
In Commodities A/S

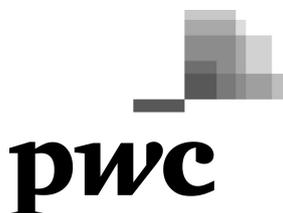
Tangen 6, DK-8200 Aarhus N

Annual Report for 1 January - 31 December 2019

CVR No 38 38 19 54

The Annual Report was
presented and adopted at
the Annual General
Meeting of the Company on
4 /2 2020

Emil Kildegaard Gerhardt
Chairman of the General
Meeting



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Management's Statement

The Executive Board and Board of Directors have today considered and adopted the Annual Report of In Commodities A/S for the financial year 1 January - 31 December 2019.

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

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2019 of the Company and of the results of the Company operations and cash flows for 2019.

In our opinion, Management's Review includes a true and fair account of the matters addressed in the Review.

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

Aarhus, 4 February 2020

Executive Board

Jesper Severin Johanson

Christian Bach

Jeppe Højgaard

Board of Directors

Bo Wase
Chairman

Emil Kildegaard Gerhardt

Christian Bach

Jack Randbo Hjeronymus

Jesper Severin Johanson

Independent Auditor's Report

To the Shareholder of In Commodities A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2019 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of In Commodities A/S for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies ("the 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 Company 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 Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Independent Auditor's Report

Management's responsibilities for the Financial Statements

Management is responsible for the preparation of 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 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 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 judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

Independent Auditor's Report

- 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 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 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.

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, 4 February 2020

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR No 33 77 12 31

Mads Meldgaard

State Authorised Public Accountant

mne24826

Company Information

The Company

In Commodities A/S
Tangen 6
DK-8200 Aarhus N

CVR No: 38 38 19 54
Financial period: 1 January - 31 December
Incorporated: 1 February 2017
Financial year: 3rd financial year
Municipality of reg. office: Aarhus

Board of Directors

Bo Wase, Chairman
Emil Kildegaard Gerhardt
Christian Bach
Jack Randbo Hjeronymus
Jesper Severin Johanson

Executive Board

Jesper Severin Johanson
Christian Bach
Jeppe Højgaard

Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab
Nobelparken
Jens Chr. Skous Vej 1
DK-8000 Aarhus C

Financial Highlights

Seen over a three-year period, the development of the Company is described by the following financial highlights:

	2019 TEUR	2018 TEUR	2017 TEUR
Key figures			
Profit/loss			
Revenue	1,003,510	417,058	ND
Operating profit/loss	14,707	8,173	1,564
Profit/loss before financial income and expenses	14,707	8,173	1,564
Net financials	-105	-258	-67
Net profit/loss for the year	11,367	6,171	1,166
Balance sheet			
Balance sheet total	34,950	28,952	7,410
Equity	21,818	10,451	4,280
Cash flows			
Cash flows from:			
- operating activities	10,742	-4,704	-3,292
- investing activities	0	-9	-39
- financing activities	1,794	0	3,114
Change in cash and cash equivalents for the year	12,536	-4,713	-217
Number of employees	36	18	4
Ratios			
Return on assets	42.1%	28.2%	21.1%
Solvency ratio	62.4%	36.1%	57.8%
Return on equity	70.5%	83.8%	54.5%

The ratios have been prepared in accordance with the recommendations and guidelines issued by the Danish Society of Financial Analysts. For definitions, see under accounting policies.

In connection with this year's change in reporting class from B to C the revenue has not been disclosed for 2017.

Management's Review

2019 is another record year for InCommodities generating an EBIT of EUR 14.7 million and an industry-leading EBIT/GP margin confirming our ability to transform GP to earnings

In 2019, InCommodities has continued its journey to accomplish its 2030 vision of becoming a leading global energy trader. The Company has successfully managed to make significant investments in its platform and at the same time scale up gross profit with 82% in less favourable market conditions compared to the previous years.

Business model

The world is transitioning towards a cleaner and more sustainable energy supply. Europe is on the forefront both in renewable energy integration and implementation of an adequate market design to cope with the unstable energy sources such as wind and solar power.

InCommodities is at the heart of the transition being available 24 hours a day and 7 days a week to take market risk, thus connecting buyers and sellers of power and gas in time and across regions.

InCommodities' business model is to turn data and knowledge into trading and asset optimisation strategies. This is achieved by building a highly specialised, scalable and agile operational platform with end-to-end automation – from analysing vast amounts of data and automatic execution in markets, to risk management, settlement and billing.

Markets and Activities

In Europe, InCommodities is licensed to handle physical power in ten countries and physical gas in six countries. In addition, we can trade financial power and gas as members of the European Energy Exchange and the Intercontinental Exchange. Our activities include both trading, asset management and origination.

UN Sustainability Goals

The UN has an ambition to provide affordable and clean energy to the world and one of the key elements is to substantially increase the share of renewable energy in the global energy mix. A key ingredient in the transition away from fossil fuel towards renewable energy is a well functioning marketplace for buyers and sellers of renewable energy to balance their risks and a well functioning market to provide investment signals to build the green energy infrastructure. InCommodities is supporting the transition towards cleaner energy as an innovator and liquidity provider in the energy markets.

Management's Review

Policies and Corporate Social Responsibility

InCommodities acknowledges our responsibility as a company both socially, environmentally and economically. We attempt to be responsible in all aspects while securing profitability and growth of the Company.

The total number of full time employees by the end of 2019 is 45 and they are all located in Aarhus. This results in a very short and clear decision process. When the Company faces different issues or decisions, initiatives to comply with these can be implemented almost immediately.

The employee handbook, risk framework, IT policy, data policy and compliance framework state the expectations of general behaviour within the Company that may have an impact on the topics mentioned here. The risks associated with the different topics have, in this respect, been assessed to be at a minimum level as stated in every section below. Every topic will be mentioned and described and additional initiatives that might have an impact, but is not formalised through policies, will be briefly described.

Climate and environmental responsibility

The business activities of the Company have very little risk of environmental impact as they are almost solely online. For that reason, there are no formal policies regarding climate and environmental behaviour. When faced with situations where we could have an impact on the environment, we will implement such formal policies within a very short timeframe.

Examples of day-to-day initiatives which do not relate directly to business activities:

- Automatic lighting in all office areas to reduce power use.
- Water consumption is automated in most of the office spaces, which is a key factor in lowering water consumption.
- The Company chooses to support the cafeteria provided at our locations, which offers organic food.
- Sorting of bottles with deposit, for plastic and glass containers to be recycled.

Human rights

InCommodities assesses the risk of violating any human rights in connection with our business activities as minimum. We have no formal policies to sustain the right behaviour in connection with this as human rights issues are regulated by the authorities in the industry as well as by Danish legislation.

Management's Review

Anti-corruption

InCommodities always complies with current legislation and guidelines regarding anti corruption issues. InCommodities has a limited amount of business partners and follows a structured KYC process. It is the Company's assessment that the risk of the Company being involved in corruption, via the business activities with our business partners, is at a minimum.

All employees who have direct or indirect impact on our primary business activities are obliged to attend compliance courses held by our Head of Compliance or external experts. Because of the minimal risk and the locally legislated area, InCommodities does not have any formal policies covering the area of anti-corruption.

Staff conditions

At InCommodities, we aim to give our employees the best options for a healthy work environment. This applies to both physical and mental health as well as the opportunities to develop the employee and managerial competences of the Company.

For 2019, different initiatives to ensure good staff conditions have been relevant for the Company. These are listed below:

- Healthy food options at the office are always available and every employee gets their own BPA free bottle to urge drinking more water during the workday. Every employee can use the fitness facilities located in the office basement. InCommodities will on a frequent basis arrange physical activities for its employees. To prevent workplace injuries from extensive desk work, employees may on a weekly basis book appointments with a physiotherapist during the workday for both physiotherapy and massage.
- The mental work environment and the general satisfaction at InCommodities are always in focus. InCommodities has at least one employee event every month in order to create better working relationships and stronger ties both within and across departments. Moreover, every second week employees answer a satisfaction questionnaire. The satisfaction score has been stable over the last year at a score of 8.9 out of 10, indicating that employee engagement is in the top 5% of the industry.
- The level of sickness absence at the Company is in the low range and mostly caused by children's sick days. An initiative to register sick days was taken during this year, which means that we are unable to show the exact number of sick days during 2019.
- Employee and managerial development is part of a healthy work environment where all employees feel motivated and valued. Making sure managers and employees have the right skillset for succeeding in their role is a continuous focus of the Company and regular 1:1 meetings between team leader and team member are the foundation to make sure that the individual development and satisfaction of the team are always on the agenda.

Management's Review

Statement on gender composition

Equality

All employees, current and future, are treated equally.

Applicants are treated based on their competences and InCommodities does not ask applicants to inform us of their gender or age in our recruitment system to ensure no discriminating actions in the selection process. Further, InCommodities does not discriminate on nationality, religion, sexual orientation or political beliefs in any way.

It is InCommodities' goal to create a workplace where both genders are equally likely to thrive and be successful in their jobs. This has its roots in one of our core values 'transparency', where all actions to hire, promote or dismiss are based on data. We do not actively benchmark against the industry as the demography is highly dependent on company structure and we do not necessarily compare to other companies in the sector. We are focused on promoting jobs at InCommodities which are equally attractive to all genders.

For 2019, the distribution between men and women on the Board of Directors has been 5 to 0. There have been no replacements on the Board of Directors in 2019 as the majority of the board members are owners of the Company, and it is currently not prudent for the owners to hand over their seats on the board.

InCommodities has a target of having one female board member before 2023, who will be elected on the same basis as other board members and evaluated on competences and relevant experience.

Regarding the rest of the Management of the Company, we are not obligated to have a policy regarding the underrepresented gender, due to the number of employees being below 50.

Risks

External risks

As a natural consequence of InCommodities' business, the Company is exposed to a range of different external risks. The main risk categories are market risk, liquidity risk, compliance risk and credit risk. These risks, among others, are actively managed by the Company's risk team and governed by InCommodities' Risk Framework approved by the Board of Directors.

Management's Review

Internal risks

The greatest asset of the Company is its employees and their knowledge. Therefore, the loss of employees is a risk with a considerable impact. InCommodities aims to be fully compliant with the employee conditions and human rights and standards of a healthy work environment. IT is a core factor of InCommodities' business model and as an energy trader, InCommodities is dependent on reliable IT systems. Both software and hardware must run smoothly for the business to do the same and are an operational risk for the Company. InCommodities' IT and Personal Data Policy covers all aspects in order to ensure secure IT behaviour.

Outlook for the future

InCommodities expects to expand its business further in 2020 through scalability of current activities and increasing geographic footprint as the Company continues its journey to become a leading global energy trader.

Income Statement 1 January - 31 December

	Note	2019 TEUR	2018 TEUR
Revenue	1	1,003,510	417,058
Cost of sales		-982,295	-405,423
Other external expenses		-1,034	-575
Gross profit/loss		20,181	11,060
Staff expenses	2	-5,474	-2,887
Profit/loss before financial income and expenses		14,707	8,173
Financial income	3	3,239	270
Financial expenses	4	-3,344	-528
Profit/loss before tax		14,602	7,915
Tax on profit/loss for the year	5	-3,235	-1,744
Net profit/loss for the year		11,367	6,171

Balance Sheet 31 December

Assets

	Note	2019 TEUR	2018 TEUR
Deposits		48	48
Fixed asset investments	6	48	48
Fixed assets		48	48
Inventories		5,268	0
Trade receivables		11,499	15,803
Receivables from group enterprises		3,347	1
Other receivables	9	5,026	6,876
Prepayments	7	383	42
Receivables		20,255	22,722
Cash at bank and in hand		9,379	6,182
Currents assets		34,902	28,904
Assets		34,950	28,952

Balance Sheet 31 December

Liabilities and equity

	Note	2019 TEUR	2018 TEUR
Share capital		3,114	3,114
Retained earnings		18,704	7,337
Equity		21,818	10,451
Credit institutions		1,775	11,114
Trade payables		1,674	2,069
Payables to group enterprises		1,794	0
Corporation tax		3,153	1,744
Other payables	9	4,736	3,574
Short-term debt		13,132	18,501
Debt		13,132	18,501
Liabilities and equity		34,950	28,952
Distribution of profit	8		
Derivative financial instruments	9		
Contingent assets, liabilities and other financial obligations	12		
Related parties	13		
Fee to auditors appointed at the general meeting	14		
Subsequent events	15		
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Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TEUR	TEUR	TEUR
Equity at 1 January	3,114	7,337	10,451
Net profit/loss for the year	0	11,367	11,367
Equity at 31 December	3,114	18,704	21,818

Cash Flow Statement 1 January - 31 December

	Note	2019 TEUR	2018 TEUR
Net profit/loss for the year		11,367	6,171
Adjustments	10	3,344	2,003
Change in working capital	11	-2,038	-12,257
Cash flows from operating activities before financial income and expenses		12,673	-4,083
Financial income		3,238	238
Financial expenses		-3,343	-528
Cash flows from ordinary activities		12,568	-4,373
Corporation tax paid		-1,826	-331
Cash flows from operating activities		10,742	-4,704
Fixed asset investments made etc		0	-9
Cash flows from investing activities		0	-9
Raising of loans from group enterprises		1,794	0
Cash flows from financing activities		1,794	0
Change in cash and cash equivalents		12,536	-4,713
Cash and cash equivalents at 1 January		-4,932	-219
Cash and cash equivalents at 31 December		7,604	-4,932
Cash and cash equivalents are specified as follows:			
Cash at bank and in hand		9,379	6,182
Overdraft facility		-1,775	-11,114
Cash and cash equivalents at 31 December		7,604	-4,932

Notes to the Financial Statements

	2019	2018
	TEUR	TEUR
1 Revenue		
Geographical segments		
Revenue	1,003,510	417,058
	1,003,510	417,058
Business segments		
Gas trade	559,682	152,678
Power trade	443,828	264,380
	1,003,510	417,058
Due to competitive considerations, turnover in geographical areas is not disclosed.		
2 Staff expenses		
Wages and salaries	5,148	2,757
Pensions	137	82
Other social security expenses	24	8
Other staff expenses	165	40
	5,474	2,887
Including remuneration to the Executive Board and Board of Directors	350	329
Average number of employees	36	18

Notes to the Financial Statements

	2019 <u>TEUR</u>	2018 <u>TEUR</u>
3 Financial income		
Interest received from group enterprises	22	0
Other financial income	<u>3,217</u>	<u>270</u>
	<u>3,239</u>	<u>270</u>
4 Financial expenses		
Interest paid to group enterprises	7	0
Other financial expenses	<u>3,337</u>	<u>528</u>
	<u>3,344</u>	<u>528</u>
5 Tax on profit/loss for the year		
Current tax for the year	<u>3,235</u>	<u>1,744</u>
	<u>3,235</u>	<u>1,744</u>
6 Fixed asset investments		<u>Deposits</u>
		TEUR
Cost at 1 January		<u>48</u>
Cost at 31 December		<u>48</u>
Carrying amount at 31 December		<u>48</u>
7 Prepayments		
Prepayments consist of prepaid expenses concerning rent, insurance premiums, subscriptions and interest as well.		
8 Distribution of profit		
Retained earnings	<u>11,367</u>	<u>6,171</u>
	<u>11,367</u>	<u>6,171</u>

Notes to the Financial Statements

9 Derivative financial instruments

Derivative financial instruments contracts in the form of options and futures have been concluded. At the balance sheet date, the fair value of derivative financial instruments amounts to:

	<u>2019</u> TEUR	<u>2018</u> TEUR
Assets	3,786	0
Liabilities	1,665	0

The contracts consist of the transmission rights to transfer power between two areas as well as futures on delivery of power and gas in specific areas. The contracts are traded in regulated European markets. Under the contracts, a compensation from the facilitator is received either on a daily or monthly basis in order to settle the contracts. Total assets amount to EUR 3,786k of which EUR 1,075k is cash at bank.

The Company's accounts in Mark-to-Market value are as follows at 31 December 2019:

<u>Mark-to-Market payment/maturity</u>	<u>Receivable</u>	<u>Payable</u>	<u>Hedging transactions</u>	<u>Net position</u>
Futures (Power)				
0-24 months	17,927	-19,336	0	-1,409
Futures (Gas)				
0-24 months	45,297	-41,289	-1,665	2,343
Capacities (Power)				
0-24 months	1,647	-460	0	1,187
	<u>64,871</u>	<u>-61,085</u>	<u>-1,665</u>	<u>2,121</u>

The Company's hedging transactions on Gas Futures have been classified as fair value hedges as they hedge value fluctuations on binding contracts.

Notes to the Financial Statements

	2019	2018
	TEUR	TEUR
10 Cash flow statement - adjustments		
Financial income	-3,239	-270
Financial expenses	3,344	528
Tax on profit/loss for the year	3,235	1,744
Other adjustments	4	1
	3,344	2,003
11 Cash flow statement - change in working capital		
Change in inventories	-5,268	579
Change in receivables	2,465	-16,996
Change in trade payables, etc	765	4,160
	-2,038	-12,257

Notes to the Financial Statements

	2019 TEUR	2018 TEUR
12 Contingent assets, liabilities and other financial obligations		
Charges and security		
The following assets have been placed as security with bankers:		
Liquid funds of	6,273	4,520
The following assets have been placed as security with counterparties:		
Liquid funds of	712	455
Rent and lease obligations		
Lease obligations under operating leases. Total future lease payments:		
Within 1 year	214	198
Between 1 and 5 years	428	593
	642	791
Guarantee obligations		
The Company has placed payment guarantees to counterparties of	10,961	1,273

Other contingent liabilities

As a part of the main activities the Company has entered into contracts with counterparties whereof contractual commitments amount to EUR 33.115k (2018: EUR 12.303k). All contracts run between 0-24 month.

The Company has issued a pledge ban on the Company's assets as security with a credit institution.

The group companies are jointly and severally liable for tax on the jointly taxed incomes etc of the Group. The total amount of corporation tax payable is disclosed in the Annual Report of Incomas Holding ApS, which is the management company of the joint taxation purposes. Moreover, the group companies are jointly and severally liable for Danish withholding taxes by way of dividend tax, tax on royalty payments and tax on unearned income. Any subsequent adjustments of corporation taxes and withholding taxes may increase the Company's liability.

Notes to the Financial Statements

13 Related parties

	Basis
Controlling interest	
Incomas Holding ApS	Parent Company

Other related parties

Other related parties in the period 1 January 2019 to 31 December 2019 comprise the management of Incomas Holding ApS as well as the Board of Directors and Executive Board of the Company, together with their immediate families. Furthermore, related parties include companies in which Incomas Holding ApS and the aforementioned individuals have significant influence or control.

Transactions

The Company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. The Company has no transactions to report.

14 Fee to auditors appointed at the general meeting

Fee to auditors appointed at the general meeting has not been disclosed in accordance with section 96(3) of the Danish Financial Statements Act.

15 Subsequent events

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

Notes to the Financial Statements

16 Accounting Policies

The Annual Report of In Commodities A/S for 2019 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C.

The accounting policies applied remain unchanged from last year.

The Financial Statements for 2019 are presented in TEUR.

Change of classification

The classification of the individual assets in the comparative figures for 2018 has been changed. As a result of the change, Inventories have decreased by EUR 8,340k, Trade receivables have increased by EUR 4,572k and Trade payables have decreased by EUR 3,768k. The total effect between assets and liabilities is an EUR 3,768k decrease in assets. The change is due to capacity contracts for transmission rights previously being recognised as part of inventories. The change has no P/L or equity effect.

Recognition and measurement

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

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

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

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

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.

Notes to the Financial Statements

16 Accounting Policies (continued)

Translation policies

Euro is used as the presentation currency. All other currencies are regarded as foreign currencies.

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Exchange differences arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement. Where foreign exchange transactions are considered hedging of future cash flows, the value adjustments are recognised directly in equity.

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 rates at the time when the receivable or the debt arose are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

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 which are not settled at year end are classified as "Other receivables" and "Other payables", respectively. The fair values of derivative financial instruments which are settled at year end are classified as "Cash at bank" and "Credit institutions", respectively. Derivative financial instruments with positive fair values are offset against derivative financial instruments with negative fair values when settled on a net basis.

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

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

Hedge accounting

Changes in the fair values of financial instruments that are designated and qualify as fair value hedges of a recognised asset are recognised in the income statement as are any changes in the fair value of the hedged asset related to the hedged risk. Fair value hedges comprise binding contracts concerning the delivery of power and gas 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.

Notes to the Financial Statements

16 Accounting Policies (continued)

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

Revenue

Information on business segments and geographical segments based on the Company's risks and returns and its internal financial reporting system. Business segments are regarded as the primary segments.

Income Statement

Revenue

Revenue from the sale of goods is recognised when the risks and rewards relating to the goods sold have been transferred to the purchaser, the revenue can be measured reliably and it is probable that the economic benefits relating to the sale will flow to the Company.

Revenue is measured at the consideration received and is recognised exclusive of VAT and net of discounts relating to sales.

Cost of sales

Cost of sales includes the purchase of goods for resale, transportation and direct fees thereof incurred to achieve revenue for the year.

Other external expenses

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

Staff expenses

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

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts relating to the financial year.

Notes to the Financial Statements

16 Accounting Policies (continued)

Tax on profit/loss for the year

Tax for the year consists of current tax for the year and changes in 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.

The Company is jointly taxed with Incomas Holding ApS. The tax effect of the joint taxation is allocated to enterprises in proportion to their taxable incomes.

Balance Sheet

Fixed asset investments

Fixed asset investments consist of deposits from leasehold.

Inventories

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

Inventories are measured at the lower of cost based on weighted average prices and net realisable value.

The net realisable value of inventories is calculated at the amount expected to be generated by sale of the inventories 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 selling price.

Receivables

Receivables are measured in the balance sheet at the lower of amortised cost and net realisable value, which corresponds to nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable, and in respect of trade receivables, a general provision is also made based on the Company's experience from previous years.

Prepayments

Prepayments comprise prepaid expenses concerning rent, insurance premiums, subscriptions and interest.

Deferred tax assets and liabilities

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Notes to the Financial Statements

16 Accounting Policies (continued)

Deferred tax assets 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 within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement or in equity if the deferred tax relates to items recognised in equity.

Current tax receivables and liabilities

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

Financial debts

Loans, such as loans from credit institutions, are recognised initially at the proceeds received net of transaction expenses incurred. Subsequently, the loans are measured at amortised cost; the difference between the proceeds and the nominal value is recognised as an interest expense in the income statement over the loan period.

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

Notes to the Financial Statements

16 Accounting Policies (continued)

Cash Flow Statement

The cash flow statement shows the Company'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 Company'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 "Overdraft facilities".

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

Financial Highlights

Explanation of financial ratios

Return on assets	$\frac{\text{Profit before financials} \times 100}{\text{Total assets}}$
Solvency ratio	$\frac{\text{Equity at year end} \times 100}{\text{Total assets at year end}}$
Return on equity	$\frac{\text{Net profit for the year} \times 100}{\text{Average equity}}$

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Mads Meldgaard

Statsautoriseret revisor

På vegne af: PricewaterhouseCoopers Statsautoriseret

Revisionspartnerselskab

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Emil Kildegaard Gerhardt

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