

The logo for Nord Pool, consisting of the words "NORD" and "POOL" stacked vertically in a white, bold, sans-serif font. The background of the entire page is dark blue with a bokeh effect of colorful, out-of-focus circles in shades of green, yellow, and purple. A large, semi-transparent blue shape, resembling a stylized 'N' or a large letter, is overlaid on the page, containing the main text.

**NORD
POOL**

2017

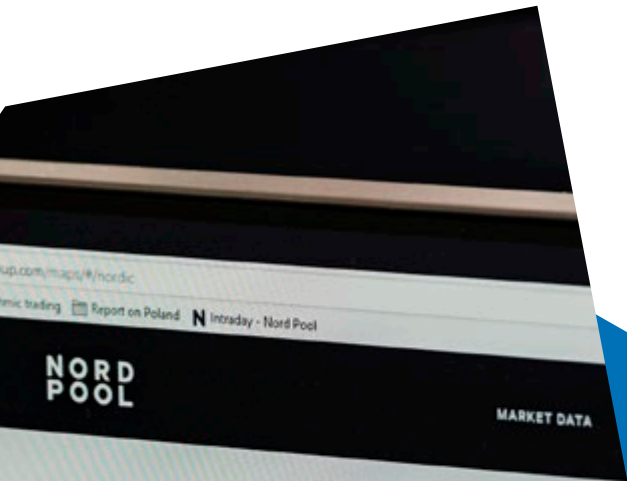
Annual Report

Investing for the Customer

“In 2017 we invested in consolidating deliveries, refining and fine-tuning them to better meet customer needs.”

Erling Thiis

Acting CEO

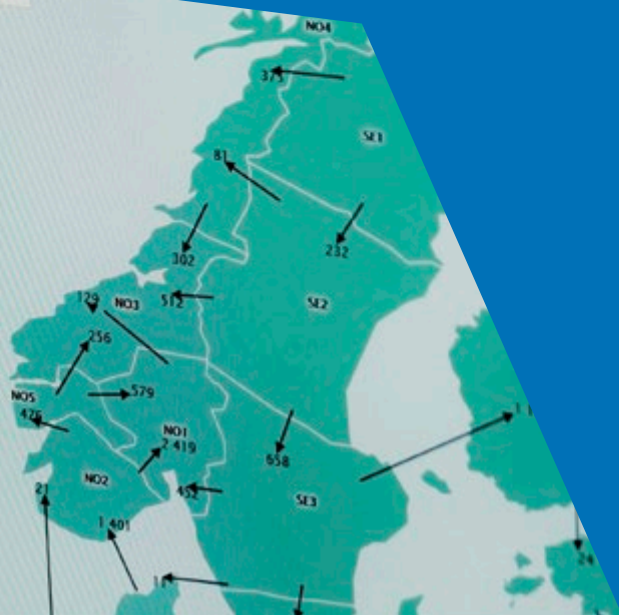


Day-ahead overview

Nordic/Baltic

PRICES	ELSPOT FLOWS	CAPACITIES	PHYSICAL EXCHANGE
01 JANUARY 2018	00-01		EUR

System price:
26.31



4	Foreword
7	2017 Highlights
8	Key facts and figures
11	Expanding influence
13	A Quiet Revolution
16	Platform for Change
20	Directors' and Financial reports

Big Challenges — Small Changes

Erling Thiis
CFO and acting CEO

When I found myself, in the autumn of 2017, unexpectedly stepping in as acting Chief Executive at Nord Pool, I was acutely aware that much of the year was already behind us. We had spent that time making — for the most part — small, incremental changes in the products and services we provide to our customers, to make their lives simpler.

The previous year had seen Nord Pool making some major deliveries; the externally visible realisation of a serious investment by us in driving our technology forwards. So perhaps 2017 was, for us, always destined to be a year that was less about ‘show-boating’ and more about quietly, but confidently, working behind the scenes, investing in securing the efficiencies which we had put in place, for the benefit of our customers.

For the record

Since my background is in finance you will forgive me if I start the Foreword to our 2017 Annual Report by addressing the ever-present, and always important, subject of the numbers that illustrate our performance through the year. This is an aspect of the power trading business that will never, I think, go away nor diminish in importance — and I am pleased to be able to say that Nord Pool’s numbers remain healthy, competitive and growing.

Our delivery of ‘record years’, year-on-year, has somehow come to be the norm at Nord Pool. And, in that respect, it was

‘business as normal’ in 2017. The volume of power traded through Nord Pool grew to 512 TWh, with Nordic and Baltic day-ahead market trading rising to a record 394 TWh, UK day-ahead achieving 111 TWh, and Nordic, Baltic and German intraday reaching an all-time high of 6.7 TWh — growth of 35% on the 2016 figure.

And we want to share our numbers — which is why in 2017 we made all physical and operating data from Nord Pool markets available free for power sector startups, and launched a mobile app providing key daily data for our day-ahead trading, giving traders daily prices while on the move.

In times of increased competition between power exchanges, achieving strong numbers in our existing markets is both reassuring and encouraging. And I would particularly like to highlight the fact that in the UK Nord Pool continues to handle some two thirds of day-ahead power trading, while still confronting challenges that are not of our own making in the intraday sphere. Imagine what would be achievable — and the benefits to UK customers — if there was ever to be a level playing field in UK intraday!

Delivering value

If achieving records is normal here at Nord Pool, that does not in any way mean that we have become complacent about the need to deliver exceptional value for money in the power trading world. Only by doing that can we ensure that current customers

continue to trade increasing volumes with us, and that new ones are attracted to what Europe’s leading power market has to offer.

Another area in which we can never afford to become complacent is customer satisfaction. Our annual customer survey is now an established part of our year. We value very highly the insight that the results give us into what our customers are thinking and feeling about our performance and what they need — or rather (quite rightly) demand — from us going forward. Once again, in 2017, our feedback scores were generally impressively high. I hope that proves that, even if this was a year when we chose — in typically Scandinavian fashion — not to ‘blow our own trumpet’ too much in public, our customers fully appreciated that we had made an investment in consolidating the previous year’s deliveries, refining and fine-tuning them to meet their needs.

If 2017’s customer feedback was overwhelmingly positive, there were also some useful pointers in there about future direction and developments. Rest assured that we have listened to what our customers have told us, taken it on board and will be acting on it. At Nord Pool we do not need a weatherman to tell us which way the wind blows — our customers are already very good at doing that!

Making our platforms and processes just that little bit more efficient, contributes towards our wider vision as a business of



“We have been quietly, confidently, working behind the scenes; investing in securing efficiencies for the benefit of our customers.”

realising completely seamless, joined-up power trading. In particular it was our efforts in clearing and settlement during 2017 which, I feel, really set us apart from other power exchanges. We were very pleased to start the year by launching our successful single web-based clearing and settlement interface CASS to our Nordic Baltic and German markets. A small thing perhaps — but it allows customers in all our markets to follow the entire transaction lifecycle from trade to payment.

Facing our challenges

What seems not to change, from year-to-year, are some of the fundamental challenges that we face at Nord Pool.

The key regulation for power exchanges stipulates that we compete with each other, while also working towards the, on the face

of it at least, common goal of pan-European market coupling. In 2017 these apparently opposing objectives seemed to continue to be largely irreconcilable for some of the parties involved. How then are we to bring-together objectives which seem increasingly to clash, head-on?

One means to address this might be the unbundling of market coupling from power exchange functions, practical actions which could, perhaps, anticipate some matching evolution on the regulatory side. At Nord Pool we pride ourselves on an innovating and pioneering spirit — finding new and different ways to get the job done. Perhaps, when we cannot see support coming from external parties in the regulatory field, we need to look at ways in which we can help ourselves.



We increasingly see that such important regulation as Capacity Allocation and Congestion Management (CACM) for example, which has been in place now for two years, is imprecise and unclear for those who must deal with it 'on the ground'. That makes matters very difficult — and we welcome any initiative to review and revise CACM, with an eye towards adapting it to better deal with both regional challenges in the power system, and with competitive realities.

XBID, the cross-border intraday project, is another area where implementation in a meaningful way which will allow the platform to attract the all-important liquidity, is challenging. At Nord Pool we are working hard to ensure that XBID is implemented so as to permit the maximum sharing of liquidity across Europe. At the end of the day we firmly believe that the greatest losers, if local liquidity is widespread, will be customers.

A glimpse of the future

We ended the year with our sights firmly focused on the future, announcing the partnership with energy company Agder Energi to jointly develop a new marketplace to exploit decentralised flexibility.

This is a truly innovative development to create the power market of the future, allowing local power production and consumer flexibility to work efficiently together.

As we look to the future, it is important that I thank all of our customers and other stakeholders for their continuing support throughout the year. More important even than the fact that you choose to trade with us, is the input you provide into what we do, to ensure that we are on the right track and continuing to deliver efficient, simple and secure power trading, where, when and how you need it.

Finally, on a personal note, as I prepare to hand over the reins of Nord Pool to a new Chief Executive, I would like to state how honoured and proud I have been to serve in this capacity. Calling upon the vast competence, experience and expertise that we hold among the staff, stakeholders, supporters and partners of Nord Pool, has made serving as Chief Executive both an education and a real pleasure.

I am confident to say that Nord Pool's new Chief Executive inherits a business that has, at its heart, the best interests of the most important people of all — its customers.

2017

Highlights

January

Our new and efficient web-based Clearing and Settlement System (CASS) is launched for all customers in our Nordic, Baltic and German markets. This gives customers a single clearing and settlement interface where they can easily follow the entire transactions life cycle, from trade to payment, in one easy-to-use system.

February

We launch a new free iOS mobile app providing key daily data for day-ahead trading, Nord Pool's first mobile offering for traders, giving them daily prices while they are on the move. The app gives instant access to day-ahead prices, with push notifications when prices are published.

March

Nord Pool joins forces with the Independent Bulgarian Energy Exchange EAD (IBEX) to agree the creation of the country's first competitive and transparent intraday power market. This comes on the back of the successful launch of the Bulgarian day-ahead market in 2016.

Plans are announced to launch day-ahead and intraday power trading in Ireland, following approval of Nord Pool's application to operate as a Nominated Electricity Market Operator (NEMO) for the island.

June

We unify our rulebook to make conducting business across our markets more efficient, simple and secure. This is the culmination of many months' work to merge the differing national market rulebooks in order to better reflect the changing regulatory environment.

August

A new GB Half Hourly Day Ahead Auction is launched in direct response to numerous requests from Nord Pool's UK customers, giving them the opportunity to reoptimise their positions in the market. The new auction offers half hourly products, regular and profile blocks, with matched contracts delivering the following day.

September

The expertise of Camilla Berg, Nord Pool's General Counsel, is recognised with her appointment to the Agency for the Cooperation of Energy Regulators' (ACER) Expert Group on wholesale energy market trading.

November

Nord Pool announces plans for a new cross-border intraday auction concept for Germany in early 2018, providing a new market for trading physical power; complementing the existing continuous intraday market; creating a clear intraday price signal, increasing transparency and creating new trading opportunities.

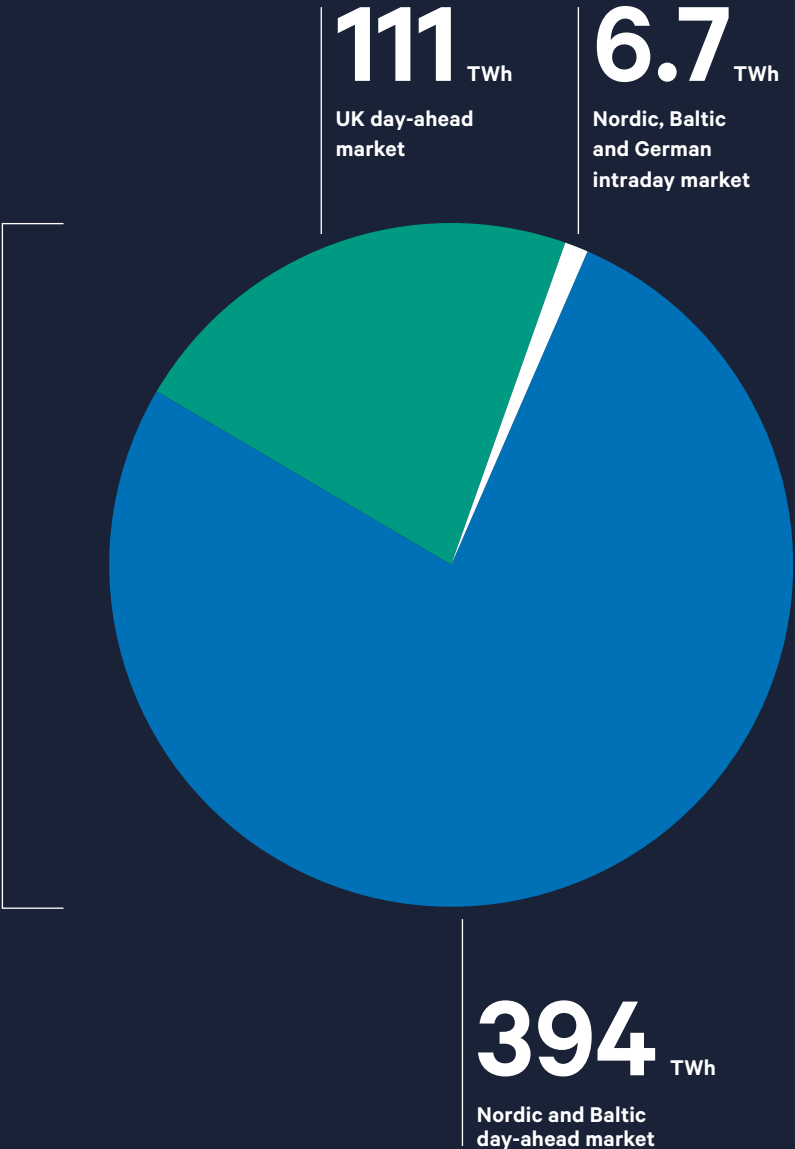
We provide a free energy market data kit for power sector startup businesses, to help promote innovation and investment into the sector. The new service sees Nord Pool making all physical and operating data from our markets available, saving startups the cost of obtaining important market data.

December

The year ends with Nord Pool announcing a partnership with energy company Agder Energi to jointly develop a new marketplace capable of exploiting decentralised flexibility. Developing the power market of the future aims to address the challenges seen with a power sector where local power production and consumer flexibility need to work efficiently together.

Key facts and figures

512 TWh
Total volume traded



380 companies

from 20 countries trading on Nord Pool markets



Nominated Electricity Market Operator

in 15 European countries



Six offices



128 employees



Average system price

(Nordic/Baltic)



Traded volume growth

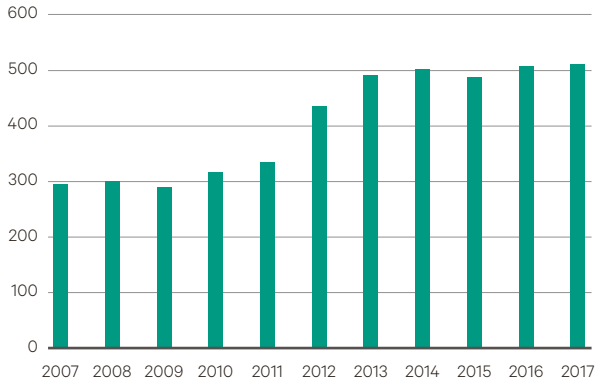
(in TWh)

A total of 512 TWh traded in 2017.

Day-ahead market Nordic/Baltic 394 TWh.

Day-ahead market UK 111 TWh.

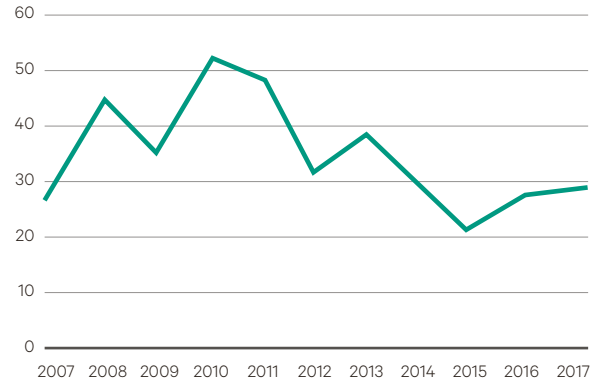
Intraday market Nordic/Baltic/Germany 6.7 TWh.



Nordic/Baltic system price

(average price in EUR/MWh)

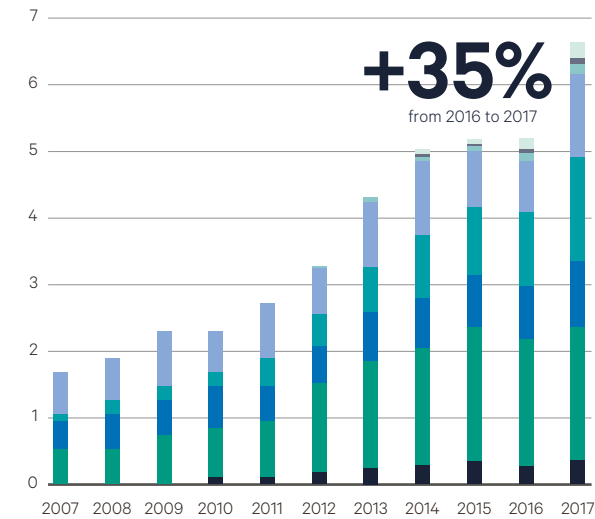
The system price is an unconstrained market clearing reference price. It is calculated without any congestion restrictions by setting capacities to infinity. All orders from the Nordic/Baltic regions are included in system price calculation.



Intraday turnover

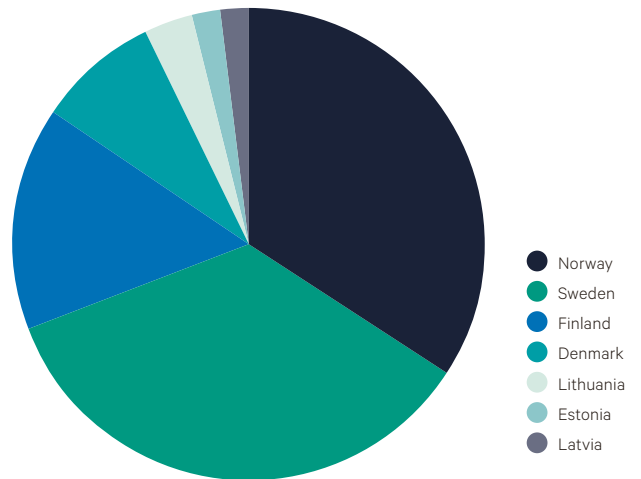
(per country in TWh)

- Lithuania
- Latvia
- Estonia
- Germany
- Denmark
- Finland
- Sweden
- Norway



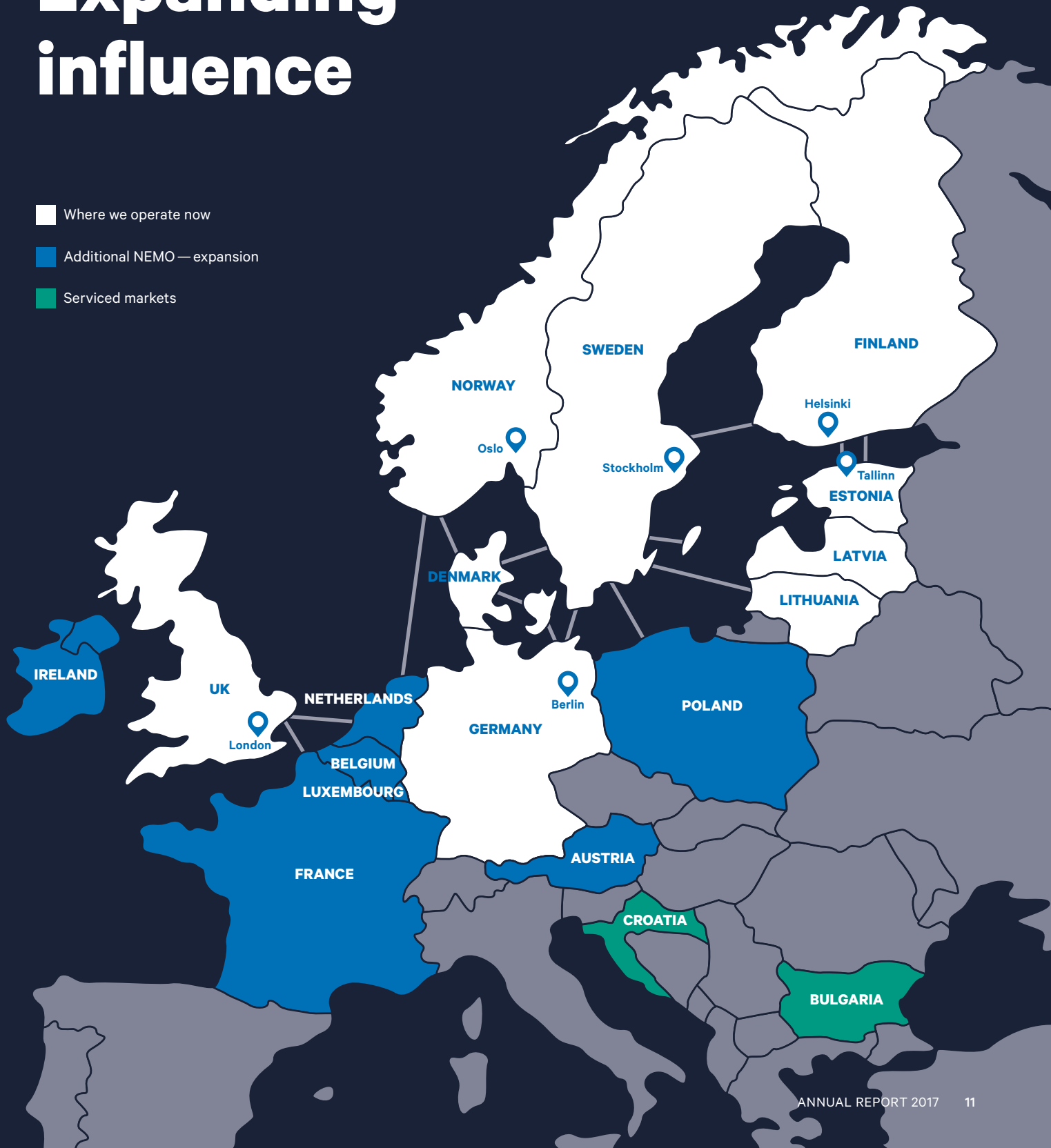
Nordic/Baltic day-ahead volume turnover 2017

(per country in TWh)



Expanding influence

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





John Horkan
Chief Digital Officer

A Quiet Revolution

For a successful technology-driven power exchange like Nord Pool, it is key to keep abreast of innovations, to stay ahead of market demands. Quietly, and largely out of sight of the company's customers, that requires agility and constant evolution to provide those customers with ever faster, more modern and cost-efficient trading tools.

While the goal for Nord Pool is to provide an environment where trading power is simple, efficient and secure, the 'behind the scenes' picture is a great deal more complex. Each transaction is supported by an in-house designed and delivered suite of technology to ensure the customer experience is a smooth one.

2017 was a case in point, as Nord Pool continued to develop, with a stream of new technology launches; from a new mobile data app and a free energy market data kit for startups, to a single web-based clearing and settlement interface. Among the new developments were also a new half hourly auction in the UK, agreement to expand intraday trading to Croatia, plus a new market concept for cross-border intraday auctions.

While standing still has never been an option for the company, in 2017 Nord Pool's Chief Digital Officer, John Horkan, decided it was time to broaden the scope of the development of new products and services and focus more attention on the processes that go into the development and release of new products to the market. In short, he set about masterminding a quiet, unseen transformation to bring real change in this area of the business.

Tackling transformation

"In late 2016 I came to the realisation that Nord Pool needed to embark on a journey to build our collaboration capabilities — our agile way of working had stalled a little. We had become more focused on doing Agile* rather than being agile!"

Being in charge of product management, it is John's responsibility to ensure Nord Pool's strategic vision plays out through its product and service development.

"There was a challenge in facilitating engagement from all the different functions within the company, which was necessary in order to realise our ambition to be fully integrated. People were busy on their own projects, and while they were — of course — doing a great job, we needed to align our collective engagement and focus.

A fully holistic approach from the power exchange perspective, was needed to bring the joined-up value created for our customers to the forefront of how we went about our business," John explains.

As a step on the transformational journey, he decided to merge Nord Pool's Product Management and IT Development groups to create one combined and more expansive 'Product, Development & Innovation Group'.

"The comma in the title is important in signifying the joint and equal standing of the functions within the company," says John. "We embarked on an arduous digital journey to realise our pioneering vision. While we had all the core ingredients — excellent customer relationships, fantastic domain expertise and strong functional competence — we needed to properly structure and optimise them," he continues.

"As a result, we devoted considerable effort to restructuring the new department and embedding new processes, which would help us accelerate concept design and prioritisation, while also optimising our development practices. That would ensure frictionless delivery and renew our focus on staff engagement to develop a more collaborative culture."

* Agile is a well-known information technology framework methodology

“We actively manage our talent — after all, people lie at the core of everything we do as a company and are the most important resource we have.”

John Horkan

Chief Digital Officer

Digital office

Nord Pool’s digital office was formed using a mix of new and existing roles within the company, including enterprise architecture, service design, product management, agile delivery, launch and talent management.

“The digital office is an evolution of our previous product management processes, focused on accelerating idea management, concept design and collaboration between digital development, customers and stakeholders,” says John. He maintains that this has resulted in more instant access to all the key skills necessary to develop new ideas and carry them through to development and launch in a more systematic and transparent way.

The planning, design and implementation of new technology developments is now carried out by cross-functional teams, brought together under competence centres. John feels this promotes best practice and ensures they have the opportunity to develop and be nurtured, since managing the talent within Nord Pool is key to the company’s continued success.

“We now actively manage our talent — after all, people lie at the core of everything we hope to achieve as a company and are, without doubt, the most important resource we have.”

As a result of its transformational journey, Nord Pool now designs new products and services in a more holistic way. “Priorities have been streamlined, so that we are all working towards the same goals. We are also now able to look at innovation on a macro rather than micro level.”

However, John maintains that: “The journey continues as we learn more about ourselves and our customers. Being more structured, streamlined and systematic about the why, what, how and when creates the space and time needed to develop our culture of creativity here at Nord Pool. That, ultimately, allows us to fulfil our pioneering ambitions for the benefit of our customers.”

Nord Pool 2017

Technology Developments

- 1 New mobile data app**
- 2 Free energy market data kit for startups**
- 3 Single web-based clearing and settlement interface**
- 4 New half hourly auction in the UK**
- 5 Intraday market for Croatia**
- 6 New market concept for cross-border intraday auctions**
- 7 Planning capabilities added to Urgent Market Messaging**
- 8 Integration to eSett with responsibility for imbalance settlement and invoicing**
- 9 Additions to Settlement API**
- 10 Migration of serviced PXs to new Settlement and Clearing system**



Hussein Khreish
Agile Delivery Manager

Managing Delivery

With the transformed team structure and new innovation process in place, Hussein Khreish was appointed Agile Delivery Manager in 2017. He is also responsible for coaching cross functional teams within the Product, Development & Innovation Group to help make sure they deliver on time and budget.

“As a delivery manager and Agile Coach my job is to constantly review programme progress and ensure that the scrum teams are able to organise themselves, stay focused and work effectively towards their key objectives,” explains Hussein.

“We have developed a detailed road map which provides an objective overview of all new technology releases in the pipeline, with timescales and detailed features. This has greatly improved visibility and means that everyone is clear about milestones and the impact of any potential delays,” he continues.

Outside of Nord Pool’s own teams, the road map and team progress provide updates every two weeks to give visibility to colleagues in marketing, operations and elsewhere in the business about outcomes, and how any new priorities will influence deliveries. According to Hussein; “This process makes it much easier for the leaders of our business to prioritise effort, spot resource gaps and make investment decisions.”

While Hussein is sure that the future looks bright, he says there is always room for improvement: “We will continue to embed and expand our teams, which have been given rather apt ‘power’ names like Tesla, Solar, and Ampere. Beyond that, it is all about focusing on expanding scale, bringing even greater clarity, and improving features and innovation for our customers.”

Platform for Change

There is a saying that teamwork 'divides the task and doubles the success'. While this may be overstated, it is a well-known fact that collaboration often helps speed up development and bring better products to market faster. It was with this in mind that Nord Pool embarked on last year's journey to bring its product development and operational teams closer.

The aim of bringing Nord Pool's Service Owners and Development teams into closer collaboration was to better leverage customer feedback into the product development process and to ensure better alignment between customer needs and the company's products and services.

Delivering valuable services to Nord Pool's customers require focus, dedication and collaboration across teams. To support this collaborative drive, behind the scenes Nord Pool has implemented the IT Service Management (ITSM) framework and put in place a number of organisational changes to facilitate closer collaboration between the product development and operational teams.

Realising this vision has involved the implementation of a new service management framework and the execution of a number of behind the scenes organisational changes.

A collaborative model

David Fjellheim first joined Nord Pool as a graduate before moving into the operations team and rising to Service Owner for Clearing & Settlement last year. On the back of the company's new cross-functional framework, David has developed a much closer working relationship with Anstein Eie, Nord Pool's Product Manager responsible for the strategy and development of the company's risk, clearing and settlement products and services, and for launching these to the market.

"In Operations we work with customers on a daily basis. We continuously analyse their requests to get a good understanding of how we can solve their problems, how new developments could affect them, and how those might be received," David explains.

"By working closely together across a variety of teams within the ITSM framework our customers' views take an integral role when it comes to impacting the priorities of our business and the way we develop new services."



David Fjellheim

Service Owner, Clearing & Settlement,
with colleague Mariann Birkedal



Anstein agrees: “Although customers will, quite rightly, be completely unaware of it, this collaboration has made our output more customer-focused, and means we come to the development phase with a greater and more rounded perspective. It has also led to a number of developments, which may be small for us, but which have big, transformational impact on our customers. And that they will notice!”

Putting it to the test

Last year, the implementing of this new way of working coincided with the launch of the company’s new Clearing and Settlement System (CASS). For Nord Pool, this was one of the biggest technology developments the company had ever undertaken.

The objective of this new solution was to simplify life for Nord Pool customers across Europe — providing them with modern and cost-efficient clearing and settlement services, regardless of their size or location. The result is a single, web-based interface, which was first launched in the UK in 2016 before being rolled out across all markets in 2017; enabling all Nord Pool customers to follow the entire lifecycle of their transactions; from trade to payment, in one, easy-to-use system. The new platform also gives Nord Pool the ability to pilot and deliver radically new and innovative clearing

and settlement services supported by the modern technology infrastructure that sits behind CASS.

While the customer now has a simpler interface, which allows them to monitor their collateral and download their invoices and trades electronically, it has also made life considerably simpler for the Nord Pool Settlement and Clearing team that sits in Oslo.

The introduction of CASS initially led to a surge in customer enquiries to the settlement and clearing team. This peaked at 700 in the first six months, while customers were getting used to the new interface.

“When CASS was first launched, it initially led to a number of new manual tasks for our operations team. Thanks to our new cross-functional model, however, we were more quickly able to work through these and develop new solutions that day-by-day improved efficiencies and saved time,” Anstein says.

Better collaboration has also led to a more coordinated prioritisation of tasks. This means there is now a more joined-up focus when it comes to resolving customer enquiries and developing solutions that help settle outstanding issues.

“Based on the feedback our customers gave us they are happy with the improvements our developments have brought them.”

Anstein Eie

Product Manager

“Together we have a wider perspective and are much better positioned to develop solutions that take into consideration all possible angles. Often, it is just an easy fix that’s required, such as more filtering options, better search functionality and new visualisation of existing processes. But even simple issues should not be underestimated, as they can often save a lot of time and have a major positive impact on our customers,” Anstein continues.

Early results of this joined up approach speak volumes, as enquiries have now been reduced to around 200 per month. This is a great outcome, although the goal is to keep reducing them further, and to spend the freed-up time to get closer still to customers and hence to understanding their needs.

“For our customers, this collaborative model has definitely been positive. Using a joint approach, we are better placed to identify the solutions that will have the most impact. It could be as simple as our recent introduction of an option which enables the customer to filter out any unpaid invoices. We developed this after analysing operational feedback, which suggested we spend a lot of time chasing payments, and that there was potential to improve the customers’ awareness and view of their urgent business requirements,” says David.

Evolution

“Based on the feedback our customers gave us at the end of 2017, I’m pleased to say they are happy with the improvements these developments have resulted in, for them,” adds Anstein.

In terms of what is next, he suggests 2018 is more about driving incremental improvements rather than big, step-change developments. He is also keen to expand on the collaborative model by joining some of Nord Pool’s Key Account Managers in customer meetings: “Talking directly with our customers about any issues they have helps to ensure nothing is lost in translation.

“In a recent conversation with a UK customer, for instance, we identified a quick fix, which could help to reduce their settlement and clearing costs by around 60%!

“That just goes to show that the smaller items should never be ignored. Small changes for us could have big impacts for our customers. So it is critical that we keep ourselves fully informed about these, and it is only through internal and external dialogue and close relationships that we can identify the best ways to help,” Anstein concludes.

Directors' and Financial reports

26 Profit and loss accounts

27 Balance sheet

28 Balance

29 Accounting principles



Report of the Board of Directors

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

Nord Pool holds NEMO-licenses in 15 countries and organises simple, efficient and secure power trading — centred on successful day-ahead and intraday markets — to customers in the Nordic and Baltic countries, the UK and Germany (intraday). Nord Pool is active in the day-ahead multi-regional market coupling of the European electricity markets, as well as the European Cross-Border Intra-Day project (XBID) and is fully committed to realisation of the EU 2020/2050 strategy.

In addition, Nord Pool offers compliance services for its customers and for transmission system operators (TSOs), around European regulatory requirements such as the Regulation on Energy Market Integrity and Transparency (REMIT) and others.

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

Operational highlights

2017 was another strong year for Nord Pool in terms of volumes traded and the company's activity level across the board. In 2017 the highest growth we saw in intraday trading was in Germany.

Continued efforts were made in developing and upgrading Nord Pool's IT platforms, particularly in relation to planned XBID go-live in 2018, in order to ensure a smooth transition for all Nord Pool customers. As a result, we have continued to ensure simple, efficient and secure trading for our customers, regardless of their size or geographical location. The Board wants to express its gratitude to its customers and employees for their contribution in 2017.

As we enter an era of power exchange competition, continued strong performance in Nord Pool's established markets is both reassuring and encouraging.

Annual accounts 2017

Group revenues in 2017 were NOK 345.3m (2016: NOK 353.2m). Operating profit was NOK 54.1m (2016: NOK 82.9m) for the Group and NOK 47.9m for Nord Pool AS (2016: NOK 74.3m). Net income amounted to NOK 38.2m (2016: NOK 61.4m) for the Group and NOK 33.2m (2016: NOK 55.3m) for Nord Pool AS. By the end of 2017, total equity and liabilities for the Group was NOK 1874m (2016: NOK 1165m). The equity and liabilities of Nord Pool AS were NOK 1852m as at 31 December 2017 (2016: NOK 1152m).

The Board of Directors



Torger Lien

Chairman
Chief Executive Officer,
SN Power



Niclas Damsgaard

Member of the Board
Senior Vice President
Market and System
Development, Svenska Kraftnat



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,
Augustsprieguma tikls AS



Kay From

Member of the Board
Employee representative,
Nord Pool AS



Marja Eronen

Member of the Board
Employee representative,
Nord Pool AS

The Board of Directors considers the equity to be adequate with regards to the company's exposures and collateral posted by market 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 2017 annual accounts) have occurred up to and including the signatory date of this report.

The Board of Directors have decided to separate the company's power exchange operations from the regulated market coupling operations and continue the power exchange operations in a new entity. This is planned to take effect in mid-2018.

Liquidity

Group cash and cash equivalents changed from NOK 633m at the end of 2016 to NOK 526m at the end of 2017.

Risks

Nord Pool operates in an environment 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.

Market Risk

Nord Pool is exposed to currency risk, as physical power trades are settled in multiple currencies. This 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 replacement cost in case of non-delivery or rejection of notified volumes.

As we enter a more competitive environment among power exchanges, due to the advent of a single European power market, Nord Pool anticipates greater competition in its established markets, even as the company enters new geographical markets itself. As we enter a more competitive environment among power exchanges, due to the advent of a single European power market, Nord Pool anticipates greater competition in its established markets, even as the company enters new geographical markets itself.

In addition, Nord Pool is campaigning strongly to ensure cost recovery associated with work undertaken in relation to European market coupling. But at the time of writing, this is not assured.

Credit Risk

All Nord Pool trades are settled on the day of trading or on the 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 EUR 30,000 or the equivalent of 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 receivable amounted to NOK 991.5m (2016: NOK 329.6m) of which NOK 974.2m referred to trading.

Extended due date due to more holidays at year-end compared to previous year is the main reason for the increase of accounts receivable.

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 must comply with and fulfil daily security requirements, while the solidity of financial intermediaries is monitored using external credit ratings. There was no debtor loss registered for Nord Pool in 2017. In the case of a member default Nord Pool expects 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 2017 the Nord Pool Group had 133 employees based in Norway, Sweden, Finland, Denmark, the UK, Estonia, Germany and Lithuania. Of these 65 were employed in Nord Pool AS. Nord Pool AS had 31 female employees and 34 male employees at 31 December. There are female employees at all Nord Pool offices.

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

Health-related absence during the year was 1.3%. No lost-time accidents or personal injuries were suffered in 2017. Nord Pool human resources policy is based on equality, meaning that there shall be no differences between male and female salary when expertise and experience are comparable. The wage level in Nord Pool AS for 2017 shows that the annual pay of male employees was on average 7% 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 three employees on maternity/paternity leave as per 31 December 2017, and the company had one employee 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 33.2m as dividend.

Outlook for 2018

Nord Pool continues to look forward to securing the company's expansion into new geographies - we are excited about the opportunities which will come with shared intraday liquidity across Europe. Central Europe will continue to be a focus of our efforts in 2018.

Positive developments from last year continue into 2018 and the year is expected to give a good 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. In 2018 the company plans to adjust its legal structure to better accommodate for solving the tasks that the CACM-regulation prescribes.

Upon implementation of the part of the CACM pertaining to Multi-Nemo Arrangements, Nord Pool will be ready to extend its market offerings for day-ahead and intraday trading.

LYSAKER, 22 MARCH 2018



Torger Lien
Chairman



Niclas Damsgaard
Member of the Board



Kristin Munthe
Member of the Board



Jan Montell
Member of the Board



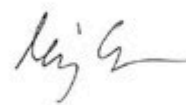
Søren Dupont Kristensen
Member of the Board



Alnis Balins
Member of the Board



Kay From
Member of the Board



Marja Eronen
Member of the Board



Erling Thiis
CEO

Profit and loss account

Nord Pool AS			Nord Pool Group	
2017	2016	Amounts in NOK 1000	2017	2016
31 671	33 977	Fixed fee revenues	31 671	33 977
216 978	215 079	Volume dependent fees	216 978	215 079
86 147	95 450	Other operating income	96 643	104 100
334 796	344 506	Total operating income	345 292	353 156
6 283	7 816	Depreciation	10 499	10 441
78 722	73 803	Payroll expenses	138 873	128 258
201 858	188 551	Other operating expenses	141 866	131 582
286 863	270 170	Total operating expenses	291 238	270 281
47 933	74 336	Operating profit	54 054	82 875
-4 212	-349	Net financial items	-4 036	-2 127
43 721	73 987	Profit before taxes	50 018	80 748
10 542	18 659	Taxes	11 816	19 316
33 179	55 328	Net income	38 202	61 432
ALLOCATED TO:				
33 179	55 328	Dividend		
0	0	Allocated to / from other equity		

Balance sheet

Assets

Nord Pool AS			Nord Pool Group	
31.12.2017	31.12.2016	Amounts in NOK 1000	31.12.2017	31.12.2016
		ASSETS		
		FIXED ASSETS		
		Intangibles		
8 953	15 285	Intangibles assets	9 342	19 202
1 192	1 337	Deferred tax benefit	1 192	1 337
10 145	16 622	Total intangible	10 534	20 539
271	519	Tangible fixed assets	1 110	1 679
		FINANCIAL ASSETS		
28 984	28 827	Investment in subsidiaries		
28 964	28 827	Total financial assets	-	-
39 380	45 968	TOTAL FIXED ASSETS	11 644	22 218
		CURRENT ASSETS		
		Receivables		
991 464	329 653	Account receivables	994 447	330 852
335 302	173 642	Other receivables	341 453	178 078
-2 255	-388	Group receivables		
1 324 511	502 907	Total receivables	1 335 900	508 930
487 689	602 756	Bank deposits	526 556	633 521
1 812 200	1 105 663	TOTAL CURRENT ASSETS	1 862 456	1 142 451
1 851 580	1 151 631	TOTAL ASSETS	1 874 100	1 164 669

Balance

Equity and liabilities

Nord Pool AS			Nord Pool Group	
31.12.2017	31.12.2016	Amounts in NOK 1000	31.12.2017	31.12.2016
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	159 852	Other equity	165 832	159 410
159 852	159 852	TOTAL RETAINED EARNINGS	165 832	159 410
264 765	264 765	TOTAL EQUITY	270 745	264 323
LIABILITIES				
Provisions for liabilities				
3 958	4 130	Pension liabilities	3 958	4 130
3 958	4 130	TOTAL PROVISIONS FOR LIABILITIES	3 958	4 130
CURRENT LIABILITIES				
35	28	Derivatives	35	28
1 467 026	779 583	Accounts payable	1 468 124	779 878
10 397	18 459	Taxes payable	9 790	18 829
3 889	3 777	Public duties	6 595	5 864
33 179	55 328	Dividend	33 179	55 328
68 331	25 561	Other current liabilities	81 673	36 289
1 582 857	882 736	TOTAL CURRENT LIABILITIES	1 599 397	896 216
1 586 815	886 866	TOTAL LIABILITIES	1 603 355	900 346
1 851 580	1 151 631	TOTAL EQUITY AND LIABILITIES	1 874 100	1 164 669

LYSAKER, 22 MARCH 2018

Torger Lien
Chairman



Niclas Damsgaard
Member of the Board



Kristin Munthe
Member of the Board



Jan Montell
Member of the Board



Søren Dupont Kristensen
Member of the Board



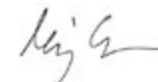
Alnis Balins
Member of the Board



Kay From
Member of the Board



Marja Eronen
Member of the Board



Erling Thiis
Acting 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, GB Day-Ahead Pooling Company AS and Start Up Invest 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.

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 2017.

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

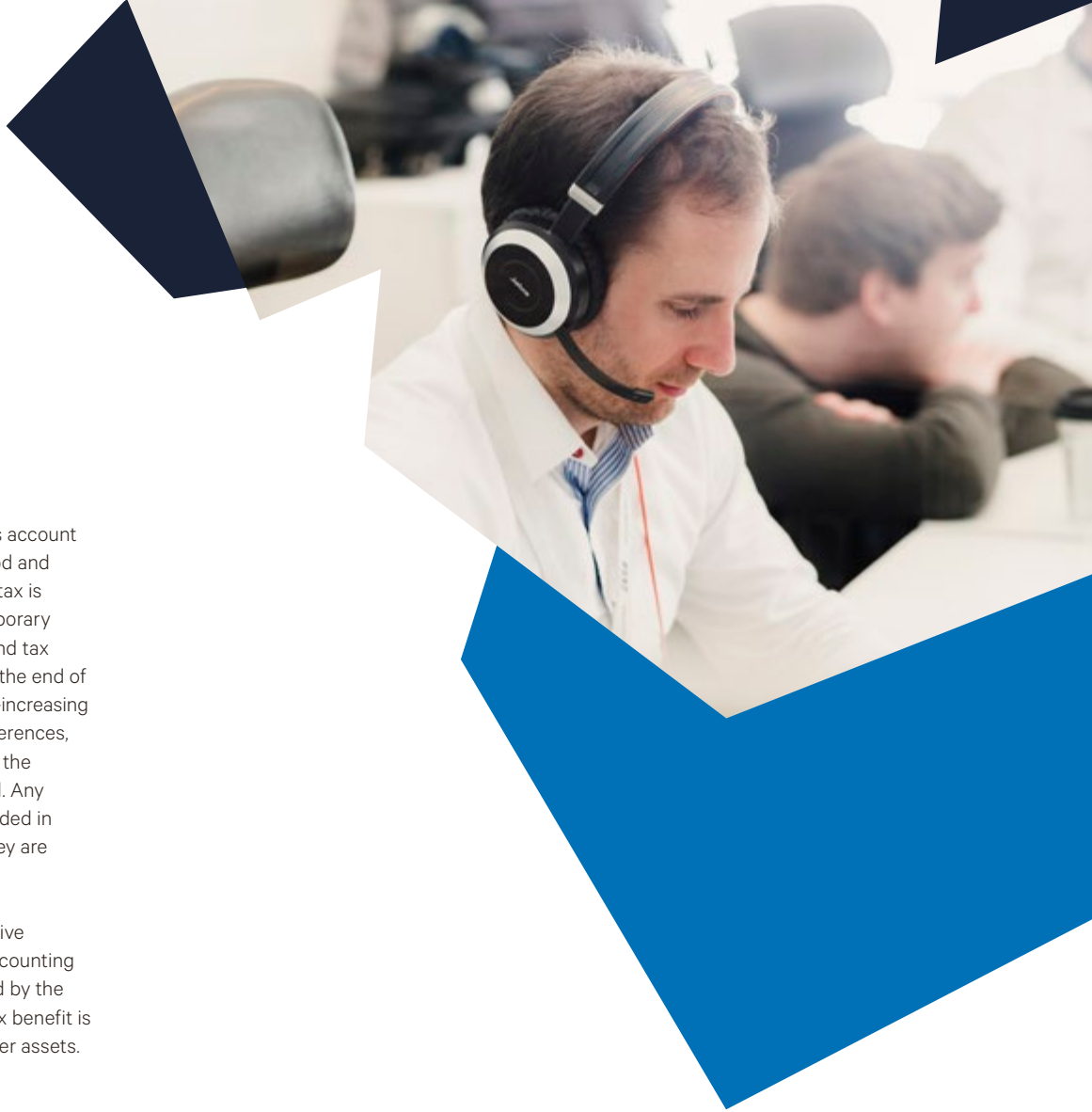
The Group has a contribution-based pension plan for all employees, where the current year's pension costs correspond to the current year's premium payment.

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 2017, 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.

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