

# Central to European power integration

ANNUAL REPORT 2013

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“It has been our privilege to bring Nord Pool Spot’s unique skills and experience in market **integration** into play.”

**Mikael Lundin**, CEO

## January

**28 January:** The day-ahead auction, Elspot, saw weekly volumes reach 9.0 TWh in the week of 21-27 January, the highest weekly volumes traded in the market's 20-year history. The new record follows a series of record-breaking days.

## February

**26 February:** One hour gate closure for the Elbas market is introduced in Norway. This is an important step to harmonise Norway's market with those across the Nordic and Baltic region as well as with Germany.

## May

**7 May:** The day-ahead price coupling projects for power markets in North-Western Europe (NWE) and South-Western Europe (SWE) jointly announce the start of end-to-end testing across their combined regions, using the Price Coupling of Regions (PCR) system solution.

**22 May:** A new advanced urgent market message (UMM). The new system is user-friendly, offering multiple options for filtering, searching and viewing data of interest.

**23 May:** The intraday market, Elbas, saw its weekly volumes exceed 113 GWh for the week 13-19 May 2013, the highest weekly volumes traded since the Elbas market was launched in 1999.

## June

**3 June:** Elspot is successfully launched as a new bidding area in Latvia. With this, Nord Pool Spot realises its long-term goal of creating a transparent and open Baltic power market, with public, reliable prices, connected to the Nordic region.

## November

**25 November:** New minimum and maximum price caps of €500 and €3,000 are introduced in the day-ahead market Elspot, as agreed among the North-Western Europe (NWE) project parties to harmonise the minimum and maximum price caps across North-Western Europe.

# Highlights 2013

## August

**30 August:** The Latvian independent system operator AS "Augstsprieguma tīkls" (AST) acquires a 2% share of Nord Pool Spot.

## October

**15 October:** Upgrade of the Elbas intraday trading platform improves the platform's performance and robustness and includes a new dedicated backup recovery site. These changes are important to maintain a well-functioning intraday platform covering multiple markets and interconnectors.

## December

**3 December:** N2EX records an all-time volume record – with more than 500 GWh traded on its day-ahead market.

**4 December:** Nord Pool Spot and NASDAQ OMX Commodities jointly launch the book "Power to the People" celebrating the first 20 years of Nordic power market integration.

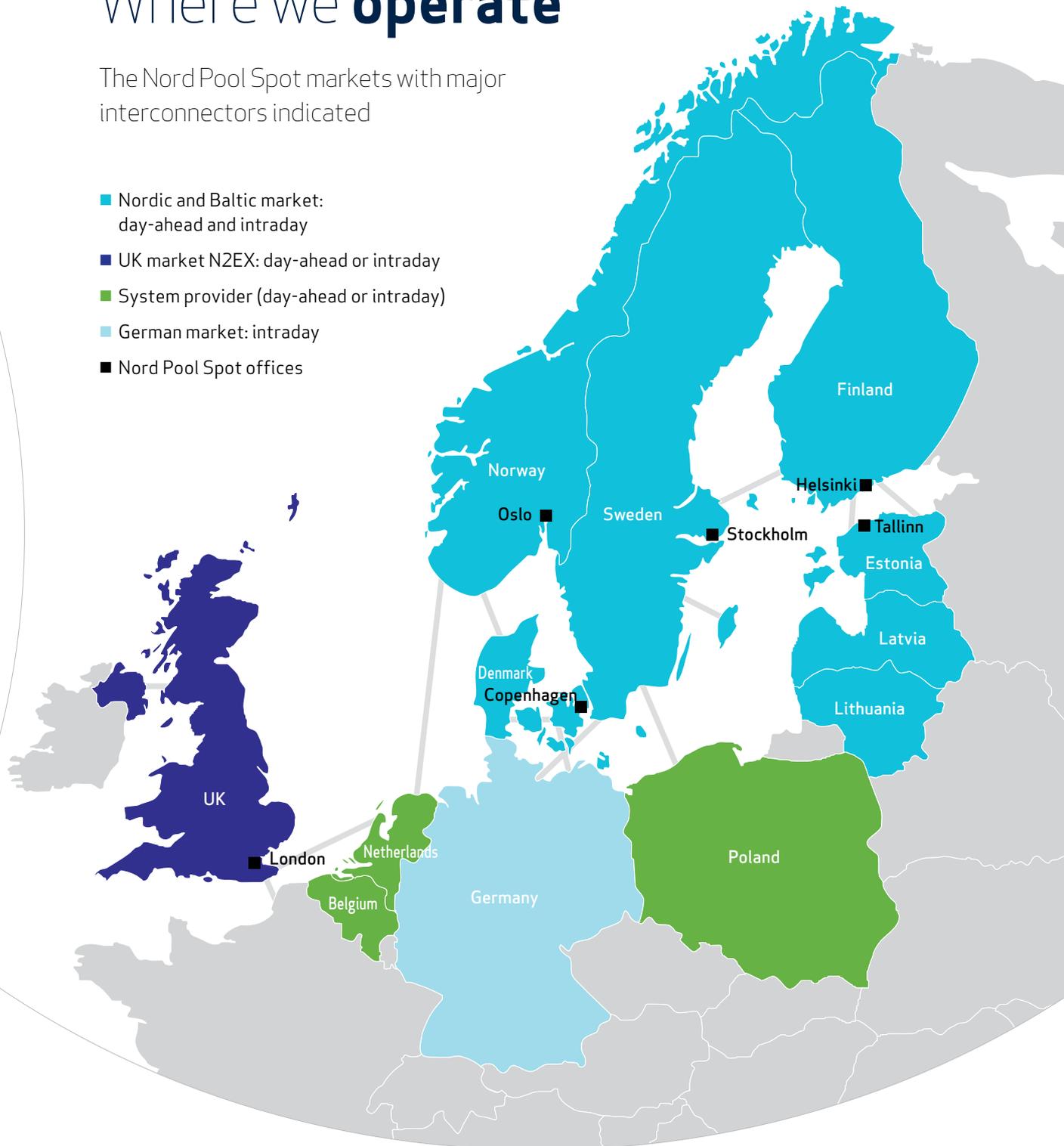
2013 saw the official 20th anniversary of the launch of the Nordic power market. In 1993, Statnett Marked started the journey towards today's integrated power market based on the Norwegian Energy Act. In the intervening 20 years the Nordic power market has established itself as the most transparent, efficient and reliable power market in the world.

**10 December:** The intraday market, Elbas, opens for trading in Latvia and Lithuania.

# Where we **operate**

The Nord Pool Spot markets with major interconnectors indicated

- Nordic and Baltic market: day-ahead and intraday
- UK market N2EX: day-ahead or intraday
- System provider (day-ahead or intraday)
- German market: intraday
- Nord Pool Spot offices



# 2013: Key facts and figures

## Market share

**84%**

of the total consumption of power in the Nordic/Baltic market

## Total traded volume

**493 TWh**

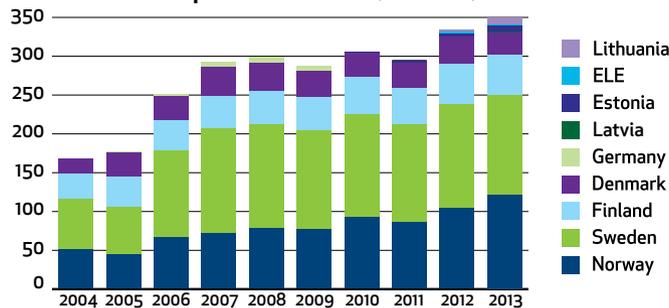
including the day-ahead auction at N2EX in the UK

## Members

**361**

companies from 20 countries trade on our markets

## Elspot turnover per country in TWh

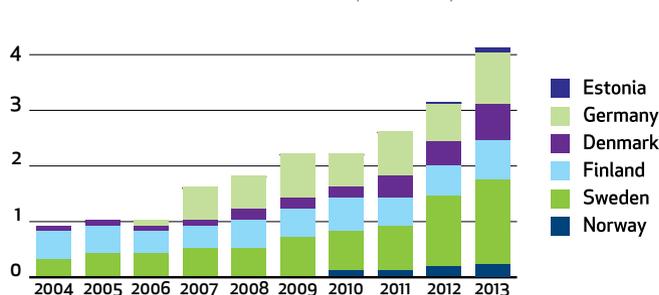


## Elspot volume 2013

**349 TWh**

334 TWh in 2012

## Elbas turnover per country in TWh



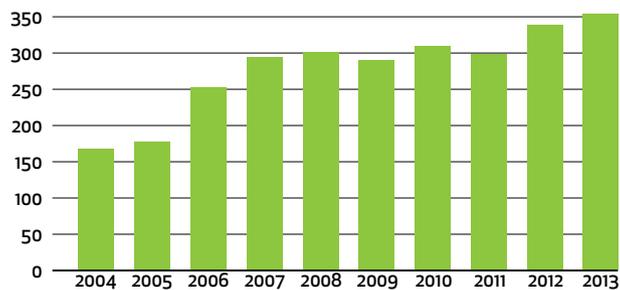
## Elbas volume 2013

**4.2 TWh**

3.2 TWh in 2012

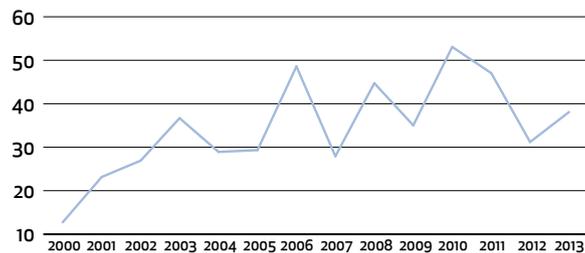
## Elspot and Elbas traded volume growth in TWh

Our power trade growth including both the day-ahead market Elspot in the Nordic/Baltic countries, and intraday market Elbas covering the Nordic/Baltic countries as well as Germany.

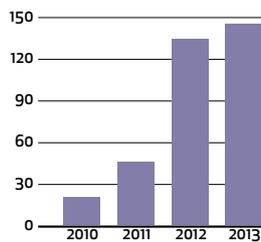


## System price average price in EUR/MWh

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.



## N2EX volume growth in TWh



## N2EX volume 2013

**143** TWh

133.3 TWh in 2012



**Mikael Lundin**, CEO

# At the **centre** of Europe's Power Market Integration

2013 was a positive year at Nord Pool Spot. It was a year that saw us dedicating a great deal of hard work and expertise, spanning all the departments and disciplines within the business, to ensuring the ground was laid for the successful delivery of the key European market integration projects – Price Coupling of the Regions (PCR) and the North-Western Europe (NWE) price coupling project.

Our aim was to play a lead role in helping to reach an integrated European energy market by 2014 – the target model.

It has been our privilege to bring Nord Pool Spot's unique skills and experience in market integration into play for the successful delivery of PCR and NWE.

So what better 'theme' for our 2013 annual report, then, than the central part we have played – and continue to play – in making a more closely coupled European power market a reality.

#### **A record year**

We started the year on a high note when, in January, our day-ahead auction, Elspot, recorded a weekly volume of 9.0 TWh. This was the highest weekly volume traded in the market's 20-year history – a true landmark for a very successful market.

2013 saw a total of 493 TWh of power traded through Nord Pool Spot, up from 432 TWh in 2012, a new high for the business, while our Nordic/Baltic market share rose to an impressive 84%.

During 2013 we successfully launched Elspot in Latvia, and opened our intraday market, Elbas, for trading in Latvia and Lithuania. Further development and securing a transparent and efficient Baltic market closely connected to the Nordic one remain as important tasks, to which we are dedicated.

In the UK, the N2EX day-ahead auction achieved 139 TWh in traded volume in 2013. N2EX's highly successful day-ahead market also saw an all-time volume record – with more than 500 GWh traded.

It is always encouraging to see our growth in volume and, more importantly, this is a very visible 'vote of confidence' from members across our diverse markets, both new and established.

#### **Beyond the Nordic/Baltic**

It was clear – with our work to develop and deliver the UK Virtual Hub to facilitate the full participation of the UK power market in the NWE price coupling project – that European power market integration would be key to our continued commitment to the UK.

The Hub is a central mechanism to allow both existing and new interconnectors to gain access to UK liquidity, while, conversely, allowing UK market participants to access existing, and any new, interconnector capacity. It pools UK day-ahead liquidity across the two UK

exchanges and helps ensure the production of a robust index price for UK power. As a result, ensuring the Virtual Hub would be synchronised with NWE go-live in 2014 was the focus of a wide spectrum of our knowledge, experience, expertise and resources.

We believe all this underlines our commitment to continued investment in the liquid, transparent UK energy market that we have built, for the benefit of all N2EX members. Developing and growing our UK market is a top priority in terms of our plans for 2014 and further into the future.

**“We have carved ourselves a position at the very heart of delivering the European target model for 2014, and are fully focused on achieving what is best for the future of the European power market.”**

#### **European integration**

Nord Pool Spot is Europe's leading power market, active in nine countries, and, with the Nordics presenting the world with its first deregulated power market, has provided the blueprint for European power market integration.

It should never be forgotten that we have 20 years of experience in developing the successful Nordic market model, a model that has been implemented in several European countries.

It is worth reiterating, I think, that Nord Pool Spot strongly believes in, and is dedicated to, European power market integration.

We have carved ourselves a position at the very heart of delivering the European target model for 2014, and are fully focused on achieving what is best for the future of the European power market.

That has involved, as we have seen, working diligently for the delivery of the PCR and NWE projects, the UK Virtual Hub, and the realisation of the project to develop a common pan-European intraday trading platform.

We have had a clear target and desire to participate fully in the drive for integration of European energy market coupling. The aim is to achieve a closer connecting of European power markets to improve the efficient use of energy across national borders. Price coupling

allows cross-border transmission capacity to be used directly by Power Exchanges' day-ahead markets – a mechanism known as implicit allocation.

The PCR solution has been developed by European Power Exchanges to provide a single algorithm and harmonised operational procedures for efficient price calculation and use of European cross-border transmission capacity, calculated and offered to the market in a coordinated way by Transmission System Operators (TSOs).

The first implementation of the PCR solution came with the realisation of the NWE project. This partnered up 13 TSOs and four power exchanges, breaking new ground in the pan-European market coupling of day-ahead power markets. NWE will cover 75% of the European power market and will couple the day-ahead markets across Central Western Europe, the UK, the Nordic countries, the Baltic countries, and the SwePol link between Sweden and Poland. During the summer we saw rigorous end-to-end testing across Europe, using the PCR system solution. Our people really came into their own during this phase of the project – ensuring every possible problem was explored and addressed.

## “We ended 2013 and entered 2014 looking forward – to the delivery of a more closely connected Europe.”

### Work still to do

During 2013 we put a great deal of time, effort, resource and expertise into playing a leading, driving role in ensuring that the planned delivery of PCR and NWE in 2014 actually happened. But sometimes our people have felt, perhaps with justification, that the odds were rather stacked against them. We must, on the one hand, cooperate closely with our Power Exchange partners to make these important European projects happen. On the other hand we remain competing businesses. It is a little too easy for the responsible authorities simply to say that there is no issue here. We find ourselves heading towards something of a 'brave new world' in terms of the operation of European power markets, with common technical systems and the same operational procedures. The parameters of the competition between power exchanges have changed forever with the advent of a common day-ahead-algorithm, shared intraday order book and the UK Virtual Hub.

With fundamental changes such as these afoot, EU regulation, network codes and governance guidelines have to keep pace, and properly define the framework in which power exchanges cooperate to achieve common goals, while also ensuring free and fair competition on a level playing field.

Whether this has yet been successfully achieved is somewhat moot. But our deep involvement in European projects has highlighted for us the very obvious problem presented by the lack of a uniform regulatory framework for power exchanges across Europe. On reflection, it is our strongly held view that European regulations are required to define how we cooperate safely and to ensure that all participants in these ambitious pan-European market coupling projects follow a single set of rules.

Let us hope that 2014 sees this particular 'torch' taken up more widely and championed more vigorously.

### Celebrating milestones

In 2013 we set out to mark the 20th anniversary of the deregulated Nordic energy market. This resulted in the production of a book, 'Power to the People', that presents the story of the first 20 years of Nordic power market integration. Producing this publication was more than just some corporate vanity project. In an environment where we focus much of what we do on ensuring that the markets we now deliver are robust and transparent, while simultaneously looking ahead at how we can deliver the efficient, improved markets of the future, it allowed us to pause and look back at the huge amount that we have achieved, in a relatively short time.

But, perhaps more importantly, we ended 2013 and entered 2014 looking forward – to the delivery of a more closely connected Europe, in power market terms; to breaking new ground with our UK market N2EX; to exploring fresh markets; and to developing and delivering an improved service to our many loyal members.

All those who work at Nord Pool Spot should, I think, feel justifiably proud of our business's unchanging commitment to work closely with all our members to ensure the delivery of liquid, transparent, robust and reliable power markets.

Pictured from left to right are:

**Camilla Berg**

General Counsel and  
Head of Market Surveillance

Camilla is responsible for all legal matters, regulatory compliance and oversees the Market Surveillance department. She has many years of experience from the law firm Selmer DA. Camilla has been with us since 2009.

**Mikael Lundin**

CEO

Mikael has extensive and long standing experience from the energy business. Before taking his position within Nord Pool Spot in 2009 he was President of Vattenfall Power Consultant AB, having held several different positions in the Vattenfall group.

**Stina Johansen**

Head of Communications

Stina leads the department responsible for corporate communications, including strategic communication, media and stakeholder relations, web communication and branding. She has broad experience within corporate communication and joined Nord Pool Spot in 2011.

**Marianne W. Jensen**

Director Markets and Operations

Marianne heads our department of market operations, member satisfaction, new sales and product development. She has extensive international experience from the commodities business and managed the financial markets in Nord Pool ASA before joining Nord Pool Spot in 2010.

# Management team

**Chris Whellams**

Director IT

As head of the IT department Chris is responsible for all IT services and software development within Nord Pool Spot. He has worked for 20 years in the software industry with extensive experience of financial markets. Chris joined Nord Pool Spot in 2013 from Finnish Asset Manager FIM.

**Erling Thiis**

Chief Financial Officer

Erling is responsible for finance, HR and administration in Nord Pool Spot. He has wide experience from finance, investments, controlling and mergers and acquisitions at several leading financial and investment businesses. He joined Nord Pool Spot in 2012.

**Hans Randen**

Director European Integration

Hans leads the department responsible for expansion into new markets and new business affairs. He worked for Nord Pool ASA from 1993 before joining Nord Pool Spot in 2009, with trading his main focus. He has been Nord Pool Spot's Director European Integration since 2010.



# Powering integration

On 4 February 2014, two groundbreaking developments in European power trading were unveiled, the culmination of a 'roller coaster' two years for Nord Pool Spot.

Market coupling in the day-ahead auctions of the North-Western Europe (NWE) markets was one of the pivotal ventures launched that day. It has linked up four Power Exchanges, as well as Nord Pool Spot's N2EX, and 13 Transmission System Operators (TSOs). At the same time the UK market's implementation of a Virtual Hub has enabled the country's two competing exchanges to pool liquidity, provide a common reference price and take part fully in NWE market coupling.

## **A European Union ambition**

The European Union's drive for market harmonisation has created a platform for Nord Pool Spot's long-term ambitions to provide consolidated intraday and day-ahead trading opportunities across multiple markets.

Under its so-called Target Model for power market integration, the EU has set up common rules to bring on efficient use of cross-border capacity and harmonisation of European wholesale electricity market arrangements.

The main features of the model are day-ahead market coupling and continuous intraday trading to allow cross-border trading of electricity closer to real time; electricity balancing between TSOs; and long-term transmission rights to access capacity on interconnectors. The Virtual Hub enables the UK to take part in the coupled day-ahead market (see box on page 15).

## **Of great importance to Nord Pool Spot**

Why did Nord Pool Spot take on massive responsibility in helping to deliver the market coupling project?

European Integration Director Hans Randen says the company's track record in market design, coupled with its responsibility as operator of the Nordic/Baltic and UK markets, made Nord Pool Spot a natural candidate to take the NWE coupling forward. "The European project is based on our highly successful Nordic model.

"We have provided the blueprint to European power market integration, so to take part with our knowledge and experience has been natural for us. We strongly believe in these projects," he says.

For the UK, coupling with NWE day-ahead markets and the Virtual Hub creates a potential game changer that could address many difficulties concerning liquidity, volatility and transparency in the country.

For Nord Pool Spot, which designed and led the initiative, the developments consolidated its reputation in market design and were a source of company pride in the expertise, experience and tenacity of its people.

**"The European Union's drive for market harmonisation has created a platform for Nord Pool Spot's long-term ambitions to provide consolidated intraday and day-ahead trading opportunities across multiple markets."**

"It's good to sit back and say we were a key part of it," says Nord Pool Spot's UK Sales and Business Development Manager Richard Sarti.

Richard adds: "Our knowledge and history give us authority in the delivery of such designs. Nord Pool Spot had to be at the heart of it. If we hadn't been, we would have been in danger of being left behind while the rest worked together to integrate or harmonise the electricity market."

The significance of the project too is a source of pride to the team. Hans explains: "For Europe, its population of 350 million will see the benefit of greater social welfare around electricity distribution. You don't get the full significance of the project until you hear things like that. It certainly adds to our credibility."



“Development of **market integration**  
has consolidated our reputation and  
been a source of company pride”

Hans Randen, European Integration Director

### Cooperation between competitors

It can be said that the greatest significance in the market coupling initiative is that it was market-led. “It needed the coordinated effort of four power exchanges – all competitors, yet we managed to work together to deliver an integrated solution,” Richard points out.

The challenge was clearly an immense one – to work with competitors and to agree a common goal with many technical deliverables as well as different national deliverables. Hans says despite Nord Pool Spot’s strength of experience, the challenge of NWE market coupling dwarfed the Nordic project of the 1990s. “Suddenly you have potential discussions between four power exchanges and 14 transmission system operators; different local procedures, rules and regulations; and competing organisations. All within a very tight timeline.”

### Team spirit

Clearly, the challenges in the market coupling initiative and creating the Virtual Hub drew heavily on Nord Pool Spot resources and on the talents of the team working on the project.

**“We knew from our expertise that there was greater value in getting it right on day one, not just being satisfied with getting it to market.”**

The market coupling projects were ‘personal’ for Nord Pool Spot. People on the 70-strong team in the UK and the Nordics, plus other important markets, put in “100% plus, often working long hours, giving up so much to ensure Nord Pool Spot met its timelines”, Richard says. This reflects the “genuine passion of the company” that came through during the project, he adds.

Nord Pool Spot’s experience in its design of the Nordic market proved crucial during the sometimes gruelling process of reaching agreements with all participants – particularly as deadlines approached and the team knew compromise was rearing its head. Richard explains: “Our experience shone when we made the difficult decisions. At the end of last year we were not confident on the operational routines and auction so we said we were not willing to compromise on the delivery to meet the deadlines. We stood strong by not compromising on quality.

“We knew from our expertise that there was greater value in getting it right on day one, not just being satisfied with getting it to market.” The Nord Pool Spot team won a six-week extension to the deadline: “It’s been seamless since,” says Richard, “and that has been a reflection of our expertise and our integrity.”

### UK connected to Europe – the Virtual Hub

Including the UK in the market coupling projects demanded one of the most innovative solutions. Hans says the significance for the UK is particularly great:



Richard Sarti, UK Sales and Business Development Manager

“The Virtual Hub that we developed gives the UK better access to the surrounding areas. For the UK this is a major change that will bring a more efficient, robust and liquid market.”

And the development of the Virtual Hub took everyone into uncharted territory. Richard comments: “We had to develop something that enabled third party access in the UK – no other market carries that – and the added challenge was working with a competitor in the same region. Development of the Virtual Hub was

fraught with challenges.” But its success demonstrates another string to Nord Pool Spot’s bow. “It allows us to show diversity in expertise not just in delivering a robust market for trading electricity but also in services to bring on change,” Richard observes.

The Virtual Hub could also be a vanguard for other power markets beyond the UK. The EU intends to encourage more power exchanges in other member state markets which could create more places where a Virtual Hub might operate.

Richard says two months in, the UK is still “letting the solution embed” and planned new interconnection will help bring on improvements. “I think we can say there are encouraging signs but it is early days. We have created the gateway to added liquidity.”

At the time of writing the South Western (SWE) group of European member states is not fully coupled with NWE. SWE is using the same algorithm synchronously with NWE but transmission is traded explicitly at the group borders. Full integration of the NWE and SWE

# Market coupling explained

**North-Western Europe (NWE)** market coupling connects the day-ahead markets in the Nordic-Baltic region to the Central Western European region covering 15 European countries (Austria, Belgium, Denmark, Estonia, Finland, France, Germany, Latvia, Lithuania, Luxembourg, Netherlands, UK, Norway, Poland – via the SwePol link – and Sweden). The NWE coupling will also act as the connective hub for the Price Coupling of Regions (PCR) project for other regional markets including the Central and Eastern European, South Eastern European and South Western European markets.

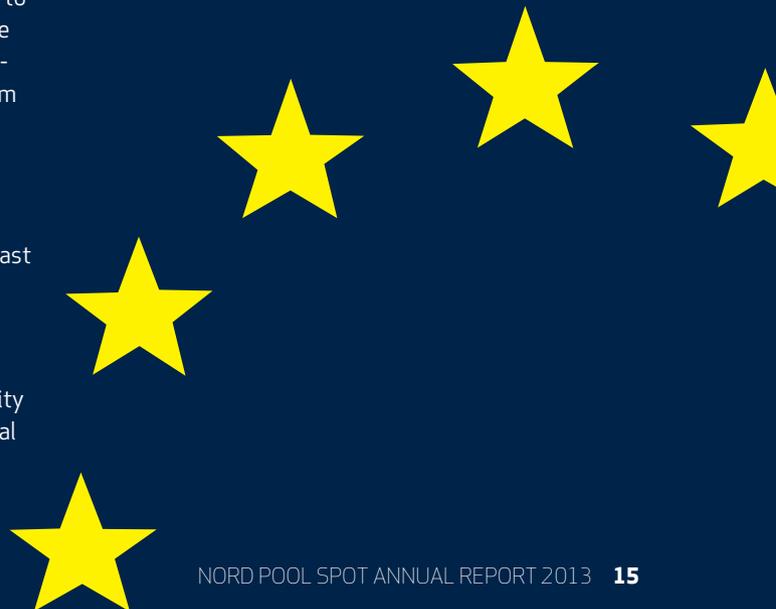
**Price Coupling of Regions (PCR)** is the initiative of seven European Power Exchanges (APX, Belpex, EPEX SPOT, GME, Nord Pool Spot, OMIE and OTE) to develop a single price coupling solution to calculate electricity prices across Europe and allocate cross-border capacity on a day-ahead basis. The algorithm is flow-based, meaning it takes into account the expanded and complex power grid and optimises flows so that they go to where there is available capacity and lower pricing. This at-the-border capacity allocation is described as implicit in contrast with explicit, auction-based capacity trading.

Power exchanges from countries that account for three-quarters of European electric consumption will, for the first time, calculate day-ahead electricity prices at the same time and in the same way – a vital step towards a common European power market.

While NWE is the first region to implement the PCR solution, South-Western Europe was synchronised with it from go-live, and is also using PCR. At the time of writing, the daily explicit auction at the France-Spain border remains with the intention to move to implicit allocation in the near future.

## Virtual Hub

To address issues arising from there being two Power Exchanges operating in the UK – N2EX and APX – a Virtual Hub will pool liquidity between more than one exchange and multiple interconnectors. That pooling enables a common reference price to be set by the participating power exchanges, with both the UK exchanges publishing the same, common, price.



regions could be completed in May, says Hans. “The same change will come in continental Europe and in Great Britain with more efficient utilisation of capacity and flows in the direction of prices.”

### Challenges

Looking back – what were the greatest challenges with developing and delivering the Virtual Hub? “The largest challenge was the complex legal structure that had to be incorporated. In the UK not just with the TSO National Grid, but with the Virtual Hub, the clearing house and dealing with competitors,” says Richard. “Extensive contractual arrangements that weren’t foreseen at the start took us right up to the eleventh hour.”



Hans Randen, European Integration Director

The legal team was having to work on multiple contracts with a variety of parties: “Everyone felt a sense of personal ownership as well as an obligation to deliver as a team. The dedication was astounding from everyone involved,” Richard says.

Richard admits that there were frequent highs and lows with moments when success looked a long way away: “It was an emotional roller coaster. Sometimes – particularly in the contract negotiations – it felt like we were going backwards when the deadline was looming.”

### Go-live

After years of work, the PCR and NWE price coupling projects were successfully launched on 4 February 2014.

**“We need to make sure Nord Pool Spot’s profile remains prominent with regards to market design. We are contacted by markets globally and we want to retain that reputation for advice and expertise.”**

“Of course the biggest high was going live. As an industry we haven’t really celebrated, but the lack of fireworks has been surpassed by the relief of having accomplished what we set out to do. And seeing every day that it works.”

Looking down the line Richard says there will be a challenge under market coupling for all players to develop products to set themselves apart: “How we differentiate from our peers is a challenge now we are all using the same algorithm,” he comments. Hans says product development will no longer be “just a discussion with our members in the different regions and the local TSO” as it was originally in the Nordic market. “Now we must agree with all parties to ensure we do not jeopardise the price calculation algorithm.”

But the next phase in European market unification – the development of the cross-border intraday market – could be even more demanding, Richard says. “The intraday market coupling project will be more complex than the day-ahead. The intraday will not be the big bang of the day-ahead but it will be much more of a technical challenge. No two markets are the same.

“We need to make sure Nord Pool Spot’s profile remains prominent with regards to market design. We are contacted by markets globally and we want to retain that reputation for advice and expertise.

“I’d like to think what we have done in European market coupling has hoisted us up there even further. Which is where we belong.”



“The greatest significance in the market coupling initiative is that it was **market-led.**”

Richard Sarti  
UK Sales and Business Development Manager

# The day-ahead auction

This graphic shows how power is traded in the day-ahead, Elspot, market. The power is traded during one day, for delivery the next day.



## 08:00-12:00

Buyers and sellers enter their bids and offers into the trading system.

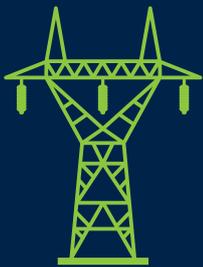


07:00

| 08:00

| 09:00

| 10:00



## Until 10:00

Before 10:00 power transmission capacities are given by the system operators to each bidding area in the market.

## Until 12:00

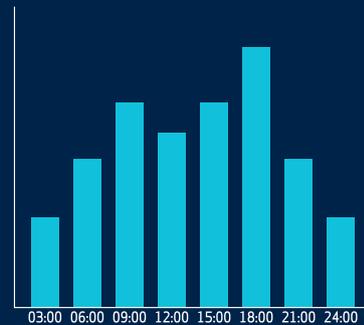
Buyers plan how much power they will need and sellers, how much they can provide.





## 12:00-13:00

Based on orders and transmission capacity, prices for the North-Western European region are calculated simultaneously using the common European algorithm. Prices are calculated for each hour of the day.



| 12:00

| 13:00

| 14:00

| 15:00



### 12:00

Auction closes.



### 12:42

Prices are announced to the market.



### 13:00-15:00

Trades are invoiced between buyers and sellers.



“A fair price and a **smoothly functioning market** is something that benefits the whole of society.”

Marianne Wergeland Jessen, Markets and Operations Director

# Working for the market

Nord Pool Spot is the world's largest market for buying and selling power, and central to its continuing success is its Markets team.

Operating with members from 20 countries, the team acts as Nord Pool Spot's direct interface with members, industry stakeholders and regulatory authorities, seeking to educate, add value and gain insight every step of the way.

The team's work made a major contribution to 2013's strong performance, which saw record volumes of electricity traded in Nord Pool Spot's markets.

## **Powering the Nordic and Baltic markets**

In the Nordic and Baltic region, Nord Pool Spot's share of the power market reached 84% in 2013 but the highlight of the year was the completion of the Baltic integration.

On 3 June, Latvia joined the day-ahead Elspot market before becoming part of Elbas on 10 December, when Lithuania also joined.

"This was a milestone because, until Latvia came on board, Lithuania was an island, physically separated from the rest of the market," says Marianne Wergeland Jenssen, Markets and Operations Director.

"Now we are joined-up across Sweden, Norway, Finland, Denmark, Lithuania, Latvia and Estonia, and have some penetration into Germany. Getting to this point has been a long journey for the team, but we finally achieved it in 2013. We now have a similar offering across all the Nordic and Baltic states, as well as our highly successful presence in the UK – N2EX, combining to create the largest such market in the world."

## **Local knowledge**

Despite this increased integration, a local presence and detailed knowledge of each country's power market remains crucial.

Nord Pool Spot's Head of Markets, Nordic and Baltic, is Sami Oksanen, who leads a five-strong team working across the region.

"The overwhelming majority of our members and stakeholders are local to each of the countries where we operate and that's where the Markets team fits in," he says.

"We have a representative on the ground for every country and region and we are out there talking not just to our members, but also to all the interested parties in each country, such as the different Government organisations, regulators, Transmission System Operators (TSOs), energy industry bodies and consumer groups.

**"We now have a similar offering across all the Nordic and Baltic states, as well as our highly successful presence in the UK combining to create the largest such market in the world."**

"We play a central role in each country's energy sector, not least through our ongoing discussions with the regulators. It's a two-way process; sometimes we will be raising issues which affect our members or us and on other occasions we will be drawing the regulators' attention to matters we feel they need to address.

"The information we gain from each country is then pooled so that we have an in-depth overview of the entire market."

Similarly, in the UK, a dedicated Markets team led by Marie Thuestad liaises closely with members, Ofgem, National Grid and handles all the other complex relationships around the N2EX power market.

### **Customer satisfaction**

Being at the heart of the market is important, but so is taking good care of Nord Pool Spot's more than 360 members.

Listening, understanding their needs and working out how they can be better served is a vital part of the Market team's function.

Not only does this mean day-to-day personal contact, but Nord Pool Spot also runs an annual customer satisfaction survey to make sure the company gets accurate, up-to-date, feedback, every year.

**"First of all, members want a robust, trusted, transparent market to trade on. This is at the very core of Nord Pool Spot and of what we provide. It is what we do every day, 24/7."**

Through feedback and discussions, our members contribute to continuously developing Nord Pool Spot's market offering. "I am pleased to say we received very good scores on overall customer satisfaction for both the UK as well as the Baltic and Nordic market in 2013," says Marianne. "We have high targets, and do not expect to get full marks on every aspect of our business. Our members will always want us to provide something better – as they should. There are always ways in which we can improve our service. However, we do want to exceed customer expectations and find ways in which we can continue to add value through innovation and make sure we have efficient and user-friendly IT systems.

"The changes we will be putting in place in the coming years are driven by a combination of feedback from our survey of members last year, in terms of what improvements they want to see, and our own analysis of how the market is going to change."

According to Sami, members are primarily looking for a reliable and transparent market, help with their trading and added value.

"First of all, members want a robust, trusted,

transparent market to trade on. This is at the very core of Nord Pool Spot and of what we provide. It is what we do every day, 24/7.

"Then we have a lot of discussions with members about the best ways to trade and we are developing new services around this, and other issues such as forthcoming rules and regulations for reporting to the authorities. It's a case of looking ahead and seeing what services we can develop to support our members.



Sami Oksanen, Head of Markets – Nordic and Baltic

"The team's priorities for the coming year are to continue to grow market share and our customer base and to support our members in every way we can, guiding them through the European integration, making sure they feel comfortable and ensuring that they are satisfied with what we offer."

### **Maintaining momentum**

Even in a market where Nord Pool Spot handles 84% of the power traded, Marianne stresses the importance of keeping ahead of the game.

"We must never become complacent nor ever forget that the buyers and sellers of power could cut us out and trade bilaterally," she says. "I want members to use us not because they have to, but because they want to and know they can trust Nord Pool Spot to be prepared for a future together."

To help Nord Pool Spot stay focused on the needs of members, there is a Customer Advisory Board for the

Nordic/Baltic market and the UK market. This meets for a full day three times a year to discuss issues affecting the power market. There is also a Regulatory Council.

The Markets team is also responsible for new members. In the newly-integrated Baltic states there is plenty of room for growth, as there is in the UK, where Nord Pool Spot has taken some 44% of the market in the four years since the launch of N2EX. However, even in the Nordics, Sami says there remains room for growth.

“We don’t do traditional advertising,” he says. “Instead we are out and about whether meeting people face-to-face, hosting seminars, speaking at industry forums, attending conferences or exhibiting at major European energy sector events.”

### **Creating the marketplace**

Nord Pool Spot’s members are both the buyers and sellers of power. Across the two markets – Elbas and Elspot – members include major energy companies plus smaller and more local players. Diversity and a high number of companies trading ensure a highly liquid market and good conditions for price-setting.

Sami adds: “Members have different needs but we treat them all equally – whether buyers or sellers, large or small. It’s a very important principle to the way we do business.

“Almost all bidding tools are symmetric and can be used by both buyers and sellers; likewise, the administrative and reporting tools are equal for both sides of the market.”

Maintaining balance in the marketplace, treating all parties equally, disseminating information and enabling members to buy and sell effectively, all contribute to a fair and transparent market where participants have confidence in the market index and the price of power.

“In the Nordics and Baltics the price we calculate sets the price for the whole market – so it is not just our members who reference it, but also the remaining sixth of the market that does not trade on Elbas or Elspot,” says Marianne.

“We are replicating that success in the UK - building trust and market share so that everyone, from the Government to the domestic user, knows the price of power.

“After all, a fair price and a smoothly functioning market is something that benefits the whole of society.”

“We play a  
**central role** in  
each country’s  
energy sector”

Sami Oksanen



# Directors' report

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# Directors' report 2013

The Nord Pool Spot Group comprises Nord Pool Spot AS, the 100% owned subsidiaries Nord Pool Spot AB, Nord Pool Finland Oy and GB Day-Ahead Pooling Company AS. Together with its partner Nasdaq OMX Commodities, Nord Pool Spot operates the power market N2EX, which has grown to become the leading physical power exchange in the UK.

Furthermore Nord Pool Spot operates the market coupling of SWEPOL-link and is also the system provider to the intraday market in the Netherlands and Belgium.

Nord Pool Spot AS is licensed by the Norwegian Water Resources and Energy Directorate (NVE) to organise and operate a marketplace for trade in power and by the Norwegian Ministry of Petroleum and Energy to facilitate the exchange of energy between Norway and other countries. In addition, Nord Pool Spot interacts with regulators in all Nordic countries, the Baltics, the UK and with the Agency for Cooperation of Energy Regulators (ACER), on topics that concern facilitation and development of the power market according to governmental requirements.

As such, Nord Pool Spot organises physical trading of power, offering day-ahead and intraday markets to its members in all Nordic countries, the Baltic countries and the UK. The intraday market also includes Germany.

Nord Pool Spot AS has its main office in Lysaker, subsidiaries in Helsinki and Stockholm and branch offices in London, Copenhagen, Tallinn and Vilnius. Nord Pool Spot is now owned by the transmission system operators Energinet.dk, Fingrid Oy, Statnett SF, Affärsverket Svenska Kraftnät, Elering AS, Augstsprieguma Tikls AS and Litgrid AB.

2013 was another record year for Nord Pool Spot in terms of volumes traded, revenues growth and general activity

levels. Underlying profit margin continues to improve.

The year was also characterised by dedicated work from the entire organisation to realise the North-Western European Price Coupling of Regions (NWE/PCR) project. This cooperation between the region's Transmission System Operators (TSOs) and Power Exchanges (PXs) aims at establishing price coupling of the day-ahead wholesale electricity markets in the region, increasing the efficient allocation of interconnection capacities of the involved countries and optimising the overall social welfare. The project successfully went live on 4 February 2014.

## **Nordic/Baltic Elspot and Elbas Markets**

Nord Pool Spot holds a strong position in the Nordic and Baltic power markets and 2013 saw significant developments for both Elspot and Elbas. Harmonisation of gate closure time for Elbas across the Nordic/Baltic areas, opening of the Latvian bidding area and new gross bidding arrangements with members resulted in increased energy turnover and market share, confirming Nord Pool Spot's position as Europe's leading exchange for physical power.

Traded volumes 2013:

	2013	2012
Elspot turnover (TWh)	348.9	333.9
Elbas turnover (TWh)	4.2	3.2
Elspot, % consumption (Nordic/Baltics ex Latvia)	84.0%	77.1%



**Nils Nygren**  
Chairman  
Consultant



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



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



**Christina Simón**  
Member of the Board  
Senior Advisor Commercial  
Department, Svenska Kraftnät



**Robertas Staniulis**  
Member of the Board  
Head of Strategy and Market  
Development Division, Litgrid



**Astrid Skjønberg Brunt**  
Member of the Board  
General Counsel  
Statnett SF



**Hilde Rosenblad**  
Member of the Board  
Employee representative,  
Nord Pool Spot



**Hanna Blomfeldt**  
Member of the Board  
Employee representative,  
Nord Pool Spot

The average Elspot system price in 2013 was 38.10 €/MWh, compared to 31.20 €/MWh in 2012.

Nord Pool Spot had 361 members by the end of 2013.

An innovative and user-friendly urgent market messaging (UMM) system was launched on May 22. Transparency is a precondition for Nord Pool Spot's activities and the UMM system is a specialist tool allowing members to fulfil the disclosure requirements as set out in the Market Conduct Rules. The UMM system was developed in close collaboration with the market.

On 3 June, the Baltic power market was integrated with the Nordic areas with the opening of the Latvian bidding area – linking the already opened Lithuanian area to

the now complete Nordic/Baltic exchange area. The intraday platform Elbas was also extended to cover Latvia and Lithuania from 11 December. We see that market members in the Baltic areas are active in intraday trading in Elbas – as they are in Elspot.

On 4 August, Nord Pool Spot failed to calculate Elspot prices for the following day and the fallback solution – using the previous day's results – had to be utilised.

Nord Pool Spot has a Customer Advisory Board which contributes feedback and advice on Nord Pool Spot's strategic and operational activities. The Customer Advisory Board is chaired by the CEO of Nord Pool Spot. Three meetings were held in 2013.

There is also a Regulatory Council, established in 2011, consisting of representatives from the regulators in the Nordic and Baltic countries. The council is a forum for discussing market developments and assists the national regulatory authorities in their work with transparency, integrity and governance of the market. Three meetings were held in 2013.

### UK Market N2EX

N2EX offers its members trading in a day-ahead market, which is based on the Nordic market model, and trading in a prompt and spot market. The prompt market is a continuous market with trading of blocks up to six days in the future, while the spot market in addition offers continuous trading of half-hourly and hourly instruments for the next 48 hours.

In 2013 the volume traded at N2EX continued to grow and N2EX has in a few years established itself as the leading auction for electric power for physical delivery in the UK representing 44% of annual GB day-ahead consumption in 2013.

Traded volumes 2013 vs. 2012:

TWh	2013	2012
Auction market	139.4	94.9
Prompt market / spot market	3.4	38.4
TOTAL	142.8	133.3

By the end of 2013, 42 members were registered for trading in the N2EX market and other new members are being processed.

In December 2013, N2EX broke the 500 GWh daily auction turnover milestone reaching a daily turnover in the auction on 4 December of 507.1 GWh. The continued support from N2EX members representing various industries contributes to improve transparency of prices and volumes in the physical electricity market in the UK.

Preparations to include the UK in market coupling with the North-Western Europe region and the complex work of designing the Special Purpose Vehicle (SPV) designed by Nord Pool Spot to operate the Virtual Hub on the interconnector between France and the UK has been a priority throughout 2013. The delivery of this project will play a pivotal role in the integration of the UK in the North-Western Europe market coupling project, NWE.

### Annual accounts 2013

Group revenues in 2013 were NOK 232.6m (2012: NOK 193.4m).

Operating profit was NOK 42.1m (2012: NOK 45.4m) for the Group and NOK 38.9m for Nord Pool Spot AS (2012: NOK 40.3m).

Net income amounted to NOK 33.4m (2012: NOK 32.9m) for the Group and NOK 29.5m (2012: NOK 25.4) for Nord Pool Spot AS.

By the end of 2013, total equity and liabilities for the Group was NOK 2,100m (2012: NOK 2,433m). The equity of Nord Pool Spot AS was NOK 212.4m as at 31 December 2013 (2012: NOK 182.4m).

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

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

Nord Pool Spot undertakes no research. Development activities are supporting the core business of Nord Pool Spot. Beyond what is described in the accounts and the Report of the Board of Directors, no events of material significance for the 2013 annual accounts have occurred up to and including the signatory date of this report.

### Liquidity

Group cash and cash equivalents decreased from NOK 2,041m at the end of 2012 to NOK 1,214m at the end of 2013. The main reason for the change in funds is the effect on the settlement schedule of non-working days over year-end 2013 compared to 2012.

## Financial risks

### Market risk

The company is exposed to changes in exchange rates since power trades are settled in multiple currencies. The company continuously hedges the settlement of trades in foreign currency, and VAT, through spot contracts. Revenues in foreign currency are settled weekly using currency spot contracts. The company is also exposed to regulatory risk as its licence requires regular renewals.

### Credit risk

All Nord Pool Spot trades are settled on a daily basis; invoices and credit notes are dispatched every afternoon for automatic bank settlement of the next day's delivery of power. Participants post collateral for their trades. The collateral requirement equals the sum of the participants' net purchases over the last seven days including VAT. Accounts receivables referring to the physical market amounted to NOK 768.4 m at the end of 2013 (2012: NOK 305.2m) for Nord Pool Spot AS. Collateral posted by participants as at 31 December 2013 was NOK 1,050m (2012: NOK 1,588m). The underlying reasons for the decrease in collateral were reduced electricity prices and volumes traded at year-end 2013 compared to year-end 2012.

Counterparty risk for Nord Pool Spot is regarded as low. There was no debtor loss registered for 2013.

### Liquidity risk

The company's liquidity position is regarded as sound with a relatively high net cash position due to the settlement cycle (buyer debited on T+1, seller credited on T+2).

### Risk capital

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

## Organisation and working environment

As per 31 December 2013 the Nord Pool Spot Group had 77 employees based in Norway, Sweden, Finland, Denmark, the UK, Estonia and Lithuania. Of these, 53 of the employees were in Nord Pool Spot AS.

Nord Pool Spot AS had 24 female employees and 29 male employees as per 31 December 2013. There are female employees at all Nord Pool Spot offices.

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

Health-related absence during the year was 1.06%. No lost-time accidents or personal injuries were suffered in 2013.

Nord Pool Spot's human resources policy is based on equal opportunities, meaning that there shall be no gender differences when expertise and experience are comparable. Salary statistics show that annual salary was on average 6% higher for male employees than for female employees in 2013.

The company encourages employees to establish solutions which make it easier to combine work and family life. There was one employee on parental leave per 31 December 2013. The company had no employees working part time at the end of the year.

Nord Pool Spot's activities have no negative environmental impact.

### Market surveillance

Nord Pool Spot's market surveillance team plays an important role in establishing and maintaining market confidence and integrity by having a strong and visible presence in the market. Market surveillance continuously monitors trading activity and price formation in the spot markets and conducts investigations of possible breaches of our rulebook and market conduct rules.

## Allocation of profit

Out of Nord Pool Spot AS's net profit of NOK 29.5m for the year, the Board proposes a dividend of NOK 14.7m and recommends transferring NOK 14.7m to other equity.

## Other

On 5 March 2014, Nord Pool Spot settled [with the EU Commission] in the competition case arising from a planned joint venture with Epex Spot in 2011. As part of the settlement, the EU Commission imposed a fine of EUR 2.3 million on Nord Pool Spot AS. Nord Pool Spot's accounts per 31 December 2013 reflect this. The settlement terminates the EU Commission's proceedings that started with an inspection in February 2012. Nord Pool Spot has cooperated fully with the authorities throughout the Commission's investigation.

## Outlook for 2014

The successful launch of NWE/PCR in February marked a milestone for the European power markets. Securing continued robust operation for NWE/PCR is a key priority for Nord Pool Spot.

The project is being followed by a similar project aimed at the intraday markets (XBID). XBID is expected to require significant resources from Nord Pool Spot during 2014, and Nord Pool Spot feels well positioned to contribute to this ambitious project.

During 2014 Nord Pool Spot will assume full responsibility for the N2EX-market, taking over the clearing responsibility from its partner, Nasdaq OMX. This project will lay the basis for an even more attractive and competitive offer in the UK in the years to come.

The positive developments from last year continue into 2014 and the year is expected to give a reasonable return on invested capital.

Gardermoen, 25 March 2014

**Nils Nygren**  
Chairman

**Søren Dupont Kristensen**  
Member of the Board

**Juha Kekkonen**  
Member of the Board

**Christina Simón**  
Member of the Board

**Robertas Staniulis**  
Member of the Board

**Astrid Skjønberg Brunt**  
Member of the Board

**Hilde A.K. Rosenblad**  
Member of the Board

**Hanna Blomfeldt**  
Member of the Board

**Mikael Lundin**  
CEO

# Profit and loss account

NORD POOL SPOT AS				NORD POOL SPOT GROUP	
2013	2012	Amounts in NOK 1000	Note	2013	2012
23 415	23 084	Fixed fee revenues		23 415	24 103
157 939	136 284	Volume dependent fees		157 939	137 119
48 892	26 226	Other operating income		51 215	32 175
230 246	185 594	TOTAL OPERATING INCOME	3	232 569	193 397
0	39	Services purchased	4	0	39
9 727	13 088	Depreciation	8.9	11 640	15 452
53 468	35 059	Payroll expenses	5.17	76 932	49 397
128 130	97 107	Other operating expenses	5.6	101 868	83 135
191 325	145 293	TOTAL OPERATING EXPENSES		190 440	148 023
38 921	40 301	OPERATING PROFIT		42 129	45 374
5 972	-319	Net financial items	7	7 476	2 344
44 893	39 982	PROFIT BEFORE TAXES		49 605	47 718
15 433	14 636	Taxes	19	16 227	14 842
29 460	25 346	NET INCOME		33 378	32 876
<b>ALLOCATED TO:</b>					
14 730	12 673	Dividend			
14 730	12 673	Allocated to/from other equity			

# Balance sheet

Assets

NORD POOL SPOT AS				NORD POOL SPOT GROUP	
31.12.2013	31.12.2012	Amounts in NOK 1000	Note	31.12.2013	31.12.2012
<b>ASSETS</b>					
<b>FIXED ASSETS</b>					
<b>Intangibles</b>					
21 944	22 668	Intangible assets	8	32 013	27 425
1 376	1 367	Deferred tax benefit	19	1 376	1 367
23 320	24 035	Total intangible		33 389	28 792
3 268	4 261	Tangible fixed assets	9	4 228	4 620
<b>Financial assets</b>					
17 857	17 827	Investment in subsidiaries	10	0	0
924	924	Investment in associated companies and joint ventures	10	2 413	924
838	1 835	Loan to associated company	11	838	1 835
19 619	20 586	Total financial assets		3 251	2 759
46 207	48 882	TOTAL FIXED ASSETS		40 868	36 171
<b>CURRENT ASSETS</b>					
<b>Receivables</b>					
777 950	310 179	Accounts receivables	12.13	778 106	309 356
64 955	44 111	Other receivables		66 825	46 404
733	224	Group receivables		0	0
684	650	Derivatives	13	684	650
844 322	355 164	Total receivables		845 615	356 410
1 204 074	2 032 921	Bank deposits	14	1 213 543	2 040 735
2 048 396	2 388 085	TOTAL CURRENT ASSETS		2 059 158	2 397 145
2 094 603	2 436 967	TOTAL ASSETS		2 100 026	2 433 316

# Balance

Equity and liabilities

NORD POOL SPOT AS				NORD POOL SPOT GROUP	
31.12.2013	31.12.2012	Amounts in NOK 1000	Note	31.12.2013	31.12.2012
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Paid-in-equity					
53 613	52 542	Share capital	15.16	53 613	52 542
51 300	37 064	Share premium	16	51 300	37 064
104 913	89 606	<b>TOTAL PAID-IN-EQUITY</b>		104 913	89 606
<b>Retained earnings</b>					
107 528	92 798	Other equity	16	104 724	84 791
107 528	92 798	<b>TOTAL RETAINED EARNINGS</b>		104 724	84 791
212 441	182 404	<b>TOTAL EQUITY</b>		209 637	174 397
<b>LIABILITIES</b>					
Provision for liabilities					
4 954	4 857	Pension liabilities	17	4 954	4 857
4 954	4 857	<b>TOTAL PROVISIONS FOR LIABILITIES</b>		4 954	4 857
<b>Current liabilities</b>					
1 806 813	2 194 064	Accounts payable	13.18	1 807 440	2 194 967
15 446	11 471	Taxes payable	19	16 115	11 815
3 110	3 107	Public duties		4 256	3 610
14 730	12 673	Dividend	16	14 730	12 673
37 109	28 391	Other current liabilities		42 894	30 997
1 877 208	2 249 706	<b>TOTAL CURRENT LIABILITIES</b>		1 885 435	2 254 062
1 882 162	2 254 563	<b>TOTAL LIABILITIES</b>		1 890 389	2 258 919
2 094 603	2 436 967	<b>TOTAL EQUITY AND LIABILITIES</b>		2 100 026	2 433 316

Gardermoen, 25 March 2014



**Nils Nygren**  
Chairman



**Søren Dupont Kristensen**  
Member of the Board



**Juha Kekkonen**  
Member of the Board



**Christina Simón**  
Member of the Board



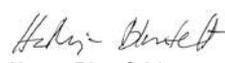
**Robertas Staniulis**  
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Member of the Board



**Hilde A.K. Rosenblad**  
Member of the Board



**Hanna Blomfeldt**  
Member of the Board



**Mikael Lundin**  
CEO

# Cash flow analysis

NORD POOL SPOT AS			NORD POOL SPOT GROUP		
2013	2012	Amounts in NOK 1000	Note	2013	2012
<b>Cash flow from operating activities</b>					
29 460	25 346	Net income		33 378	32 876
9 727	13 088	Ordinary depreciation		11 640	15 542
-96	1 887	Gain(-) Loss(+) on sale of operating assets		-96	1 887
-467 771	-50 456	Change in accounts receivable		-468 750	-48 871
-387 251	1 670 075	Change in accounts payable		-387 527	1 670 333
97	-11 455	Change in pension liabilities		97	-11 455
-8 600	2 478	Change in other current receivables and liabilities		-3 359	-7 809
-824 434	1 650 963	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		-814 617	1 652 503
<b>Cash flow from investment activities</b>					
997	0	Income payment on loan from associated company		0	0
-1 394	-2 753	Purchase of tangible fixed assets		-2 270	3 005
-6 651	-12 312	Purchase of intangible fixed assets		-12 940	-15 877
-7 048	-15 065	<b>NET CASH FLOW FROM INVESTMENT ACTIVITIES</b>		-15 210	-18 882
<b>Cash flow from financing activities</b>					
0	5 400	Sale of shares Gaspoint Nordic A/S		0	5 400
15 308	28 525	Paid in equity		15 308	28 525
-12 673	-50 000	Payment of dividend		-12 673	-50 000
2 635	-16 075	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>		2 635	-16 075
-828 847	1 619 823	Net change in liquid assets		-827 192	1 617 546
2 032 921	413 098	Liquid assets as of 1 January		2 040 735	423 189
1 204 074	2 032 921	<b>LIQUID ASSETS AS OF 31 DECEMBER</b>		1 213 543	2 040 735

# Notes to the annual accounts

## 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 Spot AS, and the subsidiaries Nord Pool Finland Oy, Nord Pool Spot AB 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 amortised on a straight-line basis over the expected useful lives of the purchased assets.

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

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

### Subsidiary

The company's subsidiary is valued according to the cost method in the company accounts. Investments are valued at

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

### Joint Venture

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

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

### Power turnover

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

### Income from fees

The income base of the Nord Pool Spot 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 were introduced in 2011 and 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 2013.

### **Financial instruments**

Nord Pool Spot 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**

Nord Pool Spot AS has 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.

Accrued pension rights are primarily secured through pension plans with Statnett SF's pension fund. In addition, Nord Pool Spot AS has an early retirement plan (AFP), which is financed by operations.

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.

Net pension liabilities in the balance sheet are shown after adjustments for postponed P&L recognition of changes in estimates and pension plans as well as the difference between actual and expected returns on the pension plans investment assets that have as yet not been recognised in the P&L. Net pension liabilities are shown as an allocated liability. Pension schemes that are in a surplus of funds where the funds cannot be transferred to schemes that are in deficit of funds are shown as fixed assets.

The Group applies the principle of corridor reporting in respect of changes in pension liabilities.

Changes in liabilities and pension assets arising from changes to and variances in assumptions applied to calculations (changes in estimates) are distributed over the remaining expected average earnings period if the variances on 1 January exceed 10% of whichever is the greater of gross pension liabilities and pension assets.

The Group has in addition a contribution-based pension plan for 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 Spot AS has from 1 January 2013 closed down the defined benefit pension scheme and opened a new defined contribution scheme in Storebrand.

## **Taxes**

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

As of 31 December 2013, 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.

## **Note 1: Collaterals**

### **Physical trade**

Participants are obliged to post appropriate collateral for their spot market trade in accordance with the Rulebook for the Physical Markets. The security requirement included in the section "Clearing Rules Appendix" of the rulebook reflects Nord Pool Spot's settlement risk and is calculated on an ongoing basis as the last seven days of the participant's daily net purchase in Elspot inclusive of VAT. Variation in days can occur.

Collateral for Elbas market follows the same security requirements as for Elspot. For customers in Elspot acting in Elbas the security requirement of Elbas is netted into Elspot collateral.

The minimum trading requirement is a collateral base of NOK/SEK/DKK 240,000 or EUR 30,000. The collateral must be registered with Nord Pool Spot before any trade is initiated.

Collateral can be posted as an on-demand bank guarantee, as cash in a pledged bank account or in another way accepted by Nord Pool Spot in accordance with the Rulebook for the Physical Markets.

As of 31 December 2013, outstanding balances in the physical market totaled NOK 768.4 million, while the collateral requirement in respect of participants totaled NOK 1,050 million.

At the end of the year, all participants in the physical market had posted satisfactory collateral in accordance with the Settlement regulations.

Settlement and collateral in the UK for N2EX is carried out by NASDAQ OMX which also acts as the counterpart.

Nord Pool Spot also carries out settlement and collateral calls for the VPP market (Virtual Power Plant) in Denmark and the gas market of Gaspoint Nordic A/S. For the VPP market, the customers have to establish in advance a bank guarantee for assigned volume current quarter. For the gas market the members provide collateral by the means of an on-demand guarantee. Base collateral determined by Nord Pool Spot must be established and met prior to the commencement of trading. The base collateral shall cover sum collateral call for the instruments traded, but not yet settled.

Security requirements for Elspot/Elbas, VPP, and the gas market are not netted.

## Note 2: Power turnover

Amounts in NOK 1000

Geographical distribution - power sales	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
Norway	36 053 796	23 674 918	36 053 796	23 674 918
Sweden	40 496 390	35 367 256	40 496 390	35 367 256
Denmark	12 703 587	12 475 433	12 703 587	12 475 433
Finland	16 620 533	14 570 359	16 620 533	14 570 359
Germany	309 451	240 159	309 451	240 159
Estonia	3 109 864	1 831 147	3 109 864	1 831 147
Lithuania	2 951 064	1 417 982	2 951 064	1 417 982
Poland	391 837		391 837	
Latvia	627 140		627 140	
<b>TOTAL</b>	<b>113 263 661</b>	<b>89 577 254</b>	<b>113 263 661</b>	<b>89 577 254</b>
<b>Geographical distribution - power purchases</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Norway	37 029 292	27 314 752	37 029 292	27 314 752
Sweden	43 775 233	38 952 664	43 775 233	38 952 664
Denmark	12 689 828	9 089 128	12 689 828	9 089 128
Finland	13 001 781	11 002 961	13 001 781	11 002 961
Germany	236 716	215 189	236 716	215 189
Poland	328 879	66 492	328 879	66 492
Estonia	3 791 038	1 493 981	3 791 038	1 493 981
Lithuanian	2 233 649	1 417 982	2 233 649	1 417 982
Latvia	177 245	24 104	177 245	24 104
<b>TOTAL</b>	<b>113 263 661</b>	<b>89 577 254</b>	<b>113 263 661</b>	<b>89 577 254</b>

## Note 3: Operating revenues

Amounts in NOK 1000

Geographical distribution	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
Norway	58 067	50 664	58 067	50 664
Sweden	54 517	50 090	55 145	50 923
Finland	28 335	22 609	30 029	27 273
Denmark	23 711	18 787	23 711	21 093
UK	22 770	17 075	22 770	17 075
Germany	12 091	5 874	12 091	5 874
Estonia	8 564	4 296	8 564	4 296
Lithuania	5 623	5 007	5 623	5 007
Netherlands	3 466	2 643	3 466	2 643
France	3 348	2 486	3 348	2 486
Belgium	2 218	1 026	2 218	1 026
Tsjekkia	2 072		2 072	
Spain	1 315	1 563	1 315	1 563
Italy	1 161	1 677	1 161	1 677
Luxembourg	1 066	458	1 066	458
Other countries	1 920	1 340	1 921	1 340
<b>TOTAL</b>	<b>230 246</b>	<b>185 594</b>	<b>232 569</b>	<b>193 397</b>

## Note 4: Closely related parties

All transactions with Nord Pool Spot AS owners are conducted under arm's length principle at market value.

### Services and tasks performed by Nord Pool Finland Oy for the Nord Pool Spot Group

#### Marketing services

Nord Pool Finland Oy supplies marketing and consultancy services to the Nord Pool Spot Group. The total income for 2013 amounts to NOK 22.0 million against NOK 14.8 million in 2012.

### Services and tasks performed by Nord Pool Spot AB for Nord Pool Spot Group

#### Marketing services

Nord Pool Spot AB provides marketing, market data and consultancy services to the Nord Pool Spot Group. The total income for 2013 amounts to NOK 13.3 million, against NOK 9.4 million in 2012.

### Services and tasks performed by Statnett SF for Nord Pool Spot AS

#### Pension plan

Nord Pool Spot AS is a member of Statnett SF's pension fund and thus assumes certain pension liabilities. In addition, Statnett SF's pension fund acts as the depository of the pension funds. See the section on pension costs and liabilities under accounting principles. The membership of Statnett SF's pension fund was closed down as per 1 January 2013.

## Note 5: Payroll expenses, number of employees, reimbursements, employee loans etc.

Amounts in NOK 1000	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
Payroll expenses				
Salaries	42 047	35 729	62 806	48 084
Capitalised in-house development	-603	-824	-603	-2 190
Social security contribution	7 674	5 983	9 804	7 697
Pension expenses defined pension scheme	102	8 322	102	8 322
Pension expenses defined contribution scheme	1 603	0	1 603	0
Effect of change on pension scheme	0	-15 834	0	-15 834
Other benefits	2 646	1 684	3 220	3 318
<b>TOTAL</b>	<b>53 468</b>	<b>35 059</b>	<b>76 932</b>	<b>49 397</b>

During the financial year, Nord Pool Spot AS had an average of 50.8 employees (50.8 man-years) against 44 employees (44 man-years) in 2012. The Nord Pool Spot Group had an average of 73.8 employees (73.5 man-years) against 61.6 employees (61.2 man-years) in 2012.

Remuneration of executives	CEO	Board of directors
Salary	1 517	250
Other remuneration	650	0
Accrued pension	973	0

From 1 December 2009, the CEO is covered by the Swedish pension plan.

No loans or collaterals have been granted to the CEO, the Chairman of the Board of Directors or other related parties. No individual loan or collateral exceeding 5% of the equity of the Group companies has been granted.

Directors' fees are only paid to external board members. Board members who are employed by the owners of Nord Pool Spot or in the Nord Pool Spot Group do not receive any remuneration.

### Bonus

Nord Pool Spot AS has a bonus scheme for all employees with bonuses being paid on the basis of various parameters such as profits. The maximum bonus per year corresponds to 15% of the annual pay. The average bonus achieved for 2013 amounted to 15%.

### Auditors

Compulsory auditing for the parent company amounts to NOK 204,853, other confirmations NOK 213,832, tax and VAT consultancy NOK 337,298, and other services NOK 75,914. Compulsory auditing for the Group amounts to NOK 278,880, other confirmations NOK 213,832, tax and VAT consultancy NOK 380,604 and other services NOK 89,447. The amounts are exclusive of VAT.

## Note 6: Other operating expenses

Amounts in NOK 1000

	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
Outsourced services	12 301	12 074	12 605	14 666
Administration services from subsidiaries	33 148	24 261	-	-
External cost on project with cost recovery	25 025	11 669	25 025	11 669
Operation and maintenance of software	23 067	21 551	23 226	22 141
Miscellaneous	34 589	27 552	41 012	34 658
<b>TOTAL OTHER OPERATING EXPENSES</b>	<b>128 130</b>	<b>97 107</b>	<b>101 868</b>	<b>83 135</b>

The group has entered into a tenancy agreement on rental of office facilities at Granfoss Næringspark, Lysaker. The agreement was entered into on 1 April 2011 and will expire on 31 March 2019. The yearly rent for 2013 amounts to NOK 2.4 mill. The rent is adjusted on a yearly basis in accordance with the development in the CPI.

## Note 7: Net financial items

Amounts in NOK 1000

	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
<b>Financial income</b>				
Revenues associated companies	0	0	1 489	721
Interest revenue	5 439	3 897	5 442	3 923
Other financial revenues (agio)	1 522	44	1 523	44
<b>TOTAL FINANCIAL REVENUES</b>	<b>6 961</b>	<b>3 941</b>	<b>8 454</b>	<b>4 688</b>

	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
<b>Financial expenses</b>				
Expenses associated companies	0	1 887	0	0
Interest expenses	863	1 094	837	1 065
Other financial expenses (agio)	126	1 279	141	1 279
<b>TOTAL FINANCIAL EXPENSES</b>	<b>990</b>	<b>4 260</b>	<b>978</b>	<b>2 344</b>
<b>NET FINANCIAL ITEMS</b>	<b>5 972</b>	<b>-319</b>	<b>7 476</b>	<b>2 344</b>

## Note 8: Intangible assets

Amounts in NOK 1000

Nord Pool Spot	Trade systems	Total
Acquisition cost as of 01.01.2013	82 508	82 508
Additions	6 651	6 651
Acquisition cost as of 31.12.2013	89 159	89 159
Accumulated depreciation as of 31.12.2013	-67 215	-67 215
<b>BOOK VALUE AS OF 31.12.2013</b>	<b>21 944</b>	<b>21 944</b>

The year's depreciation	7 384	7 384
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Nord Pool Spot Group	Trade systems	Total
Acquisition cost as of 01.01.2013	99 071	99 071
Translation differences	410	410
Additions	12 940	12 940
Acquisition cost as of 31.12.2013	112 421	112 421
Accumulated depreciation as of 31.12.2013	-80 408	-80 408
<b>BOOK VALUE AS OF 31.12.2013</b>	<b>32 013</b>	<b>32 013</b>

The year's depreciation	8 953	8 953
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Both the parent company and the Group make use of straight-line depreciation for all intangible assets. The economic useful lives of the intangible fixed assets are estimated as follows:

- Computer software: 3-5 years

## Note 9: Tangible fixed assets

Amounts in NOK 1000

Nord Pool Spot	Vehicle	EDP and office equipment	Total
Acquisition cost as of 01.01.2013	416	10 599	11 015
Additions	455	938	1393
Disposals	-416	0	-416
Acquisition cost as of 31.12.2013	455	11 538	11 993
Accumulated depreciation as of 31.12.2013	-7	-8 717	-8 724
BOOK VALUE AS OF 31.12.2013	448	2 820	-3 268
This year's depreciation	77	2 275	2 352

Nord Pool Spot Group	Vehicle	EDP and office equipment	Total
Acquisition cost as of 01.01.2013	416	15 420	12 818
Translation differences		49	49
Additions	455	1 815	2 270
Disposals	-416	0	-416
Acquisition cost as of 31.12.2013	455	17 283	17 738
Accumulated depreciation as of 31.12.2013	-7	-13 503	-13 510
BOOK VALUE AS OF 31.12.2013	448	3 780	4 228
This year's depreciation	77	2 601	2 678

The economic useful life of tangible fixed assets is estimated as follows:

- EDP and office equipment: 2-10 years
- Vehicles: 5 years

## Note 10: Subsidiaries, associated companies and joint ventures

Amounts in NOK 1000

Company	Acquisition date	Sales date	Headquarters	Ownership	Share of voting rights
Nord Pool Finland Oy	01.07.2002		Helsinki	100%	100%
Nord Pool Spot AB	18.12.2007		Stockholm	100%	100%
Gaspoint Nordic A/S	01.12.2007	17.12.2012	Skærbek	50%	50%
European Market Coupling Company GmbH	29.08.2008		Hamburg	20%	20%
GB Day-Ahead Pooling Company AS	06.03.2013		Lysaker	100%	100%

### Investments valued in accordance with the cost method

Company	Acquisition date	Total share capital	Shares owned	Total par value	Acquisition cost	Book value
Nord Pool Finland Oy	01.07.2002	4 978	40 000	4 978 000	17 742 240	17 742 240
Nord Pool Spot AB	18.12.2007	85	100 000	SEK 100.000	84 670	84 670
GB Day-Ahead Pooling Company AS	06.03.2013	30 000	30 000	NOK 30 000	30 000	30 000
<b>Joint Venture</b>						
Gaspoint Nordic A/S	01.12.2007	DKK 10.000	10 000	2 000	5 386 500	0
<b>Associated companies</b>						
European Market Coupling Company GmbH	28.01.2009	€ 1 600 000		€ 1 600 000	2 824 760	924 000

Nord Pool Spot shares in Nord Pool GAS A/S were sold on 17 December 2012.

Amounts in NOK 1000

Nord Pool Spot Group	European Market Coupling Company GmbH	
<b>Investments valued in accordance with the equity method</b>		
Calculated share of net profit	2013	2012
Share of net profit	1 489	721
<b>SHARE OF NET PROFIT</b>	<b>1 489</b>	<b>721</b>
<b>Book value at 31.12.2013 is calculated as follows:</b>		
Opening balance of 01.01.2013	924	203
This year's part of profit	1 489	721
<b>Closing balance of 31.12.2013</b>	<b>2 413</b>	<b>924</b>

The following amounts are included in the Group's profit and loss account and balance sheet from joint ventures who are incorporated with pro rata consolidation:

Nord Pool Spot Group	Gaspoint Nordic A/S	
	2013	2012
Operating income	0	2 306
Operating expenses	0	-2 363
<b>OPERATING PROFIT</b>	<b>0</b>	<b>-57</b>
<b>PROFIT BEFORE TAXES</b>	<b>0</b>	<b>-49</b>
Fixed assets		
Currents assets		
<b>TOTAL ASSETS</b>	<b>0</b>	<b>0</b>
Total allocation for liabilities		
Currents liabilities		
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>0</b>
Equity		
<b>Total equity and liabilities</b>	<b>0</b>	<b>0</b>

## Note 11: Long-term receivables

The long-term receivables refers to a loan to European Market Coupling Company GmbH of EUR 100 000 after the company in 2013 paid off EUR 150 000 of the total loan on EUR 250 000.

The terms for this loan include an annual rate of interest of 8% of the loan outstanding at any time.

The remaining loan amount was repaid in January 2014.

## Note 12: Accounts receivable

Amounts in NOK 1000	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
Power sales	768 382	305 209	768 382	305 209
Other accounts receivable	9 568	4 970	9 724	4 147
<b>BOOK VALUE</b>	<b>777 950</b>	<b>310 179</b>	<b>778 106</b>	<b>309 356</b>

Accounts receivables have been recorded at face value as of 31.12.2013.

## Note 13: Foreign currency

### Foreign currency risks

The development in currency rates imposes both a direct and an indirect financial risk for the Nord Pool Spot Group. Hedging of currency income and assets denominated in foreign currency is done using hedging instruments, such as foreign exchange forward contracts.

Nord Pool Spot AS maintains spot market accounts receivables and accounts payables in SEK, DKK, EUR and NOK. These are secured continuously using hedging instruments, such as foreign exchange forward contracts. Accounts receivables and payables in foreign currencies are valued at the year-end exchange rate on 31 December 2013.

Forward exchange contracts are used solely to hedge currency exposures incurred in connection with the settlement of physical trading. The table set out below shows the currency exposures and the market value of the forward positions.

Amounts in NOK 1000	Balance sheet exposure	Off-balance sheet exposure	Net foreign exchange position	Market value derivatives in NOK
DKK	-70 516	71 963	1 447	4
SEK	-95 268	99 185	3 917	-11
EUR	15 319	-14 284	1 035	691
<b>SUM</b>				<b>684</b>

## Note 14: Bank deposits and guarantees

Amounts in NOK 1000	Nord Pool Spot AS	Nord Pool Spot Group
Restricted funds for tax withholdings	3 444	3 444

Nord Pool Spot has issued a bank guarantee in favor of "DNB N ringseiendom" on NOK 1.5 million with expiration date 30 September 2019.

Nord Pool Spot has issued a bank guarantee in favor of APX-ENDEX Clearing BV of EUR 0.2 million.

Nord Pool Spot has a credit facility of NOK 7 million in Nordea. The credit facility is not utilised as of 31 December 2013.

## Note 15: Share capital and shareholder information

The share capital comprises	Number of shares	Par value	Book value
A-shares	15 318	3 500	53 613 000
<b>TOTAL</b>	<b>15 318</b>		<b>53 613 000</b>

Nord Pool Spot AS had 7 shareholders as of 31.12.2013. All shares have equal rights.

Shareholders overview as of 31.12.2013	Number of shares held	Ownership	Shares of voting rights
Statnett SF	4 320	28.8 %	28.8 %
Affärsverket svenska kraftnät	4 320	28.8 %	28.8 %
Fingrid Oyj	2 880	18.8 %	18.8 %
Energinet.dk	2 880	18.8 %	18.8 %
Elering AS	306	2.0 %	2.0 %
LITGRID AB	306	2.0 %	2.0 %
Augstsprieguma Tikls AS	306	2.0 %	2.0 %
<b>Total number of shares</b>	<b>15 318</b>	<b>100.0 %</b>	<b>100.0 %</b>

## Note 16: Equity

Amounts in NOK 1000

Nord Pool Spot AS	Share capital	Share premium	Other equity	Total equity
Equity as of 01.01.2013	52 542	37 063	92 798	182 403
Capital increase Nord Pool Spot AS	1 071	14 237	0	15 308
Net income			29 460	29 460
Dividend			-14 730	-14 730
<b>EQUITY AS OF 31.12.2013</b>	<b>53 613</b>	<b>51 300</b>	<b>107 528</b>	<b>212 441</b>

Nord Pool Spot Group	Share capital	Share premium	Other equity	Total equity
Equity as of 01.01.2013	52 542	37 063	84 791	174 396
Capital increase Nord Pool Spot AS	1 071	14 237	0	15 308
Translation differences			1 285	1 285
Net income			33 378	33 378
Dividend			-14 730	-14 730
<b>EQUITY AS OF 31.12.2013</b>	<b>53 613</b>	<b>51 300</b>	<b>104 724</b>	<b>209 637</b>

## Note 17: Pensions

Nord Pool Spot AS has from 1 January 2013 closed down the defined benefit pension scheme and opened a new defined contribution scheme in Storebrand. The company contribution pension scheme covers 38 employees.

Yearly payments to the contribution pension scheme for pensionable salary are from 1-6 G 5% and from 6-12 G 8%.

The termination of the defined benefit plan in 2012 gave a positive accounting one-time effect of NOK 15.8 million. The one-time effects were recognised in 2012 in accordance with IAS19 curtailment / settlement of a pension plan. The one-time effect reduced the payroll expenses in the financial statement. In connection with the termination of the defined benefit plan Nord Pool Spot AS established a compensation scheme with the objective of limiting the calculated loss of retirement capital caused to employees as a result of the transition. The compensation scheme is operation based and will be paid monthly to the employees from 1 January 2013 as long as they are employed in the company.

The company is taking part in an early retirement pension scheme (AFP). This agreement implies that all employees have the possibility to choose an early retirement pension from the age of 62. The pension scheme is a defined benefit multi-employer plan funded by premiums that are determined as a percentage of salary. There are no reliable measurement and allocation of assets and liabilities in the scheme. The scheme is therefore treated for accounting purposes as a defined contribution plan where premium payments are expensed as incurred.

The former CEOs of Nord Pool Spot are entitled to a supplementary pension scheme. From the age of 62 up to and including 74 years the CEO is entitled to a supplementary yearly payment equivalent to NOK 400,000 (2008 value) in addition to the general scheme. The supplementary scheme is indexed to the average increase in the wages of the company both during the period of employment as well as after the pensionable age has been attained. The rest of the executive management is covered by Nord Pool Spot's group pension plan, and have no rights beyond those associated with that plan.

The group has a contribution-based pension plan for nine employees in Sweden. This pension plan comprises nine employees. The pension costs for the year for employees in Sweden total NOK 2.8 million.

Employees in Denmark have a contribution based pension plan. This pension plan comprises two employees and pension costs for the year equal 12.5% of gross salaries per employee.

Employees in Finland have a contribution based pension plan. This pension plan comprises 17 employees and pension costs for the year equal 17.1% of gross salaries per employee.

Amounts in NOK 1000	Nord Pool Spot AS 2013	Nord Pool Spot AS 2012
Pension expenses contribution scheme in Storebrand	1 603	0
Current value of this year's pension earnings	0	7 378
Interest cost for pension liabilities	102	1 293
Yield on pension fund	0	-1 200
Changes on estimates and deviations recorded in the profit and loss account	0	851
One-time effect change pension scheme	0	-15 834
<b>NET PENSION EXPENSES (NET INCOME)</b>	<b>1 705</b>	<b>-7 512</b>

	Nord Pool Spot Group 2013	Nord Pool Spot Group 2012
Pension expenses contribution scheme in Storebrand	1 603	0
Current value of this year's pension earnings	0	7 378
Interest cost for pension liabilities	102	1 293
Yield on pension fund	0	-1 200
Changes on estimates and deviations recorded in the profit and loss account	0	851
One-time effect change pension scheme	0	-15 834
<b>NET PENSION EXPENSES (NET INCOME)</b>	<b>1 705</b>	<b>-7 512</b>

Nord Pool Spot AS	2013 Insured	2013 Unsecured	2012 Insured	2012 Unsecured
Estimated pension liabilities as of 31.12.	0	4 788	50 027	4 866
Estimated pension funds as of 31.12.	0	0	-21 058	0
Effect of changes in estimates and deviations not recorded in the profit and loss account	0	-436	-17 220	-695
Social security contribution	0	612	4 085	686
One-off effect change pension scheme	0	0	-15 834	0
<b>NET PENSION LIABILITIES</b>	<b>0</b>	<b>4 954</b>	<b>0</b>	<b>4 857</b>

Nord Pool Spot Group	2013 Insured	2013 Unsecured	2012 Insured	2012 Unsecured
Estimated pension liabilities as of 31.12.	0	4 788	50.027	4 866
Estimated pension funds as of 31.12.	0	0	-21 058	0
Effect of changes in estimates and deviations not recorded in the profit and loss account	0	-436	-17 220	-695
Social security contribution	0	612	4 085	686
One-off effect change pension scheme	0	0	-15 834	0
<b>NET PENSION LIABILITIES</b>	<b>0</b>	<b>4 954</b>	<b>0</b>	<b>4 857</b>

Financial assumptions	2013	2012
Discount rate	3.30%	2.20%
Expected growth in salaries	0.00%	3.25%
Expected growth of social security base amount	3.00%	3.00%
Expected growth in pensions	3.00%	3.00%
Expected yield on pension funds	3.30%	2.20%
Average social security payment	14.10%	14.10%

## Note 18: Accounts payable

Amounts in NOK 1000	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
Power purchases	1 805 737	2 191 343	1 805 737	2 191 343
Other accounts payable	1 076	2 721	1 703	3 624
Book value	1 806 813	2 194 064	1 807 440	2 194 967

## Note 19: Taxes

Amounts in NOK 1000	Nord Pool Spot AS		Nord Pool Spot Group	
	2013	2012	2013	2012
<b>Taxes for the year are distributed as follows:</b>				
Taxes payable	15 446	11 471	16 240	11 677
Too much / too little tax provision in prior years	-4	-99	-4	-99
Change in deferred tax	-9	3 264	-9	3 264
<b>TOTAL TAX EXPENSES</b>	<b>15 433</b>	<b>14 636</b>	<b>16 227</b>	<b>14 842</b>

### Calculated payable tax basis for the year:

Pre-tax profit	44 893	39 981	49 913	47 718
Other items	522	0	0	0
<b>TOTAL PROFIT BEFORE TAX</b>	<b>44 415</b>	<b>39 981</b>	<b>49 913</b>	<b>47 718</b>
Permanent differences *)	9 703	12 644	9 703	12 644
Change in temporary differences	568	-11 657	568	-11 657
<b>BASIS TAXES PAYABLE FOR THE YEAR</b>	<b>55 686</b>	<b>40 968</b>	<b>60 184</b>	<b>48 705</b>

Overview temporary differences:	Nord Pool Spot AS		Nord Pool Spot Group	
Fixed assets	-826	-674	-826	-674
Allocations in accordance with generally accepted accounting principles	683	650	683	650
Pensions	-4 954	-4 857	-4 954	-4 857
<b>TOTAL</b>	<b>-5 097</b>	<b>-4 881</b>	<b>-5 097</b>	<b>-4 881</b>
28% deferred tax benefit	-1 376	-1 367	-1 376	-1 367

### Explanation why tax for the year does not constitute 28% of the pre-tax profit:

	Nord Pool Spot AS
28% tax on pre-tax profit	12 716
Permanent differences (28%)	2 717
<b>CALCULATED TAX EXPENSE</b>	<b>15 433</b>
Nominal taxation rate **)	34.0%

\*) Not including non-deductible expenses such as entertainment.

\*\*) Tax cost as a percentage of pre-tax profit.

# Auditor's report



Statsautoriserte revisorer  
Ernst & Young AS

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Medlemmer av Den Norske Revisorforening

To the Annual Shareholders' Meeting of  
Nord Pool Spot AS

## AUDITOR'S REPORT

### Report on the financial statements

We have audited the accompanying financial statements of Nord Pool Spot AS, comprising the financial statements for the Parent Company and the Group. The financial statements for the Parent Company and the Group comprise the balance sheet as at 31 December 2013, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

### *The Board of Directors' and CEO's responsibility for the financial statements*

The Board of Directors and CEO are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

*Opinion*

In our opinion, the financial statements of Nord Pool Spot AS have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Parent Company and the Group as at 31 December 2013 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

**Report on other legal and regulatory requirements**

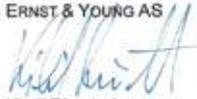
*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

*Opinion on registration and documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and CEO have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 27 March 2014  
ERNST & YOUNG AS



Kjetil Rimstad  
State Authorised Public Accountant (Norway)



Together  
With integrity  
Towards excellence

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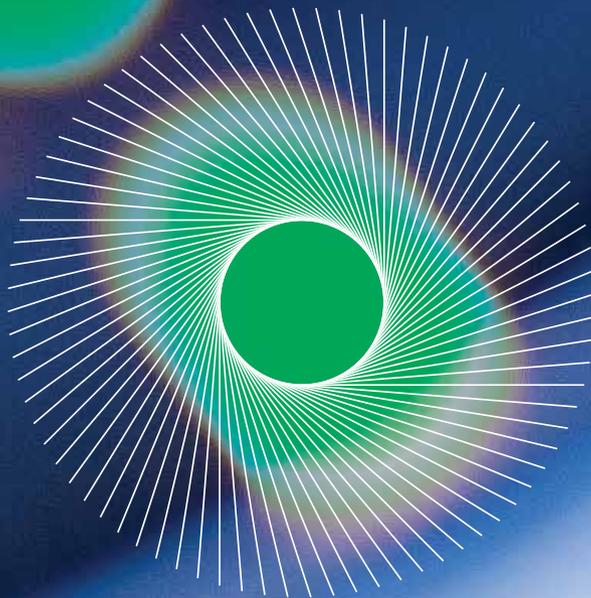
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