Danske Commodities

CHALLENGE COMPETE REPEAT

ANNUAL REPORT 2016

EBIT

+34 EURm

2015: +30 EURm

FREE CASH FLOW

+15 EURm

2015: +46 EURm

EQUITY RATIO

28.8%

2015: 28.5%

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STRONG PERFORMANCE IN FAST CHANGING MARKETS

Thanks to our dedicated employees and a keen focus on value creation, Danske Commodities continues to deliver strong results.

STRONG FINANCIAL PERFORMANCE
Danske Commodities keeps a strict focus on doing what we do best: Challenge. Compete. Repeat. We challenge market inefficiencies and bring energy to where it is needed most. We compete to deliver on the promise of liberalised markets. And we repeat to keep meeting the needs of the ever-changing energy landscapes.

We stay focused on our core expertise in short-term physical power and gas trading and related services. This is the main reason we are able to present strong financial results for 2016. We generated EBIT of EUR 33.7 million – an improvement that was a direct result of increased profitability in our trading and customer business as our gross profit rose by 3% to EUR 84.7 million. And we continue to optimise our operating model, improving scalability and maintaining a stable cost base.

OUR BUSINESS MODEL
The European energy markets are changing rapidly. Renewables are becoming increasingly competitive, and new technologies are pushing the markets towards a new age of digitalisation.

Responding to changes is part of the day-to-day business at Danske Commodities. We were born out of the liberalised energy markets, and while markets change, our value proposition remains the same: We connect producers, suppliers and consumers to wholesale energy markets, and create commercial opportunities by rapidly responding to needs in an ever-changing energy landscape.

In Q4, we demonstrated our ability to turn fast changes in the energy landscape into value, when the unexpected shut-down of several French nuclear power plants triggered high price volatility across Europe. Through our Europe-wide market access and portfolio flexibility we were able to help address the market imperfections and balance the energy system during this period. Applying our balancing, hedging and optimisation products we help energy producers and consumers manage market risks and benefit from fluctuating prices. We are currently seeing opportunities to expand these activities in Italy and the United Kingdom. To ensure proximity to customers and decision makers in the United Kingdom, we opened a representative office in London in December.

OUR STRATEGY
We continue to deliver on our three-year strategy "One team. Creating profitable growth" and its three commercial tracks: We strengthen our core business, we focus our development and we foster innovation.

Short-term trading has always been at the core of our business, and in 2016 we strengthened our analytical capabilities, our IT solutions and our specialist skills in our trading organisation. We also began to implement a new Energy Trading and Risk Management (ETRM) system that will automate workflows and streamline our processes. The implementation will continue in 2017. With the ETRM system as the backbone of our infrastructure we ensure a robust risk management that will create scalability and reduce costs per trade. This will support our ambition to maintain our competitive edge in the energy market and prepare us for possible future regulatory requirements.

Developing our business and changing with the markets is key to the success of Danske Commodities. All companies need fresh ideas and new perspectives, so we promote a climate where new ideas devised by our talented people can grow and where we can use our expertise and organisational setup to help accelerate new business from external channels.

OUR DEDICATED PEOPLE
Danske Commodities' business is and always will be based on the talent, the ideas and the hard work of our employees. I feel fortunate and inspired to be working together with such talented people, and I am proud that Danske Commodities is on the Great Place to Work list – a list of the best work places in Denmark based on surveys of employee satisfaction. In 2017, we will continue our efforts to make Danske Commodities an even better place to work for all our employees.

OUR FUTURE
We are proud of what we have achieved to date, but we also know that constant development is a prerequisite for accomplishment. That is why we say: Challenge. Compete. Repeat. To remain Europe's leading short-term wholesale energy trader, we need to stay on our toes. We will do that by continuously growing our people and by on-boarding new talent that can supplement and strengthen our current capabilities.

Danske Commodities is well-positioned to compete in fast changing markets. We have developed our trading setup, knowledge and market presence on all major European exchanges and hubs to help energy producers and consumers manage the risks of volatile markets. Wherever there is a commercial potential to significantly optimise the energy value chain, there is a role for us as a catalyst for improvement, and we look forward to continue doing just that in the new year.

We are proud of what we have achieved to date, but we also know that constant development is a prerequisite for accomplishment. That is why we say: Challenge. Compete. Repeat.

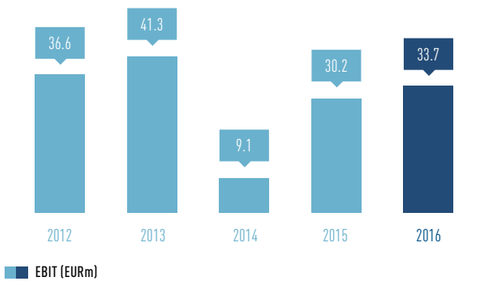
HENRIK LIND, CEO

HIGHLIGHTS OF THE YEAR

Danske Commodities generated yet another strong financial result in 2016, reporting EBIT of EUR 33.7 million and once again proving its position as a solid independent business partner.

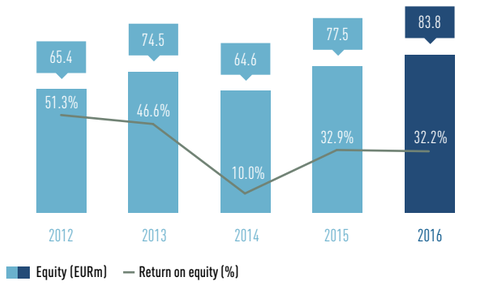
EBIT

12%
INCREASE IN EBIT



EQUITY & RETURN ON EQUITY

32.2%
RETURN ON EQUITY IN 2016



Danske Commodities continued to deliver strong results in a year that started out with low energy prices in increasingly mature and competitive markets, but ended with historically high prices and volatility due to extreme weather conditions and unforeseen supply uncertainties in Q4. Even as energy prices on average decreased, Danske Commodities' revenue, at EUR 2.9 billion in 2016, remained at the same level as in 2015.

While revenue remained at the same level as 2015, gross profit increased by 3% to EUR 85 million. The gross margin was 3.0%, up from 2.8% in 2015 which is considered satisfactory given the market conditions. The result was a direct effect of Danske Commodities' focus on core expertise in short-term trading, utilising its business model in changing markets.

Achieving an increase in gross profit in the challenged market the Company faced during 2016 underlines Danske Commodities' role as a leading European short-term wholesale energy trading house.

The strong financial performance resulted in EBIT of EUR 34 million, driven by an impressive gross profit performance combined with a stable cost base. Danske Commodities reached a remarkable financial milestone by exceeding the EUR 250 million mark in total EBIT generated during the Group's 12-year history.

At EUR 15 million, the free cash flow was significantly lower than in 2015, mainly due to an increase in net working capital end of 2016 resulting from a change in trading patterns relative to end of 2015. Even with the lower cash flow, Danske Commodities maintained its position as a solid independent business partner, holding cash reserves of EUR 104 million end of year.

Equity at 31 December 2016 amounted to EUR 84 million, an 8% increase from EUR 78 million at 31 December 2015. Return on equity was 32.2%, reflecting the strong performance achieved in 2016.

With the solid 2016 results Danske Commodities is well-positioned for future development ambitions.

FINANCIAL HIGHLIGHTS AND RATIOS

GROUP FIGURES EUR '000	2016	2015	2014	2013	2012
INCOME STATEMENT					
Revenue	2,855,231	2,936,265	2,518,761	1,932,041	1,252,690
Gross profit	84,709	82,071	75,689	91,854	62,220
Profit before financial income and expenses and tax (EBIT)	33,746	30,185	9,083	41,333	36,560
Net financials	-40	467	-157	2,803	2,163
Profit before tax (EBT)	33,706	30,652	8,926	44,136	38,723
Profit for the year	26,005	23,384	6,961	32,633	29,246
BALANCE SHEET					
Balance sheet total	290,772	271,905	204,127	206,646	167,059
Equity	83,795	77,518	64,622	74,549	65,415
CASH FLOW STATEMENT					
Cash flow from operating activities	20,175	50,323	7,295	40,119	44,399
Cash flow from investing activities	-5,072	-3,913	-4,075	-5,722	-10,534
- hereof investments in property, plant and equipment	-749	-694	-2,952	-2,657	-6,611
Free cash flow	15,103	46,410	3,220	34,397	33,865
Cash flow from financing activities	-19,978	-10,732	-16,926	-24,638	-9,412
Change in cash and cash equivalents for the year	-4,875	35,678	-13,706	9,759	24,453
Cash and cash equivalents	104,275	110,738	76,844	89,332	76,374
RATIOS IN %					
Gross margin	3.0%	2.8%	3.0%	4.8%	5.0%
EBIT margin	1.2%	1.0%	0.4%	2.1%	2.9%
Return on assets	11.6%	11.1%	4.4%	20.0%	21.9%
Return on capital employed	40.8%	40.9%	12.4%	53.5%	57.8%
Equity ratio	28.8%	28.5%	31.7%	36.1%	39.2%
Return on equity	32.2%	32.9%	10.0%	46.6%	51.3%
Average number of employees	272	297	392	279	149
Number of employees, end of year	279	299	360	423	231

The ratios have been prepared in accordance with the definitions set out in note 20 to the Financial Statements.

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

ENERGY MARKETS IN TRANSITION

From an energy trader's perspective, the European energy markets have undergone substantial transitions since the initial steps toward liberalisation. The transitions will continue, changing the markets and how energy is traded.

Over the past decades, the most dominant dynamics driving transition of the energy markets have been market liberalisation and the move towards a more sustainable energy supply through an increased share of renewable energy in the market. Now, we are also starting to see consumers becoming more active participants in the market. Each of these dynamics have an effect on our markets and how we trade.

In principle, Danske Commodities' role as a trader is the same as it has always been. We facilitate competition and transparency by bringing producers and consumers to the market, leading to a more competitive and optimised energy system. But the transitions have had an important influence on the way energy is traded.

Decision making on the trading floor is becoming more complex and fast-paced, requiring an enhanced presence, automation and models allowing for fast processing of market information. We see this development continuing as markets are becoming even more liberalised, generation becoming even more sustainable and consumers becoming even more active.

TRANSITIONS CAN BE DIVIDED INTO THREE AGES:

Age of liberalisation: The liberalisation of the European energy markets origins in the 1990s, and is still happening across Europe, the aspiration being to achieve a single market. Steps of liberalisation include the formation of power exchanges, unbundling of grid, production and supply, allocation of cross-border capacities and much more. Combined, these steps of liberalisation bring international competition, transparency and cost-efficiency to the energy markets. We see liberalisation as an on-going process, and the future development of the energy markets must ensure an ever more competitive and fair marketplace.

Age of sustainability: With a growing focus in the 2000s and rapid acceleration in the 2010s, decarbonisation has been a driver for transition of the energy markets. The introduction of more renewable energy sources requires continuous trading and balancing of fluctuating wind and solar outputs. Consequently, the importance of shorter term markets like the intraday and control energy markets has increased. With more renewables, energy traders must have access to complex and frequent data to better understand shifts in weather conditions and instant access to trade in the market, when the weather changes, to restore the energy balance.

Age of digitalisation: We are entering a transition towards an age where digitalisation and active consumers will play a bigger role in the development of the market. Market power will switch to consumers as they invest in the ability to produce their own energy and become more responsive to prices. The growth of consumer power will be accelerated by technological advances allowing for trading and optimisation. The role of the energy trader will be mirrored by these developments and the trader must facilitate the potential of the active consumer.

We expect the three ages of transition to continue. New markets will emerge and they will be liberalised and transparent. The share of renewables will continue to increase and the importance of technology will only grow from here. Danske Commodities will continue to support the transition by developing and refining how energy is traded.

AGES OF ENERGY TRADING

Danske Commodities continuously refines and adds capabilities that match current needs in the changing landscape. We use our trading capabilities to optimise energy resources, moving energy from where there is more than enough to where it is needed most.

AGE OF
LIBERALISATION

Competitive markets for efficiency

AGE OF
SUSTAINABILITY

Introducing renewables to the market

AGE OF
DIGITALISATION

Integration of digital technologies

DANSKE COMMODITIES' CAPABILITIES

Spot trading, forward trading, cross border trading

Intraday trading, control energy, green certificates, forecasting

Algorithmic trading

YESTERDAY

TODAY

TOMORROW

THE 10 MOST IMPORTANT MARKET EVENTS OF 2016

A year full of change and new opportunities.

For the European energy markets, 2016 was a year of extremes in terms of both price levels and volatility. The first eight months of the year were characterised by historically low price levels. All across Europe, price levels dropped dramatically from the already low levels of the preceding two years. The trend was driven by the continuing growth in renewable generation, downward trending fuel prices and above normal temperatures. We also saw extremely low volatility levels, both on individual spot prices, base-peak spreads, the spreads between countries and the spreads between Balancing, Intraday and Spot markets.

In the early autumn things changed as various supply issues for power, gas and coal began to emerge, resulting in a significant surge in prices. When the first signals of a possible cold winter began to show in forecasts, it triggered strong fears of supply-demand tightness and sent market premiums even higher. During November, we saw decade-high price levels and serious concerns among Transmission System Operators about the security of supply.

The events of this winter are reminders to all market participants that things can quickly change and that in the physical nature of our markets, unforeseen events like plant and interconnector outages, fuel price developments and the inherent variability of the weather all play a major role. With more renewables coming online and a growing number of nuclear and coal plants being phased out, we are likely to see more of such events in the coming years. The eventuality of stressed market situations calls for trading companies like Danske Commodities to use its Europe-wide market presence and portfolio flexibility to address market imperfections and balance the energy system.

2016 EVENTS

1 RENEWABLES BECOMING INCREASINGLY COMPETITIVE

At a winning price of EUR 49.85/MWh, the 600MW Kriegers Flak project in Denmark became the first offshore wind farm in the world to break the EUR 50/MWh mark.

2 RENEWABLE SUPPORT SCHEMES UNDERGO SIGNIFICANT CHANGES

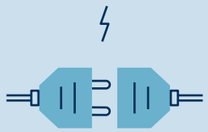
Adapting to the declining cost and increasing impact of intermittent renewables in the grid, more countries, including Spain and France, implemented competitive auctioning of renewable support.

3 ENERGY STORAGE SOLUTIONS START TO MAKE AN IMPACT

With a clearing price of GBP 7-12/MWh, large-scale lithium-ion batteries became the biggest winner in the UK's capacity tender for Enhanced Frequency Response.

4 MARKET COUPLING AND BALANCING COOPERATION PUSHING FORWARD ON A REGIONAL LEVEL

The cross-regional cooperation of balancing services continued with France joining the International Grid Control Cooperation scheme.

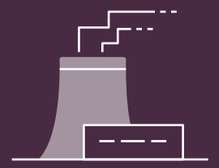


5 GRID INFRASTRUCTURE UNDER PRESSURE

Pressure on grid infrastructure was highlighted by the recommendation from the Agency of the Cooperation of Energy Regulators to split up the German-Austrian bidding zone and by the European Commissions' proposal to remove priority grid dispatch for renewables projects.

6 NUCLEAR AVAILABILITY IN FRANCE UNDER SCRUTINY

With 13 out of 58 reactors unavailable in December, France faced its lowest nuclear power generation rate in ten years. The uncertainty may persist due to aging reactors and increasingly stringent safety requirements.



7 SECURITY OF SUPPLY UNDER PRESSURE WITH MORE RENEWABLES AND LESS CONVENTIONAL CAPACITY

Tighter capacity margins in the UK and France this winter sent power prices skyrocketing and had knock-on effects in neighbouring countries. On 31 October, the UK National Grid issued its first capacity market notice on market tightness.

8 CAPACITY REMUNERATION SCHEMES GAIN MOMENTUM

The auction of France's decentralised capacity market cleared 22.6 GW for delivery in 2017 at a price of EUR 999.98 per capacity guarantee (0.1 MW).

9 COUNTRY-SPECIFIC MEASURES CONSIDERED FOR TACKLING OVERSUPPLY OF EU ETS

Several countries discussed measures, such as carbon floor price and carbon tax, to tackle the oversupply of emission allowances within the EU Emissions Trading System (EU ETS).

10 GAS PRICES RECOVER IN H2 2016

Gas prices rebounded strongly in the second half of the year due to healthy demand, a series of supply issues and higher prices of the surrounding fuel complex.

Danske Commodities is a reliable partner in the undertaking of promoting dynamic and transparent energy markets

JEAN-FRANÇOIS CONIL-LACOSTE, CHAIRMAN OF THE EPEX SPOT MANAGEMENT BOARD

EPEX SPOT is the exchange for the power spot markets at the heart of Europe. The exchange covers Germany, France, the United Kingdom, the Netherlands, Belgium, Austria, Switzerland and Luxembourg and operates the short-term electricity markets with actual physical fulfilment providing liquidity and flexibility to energy markets. The products developed by EPEX SPOT meet the markets' growing need for flexibility, in particular on the Intraday market during times of increasing input of renewable energy into the grid. EPEX SPOT publishes the daily electricity price, which serves as a reference in power transactions across Europe.

"Trading allows for optimisation of the entire transmission process," says Jean-François Conil-Lacoste, Chairman of the EPEX SPOT Management Board.

"Supply and demand in the power market are optimally balanced, and thanks to market coupling mechanisms cross-border power flows are taken into account when prices are calculated. Transmission capacities are optimally used while respecting the need for a fair and orderly market and price formation."

Danske Commodities has traded on EPEX SPOT since 2006 and was ranked number 10 among the 230 EPEX members in terms of trading volumes at EPEX SPOT in 2016.

"Danske Commodities is an essential actor in electrical power trading," says Jean-François Conil-Lacoste.

"The shared values of a power market without borders and the dedication and expertise regarding renewables and their integration into the market are only two examples illustrating the pioneer spirit and the foresight implemented by Danske Commodities throughout their trading activity."

"Danske Commodities is a reliable partner in the undertaking of promoting dynamic and transparent energy markets."

OUR STRATEGY

Securing profitable growth in fast changing markets.

At Danske Commodities, we believe there are vast opportunities for challenging, competing and repeatedly making energy markets more efficient. To seize these opportunities, we have defined a strategy and a company creed to steer priorities and guide our direction.

OUR STRATEGY:
ONE TEAM. CREATING PROFITABLE GROWTH.
Danske Commodities' strategy continues to revolve around three commercial tracks:

- Strengthen our core
- Focus our development
- Foster innovation

The strategy builds on our leading position in short-term physical power and gas trading. Combining European-wide market access with our 24/7/365 market presence, Danske Commodities has become a European leader in trading and balancing energy. This enables us to maximise value for our customers and make energy markets more efficient for the benefit of society. We strive to be the company that challenges the status quo, increases competitiveness in the energy markets and finds new ways to trade as markets continue to evolve.

OUR COMPANY CREED:
CHALLENGE. COMPETE. REPEAT.
Ever since the first steps were taken to liberalise the energy markets, Danske Commodities has challenged incumbents by bringing international competition to the markets and empowering suppliers to compete and give consumers freedom of choice and more competitive energy prices. By acquiring and using the rights to move energy across borders, we support the transformation towards a more efficient, transparent and economically viable energy market. This is what we mean when we say: Challenge. Compete. Repeat.

We have developed our trading setup, our knowledge and our market presence on all major European exchanges and hubs to help producers and consumers manage risks and optimise earnings in volatile energy markets. As an independent company, we are living proof that liberalised markets can drive growth and competition. Wherever there is a commercial potential to significantly optimise the energy value chain, there is a role for Danske Commodities as a catalyst for improvement.

STRATEGY ON TRACK:
DELIVERING TODAY. WELL-POSITIONED FOR TOMORROW.
Danske Commodities' strategy remains on track and we continue to deliver on our three commercial focus areas – strengthening our core business, focusing our development where we have an edge, and fostering innovation by promoting internal and external ideas. With the transition towards more renewables in the energy system, the need for real-time trading, balancing and overall agility is increasing. Danske Commodities is well-positioned for a future where change is the only constant.

MOVING ENERGY ACROSS
35 MARKETS IN EUROPE

TRADING A TOTAL OF
499 TWH ENERGY IN 2016

COMPLETING MORE THAN
3000 TRANSACTIONS PER DAY

STRENGTHEN OUR **CORE**

We invest to strengthen our leading market position in short-term physical power and gas trading, and to continue building an even more competitive platform.

2016 HIGHLIGHTS
In April 2016, we completed the implementation of a new Enterprise Resource Planning (ERP) system to support our core business activities and finance operations.

At the same time, we initiated the implementation of a new Energy Trading and Risk Management (ETRM) system.

The ETRM system is designed to enhance our risk management and increase efficiency and scalability in our daily operations through better data processing, workflow automation and improved product controls.

The ETRM system will be deployed in a significant part of our business functions in 2017.

Throughout the year, we have also invested in strengthening our analytical capabilities and specialised trading skills, empowering us to capture even more value from our core operations.

FOCUS OUR **DEVELOPMENT**

We prioritise our customers, markets and activities where we make the biggest difference, and where we have a clear competitive edge.

2016 HIGHLIGHTS
In 2016, Danske Commodities optimised the size of its Direktvermarktung portfolio in Germany.

We are fully committed to serving the German market, and we have adjusted our approach with a leaner and more agile setup to fit the changing market situation.

Through increased optimisation, better utilisation of flexibility and growing competition, we have proudly contributed to a greener and more efficient market.

We gained significant expertise from building our Direktvermarktung portfolio over the years and have recently deployed it in new markets: Benelux, Italy and the United Kingdom.

In December 2016, we strengthened our setup in the United Kingdom by opening a representative office in London.

FOSTER **INNOVATION**

We promote a culture where new ideas can grow, both internally from our talented people and through new business from external channels.

2016 HIGHLIGHTS
In 2016, we introduced a new innovation initiative in Danske Commodities: Business Accelerator.

The aim is to bring new commercial ideas to our business platform.

By making our experience, networks, infrastructure and capital available, we accelerate growth for entrepreneurs or established players in commodity trading.

With this initiative we target commercial opportunities and expert capabilities that diversify our business model.

We have a proven track-record in bringing new business onto our platform, and we know that infrastructure, expert knowledge and speedy execution are critical factors when turning great ideas into value-adding business models.

FLUXYS

Strong relationships with energy trading houses are a necessity

DIRK GOEBELS, COMMERCIAL MANAGER, BELGIUM-BASED TSO FLUXYS

Trading gas in 16 markets, Danske Commodities works closely together with natural gas transmission system operators (TSOs) all over Europe. One of them is Belgium-based Fluxys.

The main focus of Fluxys is to foster the integration of the European gas market. This is done through the development of a cross-border infrastructure and capacity backbone. Fluxys link gas sources to markets and ensures security of supply.

"With TSOs increasingly providing bidirectional capacity between markets across Europe, trading is the lubricant making gas prices converge across markets and helping an integrated European gas market to take shape," says Dirk Goebels, Commercial Manager at Fluxys TENP.

As gas trading continues to intensify, it adds liquidity and depth to the markets and creates robust price markers for gas.

Strong relationships with energy trading houses are a necessity, according to Mr Goebels:

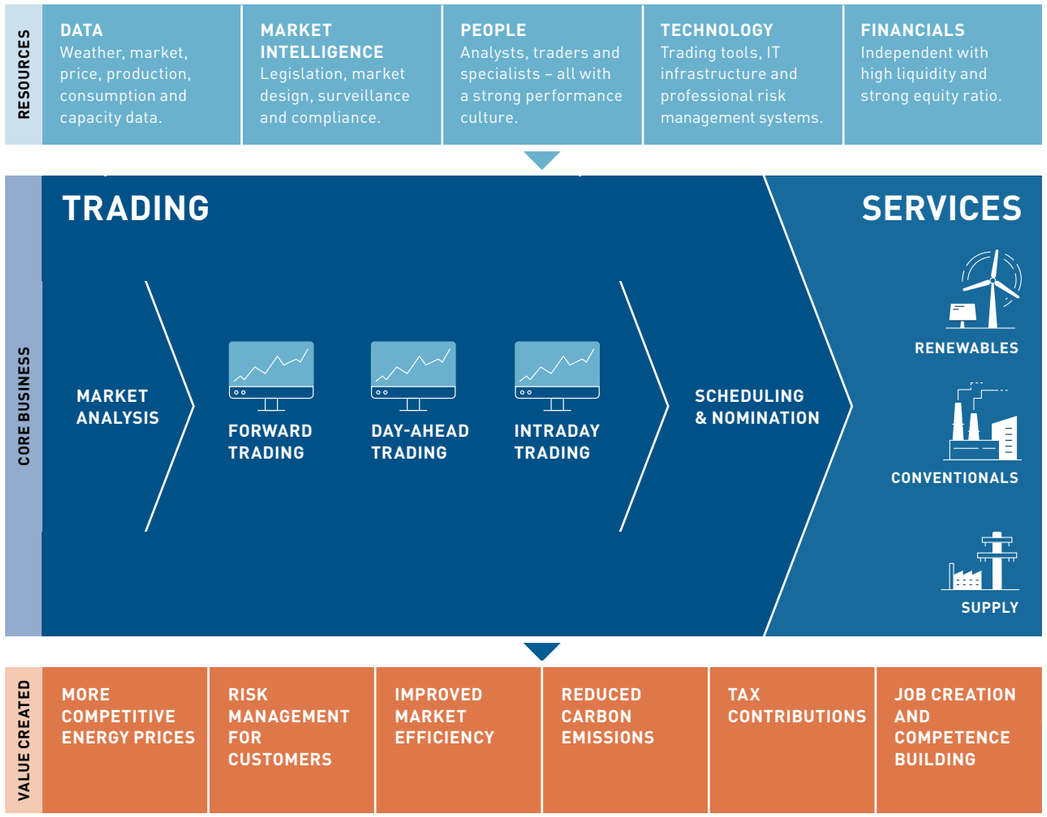
"As a service provider our focus is to offer competitive pricing and to stay close to the pulse of the market and the market players. Energy trading houses have specific needs just like other customers have theirs and we seek to offer maximum responsiveness while working as partners in the rapidly evolving market."

OUR BUSINESS MODEL

Bringing energy from where there is more than enough to where it is needed most.

Danske Commodities' core business is – and has always been – trading. During the past decade, we have built a successful business of trading power and gas across borders, moving energy from where it is plentiful to where it is needed most. We use our market knowledge, our pan-European footprint and 24-hour trading setup to support our customers through tailor-made services, targeting renewable producers, conventional assets and energy suppliers.

Our trading activities span different time dimensions from the forward market to the day-ahead and intraday markets. We use comprehensive data sets, strong analytical capabilities and profound market knowledge to make informed trading decisions and repeatedly strengthen our leading market position in short-term power and gas trading.



RENEWABLES

The volatile nature of power generation from renewable assets presents producers and developers with considerable challenges. The key to success is finding the right partner to help manage physical production, balancing requirements and general market risks. Danske Commodities operates a pan-European portfolio of renewable assets of more than 5 GW and has a proven track record in the field. This provides us with relevant expertise and a profound understanding of how to make the market work for our customers.

SERVICES FOR RENEWABLE ASSETS

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

CONVENTIONALS

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

SERVICES FOR CONVENTIONAL ASSETS

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

SUPPLY

Whether you are a wholesaler or an industrial company, optimising your power consumption is needed to maximise your value. Managing 15% of the daily power consumption in Denmark, Danske Commodities is an expert in this field. We procure and optimise wholesale consumption, and tailor individual portfolio management solutions for our wholesale partners, to match their needs and add value to their operations.

SERVICES FOR ENERGY SUPPLIERS AND INDUSTRIAL COMPANIES

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

31 ACTIVE EXCHANGES

Borsa Italiana (IDEX), *Italy*

Borsa Istanbul, *Turkey*

BSP SouthPool (SP), *Slovenia*

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

Central European Gas Hub (CEGH), *Austria*

CME Group, *United Kingdom*

Croatian Power Exchange (CROPEX), *Croatia*

European Energy Exchange (EEX), *Germany*

European Power Exchange (EPEX SPOT), *France*

Energy Exchange Austria (EXAA), *Austria*

Energy Exchange Istanbul (EPIAS), *Turkey*

Gaspoint Nordic, *Denmark*

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

Hungarian Power Exchange (HUPX), *Hungary*

Independent Bulgarian Energy Exchange (IBEX), *Bulgaria*

ICE Endex, *Netherlands*

ICE Futures Europe, *United Kingdom*

LAGIE (HEMO), *Greece*

MEFF, *Spain*

MIBGAS, *Spain*

Nasdaq OMX Europe, *Norway*

Nord Pool Spot (NP), *Norway*

OKTE, *Slovakia*

OMIE, *Spain*

OMIP, *Portugal*

OPCOM, *Romania*

OTE, *Czech Republic*

PEGAS, *France*

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

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

SEMO, *Ireland*

EXTENSIVE MARKET REACH AND TRADING EXPERTISE

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

+5GW
RENEWABLES

+400MW
CONVENTIONALS

+45TWh
SUPPLY

TRADING ACTIVITIES
IN POWER

TRADING ACTIVITIES
IN POWER AND GAS

TRADING IN
35
MARKETS

CASE

ARC: AMAGER RESSOURCE CENTER

amager ressource center

Danske Commodities is very resourceful when it comes to identifying opportunities for creating value

KIRSTINE HANSEN, MARKET MANAGER, AMAGER RESSOURCE CENTER

Located in Copenhagen, Amager Ressource Center's (ARC) waste-to-energy plant turns combustible waste into power and district heating, contributing to a better climate and environment for future generations.

"Danske Commodities handles ARC's production balancing and optimises its production by trading the power produced."

"We are very pleased with our cooperation with Danske Commodities," says Market Manager Kirstine Hansen. "In our experience, Danske Commodities is very resourceful when it comes to identifying opportunities for creating value for ARC. Danske Commodities is also a very flexible and accommodating partner."

Danske Commodities will continue creating value for ARC in 2017, when a new waste-to-energy plant – Amager Bakke – is put into operation. Amager Bakke will be among the most energy efficient plants in the world. The plant also has a very strong environmental and climate profile, for example reducing the NOx-emissions significantly and reducing CO_2 emissions by 100,000 tons annually.

"By closely cooperating with Danske Commodities, we can reduce imbalance costs in the commissioning phase when the new plant is tested and irregularities in the power production can occur," comments Kirstine Hansen.

PERFORMANCE IN 2016

With impressive earnings in 2016 Danske Commodities continued its balanced growth and remains well-positioned to meet the needs of changing energy landscapes.

The year's impressive financial performance was achieved through a dedicated effort from all employees as they challenged the markets and focused on developing Danske Commodities in areas where we have an edge. Danske Commodities grew its gross profit by 3%, which combined with a stable cost base produced EBIT of EUR 33.7 million and a return on equity at almost one-third of equity.

32.2%

RETURN ON EQUITY WAS 32.2% IN 2016, WHICH WAS CONSIDERED VERY SATISFYING

REVENUE
The energy markets continued to mature and the annual average energy prices dropped further in 2016. This can be illustrated by the German annual average day-ahead prices that showed an 8% drop in the power price and a 29% drop in the gas price. Despite the low energy prices in the European markets in 2016, the continuing growth in total traded volumes produced revenue of EUR 2,855.2 million, much in line with the 2015 level of EUR 2,936.3 million.

The activity split between Gas and other minerals trading and Power trading was at the same level as in 2015. Gas and other minerals trading contributed EUR 1,299.5 million, equal to 46% of total revenue, while Power trading contributed EUR 1,555.8 million.

GROSS PROFIT
Gross profit was EUR 84.7 million in 2016, a 3% increase compared to 2015.

The gross profit growth confirmed that Danske Commodities sees opportunities and creates value even in maturing energy markets. The improved gross profit combined with a decrease in the average number of employees proves the business scalability of Danske Commodities.

84.7 EURm

GROSS PROFIT ROSE 3% AND AMOUNTED TO EUR 84.7 MILLION

Gross margin was 3.0% in 2016, a slight improvement from 2.8% in 2015.

COSTS
After a couple of years with a strong focus on reducing costs, the cost level stabilised in 2016 at EUR 51.0 million, compared with EUR 51.9 million in 2015.

At EUR 34.4 million, staff costs were at the same level as in 2015. Average number of employees decreased by 8% from 297 in 2015 to 272 in 2016. Staff costs were affected by replacements and related costs as well as general salary raises, resulting in a higher average salary.

Other external expenses were at the same level as in 2015, at EUR 12.5 million in 2016 compared with EUR 13.0 million in 2015. Danske Commodities' ability to maintain a stable cost base shows that earlier years' efforts to optimise processes and mature the Company have been a success.

Amortisation, depreciation and impairment were EUR 4.0 million in 2016, which was 16% lower than in 2015. The decrease was mainly explained by Danske Commodities' internally-developed trading system being fully depreciated in 2016. The new ETRM system, to replace the existing, is currently under development and first phase is scheduled to go live in 2017.

EARNINGS
EBIT increased 12% in 2016 from EUR 30.2 million in 2015 to EUR 33.7 million in 2016. The impressive result was driven by a strong gross profit performance and stable costs, due to a continued focus on costs and a clear focus on operational excellence.

33.7 EURm

IMPRESSIVE GROSS PROFIT AND STABLE COST BASE CONTRIBUTED TO EBIT OF EUR 33.7 MILLION

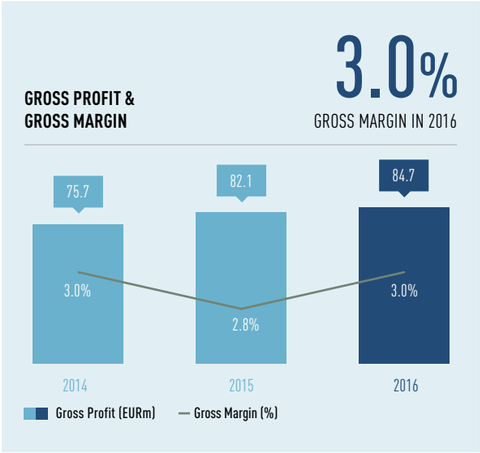
The EBIT margin increased from 1.0% in 2015 to 1.2% in 2016.

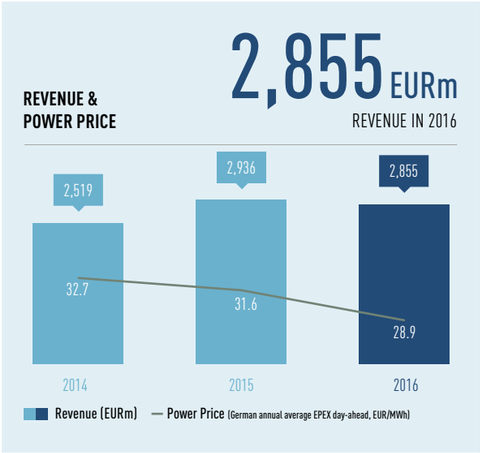
Tax on profit for the year increased to EUR 7.7 million in 2016 from EUR 7.3 million in 2015 as a result of the increase in the profit for the year. The effective tax rate decreased from 23.3% in 2015 to 22.6% in 2016, mainly due to a 1.5 percentage point reduction of the corporate tax rate in Denmark for the financial year 2016.

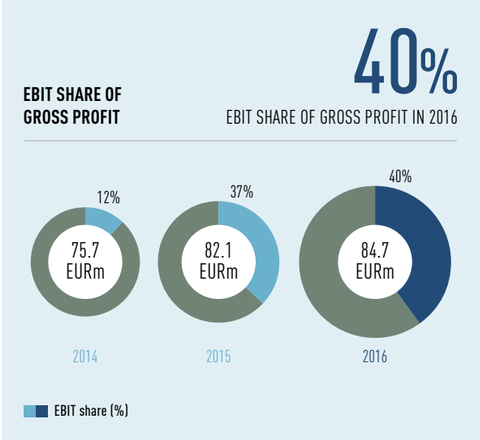
BALANCE SHEET AND EQUITY
Total assets increased to EUR 290.8 million in 2016 from EUR 271.9 million in 2015.

Fixed assets were up slightly from EUR 11.1 million in 2015 to EUR 12.1 million in 2016 primarily due to the investment in the new ETRM system during 2016. The system is expected to be implemented in phases, with the first phase scheduled for 2017. The implementation will reduce operational risk through improved efficiency, operational excellence and enhanced transparency across the organisation.

The low energy prices had a strong impact in 2016, as they were the primary reason for the 40% decrease in inventories from EUR 11.2 million in 2015 to EUR 6.7 million in 2016.







Receivables were up by EUR 28.8 million to EUR 167.6 million in 2016. The increase was mainly explained by a change in trading patterns affecting trading-related deposits and other receivables. The average of 13 debtor days at the end of 2016, which was in line with the 2015 figure, implies a solid overall debtor balance. Further, only two minor debtor-related losses were realised in 2016, which affected the income statement by an insignificant amount due to credit insurance.

Cash and cash equivalents decreased by EUR 6.5 million to EUR 104.3 million end of 2016. The ratio between Current asset investments and Cash at bank and in hand changed significantly. The change was explained by active cash management approach to enhanced risks related to Current asset investments at the end of the year, making it more beneficial to hold cash portfolios. Current asset investments decreased EUR 26.6 million to EUR 31.7 million end of 2016, while Cash at bank and in hand rose by EUR 20.1 million to EUR 72.6 million at the end of 2016.

28.8%

EQUITY RATIO INCREASED FROM 28.5% TO 28.8% UNDERLINING DANSKE COMMODITIES' SUSTAINED STRONG FINANCIAL POSITION

Equity increased by 8% from EUR 77.5 million in 2015 to EUR 83.8 million in 2016, due to the impressive result. The equity ratio increased to 28.8% at the end of 2016, which once again emphasised Danske Commodities' solidfinancial position. Return on equity was a highly satisfactory 32.2%.

Our solid financial performance in 2016 – EBIT of EUR 33.7 million and a sustained robust solvency – proves that we are executing well on our strategy of creating profitable growth

HELLE ØSTERGAARD KRISTIANSEN, CFO

CASH FLOW

Cash flow from operating activities decreased from EUR 50.3 million in 2015 to EUR 20.2 million in 2016. The decrease was mainly driven by a change in working capital that was primarily due to changes in trading patterns arising from a different ratio between bilateral and exchange trading as well as increased activity level compared to the end of 2015.

The cash outflow from investing activities was EUR 1.2 million higher than in 2015, which was as expected given the significant investment made in the new ETRM system in 2016.

Cash flow from financing activities was an outflow of EUR 20.0 million mainly due to dividends paid during the year.

Cash and cash equivalents decreased by EUR 4.9 million to EUR 104.3 million in 2016 primarily due to the change in trading patterns that led to an increase in net working capital.

104.3 EURm

CASH AND CASH EQUIVALENTS WAS EUR 104.3 MILLION EMPHASISING DANSKE COMMODITIES' STRONG FINANCIAL POSITION

INTERNATIONAL OPERATIONS

In 2016, the Spanish subsidiary was divested as part of continuous efforts to reduce complexity and streamline the business operations of Danske Commodities. The total number of subsidiaries and branches was 19 at the end of 2016.

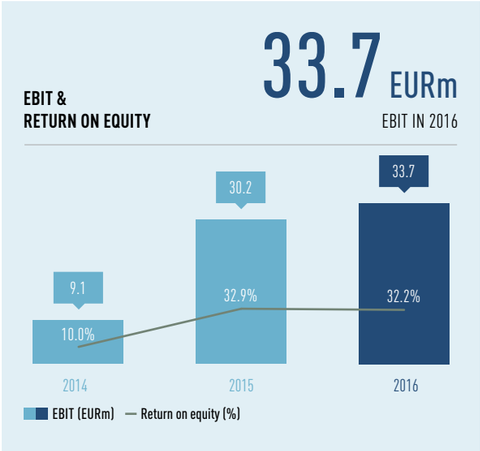
Additionally, steps have been taken to close down other subsidiaries due to changes in local representation requirements. These closures are a part of the ongoing process towards operational excellence and will not change Danske Commodities' presence in the countries affected.

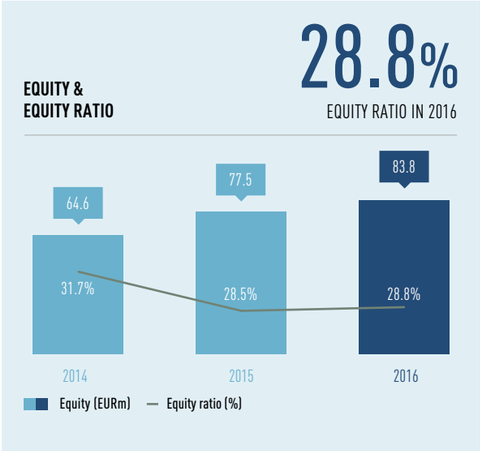
OUTLOOK

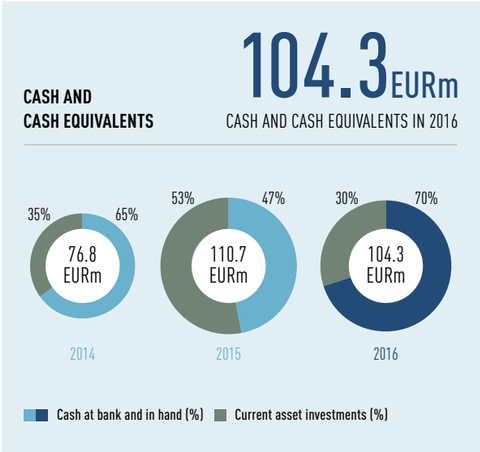
Based on our expectations for market trends in 2017 and our development plans, we expect a performance in terms of EBIT and Return on equity in 2017 at the same level as in 2016.

EVENTS AFTER THE BALANCE SHEET DATE

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







We appreciate the professional approach, efficiency and cooperative spirit of Danske Commodities

TONI VOLPE, CEO, FALCK RENEWABLES

Among the biggest 'pure players' in the European renewable energy sector, Falck Renewables S.p.A. develops, designs, builds and manages power production plants from renewable sources. The Company is active in Europe (Italy, the UK, Spain and France) with installed capacity of 822 MW in 2016 worth more than 2 TWh per year, using wind power, solar power, biomass and waste-to-energy technologies.

"We are pleased to have signed a PPA (Power Purchase Agreement) with Danske Commodities for the selling of energy produced by our on-shore wind farm in Buddusò Alà dei Sardi in Sardinia (158 MW), which is the largest wind farm in Italy."

"It is a pleasure to work with Danske Commodities, and we really appreciate their professional approach, efficiency and cooperative spirit", says Falck Renewables' CEO Toni Volpe.

RISK MANAGEMENT

Risk Management is a key element of Danske Commodities' daily operations and the risk framework is anchored in the Board of Directors and the Risk Committee.

RISKS AND RISK MANAGEMENT
Through its daily trading activities Danske Commodities is exposed to a variety of financial and market risks. The risk strategy supports Danske Commodities' strategic objectives by ensuring a responsible balance between risk aversion and opportunities and gains. The Company's view of acceptable risk is based on an assessment of all risks in its operating environment, with risks ranked in order of priority based on qualitative and quantitative measures.

RISK MANAGEMENT PRINCIPLES
- The Company endeavours to comply at all times with generally accepted Risk Management practices as provided by European regulations and directives and in Danish legislation governing banks and financial institutions.
- Accountability for ownership and management of risks has been allocated through a risk governance structure, along with an independent risk function acting as a second line of defence. The Board of Directors is responsible for the Company's risk management and has appointed a Board Risk Committee to monitor and oversee the risk management process on behalf of the Board of Directors.
- Processes and measurements to manage fundamental risks are in place and the effectiveness of those arrangements is examined regularly and strengthened as required.
- The risk strategy and overall framework is reviewed annually.
- Risk Management will consistently form an integral part of the Company's operations and corporate culture by way of activities that include: raising awareness through workshops, training, and communications; documentation of risk assessment in decision-making; review of risk management arrangements; and anticipation of risks by early warning mechanisms.

RISK MANAGEMENT FRAMEWORK
Danske Commodities' Risk Management framework is defined in the general Risk Policy owned by the Board of Directors. The Risk Committee is responsible for advising the Board of Directors on the risk framework.

To manage the full range of risks to which the Company is exposed, Danske Commodities operates a system with two lines of defence, with distinct responsibilities for each line ensuring an appropriate segregation of duties.

The first line consists of the Managers and Directors of the operational teams, who are responsible for managing and escalating of potential risks. This is overseen by the Risk Management function which acts as the second line.

At the top of the risk governance structure is the Board of Directors, which is responsible for the risk strategy, including risk governance and the overall risk appetite. Also, the Board of Directors is responsible for monitoring the risk management practices of Danske Commodities and approving risk policies and guidelines.

In addition to the formal framework, a conduct supporting a strong risk culture is expected of all employees. Any breaches of policies or mandates must be reported, as stated in the breach management policy.

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

Risk Management at Danske Commodities covers the following main risk categories:
- Market risk
- Credit risk
- Operational and IT risk
- Liquidity risk
- Compliance risk
- Legal risk

In addition, Risk Management at Danske Commodities includes minimising the Company's reputational and strategic risks by aligning trading and business behaviour with the corporate values.

All major risk classes are managed on the basis of the internal risk management manuals which are aligned with the general Risk Policy and specific policies.

2016 IN BRIEF
Following a strategic review of the overall business strategy, and as a result of changing business requirements such as a long-term Power Purchase Agreement (PPA) signed in the United Kingdom, several changes were made to Danske Commodities' Risk Management Framework and formalised through a set of updated and entirely new policies.

The risk profile of Danske Commodities' positions was generally not affected by market trends in 2016. While increased volatility in Q4 did change the risk profile, it was held within the predefined acceptable limits.

In 2016, the Risk Committee undertook the following key tasks:
- Reviewed the overall Risk Management Framework and formally documented it through a new overall Risk Policy.
- Defined the overall risk appetite of the Company.
- Monitored risk developments in key risk areas as well as impairment levels.
- Reviewed policies and limits for market risk, credit risk and operational risk.
- Risk measurement on activities and positions.
- Reviewed the Risk Committee charter.
- Engaged external auditors for a review of market and compliance risk management.
- Supported the organisation to further develop the risk culture.

At Danske Commodities, Risk Management is a company-wide activity and an integral part of our organisation's corporate culture

JAKOB SØRENSEN, HEAD OF RISK MANAGEMENT

The implementation of a product control manual strengthened the segregation of duties or four-eyes principles between the organisation's first and second lines of defence. The product and mandate approval processes were reviewed and adapted to the updated risk framework.

In 2016, Danske Commodities began to implement a new standard Energy Trading and Risk Management (ETRM) system, which will replace the current internally-developed solution. The benefits of the new ETRM system are twofold: First, it will optimise Danske Commodities' straight-through processing of trades, providing higher efficiency and greater transparency. Second, the new ETRM system will establish the foundation for the risk management framework by centralising trading data. In 2017, the new ETRM system will be implemented in steps, focusing on business areas with high trading activity.

OVERVIEW OF MAIN RISKS

MARKET RISK

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

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

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

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

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

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

CREDIT RISK

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

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

Danske Commodities has had credit insurance on the main portfolio of counterparties since January 2016. This has led to an improved allocation of capital, because it has reduced the risk of potentially uncovered credit exposure by more than 80%.

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

Danske Commodities incurred two minor credit-related losses in 2016, which is considered acceptable and consistent with the Company's credit risk appetite. Most of the loss was covered by credit insurance, resulting in only an insignificant loss being recognised in the financial statements.

OPERATIONAL AND IT RISK

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

The risk management of operational and IT risk is defined in the Operational Risk Policy and IT Security Policy approved by the Board of Directors.

In 2016, Danske Commodities continued to strengthen its core infrastructure components to ensure failover capability between our two physically separate data centres in order to allow business operations to function, even if unexpected events were to occur. Back-up services have been improved to provide faster recovery capability, and efforts have been made to keep software updated and secure. Computer client security has been strengthened to address external threats such as ransomware.

Danske Commodities has also taken a proactive approach towards the coming legislative changes related to IT security in the utilities sector and is an active member of Danish Energy's IT security council.

The implementation of the new ETRM system in 2017 is expected to further reduce operational risk through the introduction of standard and automated processes.

LIQUIDITY RISK

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

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

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

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

COMPLIANCE RISK

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

All outstanding regulatory technical standards for the Markets in Financial Instruments Directive II (MiFID II) were finalised in 2016. Danske Commodities does not currently expect to fall within the scope of MiFID II, but will continue to monitor developments given its ramifications for energy markets in general and for market participants that remain out of its scope.

Danske Commodities strongly supports the continued development of an efficient marketplace. A Market Abuse guideline has been implemented, providing traders and other relevant staff with information on Regulation of Energy Market Integrity and Transparency (REMIT) and Market Abuse Regulation (MAR) requirements. In addition, Danske Commodities provides regular training to traders and other relevant staff at which market abuse rules and the latest market practice are presented. In 2016, Danske Commodities also enhanced its trading surveillance in order to ensure compliance with the requirements under MAR.

There is a high level of awareness of compliance risks at Danske Commodities. Compliance reports are prepared on a regular basis and submitted to the Senior Management Group and the Risk Committee. The reports constitute one of several tools used to develop and maintain a strong compliance culture at Danske Commodities. Other tools include frequent dialogue between Trading teams and the Compliance function and participation in events and external networks where regulatory topics are on the agenda.

LEGAL RISK

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

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

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

BOARD OF DIRECTORS

The Board of Directors' objective is to promote the long-term interests of Danske Commodities. The objective of creating long-term sustainable value assumes, among other things, that Danske Commodities sets up durable and constructive relationships with the Group's primary stakeholders: Shareholders, customers, counterparties, regulatory entities and other relevant external partners.

The Board of Directors is responsible for ensuring that the overall strategic direction, financial and managerial control of the Group are conducted adequately in all respects. The Board of Directors acts as formal advisors to the Company's Senior Management Group in relation to strategic initiatives and monitors the Group's financial condition, risk management and business activities on an ongoing basis.

The members of the Board of Directors have been appointed with a view to ensuring the Board's independence of any special interests. As a collective body, the members of the Board combine key industry insights, expertise from European energy markets, risk management and financial skills with several years of management experience from international businesses.

At least one member of the Board of Directors will always serve on Danske Commodities' Risk Committee, the body with the overall responsibility for overseeing that all risks are identified and assessed. As of 2016, Peter L. Ravn and Anne Broeng are the Board's representatives in the Risk Committee.

Formal meetings of the Board of Directors take place at Danske Commodities' headquarters in Aarhus six times a year.

PETER L. RAVN
CHAIRMAN

Born: 1955

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

Background
Long-standing career with 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 Holding A/S, Stibo A/S, Stibo Ejendomme A/S and Dita Exchange ApS (Chairman).

VOLKER BECKERS
VICE CHAIRMAN

Born: 1964

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

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

Board memberships
ECFEB of Erasmus University (Chairman), Reactive Technologies Ltd. (Chairman), Albion Community Power plc (Chairman), Spenceram Ltd. (Chairman), Elexon Ltd., Nuclear Decommision Authority, Advisory Board of EUCERS at King's College, UK Advisory Board of PwC and Forum for the Future (Trustee).

JENS-PETER SAUL
BOARD MEMBER

Born: 1966

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

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

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

ANNE BROENG
BOARD MEMBER

Born: 1961

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

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

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

SØREN VESTERGAARD-POULSEN
BOARD MEMBER

Born: 1969

Key skills
Strategy, internationalisation and mergers and acquisitions.

Background
Managing 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., AR Packaging Group, Keravel S.A., Mholdings S.à r.l., MIE Group S.A., Post Invest Europe S.à r.l., Ahlsell AB, Paroc Group Oy, NEWS Capital S.á.r.l. and Douglas Group.

PETER L. RAVN
Chairman

VOLKER BECKERS
Vice Chairman

JENS-PETER SAUL
Board member

ANNE BROENG
Board member

SØREN VESTERGAARD-POULSEN
Board member

SENIOR MANAGEMENT GROUP

Together with the Board of Directors, the Senior Management Group defines the strategic direction of Danske Commodities.

The Senior Management Group is responsible for the implementation and execution of the strategic initiatives and for the operative supervision of the organisation by management of the overall performance of the Company through target setting, monitoring and follow-up.

Having the operative management responsibility for the different areas of our organisation, the Senior Management Group ensures that we deliver on our strategic targets, that we continue living our corporate values and that these values are embedded in our organisation.

Formal meetings of the Senior Management Group take place every week, at which significant projects and initiatives across the organisation are coordinated and prioritised. Apart from the formal meetings, the members of the Senior Management Group are in close, daily contact.

JESPER TRONBORG
VP, HEAD OF TRADING

Born: 1972

Appointed to the Senior Management Group in August 2014.

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

HELLE ØSTERGAARD KRISTIANSEN
CFO

Born: 1978

Appointed to the Senior Management Group in August 2014.

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

HENRIK LIND
FOUNDER, OWNER AND CEO

Born: 1975

Appointed CEO in October 2016.

Background
Founder of Lind Invest. Founder of Danske Commodities A/S. Founder of Lind Capital. Founder of Lind Capital Fondmæglerselskab.

DION SØRENSEN
VP, HEAD OF HUMAN CAPITAL

Born: 1976

Appointed to the Senior Management Group in August 2014.

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

CARL HAGERT
VP, HEAD OF ORIGINATION

Born: 1969

Appointed to the Senior Management Group in September 2016.

Background
Corporate Development Director at Koch Supply & Trading S.à r.l. Head of Energy Origination Klesch & Company SA. SVP positions in RWE Supply and Trading Switzerland and Essent Trading International.

PEOPLE, CULTURE AND CSR

Danske Commodities is driven by a strong culture, clear values and exceptionally skilled people.

PEOPLE DEVELOPMENT
Danske Commodities is built on the skills, dedication and bright ideas of the Company's people. Ensuring that we have the smartest traders, the most innovative originators, the sharpest risk managers, the most efficient dispatchers and exceptionally skilled employees and leaders across all functions is a key focus area for Danske Commodities. We work determinedly to develop and motivate our people through on-the-job training, a graduate programme for new trading talents, a programme for high performers, a comprehensive benefit scheme for all employees and a range of other initiatives.

We recognise that a strong culture is the greatest source of building and maintaining a competitive advantage, and that a company's culture is the responsibility of its leadership. We ensure our winning culture through our five leadership principles:

1. Set clear expectations and ambitious targets
2. Follow up on performance and give feedback frequently
3. Acknowledge, stretch and reward key players
4. Develop low performers
5. Celebrate our successes

We have a high degree of employee satisfaction, which is reflected in the fact that Danske Commodities was on the Great Place to Work list over the best workplaces in Denmark in 2016 – a list based on responses from employee satisfaction surveys.

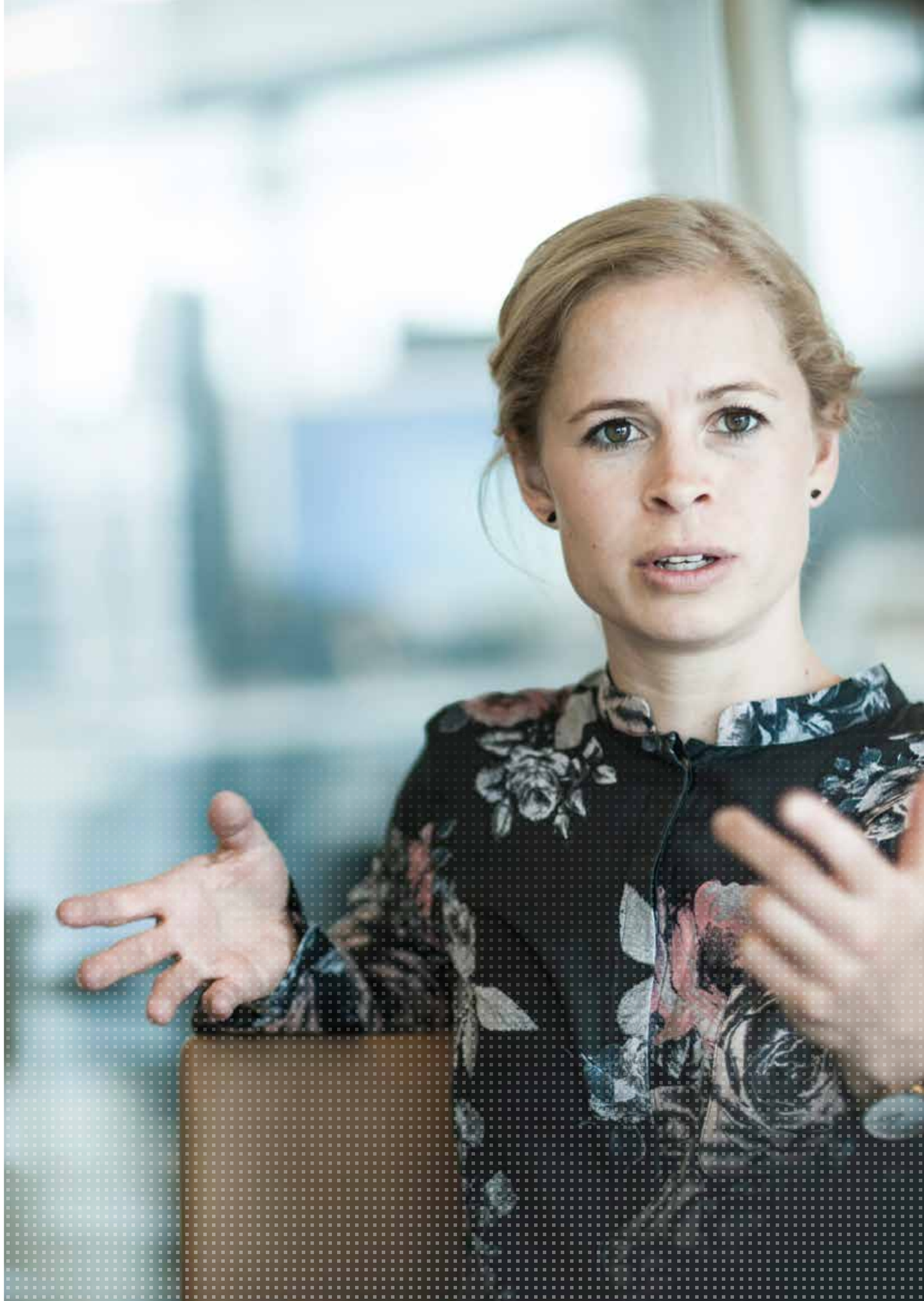
DIVERSITY
Having a Europe-wide market presence, it is pivotal for Danske Commodities and the success of the Company to have a wide variety of nationalities and cultural backgrounds represented in the workforce. We have employees from 28 different countries working at Danske Commodities, all of them highly skilled within their area of expertise. This is not only important in order to understand our customers and markets – at Danske Commodities we also find that the brightest ideas are conceived by different minds working together.

STATUTORY REPORTING OF CORPORATE SOCIAL RESPONSIBILITY
Danske Commodities connects wind turbines and solar panels to the markets, thereby making renewable energy more efficient. In that way we help support the transition towards more green energy across Europe. By acquiring and using the rights to move energy across borders we restore energy balances, keeping Europe's energy supply secure, affordable and carbon-efficient. By connecting producers and suppliers to wholesale energy markets, we bring freedom of choice and more competitive energy prices to consumers.

Trading is essential for ensuring efficient markets and economic growth, and although Danske Commodities does not have a formal policy for social responsibility, our trading activities benefit society and create jobs in Denmark and the rest of Europe.

EMPLOYEE STATUS AT YEAR-END	
Number of employees	279
Percentage of men/women	72%/28%
Average age	33
Proportion of student employees	12%
Number of nationalities	28

For information about Danske Commodities' gender policy for management, see the Group policy of Danske Commodities' parent company, Lind Invest ApS: www.lind-invest.dk/wp-content/uploads/Diversification-in-management-in-the-Lind-Invest-group-2016.pdf



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 2016.

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

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position at 31 December 2016 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 2016.

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

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

Aarhus, 14 March 2017

EXECUTIVE BOARD

Henrik Lind
CEO

Helle Østergaard Kristiansen
CFO

BOARD OF DIRECTORS

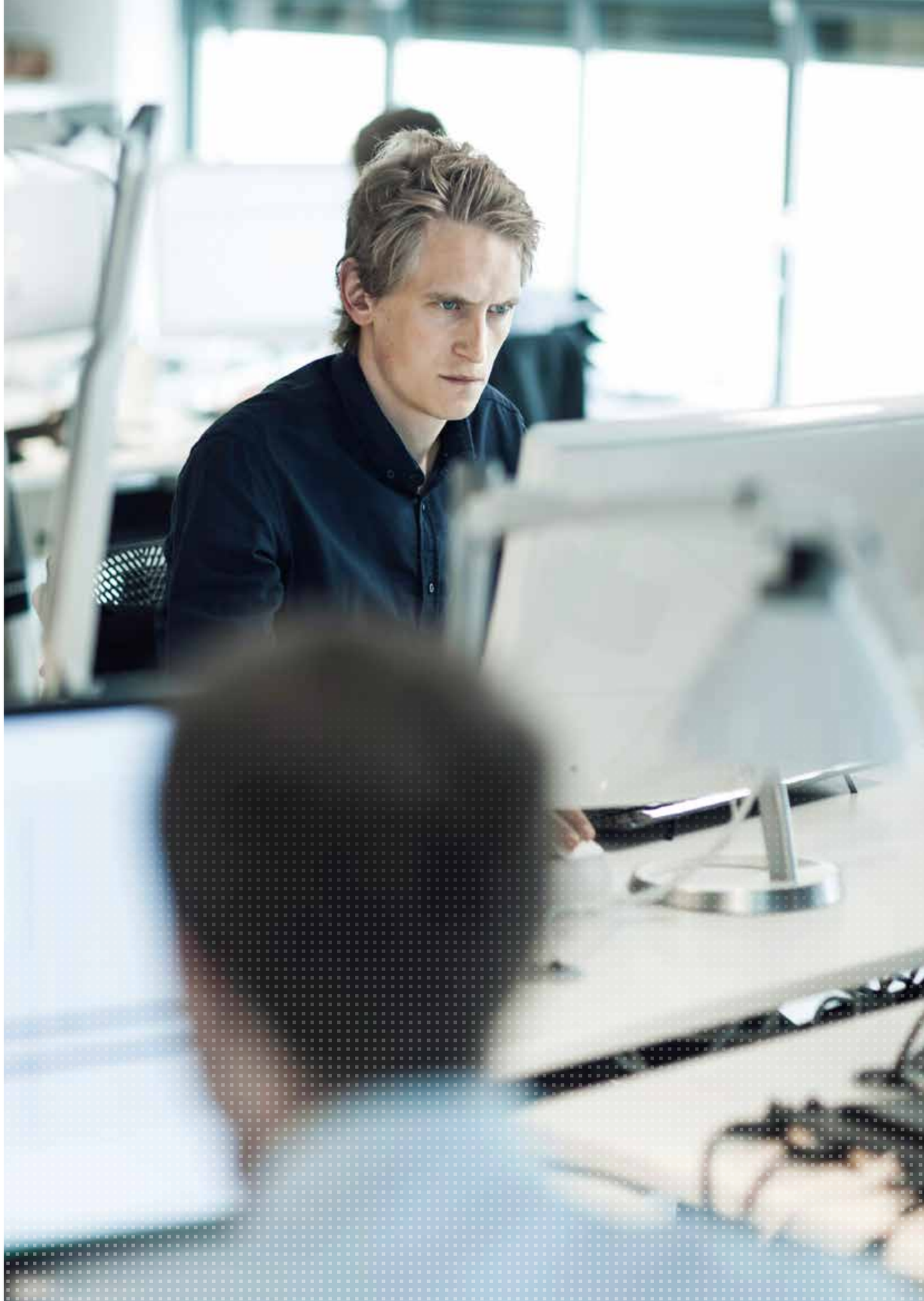
Peter L. Ravn
Chairman

Volker Beckers
Vice Chairman

Anne Broeng

Jens-Peter Saul

Søren Vestergaard-Poulsen



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Danske Commodities A/S

OPINION
In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2016, and of the results of the Group's and the Parent Company's operations as well as the consolidated cash flows for the financial year 1 January – 31 December 2016 in accordance with the Danish Financial Statements Act.

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Danske Commodities A/S for the financial year 1 January – 31 December 2016, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for both the Group and the Parent Company, as well as consolidated statement of cash flows ("financial statements").

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Parent Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Aarhus, 14 March 2017

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

Henrik Kragh
State Authorised Public
Accountant

Benny Voss
State Authorised Public
Accountant

FINANCIAL STATEMENTS

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Executing on our strategy, while maintaining a strong focus on risk management, cost efficiency and seizing opportunities as they occurred, was the key driver of the great performance in 2016. These are all fundamental to the sustained solid liquidity and solvency that make Danske Commodities a strong independent business partner.

PETER L. RAVN, CHAIRMAN OF THE BOARD

INCOME STATEMENT

1 JANUARY – 31 DECEMBER

		GROUP		PARENT	
EUR '000	Note	2016	2015	2016	2015
Revenue	1	2,855,231	2,936,265	2,885,405	2,940,607
Cost of sales		-2,770,522	-2,854,194	-2,806,772	-2,863,372
Gross profit		**84,709**	**82,071**	**78,633**	**77,235**
Other external expenses		-12,530	-12,978	-15,361	-11,879
Staff costs	2	-34,443	-34,176	-32,156	-32,511
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment		-3,990	-4,732	-3,157	-4,042
Profit before financial income and expenses and tax (EBIT)		**33,746**	**30,185**	**27,959**	**28,803**
Share of profit in subsidiaries after tax		0	0	2,648	1,819
Financial income	3	3,869	8,836	4,035	4,974
Financial expenses	4	-3,909	-8,369	-1,976	-5,523
Profit before tax (EBT)		**33,706**	**30,652**	**32,666**	**30,073**
Tax on profit/loss for the year	5	-7,701	-7,268	-6,661	-6,689
Profit for the year		**26,005**	**23,384**	**26,005**	**23,384**
Proposed distribution of profit					
Proposed dividend for the year				12,000	8,000
Extraordinary dividend paid out in the year				12,000	10,000
Reserve for net revaluation under the equity method				2,648	1,819
Retained earnings				-643	3,565
				26,005	**23,384**

BALANCE SHEET AT 31 DECEMBER
ASSETS

EUR '000	Note	GROUP 2016	GROUP 2015	PARENT 2016	PARENT 2015
Software		7,358	5,293	7,354	5,285
CO2 quotas		0	51	0	0
Intangible assets	6	**7,358**	**5,344**	**7,354**	**5,285**
Land and buildings		1,071	1,211	0	0
Other fixtures and fittings, tools and equipment		3,198	3,660	92	670
Leasehold improvements		211	615	154	543
Property, plant and equipment	7	**4,480**	**5,486**	**246**	**1,213**
Investments in subsidiaries	8	0	0	8,426	5,173
Other receivables	9	300	267	276	266
Fixed asset investments		**300**	**267**	**8,702**	**5,439**
Fixed assets		**12,138**	**11,097**	**16,302**	**11,937**
Inventories		**6,726**	**11,197**	**6,726**	**10,714**
Trade receivables		102,676	103,326	81,028	70,070
Receivables from group enterprises		7	2	14,699	10,563
Other receivables	10	62,357	31,672	39,580	19,131
Corporation tax		597	987	524	863
Deferred tax	11	194	0	194	0
Prepayments	12	1,802	2,886	891	2,236
Receivables		**167,633**	**138,873**	**136,916**	**102,863**
Current asset investments		**31,694**	**58,252**	**31,694**	**58,252**
Cash at bank and in hand		**72,581**	**52,486**	**66,062**	**43,212**
Current assets		**278,634**	**260,808**	**241,398**	**215,041**
Assets		**290,772**	**271,905**	**257,700**	**226,978**

BALANCE SHEET AT 31 DECEMBER
LIABILITIES AND EQUITY

EUR '000	Note	GROUP 2016	GROUP 2015	PARENT 2016	PARENT 2015
Share capital	13	498	498	498	498
Reserve for net revaluation under the equity method		0	0	5,848	3,392
Reserve for development costs		0	0	3,348	0
Retained earnings		71,297	69,020	62,101	65,628
Proposed dividend for the year		12,000	8,000	12,000	8,000
Equity		**83,795**	**77,518**	**83,795**	**77,518**
Provision for deferred tax	11	256	929	0	804
Provisions		**256**	**929**	**0**	**804**
Debt to mortgage credit institutions		591	1,049	0	0
Long-term debt	14	**591**	**1,049**	**0**	**0**
Debt to mortgage credit institutions	14	472	468	0	0
Trade payables		151,173	163,226	118,692	99,044
Payables to group enterprises		0	0	1,376	21,805
Corporation tax		398	63	0	0
Other payables	15	54,087	28,652	53,837	27,807
Short-term debt		**206,130**	**192,409**	**173,905**	**148,656**
Debt		**206,721**	**193,458**	**173,905**	**148,656**
Liabilities and equity		**290,772**	**271,905**	**257,700**	**226,978**
Security and other financial obligations	16				
Ownership and related parties	17				

STATEMENT OF CHANGES IN EQUITY

	GROUP					
EUR '000	Share capital	Reserve under the equity method	Reserve for develop-ment costs	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2016	498	-	-	69,020	8,000	77,518
Exchange rate adjustment	0	-	-	299	0	299
Ordinary dividend paid	0	-	-	190	-8,000	-7,810
Extraordinary dividend paid	0	-	-	286	-12,000	-11,714
Exchange rate adjustment relating to independent foreign entities	0	-	-	-192	0	-192
Fair value adjustments of hedging instruments, beginning of year	0	-	-	-213	0	-213
Fair value adjustments of hedging instruments, end of year	0	-	-	-98	0	-98
Profit for the year	0	-	-	2,005	24,000	26,005
Equity at 31 December 2016	**498**	**-**	**-**	**71,297**	**12,000**	**83,795**

	PARENT					
EUR '000	Share capital	Reserve under the equity method	Reserve for develop-ment costs	Retained earnings	Proposed dividend for the year	Total
Equity at 1 January 2016	498	3,392	0	65,628	8,000	77,518
Exchange rate adjustment	0	0	0	299	0	299
Ordinary dividend paid	0	0	0	190	-8,000	-7,810
Extraordinary dividend paid	0	0	0	286	-12,000	-11,714
Exchange rate adjustment relating to independent foreign entities	0	-192	0	0	0	-192
Fair value adjustments of hedging instruments, beginning of year	0	0	0	-213	0	-213
Fair value adjustments of hedging instruments, end of year	0	0	0	-98	0	-98
Development costs for the year	0	0	3,348	-3,348	0	0
Profit for the year	0	2,648	0	-643	24,000	26,005
Equity at 31 December 2016	**498**	**5,848**	**3,348**	**62,101**	**12,000**	**83,795**

CASH FLOW STATEMENT

		GROUP	
EUR '000	Note	2016	2015
Profit for the year		26,005	23,384
Adjustments	18	11,540	11,389
Change in working capital	19	-11,103	18,076
Cash flow from operating activities before financial income and expenses		**26,442**	**52,849**
Financial income		3,869	8,836
Financial expenses		-2,321	-6,585
Cash flow from ordinary activities		**27,990**	**55,100**
Corporation tax paid		-7,815	-4,777
Cash flow from operating activities		**20,175**	**50,323**
Purchase of intangible assets		-4,290	-3,279
Purchase of property, plant and equipment		-749	-694
Payment of fixed asset investments		-44	-4
Sale of property, plant and equipment		0	62
Repayment of fixed asset investments		11	2
Cash flow from investing activities		**-5,072**	**-3,913**
Repayment of debt to mortgage credit institutions		-454	-453
Acquisition of company shares		0	-517
Dividend paid		-19,524	-9,762
Cash flow from financing activities		**-19,978**	**-10,732**
Change in cash and cash equivalents		**-4,875**	**35,678**
Cash and cash equivalents at 1 January		110,738	76,844
Value and exchange rate adjustments of current asset investments		-1,588	-1,784
Cash and cash equivalents at 31 December		**104,275**	**110,738**
Cash and cash equivalents are specified as follows:			
Current asset investments		31,694	58,252
Cash at bank and in hand		72,581	52,486
Cash and cash equivalents at 31 December		**104,275**	**110,738**
Share of the Group's cash and cash equivalents provided as security for the Group's commitments	16	37,937	37,150

NOTES TO THE FINANCIAL STATEMENTS

1 REVENUE

	GROUP		PARENT	
EUR '000	2016	2015	2016	2015
Power trade	1,555,755	1,614,649	1,585,929	1,619,307
Gas and other minerals trade	1,299,476	1,321,616	1,299,476	1,321,300
	2,855,231	**2,936,265**	**2,885,405**	**2,940,607**

2 STAFF COSTS

	GROUP		PARENT	
EUR '000	2016	2015	2016	2015
Wages and salaries	32,271	32,142	30,160	30,652
Pensions	993	964	971	939
Other staff costs	1,179	1,070	1,025	920
	34,443	**34,176**	**32,156**	**32,511**
Including remuneration to:				
Executive Board	1,458	1,066	1,458	1,066
Board of Directors	245	153	245	153
	1,703	**1,219**	**1,703**	**1,219**
Average number of employees	**272**	**297**	**259**	**281**

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

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

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

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

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

Incentive Share Programme 2015
As part of the remuneration to the Executive Board, the Company has agreed to provide share-based remuneration. The remuneration includes restricted shares and share options. The Company allots 0.2% annually of the Company's share capital as restricted shares up to a maximum of 5% of its share capital. Under the terms of the share-based remuneration for the Executive Board, the shares vest after a period of three years from the date of allotment. There is no self-payment from the Executive Board for the restricted shares.

Furthermore, in 2015 the Company granted 0.2% share options to be exercised before 31 December 2015. The Executive Board's self-payment for exercise of the share options corresponds to an assessed market value of 0.2% of the share capital.

2 STAFF COSTS – CONTINUED

In 2015, the Company allotted 7,414 restricted shares to the Executive Board with a nominal value of DKK 1 as part of share-based remuneration. The Company also allocated 7,414 share options in 2015 that expired at the end of 2015 without exercise.

At 31 December 2015, a total of 7,414 restricted shares were eligible for allocation at 31 December 2018.

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

3 FINANCIAL INCOME

	GROUP		PARENT	
EUR '000	2016	2015	2016	2015
Interest income, group enterprises	82	0	654	320
Other financial income	3,787	8,836	3,381	4,654
	3,869	**8,836**	**4,035**	**4,974**

4 FINANCIAL EXPENSES

	GROUP		PARENT	
EUR '000	2016	2015	2016	2015
Interest expenses, group enterprises	0	0	27	302
Other financial expenses	3,909	8,369	1,949	5,221
	3,909	**8,369**	**1,976**	**5,523**

5 TAX ON PROFIT/LOSS FOR THE YEAR

	GROUP		PARENT	
EUR '000	2016	2015	2016	2015
Current tax for the year	8,223	7,128	7,245	6,567
Deferred tax for the year	-613	3	-613	0
Adjustment of tax relating to previous years	345	-53	414	-67
Adjustment of deferred tax relating to previous years	-254	190	-385	189
Tax on entries in equity relating to deferred tax	-28	65	-28	65
Total tax for the year	**7,673**	**7,333**	**6,633**	**6,754**
– specified as follows:				
Tax on profit/loss for the year	7,701	7,268	6,661	6,689
Tax on entries in equity	-28	65	-28	65
	7,673	**7,333**	**6,633**	**6,754**
Effective tax rate	**22.6%**	**23.3%**	**22.1%**	**23.2%**

6 INTANGIBLE ASSETS

EUR '000	GROUP Software	GROUP CO2 quotas
Cost at 1 January	12,580	255
Additions for the year	4,290	0
Cost at 31 December	16,870	255
Amortisation and impairment losses at 1 January	7,287	204
Impairment losses for the year	317	0
Amortisation for the year	1,908	51
Amortisation and impairment losses at 31 December	9,512	255
Carrying amount at 31 December 2016	**7,358**	**0**

EUR '000	PARENT Software
Cost at 1 January	12,452
Additions for the year	4,288
Cost at 31 December	16,740
Amortisation and impairment losses at 1 January	7,167
Impairment losses for the year	317
Amortisation for the year	1,902
Amortisation and impairment losses at 31 December	9,386
Carrying amount at 31 December 2016	**7,354**

7 PROPERTY, PLANT AND EQUIPMENT

EUR '000	GROUP Land and buildings	GROUP Other fixtures and fittings, tools and equipment	GROUP Leasehold improve-ments
Cost at 1 January	1,650	8,329	2,543
Exchange rate adjustment	0	17	-14
Additions for the year	63	683	3
Disposals for the year	0	-11	0
Cost at 31 December	1,713	9,018	2,532
Depreciation and impairment losses at 1 January	439	4,669	1,928
Exchange rate adjustment	0	14	-4
Depreciation for the year	203	1,145	397
Reversal of depreciation on disposals for the year	0	-8	0
Depreciation and impairment losses at 31 December	642	5,820	2,321
Carrying amount at 31 December 2016	**1,071**	**3,198**	**211**

EUR '000	PARENT Other fixtures and fittings, tools and equipment	PARENT Leasehold improve-ments
Cost at 1 January	3,776	2,447
Additions for the year	0	0
Cost at 31 December	3,776	2,447
Depreciation and impairment losses at 1 January	3,106	1,904
Depreciation for the year	578	389
Depreciation and impairment losses at 31 December	3,684	2,293
Carrying amount at 31 December 2016	**92**	**154**

8 INVESTMENTS IN SUBSIDIARIES

EUR '000	PARENT 2016	PARENT 2015
Cost at 1 January	1,671	1,759
Exchange rate adjustment	8	-5
Additions for the year	902	0
Disposal for the year	-3	-83
Cost at 31 December	2,578	1,671
Value adjustments at 1 January	3,392	1,672
Exchange rate adjustment	-192	-165
Net profit/loss for the year	2,648	1,819
Disposals for the year	0	66
Value adjustments at 31 December	5,848	3,392
Investments with negative net asset value	0	110
Carrying amount at 31 December	**8,426**	**5,173**

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

In order to obtain the exemption for DC Generation A/S, the Parent Company has guaranteed the outstanding liabilities to which DC Generation A/S is subject to at 31 December 2016 and until the annual report for 2017 for DC Generation A/S has been submitted.

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

In order to obtain the exemption for Danske Commodities UK Limited, the Parent Company has guaranteed the outstanding liabilities to which Danske Commodities UK Limited is subject to at 31 December 2016.

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

In order to obtain the exemption for Danske Commodities Deutschland GmbH, the Parent Company has guaranteed the outstanding liabilities to which Danske Commodities Deutschland GmbH is subject to at 31 December 2016 and until 31 December 2017.

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 55,822	100.00%
Danske Commodities Invest DOOEL Skopje	Macedonia	tMKD 308	100.00%
Danske Commodities Invest d.o.o.	Serbia	tRSD 0	100.00%
Danske Commodities Serbia d.o.o.	Serbia	tRSD 54	100.00%
Danske Commodities Sweden AB	Sweden	tSEK 50	100.00%
Danske Commodities Turkey Enerji Ticaret A.Ş.	Turkey	tTRY 2,000	100.00%
Danske Commodities Ukraine LLC	Ukraine	tEUR 5	100.00%
Danske Commodities UK Limited	United Kingdom	tGBP 0	100.00%
Midland's Dynamic Power Solutions Limited	United Kingdom	tGBP 0	100.00%

9 OTHER FIXED ASSET INVESTMENTS

EUR '000	GROUP Other receivables	PARENT Other receivables
Cost at 1 January	267	266
Additions for the year	44	21
Disposals for the year	-11	-11
Cost at 31 December	300	276
Carrying amount at 31 December 2016	**300**	**276**

10 OTHER RECEIVABLES

EUR '000	GROUP 2016	GROUP 2015	PARENT 2016	PARENT 2015
Fair value of financial transactions, asset	287,241	101,078	287,241	101,078
Fair value of financial transactions, liability	-274,843	-93,805	-274,843	-93,805
Fair value of financial transactions, net	12,398	7,273	12,398	7,273
Deposits related to trading	22,966	11,028	19,460	10,449
Other receivables	26,993	13,371	7,722	1,409
	62,357	**31,672**	**39,580**	**19,131**

EUR '000	GROUP Fair value of financial transactions – assets	GROUP Fair value of financial transactions – liability	PARENT Fair value of financial transactions – assets	PARENT Fair value of financial transactions – liability
Commodity exchanges	208,166	215,946	208,166	215,946
Other	79,075	58,897	79,075	58,897
Total at 31 December 2016	**287,241**	**274,843**	**287,241**	**274,843**

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

DERIVATIVE FINANCIAL INSTRUMENTS AND FAIR VALUE MEASURES

Financial risks in Danske Commodities affecting financial instruments are primarily market risks and credit risk. For more information about risk management in general, refer to the Risk Management section on page 32-35.

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

The risk related to fluctuations in energy prices and volumes are monitored and hedged in accordance with the policies and mandates assigned by the Risk Management function. Positions are only allowed within given mandates. The hedged positions account for a significant part of the derivatives' fair value. At 31 December 2016 power derivatives from the trading portfolio, customer business and hedging thereof amounted to a net receivable of EUR 15.2 million. Derivatives regarding power capacities amounted to a net payable of EUR 3.3 million at 31 December 2016. The traded gross volumes of these derivatives were 110.3 TWh for power derivatives and 11.6 TWh for power capacities.

The other key risk factor, foreign exchange rate fluctuations, is not deemed to be a part of the core business in Danske Commodities. The risk is mitigated and hedged by the Treasury function on a daily basis in accordance with the hedging strategy approved by the Board of Directors. The risk relates to a wide range of currencies to which the daily commercial business is exposed. At the end of 2016 the fair value of foreign exchange forward contracts amounted to EUR 4.0 million. The foreign exchange forward contracts had been entered into for the purpose of hedging future cash flows in a range of currencies, primarily BGN, GBP and RON. The hedging activity related to these can be specified as follows:

- Hedging of future net cash outflows in BGN was BGN 11.3 million. The BGN forward contracts have a duration from one to six months.
- Hedging of future net cash inflows in GBP amounted to GBP 1.8 million. The GBP forward contracts have a duration from one to six months.
- Hedging of future net cash outflows in RON was RON 12.3 million. The RON forward contracts have a duration from one to six months.

10 OTHER RECEIVABLES – CONTINUED

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

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

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

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

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

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

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

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

11 DEFERRED TAX

EUR '000	GROUP	PARENT
Deferred tax at 1 January	929	804
Deferred tax recognised in profit for the year	-867	-998
Deferred tax at 31 December 2016	**62**	**-194**
– recognised in the balance sheet as follows:		
Deferred tax	-194	-194
Provision for deferred tax	256	0
	62	**-194**

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

12 PREPAYMENTS

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

13 SHARE CAPITAL

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

The Company holds 88,345 own shares with a nominal value of DKK 1. The Company's holding of own shares account for 2.38% of the total share capital corresponding to a nominal value of DKK 88,345.

14 LONG-TERM DEBT

	GROUP	
EUR '000	2016	2015
The debt falls due as follows:		
Debt to mortgage credit institutions		
> 5 years	0	0
1-5 years	591	1,049
Long-term share	591	1,049
0-1 year	472	468
	1,063	**1,517**

15 OTHER PAYABLES

	GROUP		PARENT	
EUR '000	2016	2015	2016	2015
Deposits received	2,842	33	2,842	33
Staff obligations	8,838	8,241	8,613	8,224
VAT, taxes and other public payables	42,407	19,634	42,382	19,525
Other payables	0	744	0	25
	54,087	**28,652**	**53,837**	**27,807**

16 SECURITY AND OTHER FINANCIAL OBLIGATIONS

	GROUP	PARENT
EUR '000	2016	2016
Security		
The following assets have been placed as security for debt to mortgage credit institutions:		
Buildings with a carrying amount of	1,071	0
Other fixtures, fittings, tools and equipment with a carrying amount of	3,069	0
The following assets have been placed as security for debt to banks:		
Mortgages registered to the mortgagor totalling DKK 4 million, security in buildings and other property, plant and equipment at a total carrying amount of	4,140	0
The following assets have been placed as security for guarantee limits with banks:		
Current asset investments with a carrying amount of	31,694	31,694
Cash at bank and in hand with a carrying amount of	6,243	6,243
Other financial obligations		
The Parent Company has provided guarantees toward counterparties of subsidiaries, which at the balance sheet date amounted to	-	129,692
Furthermore, the Parent Company has provided unlimited guarantees toward counterparties of subsidiaries.		
The Parent Company has provided guarantees for payment toward banks of subsidiaries, which at the balance sheet date amounted to	-	13,838
The Company has entered into contracts on operating leases with a period of non-terminability of up to 22 months.		
The lease obligation relating to operating leases fall due:		
0-1 year	1,580	1,495
1-5 years	1,100	1,082
> 5 years	0	0

The Parent Company has guaranteed the outstanding liabilities to which Danske Commodities UK Limited was subject to at 31 December 2016 and the outstanding liabilities to which DC Generation A/S was subject to at 31 December 2016 and until the annual report for 2017 for DC Generation A/S has been submitted. Moreover, the Parent Company has guaranteed the outstanding liabilities to which Danske Commodities Deutschland GmbH was subject to at 31 December 2016 and until 31 December 2017, cf. note 8 to the Financial Statements.

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

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

17 OWNERSHIP AND RELATED PARTIES

Control
Lind Invest ApS (Parent Company)

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

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

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

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

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

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

18 CASH FLOW STATEMENT – ADJUSTMENTS

	GROUP	
EUR '000	2016	2015
Financial income	-3,869	-8,836
Financial expenses	3,909	8,369
Amortisation, depreciation and impairment losses incl. losses and gains on sale	3,990	4,732
Hedging contracts	-404	164
Tax on profit/loss for the year	7,701	7,268
Exchange rate adjustments	213	-308
	11,540	**11,389**

19 CASH FLOW STATEMENT – CHANGE IN WORKING CAPITAL

	GROUP	
EUR '000	2016	2015
Change in inventories	4,471	-1,991
Change in receivables	-28,956	-35,339
Change in payables	13,382	55,406
	-11,103	**18,076**

20 ACCOUNTING POLICIES

BASIS OF PREPARATION

The Annual Report of Danske Commodities A/S for 2016 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

Amendments per the Danish Financial Statements Act that are effective from 1 January 2016 have been implemented.

The amendments have resulted in recognition of a reserve for development costs in equity. The reserve corresponds to the development costs recognised in the balance sheet as intangible assets for the year. The change does not affect the financial statements or the financial position of the Group or the Parent Company at 31 December 2016.

The other amendments that are effective from 1 January 2016 have only entailed additional disclosure of information and do not affect the financial statements or the financial position of the Group or the Parent Company at 31 December 2016.

Apart from changes due to amendments to the Danish Financial Statements Act mentioned above, 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 generate the earnings for the year are recognised in the income statement, including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

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

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

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item 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 the addition/deduction of the cumulative amortisation of any difference between cost and the nominal amount. In this way, capital losses and gains are allocated over the maturity period.

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

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

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

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 or financial expenses in the income statement.

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

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

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

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

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

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

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, marketing and office expenses, etc.

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

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

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

Financial income and expenses
Financial income and expenses comprise interest, realised and unrealised exchange rate 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.

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

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

Software	3-5 years
CO2 quotas	5 years

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

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, 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 under the equity method" in equity. The reserve is reduced by dividends distributed to the Parent Company and adjusted for other equity movements in the subsidiaries.

Subsidiaries with a negative net asset value are recognised at EUR 0 and any receivables from the 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. The net realisable value is determined allowing for marketability, obsolescence and development in expected sales.

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. Receivables and debts with the same counterparty that are settled on a net basis are presented as such in the balance sheet. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

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.

Equity – dividend
Dividend distribution proposed by Management for the year is disclosed as a separate line item under equity.

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 carryforwards, 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. Debts and receivables with the same counterparty that are settled on a net basis are presented as such in the balance sheet.

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 statements.

EXPLANATION OF FINANCIAL RATIOS

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

Average number of employees:	Calculated as average number of full-time employees
Number of employees, end of year:	Calculated as number of employees at end of year

MARKET ACCESS

COUNTRY OVERVIEW	POWER GRIDS*	GAS HUBS*
2004 Denmark Germany Netherlands Luxembourg	ENERGINET (DK1, DK2) 50HERTZ, AMPRION, TRANSNET-BW, TENNET-DE TENNET-NL CREOS	GTF GSPL, NCG, GSPL-L, NCG-L TTF
2006 France Italy Spain	RTE TERNA (IT1, IT2, IT3, IT4, IT5, IT6) REE	PEG-N, TRS PSV PVB
2007 Austria Switzerland Czech Republic	APG SWISSGRID CEPS	CEGH VTP CZ VTP
2008 Belgium Greece Slovenia	ELIA IPTO ELES	ZTP, ZEE, ZTP-L
2009 United Kingdom Norway Sweden Finland	NATIONAL GRID STATTNET (NO1, NO2, NO2, NO3, NO4, NO5) SVENSKE KRAFTNÄT (SE1, SE2, SE3, SE4) FINGRID	NBP
2010 Estonia Poland Hungary	ELERING PSE MAVIR	PL VTP MGP
2011 Romania Serbia Bulgaria Slovakia Macedonia Portugal Croatia Montenegro	TRANSELECTRICA EMS ESO SEPS MEPSO REN HEP CEDIS	SK VTP
2012 Turkey Albania Lithuania Ireland	TEIAS OST LITGRID EIRGRID	
2013 Kosovo Bosnia and Herzegovina	KEK NOS BIH	
2015 Latvia	AUGSTSPRIEGUMA	

*Danske Commodities' presence as of 2016

SUBSIDIARIES

Danske Commodities Albania Sh.p.k.
St. Ibrahim Rugova, Sky Tower, floor 9/1, Tirana
ALBANIA

Danske Commodities BH d.o.o.
Avaz Twist Tower, Tešanjska broj 24a,
71000 Sarajevo
BOSNIA AND HERZEGOVINA

Danske Commodities d.o.o.
Grand Centar Hektorovićeva, Hektorovićeva 2,
10 000 Zagreb
CROATIA

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2800 Kgs. Lyngby
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GERMANY

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ITALY

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Mujo Ulqinaku, No. 5, Ap. 10,
Pejton 10000, Pristine
KOSOVO

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16, 8 Septemvri Blvd, Hyperium Business Center,
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MACEDONIA

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UNITED KINGDOM

Danske Commodities

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

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

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

WE CHALLENGE. WE COMPETE. AND THEN WE REPEAT.

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