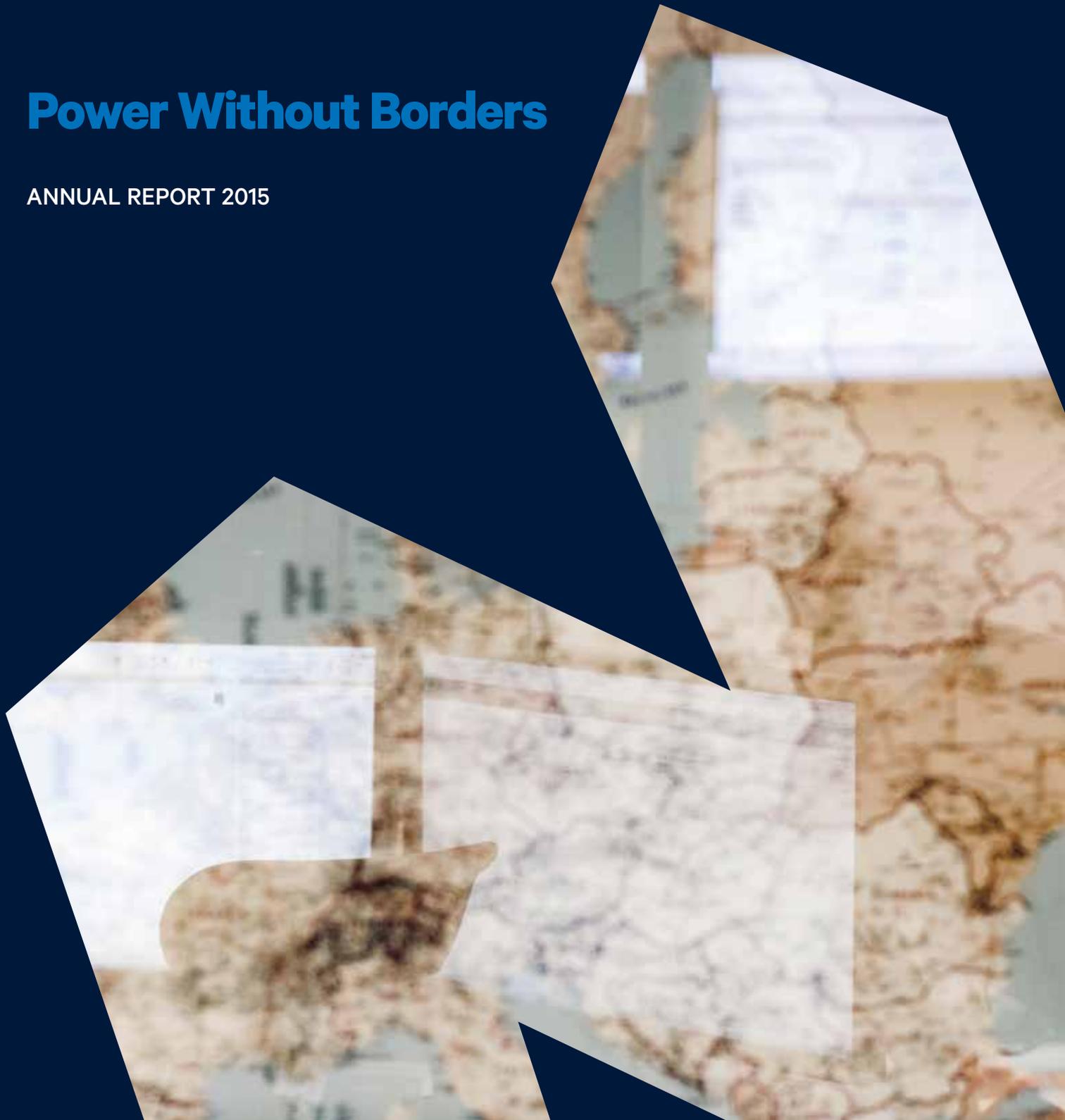
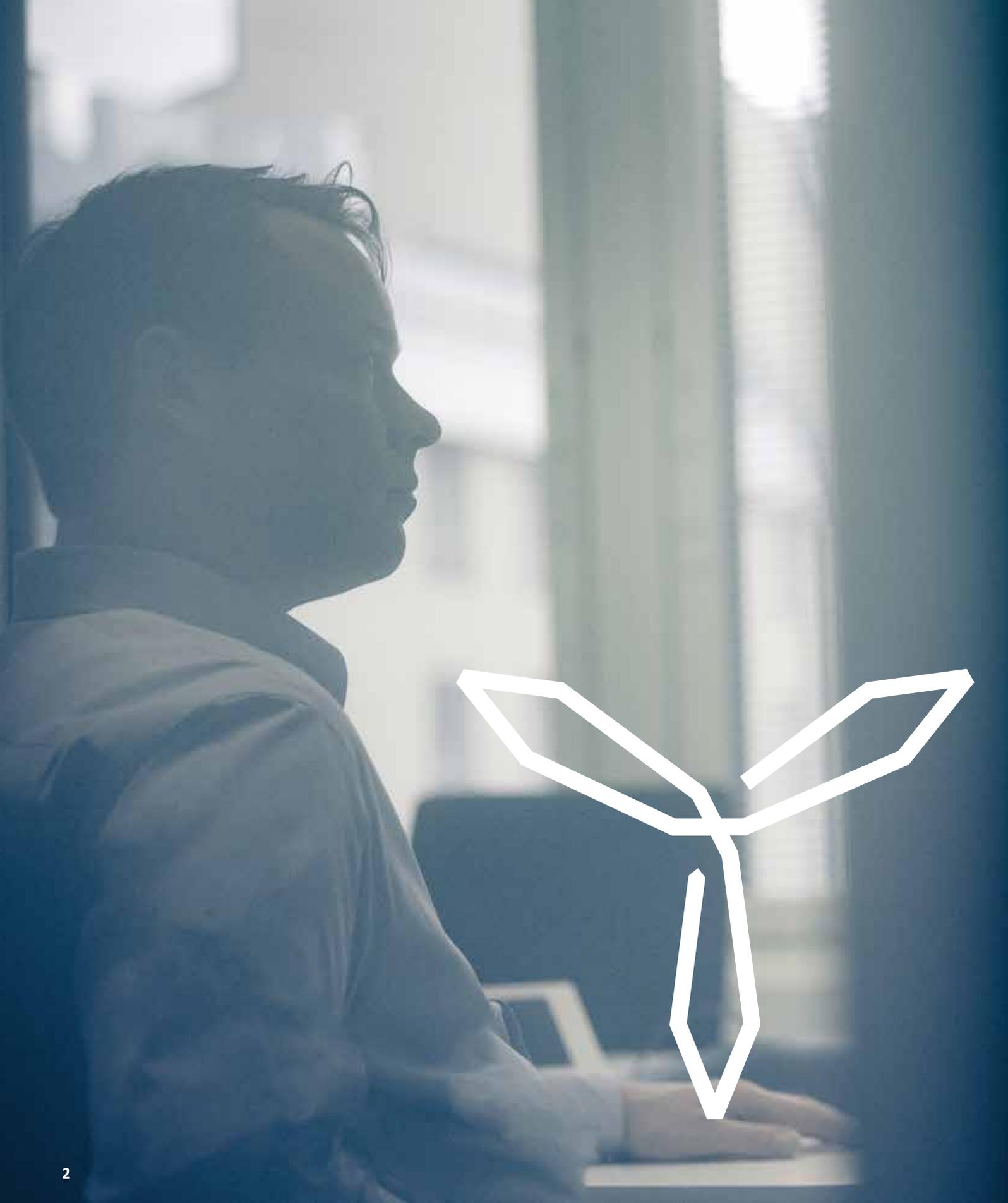


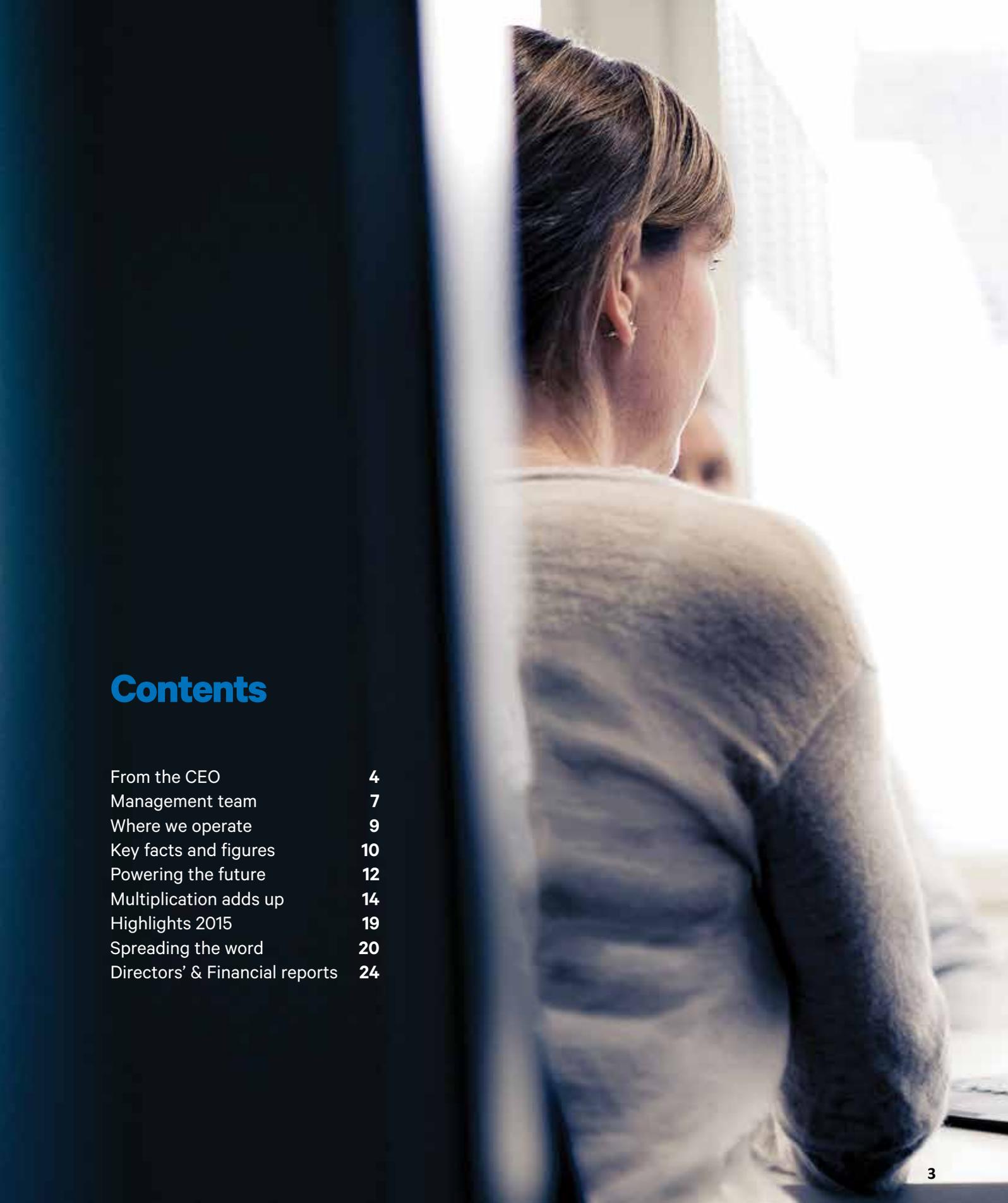
NORD POOL

Power Without Borders

ANNUAL REPORT 2015





A woman with brown hair is shown in profile, looking out a window. She is wearing a light-colored, textured sweater. The background is bright and slightly out of focus, showing what appears to be a window with a view of a building. The overall mood is contemplative and professional.

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2015 – A year of delivery

I view 2015 both as a year of delivery for Nord Pool Spot – or Nord Pool as we have now once again become – and a year of achievement. We ended the year with a new volume record achieved in our Nordic and Baltic day-ahead market of 374TWh, contributing to an outstanding total of 489TWh traded across all markets.

The Nordic and Baltic day-ahead market saw volumes increase by four per cent on 2014's figure of 361TWh, and an average system price which, at 20.98 Eur/MWh, was the lowest in 15 years.

It was a year of fundamental change for Nord Pool too, motivated by both a major external factor and an important internal one.

The external influence on our business was the complete change in environment resulting from the Capacity Allocation and Congestion Management (CACM) guidance coming into force in August 2015. Competition between power exchanges across Europe became European law and all power exchanges, ourselves included, had to operate in a 'new world' in commercial terms.

NEW PRIORITIES

That change of external circumstances drove a re-focusing of priorities within Nord Pool. We dedicated investment, resource and expertise into ensuring that 2015 was a year of delivery. And what that meant in practice was making the benefits of our changed working environment 'real' for our customers.

That saw a series of new, modern, efficient and simple-to-use features in our trading systems, in pursuit of an ambition to deliver unified 'straight-through' trading for Nord Pool customers regardless of their size or geographic location.

These included such milestones as launching our Day-Ahead Web and Intraday Web platforms with associated Application Programming Interface (API) services; simplified collateral arrangements; and our delivery of comprehensive Regulation on Energy Market Integrity and Transparency (REMIT) reporting to meet customer obligations under the new regulations.

I must declare myself extremely pleased and proud with these important deliveries to the market – they make a real difference to the most important people in our business: our customers.

COMPREHENSIVE RESTRUCTURING

The fact that the external landscape fitted very well with Nord Pool's pan-European strategy and ambitions in terms of growth and development was coupled with a real desire to instigate change within the business. To that end, during 2015 we undertook a comprehensive restructuring, with customers the core focus of our revised, more commercial approach.

This might be viewed by many as something which quietly goes on behind closed doors; a minor re-shuffle, some changed job titles, and everything continues as usual. Not at Nord Pool. The smooth organisational changes we instituted in 2015 were far-reaching and fundamental. I have had very positive feedback from the market about, for example, our creation of dedicated business departments to look at Market Coupling Services and also to focus on Central Europe.

“Our deliveries to the market make a real difference to the most important people in our business; our customers.”

Mikael Lundin, CEO



REACHING FURTHER

Another prime example of our pan-European approach to doing business was our designation in no fewer than ten countries – Austria, Denmark, Estonia, Finland, France, Great Britain, Latvia, Lithuania, the Netherlands and Sweden – as a Nominated Electricity Market Operator (NEMO). This was no small achievement, given the rigorous nature of the application process, and is one that takes us very visibly outside what some may perceive as our Nordic ‘comfort zone’. But this is just a first step; there is a lot more work to do to deliver on the promise of NEMO designation.

It is worth remembering our track record in establishing modern, transparent, efficient power markets. We reinforced that in 2015 with our delivery, working with CROPEX and IBEX, of power markets in Croatia and Bulgaria, respectively.

A STRONGER VOICE

Finally, this ‘brave new world’ of power trading saw us exporting our expertise and influence into Europe by engaging more closely and meaningfully with the European Commission, transmission system operators (TSOs), regulators and other influencers and decision-makers to secure for ourselves a place at the very heart of the wider European power and energy sector. We feel that this, in turn, gives our customers a louder, more persuasive voice and is something we will continue to pursue, for example through our closer involvement with Europex, the well-respected industry organisation for power exchanges.

LOOKING AHEAD

So what is to come in 2016? I can certainly pledge to a continued delivery of new features for our customers to make their trading lives simpler, particularly in the important areas of clearing and settlement where our work at unification of systems will continue apace. And, behind the scenes, we know that we will have to build on our NEMO designations – which total 13 at the time of writing with the addition of Germany, Belgium and Poland – in order to deliver functioning markets in these territories during 2017.

In conclusion I would like to thank all the important stakeholders, both internal and external, who helped Nord Pool re-align, re-focus and deliver during 2015. Key among them are our customers, who inspire and drive everything we do. Without the questions, demands, challenges, praise and approval we see from the 380 individuals and organisations in 20 countries which trade through us, we would not be able to do what we do so successfully. So please – keep challenging us! We are determined to fully participate and to genuinely innovate in European power markets.

Management team



Mikael Lundin,
CEO



Erling Thiis,
CFO, CRO, Head of
HR & Administration



Marie Thuestad,
COO



Richard Sarti,
Director UK & Ireland



Hans Randen,
Director Business
Development



Lina Masiuliene,
Director Serviced Markets



Chris Whellams,
CTO/Director IT
Development



Sami Oksanen,
Director Nordic & Baltic



Camilla Berg,
General Counsel



Marianne W. Jenssen,
Director Markets



Stina Johansen,
Director
Communications



Jan Rönnback,
Director Market Coupling
Services



Pietro Rabassi,
Director Central
European Markets

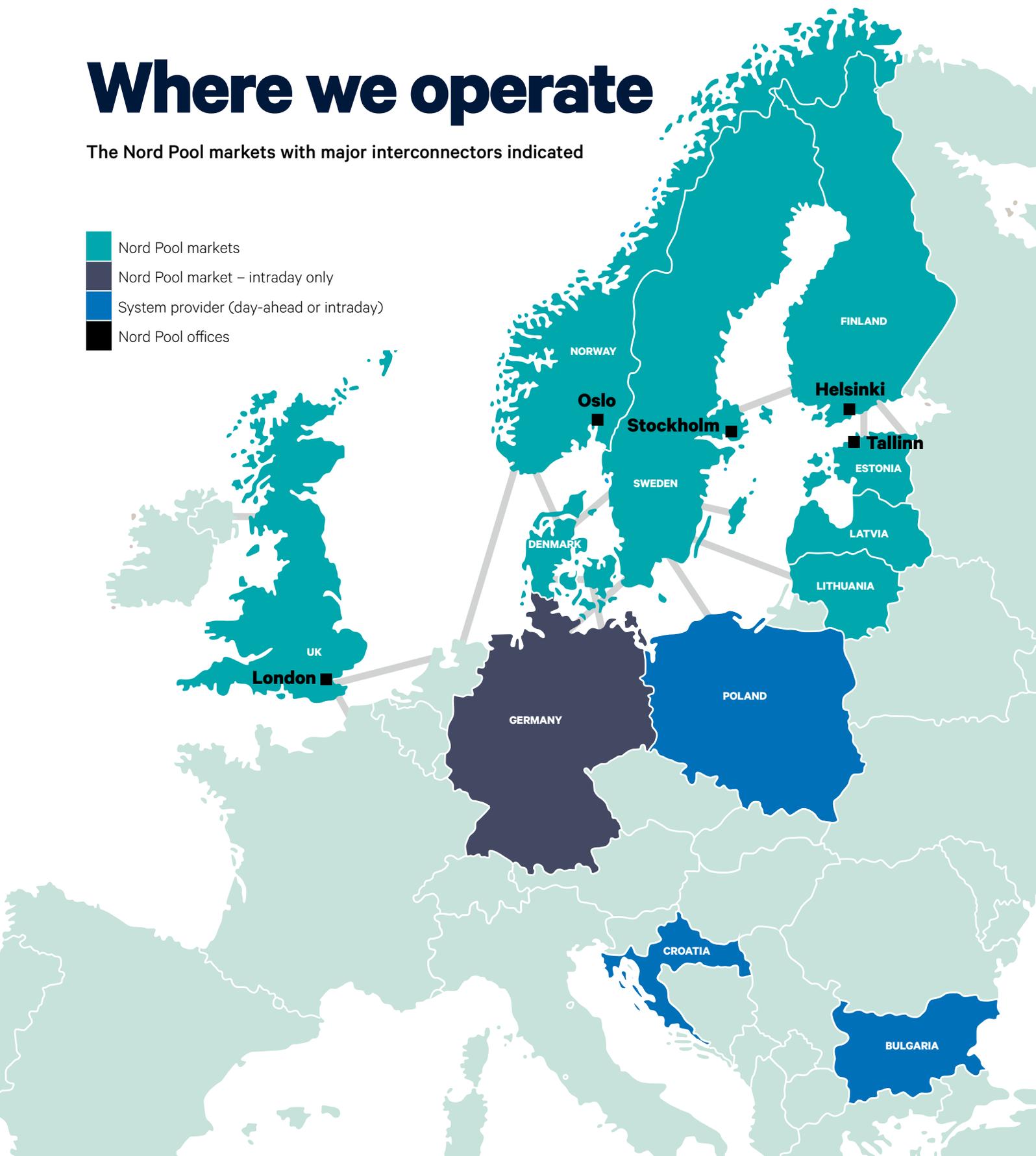
We have an ambition
to deliver unified
'straight through'
trading to our
customers, regardless
of their size or
geographic location



Where we operate

The Nord Pool markets with major interconnectors indicated

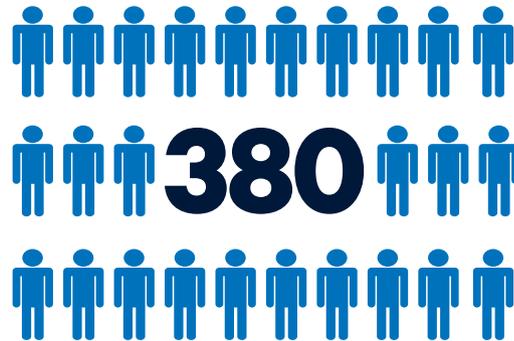
-  Nord Pool markets
-  Nord Pool market – intraday only
-  System provider (day-ahead or intraday)
-  Nord Pool offices



Key facts and figures

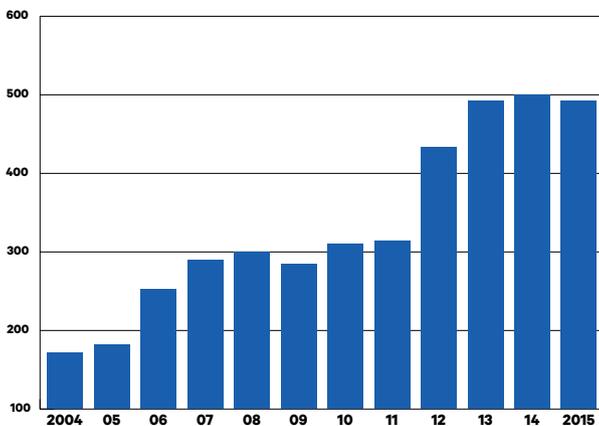


NUMBER OF CUSTOMERS



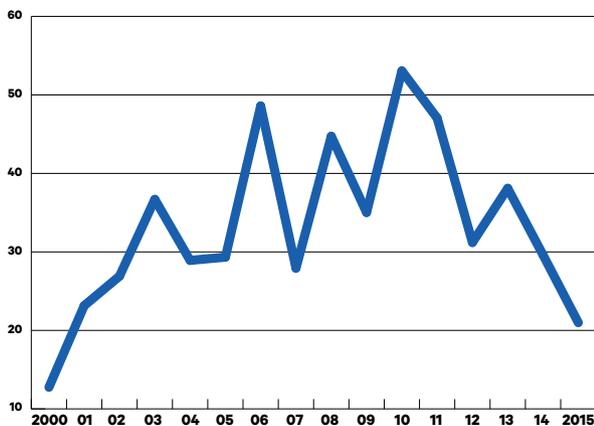
TRADED VOLUME GROWTH (in TWh)

A total of 489TWh traded in 2015. Day-ahead market Nordic/Baltic 374TWh. Day-ahead market UK 110TWh. Intraday market Nordic/Baltic/Germany 5TWh.



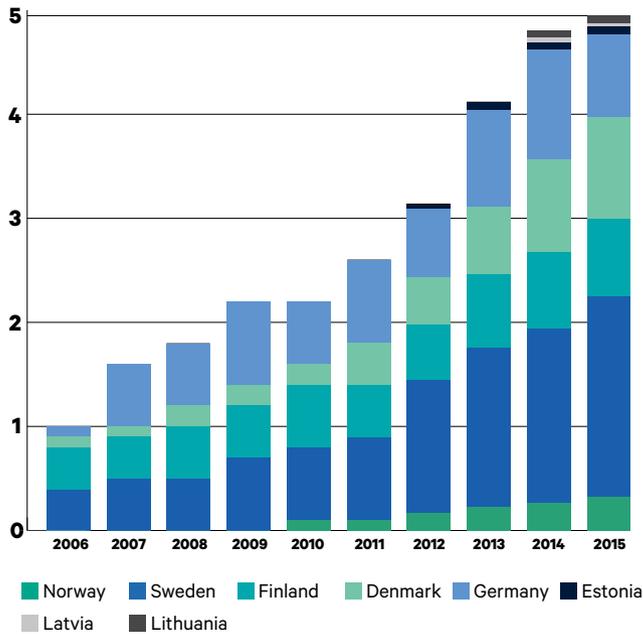
SYSTEM PRICE (average price in EUR/MWh)

The hourly system price is determined at the point where all supply and demand for the entire Nordic region within each hour meet, not taking the trading capacities between the bidding areas into account.



INTRADAY TURNOVER

(per country in TWh)

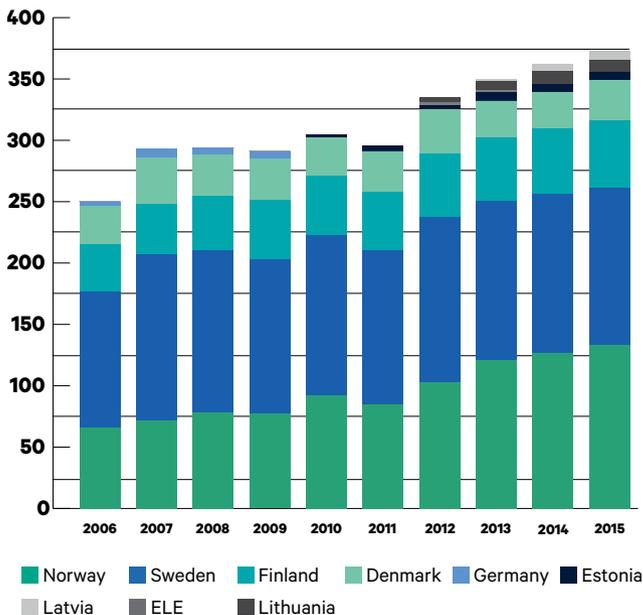


UK DAY-AHEAD VOLUME

110
TWh

NORDIC AND BALTIC DAY-AHEAD VOLUME TURNOVER

(per country in TWh)



NORDIC/BALTIC DAY-AHEAD VOLUME

374
TWh

INTRADAY VOLUME

5
TWh

Powering the future



Thu Nguyen

Thu joined Nord Pool as a software developer less than a year ago, but she already had in mind what she wanted to get out of working with the company:

“I chose to join Nord Pool because I felt there would be interesting tasks and challenges and I would have opportunities to work with experienced colleagues who are experts in the power market.”

Thu had previously worked in a Finnish software consulting firm and was keen to both expand and apply her knowledge, in the power sector. “It is great to learn about new technology and to apply what I have learned in the many specialist projects which we are engaged in.

“It is a challenge ensuring that I keep my knowledge of our sector up to date. Before joining Nord Pool I did not have much insight into the power industry. It took me several months to learn about the complexities of our business, to make my work in support of our customers effective and relevant. And I am aware that I still need to keep learning! But anyone with a thirst for knowledge, excellent communication and interpersonal skills and a desire to challenge themselves would fit right in here.”

And Thu also finds the international flavour of Nord Pool’s work stimulating. “I really enjoy the international atmosphere in the company,” she explains. “I like coming to the office every day and hearing languages from many parts of the world being spoken. Our people are from very diverse cultures and backgrounds, but everyone is friendly and willing to share their specialist knowledge.

“Working in the power sector is challenging but exciting. It is a perfect environment for young people like me to get experience and develop their skills.”



Erik Rudlang

Being a trading advisor at Nord Pool is Erik’s first full-time job. He joined just under two years ago after becoming interested in working in the power sector during his time at university.

And Erik likes the unique insight that working at Nord Pool has given him: “I have a great opportunity to see the impact of market participants, regulatory forces and technological change on the market place.

“You are able to step outside and view the intricacies of the market come together every day.”

But Erik doesn't have too much opportunity to be an observer. “Selling and buying power requires lots of supporting infrastructure both in terms of systems and procedures. Ensuring all that comes together smoothly is a real challenge. I'm always impressed that we and our partners are able to pull it off every day!

“I really enjoy playing a part in one of the greatest challenges of our time; making sure energy is available and sustainable.”

Although he is deeply embedded in his day job, Erik has an eye to the future. “To me, the biggest issue facing the power sector is to efficiently manage what is becoming an increasingly complex marketplace. If you like to roll up your sleeves and dig into the complex problems of a sector, then the power industry is certainly for you.”



Camilla Vedeler

Camilla first joined Nord Pool as a temporary employee for the summer. Once she got involved with the company's daily work though, she was

hooked: “When I started to wrap my head around what Nord Pool does, I realised that here was a place where there will always be something new to learn and understand. I thought Nord Pool would be a good place to start a career in the power sector. I am happy to say that I was right!”

The sheer breadth of tasks is what Camilla finds particularly engaging. “I like the diversity of what I do. I work in the Operations Department, so there are the complex routines and procedures of the daily auction to oversee. But I am also heavily involved with internal and external projects such as creating a new trading platform for our customers and negotiating with other power exchanges and TSOs. There is never a dull moment and I get to practise many different skills: creative, analytical and diplomatic.”

But finding your work interesting doesn't mean it's easy. “I have to keep track of, and on top of, many different things at once. Since I have been working at Nord Pool my organisational skills have improved and I have learned to prioritise much more efficiently.

“This is a sector in constant change. In the time I have been working at Nord Pool we have seen the price coupling of large parts of Europe, increasing focus on renewables and many new interconnectors have been included in the day-ahead market.

“As I speak the coupling of the European intraday market is taking shape. And the inclusion of more renewables in the supply mix will challenge the sector too.”

But change, says Camilla, is good: “The continuous changes in the power sector offer so many opportunities to keep learning and developing new skills. I am sure working at Nord Pool in the future will offer as much change and diversity as my first three years here have!”

Multiplication adds up

With the foundations laid for a single European power market by the Price Coupling of Regions and Multi-Regional Coupling projects, Nord Pool has given full sail to its ambitions for a pan-European presence.

During 2015 the company introduced measures to streamline trading across the continent. Through this multi-market approach, with the deployment of unified trading platforms and technical and financial innovations, Nord Pool has its vehicle to deliver the real advantages of the new power trading regime to European customers. Those advantages arise from competition in power exchange services, shared liquidity, greater transparency and new technology solutions that are disrupting not just the energy sector but many industries, globally.

COMPETITIVE OFFERING

Nord Pool's approach paves the way for existing and potential customers to experience the kind of competitive offerings it has brought to the Nordic markets since it began operations over 20 years ago.

Expansion in 2015 included designation as a Nominated Electricity Market Operator (NEMO) in 10 countries. This has since grown to 13. In the same year Nord Pool helped establish transparent markets in Croatia and Bulgaria.

Why has Nord Pool embarked on this multi-market growth? The market is changing, allowing exchanges to compete outside their 'established' territories. Along with the opportunities this creates will come challenges as rivals arrive and disruptive technology solutions emerge.

EASING THE BURDEN

For customers, this means more choice, greater innovation, a reshaping of the value chain of the power industry as we know it and lower costs. Nord Pool is realigning its business to seize the opportunities and stem the challenges of the new deregulated trading environment, while easing the financial burden on traders.

"When energy prices are low it does not encourage investment in environmentally-friendly energy sources. In lowering costs and barriers to entry, Nord Pool's multi-market approach frees up working capital for customers to streamline their businesses," says Nord Pool's Chief Operating Officer, Marie Thuestad.

She adds: **"Our way simplifies access through offering new technological solutions so customers' capital isn't tied up."**

ADDRESSING CHALLENGES

What challenges are Nord Pool addressing through this multi-market approach? According to Nord Pool Market Manager Henrik Hansen, chief among challenges for customers is the erosion of revenue. "Greater competition from new entrants to markets means wholesalers' margins are getting smaller."

Henrik sees the pressure on customers in European markets as an opportunity to win new business by upping wholesalers' access to better service.

"We know wholesalers in Germany and Benelux that are looking forward to Nord Pool's entry into their markets because it means better products and services," he says.

CREATING OPPORTUNITIES

The Capacity Allocation and Congestion Management (CACM) network code governs day-ahead and intraday

markets. It has created substantive opportunities for Nord Pool. "When CACM came into play we knew we faced competitor exchanges in what some see as our 'established' markets. This is a challenge but also an opportunity to bring our products to other markets," says Henrik.

Where there are several NEMOs in a market they have to agree with the transmission system operator (TSO) on technical 'set up' and how to share order books – competing players are forced to cooperate. But it is with the surrounding products and services that competition lies. "We are waiting for competition to kick in – it may take more than a year before there is more than one exchange in every country," Henrik explains.

SIMPLE SOLUTIONS

Deployment of advanced technology has been pivotal to Nord Pool's delivery of simpler and better products under its multi-market approach, says Marie Thuestad.

"The past year has seen Nord Pool deploying the latest technology at the lowest cost possible, providing simple solutions that are easy to connect to. So customers get the benefit of trading in multiple European countries using the same technology and services."

She goes on: "Most challenging is the new wave of technology that is disrupting many industries. This is something Nord Pool has to embrace itself to be able to offer a multi-market approach.

"We are investing in new technology platforms, challenging friction in the existing value chain that increases the cost of trading."



Marie Thuestad,
COO

CUSTOMER FLEXIBILITY

Marie says this latest technology gives customers flexibility to tailor their systems and for Nord Pool, flexibility to tailor its services.

“This is core to what we’re doing.” She elaborates: “For example, Application Programming Interface (API) technology simplifies customer systems. Launching APIs was a milestone in 2015 and we will continue to harness API technology in 2016.”

Looking to the future, Marie sees further developments in technology and products as vital:

“These developments are only the first steps for our ambitions for the European market.”

BETTER CONNECTED

Henrik Hansen sums up 2015 as a year of “sowing seeds for the future” while Marie Thuestad says the “highly valued multi-market services” arising from those seeds are a sound fit in a better-connected European energy market with a need to conserve working capital.

And Nord Pool is, she says, taking the initiative: “Watch this space; we can – and will – make significant change to the industry.”

A productive year

WEB-BASED TRADING

In 2015 Nord Pool produced new web-based platforms for day-ahead and intraday trading. The day-ahead web-based interface, Nord Pool’s Henrik Hansen says, has outstripped expectations in lowering hurdles to understanding. “It is very intuitive. Many members cancelled training courses after a short time using the system because they’d worked it out for themselves!”

The web-based day-ahead platform includes a quality check on orders.

“The tool compares current and earlier market conditions to point out orders that are off the mark,” says Henrik.

INNOVATIVE PRODUCTS

Another measure to step up services to customers, developed in 2015 for an early 2016 launch, was a new product extending trading opportunities on the German intraday market during the last half hour prior to delivery. When the borders between the German transmission system operator areas close, Nord Pool continues to support trading inside each area.

HARNESSING API

Meanwhile API has provided new opportunities not just for intraday trading, by facilitating automated trading, but also in the day-ahead market and in Regulation on Energy Market Integrity and Transparency (REMIT) reporting. In intraday API technology allows customers to manage, for example, 15-minute orders throughout 24 hours: “You’d have to be a pretty sharp chess player to handle that manually!” Henrik explains.

An API provides highly complex market data and trade position information. Customers’ IT systems receive Nord Pool data through the API and integrate it with the availability of production assets, weather forecasts and so on, making it possible for customers to efficiently trade power from wind generators, CHPs, flexible consumers and more – each with different strike prices. “The API allows Nord Pool IT systems to communicate with the customer’s own systems. It gives a raw signal that customers can integrate into their own user interface. They can trade on it automatically, or with human intervention,” Henrik explains.

BANKING

Customer finances emerge both as a challenge and a market opportunity for Nord Pool. An example is in the raising of collateral to guarantee traders’ capacity to meet their obligation. Commonly traders will pay for bank guarantees to operate collateral, which adds costs, plus substantial service fees.

“We try to be flexible with banking,” says Henrik. He offers, as an example, Nord Pool allowing customers to choose any bank for their collateral services. “This became possible in 2015 following changes in financial sector regulation.”



Henrik Hansen
Market Manager

REPORTING AND COMPLIANCE

Nord Pool delivers a complete service to address energy traders’ reporting obligations under the European Union’s anti-market abuse legislation, REMIT. Nord Pool’s REMIT reporting service, launched in 2015, meets all market participants’ obligations to report standard and non-standard bilateral contracts, as well as electricity and natural gas supply contracts.



“Nord Pool’s
ambitions in
terms of growth
are coupled with
a real desire to
instigate change.”

Mikael Lundin

Highlights 2015



FEBRUARY

Nord Pool extends its Gross Bidding service to all customers, bringing benefits including reduced internal invoicing, clarity in accounting and reduced operational risks.

Market Coupling is launched across the Italian border, linking the majority of European markets from Finland to Portugal.

MARCH

Ingrid Arus joins Nord Pool to lead development of the important Baltic trading markets.

APRIL

Memorandum of Understanding signed by Nord Pool around the LitPol link, bringing Polish-Lithuanian energy trading a step closer.

Plans to develop Bulgaria's first competitive power market, with Nord Pool working alongside IBEX, are announced.

JUNE

For the first time, Nord Pool harnesses the power of the web to launch a faster, simpler Day-Ahead Web trading system.

Nord Pool's UK customers get new trading options with the introduction of Block Orders in the UK day-ahead auction.

Nord Pool reveals ambitious plans to develop a transparent and efficient Croatian power market, with CROPEX.

The European Cross-Border IntraDay solution (XBID) comes a step nearer to fulfilment as European power exchanges agree a delivery contract.

JULY

An important milestone in Nord Pool's delivery of comprehensive REMIT reporting services to its customers is reached, as Nord Pool is among the first five organisations to be accepted by the Agency for the Cooperation of Energy Regulators (ACER) as a Registered Reporting Mechanism.

AUGUST

A new Regional Manager for Norway, Geir Dvergastein, joins Nord Pool.

OCTOBER

Nord Pool launches its full REMIT reporting service, as article 8 of REMIT comes into force.

NOVEMBER

Continuing its drive for 'straight-through' simplified trading, Nord Pool launches its web-based intraday trading solution – Intraday Web.

Trading flexibility and options are increased as gate closure on the Elbas NorNed market is shortened to one hour, Nord Pool introduces new bid products for the Nordic-Baltic day-ahead auction and Application Programming Interface (API) services are launched.

Rickard Nilsson, Nord Pool's Market Design Expert, is elected EUROPEX Working Group Power Market Leader while Mikael Lundin, Nord Pool CEO, is elected a member of the EUROPEX Board, giving Nord Pool and its customers a stronger voice in Europe.

DECEMBER

Introduction of simplified collateral arrangements allowing for pledged accounts in non-settlement banks.

Nord Pool is appointed as a Nominated Energy Market Operator in 10 markets; Austria, Denmark, Estonia, Finland, France, Great Britain, Latvia, Lithuania, the Netherlands and Sweden.

The first phase of a Nord Pool Consulting project to guide Albania in the design of an open power market is finalised.

LitPol and NordBalt interconnectors introduced into the day-ahead market and NordBalt interconnector introduced into the intraday market, significantly increasing capacity for trading in the Baltics.

Spreading the word

The success of the Nordic model in creating an efficient, transparent electricity market has seen growing global demand for Nord Pool's expertise. And that's where the specialists at Nord Pool Consulting come in.

From Japan to Botswana, market operators, regulators and TSOs want to learn more about the market solutions pioneered in the Nordics by Nord Pool and now common across Europe.

Sharing this knowledge is the work of Nord Pool Consulting, a small team of experts led by Hans-Arild Bredesen, a veteran of electricity market liberalisation, whose experience dates to Nord Pool's earliest days.

STANDARD BEARER

Set up as a standalone business in late 2014, Nord Pool Consulting acts as a standard bearer for Nord Pool – exploring new markets, identifying opportunities and exporting expertise.

“We joke sometimes that we are ‘power missionaries’ preaching the right way to organise and run an electricity market,” says Hans-Arild.

IMPROVING SKILLS

“Part of what we do is centred around the Nord Pool Academy, which offers courses, conferences and educational services to improve skills and understanding among market participants,” explains Hans-Arild.

“We also host fact-finding visits and run workshops for foreign delegations from all over the world – for example China, South America, Africa and Southeast Asia. Typically they are with us from one to five days, but we have had people stay for up to four weeks.

“And if they can't come to us, we'll go to them. I have just got back from a trip to Japan, for example, leading a workshop for the electricity industry regulator.

“Similarly, we have a long-term relationship with the Southern Africa Power Pool, which facilitates cross-border training in 12 countries from the Democratic Republic of the Congo in the north, down to South Africa.”

Nord Pool Consulting's work is a combination of spreading best practice via the Academy and transformational intervention. And the team's expertise is in wider demand.

LARGE PROJECTS

“We are not just an additional internal resource for Nord Pool, we also work as consultants on large external projects that need our expertise,” says Hans-Arild.

“A number of years ago we worked on the trading of power between the Republic of Ireland and Northern Ireland. The market model is very different to the ones we operate, but they needed somebody who knew how to set up multi-jurisdictional, multi-currency financial arrangements. And that's Nord Pool.

“More recently we have won some work in Vietnam, where the main contractor on a project wants to make use of our expertise in international wholesale markets.”

IN-DEPTH CONSULTANCY

Alongside the lighter-touch work, there is also more in-depth consultancy.



“Nord Pool is an extremely well known name in the power industry and a very well respected brand. People like our culture and have heard about us in the most unexpected of places – I have even done a seminar in Bhutan!”

Hans-Arild Bredeesen
CEO
Nord Pool Consulting

Over the course of 2015, the team was closely involved with the groundwork needed for the establishment of modern, transparent markets in Croatia (CROPEX) and Bulgaria (IBEX). That work included development of the power exchanges’ organisation, roles and tasks, market rules, operational procedures and training. Both markets went live in early 2016 with IT and back office functions now provided by Nord Pool.

“As these projects ended with the markets being serviced by Nord Pool, the projects were also staffed with colleagues from the main Nord Pool organisation, creating larger teams with the right mix of skills and level of resource,” said Hans-Arild. “It is our role to explore new opportunities and once we have prepared the ground, to call in the ‘mother ship’.

“It is an approach that has given Nord Pool a substantial presence in Southeast Europe, complementing our work across the continent to create a single, integrated power market and extend Multi-Regional Coupling.”

A NEW NATIONAL MARKET

Hans-Arild continues: “For me personally, this was particularly satisfying as I have worked in Bulgaria and Southeast Europe for many years, beginning with small assignments and growing from there. What started with a seminar has evolved into Nord Pool operating a whole new national power market.”

Hot on the heels of Croatia and Bulgaria is Albania, which is due to launch in 2017. Nord Pool Consulting’s work to

develop a power market began there in 2015 with high-level market design plus training, workshops and capacity development.

“We are helping interested parties in Albania to create a power market based on the European model,” explains Hans-Arild. “Once the initial preparatory work is complete, you look at issues such as updating the legal framework around energy and what secondary legislation might be needed. From there you move into more detailed design, market rules and then the actual setting up of the exchange.

“It is an ideal project for us. We were invited in at an early stage and will follow it all the way through to the market being up and running. Our work in Albania encompasses the whole value chain that we offer.”

A WORLD STAGE

Since its formation, Nord Pool Consulting has firmly established itself on the world stage. There is strong demand for its services and it is set for further growth.

“Going forward, Albania will be a key project for us but we have had enquiries from a number of other countries in Southeast Europe. They have seen what we achieved in Bulgaria and Croatia and are keen to learn more. We are also seeing a lot of interest from Southeast Asia and Japan,” says Hans-Arild.





Directors' & Financial Reports

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Directors' report 2015

Nord Pool organises physical trading of power, offering day-ahead and intraday markets to its customers in all Nordic countries, the Baltic countries, the UK and Germany (intraday). Nord Pool is an active contributor to the day-ahead multi-regional market coupling of the European electricity markets, as well as the European Cross-Border Intraday project (XBID) and is fully committed to the fulfilment of the EU 2020/2050 strategy.

Furthermore, Nord Pool offers compliancy services for its customers and transmission system operators (TSOs) to adhere to European regulatory requirements such as Regulation on Energy Market Integrity and Transparency (REMIT) and other transparency regulations.

The Nord Pool Group comprises Nord Pool AS, the 100% owned subsidiaries Nord Pool AB, Nord Pool Finland Oy, Nord Pool Consulting AS and GB Day-Ahead Pooling Company AS.

Nord Pool AS has its main office in Lysaker, and branch offices in Helsinki, Stockholm and London. Nord Pool is owned by the TSOs Energinet.dk, Fingrid Oy, Statnett SF, Svenska kraftnät, Elering AS, Augstsprieguma tikls AS and Litgrid AB.

OPERATIONAL HIGHLIGHTS

2015 was another strong year for Nord Pool in terms of volumes traded, revenue growth and general activity level. The integration of the day-ahead European power markets (Multi-Regional Coupling) has proven to be a robust and well-functioning structure for European market coupling, supporting efficient trading and pricing of power and thus yielding increased social welfare.

During 2015 the Capacity Allocation and Congestion Management (CACM) guidelines were adopted by the European Commission as European law. This allows power exchanges to expand and compete in other EU markets through status as a Nominated Electricity Market Operator (NEMO).

Nord Pool has pioneered the concept of cross-border market coupling and been at the forefront of the market integration in Europe. Building on this, Nord Pool was designated NEMO in Austria, Denmark, Estonia, Finland, France, Germany, Great Britain, Latvia, Lithuania, the Netherlands, Sweden and Belgium. This represents an important milestone as it paves the way for expanding into new markets.

In November Nord Pool launched the new Intraday Web Platform. The new 'zero install', web-based intraday trading solution is built on HTML5 technology and runs in the individual customer's preferred web browser. It is backed by the company's proven system technology and available to customers trading in all countries where Nord Pool operates. This is the latest delivery in Nord Pool's drive to provide a future-proof single trading and clearing solution, addressing the needs of its customers in a rapidly changing European market.

In 2015 Nord Pool was selected to deliver services to the Bulgarian Energy Exchange (IBEX) and later also the Croatian Power Exchange Ltd. (CROPEX) and started to implement and test systems for establishing day-ahead markets in these countries.

This has facilitated both CROPEX and IBEX day-ahead markets to be operational as a part of the EU-wide Multi Regional Coupling (MRC). IBEX day-ahead market went live on 19 January 2016, and CROPEX day-ahead market went live on 10 February 2016.



Torger Lien
Chairman
Chief Executive Officer,
SN Power



Søren Dupont Kristensen
Member of the Board
Vice President Electricity
Market, Energinet.dk



Ulla Sandborgh
Member of the Board
Senior Vice President
Commercial Department,
Svenska kraftnät



Kristin Munthe
Member of the Board
Senior Vice President,
Statnett SF



Juha Kekkonen
Member of the Board
Executive Vice President,
Fingrid Oyj



Elis Paas
Member of the Board
Head of Electricity
Department, Elering AS



Christian Johan Giswold
Member of the Board
Employee representative,
Nord Pool AS



Kay From
Member of the Board
Employee representative,
Nord Pool AS

From 7 October 2015 market participants were required by REMIT to provide ACER with their record of wholesale energy market transactions through a selected Registered Reporting Mechanisms (RRM). As a registered RRM, Nord Pool was pleased to confirm it could offer market participants an automated, secure and flexible REMIT Transaction Reporting Services from day one. More than 230 members signed up for Nord Pool REMIT Transaction Reporting Services, which simply and efficiently meet all participant obligations under REMIT.

In December Nord Pool announced the introduction of LitPol and NordBalt interconnectors as part of Nord Pool day-ahead market. NordBalt is the new submarine cable connecting Lithuania (LT) and Sweden (SE4) whereas, LitPol is the new power HVDC interconnection between Lithuania (LT) and Poland (PLA). Litpol will be part of the day-ahead market from day one, while its introduction to the intraday market is projected to happen during 2016.

ANNUAL ACCOUNTS 2015

Group revenues in 2015 were NOK 330.9m (2014: NOK 310.1m).

Operating profit was NOK 74.0m (2014: NOK 61.9m) for the Group and NOK 72.6m for Nord Pool AS (2014: NOK 64.4m).

Net income amounted to NOK 56.4m (2014: NOK 45.4m) for the Group and NOK 55.4m (2014: NOK 49.3m) for Nord Pool AS.

By the end of 2015, total equity and liabilities for the Group was NOK 703m (2014: NOK 3,308m). The equity and liabilities of Nord Pool AS was NOK 697m as at 31 December 2015 (2014: NOK 3,295m).

The Board of Directors considers the equity to be adequate with regards to the company's exposure and collateral posted by the participants.

The annual accounts are prepared on the going concern assumption, and the Board of Directors confirms the basis for this.

No events of material significance [for the 2015 annual accounts] have occurred up to and including the signatory date of this report.

LIQUIDITY

Group cash and cash equivalents decreased from NOK 2,789m at the end of 2014 to NOK 575m at the end of 2015. The main reason for the change in funds is the effect on the settlement schedule of non-working days over year-end 2015 compared to 2014. (In 2014 there were a high number of bank holidays just before year-end, leading to a build-up of cash/payables).

FINANCIAL RISKS

MARKET RISK

Nord Pool is exposed to currency risk as physical power trades are settled in multiple currencies. The exposure is hedged using contracts where settlement and VAT is hedged on a daily basis while revenues are locked in once a week.

In the UK market, Nord Pool also faces imbalance risk due to being a nomination agent and thus requires members to post collateral reflecting the replacement cost in the case of non-delivery or rejection of notified volumes.

CREDIT RISK

All Nord Pool trades are settled on the day of trading or following business day with invoices and credit notes being dispatched in the afternoon. Financial settlement is due one banking day after trading for net buyers and two banking days after trading for net sellers. The credit risk related to financial settlement is mitigated by holding collateral as a payment guarantee for unpaid invoices.

For participants in the Nordic, Baltic and German markets the requirement is a minimum of 30,000 EUR or the equivalent to one week's worth of trading including VAT. In the UK market members have to post a minimum requirement based on their maximum expected net position or the daily collateral call reflecting delivery and settlement risk. Collateral can be posted either in the form of cash on a pledged account or as an on-demand-guarantee or letter of credit. Year-end accounts receivables amounted to NOK 29.4m (2014: NOK 359.2m) of which NOK 15m referred to trading. Collateral requirement posted by participants totalled to NOK 1.675 million.

LIQUIDITY RISK

Nord Pool has a solid liquidity position as invoices from physical power sold are due one banking day prior to self-billing invoices for purchased volumes.

COUNTERPARTY RISK

Counterparty risk for Nord Pool is regarded as low and is mitigated through members and financial counterparties being subject to an internal risk assessment prior to trading and financial exposure as well as monthly monitoring and reporting using both internal and external sources. Members have to comply with and fulfil daily security requirements while the solidity of financial intermediaries is monitored using external credit ratings.

There was no debt or loss registered for Nord Pool in 2015, and in the case of a member default Nord Pool is expected to recover all outstanding claims by calling on the member's collateral.

RISK CAPITAL

The concession granted to Nord Pool from the Norwegian Water and Energy Directorate (NVE), requires that the company holds sufficient risk capital and that the size of this is reviewed regularly. The company complies with this and continuously monitors the situation.

ORGANISATION AND WORKING ENVIRONMENT

As per 31 December 2015 the Nord Pool Group had 114 employees based in Norway, Sweden, Finland, Denmark, the UK, Estonia, Germany and Lithuania. Of these 60 were employed in Nord Pool AS.

Nord Pool AS had 31 female employees and 29 male employees at 31 December. There are female employees at all Nord Pool offices.

Nord Pool's Board of Directors consists of four women and four men. The Chairman of the Board is male. The corporate management team consists of three women and four men.

Health-related absence during the year was 1.34%. No lost-time accidents or personal injuries were suffered in 2015.

Nord Pool human resources policy is based on equality, meaning that there shall be no differences between male and female salary when the expertise and experience are comparable.

The wage level in Nord Pool AS for 2015 shows that the annual pay of male employees was on average 4% higher than that of the company's female staff.

The company encourages employees of both genders to establish solutions which make it easier to combine work and family life. There were two employees on maternity/paternity leave as per 31 December 2015, and the company had no employees working part-time at the end of the year.

ALLOCATION OF PROFIT

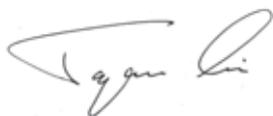
Out of Nord Pool AS's net profit of NOK 55.4m for the year, the Board proposes a dividend of NOK 27.7m and recommends transferring NOK 27.7m to other equity.

OUTLOOK FOR 2016

The new Capacity Allocation and Congestion Management framework (CACM), which came into force in 2015, provides the framework for competition between power exchanges. This entails both opportunities and challenges which the company is well prepared to take on.

The positive developments from last year continue into 2016 and the year is expected to give a reasonable return on invested capital. Nord Pool remains committed to pioneering European power markets, and to drive innovation for the benefit of all customers and stakeholders.

Lysaker, 20 April 2016



Torger Lien
Chairman



Søren Dupont Kristensen
Member of the Board



Ulla Sandbørg
Member of the Board



Kristin Munthe
Member of the Board



Juha Kekkonen
Member of the Board



Elis Paas
Member of the Board



Christian Johan Giswold
Member of the Board



Kay From
Member of the Board

Profit and loss account

NORD POOL AS			NORD POOL GROUP	
2015	2014	Amounts in NOK 1000	2015	2014
38 418	34 068	Fixed fee revenues	38 418	34 069
192 730	179 624	Volume dependent fees	192 730	179 624
93 910	87 825	Other operating income	99 716	96 398
325 058	301 517	Total operating income	330 864	310 091
5 017	12 556	Depreciation	7 507	16 857
68 834	60 714	Payroll expenses	109 332	87 452
178 604	163 824	Other operating expenses	139 983	143 898
252 455	237 094	Total operating expenses	256 822	248 207
72 603	64 423	Operating profit	74 042	61 884
3 578	3 464	Net financial items	3 765	2 263
76 181	67 887	Profit before taxes	77 807	64 147
20 810	18 611	Taxes	21 370	18 791
55 371	49 276	Net income	56 437	45 356
		ALLOCATED TO:		
27 685	24 638	Dividend		
27 686	24 638	Allocated to other equity		

Balance sheet

ASSETS

NORD POOL AS			NORD POOL GROUP	
31.12.2015	31.12.2014	Amounts in NOK 1000	31.12.2015	31.12.2014
		ASSETS		
		FIXED ASSETS		
		Intangibles		
20 916	12 720	Intangible assets	27 225	20 680
1 537	1 564	Deferred tax benefit	1 537	1 564
22 453	14 284	Total intangible	28 762	22 244
877	1 849	Tangible fixed assets	2 103	3 145
		FINANCIAL ASSETS		
28 827	28 827	Investment in subsidiaries		
		Investment in associated companies		
924	924	and joint ventures	2 521	2 521
29 751	29 751	Total financial assets	2 521	2 521
53 081	45 884	TOTAL FIXED ASSETS	33 386	27 910
		CURRENT ASSETS		
		Receivables		
27 932	351 977	Accounts receivables	29 429	359 166
61 435	127 418	Other receivables	65 591	131 527
391	1 111	Group receivables		
5	987	Derivatives	5	987
89 763	481 493	Total receivables	95 025	491 680
553 827	2 767 986	Bank deposits	574 630	2 788 841
643 590	3 249 479	TOTAL CURRENT ASSETS	669 655	3 280 521
696 671	3 295 363	TOTAL ASSETS	703 041	3 308 431

Balance

EQUITY AND LIABILITIES

NORD POOL AS			NORD POOL GROUP	
31.12.2015	31.12.2014	Amounts in NOK 1000	31.12.2015	31.12.2014
EQUITY AND LIABILITIES				
EQUITY				
Paid-in-equity				
53 613	53 613	Share capital	53 613	53 613
51 300	51 300	Share premium	51 300	51 300
104 913	104 913	TOTAL PAID-IN-EQUITY	104 913	104 913
RETAINED EARNINGS				
159 852	132 166	Other equity	154 420	124 945
159 852	132 166	TOTAL RETAINED EARNINGS	154 420	124 945
264 765	237 079	TOTAL EQUITY	259 333	229 858
LIABILITIES				
Provisions for liabilities				
4 450	5 151	Pension liabilities	4 450	5 151
4 450	5 151	TOTAL PROVISIONS FOR LIABILITIES	4 450	5 151
CURRENT LIABILITIES				
346 317	2 942 437	Accounts payable	348 049	2 950 075
20 783	18 799	Taxes payable	19 095	18 987
58	3 401	Public duties	2 614	5 033
27 685	24 638	Dividend	27 685	24 638
32 613	63 858	Other current liabilities	41 815	74 689
427 456	3 053 133	TOTAL CURRENT LIABILITIES	439 258	3 073 422
431 906	3 058 284	TOTAL LIABILITIES	443 708	3 078 573
696 671	3 295 363	TOTAL EQUITY AND LIABILITIES	703 041	3 308 431

Lysaker, 20 April 2016



Torger Lien
Chairman



Søren Dupont Kristensen
Member of the Board



Ulla Sandborgh
Member of the Board



Kristin Munthe
Member of the Board



Juha Kekkonen
Member of the Board



Elis Paas
Member of the Board



Christian Johan Giswold
Member of the Board



Kay From
Member of the Board



Mikael Lundin
CEO

Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles.

CONSOLIDATION PRINCIPLES

The Group accounts include the parent company, Nord Pool AS, and the subsidiaries Nord Pool Finland Oy, Nord Pool AB, Nord Pool Consulting AS and GB Day-Ahead Pooling Company AS.

The Group accounts have been prepared as if the Group were a single financial entity. Intercompany transactions and balances have been eliminated. The Group accounts have been prepared on the basis of similar principles, the subsidiary applying the same accounting principles as the parent company.

A purchased subsidiary is recorded in the Group accounts based on the parent company's acquisition cost. The acquisition cost is based on identifiable assets and liabilities of the subsidiary, which are recorded in the Group accounts at market value at the time of purchase. If the acquisition price exceeds (or is less than) amounts attributable to identifiable assets and liabilities, the excess is recorded in the balance sheet as goodwill (or negative goodwill) and amortized on a straight-line basis over the expected useful lives of the purchased assets.

Associated companies are valued in the Group accounts in accordance with the equity method. The allocated proportion of the profit of the associated company is based on the after-tax results of the associated company, after deducting any internal gains and any depreciation on any excess value caused by a higher acquisition price of the shares than the acquired part of equity recorded in the balance sheet. The allocated proportion of the profits is recorded in the profit and loss accounts as "Income from associated companies".

The exchange rate of 31 December has been applied for consolidation of branch accounts in local currencies.

SUBSIDIARY

The company's subsidiary is valued according to the cost method in the company accounts. Investments are valued at acquisition cost for the shares unless a write-down has been necessary. Investments are written down to market value if the decline in value is viewed as non-transitory in nature and it is deemed necessary according to generally accepted accounting principles. Write-downs are reversed if the conditions for the write-down are no longer present.

JOINT VENTURE

With a Joint Venture enterprise the definition is that this is a Group company who together with one or more companies, together controls the enterprise.

A part of assets, liabilities, revenues and expenses in the Joint Venture are consolidated based on the gross method according to the preliminary Norwegian standard on participating in a Joint Venture enterprise.

POWER TURNOVER

Purchases and sales of electrical power and gas are settled at the same price. Consequently, the monetary value of trading has no effect on the profit level of the Nord Pool Group.

INCOME FROM FEES

The income base of the Nord Pool Group consists of:

- annual fees
- volume-dependent fees
- FX fees

Volumes fees in the physical market relate to power traded (MWh) and are invoiced together with the power following delivery. FX fees apply for customers buying or selling electricity in other currencies than EUR. It is calculated as a % of invoice value.

CLASSIFICATION AND VALUATION OF BALANCE SHEET ITEMS

Current assets and short-term liabilities include items that fall due within one year of the acquisition date. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of acquisition cost and market value. Short-term liabilities are recorded in the balance sheet at face value at the time of recording.

Fixed assets are recorded at acquisition cost, but are written down to market value in the event of a decline in value, which cannot be expected to be transitory in nature. Long-term liabilities are recorded in the balance sheet at face value at the time of assuming such liabilities.

RECEIVABLES

Accounts receivable and other receivables are recorded in the balance sheet at face value after provision for bad debts. Provisions for bad debts are based on an assessment of individual accounts. In addition, a general provision for bad debts is made covering assumed losses for other accounts receivable.

FOREIGN CURRENCY

Accounts receivable and accounts payable in foreign currencies are valued at the year-end exchange rate on 31 December 2015.

FINANCIAL INSTRUMENTS

Nord Pool uses financial instruments to manage foreign exchange exposure. Spot exchange contracts are used solely to hedge currency exposures incurred in connection with the settlement of physical trading. Gains and losses on spot exchange contracts are reported and evaluated in tandem with the hedged item. Gains and losses on hedging instruments rolled over prior to their expiry are recognised in the balance sheet and income statement over time along with the hedged item. Financial derivatives are booked at market value.

TANGIBLE FIXED ASSETS

Tangible fixed assets are recorded in the balance sheet and linearly depreciated over the expected useful lives of the assets. Direct maintenance costs related to tangible fixed assets are currently expensed as operating expenses, whereas upgrades and improvements are added to the cost base of the operating assets and depreciated at the same rate as the assets to which they refer.

INTANGIBLE ASSETS

Intangible assets are recorded in the balance sheet to the extent a future financial benefit relating to the intangible asset can be identified. If such benefits cannot be identified, the expenses are recorded as costs on a current basis.

PENSION COSTS AND LIABILITIES

The Group has a contribution-based pension plan for all employees, where the current year's pension costs correspond to the current year's premium payment.

Net pension costs for the year are included as a salary expense in the profit and loss account. Premiums paid are treated as investments in pension funds.

Nord Pool AS has in addition a defined benefit pension plan which provides the employees with the right to defined future pension benefits (defined benefit plans). Benefits are based on the number of years of employment and salary at retirement age. This plan covers two former employees.

Contributions to the pension fund are made in accordance with the actuarial method of calculation. Pension assets in the pension fund are primarily invested in securities. Pension liabilities are calculated in accordance with the Norwegian accounting standard (NRS) for pension costs.

Pension obligations are valued at the present value of future pension liabilities earned as at the balance sheet date, which are to be paid through the company's own pension fund or financed by operations.

TAXES

Tax expenses in the profit and loss account consist of tax payable for the period and changes in deferred tax. Deferred tax is calculated on the basis of the temporary differences between accounting and tax values, as well as the tax deficit at the end of the year to be carried forward. Tax-increasing and tax-decreasing temporary differences, which are reversed or reversible in the same period, have been eliminated. Any net deferred tax benefits are recorded in the balance sheet to the extent they are expected to be utilised.

As of 31 December 2015, net negative temporary differences between accounting and tax values have been recorded by the Group. The associated deferred tax benefit is recorded in the balance sheet under assets.

CASH FLOW

The cash flow analysis has been prepared using the indirect method. The model is based on an adjustment of the after-tax net income resulting in the net cash flow from operating activities. Cash flows from investment and financing activities are presented as gross figures.

**Together
with Integrity
towards Excellence**



**Norway**

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