske Commodities Ukraine LLC	Ukraine	tEUR 5	100.00%
Danske Commodities UK Limited	United Kingdom	tGBP 0	100.00%

**9 OTHER FIXED ASSET INVESTMENTS**

EUR '000	GROUP	
	Other investments	Other receivables
Cost at 1 January	54	372
Additions for the year	0	85
Disposals for the year	-54	-192
Cost at 31 December	0	265
<b>Carrying amount at 31 December 2014</b>	<b>0</b>	<b>265</b>

EUR '000	PARENT	
	Other investments	Other receivables
Cost at 1 January	54	356
Additions for the year	0	85
Disposals for the year	-54	-177
Cost at 31 December	0	264
<b>Carrying amount at 31 December 2014</b>	<b>0</b>	<b>264</b>

**10 OTHER RECEIVABLES**

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
Fair value of financial transactions, asset	19,474	13,007	19,474	13,007
Fair value of financial transactions, liability	-13,430	-9,624	-13,430	-9,624
Fair value of financial transactions, net	6,044	3,383	6,044	3,383
Deposits	7,035	4,879	6,547	4,486
Other receivables	9,011	3,012	2,299	1,225
	<b>22,090</b>	<b>11,274</b>	<b>14,890</b>	<b>9,094</b>

## 11 SHARE CAPITAL

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

The Company holds 74,136 own shares with a nominal value of DKK 1. The Company's holding of own shares account for 2% of the total share capital corresponding to nominal value of DKK 74,136. In 2014 the Company acquired 74,136 own shares for DKK 25 million for the purpose of future option programmes for executives of the Group.

Movements in share capital in the last five years are specified as follows:

EUR '000	2014	2013	2012	2011	2010
Share capital 1 January	498	498	448	448	448
Capital increase	0	0	50	0	0
Capital reduction	0	0	0	0	0
<b>Share capital 31 December</b>	<b>498</b>	<b>498</b>	<b>498</b>	<b>448</b>	<b>448</b>

## 12 LONG-TERM DEBT

EUR '000	GROUP	
	2014	2013
The debt falls due as follows:		
<b>Debt to mortgage credit institutions</b>		
> 5 years	0	159
1-5 years	1,503	1,795
Long-term share	1,503	1,954
0-1 year	467	463
	<b>1,970</b>	<b>2,417</b>

## 13 OTHER PAYABLES

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
Deposits received	2,314	2,989	64	1,283
Staff obligations	6,392	6,117	6,223	6,079
VAT, taxes and other public payables	14,161	10,067	14,056	9,926
Other payables	662	543	212	445
	<b>23,529</b>	<b>19,716</b>	<b>20,555</b>	<b>17,733</b>

**14 SECURITY AND OTHER FINANCIAL OBLIGATIONS**

EUR '000	GROUP		PARENT	
	2014	2013	2014	2013
<b>Guarantees</b>				
As security for trade with customers and suppliers, the Company's banks have provided guarantees which at the balance sheet date amounted to	162,318	141,212	76,309	87,215
<b>Security</b>				
The following assets have been placed as security for mortgage credit institutions:				
Buildings with a carrying amount of	1,282	893	0	0
Other fixtures, fittings, tools and equipment	2,818	2,951	0	0
The following assets have been placed as security for banks:				
Mortgages registered to the mortgagor totalling DKK 4 million, security in buildings and other property, plant and equipment at a total carrying amount of	4,100	3,844	0	0
The following assets have been placed as security for guarantee limit in banks:				
Current asset investments with a carrying amount of	17,433	3,393	17,433	3,393
Cash at bank and in hand with a carrying amount of	8,714	33,042	2,875	23,589
<b>Other financial obligations</b>				
The Parent Company has provided guarantees toward counterparties of subsidiaries, which at the balance sheet date amounts to	-	-	79,523	18,200
Furthermore the Parent Company has provided unlimited guarantees toward counterparties of subsidiaries.				
The Parent Company has provided guarantees of payment toward banks of subsidiaries, which at the balance sheet date amounts to	-	-	46,564	24,395
The Company has entered into contracts on operating leases with a period of non-terminability of up to 46 months.				
The lease obligation relating to operating leases fall due:				
0-1 year	2,128	1,177	1,987	1,116
1-5 years	2,437	1,973	2,367	1,960
> 5 years	0	0	0	0

## 14 SECURITY AND OTHER FINANCIAL OBLIGATIONS – CONTINUED

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

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

## 15 OWNERSHIP AND RELATED PARTIES

### Control

Lind Invest ApS (Parent Company)

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

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

### Other related parties

Related parties comprise the Board of Directors, Executive Board, Senior Management Group and other senior employees in the Company as well as companies in which the above persons have significant interests.

### Ownership

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

Lind Invest ApS, Vaerkmestergade 25, 14., DK-8000 Aarhus C  
Danske Share ApS, Vaerkmestergade 25, 14., DK-8000 Aarhus C  
Danske Share II ApS, Vaerkmestergade 25, 14., DK-8000 Aarhus C  
Nordal Clausen Holding ApS, Gammel Hareskovvej 330, DK-3500 Vaerløse

**16 CASH FLOW STATEMENT – ADJUSTMENTS**

EUR '000	GROUP	
	2014	2013
Financial income	-2,731	-4,834
Financial expenses	2,888	2,031
Amortisation, depreciation and impairment losses incl. losses and gains on sale	6,329	2,776
Hedging contracts	-746	861
Tax on profit/loss for the year	1,965	11,503
Exchange rate adjustments	351	95
	<b>8,056</b>	<b>12,432</b>

**17 CASH FLOW STATEMENT – CHANGE IN WORKING CAPITAL**

EUR '000	GROUP	
	2014	2013
Change in inventories	-4,018	-123
Change in receivables	-4,601	-23,637
Change in suppliers etc.	8,903	36,012
	<b>284</b>	<b>12,252</b>

**18 CHANGES IN ACCOUNTING ESTIMATES**

Due to an improved pricing model, fair value of power capacities are recognised in the annual report 2014. At 31 December 2013 no fair value of power capacities was recognised, hence the 2014 result is affected positively by the accumulated total fair value adjustment of the power capacities amounting to EUR 0.8 million.

Accounting estimates and assumptions, on which the recognition and measurement of fixed assets are based, were reassessed in 2014. The reassessment resulted in a write-down of IT systems and leasehold improvements totalling EUR 1.6 million, see note 6 and 7 to the Financial Statements. Furthermore the reassessment resulted in a change in amortisation period on specific IT systems amounting to EUR 0.4 million, which is included in amortisation for the year in note 6 to the Financial Statements.

## 19 ACCOUNTING POLICIES

### BASIS OF PREPARATION

The Annual Report of Danske Commodities A/S for 2014 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from the previous year.

### RECOGNITION AND MEASUREMENT

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

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

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

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

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

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

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

#### Basis of consolidation

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

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

#### Leases

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

#### Translation policies

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

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

#### Derivative financial instruments

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

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

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

#### Hedge accounting

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

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

Changes in the fair values of financial instruments that are designated and qualify as hedges of net investments in independent foreign subsidiaries or associates are recognised directly in equity as regards the effective portion of the hedge, whereas the ineffective portion is recognised in the income statement.

## INCOME STATEMENT

### Revenue

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

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

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

### Cost of sales

Cost of sales includes purchase of goods for resale and transportation of these incurred to achieve revenue for the year.

### Other external expenses

Other external expenses comprise other operating expenses, including expenses for premises, sales and distribution as well as office expenses, etc.

### Staff costs

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

### Amortisation, depreciation and impairment losses

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

### Share of profit in subsidiaries after tax

The item "Income from investments in subsidiaries" in the income statement includes the proportionate share of the profit after tax for the year.

## Financial income and expenses

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

## Tax on profit/loss for the year

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

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

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

## BALANCE SHEET

### Intangible assets

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.

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:

Software .....	3-5 years
CO2 quotas .....	5 years

### Property, plant and equipment

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

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

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

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

### Impairment of fixed assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed on an annual basis to determine whether

there is any indication of impairment other than that expressed by amortisation and 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. This impairment test is performed on an annual basis for development projects in progress irrespective of any indication of impairment.

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

#### **Investments in subsidiaries**

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

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

The total net revaluation of investments in subsidiaries is transferred upon distribution of profit to "Reserve for net revaluation under the equity method" under 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 these 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.

#### **Inventories**

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

The cost of goods for resale equals the cost of acquisition.

#### **Receivables**

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

#### **Prepayments**

Prepayments comprise prepaid expenses concerning subsequent financial years.

#### **Current asset investments**

Current asset investments, which consist of listed bonds and shares, are measured at their fair values at the balance sheet date. Fair value is determined on the basis of the latest quoted market price.

#### **Dividend**

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

#### **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.

#### **Current tax receivables and liabilities**

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

#### **Financial debts**

Other debts are measured at amortised cost, substantially corresponding to nominal value.

### **CASH FLOW STATEMENT**

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

#### **Cash flows from operating activities**

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

#### **Cash flows from investing activities**

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

**Cash flows from financing activities**

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

**Cash and cash equivalents**

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

The cash flow statement cannot be solely derived from the published financial records.

**EXPLANATION OF FINANCIAL RATIOS**

Gross margin	=	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$
EBIT margin	=	$\frac{\text{EBIT} \times 100}{\text{Revenue}}$
Return on assets	=	$\frac{\text{EBIT} \times 100}{\text{Total assets}}$
Return on capital employed	=	$\frac{\text{EBIT plus financial income} \times 100}{\text{Average total assets less non-interest bearing debt}}$
Equity ratio	=	$\frac{\text{Equity at year end} \times 100}{\text{Total assets}}$
Return on equity	=	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

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

Number of employees end of year: Calculated as number of headcount end of year



# MARKET ACCESS



## COUNTRY OVERVIEW

### 2004

Denmark  
Germany  
Netherlands

### 2006

France  
Italy  
Spain

### 2007

Austria  
Switzerland  
Czech Republic

### 2008

Belgium  
Greece  
Slovenia

### 2009

United Kingdom  
Norway  
Sweden  
Finland

### 2010

Estonia  
Poland  
Hungary

### 2011

Romania  
Serbia  
Bulgaria  
Slovakia  
Macedonia  
Portugal  
Croatia  
Montenegro

### 2012

Turkey  
Albania  
Lithuania  
Ireland

### 2013

Kosovo  
Bosnia and Herzegovina

## ENERGY EXCHANGES

### Access to the following exchanges

APX  
Belpex  
BSP SouthPool  
EEX  
EPEX SPOT  
EXAA  
Gaspoint Nordic  
GME  
HUPX  
ICE  
ICE Endex  
IDEX  
MEFF  
NASDAQ OMX  
Nord Pool Spot  
OKTE  
OMEL  
OMIP  
OPCOM  
OTE  
POLPX  
SEMO

## GAS HUBS

### Austria

CEGH-VTP

### Belgium

ZTP

### Czech Republic

CZ VTP

### Denmark

GTF

### France

PEG-N  
PEG-S

### Germany

NCG H-Gas  
NCG L-Gas  
Gaspool H-Gas  
Gaspool L-Gas

### Hungary

MGP

### Italy

PSV

### Netherlands

TTF

### Poland

Polish VTP

### Slovakia

Slovak VTP

### UK

NBP

## CLIMATE MARKETS

### EU

ETS Registry

### Regional

EXAA  
EEX  
ICE  
Nord Pool  
NASDAQ OMX

### Denmark

Energinet.dk CMO.grexel registry

### Finland

Finextra Oy

### Germany

UBA Herkunftsnachweisregister

### Italy

GSE

### Norway

Statnett NECS registry

### Sweden

Svenska Kraftnät CESAR  
Energimyndigheten and Svenska Kraftnät  
CMO.grexel registry

### UK

Ofgem Renewables and CHP Register

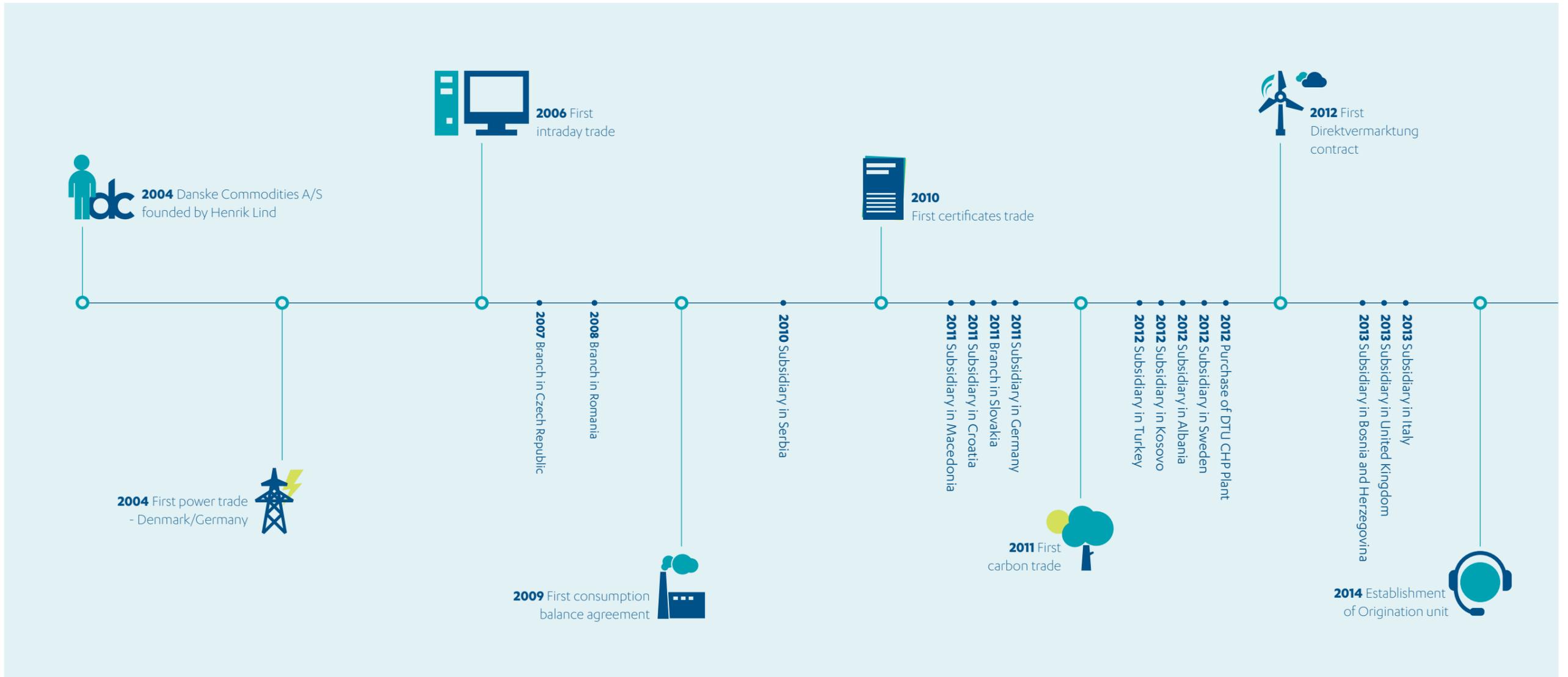
### Belgium

CWaPE

### Austria

E-Control

# DANSKE COMMODITIES HIGHLIGHTS



#### HEAD OFFICE

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Vaerkmestergade 3  
DK 8000 Aarhus C  
Denmark  
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Fax: +45 8612 2430  
[www.danskecommodities.com](http://www.danskecommodities.com)  
VAT no.: DK28113951

Founded in 2004 and based in Denmark, Danske Commodities is a pan-European energy trading company. We provide customers with energy trading-related services such as the management of assets, consumption, balancing and risk – often via customer-tailored products.

#### NEWS AND UPDATES

For more news from Danske Commodities, visit [danskecommodities.com/Press](http://danskecommodities.com/Press)

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<http://www.flickr.com/photos/danskecommodities>



<http://vimeo.com/passion4energy>

## SUBSIDIARIES

Danske Commodities Albania Sh.p.k.  
Blvd. Dëshmorët e Kombit, Twin Towers,  
Tower 1, 10th floor, 1019 Tirana

### Albania

Danske Commodities BH d.o.o.  
Avaz Twist Tower, Tešanjaska broj 24a,  
71 000 Centar/Sarajevo

### Bosnia and Herzegovina

Danske Commodities d.o.o.  
Grand centar Hektorovičeva, Hektorovičeva 2,  
10 000 Zagreb

### Croatia

DC Generation A/S  
c/o Danske Commodities A/S  
Vaerkmestergade 3, 3, 8000 Aarhus C

### Denmark

Danske Commodities Deutschland GmbH  
Rödingsmarkt 16, 20459 Hamburg

### Germany

Danske Commodities Italia s.r.l.  
Via Dante 7, cap 20123, Milano (mi),

### Italy

Danske Commodities Kosovo SH.P.K.  
Str. Mujo Ulqinaku, No. 5, Ap. 4, Qyteza Pejton,  
10000 Pristina

### Republic of Kosovo

Danske Commodities DOOEL Skopje  
16, 8-mi Septemvri Blvd., Hyperium Business  
Center, 2nd floor, 1000 Skopje

### Macedonia

Danske Commodities Invest DOOEL Skopje  
16, 8-mi Septemvri Blvd., Hyperium Business  
Center 2nd floor, 1000 Skopje

### Macedonia

Danske Commodities Bucharest S.R.L.  
Bucharest, 1st District, 47 Aviatorilor Boulevard,  
1st Floor, Office no. 7

### Romania

Danske Commodities Serbia d.o.o.  
Dragiše Brašovana 10, 11070 Belgrade

### Serbia

Danske Commodities Invest d.o.o.  
Dragiše Brašovana 10, 11070 Belgrade

### Serbia

Danske Commodities España, S.L.  
José Abascal, 49, Dupl., 4ª Planta, 28003 Madrid

### Spain

Danske Commodities Sweden AB  
Vaerkmestergade 3, 3, 8000 Aarhus C

### Denmark (domiciled in Stockholm, Sweden)

Danske Commodities AG – in liquidation  
Baarerstrasse 14, 6300 Zug

### Switzerland

Danske Commodities Turkey Enerji Ticaret A.Ş.  
Ali Kaya Sk Polat Plaza B Blk K:1, 34394 Şişli  
İstanbul

### Turkey

Danske Commodities Ukraine LLC  
Rognidyn's'ka street 3, office 10, Kyiv 01004

### Ukraine

Danske Commodities UK Limited  
2nd Floor, Waverley House, 7-12 Noel Street  
London W1F 8GQ

### United Kingdom

## BRANCHES

Danske Commodities A/S, organizační složka  
Minoritská 10, 602 00 Brno

### Czech Republic

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Bucharest, 1st District, 47 Aviatorilor Boulevard,  
1st Floor, Office no. 4

### Romania

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Namestie 1. mája 18, 811 06 Bratislava

### Slovakia

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6300 Zug

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2nd Floor, Waverley House, 7-12 Noel Street  
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