

**NORD  
POOL**

**20  
16** ANNUAL  
REPORT

Efficient, Simple, Secure



**“Ours is a journey of  
continuous improvement,  
centred on our customers.”**

**Mikael Lundin, CEO, Nord Pool**

Bold decisions –  
real results

**5**

2016 Highlights

**7**

Key facts  
and figures

**8**

Where we operate

**11**

Widening access –  
accelerating growth

**13**

Where every  
customer is king

**17**

Directors' and  
Financial reports

**20**



**“Our customers, regardless of their size or where they trade from, are now enjoying a trading experience with Nord Pool that is more efficient, simple and secure.”**

Mikael Lundin, CEO

# Bold decisions – real results

**Several years ago now, as Chief Executive of Europe’s leading power market, I took a conscious decision to make a reappraisal of Nord Pool’s approach to technology – and, in connection to that, a major investment of capital, time, resource and expertise in our technological abilities – an absolute priority.**

I feel that in 2016, with a dedicated tech team under firm strategic direction and with a clear understanding of what our customers across Europe not merely expected, but demanded, of us in this regard, we saw real results from that decision.

It seems that every year I commence the Foreword to our Annual Report by talking about that very important aspect of the power trading business – the numbers. We have almost come to expect record years, and 2016 was no exception. Nord Pool’s traded volume grew to 505 TWh with a new Nordic and Baltic day-ahead market trading record of 391 TWh.

But the bare numbers do not tell the story of our development, expansion and ambition – nor do they speak of the satisfaction of our customers.

## Delivering for customers

I was delighted that we were able to end the year with customer satisfaction feedback which provided scores that are among the best that I have ever seen in my time at Nord Pool. I believe that success with our customers is a direct reflection of the fact that they are reaping the benefits of our earlier decision to invest in IT.

There is no hiding the fact that, just a few short years ago, our customers were telling us that they really did not rate the technology interface which we were providing them with, very highly at all! We could not take that feedback lying down. Addressing our use and provision of technology had to be a key focus of progress for Nord Pool and something which our customers could both test, and measure us, by.

Our priority had to be to optimise the user experience, developing and then launching new systems as they became ready; really building up a ‘head of steam’ and with it, customer expectations of what we could deliver in the technological arena. Out went the clunky old trading applications – in came a web and browser-based system, with the watchwords being: ease-of-use, reliability and intuitiveness.

As result, what our customers have seen from us in recent times has been new day-ahead, intraday and clearing systems, with a deliberately unified, Nord Pool ‘feel’.

## Continuous improvement

To say that our programme of technological improvements has ‘peaked’ or ‘culminated’ would be to fundamentally misunderstand what Nord Pool has set out to do. Ours is a journey of continuous improvement of our technical capabilities, centred on enhancing usability for customers and further developing and integrating the use of APIs (application programming interfaces).

And I am pleased to be able to promise that this technological focus for our business, and for the benefit of our customers, will continue. In particular, we will be examining our customers’ use of APIs and how we can better accommodate and compliment that for smoother, quicker more efficient automated trading.

From healthy sceptics, I feel that Nord Pool’s staff have become technology evangelists. Our in-house tech team is already working on the technological solutions of the future, while spreading the word to our customers. Part of our job is to ensure that they fully

appreciate precisely how the technology we are developing can best be harnessed by them to, quite simply, make their lives easier. What sits above that ambition is the seismic realignment being experienced by the entire power sector, set in train by the dual pulls of technology and regulation.

And it is to regulation that I want to turn my attention in the conclusion of this Foreword.

### **Regulation and ambition**

I am immensely proud that, by the end of 2016, Nord Pool had been recognised with 14 NEMO (Nominated Electricity Market Operator) designations, with Belgium, France, Germany, Luxembourg, The Netherlands and Poland added to the list during the year. We find ourselves very much immersed in the implementation of the CACM (Capacity Allocation and Congestion Management) regulation. But if CACM is to realise its stated aim of creating an integrated power market in Europe, that implementation demands the recognition by all parties involved, of the need for a level playing field. We absolutely must not allow the creation of a situation where CACM is implemented to the disadvantage of some customers and the benefit of others.

At Nord Pool I am glad to be able to say, without reservation or hesitation, that we have taken on the challenges presented by changed and new regulation, particularly in the form of CACM, and we are trying our very best to live both by the letter and the spirit of it. But its implementation must be equitable, delivered honestly, in the right way and with no mistakes resulting from a lack of courage, plain-speaking or commitment. My challenge to my colleagues in the European power sector is to take that on board and to ensure that it is not allowed to happen.

### **Looking ahead**

And what of the future? As I have already hinted, at Nord Pool – where technology is concerned – our view is that we are very much on a journey to learn and discover more. Making our customers happy has had the very welcome knock-on effect of allowing us to establish our own capacity to truly create on the tech side. We have become experts in building technology.

The significant technical improvements delivered during the year, particularly our new day-ahead platform and refined and streamlined REMIT reporting, have gone a long way to realising our ambition of providing a unified, pan-European trading platform, encompassing a solid clearing

proposition. We are confident that our customers, regardless of their size or where they trade from, are now enjoying a trading experience with Nord Pool that is more efficient, simple and secure.

To summarise, 2017 finds a Nord Pool that wants to pioneer European power markets – and it is technology which is making that ambition achievable. A big part of that is the recognition that power exchanges are already embedded in a shift in focus, to become technology businesses, and that fundamental change from traditional regulated power exchange to technology development business is what will allow us, hand-in-hand with our customers, truly to be pioneers.

**FEBRUARY**

Croatian Power Exchange Ltd. (CROPEX) and Nord Pool launch the EU-wide day-ahead market, to be operational as a part of the EU-wide Multi-Regional Coupling (MRC).

German product offering is improved with the introduction of extension of intraday trading allowing customers trading in the German TSO areas to trade right up to delivery.

Nord Pool receives its 12th Nominated Electricity Market Operator (NEMO) confirmation – for Belgium.

The UK day-ahead market records an all-time high for UK traded volume of 510 GWh, reflecting Nord Pool's investment in the streamlining and modernisation of our UK power product and service offering.

**SEPTEMBER**

Launch of Day Ahead Web and CASS clearing and settlement services for our UK customers, consolidating the Nord Pool offering across a single platform.

Shortened Gate Closure Time improves Nord Pool's German intraday offering, letting customers trade across the different German TSO areas until 20 minutes before delivery.

**DECEMBER**

Our end-of-year customer survey produces encouraging results – with Nord Pool receiving an average 82 out of 10 on overall customer satisfaction.

New urgent customer message system, REMIT UMM, which includes reporting to ACER's REMIT platform and to ENTSOE, is successfully launched, completing Nord Pool's new modern product suite for physical power trading.

Nord Pool welcomes its 14th NEMO designation – in Luxembourg.

**JANUARY**

Nord Pool Spot once again becomes Nord Pool, 20 years after the first international power exchange was created under that very name.

The Independent Bulgarian Energy Exchange (IBEX) and Nord Pool launch the IBEX Nord Pool launch – the first day-ahead market – the first such power trading market in Bulgarian history.

Nord Pool receives its 11th Nominated Electricity Market Operator (NEMO) appointment – in Germany.

The day-ahead auction in the Nordic and Baltic market records the highest weekly volumes in the market's history at 10.2 TWh, with daily volumes reaching a new all-time high, with 155 TWh traded for delivery the next day.

**MARCH**

Developments in Nord Pool's Day Ahead Trading System allow the use of new bid products Exclusive Groups and Flexible Orders in the Nordc-Baltic day-ahead auction.

**APRIL**

A new REMIT OTC Reporting Service to ACER, to coincide with REMIT Article 8 on reporting OTC contracts coming into force, is successfully launched by Nord Pool.

Poland is confirmed as Nord Pool's 13th NEMO appointment.

**20  
16**

**HIGHLIGHTS**

# Key facts and figures

Total volume traded

# 505

TWh

Nordic and Baltic day-ahead market

391

TWh

UK day-ahead market

109

TWh

Nordic, Baltic and German intraday market

5

TWh

Nordic system price

26.91

Eur/MWh

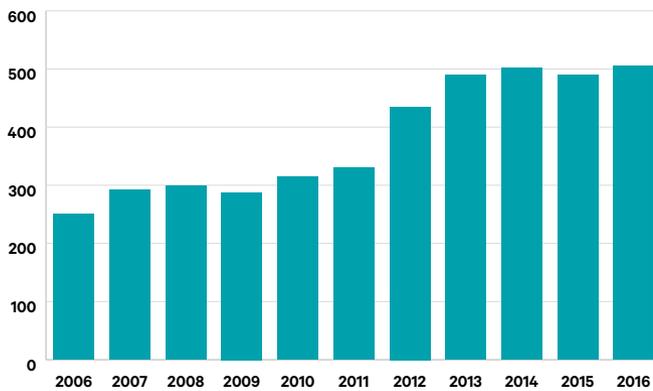


Customers trading (from 20 countries)

380

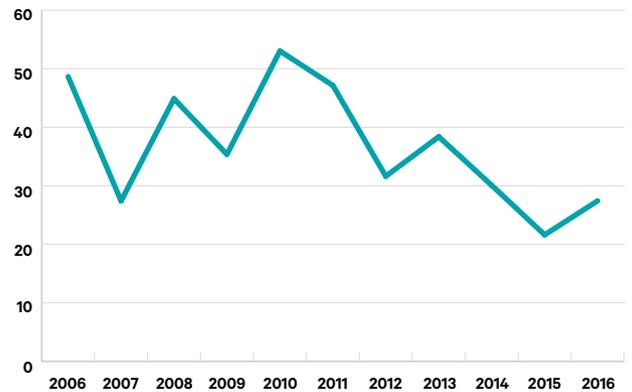
### Traded volume growth (in TWh)

A total of 505TWh traded in 2016. Day-ahead market Nordic/Baltic 391TWh. Day-ahead market UK 109TWh. Intraday market Nordic/Baltic/Germany 5.1TWh.

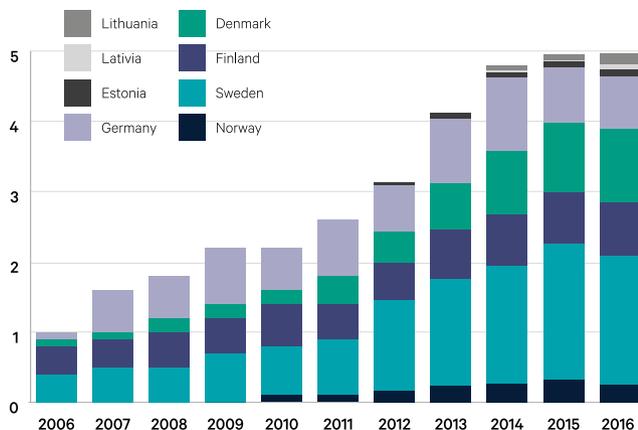


### Nordic system price (average price in EUR/MWh)

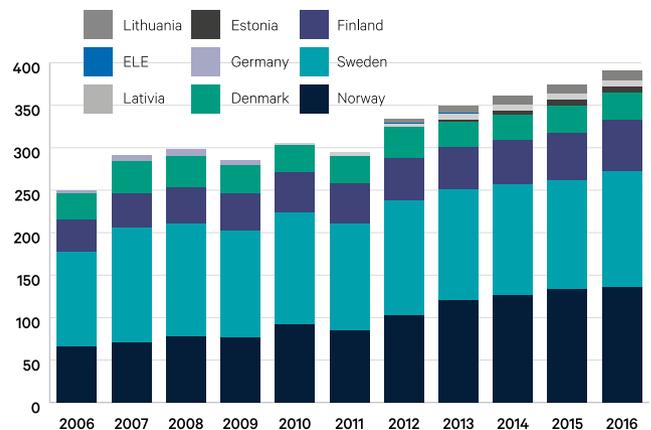
The hourly system price is determined at the point where all supply and demand for the entire Nordic region within each hour meet, not taking the trading capacities between the bidding areas into account.



### Intraday turnover (per country in TWh)

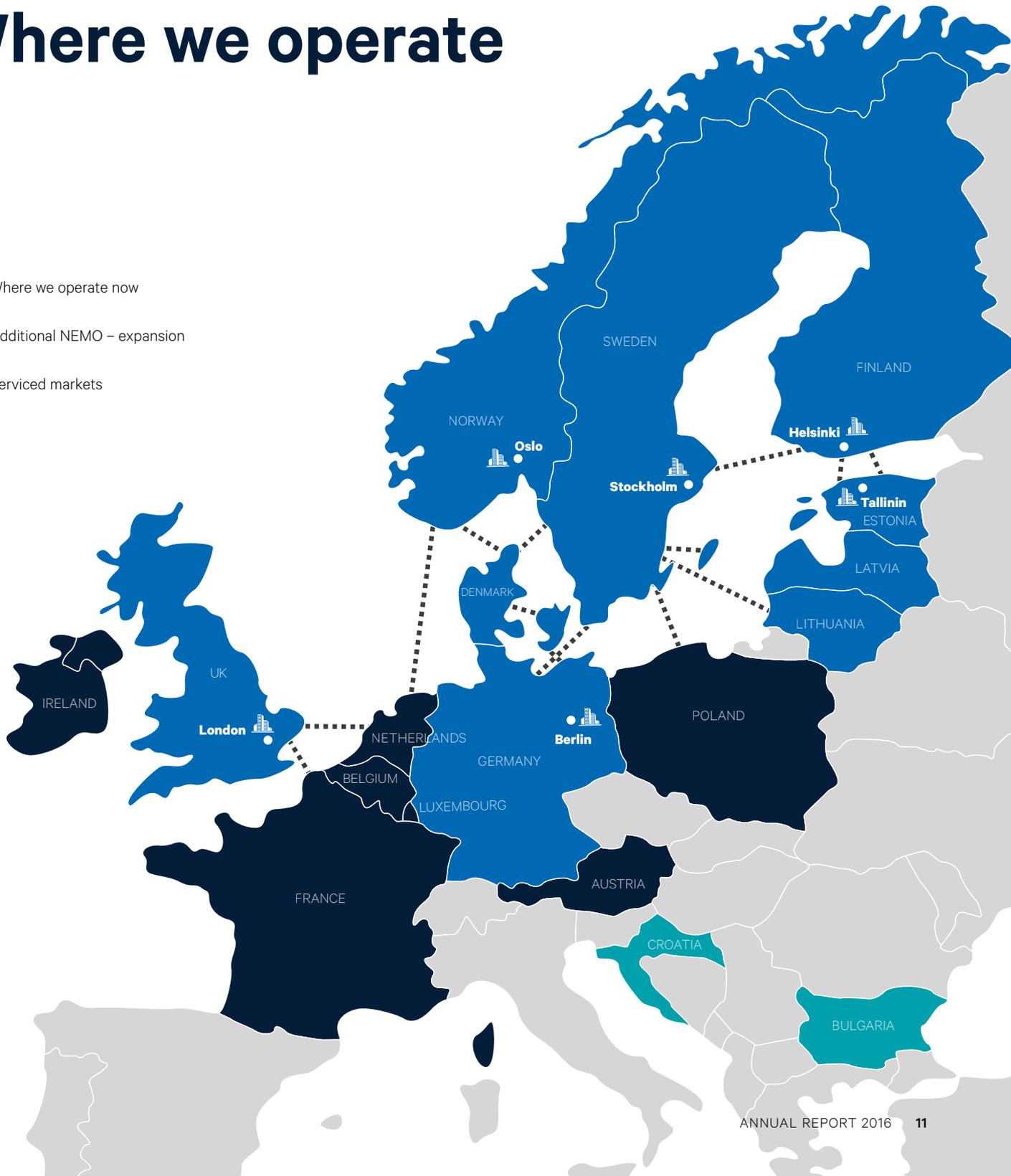


### Nordic and Baltic day-ahead volume turnover (per country in TWh)



# Where we operate

- Where we operate now
- Additional NEMO – expansion
- Serviced markets





**Marianne  
Wergeland  
Jensen**  
Director Markets

# Widening access – accelerating growth

**After Nord Pool's years of pioneering the power market exchange model which is now being implemented in Europe, the company's big focus in 2016 was on a continued drive to make customers' trading lives simpler, combined with ambitious plans for extending its reach. Nord Pool achieved both; giving it a strong base from which to grow in 2017 and beyond.**

## European pioneer

Driven by the new Network Guidelines on Capacity Allocation and Congestion Management (CACM); a framework for cross-border electricity trading in Europe that came into force in 2015, an integrated power market in Europe is now becoming a reality.

This has opened up considerable opportunities for Nord Pool, which became a Nominated Electricity Market Operator (NEMO) in four new geographic markets during 2016. These encompassed Belgium, Germany, Luxembourg and Poland, and increased the number of Nord Pool's NEMO designations to 14.

Last year it was also announced Nord Pool will be delivering power exchanges for Bulgaria and in Croatia, where the company is now working alongside the Croatian Power Exchange Ltd (CROPEX) to create the first competitive Croatian intraday power market.

"As a company, we have for years been advocating a power market exchange model that is based on a philosophy of providing liquid, efficient and secure physical power markets accessible for everyone who wants to trade.

"We have developed our expertise in integrating new markets and believe this, combined with our robust and secure value-for-money market offering, which gives our customers transparency of trade and caters for everyone, independent of size or where they are based, have been key to this expansion," explains Nord Pool's Director Markets, Marianne Wergeland Jenssen.

"We are also confident that, while we may have entered an era of greater power exchange competition across Europe, our engagement with regulators, as well as our understanding of the current regulation and the general regulatory climate, make us well placed for successfully negotiating the challenges that lie ahead, for the benefit of our customers" says Marianne.



## Innovation and simplification

During 2016 Nord Pool also delivered on its promise to provide innovative solutions that unify its trading platform, products and services to bring real advantages to customers, using technology as a key enabler.

The company has a diverse customer base; in terms of size, sector, business culture and geography. "Irrespective of this, our goal is to provide efficient, simple and secure trading for all our customers. In 2016 we implemented a number of changes to achieve this ambition. We undertook a reorganisation to facilitate a more collaborative working environment, which could pave the way for developing new products and services to meet growing market needs, fast and

effectively. We also extended trading in the German intraday market, consolidated clearing across our markets and developed a single Nord Pool day-ahead and intraday platform for trading,” says Marianne.

“As we continue to expand in Europe, so do many of our customers. We recognise more than ever the need for a strong focus and greater coordination when it comes to supporting these customers, who trade across multiple Nord Pool markets, to ensure that our value proposition closely aligns with their specific needs,” explains Emma McKiernan, who is Nord Pool’s European Relationship Manager for multi-market customers.

“As part of this, we reached a major milestone last year when we launched the ability to self-clear for our customers in Great Britain. This means that Nord Pool is able to provide a single location to trade, clear and settle physical transactions in the wholesale market, while at the same time keeping barriers to entry and costs low for participants.

“As we add new geographies, such as Ireland, to our portfolio, it will be a natural progression for Nord Pool to provide similar services across these; using a single platform to trade intraday and day-ahead.

“This will ease the ability of our customers to trade across our various markets, and allow their collateral to be netted to increase efficiency and maximise value for those who wish to transact in different markets,” Emma continues.

### **The future is bright**

Based on its progress during 2016, the aim for Nord Pool is now to extend its solid platform in the European arena and continue its quest to make its customers’ lives as simple as possible when it comes to trading power.

“We very much see ourselves as a ‘one stop shop’ for customers, offering direct access to all Nord Pool markets through our single trading and clearing systems. That, paired with our ability to offer low cost clearing solutions, puts us in a prime position for being the partner of choice for both our single and multi-market customers, as we expand our footprint,” says Emma.

Marianne agrees: “In total we now have 380 active members trading from 20 countries. That is reassuring and encouraging. Our continued expansion gives us a good foundation for future development, and we are really excited about the prospect of bringing our energy trading to new markets this year and beyond.”

**“We recognise more than ever the need for a strong focus and greater coordination when it comes to supporting customers.”**

Emma McKiernan,  
European Relationship Manager

## Technology; the key enabler

Chris Whellams was recruited three years ago to tackle technology as a key area of improvement at Nord Pool. "Our dedicated tech team set out to design a new system that covered all markets and gave our customers a better experience. Our first step on the transformation ladder was to insource the technology function, which in the past had been outsourced, so that we could build our own key skills and knowledge.

"We had a clear vision and strategy to optimise the user experience, but adopted a micro-services architecture model so we could work on numerous independent projects simultaneously. This enabled us to launch the new systems when they were ready, so we could keep up the pace and momentum. We also decided to move all our interfaces from trading applications onto a web and browser-based HTML5 system, to maximise efficiency and make our system easy to use," Chris continues.

**Chris Whellams**  
Chief Technology  
Officer

The projects, including new day-ahead, intraday and clearing systems, have all been rolled out one-by-one over the past two and a half years. While they have been launched at different times, the look, feel and style of the user experience is now consciously unified and distinctly Nord Pool.

The most recent major programme change was a new mobile application.

Chris comments: "We, and more importantly our customers, are reaping the benefits of the investment we have made in technology over the past three years. Our systems and operations are now leading edge, and they are in the hands of a strong, very competent, team that has the expertise to keep developing IT in-house.

"Our customers tell us that they like what we do (they wouldn't hesitate to tell us if they didn't!), and our customer satisfaction scores for technology have seen a 180 degree transformation. This allows me to focus more strategically on our future pipeline of developments, by spending more time with customers and our product managers to understand where we can make further improvements."

Chris is already on to the next thing – one of the key areas he will be focusing more on is application programming interfaces (APIs). The use of APIs enables automation of trading. Nord Pool offers APIs that will integrate with customers' own platforms to enhance the user experience and deliver speed, convenience and accurate reporting.

In this area, Chris is confident Nord Pool's customers can learn from the investment banking sector: "In an industry where margins are tight, and the only opportunities to streamline or reduce costs are associated with human resources or fuel, the automation of trading could have a lot to offer.

"Computers will do a faster and more accurate job than any human, and, unlike people, they don't take a tea break! The job of Nord Pool's in-house IT team is to develop our technology for the future, but also to ensure our customers know about and understand how our technology can be empowering and play an important role in making their lives simpler. The bottom-line is, it's all about them," concludes Chris.



**Daniella Grønne**  
Customer Service  
Manager

# Where every customer is king

**After a period of intense focus on technical development, last year Nord Pool decided to reorganise its important membership services delivery. The aim was to make it far more of an integral part of a new and more strategic Customer Services department; established with a view to achieving longer term goals.**

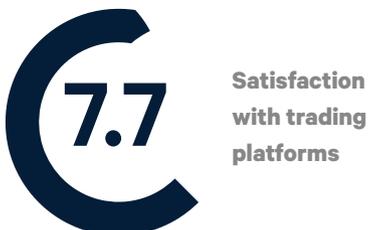
Despite Nord Pool's high score in satisfaction surveys; in particular when it comes to strong relationship management, its deep understanding of customers' businesses, and the speed of response to queries and resolutions, it was decided change was needed to combine a continued focus on existing customers with the implementation of an invigorated vision for targeting new markets.

## Positioned for growth

Nord Pool's Customer Service Manager, Daniella Grønne, who joined the company to head up the new department, explains: "As we expand, we need to ensure we never lose sight of our focus on customers, as we are here to serve them! This involves making sure we have them at the front of our minds in all aspects of what we do, optimise our service in every way and position ourselves for sustainable growth." In 2016 Nord Pool launched tools that consolidate support of all the company's service offerings and make the full range accessible through a single interface. This provides an improved overview of each customer and allows Nord Pool to build a better understanding of their needs.

"This also enables us to provide more informed and tailored advice. A reorganisation of our customer service support function was needed to ensure we take advantage of the opportunities these new tools bring. Time was spent up front to develop new processes; to make them succinct and streamline them across operations to provide personal, yet equal

## Customer engagement programme 2016 results



**“We work with customers to develop the best trading options and collateral model to keep their costs to a minimum.”**

Ase Falck, Customer Service Advisor

treatment, and optimise customer service: Regardless of size or location, we want to make sure customers always know to expect the very best when dealing with Nord Pool,” explains Daniella. The department also implemented a new service model, where there are three lines of command for enquiry handling. This has made Nord Pool’s enquiry handling more efficient and freed up valuable time for the company’s experts to handle the most complex enquiries in real detail.

**Tailor-made service**

“Our customers don’t always know what they want, or which option will fit them best, so we will work with them to develop the best trading options and collateral model and keep their costs to a minimum. Then it’s all about getting them settled in and comfortable. Any banking or portfolio changes will also come back to our desk to deal with. We want to save our customers any headaches,” explains Customer Service Advisor, Ase Falck.

New Nord Pool customers tend to come into contact with the company’s Account Managers first. Nord Pool’s Customer Service Advisors then follow up to develop a customer strategy designed to help identify

their trading profiles and provide a guide through the on-boarding process, which has a number of regulatory and legal elements.

Daniella explains: “The market is complex, but irrespective of this, our job is to make the membership process as smooth as possible, and to ensure dealings with banks and regulators are quick and painless for our customers, no matter what that takes.”

Nord Pool’s customer base is varied and diverse. While some customers choose to trade themselves, others may have partners that trade on their behalf. “We can deal with customers over the phone or via email, depending on their preferences, but we like to build relationships that establish a strong personal connection. Our job is to listen hard and then to take customer views and ideas back to our operations and technology teams for investigation and implementation. While we have a standardised set of customer protocols, we still take great pride in our personal service, which is always tailored to meet the individual customer’s needs.

“Regardless of size, we absolutely do not discriminate between customers. Our handling is very transparent. It’s all about trust and integrity.

“You could say that at Nord Pool every customer is a VIP; from the sole business owner of a small hydroelectric plant in a remote part of Norway, who operates the plant as well as handling the power trading, to the customer at the other end of the spectrum, who is a professional City Trader in London. We only segment according to our customers’ needs, services and systems,” continues Åse.



### Feedback is key

Both qualitative and quantitative customer research is carried out on a regular basis to monitor satisfaction. It includes third party research to promote objective responses and validation.

“The research helps us nip any issues in the bud quickly and effectively, and allows us to gain insight into our customers’ experience with us. It also provides a mechanism for exploring new ideas, products and services, and to offer innovation and improvements.

“Anticipating the challenges that lie ahead enables us to better cater for our customers’ needs both now and in the future. It also helps us fulfil our goal of offering such a good service that our customers can’t imagine going anywhere else. When the customer says jump, we jump! We really want to be the best. This means our work is always a work in progress.

“In the end, we want our customers to act as ambassadors for us, as this is the most powerful statement of all. To make this happen, we must constantly develop and meet needs our customers don’t even yet realise they have. We can only achieve this through shared understanding, a collaborative culture and short channels. Only then will we be truly customer driven,” concludes Daniella.

# Directors' and Financial reports

- 26 Profit and loss accounts
- 27 Balance sheet
- 28 Balance
- 29 Accounting principles



### Directors' report 2016

**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 compliance 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 the parent company 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 London, Berlin, Helsinki and Stockholm. Nord Pool is owned by the TSOs Energinet.dk, Fingrid Oyj, Statnett SF, Svenska kraftnät, Elering AS, Augstsprieguma tikls AS and Litgrid AB.

### Operational highlights

2016 was another strong year for Nord Pool in terms of volumes traded, revenue growth and general activity level. Continued efforts were made in overhauling and upgrading the IT-platforms, resulting in the successful migration of all markets over to one proprietary Nord Pool platform. The result is a robust, powerful and cost-efficient platform that customers have responded well to.

European focus throughout 2016 has been on the implementation of the Capacity Allocation and Congestion Management (CACM) guidelines which entered into force in 2015. These lay the regulatory framework for power exchanges to expand and compete in EU markets through status as Nominated Electricity Market Operator (NEMO). Nord Pool has secured NEMO-status in a total of 15 countries, paving the grounds for Nord Pool's expansion into new areas and continued growth.



**Torger Lien**

Chairman  
Chief Executive Officer,  
SN Power



**Ulla Sandborgh**

Member of the Board  
General Director and CEO,  
Svenska kraftnät



**Kristin Munthe**

Member of the Board  
Senior Vice President,  
Statnett SF



**Jan Montell**

Member of the Board  
Senior Vice President,  
CFO, Fingrid Oyj



**Søren Dupont Kristensen**

Member of the Board  
Senior Vice President,  
Electricity System Operator,  
Energinet.dk



**Alnis Balins**

Member of the Board  
Head of Electricity  
Market Monitoring &  
Market Development,  
Augstsprieguma tikls AS



**Kay From**

Member of the Board  
Employee representative,  
Nord Pool AS



**Marja Eronen**

Member of the Board  
Employee representative,  
Nord Pool AS

## Annual accounts 2016

Revenues in 2016 were NOK 353.2m (2015: NOK 330.9m) for the Group and NOK 344.5 for Nord Pool AS (2015: NOK 325.1m).

Operating profit was NOK 82.9m (2015: NOK 74.0m) for the Group and NOK 74.3m for Nord Pool AS (2015: NOK 72.6m).

Net income amounted to NOK 61.4m (2015: NOK 56.4m) for the Group and NOK 55.3m (2015: NOK 55.4m) for Nord Pool AS.

By the end of 2016, total equity and liabilities for the Group was NOK 1165m (2015: NOK 703m). The equity and liabilities of Nord Pool AS was NOK 1152m as at 31 December 2016 (2015: NOK 697m).

The Board of Directors considers the equity to be adequate with regards to the company's exposures 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 2016 annual accounts] have occurred up to and including the signatory date of this report.

## Liquidity

Group cash and cash equivalents changed from NOK 575m at the end of 2015 to NOK 633m at the end of 2016.

## Risks

Nord Pool operates within an environment which is increasingly defined by regulatory requirements. This gives rise to new business risks – and opportunities – such as potential market entry of new competitors, regulatory or other legal amendments, technical changes or modifications of the product landscape, etc.

## 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 330.9m (2015: NOK 294m) of which NOK 319.6m referred to trading.

### 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 intermediates is monitored using external credit ratings. There was no debt or loss registered for Nord Pool in 2016, 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 2016 The Nord Pool Group had 123 employees based in Norway, Sweden, Finland, Denmark, the UK, Estonia, Germany and Lithuania. Of these 63 were employed in Nord Pool AS. Nord Pool AS had 31 female employees and 32 male employees at 31 December. There are female employees at all Nord Pool offices. Nord Pool Board of Directors consists of four women and four men.

The Chairman of the Board is male. The extended corporate management team consists of 4 women and 9 men.

Health related absence during the year was 3.3%. No lost-time accidents or personal injuries were suffered in 2016. 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 2016 shows that the annual pay of male employees was on average 3% 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 5 employees on maternity/paternity leave as per 31 December 2016, and the company had no employees working part time at the end of the year.

### **Allocation of profit**

The Board proposes to distribute all of Nord Pool AS's net profit of NOK 55.3m as dividend.

### **Outlook for 2017**

The positive developments from last year continue into 2017 and the year is expected to give a reasonable return on invested capital. Nord Pool remains committed to pioneering European power markets, and to driving innovation for the benefit of all customers and stakeholders.

The part of the CACM-implementation that pertains to Multi-Nemo Arrangements, is expected to take place towards the end of 2017, at which point Nord Pool stands ready to extend its offerings.

Lysaker, 22 March 2017



**Torger Lien**  
Chairman of the Board



**Ulla Sandbørgh**  
Member of the Board



**Kristin Munthe**  
Member of the Board



**Jan Montell**  
Member of the Board



**Søren Dupont Kristensen**  
Member of the Board



**Alnis Balins**  
Member of the Board



**Kay From**  
Member of the Board



**Marja Eronen**  
Member of the Board



**Mikael Lundin**  
CEO

# Profit and loss account

2016	2015	Amounts in NOK 1000	2016	2015
33 977	38 418	Fixed fee revenues	33 977	38 418
215 079	192 730	Volume dependent fees	215 079	192 730
95 450	93 910	Other operating income	104 100	99 716
<b>344 506</b>	<b>325 058</b>	<b>Total operating income</b>	<b>353 156</b>	<b>330 864</b>
7 816	5 017	Depreciation	10 441	7 507
73 803	68 834	Payroll expenses	128 258	109 332
188 551	178 604	Other operating expenses	131 582	139 983
<b>270 170</b>	<b>252 455</b>	<b>Total operating expenses</b>	<b>270 281</b>	<b>256 822</b>
<b>74 336</b>	<b>72 603</b>	<b>Operating profit</b>	<b>82 875</b>	<b>74 042</b>
-349	3 578	Net financial items:	-2 127	3 765
<b>73 987</b>	<b>76 181</b>	<b>Profit before taxes</b>	<b>80 748</b>	<b>77 807</b>
18 659	20 810	Taxes	19 316	21 370
<b>55 328</b>	<b>55 371</b>	<b>Net income</b>	<b>61 432</b>	<b>56 437</b>
<b>ALLOCATED TO:</b>				
<b>55 328</b>	<b>27 685</b>	<b>Dividend</b>		
<b>0</b>	<b>27 686</b>	<b>Allocated to/from other equity</b>		

# Balance sheet

## Assets

31.12.2016	31.12.2015	Amounts in NOK 1000	31.12.2016	31.12.2015
<b>ASSETS</b>				
<b>FIXED ASSETS</b>				
<b>Intangibles</b>				
15 285	20 916	Intangibles assets	19 202	27 225
1 337	1 537	Volume dependent fees	1 337	1 537
<b>16 622</b>	<b>22 453</b>	<b>Total intangible</b>	<b>20 539</b>	<b>28 762</b>
<b>519</b>	<b>877</b>	<b>Tangible fixed assets</b>	<b>1 679</b>	<b>2 103</b>
<b>FINANCIAL ASSETS</b>				
28 827	28 827	Investment in subsidiaries	-	-
-	924	Investment in associated companies and joint ventures	-	2 521
<b>28 827</b>	<b>29 751</b>	<b>Total financial assets</b>	<b>-</b>	<b>2 521</b>
<b>45 968</b>	<b>53 081</b>	<b>TOTAL FIXED ASSETS</b>	<b>22 218</b>	<b>33 386</b>
<b>CURRENT ASSETS</b>				
<b>Receivables</b>				
329 653	27 932	Accounts receivables	330 852	29 429
173 642	61 435	Other receivables	178 078	65 591
-388	391	Group receivables	-	-
-	5	Derivatives	-	5
<b>502 907</b>	<b>89 763</b>	<b>Total receivables</b>	<b>508 930</b>	<b>95 025</b>
<b>602 756</b>	<b>553 827</b>	<b>Bank deposits</b>	<b>633 521</b>	<b>574 630</b>
<b>1 105 663</b>	<b>643 590</b>	<b>TOTAL CURRENT ASSETS</b>	<b>1 142 451</b>	<b>669 655</b>
<b>1 151 631</b>	<b>696 671</b>	<b>TOTAL ASSETS</b>	<b>1 164 669</b>	<b>703 041</b>

# Balance

## Equity and liabilities

31.12.2016	31.12.2015	Amounts in NOK 1000	31.12.2016	31.12.2015
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
<b>Paid-in-equity</b>				
53 613	53 613	Share capital	53 613	53 613
51 300	51 300	Share premium	51 300	51 300
<b>104 913</b>	<b>104 913</b>	<b>TOTAL PAID-IN-EQUITY</b>	<b>104 913</b>	<b>104 913</b>
<b>RETAINED EARNINGS</b>				
159 852	159 852	Other equity	159 410	154 420
<b>159 852</b>	<b>159 852</b>	<b>TOTAL RETAINED EARNINGS</b>	<b>159 410</b>	<b>154 420</b>
<b>264 765</b>	<b>264 765</b>	<b>TOTAL EQUITY</b>	<b>264 323</b>	<b>259 333</b>
<b>LIABILITIES</b>				
<b>Provisions for liabilities</b>				
4 130	4 450	Pension liabilities	4 130	4 450
<b>4 130</b>	<b>4 450</b>	<b>TOTAL PROVISIONS FOR LIABILITIES</b>	<b>4 130</b>	<b>4 450</b>
<b>CURRENT LIABILITIES</b>				
28	-	Derivatives	28	-
779 583	346 317	Accounts payable	779 878	348 049
18 459	20 783	Taxes payable	18 829	19 095
3 777	58	Public duties	5 864	2 614
55 328	27 685	Dividend	55 328	27 685
25 561	32 613	Other current liabilities	36 289	41 815
<b>882 736</b>	<b>427 456</b>	<b>TOTAL CURRENT LIABILITIES</b>	<b>896 216</b>	<b>439 258</b>
<b>886 866</b>	<b>431 906</b>	<b>TOTAL LIABILITIES</b>	<b>900 346</b>	<b>443 708</b>
<b>1 151 631</b>	<b>696 671</b>	<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 164 669</b>	<b>703 041</b>

Lysaker, 22 March 2017

**Torger Lien**

Chairman



**Ulla Sandborgh**

Member of the Board



**Kristin Munthe**

Member of the Board



**Jan Montell**

Member of the Board



**Søren Dupont**

**Kristensen**

Member of the Board



**Alnis Balins**

Member of the Board



**Kay From**

Member of the Board



**Marja Eronen**

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".

## 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 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 2016.

### **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 plans which provide 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 utilized.

As of 31 December 2016, 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.

# NORD POOL

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