

## Energy Trading

Energy Trading has been an essential driver of the group business expansion. The experience brought by a team of gas and power professionals combined with the financial strength of the group, places dxt in a leading position in today's wholesale energy market.

# THE ENERGY TRADING BUSINESS UNITS

500+

THE TOTAL NUMBER OF ACTIVE  
COUNTERPARTIES OF DXT TRADING.

## THE ENERGY TRADING BUSINESS

Set up in 2005 with the name DufEnergy and with the aim to meet the global energy hedging needs of the Group, this division has been growing at a fast pace within Europe.

In January 2018, the division went through a re-branding process. The new name is DXT Commodities, abbreviated to DXT, chosen to reinforce its identity on the energy trading market while at the same time highlighting a strategic view towards expanding its trading business to other commodities.

The experience brought by a team of trading professionals combined with the Group's financial



strength, places DXT in a leading position in today's commodity trading sector.

DXT relies on a strong network of relationships (approximately 500 active counterparties) with top energy trading houses, utilities, municipalities and major industrial corporations.

DXT activity includes physical trading in power, gas, LNG and environmental certificates. It has licenses to operate in Europe as a shipper and gas storage operator in most European countries. The purchase of short and medium-term rights on cross-border pipelines, high voltage interconnection lines, gas storage capacities and LNG slots, has granted exceptional opportunities for the company to optimize its gas and power flows across the continent over time.

To date, DXT's gas and power operations span 20 European markets (as represented in the picture below). The division's goal is to further expand its activities geographically.

In power, DXT has been developing an important off-take portfolio of renewable and conventional energy. A highly qualified team of analysts and meteorologists supports the company in offering competitive Power Purchase Agreements (PPA) and minimizing imbalance risks for its energy producing customers.

In natural gas, DXT has successfully developed operations in Central Eastern European (CEE) markets, setting up an office in Prague, Czech Republic, and, from 2017, an office in Kiev, Ukraine, where it is one of the few independent players trading natural gas with its UA partners.

As of September 30<sup>th</sup>, 2018, the company had 1.5 Billion m<sup>3</sup> of gas storage rights in six different European countries in order to optimize its trading positions.

To strengthen its positioning in the gas market, DXT has been further developing its wide network of relationships with top LNG players worldwide. It has successfully entered into 44 LNG Master Sales and Purchase Agreements (MSPA), out of which 18 in Europe and 26 in other continents.

Moreover, DXT has all necessary licenses to operate in the main European regasification terminals and perform in-tank storage swap transactions.

In fiscal year 2018, DXT successfully delivered several LNG cargos to various European hubs via re-gasification terminals and to Central America.

Since 2015, DXT's mother company, DXT International SA, has started to diversify its activities into physical oil business by acquiring 50% of Neo Operations group of companies, a physical Crude Oil and Distillates trading player with an extensive oil industry knowledge and network.

The experience accrued during this period has given DXT the opportunity to increase its know-how in the oil sector and provided the ability to assist its customers in hedging their oil products positions, by proposing the most appropriate structured solutions.

At a consolidated group level, the year 2018 witnessed 62 TWh in Power trading volumes, roughly unchanged over the previous year, and Natural Gas trading volumes increasing from 656 TWh to 676 TWh. Consolidated revenues from trading activities also increased from €6.7 to €7.2 billion.

To further exploit the know-how and trading infrastructure, DXT International has replicated its European business model and in 2015 started to actively trade gas and power in the US market. Today, from its offices in New York, DXT Commodities North America identifies local opportunities through proprietary strategies that incorporate fundamental and technical views of the markets.

In fiscal year 2018, DXT Commodities North America traded an overall notional of USD 2.2 billion corresponding to 15 TWh in financial power instruments at PJM and other US power hubs and 190 TWh in financial gas instruments at Henry Hub and other US gas hubs.

As part of the portfolio diversification, in 2016 DXT International set up an iron ore trading desk acquiring a majority stake in Grafton Commodity Trading, a UK based company created by a team of experienced traders. In 2017, Grafton started to trade iron ore actively on the Far East financial exchanges supported by a team located in its new office in Shanghai, China. During fiscal year 2018, trading activities were expanded to other commodities like coal, FFAs (forward freight agreements) and equity of quoted global commodity firms.

Through Matrix Energia, since 2015 DXT has positioned itself in Brazil's growing power market as the first independent trading company by volume negotiated in that market. Today, Matrix Energia trades around 7 TWh and acts as a local market maker. The company trades a wide range of products from short-term instruments to long-term PPAs (power purchase agreements) with

energy from renewable sources as underlying. In fiscal year ending December 31<sup>st</sup>2018, Matrix reached an approximate turnover of BR\$ 1.8 billion with over 500 active counterparties.

Both Grafton and Matrix contributed positive results to the Group's fiscal year 2018.

It is worth to mention that, effective October 1, 2018, DXT International acquired an additional 20% of the shares in Matrix, thus reaching a 70% interest and the control of the company which will be fully consolidated in our 2019 financial statements. DXT International's view is that Brazil, especially after the recent elections, will move rapidly towards liberalization of both the power and the gas markets. This could present interesting opportunities for Matrix which will also benefit from its parent company's financial support together with the integration between offshore and onshore banking relationships.

#### DXT Commodities Website

Over the years, also Duferco Energia historically focused on energy retail, distribution and renewable energy production has developed a solid experience in the field of energy trading, seizing all the opportunities and managing the risks of a market characterized by strong volatility. The trading hub of Duferco Energia operates in both power and gas with access to the most liquid trading platforms (EEX, PEGAS, ICE) via brokers and through bilateral deals with 21 counterparties.

Duferco Energia, backed by the experience gained by the Duferco Group, which qualifies as the world's leading steel trader, operates in the wholesale power and gas markets and on the stock exchanges of the main European markets. Duferco Energia can be considered an integrated operator that offers a complete service, thus ensuring optimal management of the energy supply portfolio.

Duferco Energia operates in Power (in Italy, France, Germany and Spain) and Gas (in Italy, Netherlands, Germany and UK) trading.

In addition to a subdivision by market, trading can also be divided in short trading and long trading:

- short: products ranging from Day Ahead to Months;
- long: products ranging from Quarters to Calendars.

---

# ENERGY KEY DATA



0,0

POWER ORIGINATION



0,0

TWH GAS RETAIL PORTFOLIO



000,0

TWH POWER TRADED 2018



0,0

TWH POWER RETAIL PORTFOLIO



000

TWH GAS TRADED 2018

---

# THE ENERGY RETAIL & RENEWABLE PRODUCTION

## THE ENERGY RETAIL & RENEWABLE PRODUCTION

The Energy Retail & Renewable production division of Duferco is essentially focused on the Italian market and is concentrated in Duferco Energia spa, renewed as an innovative and efficient service provider. The activities are managed at the headquarter based in Genoa, Italy.

Founded to manage the corporate investments in the renewable production, Duferco Energia SpA progressively focused its activity in the commercialization of energy and gas in the Italian market.

Today Retail Operations became part of a portfolio of activities that includes significant projects in the Renewable Power Production, as well as Renewable Power Origination.

Duferco Energia is also active as energy trader on the wholesale power and gas markets and stock exchanges in the principal European markets.

[Duferco Energia Website](#)

# 1,500

TOTAL TURNOVER (MILLION EUR) IN FISCAL YEAR 2018

# 150.442

POD (point of delivery)

---

**COMPANIES OPERATING IN THE ENERGY TRADING BUSINESS**