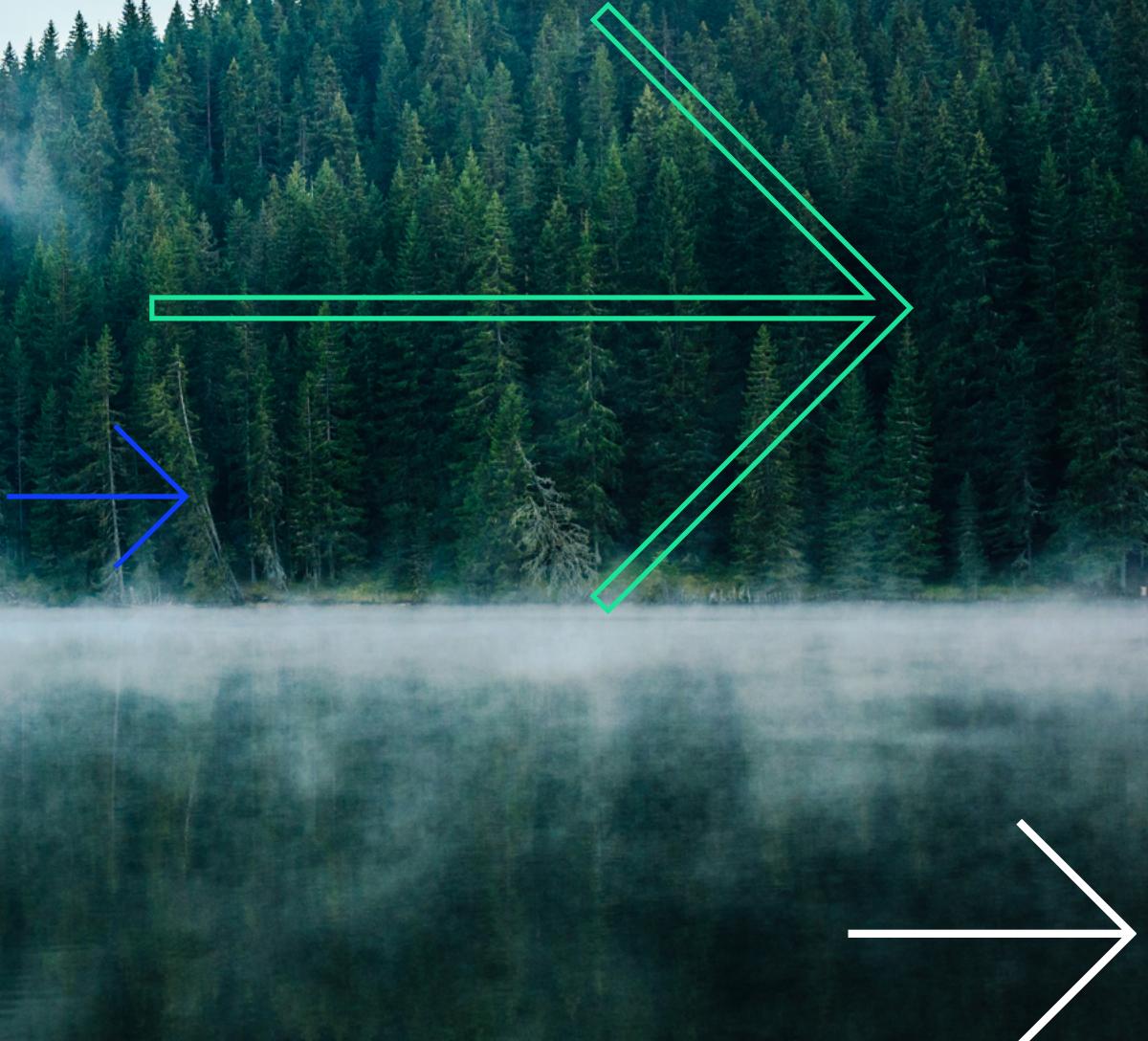




Energy Trading

Annual Report 2021

CVR no. 20 29 31 95



Truth is Energy is Everything Today



Powering our ambitions, our businesses and allowing us to transform a house to a home with the flick of a switch. At Centrica Energy Trading we buy and sell energy. Powering the world as it transitions towards a sustainable future.

We are dedicated to moving energy from source to use by connecting producers, large-scale consumers of energy, and trading counterparties worldwide. Each year, we move energy to power the green transition of millions of homes and businesses.

In all honesty, we are good at what we do

Challenging established markets and bringing liquidity, efficiency, and transparency to wholesale energy markets for the benefit of our customers. We are devoted to being up-to-date on energy advances to help our clients and using current energy forms as transitional tools towards a new energy reality.

Cautionary, curious & impatient all at once

Thanks to our Centrica legacy of more than a century, we truly understand the importance of stable energy delivery. As the world flows towards an exciting yet uncharted energy future, we are proud of our role in ensuring a sustainable and affordable living by doing what we do best: read the market, plan, and execute

Our ambitions are grand, green & global

We believe the future of energy must be unlimited and clean. We see our ultimate role as the switch that accelerates the green transition by leading the development of a sustainable symbiotic energy market. A market which empowers producers & users to go green. We call it Power-to-Prosper.

We are dedicated to moving us and our partners one step closer to Power-to-Prosper, deal by deal, hand in hand with likeminded organisations, governments, and academia in the years to come.

Energy is always moving. So are we

We are hundreds of passionate energy movers working day & night using cutting-edge software to minimise risks, optimise upsides, and execute physical trades minutes before delivery. We are constantly optimising our skillsets & technologies to balance the increasing complexity of renewable energy production and adding fresh, diverse talent with new ideas to keep ahead of the energy curve.

Truth is

Energy is everything to us

A landscape photograph showing several wind turbines on a series of green, rolling hills. The sky is filled with warm, golden and orange hues of a setting sun. In the foreground, large, semi-transparent text reads "Energy Movers" in a light blue font, followed by "by Nature" where "Nature" is in a bright green color.

Energy Movers
by Nature

Contents

5**The Big Picture**

- 06 The Big Picture
- 07 Letter from the CEO & Senior Management
- 13 Financial Performance Highlights
- 14 Five-Year Financial Summary

29**Social & Sustainability Impact**

- 30 Responsible Actions for Change
- 31 Net-Zero Ambitions
- 34 People & Diversity
- 40 Compliance, Risks & Ethics

48**Financial Review**

- 49 Financial Performance
- 51 Managing Risks
- 52 Management's Statement on the Annual Report
- 53 Independent Auditor's Report

15**Our Business**

- 16 Our Business & Strategy
- 18 Business Model
- 19 Our 2025 Strategy
- 21 Strategic Highlights of 2021
- 23 Markets & Business Areas
- 26 2021 Market Trends & 2022 Perspective

43**Corporate Governance**

- 44 Governance Structure
- 45 Board of Directors

55**Financial Statements**

- 56 Accounting Policies
- 60 Group
- 77 Parent



The Big Picture

IN THIS SECTION

6
The Big Picture

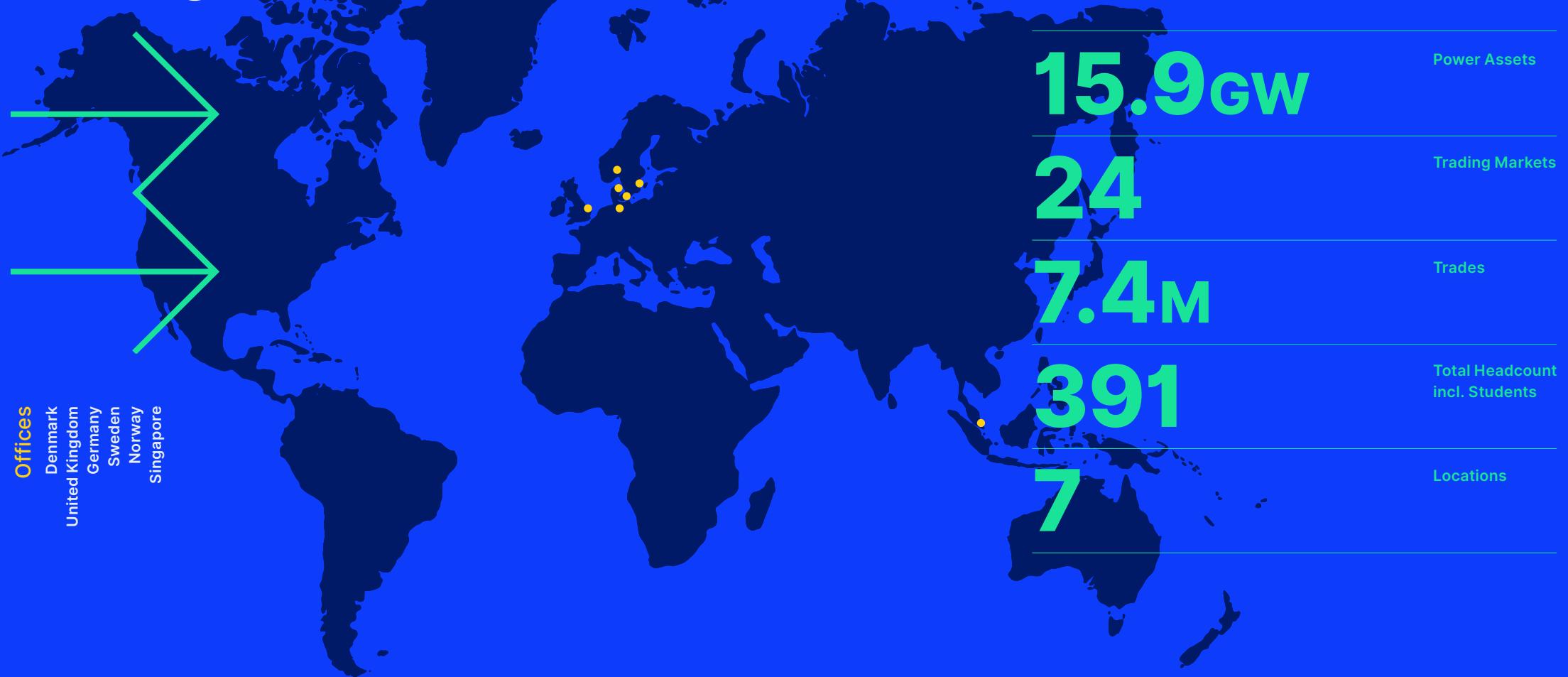
7
Letter from the CEO and Senior Management

13
Financial Performance Highlights

14
Five-Year Financial Summary



The Big Picture





Kristian Gjerløv-Juel
Director, Route-to-Market
Origination & Asset Management

Cassim Mangerah
Chief Executive Officer

Mandeep Bamal
Director, Trading, Analytics
& Algorithmic Trading

LETTER FROM THE CEO & SENIOR MANAGEMENT

New Strategy – New Records – Same Stability

Energy movers by nature – our path for success

Centrica Energy Trading A/S is a renewable energy trading company operating out of seven offices across all time zones to move energy from source to use. Our mission is to drive the green transition while offering sustainable and predictable energy costs for suppliers and offtakers. In short, we call ourselves energy movers by nature.

Our strategy makes us stand out in the energy commodity space. We are one of only a few major actors in the energy trading business today which both manages renewable assets and executes energy trading at large scale simultaneously. We believe this conscious choice positions us better in the market to act as a change agent in the green transition. A stable and safe partner. And a more dynamic and future-fit business.

We started 2021 with a newly formed management team (formed in the summer of 2020) implementing a new strategy with an emphasised focus on renewable energy trading, including the ambitious goals to become the best renewable energy trader in Europe and to actively push towards Europe attaining net-zero status by 2050. 2021 was to prove the ultimate stress test of our strategy, leadership, people development and technological investments due to the instability that dominated the market.

Our performance demonstrates that we passed the test, including a record number of completed transactions (7.4 million). We also achieved a record number of signed Power Purchase Agreements (PPAs) with 104 PPAs completed – of which 71 were completed with the purpose of hedging the exposures, i.e., not only managing balancing risk but also to secure future revenue in subsidy-free contexts. Additionally, a record number of algo-trades were completed (61% of all trades) and a record profit before tax of 834M DKK was achieved. Lastly, but not least, we onboarded a record number of new employees (+90) and our survey revealed the highest level of trust in management (81%).

While we are pleased with our strong performance despite the extreme circumstances of FY21, we are also aware that the uncertainties which defined and drove the energy market in 2021 had significant impacts on businesses and families across the world caused by record highs in energy prices. We work very hard to manage risk for our clients to ensure their economy is sound when trading energy. For example, by helping balance out the worst price peaks, ensuring more stable energy prices, and delivering on our commitment to making the energy powering our homes and businesses greener day-by-day. Due to our strong balance sheet, we offer a safe pair of hands to support the energy market through uncertain periods, such as what we experienced in 2021 and what is expected for 2022.



Our strategy makes us stand out in the energy commodity space. We are one of only a few major actors in the energy trading business today which both manages renewable assets and executes energy trading at large scale simultaneously.

Cassim Mangerah
Chief Executive Officer





“

2021 was a record-year for the PPA sector. We closed upwards of 100 PPAs with green energy customers and partners. We also completed more long term PPA contracts than ever before.

Kristian Gjerlov-Juel

Director, Route-to-Market Origination & Asset Management



2021: An unprecedented year with unseen effects

2021 started on a familiar note. Covid-19 restrictions once again sent Europe into national lockdowns and remote working. However, in September this all changed. In early 2021, the market experienced a global shortage of gas driven by the cold weather and an increased demand for gas due to an expected production surge post Covid-19. The global energy market is still mainly dictated by gas, which in many countries is used as a transition tool towards a green transformation from fossil fuels like oil and coal. As a result, gas storages were expected to be refilled in spring 2021 with Russian and Norwegian gas and American LNG. However, an unforeseen higher demand for gas from Asia, the Suez Canal shipping blockade in March, the German decision in December to decommission several nuclear plants, and a renewed European political drive to phase out fossil fuels created immense energy bottlenecks. The

subsequent increased demand for gas meant storages were not refilled as planned in 2021 pushing the issue into 2022 and gas prices into record highs. The price push in gas markets quickly spilled over into electricity markets, where marginal prices skyrocketed as fuel-switching provided little price relief as gas and coal reached price parity.

Increased energy prices led to a sudden rise in defaults by energy suppliers across the European market, including in the UK market, where we and our parent company Centrica Energy Marketing & Trading operate. The energy market in Europe is interlinked across borders and as such, energy supplier defaults in European markets impacted and increased levels of uncertainty across the region, pushing already high energy prices even higher. As a result, this development led to an increase in short-term hedging to secure more stable prices, generating an increased interest in PPA and corporate PPA agreements amongst energy generators and consumers.

2021 was a record-year for the PPA sector. We closed upwards of 100 PPAs with green energy customers and partners. We also completed more long term (4-10 years) PPA contracts than ever before. In addition, we renewed our existing Corporate PPAs and completed a series of new Corporate PPAs with 3.2 TWh of green electricity sleeved to corporate consumption. This is a great foundation to ensure our strategy can success-

fully deliver growth in years to come, continuing our journey to becoming Europe's best renewable energy trader and a leading world-class player.

In this new and volatile environment, we had to rapidly adapt to shifting market conditions. In response, we moved quickly, developing innovative products to support our customers, and realigning our approach to margin calls, credit limits and exposures with new market realities. With price levels challenging market liquidity, hedging our risks was made more challenging. However, we were able to minimise the challenges posed by leveraging our well-balanced portfolio. Just one example is our successful expansion of existing projects in Germany, where renewable energy became commercially available due to regulatory changes after the state subsidies ended with EEG 2021.

Strong financial performance in focus

Increased volatility in markets also drove higher demand from our customers and partners to provide products and solutions to help them manage risks and secure long-term budget security. Energy consumers sought to lock-in energy costs to provide financial security on their consumption costs, whilst in-turn developers looked to lock-in and secure a bankable and beneficial price point on the energy they produce.

2021 was an unprecedented year in extraordinary markets where energy prices soared to historical heights,

established markets were rocked by extreme volatility, and energy rapidly took centre stage in the global conversation. Navigating through these new market realities, we've delivered strong performance in 2021. We grew our Gross Profit 76% from 2020, while our operating profit increased 172% year-on-year and we achieved a profit before tax of 834M DKK, up 167% from 2020.

Despite the challenges posed by energy markets in 2021, we've seen top performance delivered across all teams and units, demonstrating our best-in-class capabilities across our trading, route-to-market, and asset management domains.

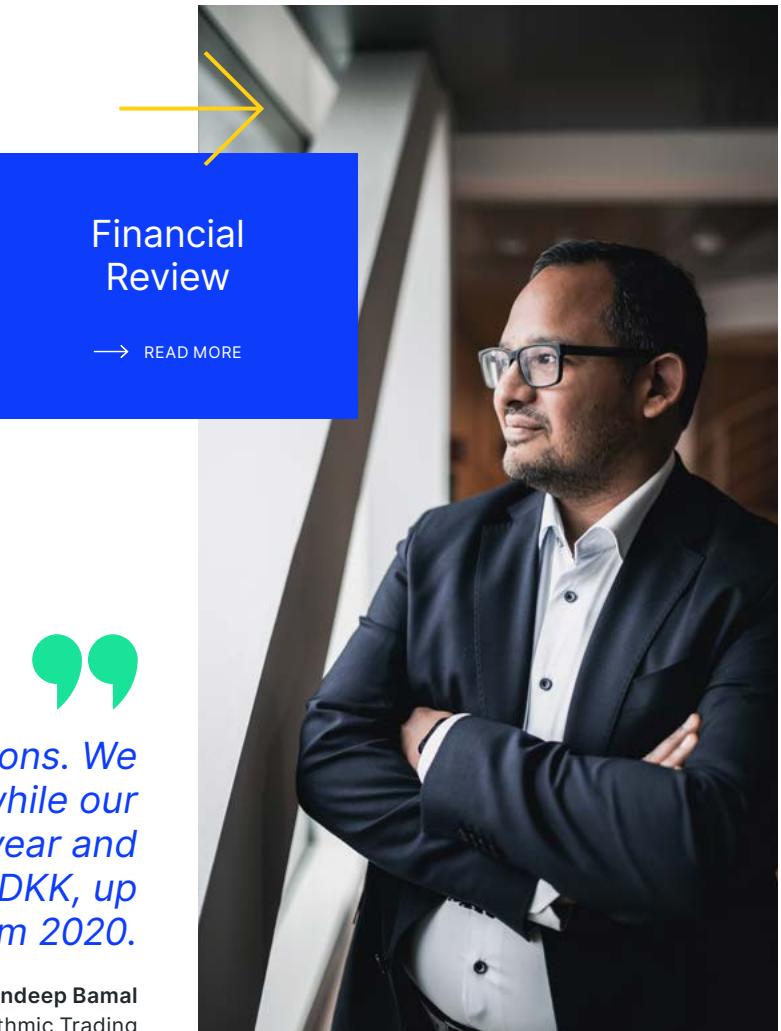
Financial Review

→ READ MORE



Our 2021 performance exceeded expectations. We grew our Gross Profit 76% from 2020, while our operating profit increased 172% year-on-year and we achieved profit before tax of 834M DKK, up 167% from 2020.

Mandeep Bamal
Director, Trading, Analytics & Algorithmic Trading





“

We are proud of what our teams have delivered during the pandemic and satisfied to see our engagement figures improving.

Heather Mason
Chief Operations Officer

Our people

→ READ MORE

Throughout 2021 we also entered new markets, developing new value propositions for our customers, and expanding our asset management and trading capabilities. This included the first PPAs in Spain and the first subsidy-free PPAs in Italy. Our successful activities in Spain are of particular note as the country is ranked #1 on RECAI's list of the most attractive cPPA markets. Moving forward, we are well positioned to harness this potential due to our 2021 learnings and our dedicated team focussed solely on the Spanish market.

Supporting the green transformation

The energy landscape is shifting. Focus on climate action coupled with renewables outcompeting fossil fuels on levelized cost of electricity is driving the decarbonization of energy systems and the penetration of renewables at a previously unseen pace. Developers, investors, and corporates are taking charge on the renewable asset buildout, accelerating the shift towards increasingly decentralized energy production assets, where digitalization, big data and algorithms are

proving invaluable in transparently managing an energy grid increasingly based on intermittent renewable generation. Our role, however, remains the same: we're here to serve energy markets as they evolve. Trading and supporting renewable energy have been part of our business approach for 20 years and continues to underpin our mission and long-term strategy.

In 2021 our portfolio of renewable assets on contract grew to 13 GW, as we helped to add ever more green energy into European power grids, homes, and businesses. In the same period, we grew our flexible asset portfolio 41% year-on-year, driven significantly by our agreement with the Danish energy supplier Fyens Kraftvarme, a deal made possible due to our long-standing legacy and competence with managing Combined Heat & Power (CHP) plants.

Conventional power plants are still a critical infrastructure unit in ensuring grid stability – and they are becoming ever greener. CHP plants are to an increasing extent operating cleaner and greener as they replace and supplement the conventional heat production by electrical heat pumps and boilers. To date, we manage a growing portfolio of approximately 700MW heat pumps and electrical boilers.

Due to our dedicated focus on supporting renewables over the last two decades, we have a set of unique capabilities to help support the green transition as it picks

up speed like no other in the energy trading industry. This year we also moved closer to completing our first large scale, green power-driven flexible consumption contract demonstrating concretely our strategic focus: to always remain at the forefront of the technological energy development.

We're committed to the net-zero agenda. It's not only the right and necessary thing to do, it also provides unique opportunities on the path towards decarbonisation of economies. Our growth trajectory continues with the renewable transition and a global agenda as the foundation. We are energy movers by nature; as such, together with Centrica plc we have set a target to become a net-zero business by 2045, with an interim target to reduce our carbon emissions by 40% by 2034. We have also pledged to help our customers become net-zero by 2050, with an interim target of reducing the carbon intensity of the energy our customers use by 28% by 2030.

Right people, right time, right job

2021 was also a year where we grew and expanded our organisation. We onboarded more than 90 seniors and talents and expanded our geographical footprint into new European markets. We made our entrance in Copenhagen this year with a new office, improving access to world-class talent and accelerating our European growth ambitions. Concurrently, we significantly ex-

panded our structured trading desk with key resources and new products.

We are proud of what our teams have delivered during the pandemic and satisfied to see our engagement figures improving. In 2021 overall staff trust in senior management rose to 81% in Q4. This proves our constant focus on successfully building a strong internal culture, trust in management and draws a linear connection between strategy and day-to-day executions across all business units and organisational hierarchies.

This trust is paramount for our ability to continue to operate as a high-performance business. Our market is extremely volatile due to weather changes, geopolitical changes, regulation changes, war for talent and more. We can only succeed in such a fluctuating environment if trust between employees and in our strategy is high.

2022 outlook: Foundations laid to succeed in a green, volatile, and highly regulated market

From a senior management perspective our outlook for 2022 is that we expect the energy commodity market to continue to demonstrate a very high degree of volatility – higher than that seen in 2021 due to the current geopolitical developments in Europe and the underlying gas issue which has created a political, fast-paced, regulatory move towards alternative energy forms.

This points to a 2022 where we will be required to move even faster, with even more agility and closer cooperation to support our clients and ensure a constant flow of energy from source to use. Based on the lessons learnt from 2021, we know that in the energy market there is no room for complacency as it is constantly evolving.

This could lead to a paradigm shift within energy as we know it. Energy technologies thought to be years away could suddenly become a reality, partnerships which were once unimaginable could come to fruition in a shared push for access to stable energy as the green transition leapfrogs years ahead in Europe.

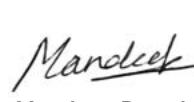
Since 2020 we have built a business geared to function in just this set of market dynamics. We have absolute trust in our people, our technology, and owners – and our strategy. We look forward to FY22 and are ready to make the investments needed to ensure that we keep moving energy to make sustainable living possible and affordable.



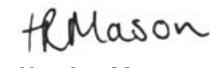
Cassim Mangerah
Chief Executive Officer



Kristian Gjerlov-Juel
Director, Route-to-Market Origination & Asset Management



Mandeep Bamal
Director, Trading, Analytics & Algorithmic Trading



Heather Mason
Chief Operations Officer

Group

Financial Performance Highlights

Amounts in million DKK	2021	2020	Change in %
Revenue	159,121.5	65,008.4	145%
EBITDA *	760.5	298.7	155%
EBIT **	730.9	268.5	172%
Profit before tax	834.5	312.6	167%
Profit for the year	652.7	246.9	164%
Equity	1,982.1	1,322.5	50%
Equity ratio	11.0%	31.1%	-64%
Average number of employees	325.0	328.0	-1%

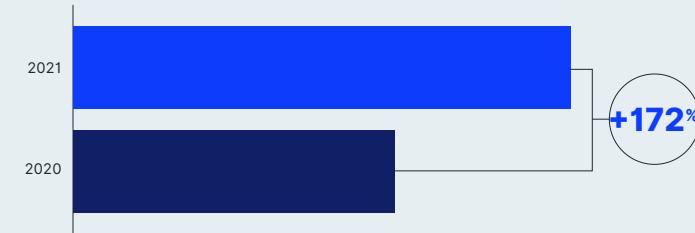
* Operating profit before depreciations and amortisation

** Operating profit

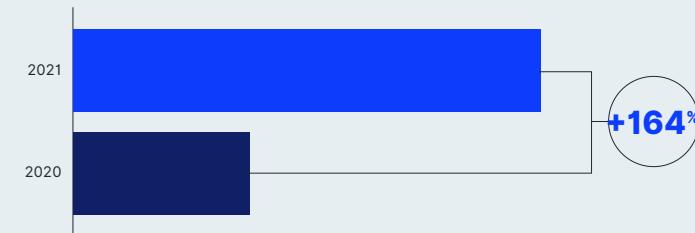
Gross Profit
million DKK



EBIT
million DKK



Profit for the year
million DKK



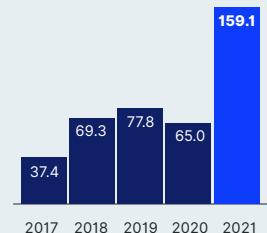
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Group

Five-Year Financial Summary

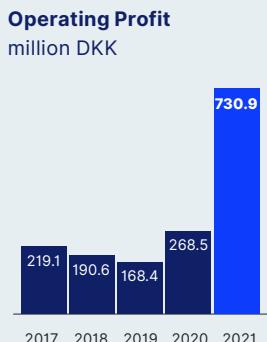
Amounts in TDKK	2021	2020	2019*	2018*	2017*
Financial highlights					
Income statement					
Revenue	159,121,540	65,008,412	77,826,081	69,259,259	37,370,674
Profit before amortisation and depreciation	760,461	298,727	197,202	213,597	236,608
Operating profit	730,895	268,520	168,390	190,640	219,161
Results from net financials	103,654	44,035	88,855	5,521	29,841
Profit before tax	834,549	312,555	257,245	196,161	249,002
Profit for the year	652,733	246,859	214,361	150,376	198,597
Balance sheet					
Assets	17,964,132	4,258,949	4,379,284	4,226,932	2,642,662
Investment in development projects	20,765	19,882	34,314	31,636	26,852
Investment in property, plant and equipment	1,480	2,407	25,852	93,137	22,789
Cash less bank loans	2,791,588	537,488	275,467	310,046	124,042
Share capital	123,507	123,507	123,507	123,507	123,507
Equity	1,982,100	1,322,518	1,081,164	865,352	714,763
Current liabilities excluding bank loans	15,140,938	2,762,846	3,146,798	3,137,089	1,681,577

Amounts in TDKK	2021	2020	2019*	2018*	2017*	Revenue billion DKK
Cash flow						
Net cash flow from:						
Operating activities	2,276,345	279,478	15,035	310,757	-45,033	159.1
Investment activities	-22,245	-25,446	-49,614	-124,753	-36,272	
Financing activities	0	0	0	0	0	
Cash flow for the year	2,254,100	254,032	-34,579	186,004	-81,305	
%						



Financial ratios	2021	2020	2019*	2018*	2017*
Profitability					
Return on equity	39.5%	20.5%	22.0%	19.0%	32.3%
Profit margin	0.5%	0.4%	0.2%	0.3%	0.6%
Solvency ratio					
Equity ratio	11.0%	31.1%	24.7%	20.5%	27.0%

* Management has decided to change the cost formula for gas inventories from a weighted average cost formula to a FIFO cost formula as this formula is considered to better reflect the current values of the inventories. Comparative figures and ratios for 2017-2019 have not been adapted to reflect changes in accounting principles in 2021. Centrica Energy Trading A/S has not previously presented a consolidated financial statement, why comparative figures and ratios for 2017-2019 only include the parent company. 2020 and 2021 represent consolidated group figures and ratios.



Our Business

IN THIS SECTION

16
Our Business &
Strategy

18
Business
Model

19
Our 2025
Strategy

21
Strategic
Highlights of 2021

23
Markets &
Business Areas

26
2021 Market Trends
& 2022 Perspective



Our Business & Strategy

Working alongside some of the world's leading energy investors and businesses, we're reshaping the energy industry and bridging the future to a carbon-neutral economy. Based on our extensive expertise in liberalised Nordic and UK energy markets, we've built and matured a successful energy trading business that operates within two primary domains: **Asset Management of Green Energy and Flexible Energy Assets, and Power & Gas Trading.**

In the carbon-neutral economy of the future, electrification will be a key driver of decarbonisation in the building, transport, and industry sectors. Electrification can, however, not yet achieve this alone. The development, production and use of green gasses and electro fuels will be necessary transition tools in sectors or processes where electrification is unviable, and green gasses will provide valuable flexibility in an energy system dominated by intermittent power production from renewable assets.

Asset Management of Green Energy and Flexible Solutions

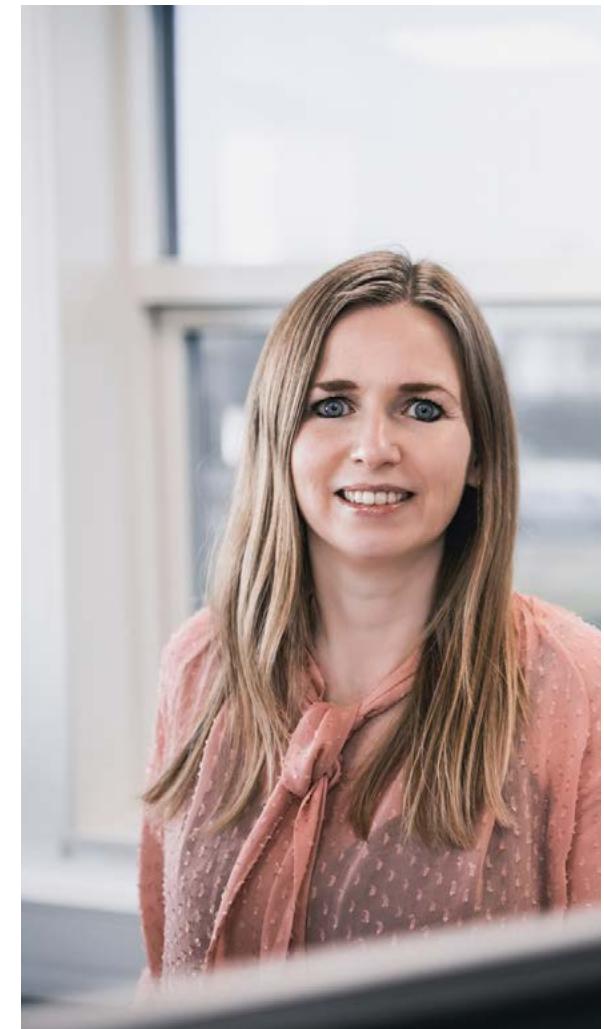
Supporting the rapid and large-scale buildout of renewable energy assets, our Asset Management of Green Energy Solutions secures sustainable renewable energy agreements that are bankable and operational, while remaining subsidy free. Leveraging our mature and scalable risk-management framework, we provide asset

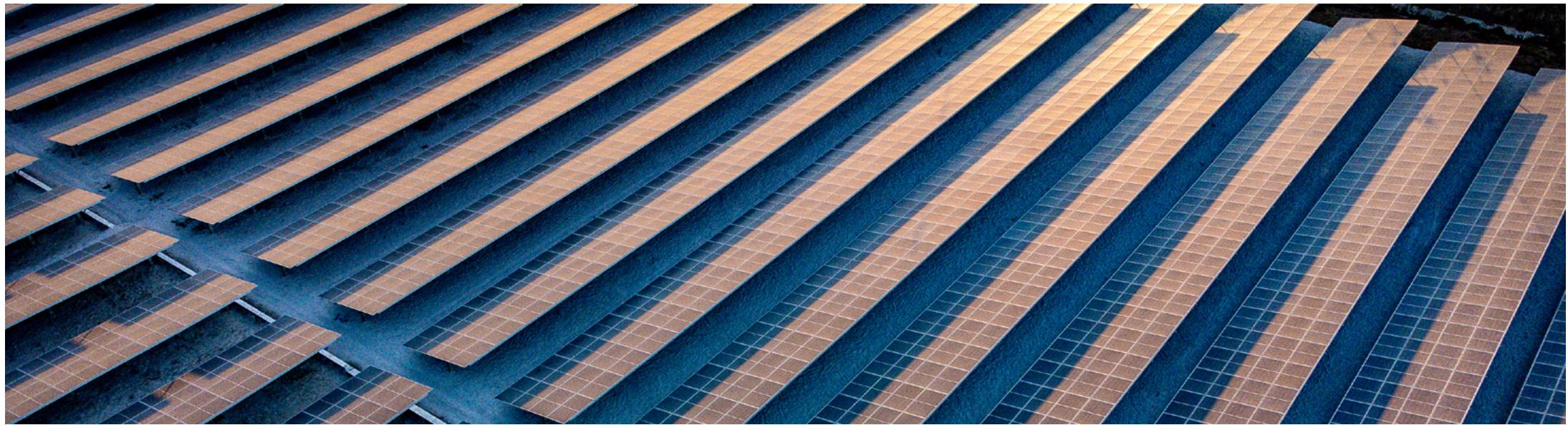
owners with certainty and their preferred balance of risk vs rewards. Once the project is up and running, we leverage our trading expertise, digitalised platform, and our position as an established trader in the wholesale market to maximise the value of the output we offtake.



Managing renewable production and providing financial optimisation by a refined PPA offering is the core of our business. In 2021 we expanded our business both in our established markets and across Southern Europe.

Kristina Høgh
Head of Origination





The transition towards a fully renewable power grid will be enabled by flexible electricity generation, flexible optimisation, the marketing of wind and solar energy and the electrification of heat and gasses such as hydrogen and ammonia.

Supporting this transition, our market-leading Flexible Energy Solutions help the power grid handle an increase in renewable energy shares as efficiently as possible. All else being equal, this results in larger volumes of renewable generation able to be created and added to the grid, ultimately benefitting security of supply. As the share of renewables in the grid increases,

the ability to balance these increasing volumes with flexible consumption in real-time becomes increasingly critical – and we're at the forefront of this global shift.

The free movement and trading of energy drives the development of globally sustainable energy markets, and whilst markets change our role remains the same: we're here to serve markets as they evolve.

Specialised in physical Power & Gas Trading

Our Energy Traders operate in the volatile short-term, day-ahead, and intraday spot markets as well as in forward markets, covering yearly to daily contracts

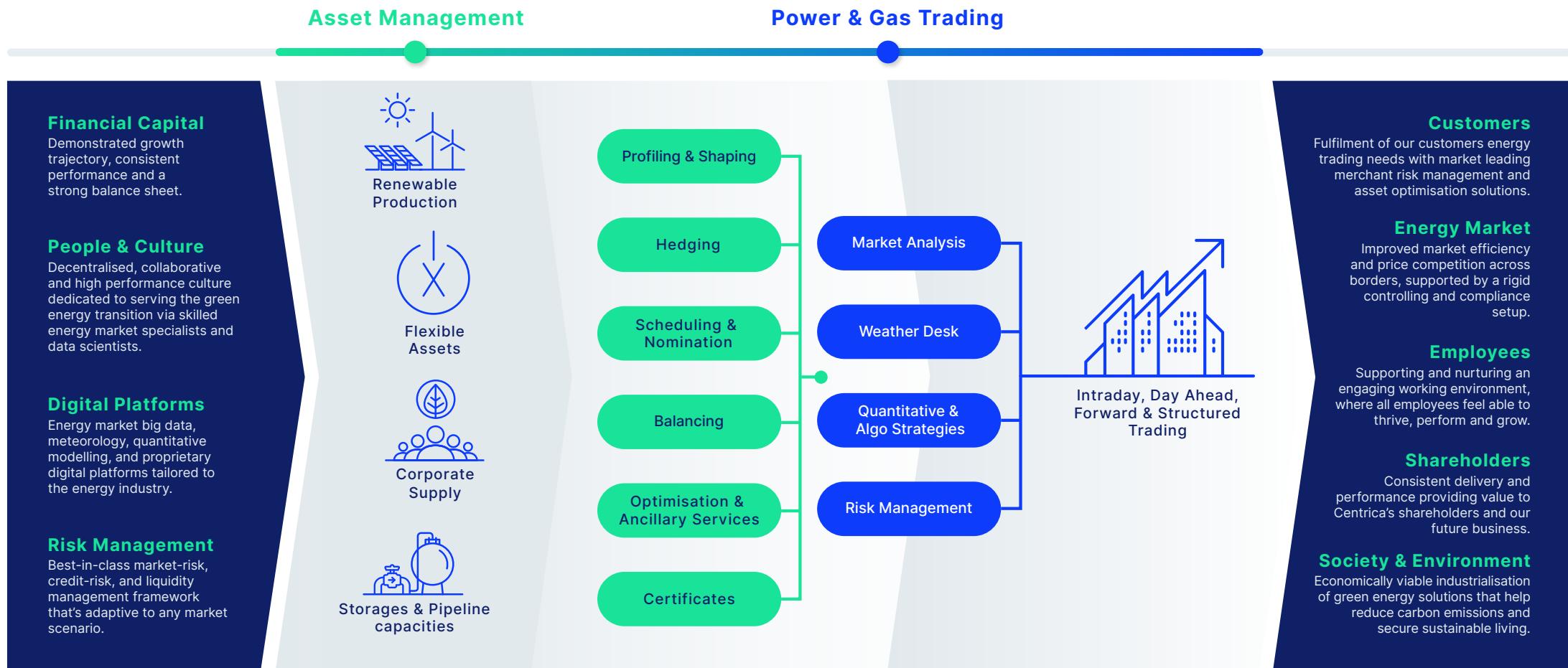
with futures, options, and structured products. Leveraging our extensive quantitative and automated data platform, analytical setup, and market presence across Europe, we capture opportunities and efficiently move energy across grids and borders to the markets and hubs where it is most needed and produces the greatest yield. Taking a pan-European position, we challenge established markets and bring liquidity, efficiency, and transparency to wholesale energy markets.



7.4M

trades during 2021 equal to the completion of +14 trades every minute

Business Model



Our 2025 Strategy

As energy markets are increasingly dominated by an ambitious decarbonisation agenda, this remains integral to our strategy. Backed by extensive market expertise, leading capabilities, and Centrica plc's strong balance sheet, **we're focused on delivering on the net-zero agenda as a vital enabler of our future growth.**

Our ambition is to be the best renewable energy trader in Europe and a leading player globally. We continue to deliver on an ambitious corporate- and commercial strategy to make those ambitions a reality.

Following renewable investments into new markets for increased optionality

To deliver against our commitment as a green transition enabler, we've accelerated our focus on continuously establishing and expanding our trading activities and green energy propositions into **New Markets**. Enabling valuable synergies between our Asset Management and Energy Trading businesses, our entrance into new markets is delivering on greater trading optionality, allowing us to maximise the market value of the energy we trade and generate new commercial opportunities for our customers. Through offering a greater range of available trading markets, we're creating greater value for our customers by improving our ability to maximise

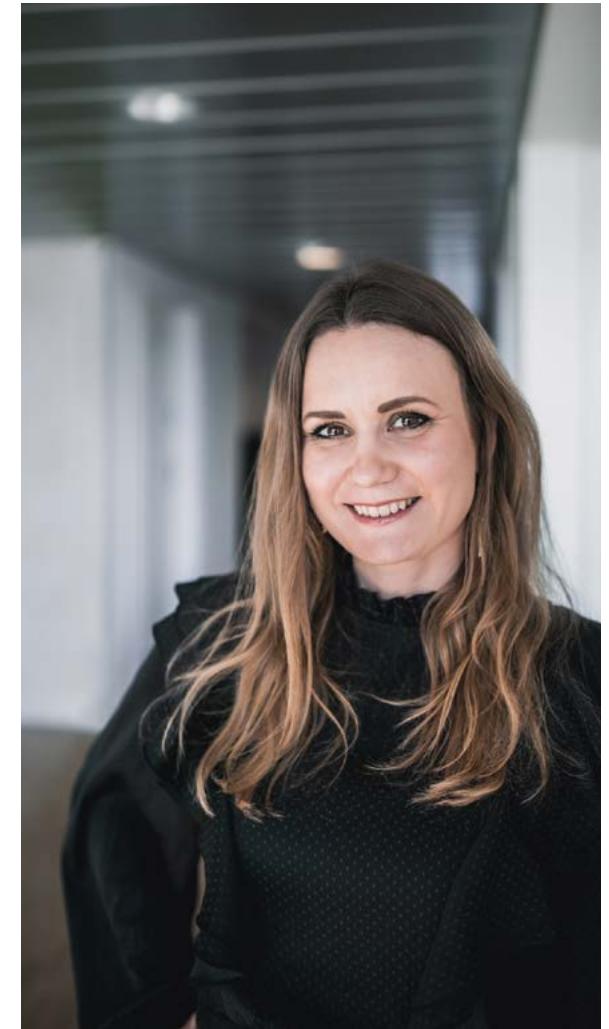
the value of the energy they produce. Similarly, we're helping our customers seize opportunities where they arise, with the penetration of new markets also providing access to new geographies where assets can be established.



The renewable energy transition underpins our strategy, as we industrialise the next generation of producing, trading, and using energy.

Nanna Damgaard Glad

Head of Corporate Identity, Strategy & Leadership Support





Scale with the energy transition as the foundation for growth

Staying ahead of the curve in renewable energy trading requires a future fit digital backbone capable of handling and controlling trades and data at ever-increasing speeds and scales. That's why our ongoing strategic focus on **scalability** means pursuing a dedicated investment strategy, allowing us to develop fully owned software solutions and algorithmic operations platforms. Through investing in quantitative talents, agile organisational structures alongside data-and algo-platforms, we're creating scalable and data-driven **digital platforms** that are capable of efficiently and continuously analysing market developments as well as forecasting and balancing our ever-growing renewable asset portfolios in even-shorter time periods and at lower costs, benefiting both our customers, and the green transition. Handling a greater number of trades also necessitates several new requirements with regards to controlling business processes. Therefore, we're naturally focused on building an increasingly rigid business **controlling and compliance setup**, where we're matching our capacity to control business processes and ensure constant compliance with regulations to the increased trading volumes we're handling.

Engaged and empowered people are our key ingredient

As a company with a constant high growth rate and pace, highly empowered and **engaged people** are at the heart of our DNA and maintaining this is at the top of our strategic agenda. With an ambitious strategy and a world-wide green transition in our hands, and to a large extent still in front of us, we require equally ambitious people and diverse talents that can help shape a constantly evolving agenda, requiring practices, technical solutions and merchant risk management of energy solutions that are still to be discovered.

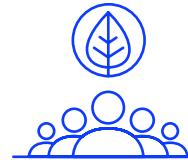
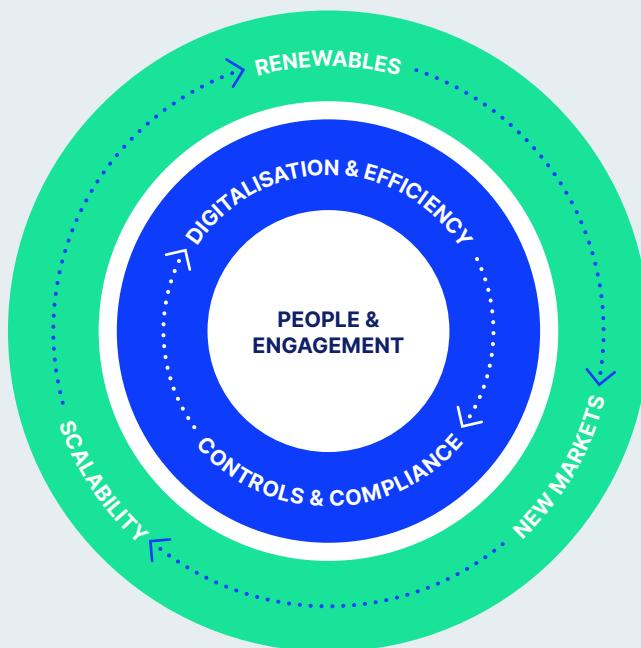
We are constantly optimising our skillsets to balance the increasing complexity of renewable energy production and hiring fresh talent with new ideas to ensure we stay ahead of the energy curve.

Employee engagement is critical to our business success. We actively measure and track our employee's engagement with selected wellbeing and empowerment surveys each quarter to ensure we align with our people's needs and continue to ensure engagement remains high and continues to improve. Employee engagement is the cornerstone of our 2025 strategy, and as such we are launching several initiatives to develop our talent, similarly to in 2021 when we launched an extensive 8-month long people manager development programme that will continue into 2022.

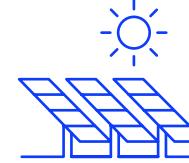
Strategic outlook for 2022

In line with the second half of 2021, 2022 started at an extraordinarily high pace with increased volatility in the energy markets. We expect 2022 to deliver on all areas of our strategic focus, specifically with regards to our scalability agenda, where we are seeking to significantly digitalise our Power Purchase Agreement (PPA) risk management and green certificates platform with increased transparency and new merchant opportunities for our customers. We expect new commercial solutions to industrialise within our green energy and flexible solutions business areas, specifically related to flexible optimisation and consumption solutions, and green hydrogen. In addition, we expect our analytics and algo trading platform to further materialise.

Strategic Highlights of 2021



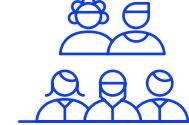
We strengthened our **renewable value proposition towards corporate off-takers**, now **offering green energy from both third-party and new-build Centrica assets**.



We signed our **first unsubsidised renewable PPAs in Spain and Italy**. In total 5 new PPAs and 280 MW wind and solar generated energy were added to the grid.

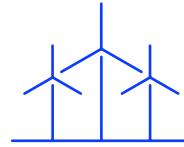


We developed 193 new digital solutions, including algos and machine learning models. Of total trading volumes, amount of algo trades grew from 45% to 61%.



Our **people engagement metric increased to 78%**, surpassing the global benchmark of 73%*.

* Global benchmark provided by People Insights and Qualtrics. The data comes from hundreds of companies of all sizes, spanning the globe and a variety of industries. With over 20 million respondents*



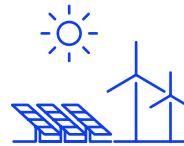
We launched our new EEG optimisation solution and **innovated our German renewable PPA proposition**, as we concluded 39 fixed price PPAs in the second half of 2021.



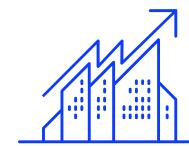
Our **re-balancing algo achieved a 100% hit rate, covering all renewable trades** in the German intraday market.



We strengthened our European presence with a **new office location in Copenhagen**, able to accommodate up to 50 employees.



We grew our portfolio of renewable physical power assets on contract from 11.9GW in 2020 to 13GW and **firmed 104 wind and solar PPAs**.



We expanded our **structured trading desk**, introducing new talent and capabilities **managing risks in complex, high-volatility markets**.

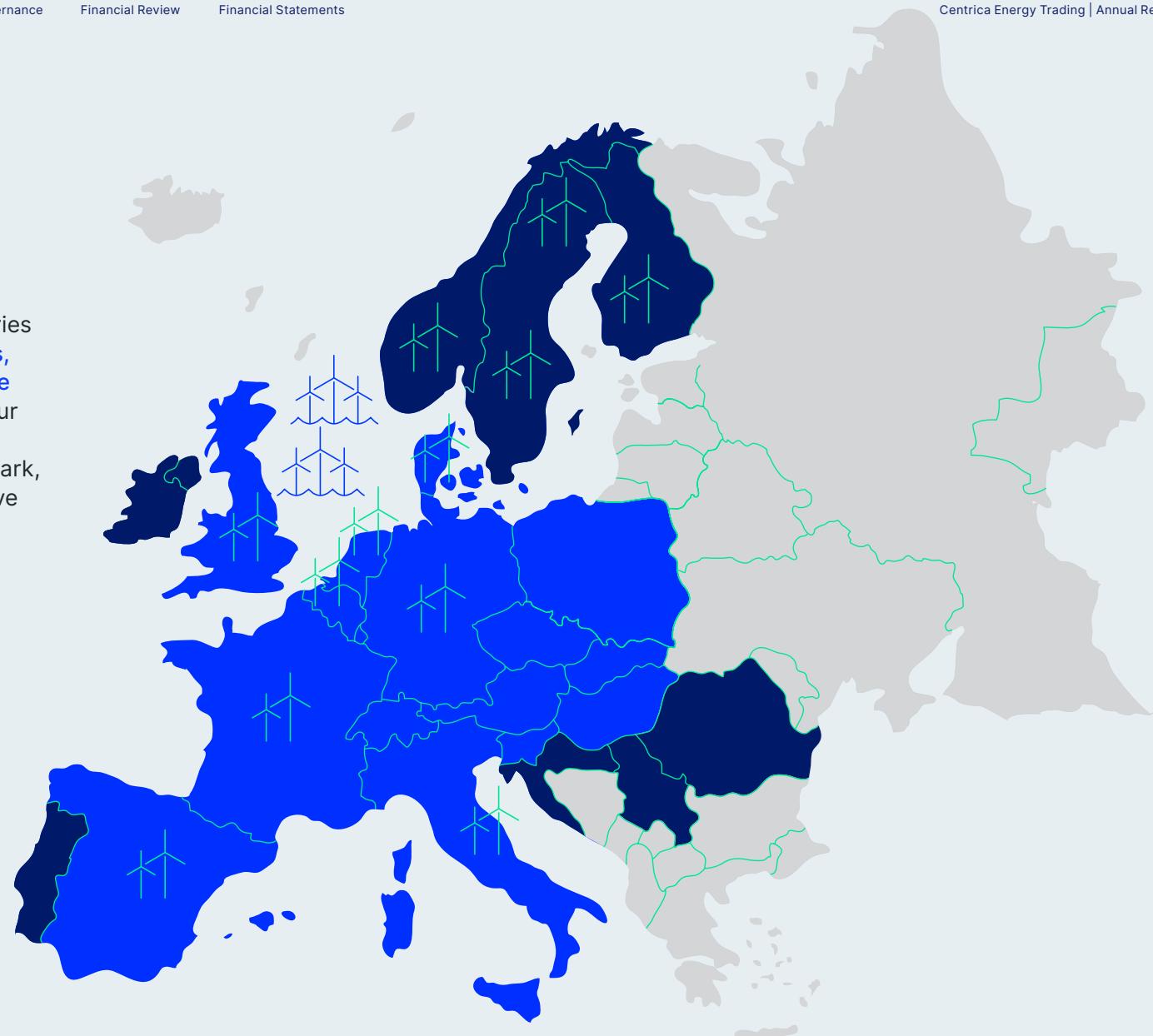


We set a target to become a **net-zero business by 2045** and pledged to help our **customers reach net-zero by 2050**.

Markets & Business Areas

We currently trade power across 24 European countries and gas across 16 countries. **Over the next few years, we expect to further expand our presence across the European continent, as well as globally.** To service our customers across Europe and optimise our 24/7/365 trading activities, our main office is in Aalborg, Denmark, alongside an extended office in Copenhagen. We have subsidiaries in the UK, Germany and Singapore, and branches in Norway and Sweden.

-  Asset Markets
-  Power & Gas Trading Markets
-  Power Markets



Our Business Areas



Asset Management

Renewable Power Purchase Agreements

Our market leading PPAs provide physical and financial optimisation of renewable energy assets to independent power producers across the continent, securing bankable revenue, transfer of merchant risks, physical balancing, and dynamic trading, alongside 24/7/365 market operations of intermittent renewable energy output.

Corporate Power Purchase Agreements

We tailor transparent and all-inclusive Corporate PPAs from source to delivery, connecting corporate energy consumption directly with sustainable sources, making any green energy procurement strategy a reality. We match, shape and trade desired energy production and associated green energy attributes to corporate off takers at stable costs.

Flexible Energy Solutions

Dynamically balancing increasing volumes of intermittent renewable generation with flexible energy production and consumption in real-time, we provide optimisation of power plants and large-scale flexible consumption assets. Our solutions include hedging structures and ancillary services with our 24/7/365 operational duty and SCADA setup.

Certificates Trading & Management

We trade and manage Guarantees of Origin and other energy attributes, covering a variety of products that provide solutions for utilities, organisations and consumers seeking to support green energy sources and offset greenhouse gas emissions from their energy utilisation.

Biomethane Sourcing

Providing long-term sourcing agreements for biomethane production, we handle nomination, transportation, and trading of green gas. Simultaneously we handle management, trading, and retirement of biogas certificates towards end-users, ensuring a transparent green gas footprint.



Our Business Areas



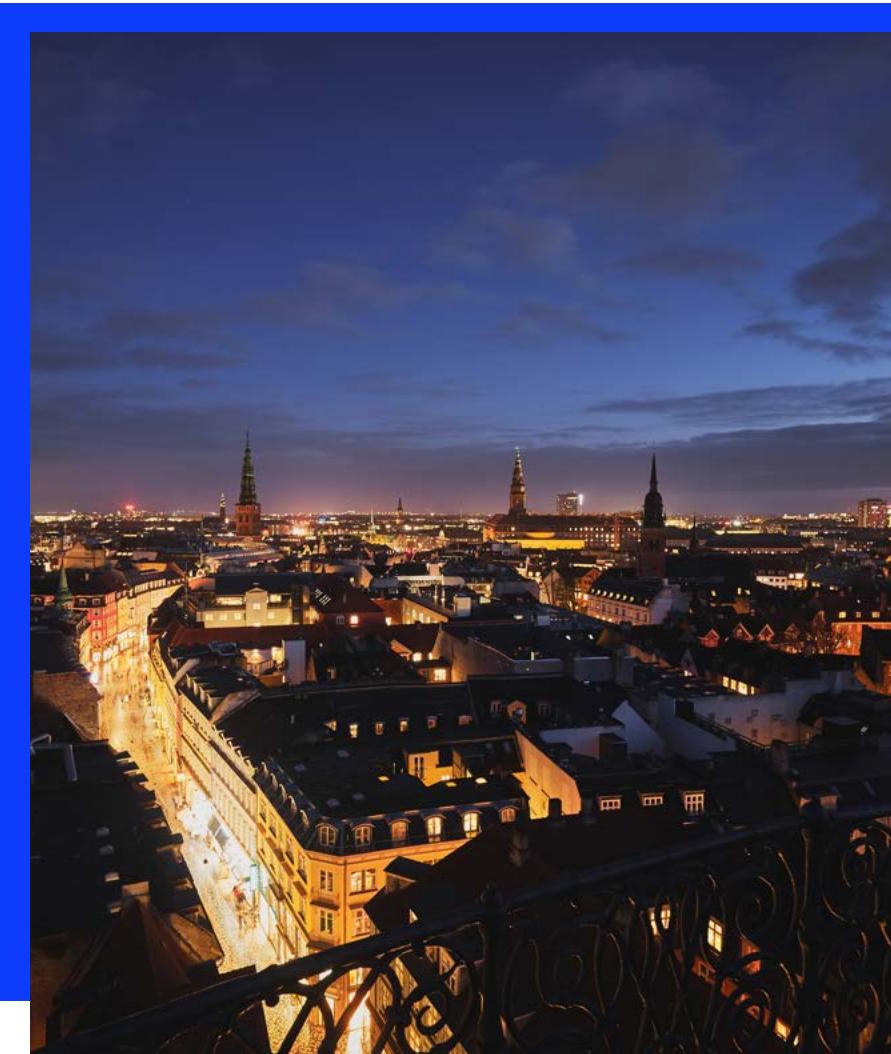
Power & Gas Trading

Power Trading – From Intraday to Curve

We're commodity market pioneers with 2022 marking our 20-year anniversary in Power Trading. During that period, we've developed a pan-European footprint and today we actively trade in 24 different power markets. We trade on all major exchanges and in the OTC market, covering all horizons from Intraday through Day-Ahead to weekly, monthly and yearly contracts including structured products. Current and future growth is centred around an ambitious strategy for automation and algorithmic trading, which is heavily supported by our best-in-class risk framework. As traders we're making energy grids more stable, whilst helping ensure market efficiency and transparent competition.

Gas Trading & Asset Optimisation

Established in 2012, our gas trading activities have a pan-European presence in 16 different markets where we're active in wholesale trading, asset optimization and cross-border trading. Current activities include trading standard products on OTC markets and exchanges alongside trading gas transport and storages in secondary markets. Providing energy balancing to the largest gas networks in Europe, we contribute to the security of supply for European gas markets. Growth in our asset optimization activities is underpinned by a robust risk framework and state-of-the-art hedging strategies. Supporting our ability to handle trades and data at ever-increasing speeds and scales, we're developing and refining our inhouse algorithmic operation platforms, improving operational robustness and bringing increased efficiency to energy markets.



2021 Market Trends & 2022 Perspective

Change is the only constant.

A robust strategy as foundation

In the second half of 2020 a new management team was appointed to Centrica Energy Trading A/S and with it the launch of a new strategy. The strategic roadmap focuses on key investments into developing a stronger digital backbone including algo-trading platforms and services built in house, a stronger focus on renewable PPAs and Corporate Power Purchase Agreement's (cPPAs) as the core business, and an ambitious growth plan to become the best renewable energy trader in Europe and a global player before 2025.

The new management team and resulting strategic direction also marked the culmination of a multi-year integration process for the company, with British Centrica plc buying Danish energy commodity trader Neas Energy A/S to form Centrica Energy Trading A/S in 2016.

When assessing the 2021 performances, we are also assessing our ability to consistently and efficiently execute the strategic framework laid out in 2020.

2021 – An extreme strategy stress test

The 2021 energy commodity market is best summarised by the term VUCA: Volatile, Uncertain, Complex, and Ambiguous. In 2021 a series of major unexpected events collided creating a market dynamic last experienced during the financial meltdown in 2008, and the nuclear

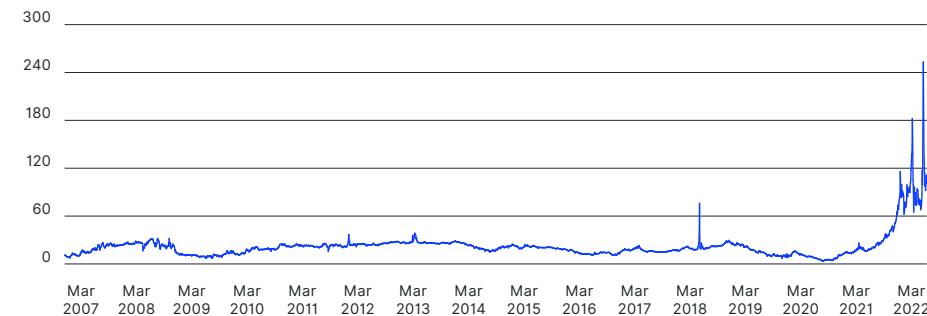
disaster in Fukushima, Japan, in 2011. Both events had a massive impact on the energy commodity markets, causing substantial ripple effects on the global market due to uncertainty and fear. This created an extremely volatile situation, challenging the usual formula for energy pricing dictated by supply and demand.

Gas sets the scene

A perfect storm within the gas market was the most impactful, causing the bulk of the uncertainty on the energy market in 2021. Today, the global energy market is still dictated by gas, which in many countries is used as a transition tool towards a green transformation from fossil fuels like oil and coal. In early 2021, the market experienced a global shortage of gas. Worldwide gas storages were low due to cold weather and an increased requirement for gas to meet a predicted surge in production after the peak of Covid-19. As a result, gas stores were expected to be refilled in spring 2021 with Russian and Norwegian gas and American LNG. However, a substantial energy bottleneck was created due to an unforeseen increase in demand for gas from Asia, the Suez Canal shipping blockade in March, Germany's decision in December to decommission several nuclear plants, and a renewed European political drive to phase out of fossil fuels. The subsequent increased demand for gas meant stores were not refilled in 2021 pushing the issue into 2022 and gas prices to record highs. In the late summer of 2021, a new world record gas price was set, reaching EUR 30 p/Therm. This

2007-2021 Dutch TTF Day-Ahead Gas Price Development

The Europe-wide natural gas price benchmark. Long-term retrospective view.



2021 Dutch TTF Day-Ahead Gas Price Development

The Europe-wide natural gas price benchmark. 2021 actual prices.





Increase in Renewable
PPAs YoY

continues into 2022, with a new record for gas prices already having been reached in Q1 at EUR 300 p/Therm.

This combined with colder weather and less wind than expected in 2021 meant less energy was produced by renewables such as solar and wind turbines, which only enforced the global shift towards gas as an energy safe haven, inflating gas prices beyond rational price levels. As the gas market developed throughout 2021, markets reacted with increased anxiety and concerns about future access to clean energy and long-term security of supply.

Increased traction for PPAs

From a PPAs and cPPAs perspective, 2021 was a growth year for us with a 76 % increase in total PPAs year-on-year. However, the overall PPA and cPPA market were slower than expected, caused primarily by the global Covid-19 pandemic. Due to the increasing energy prices, we experienced an uptake in interest from new partners to sell energy, and from offtakers looking to enter into fixed pricing models to secure access to affordable power in the long term to reduce risk and manage energy costs. The increased uptake was driven in part by markets where CO₂ quotas are implemented, specifically Germany, Italy, Spain, the UK, Denmark and to a lesser extent Sweden and Norway. By the end of 2021, these markets were experiencing high CO₂ quotes, increasing local energy prices, and driving the

need to secure fixed pricing to protect revenues from power sales.

Towards the end of 2021 we notably saw a substantial increase in corporations seeking low risk energy solutions for 2022 and beyond.

Additionally, we saw a steady growth in new green power added to the grids mainly driven by expansion of existing projects or regulatory changes. For example, German regulation making wind turbine renewables market accessible in 2021 after the state subsidies ended with EEG 2021.

Furthermore, in the same period, we saw a steep uptake in solar power, a trend we expect to continue into 2022. This uptake was also seen in less-sunny regions such as the Nordics, driven by a combination of ready financing and an interesting efficiency-cost ratio for solar farms cementing their role as effective power producing units in multiple geolocations.

An infrastructure to bridge uncertainty

Due to our business model increased volatility provides more trading opportunities for our company, meaning that the 2021 market generated a record number of trades. As a result, we were able to move energy from source to use, reducing concerns over supply and stabilising prices for our partners in a very unstable market.

Our governance and operating model allowed us to continue to act and execute in an extremely volatile market. Thanks to our parent company Centrica plc, we have access to capital even in very uncertain times, due to our strict internal risk analysis and management systems we can successfully manage risk, and finally due to our successful integration beginning in 2016, our lean and agile internal approval processes are fit for the current and future energy commodity market. Our fully owned offices in Asia and Europe are in combination open 24/7 and staffed with more than 375 of the best and brightest talents and experienced energy traders, enabling us to identify, risk manage and execute energy trading every few seconds to keep energy moving. Our investments into algo-trading meant that in 2021 our experienced traders were able to focus on strategising the best path forward in an uncharted energy market, all while our algo-platforms executed energy trading within known energy scenarios. The combination of specialists and technology helped us to bridge the uncertainty of 2021 for our customers.

2022 – Well positioned to act

In 2022 we predict the main market drivers of 2021 will persist even more extremely. As a starting point, we believe the gas market has, and will continue to undergo significant changes. The armed conflict in Ukraine with Russia has and will continue to create a substantial move away from Russian gas to alternatives to power Europe's future growth.

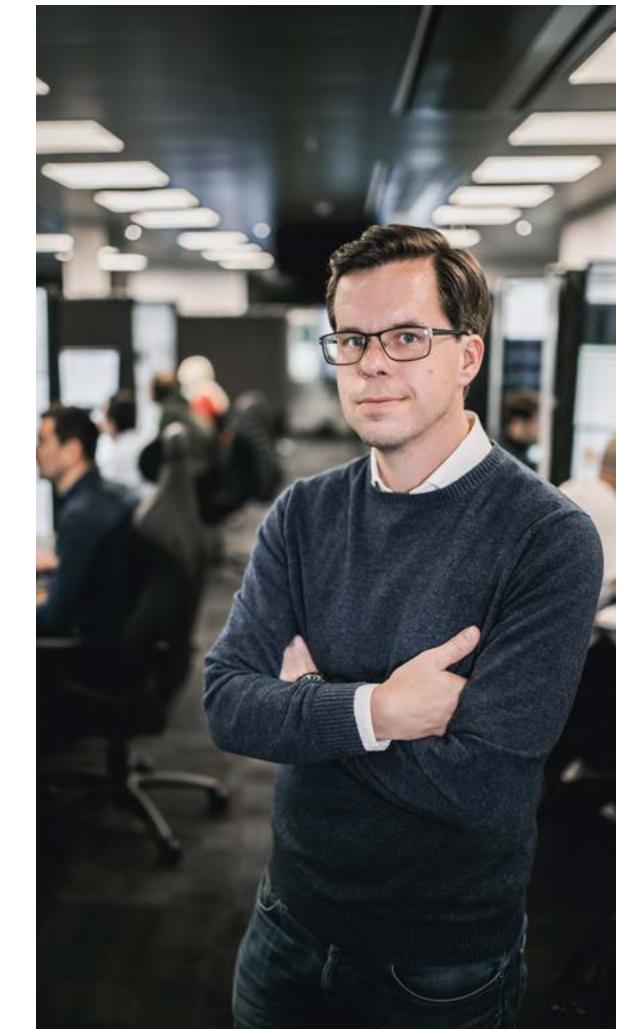
As energy traders, we manage volatility and risk. It's ultimately not important if prices are high or low if they continue to fluctuate. On the back of an unprecedented price increase in 2021, we not only learnt how valuable it is, from a cash perspective, to be a part of a company like Centrica plc, but also that strong investments in our robust liquidity management framework have paid off.

Thomas Bang
Head of Trading & New Markets

The armed conflict has amplified the political appetite for an effective green transformation in Europe to quickly move away from Russian gas as included in REpowerEU and demonstrated concretely with the cancellation of Nord Stream 2. This creates a European energy market with a risk of energy scarcity and continued high energy prices in both 2022 and more long-term as Europe still relies on Russian gas for roughly 40% of its energy. Challenges in the outlook for the gas market will potentially speed up decisions around and investments into alternative energy solutions by companies and nations to avoid the risk of production loss, growing energy costs or uncertainty of access to power. While such uncertainty can have harmful consequences, it also has the potential to unlock Europe's green transition and create a true paradigm shift in the way we

produce, use, and move energy. Therefore, we also expect more regulation to come in 2022, for example, the new amendment of the regulation concerning measures around gas storage ((EU) 2017/1938), the effect of which is still largely unknown and adds to the increased uncertainty of the energy market in 2022.

This uncertainty only helps to drive a very high degree of volatility within the 2022 energy commodity market – a level of volatility which is expected to exceed that of 2021. Based on our 2021 performance under similar conditions, our outlook towards 2022 points to our continued operation at an acceptable level, hopefully even more in tune with the market developments based on our learnings from 2021.



Social & Sustainability Impact

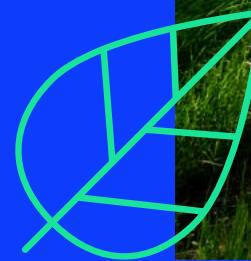
IN THIS SECTION

30 Responsible Actions for Change

31 Net-Zero Ambitions

34 People & Diversity

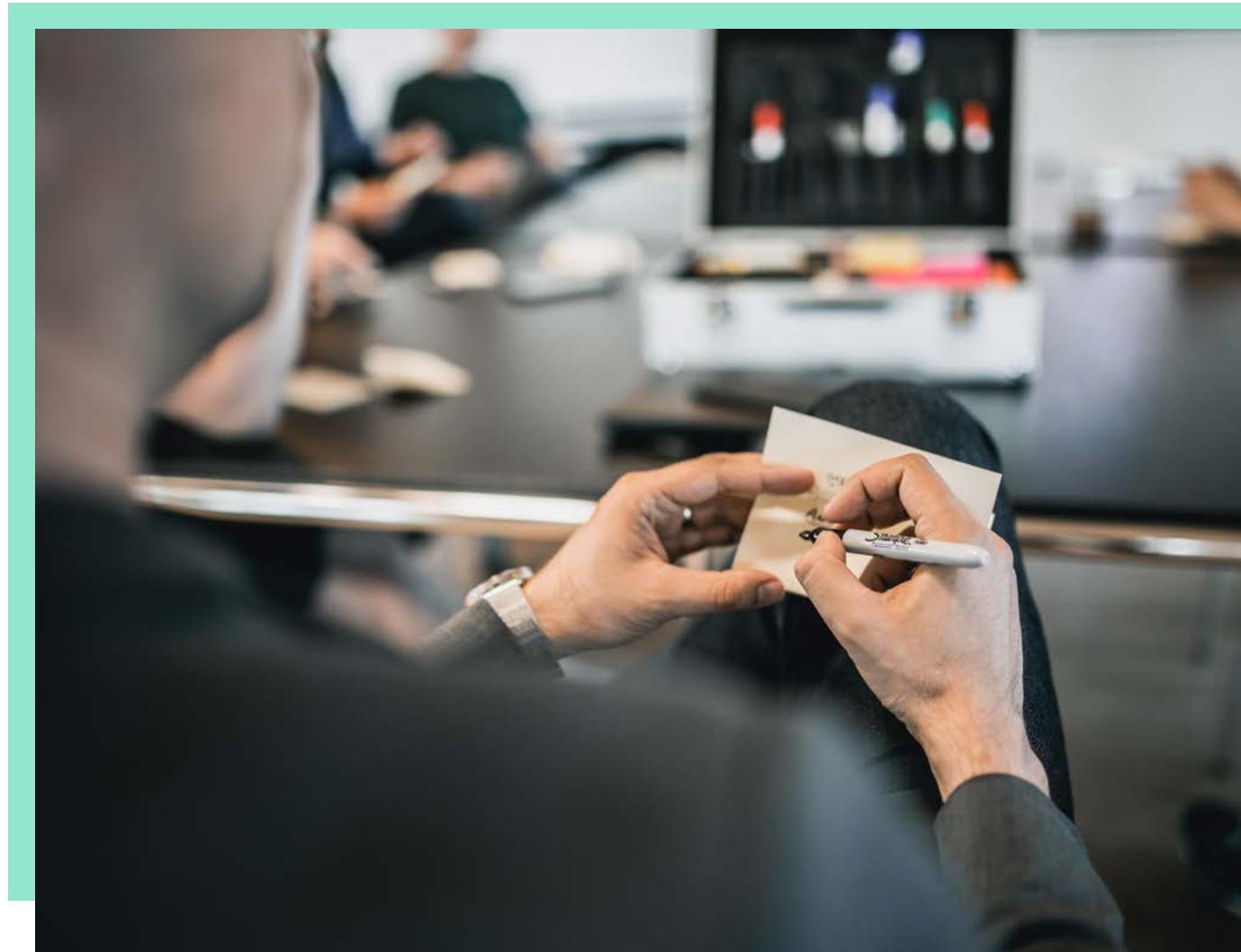
40 Compliance, Risks & Ethics



Responsible Actions for Change

At Centrica Energy Trading A/S, we understand that our continued license to operate is directly linked to our behaviour at large and our concrete actions for positive change. These are making it viable to add more green energy to power grids through securing rigid and transparent business controlling and compliance towards supply security, educating local talents and promoting gender equality in leadership.

We believe having an engaged, diverse, and inclusive team is key to helping us deliver for our customers. We also understand our clear role and responsibility in helping our customers, our business, and the energy system become net-zero as soon as possible by moving clean energy from source to use, sustainably and ethically. In 2021 we made good progress on all of the above and more, including: increasing trust in leadership to an all-time high, forming highly engaged and high-performing teams, creating jobs for local talents, and expanding our collaboration with our local communities to cover both educational institutions and employment programmes. Our 2021 results give us the utmost confidence in our social and sustainability related activities – our foundation has never been stronger.



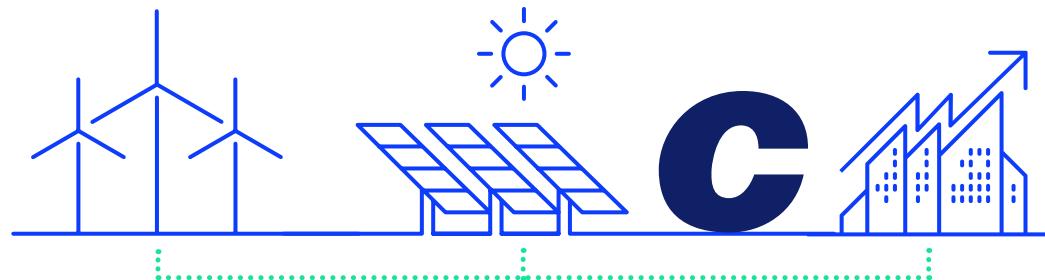
Net-Zero Ambitions

Climate change is one of the biggest challenges we face globally, with the energy sector at the forefront of the need to respond. As part of Centrica plc, **we're committed to becoming a net-zero business by 2045, and we've pledged to help our customers reach net-zero by 2050.**

Firstly, on a daily basis we are working to accelerate the buildout of renewable energy assets and to introduce new green power to the grid. Through our market-leading green energy solutions including PPAs and cPPAs, we're helping new, unsubsidised renewable energy projects get off the ground. The renewable generation we eventually trade and offtake from these projects provides green power to the grid and for our corporate customers' green procurement strategies, helping them achieve their net-zero and carbon reduction targets with the highest degree of transparency and granularity. Through our flexible energy solutions and energy trading we're also supporting this critical agenda, ensuring that energy is efficiently utilised and transported to where its most needed, whilst ensuring the grid can handle additional renewable energy at the lowest possible price.

Secondly, we're leveraging our energy expertise, matured setup, and digital capabilities to push the green transition innovation and research agenda forward, participating in pilot projects looking to rethink green energy. We're seeing a push from corporates for great-

er transparency and granularity in their green energy supply, which is why we're participating in the pilot project EnergyTag, a global initiative aiming to deliver a new approach to tracking electricity generation and consumption in near real-time. Working with hourly energy certificates, we're helping deliver proof-of-concept that corporates can claim consumption based on time-correlated renewable generation. This requires and promotes the application and deployment of more renewable energy technologies.



2045

Set a target to become
a net-zero business

2050

Pledged to help our
customers reach net-zero

2034

Interim target of 40% reduction
in carbon emissions

2030

Interim target of reducing our
customers' carbon intensity
by 28%

Thirdly, we've also looked inwards. We want to continue to lead by example and cut our business emissions. In conjunction with Centrica plc, we've set a target to become a net-zero business by 2045, and we've set an interim target of a 40% reduction in carbon emissions by 2034. We have also pledged to help our customers become net-zero by 2050, with an interim target of reducing the carbon intensity of the energy our custom-



In 2021,
we delivered more than

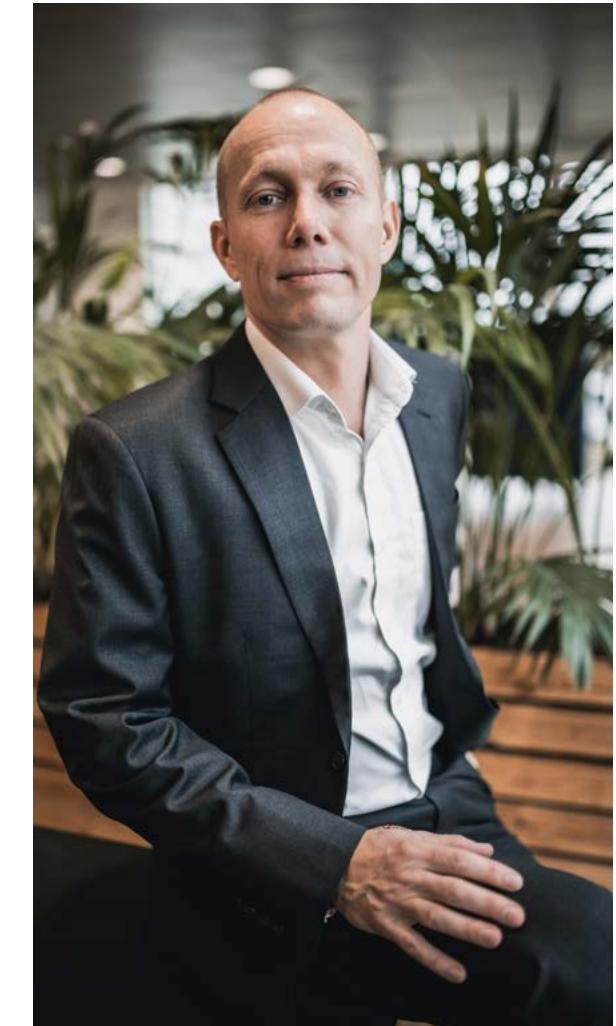
3.2 TWh

of renewable power to
corporate off-takers, equal to
the average electricity use of
more than 2 million Danes.

ers use by 28% by 2030. To reach those targets, we've kickstarted several initiatives: we're in the process of transitioning to an all-electric vehicle fleet, we've set up several EV charging stations that are also available to the public, and we're eliminating emissions from our own consumption of electricity and heating. These actions can take us part of the way but are of course only part of the larger puzzle. We're actively working to determine how we can accelerate the elimination of emissions in electricity sales to end-users through our central role in the wholesale energy markets, and we're working to eliminate emissions associated with our purchase of goods and services.

With renewable energy and sustainability at our core, we've put our own green products and green procurement strategies into play, accelerating our path to becoming a net-zero business.

René Treumer Andersen
Head of Business Development



CASE

New Green Energy to Power our Green Ambitions

When the lights flick on in our offices in Denmark and across Europe, electricity consumption is covered by new renewable power from Danish solar parks.

With our targets set on eliminating emissions from our own power consumption, we turned to one of our own core competencies: tailoring power purchase agreements to match green procurement strategies.

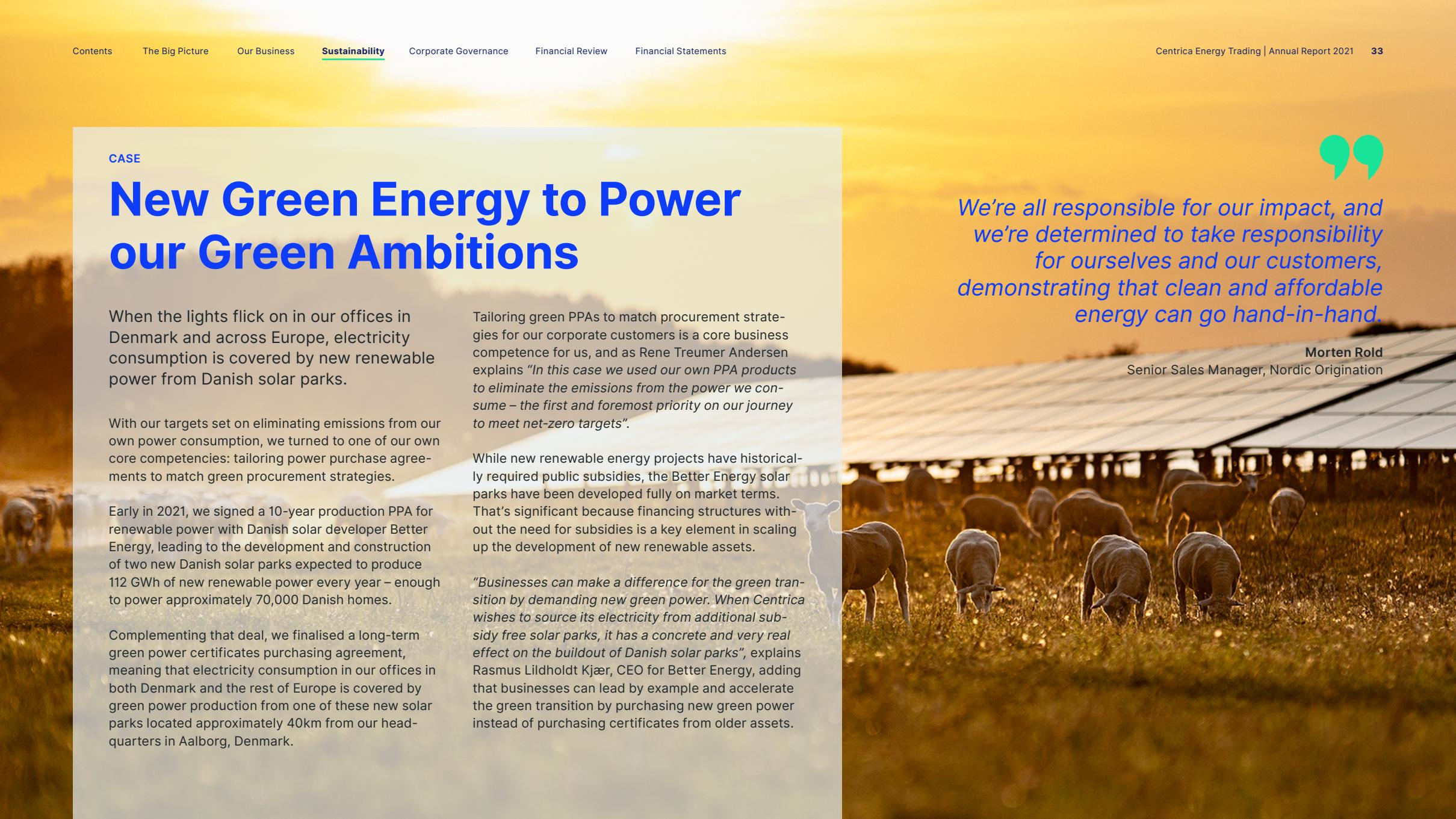
Early in 2021, we signed a 10-year production PPA for renewable power with Danish solar developer Better Energy, leading to the development and construction of two new Danish solar parks expected to produce 112 GWh of new renewable power every year – enough to power approximately 70,000 Danish homes.

Complementing that deal, we finalised a long-term green power certificates purchasing agreement, meaning that electricity consumption in our offices in both Denmark and the rest of Europe is covered by green power production from one of these new solar parks located approximately 40km from our headquarters in Aalborg, Denmark.

Tailoring green PPAs to match procurement strategies for our corporate customers is a core business competence for us, and as Rene Treumer Andersen explains *"In this case we used our own PPA products to eliminate the emissions from the power we consume – the first and foremost priority on our journey to meet net-zero targets"*.

While new renewable energy projects have historically required public subsidies, the Better Energy solar parks have been developed fully on market terms. That's significant because financing structures without the need for subsidies is a key element in scaling up the development of new renewable assets.

"Businesses can make a difference for the green transition by demanding new green power. When Centrica wishes to source its electricity from additional subsidy free solar parks, it has a concrete and very real effect on the buildout of Danish solar parks", explains Rasmus Lildholdt Kjær, CEO for Better Energy, adding that businesses can lead by example and accelerate the green transition by purchasing new green power instead of purchasing certificates from older assets.



We're all responsible for our impact, and we're determined to take responsibility for ourselves and our customers, demonstrating that clean and affordable energy can go hand-in-hand.

Morten Rold
Senior Sales Manager, Nordic Origination



People & Diversity

We are hundreds of passionate energy movers at Centrica Energy Trading A/S, continuously crushing data to predict the future of energy to complete the best possible energy trades for clients, businesses, and communities. We're focused on being up to date on everything energy and technology related.

Driven by a present raging climate crisis, everchanging political landscapes and a never-ending hunger for clean reliable energy, the need for constant innovation is paramount for balancing the increasing volatility and complexity in the energy market. That's why we're constantly optimising our skillsets and technologies, bringing on diverse talent with new ideas to always remain one step ahead of the energy curve and bridge the path to a better, greener, and more meaningful future.

Continuing the fast tempo set in 2020, recruitment has been moving at a record-pace in 2021, with an average of eight new employees being onboarded every month. That's brought our total headcount to 391 in 2021. Building on that momentum, a highlight for the year was the opening of our new Copenhagen office, further anchoring our growth ambitions and expanding our available talent pool through greater access to world-class universities and international specialists located in Copenhagen. In 2021, we have successfully continued

391

Total Employees

34

Average age incl.

students

37 excl. students

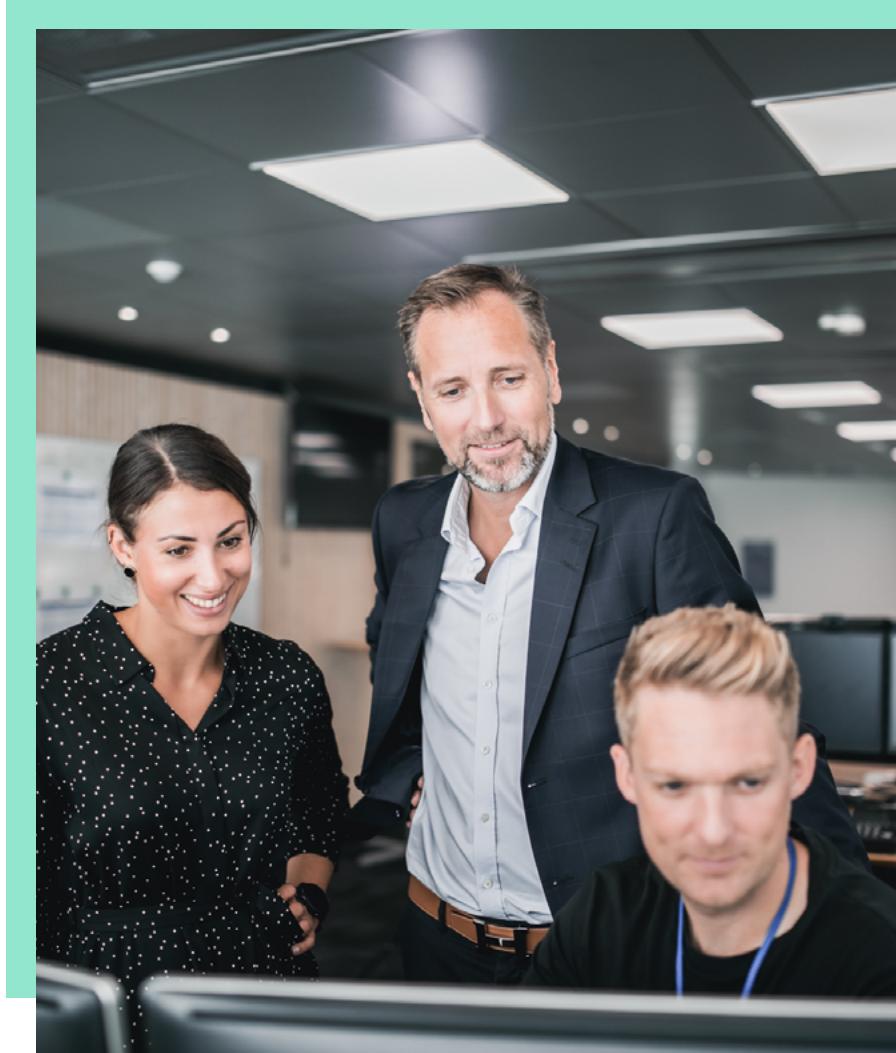
32

Nations represented.

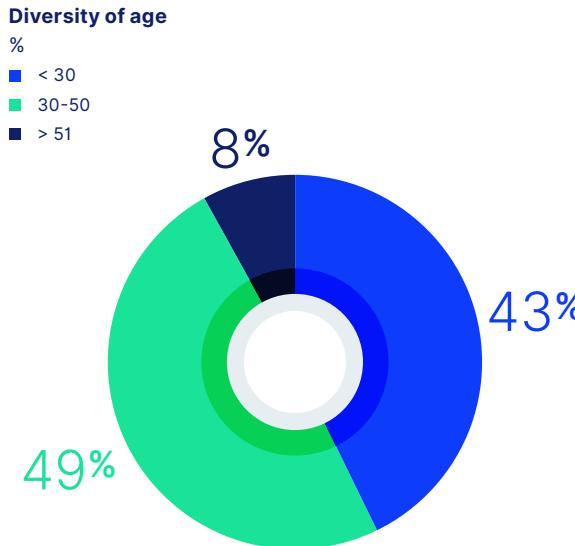
30% of Staff are
non-Danish natives

17%

Student Workers



to take steps towards achieving our ambition to employ a large base of students and support the development of essential practical work experience at local universities, employing many student workers from universities in Aalborg, Aarhus, and Copenhagen. Currently 17% of our workforce consists of student workers, with many continuing in a full-time position after completing their studies. This also means our staff base is relatively young, with an average age of 34.



Powering local potential

Centrica Energy Trading A/S is a high-performance knowledge business. We are always in need of smart people and constantly exploring new paths to growing and enhancing our collective intelligence and understanding of the fields of energy, technology, meteorology and geopolitical implications on future energy consumption and production. Therefore, we take great pride in collaborating with local educational programmes and employment programmes in our community to provide access to knowledge and jobs for talent.

In 2021 we won the award for 'Internship of the Year 2021' by Tech College Aalborg for our internship programme within our IT-department. We have continued our partnership with Aalborg University, specifically relating to the Commodity Economics master's course, a course we helped co-create with Aalborg University back in 2019 and today actively support with external lectures, case studies and more. Finally, we're continually improving and building upon our Graduate Programme, providing recently graduated university students with an opportunity to power their potential in the energy sector. Working in teams tailored to excel their development, our graduates are an important contributor to our talent pipeline. In 2021 we supported a PhD student from Aalborg University researching energy commodity trading and provided access to relevant experts, data sources



and stakeholders to support development of new, publicly available, sector knowledge. We hope that this new research will help to change and improve our industry. 2021 was a busy year and in addition, we awarded two graduate programmes to local top talents.

Engagement reaches new heights

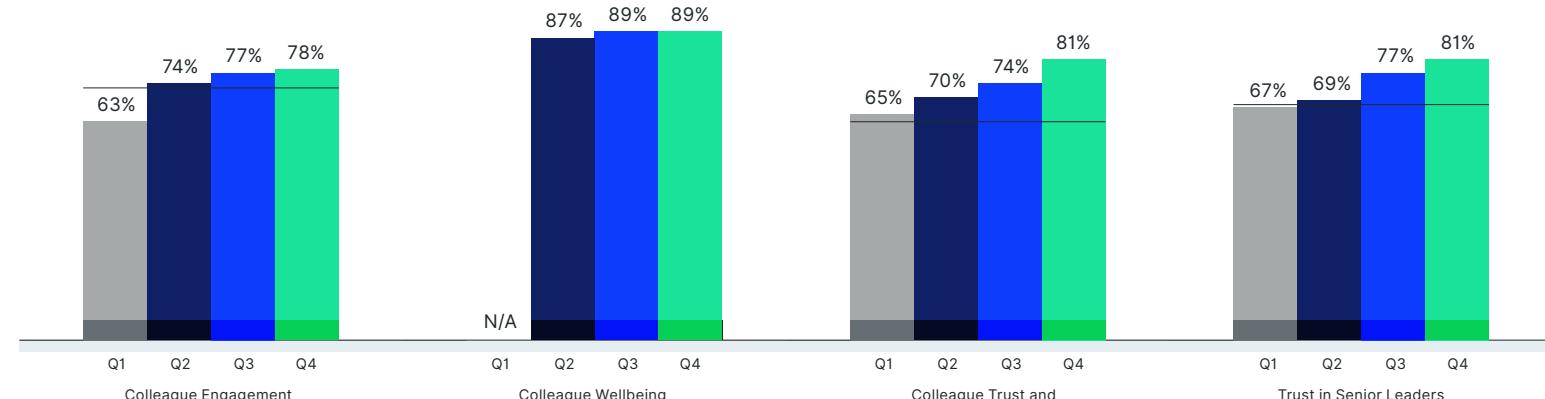
Whilst Covid-19 vaccines to some extent normalised conditions throughout 2021, the global pandemic continued to challenge working conditions with limited access to office facilities and many staff working from home. Fortunately, 2020 had prepared us for exactly this, and most employees were able to continue to efficiently and successfully work and collaborate from home, when necessary. This with just 24 hours' notice. As a company operating in the energy sector, we have responsibilities with regards to operation of critical infrastructure facilities and provision of essential services. Consequently, we have taken concrete steps to minimise the risk of infection among employees working in critical functions related to market management and operations, ensuring that these employees can continue to work safely in our offices.

In 2021, we significantly enhanced and added resources to our ongoing internal employee wellbeing and engagement focus areas. Due to the Covid-19 related new work life balance – and its unknown short- and long-term impacts on our leaders and employees – we decided to implement a quarterly all-staff wellbeing survey. Collecting this feedback enables us to focus our efforts on the right areas, ensuring that we are making improvements where it really matters to our people. We strive to ensure we're a best-in-class workplace with employees who feel empowered and engaged, and with the right conditions for success in a fast-paced business environment.

2021 results of our quarterly "Our Voice" employee engagement survey

The % of colleagues that have responded favourably (agree/strongly agree)

— Global Benchmark*



* Global benchmark provided by People Insights and Qualtrics. The data comes from hundreds of companies of all sizes, spanning the globe and a variety of industries. With over 20 million respondents"

We concluded the year with record high scores across our engagement survey, with notable increases in several key metrics. Some of the main areas of improvement over the year included increased transparency and focus on progressing central strategic deliverables as well as renewed focus on already existing wellbeing initiatives such as our health insurance collaboration. This in combination with new initiatives for improved

planning, prioritisation, and alignment in teams with the aid of agile coaches as well as a stress coach on site to prevent specific stressful situations and help to secure the mental wellbeing of our people helped drive the high engagement survey scores.

These actions were all combined with a dedicated local effort by our people managers.



Diversity makes the difference

Having a diverse workforce is key to satisfying the changing needs of our customers and successfully playing our part in the green energy transition. Providing new perspectives and driving creativity, diversity is fundamental for our ability to secure better, faster, and smarter solutions that make a real difference for our business and customers. We're committed to demonstrating that career opportunity is equal irrespective of gender, nationality, ethnicity, religious background, or age. Supporting the responsible business ambitions of Centrica plc, we believe that building a more sustainable future requires the best team - a team consisting of a diverse mix of people and skills, where everyone feels welcome and able to succeed.

In 2021, our percentage of female employees increased from 23% to 25%. However, the number of female line managers declined from 21% to 16%. Whilst a relative reduction in the number of female managers presents a negative trend, we're actively working to send this metric in the right direction again, including implementing initiatives such as the Centrica's Women's Network, amongst others. Run by women for women, but of course welcoming voices and participation from men, the Centrica Women's Network is a forum for sharing knowledge and experiences while offering the chance to make industry connections. We strongly believe that these connections are invaluable to helping women succeed in the energy

industry and the network aims to make the first step in that direction a little easier.

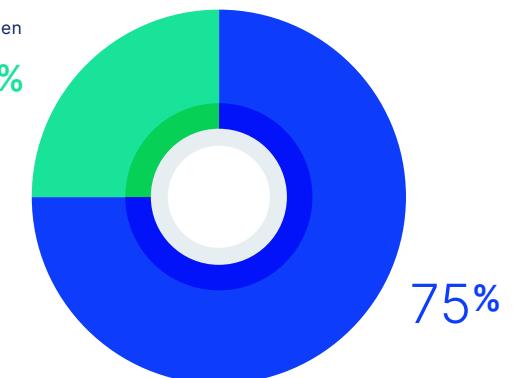
Operating with a pan-European and global focus, we're an international business with staff positioned across the globe. In 2020 over 25 nationalities were represented across our business, rising to 32 in 2021, with new colleagues joining us from a range of countries including China, Croatia, and Ukraine. Bringing specialised knowledge on national- and regional conditions and developments, our international employees are often

Gender diversity – all staff

%

- Men
- Women

25%





“

In order for us to grow and be successful, we need to maximise everyone's contribution and to value our differences. Having an inclusive and diverse culture is part of our identity and critical to achieving our high ambitions.

Anne Mette Bøjstrup
HR Partner

instrumental in supporting country-specific analyses and development of proposals, leveraging their perceptions and skills to support ongoing progress in realising our commercial business strategy.

In 2021 we expanded our diversity programme in Denmark to also include a local Aalborg municipality employment programme in which people with special needs can find meaningful paid employment in their local community, consisting of completing various odd jobs at our premises in Aalborg.

Moving forward, we will continue our focus on supporting the overall Diversity & Inclusion ambitions of Centrica plc. **The 2030 goals are:**

47%

Women

14%

Ethnically diverse

15%

Disability

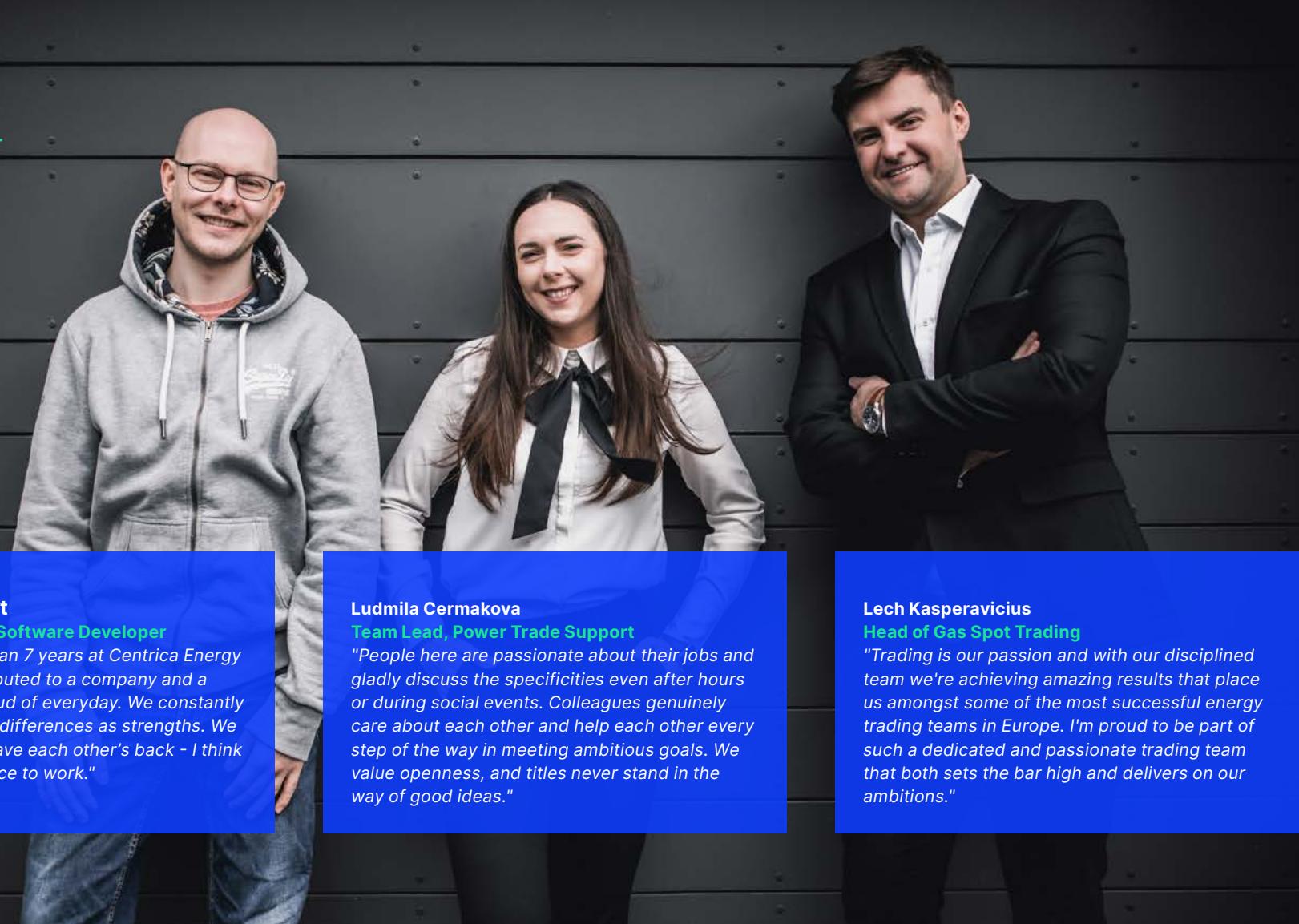
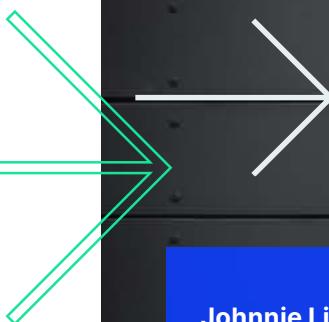
3%

LGBTQ+

In 2022 we will continue to strengthen our focus on equality with the appointment of a Diversity & Inclusion leadership sponsor, who will further define our ambitions and actions.



Culture. People. Values.
Results? We asked some of our
people what matters to them.



Johnnie Lindholt
Manager & Senior Software Developer

"During my more than 7 years at Centrica Energy Trading, I've contributed to a company and a culture that I'm proud of everyday. We constantly evolve and use our differences as strengths. We have fun, and we have each other's back - I think it's truly a great place to work."

Ludmila Cermakova
Team Lead, Power Trade Support

"People here are passionate about their jobs and gladly discuss the specificities even after hours or during social events. Colleagues genuinely care about each other and help each other every step of the way in meeting ambitious goals. We value openness, and titles never stand in the way of good ideas."

Lech Kasperavicius
Head of Gas Spot Trading

"Trading is our passion and with our disciplined team we're achieving amazing results that place us amongst some of the most successful energy trading teams in Europe. I'm proud to be part of such a dedicated and passionate trading team that both sets the bar high and delivers on our ambitions."

Compliance, Risks & Ethics

Today, energy is everything, powering businesses and nations, which means it's a highly regulated sector with high security demands. Being an established large-scale entity in this field, Centrica Energy Trading A/S understands to the fullest that we must ensure the constant assessment of threat levels counting both physical and cyber.

Therefore, we closely monitor relevant guidelines from relevant authorities to always be compliant and at the forefront. Hence, Centrica Energy Trading is compliant with the BEK 2647 (formerly known as BEK 820) regulation - a stamp of approval from the regulatory energy branch in Denmark that we meet their requirements regarding IT resilience and operational readiness.

We also engage in conversation with peers throughout the industry to learn and educate ourselves continuously. We work closely with qualified external resources to aid and assist us in this landscape both operationally, technically, and strategically. As a result of this, we implemented a series of security measures in 2021 to better protect our business and energy assets and minimize risks of serious incidents, including, amongst others: improved measures against ransomwares, improved data security and multi-location back-up solutions, and continuous stress-testing of our resilience & contingency plans. Investments in security measures are expected

to continue in 2022 due to the global focus on energy, increased energy prices and geopolitical instability in Europe.

Data Ethics & GDPR

At Centrica Energy Trading A/S, we follow all local regulations within GDPR and data compliance and rules from the Danish Energy Agency applicable to energy companies in Denmark. Within data ethics we operate to ensure that we are always protecting and processing data to the highest ethical standards.

Within Centrica Energy Trading A/S we process significant amounts of asset data on behalf of our customers and within our own organisation. Data and information security have always been a fundamental part of our business and it is critical that our customers and employees always feel safe when entrusting us with their data. We classify data as either market data or personal data.

Market data is classified as data available to employees required to obtain it due to their specific role. This can be done via purchasing or mining data. Our business model relies on having access to the best quality data to inform our decisions. Having better data means more accurate predictions. The more accurate predictions, the more impact in trading situations. The manner in which we obtain market data is always in line with the regulations of the markets in which we operate. Similarly, our employees are prohibited from transmitting data with the intent to deceive or manipulate the market.

Regarding personal data, we only obtain it when we must, for example, in relation to employment, job applications, media relations work, conferences, marketing and business partners. Our employees are trained in data protection regulations, and a clear process is established for handling of security incidents. All personal data requests and GDPR alignments are assisted

and coordinated by HR and Legal in order to ensure compliance with current legislation. As we are a business-to-business company, our share of data between market data and personal data is roughly 80-20 with employee data accounting for the vast majority of personal data obtained by the company in 2021.

In order to ensure that we keep operating with high standards with regards to data ethics, investments into GDPR resources and data compliance were made in 2021 and more investments are expected in 2022.

Sustainable Development Goals

The United Nations 17 Sustainable Development Goals (SDGs) call on governments, businesses and other stakeholders, to take action on the biggest issues facing people and the planet towards 2030. We're increasingly putting sustainability at the heart of our business, and we're dedicated to contributing positively to the United Nations SDGs by paving the way for a more sustainable future.

We've introduced bolder goals to fight climate change, and every day, we work towards directly and positively impacting the availability of affordable and clean energy (SDG 7) and fighting climate change (SDG 13). The expansion of renewable energy assets is happening at a historic rate, further boosted by the ability of solar, wind and hydropower to outcompete fossil fuel sources in price levels. This is a necessary and positive

development in light of the need for climate action, particularly as we must substantially increase the share of renewable energy in the global energy mix.

We're dedicated to accelerating this development, ensuring that new unsubsidised renewable energy projects get off the ground and thereby supporting SDG 7 through providing affordable and clean energy for all. Given that energy is the leading contributor to climate change, responsible for approximately 60% of global greenhouse gas emissions, our dedication to providing affordable and clean energy for all is both a necessary and important contributor in supporting SDG 13 in the fight against climate change.

Given that energy is the leading contributor to climate change, responsible for approximately

60%

of global greenhouse gas emissions



We're supporting
SDG 7 through providing
affordable and clean
energy for all



We're an important
contributor in supporting
SDG 13 in the fight
against climate change



We've introduced bolder goals
to fight climate change



Responsible Business measures

As a part of the Centrica Group, Centrica Energy Trading's reporting on corporate policies and annual review of progress are covered by Centrica plc. Centrica reviews a number of corporate functions and Corporate Citizenship in the group's Annual Report and a number of reports/updates on Responsible Business measures.

Information and data on Centrica's performance within Corporate Responsibility can be found in the Centrica Annual Report (Pages 29-41):

→ [READ MORE](#)



2021 Centrica plc annual report

→ [READ MORE](#)

Corporate Governance

IN THIS SECTION

44
Governance
Structure

45
Board of
Directors



Governance structure

Centrica Energy Trading A/S and its subsidiaries were acquired by Centrica plc in the fourth quarter of 2016. In the spring of 2019 Neas Energy A/S changed legal name to Centrica Energy Trading A/S.

Centrica Energy Trading A/S is carrying out activities within a larger business unit of Centrica plc; Centrica Energy Marketing and Trading (EM&T).

EM&T is the energy trading and optimisation arm of Centrica plc and is also responsible for managing commodity risk and sourcing energy on behalf of the Centrica Group's energy supply activities.

EM&T's main trading entities are British Gas Trading Limited, Centrica Energy Limited, Centrica LNG Company Limited operating primarily from the UK and Centrica Energy Trading A/S operating primarily from Denmark, through its sales offices in Norway and Sweden and through its subsidiaries from Germany, Singapore, and UK.

Centrica Energy Marketing & Trading is one of five main businesses within Centrica plc; British Gas; Bord Gais; Centrica Business Solutions and Upstream.



Board of Directors

Combining key industry skills within origination, contract management, legal, trading and finance, our Board of Directors collectively holds over 100 years of deep-seated industry experience from global energy and commodity markets.

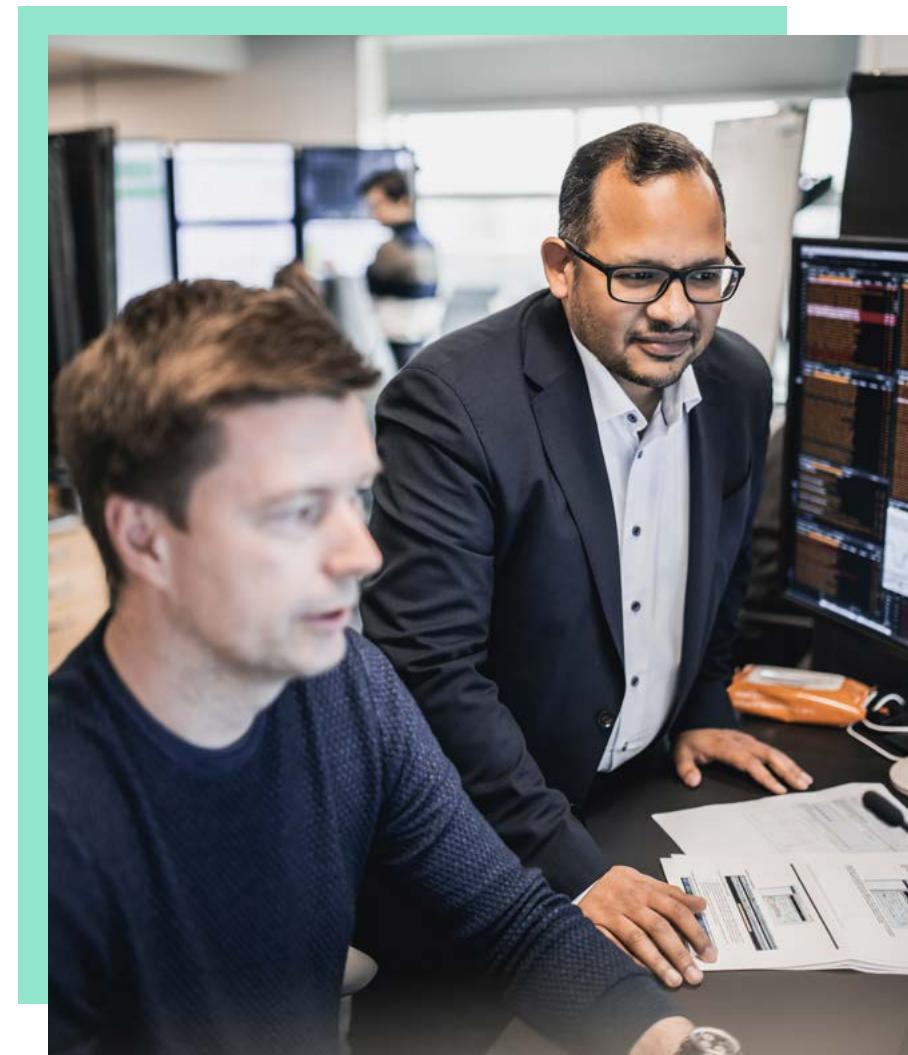
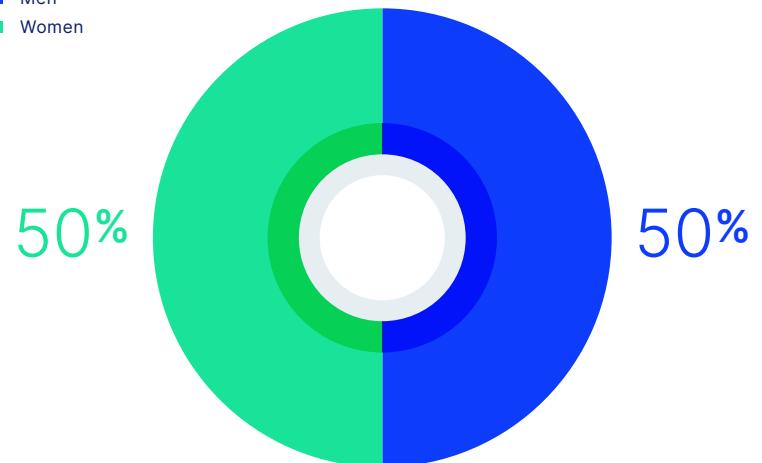
Split 50:50 between female and male representatives, with two employee elected representatives and five different nationalities represented, our Board of Directors represents a truly diverse group of proven industry specialists and leaders.

With due regard to the views of shareholders and other stakeholders, the Board provides leadership and direction including founding culture, values and ethics, setting strategy and overseeing its implementation, ensuring only acceptable risks are taken and being responsible for company governance and the overall financial performance of Centrica Energy Trading.

The Board formally convenes at least four times a year.

**Gender diversity –
Board of Directors**
%

- Men
- Women



**Cassim
Mangerah
CEO**

Cassim Mangerah (CEO) was appointed as the MD at Centrica Energy Marketing & Trading in 2020, having been the Co-MD since 2016 and is a member of the Centrica Leadership Team. Cassim is a true energy trading veteran. He joined Enron's front office back in 1997 during its growth into European Power trading and subsequently Williams as its first local hire.

Cassim's career at Centrica began in 2004. He became responsible for optimisation of Centrica's commodity portfolio and was promoted to the Director of Trading in 2011. Cassim played a critical role in the considerable growth of the business and was instrumental in the acquisition of Neas Energy. Cassim was born in Zambia and moved to the UK in his late teens. He achieved a BEng from Bath University and is a chartered Accountant. Cassim continues to lead Centrica Energy Trading towards becoming a world-class trading organisation.

I'm extraordinarily proud of the amazing performance and growth delivered by our organization, particularly considering the environment we were operating in - facing unprecedented market conditions and still grappling with the ongoing challenges caused by the pandemic. Finally, I'd like to recognize our outgoing chairperson for a brilliant job done.

**Ailsa
Zoya Longmuir
Chair**

Ailsa Zoya Longmuir is General Counsel for Centrica Energy Marketing & Trading and Centrica Business Solutions. As an 11-year veteran at Centrica, Ailsa brings extensive legal experience within Legal and Compliance, with a demonstrated history of working in M&A, oil and gas and commodities trading. Ailsa holds a Master of Arts in Jurisprudence from Oxford University and is pursuing an Executive MBA in Senior Leader Master's Degree Apprenticeship from Henley Business School. Ailsa is a leading executive Sponsor for the Centrica Women's Network, Diversity and Inclusion actions and Charitable Initiatives. She is delighted to have been appointed Chairwoman of Centrica Energy Trading A/S' board commencing at the Annual General Meeting in March 2022. Her experience of corporate governance will prove invaluable to the success of the company going forward.

I worked on the acquisition of Neas Energy in 2015, and have been invested in the corporate journey from that point onward. I am delighted to be part of the growing success and growth of this company. It is a privilege to be appointed Chairwoman of the board of this hub of excellence and I am committed to driving forward this company to achieve and exceed its potential at every turn..

**Stefka
Gerova
Member, former
Chair**

Stefka Georgieva Gerova (Member, former chair) was appointed as the CFO at Centrica Energy Marketing & Trading in 2019 and as Chair of the CET A/S Board in 2020. Stefka brings a wealth of international experience from across the energy and utilities value chain, having previously served as Chief of Staff to the Centrica Group CFO and having led a number of M&A and strategic JV transactions in Centrica, including the acquisition of Neas Energy. In addition to her industry career, Stefka brings extensive knowledge of corporate finance, commodities structuring and capital markets acquired over a decade with J.P. Morgan in a number of senior roles spanning structured commodity origination and equity research in London and New York. Stefka is a CFA charterholder and holds an M.S. in Foreign Service (International Business concentration) from Georgetown University and a B.A. in International Relations and Economics from Pomona College.



I am incredibly proud of the team for delivering consistently strong performance amidst one of the most challenging market environments in recent history, whilst at the same time maintaining a firm focus on controls and risk management, and upholding the interests of our customers.

**Mandeep
Bamal**
Member

Mandeep Bamal is member of Centrica Energy Trading's Commercial Leadership Team and Director of its Trading, Analytics and Algorithms business since 2020. With over 15 years of trading and leadership experience, positioned in some of the leading energy companies in Europe including E.ON Energy Trading and DONG Energy, Mandeep holds extensive knowledge of European Energy Markets. Mandeep has played an instrumental role in the setup and growth of Centrica Energy Trading's asset-backed trading, portfolio management and structured trading business. His strong analytical background is underpinned by his academic background, having achieved a PhD in Engineering from KU Leuven and a B. tech. in Electrical Engineering from IIT Delhi.

The good results achieved by CET last year were underpinned by the excellent performance of our data-driven trading strategies and a robust market-risk, credit, and liquidity management framework. With this result, we are even more confident of successfully delivering on our long-term strategic ambitions of being the best renewable energy trading company in Europe.

**Kristian
Gjerløv-Juel**
Member

Kristian Gjerløv-Juel is member of Centrica Energy Trading's Commercial Leadership Team and Director of its Route-to-Market Origination and Asset Management business since 2020. Kristian has over 15 years of experience in the energy trading industry. He initially entered the energy trading business at Nordjysk Elhandel/Neas Energy, now Centrica Energy Trading, where he was a driving force in the entry and growth of NEAS Energy's renewable trading and PPA capabilities. He later transitioned to senior-level management positions, first at Danske Commodities and subsequently Centrica Energy Trading, reflecting his extensive leadership experience and track record in the fields of trading, origination, business development and strategy. Kristian holds a master's degree in economics from Aalborg University.

In 2021, the markets posed a combination of extraordinary risks and opportunities for our customers. The performance of our teams reflect our ability to manage our risks well and to deliver when our customers call for our service.

**Peter
Holm**
Member

Peter Holm (Employee Representative) is Head of Centrica Energy Trading's Green Desk, where he leads certificate trading and certification of renewable power and gas generation. With a background as Captain in the Danish Armed Forces and within energy consulting, Peter joined Centrica 10 years ago, and has attained an extensive skillset within sustainable development, energy systems, analytics, and sustainability. As a strong operation professional, Peter holds a Master of Science in Engineering focused on Energy and Environmental Planning from Aalborg University.

I am proud that we, despite the Covid-19 pandemic and challenging markets, maintained and further developed our strong, collaborative, work environment, while at the same time making record earnings.

**Susanne
M. Lindbjerg
Christensen**
Member

Susanne Majbritt Lindbjerg Christensen (Employee Representative) is Head of Route-to-Market Contract Management, and an experienced manager and coordinator with a demonstrated track record of working in the energy industry. Susanne originally joined the energy trading business 13 years ago at Nordjysk Elhandel/Neas Energy, now Centrica Energy Trading, where she has worked in several leadership and operational positions across Centrica's origination and renewables domain. Susanne has attained extensive skills within PPA contracting, sales and operations of renewable energy. She is a keen programme and project management professional and holds a bachelor's degree and Graduate Diploma in Business Administration focused on Finance and Economics from Aarhus University.

I am proud to work in a company with great colleagues that meet challenges with a positive mindset. I am humble and honoured to be able to represent the voice of my colleagues in Board meetings, to ensure that topics relevant for the Board are presented as well as understood.

Financial Review

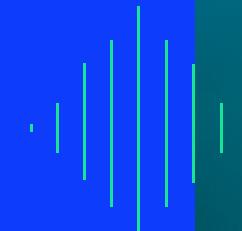
IN THIS SECTION

49
Financial
Performance

51
Managing
Risks

52
Management's
Statement

53
Independent
Auditor's Report



Financial Performance

Financial performance is applicable for both consolidated and parent company.

Income statement

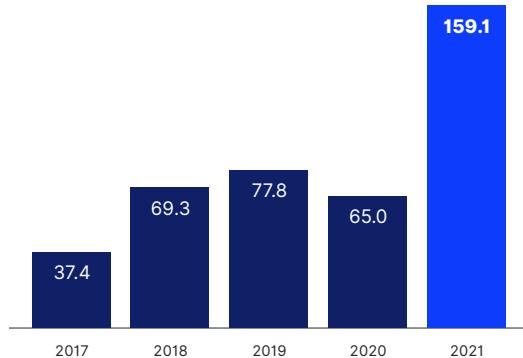
Revenue

Revenue in 2021 was 159,122M DKK, an increase from the 2020 level of 65,008M DKK. Elevated prices of both power and gas were the primary driver of the increase. Growth of our market activity also contributed to the increased revenue.

More than 90% of revenue generated in 2021 was generated by the Gas & Power trading division.

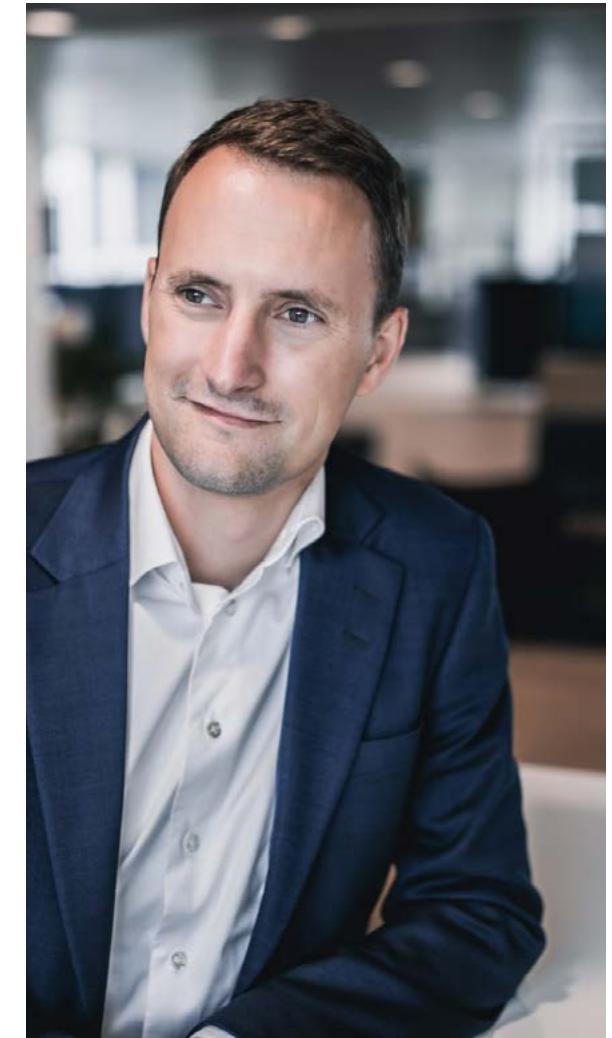
Revenue

billion DKK



2021 was a particularly challenging year due to unprecedented volatility in the energy markets. Despite this, we saw exceptional performance across all business areas.

Rasmus Søgaard Barslund
Finance Director



Gross Profit

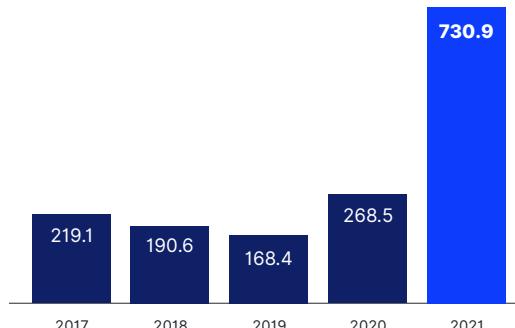
Gross Profit grew compared to previous years. 2021 generated a Gross Profit of 1,143M DKK compared to 648M DKK in 2020. We were able to capture significant value in a very volatile market, with elevated price levels. Algorithmic trading and increased use of advanced analytics continues to have a higher impact on overall profits.

Operating Profit

Operating Profit was 731M DKK compared to 269M DKK in 2020. This is due to costs not increasing materially as gross profits increased over the year.

Operating Profit

million DKK



In our 2020 Annual Report, expectations for 2021 Gross Profit were 550-750M DKK and EBIT of 200-400M DKK. The elevated price levels combined with higher-than-normal volatility created a strong environment for capturing value. Costs were as expected, leading to a higher-than-expected Operating Profit.

Balance sheet

Inventories

The higher gas prices in 2021 as compared to 2020 has increased the value of the gas storage as of year-end.

Referring to the increased volatility in gas prices, the Management has decided to change the cost formula for gas inventories from a weighted average cost formula to a FIFO cost formula as this formula is considered to better reflect the current values of the inventories.

For financial impact see Accounting Policies

Other balance sheet items

The increase in commodity prices drove up the value of both trade receivables and trade payables.

Derivative financial instruments have increased on both the asset side and the liabilities side of the balance sheet as a direct consequence of the elevated commodity prices.

Cash Flow Statement

Net cash flow for the year amounted to 2,254M DKK in 2021 compared to 254M DKK in 2020.

An increase in payables (12,966M DKK) only partially offset by the increase in gas storage (1,397M DKK) and receivables (10.062M DKK), are the main drivers.

Net cash flow from investment activities amounted to -22M DKK in 2021 and net cash flow from financing activities was 0M DKK in 2021.

Outlook

Since the beginning of the year, 2022 has seen unusual market conditions, including elevated prices levels and higher than normal volatility. Our robust business model has stood strong in these market conditions. Risk mitigation in all risk areas have proven sturdy and we are able to continue with a strong financial performance in 2022.

The 2022 financial forecasts are a Gross Profit of 1,400M DKK – 2,000M DKK and Operating Profit of 800M DKK - 1,400M DKK. As a result of the market conditions, there is a high level of uncertainty associated with these estimates.

Managing Risks

An integral part of our business model is to manage a variety of risks: market risk (including commodity price risk and currency risk), credit risk and liquidity risk. The company follows Centrica EM&Ts risk policy, which is designed to identify, manage, and mitigate these risks.

Commodity price risk

We are exposed to the fluctuations in power and gas prices across Europe, due to our portfolio of long-term power purchase agreements and power and gas derivatives. Fluctuations in commodity prices can have a negative impact on our earnings. To mitigate the commodity price risk, we hedge commodity prices in accordance with individual business unit policies and directives including appropriate escalation routes.

Treasury risk

Most of our transactions are carried out in EUR and to some extent in GBP. We are therefore exposed to currency risk on those currencies. To mitigate the risk, we hedge the exchange rates. Treasury risk management, including management of currency risk and liquidity risk is carried out by a Treasury function in accordance with the Group's financing and treasury policy and Centrica EM&Ts hedging policy.

Credit risks

Credit risks arise from our trading activities and power purchase agreements, as market value of the positions shift. Our credit risk team monitors the risk on an ongoing basis, and mitigating actions are taken, when appropriate. The Credit risk function manages the risk in accordance with Centrica EM&Ts risk policy.

For further description refer to notes 24-26.



Management's Statement on the Annual Report

The Board of Directors and the Executive Board have today considered and approved the annual report of Centrica Energy Trading A/S for the financial year 01.01.2021 – 31.12.2021.

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU. The parent financial statements are presented in accordance with the Danish Financial Statements Act. Furthermore, the annual report is prepared in accordance with Danish disclosure requirements for listed companies.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 as well as of the results of their operations and the Group's cash flows for the financial year 01.01.2021 - 31.12.2021.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

In our opinion, the annual report of Centrica Energy Trading A/S for the financial year 01.01.2021 – 31.12.2021 are prepared, in all material respects, in accordance with the ESEF Regulation.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 17.05.2022

CEO



Cassim Mangerah

The Supervisory Board of Directors


Ailsa Zoya Longmuir
Stefka Georgieva Gerova
Mandeep Bamal
Kristian Gjerlov-Juel
Susanne Majbritt
Lindbjerg Christensen
Peter Holm

Chairman

The annual report was presented and approved at the company's ordinary annual general meeting held on 17 May, 2022.


Rasmus Søgaard Barslund

Independent Auditor's Report

To the shareholders of Centrica Energy Trading A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Centrica Energy Trading A/S for the financial year 01.01.2021 - 31.12.2021, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2021 and of the results of their operations and the consolidated cash flows for the financial year 01.01.2021 - 31.12.2021 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements" section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and

the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 consolidated financial statements and parent 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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity'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 consolidated financial statements and the parent 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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary, comprising of the following sections; The Big Picture, Our Business, Social & Sustainability Impact, Corporate Governance and Financial Review, and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary comprising of the following sections; The Big Picture, Our Business, Social & Sustainability Impact, Corporate Governance and Financial Review, is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Aalborg, 17.05.2022

Deloitte

Statsautoriseret Revisionspartnerselskab CVR No. 33963556



Lars Birner Sørensen

State Authorised Public Accountant

Identification No (MNE) mne11671



Peter Mølkjær

State Authorised Public Accountant

Identification No (MNE) mne24821

Financial Statements

IN THIS SECTION

56 Accounting Policies

60 Group Financial Statements

77 Parent Financial Statements



Accounting Policies

General

This Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large enterprises of reporting class C. This include the use of International Financial Reporting Standards for recognition, measurement and presentation and disclosure of financial instruments in accordance with IFRS 7, IFRS 9 and IFRS 13.

2021 is the first year to include consolidated financial statements.

Referring to the increased volatility in gas prices, the Management has decided to change the cost formula for gas inventories from a weighted average cost formula to a FIFO cost formula as this formula is considered to better reflect the current values of the inventories.

The FIFO method better reflects the true value of the gas inventories at the balance date, as the gas in store has been purchased in the previous months.

The effect is decrease on cost of sales and increase on inventories of 710 mio. DKK in 2021 and -14 mio. DKK for 2020.

The effect on tax on current year taxable income is -156 mio. DKK in 2021 and 3 mio. DKK for 2020. There is no effect on deferred tax.

The effect is an increase on the profit for the year and equity of 554 mio. DKK in 2021 and -11 mio. DKK for 2020.

The effect on assets and liabilities are increases of 710 mio. DKK in 2021 and a decrease of 14 mio. DKK for 2020.

Comparative figures are changed to reflect the change in accounting policy.

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Enterprises in which the Group, directly or indirectly, holds between 20% and 50% of the voting rights and exercises significant, but not controlling influence, are regarded as associates.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions

between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' pro rata shares of the profit/loss and the net assets are disclosed as separate items in Management's proposal for the distribution of net profit/loss and equity, respectively.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Foreign currency

The Annual Report is presented in Danish kroner (DKK).

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

Basis of Recognition and Measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities.

All expenses including depreciation, amortization and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when future financial benefits are likely to accrue to the company and the value of such assets can be reliably measured. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably. Upon initial recognition, assets and liabilities are measured at cost unless they are financial instruments measured at fair value. Subsequently, assets and liabilities are measured as described below for each item.

Predictable losses and risks arising before the date of presentation of the financial statements and the facts that confirm or rebut circumstances and conditions existing at the reporting date are taken into consideration upon recognition and measurement.

Income Statement

Revenues

Physical Production

Revenue is measured at the contractually agreed price excl. VAT and taxes charged on behalf of third parties.

Income from the sale of energy and certificates, also including trading activities connected to physical energy, is recognised in accordance with the delivery principle such that income is recognized as and when delivery takes place at the agreed price.

Income from the sale of services is recognised linearly as and when the services are delivered also according to the delivery principle.

Profits and loss is included in the income statement as revenue.

Derivative financial instruments

Profits/losses from financial trading activities are recognised as ascertained and open positions are adjusted to the fair value on the reporting date and the adjustment effect is thus recognised in the income statement as revenue. As an addition reserves are applied as part of the fair value to adjust for the risk of overestimation effectively resulting in a lower valuation prices for both bids and offers respectively.

Day 1 gains and losses from contracts in non-observable markets (level 2 and level 3) are deferred and recognised as income over the contract period.

Foreign currency adjustments arising as part of the adjustment to fair value is recognised in the income statement as revenue.

All revenue is measured gross.

Cost

Cost is recognised in the income statement upon delivery of the acquired service or physical item. Provisions are made for deliveries referring to the reporting period. Cost referring to future periods is accrued as prepayments.

Other operating income

Other operating income includes items of a secondary nature in relation to the company's activities, including income from service agreements with group enterprises.

Depreciation and Amortisation

Amortisation of intangible assets and depreciation of property, plant and equipment aim to ensure linear amortisation and depreciation over the expected useful life of the asset in question.

The following useful lives and residual values apply:

	Useful life	Residual value
Buildings	50 years	2%
Software	3-5 years	0%
Plant and equipment	5 years	0%

Net Financials

Net financials comprise of interest income, interest expenses and foreign currency adjustments.

Interest and other costs on loans to finance the production of intangible and tangible assets, which relate to the production period, are not recognized in the cost price but expensed as incurred.

Taxes

The company is included in the joint taxation with Danish affiliated companies. The current Danish corporation tax is distributed among the jointly taxed companies in proportion to their taxable income (Full distribution with reimbursement of tax losses).

The company is administration company for the joint taxation from 19th November 2020 and as a result settles all payments of corporation tax with the tax authorities.

The tax for the year, which consists of the current tax for the year and the change in deferred tax, is recognised in the income statement with the portion attributable to the net profit or loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

Balance Sheet

Intangible Assets

Intangible assets are measured in the balance sheet at the lower of cost less accumulated amortisation and the recoverable amount. The recoverable amount is the value of the asset in continued use or from sale. Directly and indirectly incurred costs are included in cost.

IT-development projects are recognised at cost, including costs of, for example, wages directly or indirectly attributable to the development projects. Development projects are recognised in the balance sheet where these aim to develop a particular product or system that the company intends to complete with the intention to sell or use. Other development costs are recognised in the income statement in the year they are incurred.

Capitalised development costs are amortised from the time of completion of the product or system linearly over the period where they are expected to generate economic benefits.

In the balance sheet intangible assets are shown as software and all assets within this category are own developed assets.

Property, plant and equipment

Property, plant and equipment is measured in the balance sheet at lower of cost less the accumulated depreciation and the recoverable amount. The recoverable amount is the value of the asset in continued use or from sale.

The recoverable amount of the asset is calculated as the higher of the net selling price and the value in use. The capital value is calculated as the present value of the expected net cash flows from application of the asset or asset group and expected net cash flows from sale of the asset or asset group after the end of useful life.

Cost includes the acquisition price and costs directly related with the acquisition up until the time the asset is ready for use.

For own-manufactured assets, the cost price includes direct and indirect costs for labor consumption, materials, components and subcontractors.

Equity investments in group enterprises or associated companies

Equity investments in group enterprises and associated companies are recognised and measured according to the 'Equity Method'. Accordingly, investments are measured at the pro rata share of the companies' equity value with addition or subtraction of unamortized positive or negative goodwill respectively and with subtraction or addition of unrealised intercompany profits and losses.

In the income statement the parent company's share of the company's profits is recognised for the year after elimination of intercompany profits and losses and with subtraction or addition of amortization of positive or negative goodwill respectively.

Group enterprises and associated companies with a negative equity value are measured at nil and any receivables from such companies are reduced by the parent company's share of the negative equity value to the extent that it is regarded irrecoverable. If the negative equity value exceeds the receivable, the exceeding amount is recognised as a provision only to the extent that the parent company has a legal or de facto obligation to indemnify the liabilities of the company in question.

Inventories

Inventories comprise goods for resale. In general inventories are measured at the lower of cost or net realisable value.

Gas inventories are measured at cost based on the FIFO principle.

ROCs Certificates are measured at weighted-average cost, and other certificates are measured at cost based on the FIFO principle.

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

The spot price is used as an expression of the net realisable value for the gas storage.

Receivables

Receivables consist primarily of settled and realised gains from counterparties related to non derivative trading.

Receivables are measured at amortised cost, which usually corresponds to nominal value less write-down to meet expected loss.

On a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Other Receivables

Other receivables consist primarily of unrealised gains from financial trading activities and deposits.

Contracts from financial trading activities are recognised at fair value. Deposits are measured at nominal value.

Prepayments

Prepayments contains prepaid cost for delivery in periods after status date. The prepayments mainly consist of prepaid cost for trading capacities and external suppliers cost.

Equity

Net revaluation of equity investments in subsidiaries is recognised under equity in reserve for net revaluation according to the equity method, to the extent the carrying amount exceeds the acquisition value.

A reserve for development cost is recognised in the equity and transferred to retained earnings as the development projects are amortized.

Current and deferred taxes

Current tax payables and receivables are recognised in the balance sheet as calculated tax on the taxable income, adjusted for tax on taxable incomes for prior years and tax paid on account.

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

Deferred tax liabilities and deferred tax assets are calculated on the basis of all temporary differences arising between the carrying amount of assets and liabilities and their respective tax assets, and are recognised in the balance sheet at the prevailing tax rate. However, deferred tax of temporary differences regarding non-amortisable goodwill and other items is not recognised where temporary differences, except for company acquisitions, have arisen at the time of acquisition without any impact on the profit or loss or taxable income.

Deferred tax assets are recognised at their assessed expected realisable value, either as a set-off against deferred tax liabilities or as net tax.

Other provisions

Other provisions comprise anticipated costs of claims against the group.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Liabilities other than provisions

Liabilities other than provisions are measured at cost at the time when the liability is incurred. Liabilities other than provisions are subsequently measured at amortised cost, with capital losses and loan costs being distributed over the term of the liability on the basis of the calculated, effective rate of interest at the time at which the liability is incurred.

Payables

Payables consist primarily of settled and realised gains from counterparties related to non derivative trading.

Payables are measured at nominal value.

Other payables

Other payables consist primarily of liabilities towards public institutions and employees.

Other payables are measured at nominal value.

Deferred income

Deferred income contains prepayments received for delivery after status date related to the handling of energy assets.

Cash flow statement

The cash flow statement is prepared according to the indirect method, showing cash flows from operating, investing and financing activities, as well as changes in cash flows for the year and cash equivalents at the beginning and end of the year. Cash flows from operating activities are calculated as the net profit or loss for the year, adjusted for non-cash operating items, corporate income tax paid and changes in working capital.

Cash flows from investing activities consist of the additions to and disposals of intangible assets, property, plant and equipment and investments, appropriately adjusted for changes in the amount of receivables and payables for such items.

Cash flows from financing activities consist of cash flows provided by, and dividend paid to shareholders, as well as the securing of and repayment of non-current liabilities other than provisions.

Cash flows at the beginning and end of the year comprise of cash.

Calculation of financial ratios

Financial ratios have been calculated in accordance with the recommendations of the Danish Society of Financial Analysts:

$$\text{Return on equity: } \frac{\text{Profit for the year}}{\text{Average equity}}$$

$$\text{Profit margin: } \frac{\text{Operating profit}}{\text{Revenue}}$$

$$\text{Equity ratio: } \frac{\text{Equity at year-end}}{\text{Total assets}}$$

Group

Income statement

Amounts in TDKK	Note	2021	2020
Revenue	1	159,121,540	65,008,412
Cost of sales		-157,978,292	-64,359,926
Gross profit		1,143,248	648,486
Own work capitalised		20,645	19,436
Other operating income		29,462	27,109
Other external expenses		-104,352	-95,908
Staff costs	2	-328,542	-300,396
Profit before amortisation and depreciation		760,461	298,727
Depreciation, amortisation and impairment losses		-29,566	-30,207
Operating profit		730,895	268,520
Income from investments in associates	3	-103	709
Other financial income	4	119,542	65,906
Other financial expenses	5	-15,785	-22,580
Profit before tax		834,549	312,555
Tax on profit	6	-181,816	-65,696
Profit for the year		652,733	246,859

Group

Balance sheet

Assets

Amounts in TDKK	Note	2021	2020
Development projects		59,314	55,170
Development projects in progress		20,168	25,713
Intangible assets	7	79,482	80,883
Land and buildings		114,475	118,259
Plant and equipment		8,065	9,575
Plant and equipment in progress		728	1,354
Property, plant and equipment	8	123,268	129,188
Investments in associates		6,677	6,783
Fixed asset investments	9	6,677	6,783
Non-current assets		209,427	216,854
Inventories	10	1,678,748	281,981
Trade receivables		4,626,018	1,076,361
Receivables from group enterprises		189,186	791,772
Receivables from associates		5,208	7,014
Derivative financial instruments	11	7,015,778	903,267
Other receivables	12	1,376,553	383,651
Prepayments	13	71,626	60,561
Receivables		13,284,369	3,222,626
Cash		2,791,588	537,488
Current assets		17,754,705	4,042,095
Assets		17,964,132	4,258,949

Equity and liabilities

Amounts in TDKK	Note	2021	2020
Share capital	14	123,507	123,507
Reserve for currency translation		1,344	-5,505
Retained earnings		1,857,249	1,204,516
Equity		1,982,100	1,322,518
Provision for deferred tax	6	7,675	5,908
Derivative financial instruments	11, 15	813,091	150,817
Other payables	16	20,328	16,860
Non-current liabilities		841,094	173,585
Derivative financial instruments	11, 15	6,701,620	1,013,551
Other provisions	17	31,354	31,354
Debt to group enterprises		2,308,941	91,699
Trade payables		4,372,602	1,298,971
Income tax payable		151,855	74,168
Other payables		1,561,307	239,100
Deferred income	18	13,259	14,003
Current liabilities		15,140,938	2,762,846
Liabilities		15,982,032	2,936,431
Equity and liabilities		17,964,132	4,258,949
Guarantees	19		
Contingent liabilities	20		
Contractual obligations	21		
Fees paid to auditors appointed at the annual general meeting	22		
Related parties	23		
Notes regarding financial instruments	24-28		

Group

Statement of changes in equity

Amounts in TDKK	Share capital	Reserve for currency translation	Retained earnings	Total
Balance as of 01.01.2021	123,507	-5,505	1,204,516	1,322,518
Exchange adjustments relating to foreign entities	0	6,849	0	6,849
Profit/loss for the year	0	0	652,733	652,733
Balance as of 31.12.2021	123,507	1,344	1,857,249	1,982,100

Group

Cash flow statement

Amounts in TDKK	Note	2021	2020
Profit before tax		834,549	312,555
Adjustment of non-cash items		36,521	27,541
Operating profit adjusted for non-liquid items		871,070	340,096
Corporation tax paid		-102,362	-21,951
Changes in net working capital:			
Receivables		-10,061,743	246,518
Inventories		-1,396,767	159,926
Payables		12,966,147	-445,111
Net cash flow from operating activities		2,276,345	279,478
Investment in non-current assets:			
Purchase of intangible assets		-20,765	-19,882
Purchase of property, plant and equipment		-1,480	-2,407
Purchase of financial assets		0	-3,722
Disposal of financial assets		0	565
Net cash flow from investing activities		-22,245	-25,446
Net cash flow from financial activities		0	0
Total net cash flow for the year		2,254,100	254,032
Cash at the beginning of the year		537,488	283,456
Cash at the end of the year		2,791,588	537,488
Cash at end of year specified as follows:			
Cash		2,791,588	537,488
Total		2,791,588	537,488

Group

Notes

1 Revenue	64	13 Prepayments	68	Notes regarding Financial Instruments	
2 Staff costs	64	14 Share capital	68	24 Market risk	71
3 Income from investments in associates	64	15 Derivative financial instruments	68	25 Liquidity risk	73
4 Other financial income	64	16 Other payables (non-current)	68	26 Credit risk	73
5 Other financial expenses	64	17 Other provisions	68	27 Fair value of financial instruments	75
6 Tax on profit from ordinary activities	65	18 Deferred income	68	28 Deferred day one gain or loss reserves	76
7 Intangible assets	65	19 Guarantees	69		
8 Property, plant and equipment	66	20 Contingent liabilities	69		
9 Fixed asset investments	67	21 Contractual obligations	69		
10 Inventories	67	22 Fees paid to auditors appointed at the annual general meeting	69		
11 Derivative financial instruments	67	23 Related parties	70		
12 Other receivables	67				



Group

Notes

1 Revenue

Amounts in TDKK	2021	2020
Total revenue	159,121,540	65,008,412
Profit from fair value instruments included in Revenue	910,902	555,920

More than 90% of Centrica Energy Trading A/S's revenue is within the segment of proprietary trading, and as a result we have not split revenue into segments.

Centrica Energy Trading A/S carries out almost all activities from Denmark as all handling of physical production and trading is done from the main office in Aalborg thus a split of the activity is not relevant. Furthermore Centrica Energy Trading A/S see the European market as an integrated Pan-European market with more and more synergies across countries.

2 Staff costs

Amounts in TDKK	2021	2020
Wages and salaries	304,178	273,777
Pension costs	14,486	15,074
Other social security costs	3,268	3,174
Other staff costs	6,610	8,371
Total	328,542	300,396
Average number of employees	325	328
Remuneration to board of directors	60	90
Remuneration to executive board, including pensions and bonus schemes	425	4,700
Total remuneration to CEO and board of directors	485	4,790

The Executive Board and other senior executives are covered by bonus schemes that depends on profit for the year and personal performance.

3 Income from investments in associates

Amounts in TDKK	2021	2020
Share of profit/loss for the year	-103	709
Total	-103	709

4 Other financial income

Amounts in TDKK	2021	2020
Interest income from group enterprises	108,766	64,976
Interest income from associates	241	239
Exchange rate adjustments	10,427	0
Other interest income	108	691
Total	119,542	65,906

5 Other financial expenses

Amounts in TDKK	2021	2020
Guarantee provision	1,966	2,226
Exchange rate adjustments	0	14,811
Interest expenses	13,819	5,543
Total	15,785	22,580

Group

Notes

6 Tax on profit from ordinary activities

Amounts in TDKK	2021	2020
Tax on current year taxable income	182,204	70,813
Change in deferred tax for the year	-2,054	-4,173
Correction to current tax, previous years	10,711	-874
Correction to deferred tax, previous years	-9,045	-70
Total	181,816	65,696
Deferred tax is computed at 22% and is broken down as follows:		
Intangible assets	17,485	17,794
Plant and equipment	-2,886	-1,753
Current assets	-6,924	-10,133
Total provision for deferred tax, closing balance	7,675	5,908
Total provision for deferred tax, opening balance	5,908	10,151
Provision for deferred tax for the year	1,767	-4,243

7 Intangible assets

Amounts in TDKK	2021	2020
Development projects		
Cost price as of 01.01.2021	202,810	206,315
Transfers during the year	26,310	11,579
Disposals during the year	-1,153	-15,084
Cost price as of 31.12.2021	227,967	202,810
Amortisations as of 01.01.2021	147,640	139,381
Amortisations during the year	21,461	20,744
Reversal of amortisations on disposals in the year	-448	-12,485
Amortisations as of 31.12.2021	168,653	147,640
Booked value intangible assets as of 31.12.2021	59,314	55,170

7 Intangible assets – continued

Amounts in TDKK	2021	2020
Contractual rights		
Cost price as of 01.01.2021	1,516	1,516
Cost price as of 31.12.2021	1,516	1,516
Amortisations as of 01.01.2021	1,516	1,516
Amortisations as of 31.12.2021	1,516	1,516
Book value as of 31.12.2021	0	0
Development projects in progress		
Cost price as of 01.01.2021	25,713	17,410
Additions during the year	20,765	19,882
Transfers during the year	-26,310	-11,579
Cost price as of 31.12.2021	20,168	25,713
Book value as of 31.12.2021	20,168	25,713
Booked value intangible assets as of 31.12.2021	79,482	80,883

Development projects contains own developed software. The software is supporting the Asset Management business as well as the trading area (ETRM systems and Algo trading). Development projects in progress is development projects still under construction.

Group

Notes

8 Property, plant and equipment

Amounts in TDKK	2021	2020
Land and buildings		
Cost price as of 01.01.2021	128,039	126,890
Transfers during the year	0	1,149
Cost price as of 31.12.2021	128,039	128,039
Depreciation as of 01.01.2021	9,780	7,033
Depreciation during the year	3,784	2,747
Depreciation as of 31.12.2021	13,564	9,780
Book value as of 31.12.2021	114,475	118,259
Plant and equipment		
Cost price as of 01.01.2021	26,300	28,016
Transfers during the year	2,106	810
Disposals during the year	0	-2,526
Cost price as of 31.12.2021	28,406	26,300
Depreciation as of 01.01.2021	16,725	15,134
Depreciation during the year	3,616	4,117
Reversal of depreciations on disposals in the year	0	-2,526
Depreciation as of 31.12.2021	20,341	16,725
Book value as of 31.12.2021	8,065	9,575

8 Property, plant and equipment – continued

Amounts in TDKK	2021	2020
Plant and equipment in progress		
Cost price as of 01.01.2021	1,354	906
Additions during the year	1,480	2,407
Transfers during the year	-2,106	-1,959
Cost price as of 31.12.2021	728	1,354
Depreciation as of 01.01.2021	0	0
Depreciation as of 31.12.2021	0	0
Book value as of 31.12.2021	728	1,354
Booked value property, plant and equipment as of 31.12.2021	123,268	129,188

Group

Notes

9 Fixed asset investments

Amounts in TDKK	2021	2020
Investment in associates		
Cost price as of 01.01.2021	5,966	11,178
Disposals during the year	0	-5,212
Cost price as of 31.12.2021	5,966	5,966
Revaluation and depreciation as of 01.01.2021	817	-4,512
Share of profit/loss for the year	-103	709
Reversal of revaluations and depreciations on disposals in the year	0	4,647
Fair value adjustments in the year	-3	-27
Revaluation and depreciation as of 31.12.2021	711	817
Book value as of 31.12.2021	6,677	6,783

	Domicile	Percentage owned
Group enterprises		
Neas Invest A/S	Aalborg, Denmark	100%
Neas Energy Ltd.	London, United Kingdom	100%
Centrica Energy Trading GmbH.	Hamburg, Germany	100%
Centrica Energy Trading Pte. Ltd.	Singapore	100%
Associates		
Vindpark Keblowo ApS	Hobro, Denmark	50%

10 Inventories

Amounts in TDKK	2021	2020
Gas	1,591,165	218,695
Certificates	87,583	63,286
Total	1,678,748	281,981

11 Derivative financial instruments

Amounts in TDKK	2021	2020
Derivative financial instruments included in other receivables as of 01.01.2021	903,267	1,174,824
Derivative financial instruments included in other receivables as of 31.12.2021	7,015,778	903,267
Financial assets measured at fair value through profit/loss	6,112,511	-271,557
Receivables related to derivative financial instruments above 1 year amounts to	792,380	125,211
Derivative financial instruments included in other payables as of 01.01.2021	1,164,368	787,483
Derivative financial instruments included in other payables as of 31.12.2021	7,514,711	1,164,368
Financial liabilities measured at fair value through profit/loss	-6,350,343	-376,885

12 Other receivables

Amounts in TDKK	2021	2020
Deposits	1,319,944	312,113
Others	56,609	71,538
Total	1,376,553	383,651

Group

Notes

13 Prepayments

Prepayments contains prepaid costs.

14 Share capital

Share capital comprises 123,507,152 shares at a nominal value of DKK 1 each - 84,998,992 A-shares and 38,508,160 B-shares.

Amounts in TDKK

Changes in share capital

	2021	2020
Balance as of 01.01.2017	123,507	
Balance as of 31.12.2021	123,507	

15 Derivative financial instruments

	2021	2020
Amounts in TDKK		
Fair value at 31 December	7,514,711	1,164,368
Within 1 year	6,701,620	1,013,551
2-5 years	743,561	128,073
After 5 years	69,530	22,744
Total	7,514,711	1,164,368

16 Other payables (non-current)

	2021	2020
Amounts in TDKK		
Nominal value of debt	20,328	16,860
2-5 years	20,328	16,860
After 5 years	0	0
Total	20,328	16,860

17 Other provisions

Centrica Energy Trading A/S is part in legal disputes which are expected to be settled in 2022. Management has made provisions of 31,354 TDKK which are considered to be sufficient to cover potential losses.

After the balance date 50% of the value of the disputes were settled at zero cost to Centrica Energy Trading A/S, and 50% of the provision has been released.

18 Deferred income

Deferred income are prepayments received relating to income in subsequent years, where the company has not yet provided the goods.

Group

Notes

19 Guarantees

Amounts in TDKK	2021	2020
The Company's banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to	1,119,099	616,650

20 Contingent liabilities

The 19th November 2020 the group of companies participating in the Joint Taxation was changed, and Centrica Energy Trading A/S became the administration company. The Joint Taxation consists of CET A/S, Neas Invest A/S and Centrica Energy Ltd (Permanent establishment in Denmark).

Until 19th of November 2020 the Groups Danish Companies participated in a Danish joint taxation arrangement in which Spirit Energy Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2018 for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

21 Contractual obligations

Amounts in TDKK	2021	2020
Non-financial rent and leasing payments		
Within 1 year	3,766	2,249
2 -5 years	1,487	1,689
After 5 years	0	785
Total	5,253	4,723

22 Fees paid to auditors appointed at the annual general meeting

Amounts in TDKK	2021	2020
Mandatory audit of the annual accounts	1,483	567
Total	1,483	567

Group

Notes

23 Related parties

Controlling influence:

Centrica Overseas Holding Limited, United Kingdom

Other related parties:

Cassim Mangerah, Windsor, United Kingdom

Ailsa Zoya Longmuir, London, UK

Stefka Georgieva Gerova, Maidenhead, United Kingdom

Mandeep Bamal, Hellerup, DK

Kristian Gjerløv-Juel, Størvring, DK

Susanne Majbritt Lindbjerg Christensen, Aalborg, DK

Peter Holm, Svenstrup, DK

Subsidiaries:

Neas Invest A/S, Aalborg, Denmark

Neas Energy Ltd, London, United Kingdom

Centrica Energy Trading GmbH, Hamburg, Germany

Centrica Energy Trading Pte. Ltd., Singapore

Vindpark Keblovø Aps, Hobro, Denmark

Basis of influence:

Parent company

Basis of influence:

CEO

Chairman of the supervisory board of directors

Member of the supervisory board of directors

- Employee Representative

Member of the supervisory board of directors

- Employee Representative

23 Related parties – continued

Ownership structure:

Centrica Energy Trading A/S, the parent company, appears as a subsidiary in the consolidated accounts for Centrica Plc (Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, No.: 3033654) which includes the biggest and smallest group in which the parent company is a subsidiary.

The following shareholders are registered in the company's Register of Shareholders with a shareholding of more than 5%:

Centrica Overseas Holding Limited, United Kingdom.

The Group Structure is as follows:

Centrica Overseas Holdings Ltd, UK

GB Gas Holdings Ltd, UK

Centrica Holdings Ltd, UK

Centrica PLC, UK

The consolidated accounts of Centrica PLC are available at Centrica's website: www.centrica.com

Transactions:

Fees to the executive and supervisory boards, re. note 2.

Transactions with related parties, is only mentioned in case the transactions are not performed at arm's length. There is no such transaction in the financial year 2021.

Group

Notes Regarding Financial Instruments

Centrica Energy Trading's use of IFRS 9 – Financial instruments requires further information in accordance with IFRS 7 – Financial instruments: Disclosures and IFRS 13 – Fair Value Measurement. The notes in the following section is an addition related to the use of IFRS 9 and covers the following categories of financial instruments in the annual report:

Amounts in DKK	2021	2020
Derivative financial instruments	7,015,778	903,267
Financial assets measured at fair value through profit/loss	7,015,778	903,267
Trade receivables	4,626,018	1,076,361
Receivables from group enterprises	189,186	791,772
Cash	2,791,588	537,488
Financial assets measured at amortised cost	7,606,792	2,405,621
Derivative financial instruments	7,514,711	1,164,368
Financial liabilities measured at fair value through profit/loss	7,514,711	1,164,368
Trade payables	4,372,602	1,298,971
Debt to group enterprises	2,308,941	91,699
Financial liabilities measured at amortised cost	6,681,543	1,390,670

Financial risk

As a result of the business model Centrica Energy Trading is exposed to a variety of financial risks: market risk (including commodity price risk and currency risk), credit risk and liquidity risk. The company follows Centrica EM&Ts risk policy, which is designed to identify, manage and mitigate these risks.

To monitor and manage market risk, Centrica Energy Trading uses risk capital allocation. The allocation of risk capital helps management evaluate the development of Centrica Energy Trading's risk profile. Risk capital is monitored continually, ensuring immediate reaction to unexpected events. Commodity price risk management is carried out in accordance with individual business unit policies and directives including appropriate escalation routes.

Treasury risk management, including management of currency risk and liquidity risk is carried out by a Treasury function in accordance with the Group's financing and treasury policy and Centrica EM&Ts hedging policy. In accordance with the hedging policy, Centrica Energy Trading does not hedge out EUR positions, but hedges out all other material currency positions.

Credit risks associated with commodity trading are managed by a Credit risk function in accordance with the Centrica EM&T risk policy. Centrica Energy Trading continually reviews its rating thresholds for relevant counterparty credit limits and updates these as necessary, based on a consistent set of principles. It continues to operate within its limits. In respect of trading activities there is an effort to maintain a balance between exchange based trading and bilateral transactions. This allows for a reasonable balance between counterparty credit risk and potential liquidity requirements. In addition, the Group actively manages the trade-off between credit and liquidity risks by optimising the use of contracts with collateral obligations and physically settled contracts without collateral obligations.

24 Market risk

Market risk is the risk of loss that results from changes in market prices (commodity prices, foreign exchange rates and interest rates). The level of market risk to which Centrica Energy Trading is exposed at a point in time varies depending on market conditions, expectations of future price or market rate movements and the composition of the company's physical asset and contract portfolio.

Commodity price risk

Market Risk Management constantly monitors risk exposure across business areas using a standard Value-at-Risk metric (VaR) approach. The VaR measure summarizes the maximal loss over a specific timeframe with a given confidence level (1-day 95% is the industry standard). The model parameters include prices, volatilities and positions among others. Other internally developed models complement the VaR approach to enhance the risk awareness. The VaR utilization during 2021 ranged between 7,1 and 113,8m DKK. The associated risk limits are set in the Risk Policy on the Group level and in the Risk Guidelines for the respective business areas. As an energy trading company Centrica Energy Trading is active in most power and gas markets throughout Europe, as well as the related markets for e.g. green certificates.

The VaR numbers, as defined in the Risk Policy, reported ultimo 2020 and 2021 respectively are 10,7 mDKK and 85,9 mDKK. The majority of market risk exposure reflected in these numbers is related to price spread among price areas or as time spreads within price area as oppose to an outright exposure against the general price level of power or gas.

Group

Notes Regarding Financial Instruments

24 Market risk – continued

Renewable production volumes and the associated volumetric risk are regularly reassessed. Meteorologists, traders and quantitative analysts carry out this evaluation. Based on the evaluation the hedge is adjusted within the limits set in the Risk Policy.

Interest rate risk

Centrica Energy Trading does not have any interest-bearing debt and is therefore not exposed to interest rate risk.

Currency risk

The framework for open currency positions is based on the risk assessment of the foreign currency market. Each currency is associated with a risk weight reflecting the risk related to the respective currencies. The commercial currency exposure is accumulated in a portfolio managed by Centrica Energy Trading's Treasury department and subsequently hedged in the market.

Trading energy throughout Europe in different currencies naturally entails currency risk, which is handled by the Treasury Department with the purpose of removing all material currency risk.

Sensitivity analysis

IFRS 7 requires disclosure of a sensitivity analysis that is intended to illustrate the sensitivity of the company's financial position and performance to changes in market variables (commodity prices, foreign exchange rates and interest rates) as a result of changes in the fair value or cash flows associated with the company's financial instruments. The sensitivity analysis provided discloses the effect on profit or loss at 31 December 2021, assuming that a reasonably possible change in the relevant risk variable had occurred at 31 December 2021, and has been applied to the risk exposures in existence at that date to show the effects of reasonably possible changes in price on profit or loss.

The sensitivity analysis provided is hypothetical only and should be used with caution as the impacts provided are not necessarily indicative of the actual impacts that would be experienced. This is because the company's actual exposure to market rates is changing constantly as the company's portfolio of commodity, debt and foreign currency contracts changes.

24 Market risk – continued

Transactional currency risk

The company has performed an analysis of the sensitivity of the company's financial position and performance to changes in foreign exchange rates. The company deems 0.5% movements to Euro and 10% movements to Pounds Sterling currency rates relative to Danish kroner to be reasonably possible. The impact of such movements on profit are as follows:

	2021		2020	
	Currency change	P/L and Equity effect before tax	Currency change	P/L and Equity effect before tax
EUR	+0.5%	29,017	+0.5%	4,746
	-0.5%	-29,017	-0.5%	-4,746
GBP	+10%	-41,227	+10%	-3,161
	-10%	41,227	-10%	3,161

Interest rate risk

The company is not exposed to movements in interest rates.

Commodity price risk

The impacts of reasonably possible changes in commodity prices on profit and equity, both after taxation, based on the assumptions set out above are as follows:

Amounts in TDKK	2021		2020	
	Price change	P/L and Equity effect before tax	Price change	P/L and Equity effect before tax
Nordic Power	+24%	-348,407	+10%	15,557
	-24%	328,404	-10%	-15,557
Continental Power	+24%	229,274	+10%	-13,388
	-24%	-229,274	-10%	13,388
UK Power	+24%	9,921	+10%	3,000
	-24%	-13,364	-10%	-3,000
Europe Gas	+26%	-1,137,919	+10%	-41,118
	-26%	1,134,206	-10%	41,118

Group

Notes Regarding Financial Instruments

25 Liquidity Risk

Liquidity risk is the risk that the company is unable to meet its financial obligations as they fall due. The company experiences significant movements in its liquidity position primarily due to the seasonal nature of its business and margin cash arrangements. To mitigate this risk the company maintains significant committed facilities.

During 2021 Centrica Energy Trading has had a positive cash flow and has a solid liquidity reserve to support the business, limiting the liquidity risk concerning obligations to customers and counterparts. The continuous focus on daily monitoring and reporting on liquidity to ensure optimal placement of cash relative to earnings has been maintained.

Maturities of derivative financial instruments and trade payables are provided in the following tables:

2021

Amounts in TDKK	Ultimo 2021	2022	2023	2024	After 2024
Trade payables	4,372,602	4,372,602	0	0	0
Debt to Group enterprises	2,308,941	2,308,941	0	0	0
Fair value of physical and financial instruments	7,514,711	6,701,620	534,816	115,448	162,827
Total	14,331,825	13,518,734	534,816	115,448	162,827

2020

Amounts in TDKK	Ultimo 2020	2021	2022	2023	After 2024
Trade payables	1,155,391	1,155,391	0	0	0
Debt to Group enterprises	107,364	107,364	0	0	0
Fair value of physical and financial instruments	1,164,367	1,024,712	116,665	-3,796	26,786
Total	2,427,122	2,287,467	116,665	-3,796	26,786

Centrica Energy Trading has credit facilities in form of guaranties at Euler Hermes 350 mDKK. At Sydbank the credit facility in form of guarantees is 180 mDKK, where 100 mDKK can be used as a cash overdraft.

26 Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to discharge its obligations under a contract.

According to Centrica Energy Trading's Risk Policy, all counterparts are required to be credit rated and an internal limit imposed defining the maximum exposure allowed. Credit evaluating each counterpart specifically is creating this foundation by setting the basic boundaries for the trading activities. During and after onboarding, the credit team monitors the customer's or counterparty's credit worthiness and decides what should be done in order to enter a contract or a cooperation including the issues regarding bank guarantees, parent company guarantee, CSA etc. Centrica Energy Trading's credit risk monitoring covers a daily report of the overall credit lines and exposure to trading counterparts. The credit rating used in the analysis below has been taken from external credit rating bureaus. Provision for loss debt was at the beginning of the year 1.0 mDKK. Given a use of provision through the year of 0.4 mDKK and a need for 9.3 mDKK further, the provision at 31.12.2021 was 9.9 mDKK. Bad debt for the year was 9.1 mDKK. Overdue receivables at 31.12.2021 was immaterial, and none above 30 days overdue.

2021

Amounts in TDKK	Trade Receivables	Fair value of physical and financial instruments	Total
The credit quality of the group's counterparties			
Clearing centres	1,022,921	442,921	1,465,842
Minimal risk (Rated A)	583,921	613,624	1,197,545
Low risk (Rated B)	2,963,720	5,852,354	8,816,074
High risk (Rated C)	51,382	106,879	158,261
Not rated	0	0	0
Total	4,621,944	7,015,778	11,637,722

2020

Amounts in TDKK	Trade Receivables	Fair value of physical and financial instruments	Total
The credit quality of the group's counterparties			
Clearing centres	143,628	24,206	183,325
Minimal risk (Rated A)	357,726	126,728	452,896
Low risk (Rated B)	538,572	749,390	1,306,785
High risk (Rated C)	31,262	2,867	31,371
Not rated	0	77	77
Total	1,071,188	903,267	1,974,455

Group

Notes Regarding Financial Instruments

26 Credit Risk – continued

A considerable part of Centrica Energy Trading's counterparts are covered by the standard EFET agreement. This agreement also contain regulation on credit, payment and offsetting. This means that Centrica Energy Trading is less exposed to credit risk as opposed to trading with less or no standardised terms.

Minimal and low risk covers TSO's, Power Plants and A-rated counterparts. It is the assessment of Centrica Energy Trading that these counterparts carry no or only little credit risk as they are part of partly public security of supply or have high credit ratings. The category "Not rated" covers counterparts with smaller claims that has not been formally classified in the year end process or counterparts without any formal rating.

Centrica Energy Trading carries out an evaluation of the credit risk towards any counterpart before trading is commenced.

Offsetting

Centrica Energy Trading enters into offsetting agreements with counterparts also covering financial contracts. Both long and short positions are traded with these counterparts and the gross value of these contracts can be significant. However, the possibility to offset individual contracts with these counterparts means that the actual cash settlement of the contracts is significantly lower. Offsetting is mainly done on specific counterparts on the specific product, but Centrica Energy Trading also apply master netting agreements with the possibility to do cross commodity netting. The netting is carried out also in the actual settlement in cash. The table below shows the financial assets and liabilities that are subject to offsetting.

26 Credit Risk – continued

Offsetting of receivables

Amounts in TDKK	2021			2020		
	Gross	Netting	Net	Gross	Netting	Net
Trade receivables	13,255,230	8,629,212	4,626,018	5,053,615	3,982,427	1,071,188
Receivable from group enterprises, current portion	5,746,100	5,556,914	189,186	1,278,285	622,811	655,474
Fair value of physical and financial instruments	92,670,891	85,655,113	7,015,778	7,308,342	6,405,075	903,267
Paid/Received cash on futures	0	0	0	0	0	0
Total	111,672,221	99,841,239	11,830,982	13,640,242	11,010,313	2,629,929

Offsetting of payables

Amounts in TDKK	2021			2020		
	Gross	Netting	Net	Gross	Netting	Net
Trade payables	13,001,814	8,629,212	4,372,602	5,137,818	3,982,427	1,155,391
Payables to Group enterprises	5,556,914	5,556,914	0	622,811	622,811	0
Fair value of physical and financial instruments	93,169,824	85,655,113	7,514,711	7,569,443	6,405,075	1,164,368
Paid/Received cash on futures	128,209	0	128,209	34,499	0	34,499
Total	111,856,761	99,841,239	12,015,522	13,364,571	11,010,313	2,354,258

Group

Notes Regarding Financial Instruments

27 Fair value of financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount of receivables measured at amortised cost are short term and thus a reasonable approximation of fair value. The company has documented internal policies for determining fair value, including methodologies used to establish valuation adjustments required for credit risk.

Fair value hierarchy

Financial assets and financial liabilities measured and held at fair value are classified into one of the three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities;
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data; and
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

2021

	Amounts in TDKK			
	Level 1	Level 2	Level 3	Total
Assets				
Power	0	2,867,019	2,048,187	4,915,206
Gas	0	2,946,959	-831,501	2,115,458
Other	0	-14,886	0	-14,886
Total	0	5,799,092	1,216,686	7,015,778
Liabilities				
Power	0	-2,795,482	-1,273,559	-4,069,041
Gas	0	-1,191,928	-2,344,248	-3,536,176
Other	0	-37,703	0	-37,703
Total	0	-4,025,113	-3,617,807	-7,642,920
Total	0	1,773,979	-2,401,121	-627,142

Where fair value is observable, but adjusted, it's now considered to be Level 2.

27 Fair value of financial instruments – continued

2020

Amounts in TDKK	Level 1	Level 2	Level 3	Total
Assets				
Power	-11,472	152,098	241,450	382,076
Gas	195	560,974	-101,331	459,838
Other	0	61,353	0	61,353
Total	-11,277	774,425	140,119	903,267
Liabilities				
Power	-12,594	-141,245	-131,343	-285,182
Gas	-17,144	-93,279	-681,850	-792,273
Other	0	-121,412	0	-121,412
Total	-29,738	-355,936	-813,193	-1,198,867
Total	-41,015	418,489	-673,074	295,600

The reconciliation of the Level 3 fair value measurements during the year is as follows.

Level 3 financial instruments

Amounts in TDKK	2021	2020
1st January	-673,074	858,304
Transfers between level 2 and 3	-231,968	-207,189
Total realized and unrealized (losses)/Gains recognized through profit or loss	-1,496,079	-1,324,189
31st December	-2,401,121	-673,074
Total (losses)/gains for the year for level 3 instruments	-1,496,079	-1,324,189

Transfers between levels are deemed to occur at the beginning of the reporting period.

Group

Notes Regarding Financial Instruments

27 Fair value of financial instruments – continued

Valuation techniques used to derive Level 2 and Level 3 fair values and Group valuation process

Level 2 energy derivatives are fair valued by comparing the difference between the expected contractual price for the relevant commodities and the quoted prices or prices derived from quoted prices. Renewable energy contracts with volume flexibility enter the valuation with their expected production profile.

Level 2 foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market.

Level 3 energy derivatives are instruments based on non-observable input. Market values based on non-observable input comprise primarily long-term contracts on the purchase of power and to a lesser extent sale of power and purchase/sale of gas related derivatives. As there are no active markets for long term gas and power, the market values have been determined through an estimate of future prices. In most markets observability is limited to 3-4 years. The price is projected by extending the observable forward curve. Valuation of options are based on standard simulation models.

The fair values disclosed only concern contracts within the scope of IFRS 9. Centrica Energy Trading also holds contracts outside the scope of IFRS 9. Such contracts are not fair valued.

The Risk Management team perform valuation of derivatives for financial reporting purposes, including Level 3 valuations. It is also Risk Management that derives future commodity price curves based on available external data and these prices feed into the energy derivatives valuations.

Sensitivity analysis of Level 3 contracts

The market risk for all Level 3 contracts is included in the risk limits set in the Risk Policy and consequently hedged in the underlying markets or through proxy hedge in correlated markets (Level 1 and 2 contracts).

The sensitivity analysis reflects the financial impact of a change in the underlying commodity prices (delta values). The most critical non observable input is power prices and gas prices in the specified regions.

27 Fair value of financial instruments – continued

Amounts in TDKK	2021	2020	2021	2020
	Price change	P/L effect before tax	Price change	P/L effect before tax
Nordic Power	+24%	116,895	+10%	33,703
	-24%	-136,740	-10%	-33,703
Continental Power	+24%	238,872	+10%	12,788
	-24%	-238,872	-10%	-12,788
UK Power	+24%	9,843	+10%	4,715
	-24%	-13,259	-10%	-4,715
Europe Gas	+26%	-3,179,716	+10%	-275,199
	-26%	3,176,157	-10%	275,199

28 Deferred day-one gain or loss reserves

Centrica Energy Trading does not recognize day-one gains or losses on the initial recognition of financial instruments, because the gain or loss is not directly observable on an active market. Valuation of day-one gains and losses are based on observable and unobservable data by using internally developed methodologies that result in management's best estimate of fair value.

Adjustment to opening balance relates to corrections of existing contracts.

Day-one gain or loss deferred

Amounts in TDKK	2021	2020
1st January	262,683	191,261
Adjustment to opening balance	0	80,501
Net gain/loss deferred on purchases in the year	644,519	26,601
Net amounts recognised in the income statement	-14,001	-35,680
31st December	893,201	262,683

Parent Financial Statements

Parent Company

Income statement

Amounts in TDKK	Note	2021	2020
Revenue	1	158,979,562	64,899,470
Cost of sales		-157,957,062	-64,341,112
Gross profit		1,022,500	558,358
Own work capitalised		20,645	19,436
Other operating income		47,125	40,691
Other external expenses		-96,716	-91,132
Staff costs	2	-308,921	-281,197
Profit before amortisation and depreciation		684,633	246,156
Depreciation, amortisation and impairment losses		-29,554	-30,197
Operating profit		655,079	215,959
Income from investments in group enterprises	3	67,948	48,552
Income from investments in associates	4	-103	709
Other financial income	5	113,816	61,159
Other financial expenses	6	-15,611	-23,655
Profit before tax		821,129	302,724
Tax on profit	7	-168,396	-55,865
Profit for the year		652,733	246,859

Distribution of profit for the year

Amounts in TDKK	2021	2020
Proposed distribution of profit:		
Retained earnings	652,733	246,859
Total	652,733	246,859

Parent Company

Balance sheet

Assets

Amounts in TDKK	Note	2021	2020
Development projects		59,314	55,170
Development projects in progress		20,168	25,713
Intangible assets	8	79,482	80,883
Land and buildings		114,475	118,259
Plant and equipment		8,048	9,546
Plant and equipment in progress		728	1,354
Property, plant and equipment	9	123,251	129,159
Investments in group enterprises		202,855	128,060
Investments in associates		6,677	6,783
Fixed asset investments	10	209,532	134,843
Non-current assets		412,265	344,885
Inventories	11	1,678,748	281,981
Trade receivables		4,621,944	1,071,188
Receivables from group enterprises		188,975	655,474
Receivables from associates		5,208	7,014
Derivative financial instruments	12	7,015,778	903,267
Other receivables	13	1,327,822	347,138
Prepayments	14	71,590	60,059
Receivables		13,231,317	3,044,140
Cash		2,789,175	440,551
Current assets		17,699,240	3,766,672
Assets		18,111,505	4,111,557

Equity and liabilities

Amounts in TDKK	Note	2021	2020
Share capital	15	123,507	123,507
Reserve for net revaluation according to the equity method		193,775	112,237
Reserve for development costs		56,682	54,223
Retained earnings		1,608,136	1,032,551
Equity	16	1,982,100	1,322,518
Provision for deferred tax	7	7,701	5,978
Derivative financial instruments	12, 17	813,091	150,817
Other payables	18	20,328	16,860
Non-current liabilities		841,120	173,655
Derivative financial instruments	12, 17	6,701,620	1,013,551
Other provisions	19	31,354	31,354
Debt to group enterprises		3,178,765	107,364
Trade payables		3,638,929	1,155,391
Income tax payable		132,468	60,699
Other payables		1,591,890	233,022
Deferred income	20	13,259	14,003
Current liabilities		15,288,285	2,615,384
Liabilities		16,129,405	2,789,039
Equity and liabilities		18,111,505	4,111,557
Guarantees	21		
Contingent liabilities	22		
Contractual obligations	23		
Fees paid to auditors appointed at the annual general meeting	24		
Related parties	25		
Notes regarding financial instruments	26-30		

Parent Company

Statement of changes in equity

Amounts in TDKK	Share capital	Reserve for net revaluation according to the equity method	Reserve for development costs	Retained earnings	Total
Balance as of 01.01.2021	123,507	117,742	54,223	1,038,267	1,333,739
Effect of changes in accounting principles	0	0	0	-14,386	-14,386
Tax of changes in accounting principles	0	0	0	3,165	3,165
Correction opening balance	0	-5,505	0	5,505	0
Adjusted balance as of 01.01.2021	123,507	112,237	54,223	1,032,551	1,322,518
Capitalized development costs	0	0	2,459	-2,459	0
Exchange adjustments relating to foreign entities	0	6,849	0	0	6,849
Transfer to reserves	0	74,689	0	-74,689	0
Profit/loss for the year	0	0	0	652,733	652,733
Balance as of 31.12.2021	123,507	193,775	56,682	1,608,136	1,982,100

Parent Company

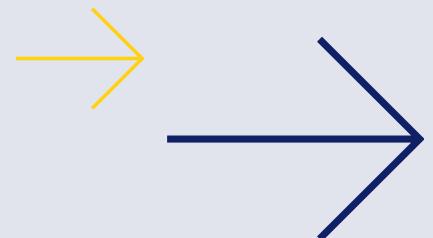
Cash flow statement

Amounts in TDKK	Note	2021	2020
Profit before tax		821,129	302,724
Adjustment of non-cash items		-38,286	-19,060
Operating profit adjusted for non-liquid items		782,843	283,664
Corporation tax paid		-94,904	-16,272
Changes in net working capital:			
Receivables		-10,187,177	311,863
Inventories		-1,396,767	159,926
Payables		13,266,874	-548,674
Net cash flow from operating activities		2,370,869	190,507
Investment in non-current assets:			
Purchase of intangible assets		-20,765	-19,882
Purchase of property, plant and equipment		-1,480	-2,384
Purchase of financial assets		0	-3,722
Disposal of financial assets		0	565
Net cash flow from investing activities		-22,245	-25,423
Net cash flow from financial activities		0	0
Total net cash flow for the year		2,348,624	165,084
Cash at the beginning of the year		440,551	275,467
Cash at the end of the year		2,789,175	440,551
Cash at end of year specified as follows:			
Cash		2,789,175	440,551
Total		2,789,175	440,551

Parent Company

Notes

1 Revenue	82	12 Derivative financial instruments	85		
2 Staff costs	82	13 Other receivables	86		
3 Income from investments in group enterprises	82	14 Prepayments	86		
4 Income from investments in associates	82	15 Share capital	86		
5 Other financial income	82	16 Distribution of profit for the year	86		
6 Other financial expenses	82	17 Derivative financial instruments	86		
7 Tax on profit from ordinary activities	83	18 Other payables (non-current)	86		
8 Intangible assets	83	19 Other provisions	86		
9 Property, plant and equipment	84	20 Deferred income	86		
10 Fixed asset investments	85	21 Guarantees	87		
11 Inventories	85	22 Contingent liabilities	87		
		23 Contractual obligations	87		
				24 Fees paid to auditors appointed at the annual general meeting	87
				25 Related parties	87
					Notes regarding Financial Instruments
				26 Market risk	88
				27 Liquidity risk	89
				28 Credit risk	89
				29 Fair value of financial instruments	91
				30 Deferred day one gain or loss reserves	91



Parent Company

Notes

1 Revenue

Amounts in TDKK	2021	2020
Total revenue	158,979,562	64,899,470
Profit from fair value instruments included in Revenue	817,412	555,920

More than 90% of Centrica Energy Trading A/S's revenue is within the segment of proprietary trading, and as a result we have not split revenue into segments.

Centrica Energy Trading A/S carries out almost all activities from Denmark as all handling of physical production and trading is done from the main office in Aalborg thus a split of the activity is not relevant. Furthermore Centrica Energy Trading A/S see the European market as an integrated Pan-European market with more and more synergies across countries.

2 Staff costs

Amounts in TDKK	2021	2020
Wages and salaries	285,778	256,607
Pension costs	13,951	14,494
Other social security costs	2,763	2,868
Other staff costs	6,429	7,228
Total	308,921	281,197
Average number of employees	310	315
Remuneration to board of directors	60	90
Remuneration to executive board, including pensions and bonus schemes	425	4,700
Total remuneration to CEO and board of directors	485	4,790

The Executive Board and other senior executives are covered by bonus schemes that depends on profit for the year and personal performance.

3 Income from investments in group enterprises

Amounts in TDKK	2021	2020
Share of profit/loss for the year	67,948	48,552
Total	67,948	48,552

4 Income from investments in associates

Refer to note 3 "Income from investments in associates" to the consolidated financial statements.

5 Other financial income

Amounts in TDKK	2021	2020
Interest income from group enterprises	103,048	60,640
Interest income from associates	241	239
Exchange rate adjustments	10,419	0
Other interest income	108	280
Total	113,816	61,159

6 Other financial expenses

Amounts in TDKK	2021	2020
Interest expenses from group enterprises	156	1,229
Guarantee provision	1,637	1,968
Exchange rate adjustments	0	14,766
Interest expenses	13,818	5,692
Total	15,611	23,655

Parent Company

Notes

7 Tax on profit from ordinary activities

Amounts in TDKK	2021	2020
Tax on current year taxable income	168,810	60,788
Change in deferred tax for the year	-2,098	-4,173
Correction to current tax, previous years	10,729	-750
Correction to deferred tax, previous years	-9,045	0
Total	168,396	55,865
Deferred tax is computed at 22% and is broken down as follows:		
Intangible assets	17,485	17,794
Plant and equipment	-2,886	-1,753
Current assets	-6,898	-10,063
Total provision for deferred tax, closing balance	7,701	5,978
Total provision for deferred tax, opening balance	5,978	10,151
Provision for deferred tax for the year	1,723	-4,173

8 Intangible assets

Amounts in TDKK	2021	2020
Development projects		
Cost price as of 01.01.2021	192,810	196,315
Transfers during the year	26,310	11,579
Disposals during the year	-1,153	-15,084
Cost price as of 31.12.2021	217,967	192,810
Amortisations as of 01.01.2021	137,640	129,381
Amortisations during the year	21,461	20,744
Reversal of amortisations on disposals in the year	-448	-12,485
Amortisations as of 31.12.2021	158,653	137,640
Booked value intangible assets as of 31.12.2021	59,314	55,170

8 Intangible assets – continued

Amounts in TDKK	2021	2020
Development projects in progress		
Cost price as of 01.01.2021	25,713	17,410
Additions during the year	20,765	19,882
Transfers during the year	-26,310	-11,579
Cost price as of 31.12.2021	20,168	25,713
Book value as of 31.12.2021	20,168	25,713
Booked value intangible assets as of 31.12.2021	79,482	80,883

Development projects contains own developed software. The software is supporting the Asset Management business as well as the trading area (ETRM systems and Algo trading). Development projects in progress is development projects still under construction.

Parent Company

Notes

9 Property, plant and equipment

Amounts in TDKK	2021	2020
Land and buildings		
Cost price as of 01.01.2021	128,039	126,890
Transfers during the year	0	1,149
Cost price as of 31.12.2021	128,039	128,039
Depreciation as of 01.01.2021	9,780	7,033
Depreciation during the year	3,784	2,747
Depreciation as of 31.12.2021	13,564	9,780
Book value as of 31.12.2021	114,475	118,259
Plant and equipment		
Cost price as of 01.01.2021	26,235	27,974
Transfers during the year	2,106	787
Disposals during the year	0	-2,526
Cost price as of 31.12.2021	28,341	26,235
Depreciation as of 01.01.2021	16,689	15,108
Depreciation during the year	3,604	4,107
Reversal of depreciations on disposals in the year	0	-2,526
Depreciation as of 31.12.2021	20,293	16,689
Book value as of 31.12.2021	8,048	9,546

9 Property, plant and equipment – continued

Amounts in TDKK	2021	2020
Plant and equipment in progress		
Cost price as of 01.01.2021	1,354	906
Additions during the year	1,480	2,384
Transfers during the year	-2,106	-1,936
Cost price as of 31.12.2021	728	1,354
Depreciation as of 01.01.2021	0	0
Depreciation as of 31.12.2021	0	0
Book value as of 31.12.2021	728	1,354
Booked value property, plant and equipment as of 31.12.2021	123,251	129,159

Parent Company

Notes

10 Fixed asset investments

Amounts in TDKK	2021	2020
Investment in group enterprises		
Cost price as of 01.01.2021	11,135	7,413
Additions during the year	0	3,722
Cost price as of 31.12.2021	11,135	11,135
Revaluation and depreciation as of 01.01.2021	116,925	73,855
Share of profit/loss for the year	67,948	48,552
Exchange rate adjustments	6,847	-5,482
Revaluation and depreciation as of 31.12.2021	191,720	116,925
Book value as of 31.12.2021	202,855	128,060
Investment in associates		
Cost price as of 01.01.2021	5,966	11,178
Disposals during the year	0	-5,212
Cost price as of 31.12.2021	5,966	5,966
Revaluation and depreciation as of 01.01.2021	817	-4,512
Share of profit/loss for the year	-103	709
Reversal of revaluations and depreciations on disposals in the year	0	4,647
Fair value adjustments in the year	-3	-27
Revaluation and depreciation as of 31.12.2021	711	817
Book value as of 31.12.2021	6,677	6,783

10 Fixed asset investments – continued

	Domicile	Percentage owned
Group enterprises		
Neas Invest A/S	Aalborg, Denmark	100%
Neas Energy Ltd.	London, United Kingdom	100%
Centrica Energy Trading Gmbh.	Hamburg, Germany	100%
Centrica Energy Trading Pte. Ltd.	Singapore	100%
Associates		
Vindpark Keblowo ApS	Hobro, Denmark	50%

11 Inventories

Refer to note 10 "Inventories" to the consolidated financial statements.

12 Derivative financial instruments

Refer to note 11 "Derivative financial instruments" to the consolidated financial statements.

Parent Company

Notes

13 Other receivables

Amounts in TDKK	2021	2020
Deposits	1,318,791	311,028
Others	9,031	36,110
Total	1,327,822	347,138

14 Prepayments

Prepayments contains prepaid costs.

15 Share capital

Share capital comprises 123,507,152 shares at a nominal value of DKK 1 each - 84,998,992 A-shares and 38,508,160 B-shares.

Amounts in TDKK

Changes in share capital

Balance as of 01.01.2017	123,507
Balance as of 31.12.2021	123,507

16 Distribution of profit for the year

Amounts in TDKK	2021	2020
Proposed distribution of profit:		
Retained earnings	652,733	246,859
Total	652,733	246,859

17 Derivative financial instruments

Refer to note 15 "Derivative financial instruments" to the consolidated financial statements.

18 Other payables (non-current)

Refer to note 16 "Other payables (non-current)" to the consolidated financial statements.

19 Other provisions

Refer to note 17 "Other provisions" to the consolidated financial statements.

20 Deferred income

Refer to note 18 "Deferred income" to the consolidated financial statements.

Parent Company

Notes

21 Guarantees

Amounts in TDKK	2021	2020
The Company's banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to	1,026,956	534,241

22 Contingent liabilities

The 19th November 2020 the group of companies participating in the Joint Taxation was changed, and Centrica Energy Trading A/S became the administration company. The Joint Taxation consists of CET A/S, Neas Invest A/S and Centrica Energy Ltd (PE Denmark).

Until 19th of November 2020 the Groups Danish Companies participated in a Danish joint taxation arrangement in which Spirit Energy Denmark A/S serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Company is therefore liable from the financial year 2018 for income taxes etc for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed companies.

23 Contractual obligations

Amounts in TDKK	2021	2020
Non-financial rent and leasing payments		
Within 1 year	2,718	1,611
2 - 5 years	1,295	1,689
After 5 years	0	785
Total	4,013	4,085

24 Fees paid to auditors appointed at the annual general meeting

Amounts in TDKK	2021	2020
Mandatory audit of the annual accounts	596	235
Total	596	235

25 Related parties

Refer to note 23 "Related parties" to the consolidated financial statements.

Parent Company

Notes Regarding Financial Instruments

Centrica Energy Trading's use of IFRS 9 – Financial instruments requires further information in accordance with IFRS 7 – Financial instruments: Disclosures and IFRS 13 – Fair Value Measurement. The carrying amounts are short term and thus a reasonable approximation of fair value. The notes in the following section is an addition related to the use of IFRS 9 and covers the following categories of financial instruments in the annual report:

Amounts in TDKK	2021	2020
Derivative financial instruments	7,015,778	903,267
Financial assets measured at fair value through profit/loss	7,015,778	903,267
Trade receivables	4,621,944	1,071,188
Receivables from group enterprises	188,975	655,474
Cash	2,789,175	440,551
Financial assets measured at amortised cost	7,600,094	2,167,213
Derivative financial instruments	7,514,711	1,164,368
Financial liabilities measured at fair value through profit/loss	7,514,711	1,164,368
Trade payables	3,638,928	1,155,391
Debt to group enterprises	3,178,765	107,364
Financial liabilities measured at amortised cost	6,817,693	1,262,755

Financial risk

As a result of the business model Centrica Energy Trading is exposed to a variety of financial risks: market risk (including commodity price risk and currency risk), credit risk and liquidity risk. The company follows Centrica EM&Ts risk policy, which is designed to identify, manage and mitigate these risks.

To monitor and manage market risk, Centrica Energy Trading uses risk capital allocation. The allocation of risk capital helps management evaluate the development of Centrica Energy Trading's risk profile. Risk capital is monitored continually, ensuring immediate reaction to unexpected events. Commodity price risk management is carried out in accordance with individual business unit policies and directives including appropriate escalation routes.

Treasury risk management, including management of currency risk and liquidity risk is carried out by a Treasury function in accordance with the Group's financing and treasury policy and Centrica EM&Ts hedging policy. In accordance with the hedging policy, Centrica Energy Trading does not hedge out EUR positions, but hedges out all other material currency positions.

Credit risks associated with commodity trading are managed by a Credit risk function in accordance with the Centrica EM&Ts risk policy. Centrica Energy Trading continually reviews its rating thresholds for relevant counterparty credit limits and updates these as necessary, based on a consistent set of principles. It continues to operate within its limits. In respect of trading activities there is an effort to maintain a balance between exchange based trading and bilateral transactions. This allows for a reasonable balance between counterparty credit risk and potential liquidity requirements. In addition, the Group actively manages the trade-off between credit and liquidity risks by optimising the use of contracts with collateral obligations and physically settled contracts without collateral obligations.

26 Market risk

Refer to note 24 "Market risk" to the consolidated financial statements.

Parent Company

Notes Regarding Financial Instruments

27 Liquidity Risk

Liquidity risk is the risk that the company is unable to meet its financial obligations as they fall due. The company experiences significant movements in its liquidity position primarily due to the seasonal nature of its business and margin cash arrangements. To mitigate this risk the company maintains significant committed facilities.

During 2021 Centrica Energy Trading has had a positive cash flow and has a solid liquidity reserve to support the business, limiting the liquidity risk concerning obligations to customers and counterparts. The continuous focus on daily monitoring and reporting on liquidity to ensure optimal placement of cash relative to earnings has been maintained.

Maturities of derivative financial instruments and trade payables are provided in the following tables:

2021

Amounts in TDKK	Ultimo 2021	2022	2023	2024	After 2024
Trade payables	3,638,928	3,638,928	0	0	0
Debt to Group enterprises	3,178,765	3,178,765	0	0	0
Fair value of physical and financial instruments	7,514,711	6,701,620	534,816	115,448	162,827
Total	14,332,404	13,519,313	534,816	115,448	162,827

2020

Amounts in TDKK	Ultimo 2020	2021	2022	2023	After 2024
Trade payables	1,155,391	1,155,391	0	0	0
Debt to Group enterprises	107,364	107,364	0	0	0
Fair value of physical and financial instruments	1,164,367	1,024,712	116,665	-3,796	26,786
Total	2,427,122	2,287,467	116,665	-3,796	26,786

Centrica Energy Trading has credit facilities in form of guarantees at Euler Hermes 350 mDKK. At Sydbank the credit facility in form of guarantees is 180 mDKK, where 100 mDKK can be used as a cash overdraft.

28 Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to discharge its obligations under a contract.

According to Centrica Energy Trading's Risk Policy, all counterparts are required to be credit rated and an internal limit imposed defining the maximum exposure allowed. Credit evaluating each counterpart specifically is creating this foundation by setting the basic boundaries for the trading activities. During and after onboarding, the credit team monitors the customer's or counterparty's credit worthiness and decides what should be done in order to enter a contract or a cooperation including the issues regarding bank guarantees, parent company guarantee, CSA etc. Centrica Energy Trading's credit risk monitoring covers a daily report of the overall credit lines and exposure to trading counterparts. The credit rating used in the analysis below has been taken from external credit rating bureaus. Provision for loss debt was at the beginning of the year 1.0 mDKK. Given a use of provision through the year of 0.4 mDKK and a need for 9.3 mDKK further, the provision at 31.12.2021 was 9.9 mDKK. Bad debt for the year was 9.1 mDKK.

2021

Amounts in TDKK	Trade Receivables	Fair value of physical and financial instruments	Total
The credit quality of the group's counterparties			
Clearing centres	1,022,921	442,921	1,465,842
Minimal risk (Rated A)	583,921	613,624	1,197,545
Low risk (Rated B)	2,967,794	5,852,354	8,820,148
High risk (Rated C)	51,382	106,879	158,261
Not rated	0	0	0
Total	4,626,018	7,015,778	11,641,796

2020

Amounts in TDKK	Trade Receivables	Fair value of physical and financial instruments	Total
The credit quality of the group's counterparties			
Clearing centres	143,628	24,206	183,325
Minimal risk (Rated A)	357,726	126,728	452,896
Low risk (Rated B)	538,572	749,390	1,306,785
High risk (Rated C)	31,262	2,867	31,371
Not rated	0	77	77
Total	1,071,188	903,267	1,974,455

Parent Company

Notes Regarding Financial Instruments

28 Credit Risk – continued

A considerable part of Centrica Energy Trading's counterparts are covered by the standard EFET agreement. This agreement also contain regulation on credit, payment and offsetting. This means that Centrica Energy Trading is less exposed to credit risk as opposed to trading with less or no standardised terms.

Minimal and low risk covers TSO's, Power Plants and A-rated counterparts. It is the assessment of the Centrica Energy Trading that these counterparts carry no or only little credit risk as they are part of partly public security of supply or have high credit ratings. The category "Not rated" covers counterparts with smaller claims that has not been formally classified in the year end process or counterparts without any formal rating.

Centrica Energy Trading carries out an evaluation of the credit risk towards any counterpart before trading is commenced.

Centrica Energy Trading enters into offsetting agreements with counterparts also covering financial contracts. Both long and short positions are traded with these counterparts and the gross value of these contracts can be significant. However, the possibility to offset individual contracts with these counterparts mean that the actual cash settlement of the contracts is significantly lower. Offsetting is mainly done on specific counterparts on the specific product, but Centrica Energy Trading also apply master netting agreements with the possibility to do cross commodity netting. The netting is carried out also in the actual settlement in cash. The table below shows the financial assets and liabilities that are subject to offsetting.

28 Credit Risk – continued

Offsetting of receivables

Amounts in TDKK	2021			2020		
	Gross	Netting	Net	Gross	Netting	Net
Trade receivables	13,251,156	8,629,212	4,621,944	5,053,615	3,982,427	1,071,188
Receivable from group enterprises, current portion	5,745,889	5,556,914	188,975	1,278,285	622,811	655,474
Fair value of physical and financial instruments	92,670,891	85,655,113	7,015,778	7,308,342	6,405,075	903,267
Paid/Received cash on futures	0	0	0	0	0	0
Total	111,667,936	99,841,239	11,826,697	13,640,242	11,010,313	2,629,929

Offsetting of payables

Amounts in TDKK	2021			2020		
	Gross	Netting	Net	Gross	Netting	Net
Trade payables	12,268,140	8,629,212	3,638,928	5,137,818	3,982,427	1,155,391
Payables to Group enterprises	5,556,914	5,556,914	0	622,811	622,811	0
Fair value of physical and financial instruments	93,169,824	85,655,113	7,514,711	7,569,443	6,405,075	1,164,368
Paid/Received cash on futures	128,209	0	128,209	34,499	0	34,499
Total	111,123,087	99,841,239	11,281,848	13,364,571	11,010,313	2,354,258

Parent Company

Notes Regarding Financial Instruments

29 Fair value of financial instruments

Refer to note 27 "Fair value of financial instruments" to the consolidated financial statements.

30 Deferred day-one gain or loss reserves

Refer to note 28 "Deferred day-one gain or loss reserves" to the consolidated financial statements.

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2021 was an unprecedented year in extraordinary markets where energy prices soared to historical heights, established markets were rocked by extreme volatility, and energy rapidly took centre stage in the global conversation. Against that backdrop, our 2021 performance has exceeded all expectations.