

# 2017

annual report





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annual report



# Experience control and focus

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# Business foundation

The Energi Danmark Group is one of Northern Europe's leading energy trading groups with activities ranging from physical and financial energy trading, carbon trading and trading with gas and wind energy to currency hedging, portfolio management, portfolio contracts and associated trading in derivative financial instruments.

The customers of the Energi Danmark Group comprise much of the business market as well as public sector enterprises in the Nordic region, and the Group is currently expanding its activities to new countries in Northern Europe, most recently Germany. Energi Danmark is also actively expanding its physical and financial trading activity and now covers over 20 countries in Europe. The Energi Danmark Group wishes to provide its customers with services typified by a high level of quality and adapted to the customers' wishes and needs.

This is ensured by highly-educated, professional employees and the intensive application of information technology and advanced auxiliary applications.

The Energi Danmark Group continues to develop its business activities as opportunities emerge, provided that it is possible to obtain satisfactory profitability and thus create added value for shareholders.

## Business concept

With energy trading as its starting point, the Energi Danmark Group is an important player in securing and further developing an efficient electricity and energy-trading market in Northern Europe.

## Business values

The Energi Danmark Group's market efforts are based on the Group's five core values:

- > Creating added value for customers and shareholders
- > Setting high standards of professionalism and quality
- > Being punctual and meticulous
- > Being a knowledge-based business
- > Being available.

## Vision

The vision of the Energi Danmark Group is to be the preferred partner of business customers and public sector enterprises wishing to obtain financial benefits in deregulated energy markets.

## Mission

The mission of the Energi Danmark Group is to provide the competitiveness generated by consultancy advice, support and the right prices.

- > Performance management based on visible targets
- > Cost-effectiveness
- > Being a reliable business partner
- > Being committed to teamwork
- > Being committed to continued skills enhancement.

## Energi Danmark A/S

The parent company of the Group, Energi Danmark A/S, was established in 1993 and is one of the Nordic region's leading energy trading groups with the activities mentioned above.

subsidaries 100% with sales entities in Sweden, Norway, Finland and Germany. Energi Danmark also owns subsidiaries with their own energy production from wind turbines and portfolio management.

also located in Aarhus - covering all activities regarding finance, risk management, settlement, controlling and IT etc. on behalf of the Group.

Energi Danmark has headquarters in Aarhus, Denmark, and owns all of its

Besides the sales activities in Denmark the shared service center is

# Financial highlights for the Group

DKK million	IFRS			Danish GAAP	
	2017	2016	2015	2014	2013
<b>Key figures, Group</b>					
Revenue	17,178.7	15,082.8	14,538.3	12,409.9	10,239.4
Gross profit	410.8	472.2	339.6	394.4	417.4
Operating profit	112.4	184.7	50.9	143.7	195.7
Profit from financial items	-41.0	-39.3	-34.1	-27.1	-18.4
<b>Profit before tax</b>	<b>71.4</b>	<b>145.4</b>	<b>16.8</b>	<b>116.6</b>	<b>177.3</b>
Tax	-14.2	-31.3	-5.1	-26.5	-37.6
<b>Profit for the year</b>	<b>57.2</b>	<b>114.1</b>	<b>11.7</b>	<b>90.1</b>	<b>139.7</b>
Balance sheet total	6,043.5	5,737.0	5,344.3	3,524.9	3,219.6
Of this, investment in non-current assets	-367.8	-39.1	-272.7	-139.2	-4.1
<b>Equity</b>	<b>914.6</b>	<b>863.9</b>	<b>754.0</b>	<b>988.8</b>	<b>963.1</b>
Cash flow from operating activities	554.4	-191.2	79.7	103.9	-259.1
Cash flow for investing activities	-366.1	-8.5	-272.7	-139.2	-4.1
Cash flow from financing activities	247.4	0.0	-40.0	437.4	-30.0
<b>Total cash flow</b>	<b>435.8</b>	<b>-199.6</b>	<b>-233.0</b>	<b>402.1</b>	<b>-293.2</b>
<b>Key ratios, Group</b>					
Gross margin ratio	2.4%	3.1%	2.3%	3.2%	4.1%
Profit ratio (EBIT)	0.7%	1.2%	0.4%	1.2%	1.9%
Equity ratio (solvency)	15.1%	15.1%	14.1%	28.1%	29.9%
<b>Return on equity before tax</b>	<b>8.0%</b>	<b>18.0%</b>	<b>2.2%</b>	<b>12.0%</b>	<b>19.4%</b>
Return on equity after tax	6.4%	14.1%	1.5%	9.2%	15.3%
Average number of full-time employees	204	180	177	158	133

The key ratios were calculated according to the recommendations published by the Danish Society of Financial Analysts. Please refer to definitions and concepts under "Accounting Policies".

Due to the change in accounting principles from Danish GAAP to IFRS the key figures and ratios from 2013-2014 are not comparable with the figures and ratios from 2015-2017.

# Board of Directors & Management review 2017

**2017 was an exciting year for the Energi Danmark Group, which with a profit before tax of DKK 71.4 million and a revenue of DKK 17.2 billion once again set a revenue record, which supports the Group's long-term growth plans and ambitions. The Group also had a record year in terms of sales, selling almost 47.5 TWh to customers in the Northern European markets in 2017, the equivalent of approximately 140% of the total annual Danish electricity consumption.**

The customers' faith in the Energi Danmark Group and the great demand they show for the products and services offered by the Energi Danmark Group was cemented in 2017 through impressive sales in the Northern European markets and a record high revenue of DKK 17.2 billion. Revenue increased in 2017 by more than DKK 2 billion compared to the previous year, corresponding to a growth of 13.9%. However 2017 also saw fluctuations, where earnings in the second half in particular were challenged by the volatile European energy markets. After half-year profit before tax of DKK 64.7 million, the year's profit before tax was DKK 71.4 million which is not satisfactory compared to the budget of DKK 130 million.

The Energi Danmark Group's electricity deliveries to customers in the Northern European markets in 2017 totalled almost 31 TWh, which is the equivalent of over 90% coverage of the total annual Danish electricity consumption. The Energi Danmark Group also had a record year in terms of sales, selling almost 47.5 TWh to customers in the Northern European markets in 2017. Of this, sales to customers in the Danish market comprised almost 13.8 TWh, the equivalent of approximately 29% of the Group's total sales. The Energi Dan-

mark Group can now rightly be called an international company, where the main part of sales are made in markets outside of Denmark. The Group's trading department now also trades in electricity on all relevant European borders, and we are continuously developing our opportunities for trade. Most recently we have established a gas trading department that supports our other intraday activities and also enables a better risk coverage for PM customers. System-wise, our gas activities are now fully integrated into our reporting routines and the next step is to ensure they can also be used more actively in the forward market.

2017 thus supported the Energi Danmark Group's position as one of the biggest stakeholders in the Northern European energy markets, a position which shall form the basis for the Energi Danmark Group's continued growth ambitions towards the Northern European markets. With our current market position in Denmark at approximately 40% of Danish consumption the growth opportunities in Denmark are considered to be limited, which is why the main part of future growth shall be generated in the European markets.

The goal is for the Group to be present in all relevant markets in Europe by 2024 and, through our dedicated employees' professional risk management and advice, to create value for our customers as well as competitive added value growth for our shareholders. In order to successfully realise the ambitions of widening our skill set, products and systems into new markets, the Energi Danmark Group has focused on the optimisation of processes and digitisation in the last year, including updating customer systems and developing BIO - the Group's new invoicing system.

In order for us to realise our long-term ambitions it is crucial that we achieve synergy in the interaction between customers, employees and shareholders. Only when all three parties experience increased added value growth can we realise the Energi Danmark Group's long-term goal.

## Subsidiaries in 2017

The Group's Swedish subsidiary, Energi Försäljning Sverige AB, achieved record high sales in 2017 in the Swedish market of almost 10.6 TWh, which is about double the sales it achieved in 2016. Revenue amounted to SEK 2,129.7 million and the company also achieved a very satisfactory profit before tax of SEK 83.3 million.

The Group's Finnish subsidiary, Energia Myynti Suomi Oy, similarly achieved record high sales in 2017 totalling 10.8 TWh, which is a noticeable increase compared to 2016 sales of approximately 6 TWh. The company delivered a revenue of EUR 179.8 million and realised a satisfactory profit before tax of TEUR 160.7, which is double the profits made in 2016 of TEUR 80.1.

The Group's Norwegian company, Energi Salg Norge AS, achieved satisfactory sales in 2017 of almost 6.8 TWh, but the sales did not however achieve the same level as 2016's record sales of 7.7 TWh. The company achieved a revenue of NOK 748.5 million and a profit before tax of NOK -3.6 million.

Energie Vertrieb Deutschland EVD GmbH, the Group's youngest subsidiary with its head office in Hamburg, increased sales by almost 62% to a satisfactory 5.5 TWh compared to 2016 sales figures of 3.4 TWh and had a revenue of EUR 102.4 million in 2017. Profit before tax was EUR -0.2 million.



Energi Danmark Securities A/S achieved a profit before tax of DKK 2.2 million in 2017, which is however not quite so satisfactory seen in the light of the original projections for the year. The profit however should also be seen in connection with the fact that at the balance sheet day, there were future fees related to signed contracts for DKK 10.1 million. The second half of the year resulted in a loss of DKK 11 million due to a systemic hedging error in a customer portfolio which has now been corrected. The company's total portfolio volume grew by approximately 10% in 2017, and the company's portfolio concept is now strongly anchored in all the Nordic countries and starting to take shape in Germany, which will ensure that EDS is less vulnerable as a company.

Energi Danmark's Northern European concept – One Stop Shop – is still doing particularly well. This concept gives the Energi Danmark Group substantial scaling potential across its full systems as well as significantly more cost-effective solutions for Group customers throughout Northern Europe.

2017 was a record year for wind energy in Denmark, and the Danish wind turbines produced electricity corresponding to around 43% of the total Danish electricity consumption. Energi Danmark Vind A/S also had a good year in 2017 and realised a profit before tax of DKK 10.4 million and contributed to the increased production of Danish wind turbine power by adding 15 new 2.2 MW wind turbines to the portfolio at the start of the year. This addition corresponds to around 10% of the total newly installed wind turbine capacity in Denmark in 2017. The new turbines, which are located near Hogager in Western Jutland, expand

the total portfolio by 66% and bring the total installed effect up to 82.7 MW. The Energi Danmark Group thus increases its contribution to society's green energy profile.

### Issuance of new corporate bond

Liquidity and flexible capital conditions are essential to the Group's growth ambitions moving forward. In order to support this, in June 2017 Energi Danmark issued a new 3-year corporate bond of DKK 750 million. (ISIN: DK0030400973). The issuance replaces the former bond of DKK 500 million issued in 2014, which matured in June 2017. Investors again showed great interest both in Denmark and abroad, and the issuance was quickly subscribed. The successful issue shows that the financial markets have faith in Energi Danmark, and that the investors consider the Group to be a valuable and reliable player in the energy market going forward.

### The legal case against Ørsted A/S

Energi Danmark is actively working to ensure that there is free, correct pricing in the energy market. In several decisions, the competition authorities have determined that Elsam (now Ørsted A/S) charged unreasonably high prices during 2003 – 2006. As a consequence of the competition authorities' decisions, Energi Danmark, together with more than 1,100 other businesses, brought action for damages against Ørsted A/S, claiming a refund of the difference between a reasonable price and the unreasonably high prices charged between 1 July 2003 and 31 December 2006.

In 2007 Ørsted A/S appealed the competition authorities' decisions in the Maritime and Commercial Court (substantive case), but on 30 August 2016 the Maritime and Commercial Court determined that the Competition Appeal Tribunal's verdict in the

case would be upheld. Ørsted A/S then appealed the decision to the Supreme Court, which however refused to treat the case, which is why the case was referred to the High Court of Western Denmark, which has scheduled the case for hearing during the period 4 April to 1 May 2018. So far, the compensation case has been awaiting a final decision in the substantive case, but the Maritime and Commercial Court has decided that the compensation case will be considered in parallel with the High Court of Western Denmark's consideration of the substantive case. We expect that there will be a ruling in the compensation case in 2019 at the latest.

### Allocation of dividends for 2017

In 2008, the Board of Directors formulated a dividend policy that both considers the Group's need for equity consolidation as a result of continued growth and ensures a dynamic, attractive dividend level when circumstances allow. The Board recommends that a dividend is not paid for the 2017 financial year.

Overall, the Energi Danmark Group has paid an amount corresponding to a total of DKK 261.8 million to shareholders in dividends since its formation. At the same time, the Group has an equity of around DKK 914.6 million and a revenue that has increased by more than DKK 17 billion since 1999. Provided that market conditions are satisfactory, 2018 is expected to be a satisfactory year for the Group. A profit before tax in the region of DKK 1.35 billion is therefore expected.

Aarhus, 23 March 2018

**Jesper Hjulmand**  
Chairman of the board

**Jørgen Holm Westergaard**  
CEO

# The year in brief

2017 was an exciting year for the Energi Danmark Group:

- > The Energi Danmark Group realised a profit before tax of DKK 71.4 million.
- > Consolidated revenue was record high at DKK 17.2 billion in 2017, representing an increase of 13.9% compared to 2016.
- > In the last five years, Energi Danmark has achieved an average return on equity before tax of 12%.
- > For the last 19 years since 1999, Energi Danmark has achieved an average return on equity before tax of 23%.
- > In 2017, the Energi Danmark Group delivered electricity to customers in Northern Europe of just over 31.2 TWh, equivalent to covering more than 90% of the

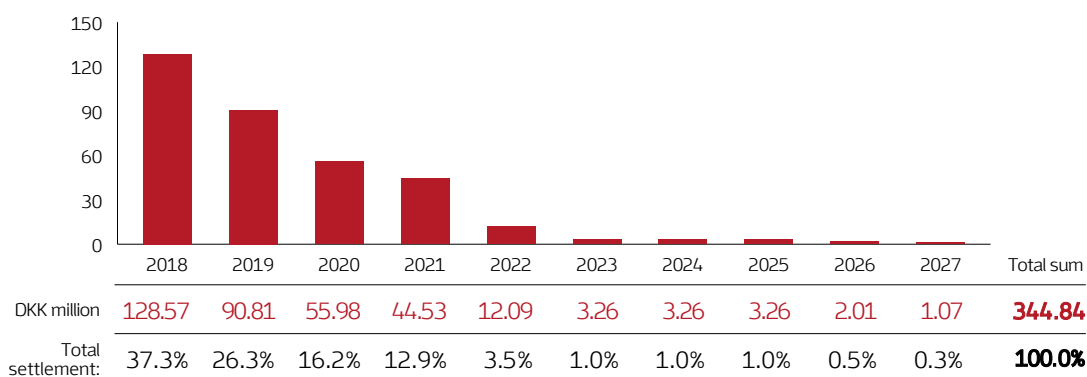
total annual Danish electricity consumption.

- > 2017 was a record year in terms of sales, selling almost 47.5 TWh to customers in the Northern European markets, the equivalent of approximately 140% of the total annual Danish electricity consumption.
- > The Energi Danmark Group's successful One Stop Shop concept is still doing particularly well and provides significantly more cost-effective solutions for the Group's customers across all of Northern Europe.
- > The subsidiaries, Energi Försäljning Sverige AB and Energia Myynti Suomi Oy, both achieved record sales of 10.6 TWh on the Swedish market and 10.8 TWh on the Finnish market respectively.

- > Energi Danmark Vind A/S expanded the wind power portfolio with 66% with the acquisition of 15 new wind turbines bringing the total installed capacity up to 82.7 MW.
- > Energi Danmark established in 2017 a gas-trading department, which supports our other intraday activities and also enables a better risk coverage for PM customers.

At the end of the year, we had 214 dedicated employees in the Energi Danmark Group, and we are ready to continue earning the right to be our business customers' preferred provider within the supply and hedging of risks in kWh in Northern Europe – thank you for your confidence.

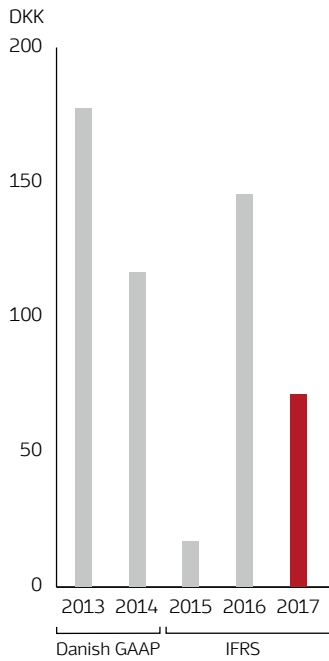
**Jørgen Holm Westergaard,**  
Chief Executive Officer



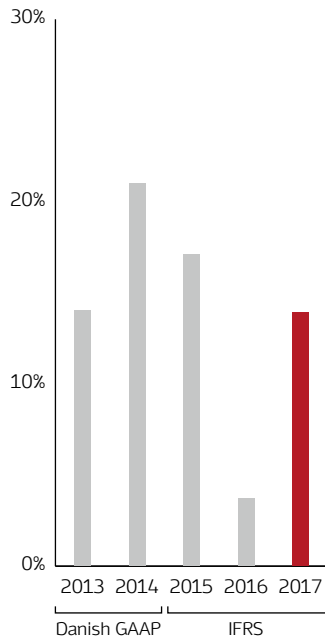
## DKK 344.84 million in 'Deferred Day 1 Profit' as of 31 December 2017.

Deferred day 1 profit is profit margins, on physical and financial contracts, which were previously factored in at the time of signing the contract but are now postponed to be factored in at the time of delivery.

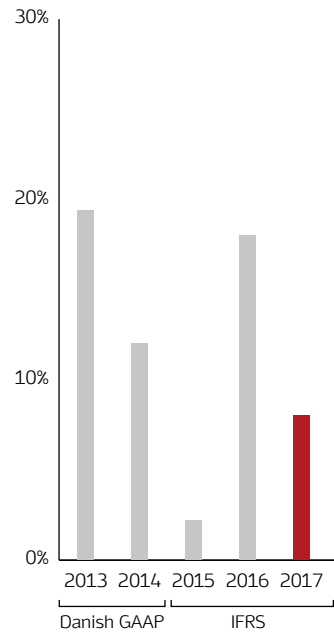
This means that it is a future earning of which we already know the value, and which is continuously realized as our sold electricity is delivered to the customers.



**71.4**  
DKK million  
**PROFIT  
BEFORE TAX**

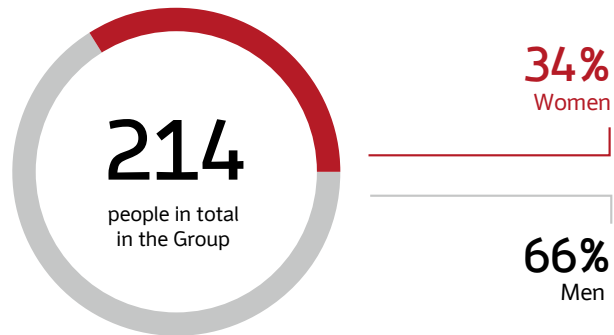


**13.9%**  
**GROWTH  
IN REVENUE**



**8.0%**  
**RETURN ON  
EQUITY BEFORE  
TAX**

**DELIVERED  
TWH IN 2017**  
**31.2**  
**TWH SOLD  
IN 2017 FOR  
FUTURE DELIVERY**  
**47.5**



# Timeline

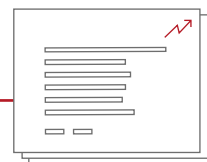
2017



## JANUARY

### Implementation of two new bid types for production customers at Nord Pool

The new bid types bring more value to customers due to better ramping and optimisation.



## SEPTEMBER

### Establishment of a gas team

The new team trades gas on all relevant markets in central and western Europe 24/7.

Read more on page 20.

## AUGUST

### Issue of a new corporate bond

Energi Danmark issues a new three-year corporate bond with a total of DKK 750 million in June. The first trade is made in August NASDAQ OMX First North Bond Market, Copenhagen.

Read more on page 25.

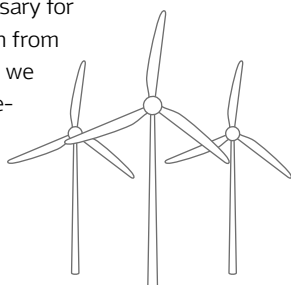


## NOVEMBER

### Expansion of wind energy products to Finland

In Finland, the Group has implemented the systems, which are necessary for handling electricity production from wind turbines. Going forward, we will be able to enter into agreements with Finnish wind turbine owners.

Read more on page 16.

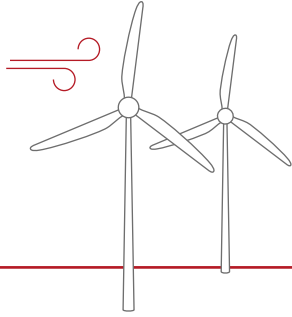


## DECEMBER

### Hansel Oy prolongs contract

Hansel Oy, the Finnish government's central purchasing company, chooses the Energi Danmark Group as their electricity supplier for another four-year period. This is the first time Hansel prolongs the electricity supply contract with their ongoing supplier. The Energi Danmark Group started to supply electricity to the Finnish government in 2013 and the new contract lasts until 2022.



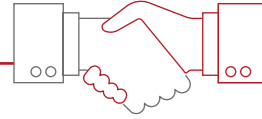


**FEBRUARY**

**33 MW wind in Jutland, Denmark**

Energi Danmark Vind expands the wind portfolio by 66% with the installation of 15 new wind turbines in Hogager near Holstebro, Denmark.

**Read more on page 17.**



**APRIL**

**First German production customer**

Energie Vertrieb Deutschland secures its first production customer, Jeld-Wen Deutschland, for which the company also has the balance responsibility.



**JULY**

**Growth in Aarhus, Denmark**

Energi Danmark increases the office size of the headquarters in Aarhus considerably.

**JUNE**

**The opening of offices in Munich and Osnabrück, Germany**

The Energi Danmark Group expands with its 14<sup>th</sup> and 15<sup>th</sup> offices, in Munich and Osnabrück.

**Read more on page 20.**



**DECEMBER**

**The first customers are settled via 'Flex Settlement'**

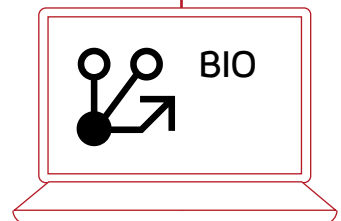
Customers on a spot contract will now have their electricity consumption settled hourly instead of settlement based on an expected consumption and an annual reading. This gives the customers the opportunity to take a more active role in the electricity market.

**DECEMBER**

**The Energi Danmark Group introduces a new billing system, BIO**

In the development process, focus has been on usability, scalability and flexibility. Customers in Finland are the first to be billed using BIO.

**Read more on page 14-15.**



The Energi Danmark Group has high, long-term ambitions. The key to the successful realisation of these ambitions will be found in the synergy between shareholders, customers and employees.

## The road to success - synergy between shareholders, customers and employees

Shareholders constitute the group of owners of Energi Danmark and through the board of directors elected at the general meeting; they define the overall strategic direction of the company in order to ensure long-term value creation in the Energi Danmark Group. Shareholders determine the strategic goals and ensure that the necessary resources – both financial and competencies – are present in the organisation in order to achieve the stated strategic goals. The prerequisite for meeting the shareholders' vision of long-term sustainable value creation is to ensure a dynamic organisation of the Group with clear guidelines for responsibility, planning, follow-up and risk management supported by dedicated employees focusing on efficiency and satisfied customers.

As a business, our customers are the most important asset; whether they are consumer or production customers in the energy market. The basis for our existence is to provide risk management and counselling, and thus

creating added value for our customers. It is essential that customers experience a product range and service level that result in satisfaction and value creation.

Satisfied and loyal customers are obtained only with a well-functioning organisation with dedicated employees who understand how to create relationships based on trust as well as professional solutions. Employees who are all working towards a common goal of being the preferred partner of business customers in the energy market.

It is at the intersection of shareholders, customers and employees that the Energi Danmark Group can grow profitably. Only when synergies arise between them, we can realise our long-term ambitions.

In order to successfully realise our strategic goals, the Energi Danmark Group focused on the optimisation of processes and digitisation in the last year; including



## CUSTOMERS

As a business, we are reliant on our customers and our basis for existence is to hedge consumption and manage production.

## EMPLOYEES

At the Energi Danmark Group, we consider our employees to be our most crucial resource, and we prioritise strong teamwork both between the various countries and between departments.

## SHAREHOLDERS

Energi Danmark is owned by six companies, which in turn are owned by private shareholders. Shareholders are SEAS-NVE, NRGi, Energi Nord Holding, EWII Energi, SEF Energi and Fonden Langelands Elforsyning.

updating customer systems and developing BIO - the Group's new invoicing system. In 2017, Energi Danmark also issued a new corporate bond to realise its ambitions. When it comes to employees, last year the Group implemented a feedback culture that has become a natural part of employee collaboration. This has been implemented as part of supporting job satisfaction, thereby ensuring positive opportunities for growth.

It is not possible to accurately predict the future of the European energy market, but if the Energi Danmark Group is flexible and able to adapt and constantly keeps in mind that the road to success can be found in the synergy between shareholders, customers and employees, the Energi Danmark Group will achieve the best results.

# Value-creating system developments

The IT platform is one of the cornerstones of the Energi Danmark Group. In recent years, the focus has been on developing and updating IT systems to continue to offer professional advice and service, as well as reliability in all aspects of the process. This includes electricity price calculations, contract preparation, customer service and support, customer invoicing and the monitoring of electricity consumption.

A well-functioning IT platform is crucial in allowing the Energi Danmark Group to experience growth hand in hand with a high service level. The idea behind the IT platform is therefore to prepare the business for further growth, to create sleek business processes and ensure a high degree of flexibility.

## **BIO - new billing system matching the Group's ambitions**

"In 2017, the Energi Danmark Group focused its work on the development of a new billing system. A key prerequisite for scalable business

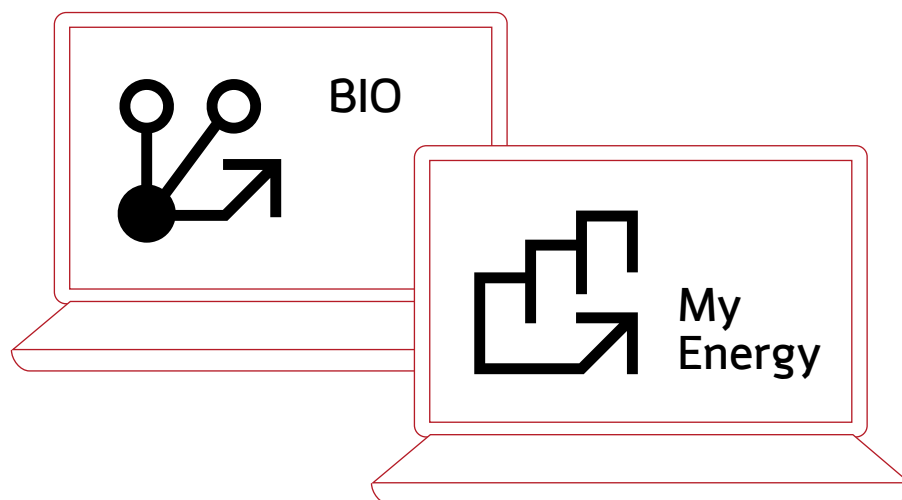
and efficient everyday operations is a stable and reliable IT system that has space for new functions, business processes, products and countries," explains Systems Manager at Energi Danmark, Thomas Bech Pedersen.

The new billing system, BIO, makes it possible for the Energi Danmark Group to scale its systems in line with business ambitions and also offer a more stable yet also more flexible billing system than the current system.

BIO has been developed to manage and administer customers in the energy market, and the IT system provides the Energi Danmark Group with better opportunities to adapt the system in line with its needs and requirements.

## **Scalable and flexible system**

Part of the aim was to improve usability, that is to say fewer manual processes and improved reporting. The Group has therefore chosen to automate a number of business processes with BIO.







"The BIO development is an ambitious project at all levels, with a broad interface compared to current workflows. The system also has an enormous impact on the integrations that allow us to provide more value to the Group's customers and shareholders."

Thomas Bech Pedersen, Systems Manager at Energi Danmark

Improved usability also means better integration possibilities with other systems. One of the goals of the development has therefore also been to create a system that has a higher degree of compatibility with other systems.

Another reason behind the development was the need for scalability. In line with the Group's growth in new countries, there is a need for a system that is flexible and can be scaled for both new countries and new products.

A third aspect was the fact that a system developed in-house provides increased flexibility. BIO ensures that the time from idea to implemented software is shortened, and it will be easier to adapt the system for changed market regulations in each country.

### Implementation in 2018

"The BIO development is an ambitious project at all levels, with a broad interface compared to current workflows. The system also has an enormous impact on the integrations that allow us to provide more value to the Group's

customers and shareholders," says Systems Manager at Energi Danmark, Thomas Bech Pedersen.

The system will be implemented in all countries where the Group is present in 2018, and the Group's customers will be billed through BIO.

### My Energy - improved reporting and monitoring possibilities

In extension to the new billing system, the Energi Danmark Group also focused on the further development of the Group's customer platform in the past year. My Energy, which the system is now called in all countries, provides the customer with access to efficient tools, which, among other things, give the customer the opportunity to monitor electricity consumption, view market information and retrieve contracts, reports and invoices.

The new My Energy provides increased flexibility and contains new functions that give the customer even better reporting and monitoring possibilities. The new functions are being deployed in line with BIO being implemented in the different countries. Following the

initial phase of the deployment, the Energi Danmark Group will continue to work on expanding the customer platform to include more customer self-service tools, and there will also be a focus on providing the customer with access to more individual reports and analysis tools.

### Creating value for the Group, customers and shareholders

The Group's IT platform comprises several systems developed in-house and adapted for the needs of the energy market. These include contract preparation, electricity price calculations, consumption monitoring, customer invoicing and production reporting.

The systems have been integrated with the Group's standard systems for e.g. debtor management and energy trading risk management. This creates an integrated and strong foundation for the business, and helps the Group create value for both its customers and its shareholders.



# Great potential in Nordic wind power production

In 2017, the Energi Danmark Group focused on the possibilities for expanding the management of wind energy in the Nordic countries.

The political focus on the green transition when it comes to electricity production is naturally also contributing to increased interest in environmentally friendly ways in which to produce electricity. The Energi Danmark Group has a solid set-up for the balancing and management of electricity sales for wind turbines in Denmark, and ambitions are to expand its wind portfolio into the rest of the Nordic region. In Finland in 2017, we implemented the necessary systems to manage electricity production from wind turbines so that we are equipped to enter into agreements with Finnish wind turbine owners going forward.

## Potential in Finland

In Denmark and Sweden, the Group manages and sells wind energy in the power exchange, manages the balancing of electricity

production from wind turbines and also manages green certificates. We want to offer this in other Nordic countries too, and we are now looking at the possibilities of expanding our management of electricity production to Finland.

The wind energy sector is experiencing growth in the entire Nordic region, and Finland is a great example of a market in which wind energy is a relatively new way in which to produce electricity. The vast majority of Finnish wind turbines have been erected in the last 2-3 years, and the market has experienced strong growth during the same period. While the customer segment differs somewhat from Denmark, our experiences from the Danish market for wind energy may be particularly useful in connection with the expansion to a new market.

## Advantages of managing both consumption and production

The Energi Danmark Group is a well-established player when it comes to electricity consumption in the entire Nordic region. Many processes and systems for managing electricity consumption can also be used to manage electricity production and this provides us with excellent opportunities to expand our portfolio of production customers. Hopefully, the experiences from both sides of the energy market can create synergies that will benefit both consumers and producers.

In the coming year, we will take a closer look at adapting our set-up to meet the needs of electricity producers in new markets, so that we can support the green transition and ensure better earnings for wind turbine owners in these markets.

# Expansion of the wind power portfolio by 66%

In 2017, our subsidiary, Energi Danmark Vind A/S, expanded its portfolio by 66%. The project is the largest in Energi Danmark Vind's history so far and comprises 15 new wind turbines.

Energi Danmark Vind (EDV) added 15 new wind turbines in 2017, erected in Hogager near Holstebro, Denmark. The expansion of 33 MW corresponds to approximately 10% of the total installed capacity of new wind turbines in Denmark in 2017, which totals 342 MW.

## The largest project in EDV's history so far

The project, which is the largest in EDV's history so far, was successful and the wind turbines were ready for operation in the EDV portfolio 1 April 2017. The wind turbines are included in EDV's own operations and portfolio.

The 66% expansion of the portfolio constitutes 15 x 2.2 MW Vestas wind turbines with an estimated annual production of more than 80 GWh. This wind turbine type is thoroughly tested and was supplied with a 10-15 year full service agreement with Vestas.

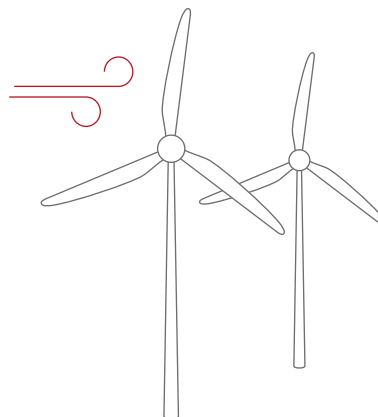
Today, the Group's Danish subsidiary has an almost equal division of wind turbines from Vestas and Siemens Gamesa, which provides a good distribution of risk in relation to wind turbine types and suppliers.

## Increasing demand for guarantees of origin

"We are experiencing increasing demand from customers for guarantees of origin from new wind turbines, and it is therefore essential that we always focus on investment opportunities," explains Director of Energi

Danmark Vind, Hans Hensberg, who continues: "At the same time, investments in new wind turbines help contribute to a society with lower consumption of fossil fuels and lower carbon emissions."

EDV's aim is to contribute to the development of new wind energy, and the company therefore actively participates in the development of sustainable energy sources in collaboration with subcontractors. The company is also responsible for the operation of the Group's wind power portfolio, which reached 82.7 MW in 2017. The portfolio delivers a total annual output of 225 GWh.



Flexibility,  
strength and  
perfect balance





# Flexibility – the key to sustainability

In 2017 Denmark set a new record – more than 43% of the total energy consumption was covered entirely by wind power. Going forward towards 2020 and 2030, the targets are clear all over Europe: the share of renewable energy needs to increase without jeopardising supply stability.

The increasing amount of energy from uncontrollable sources (e.g. wind and sun) calls for a new approach to balancing the energy system, and several actions affecting the Energi Danmark Group's business are under way. A new Electricity Balancing Guideline have been adopted in 2017, and several national and regional projects and working groups among TSOs, regulators and energy associations are focusing on how to construct a sufficient future market framework. The key is to enable flexibility and balancing services to flow freely in an integrated European electricity market. The Energi Danmark Group contributes actively to forming the future market rules together with our stakeholders.

## **Pilot projects on flexibility**

In 2017, Energi Danmark had the opportunity to demonstrate how our customers' consumption units can work as ancillary services similar to production units. The knowledge and experiences are being used in discussions with regulators and TSOs about how

to form future market rules. The demonstrations will continue and be expanded in 2018.

## **EUDP project: BlueGrid**

Energi Danmark joined a consortium with Blue Kolding and Krüger during 2017. Together we applied for and received public funding from EUDP (Energiteknologisk Udviklings- og Demonstrationsprogram) to a demonstration project. The purpose of the project is to demonstrate how wastewater treatment facilities can participate in balancing the energy system by adjusting energy consumption and production. The project will run for 3 years and gives us a great opportunity to increase our expertise in managing consumption units in ancillary service markets.

## **Flexible future**

In 2018, the Energi Danmark Group will continue to be an active participant in initiatives within demand response and flexibility. We will use our deep market knowledge and our understanding of our customers' preferences to discover new ways to create value through flexibility – both for our customers and for society.

2017 has been a year characterised by growth for the Energi Danmark Group, with a focus on new business areas and expansion in Germany.

# A growing Group

The Energi Danmark Group experienced positive growth in 2017 with a focus, among other things, on the expansion of the business area for Business Intelligence and the expansion of the Trading department. The Group also expanded its activities in Germany during summer 2017, and opened new offices in Munich and Osnabrück.

## Utilisation of Business Intelligence

Based on the growth and size of the Energi Danmark Group, a new department was established in June, the department of Analytics and Business Intelligence Strategy. The department has a strategic focus relating to creating transparency in connection with the processes and value chains for data in the business.

Overview is a key term when it comes to strategic utilisation of data across departments. By mapping all data and creating an overview of processes, it becomes possible to create new solutions and develop efficient tools to benefit the Energi Danmark Group.

## 24/7 gas trading

During the autumn, the Trading department was expanded to include a gas team, which operates 24/7 trading gas in all relevant markets in central and western Europe.

During the start-up of the department, the focus has been on ensuring resilience, increasing the number of markets and optimising the portfolio.

Gas trading contributes to the business when it comes to utilising the spreads between the markets.

"The team of gas traders must be viewed as part of the diversification of trading activities," says Director, Markets at Energi Danmark, Thomas Bjørn Houliind.

At the start of the year, the Trading department also established a team focusing on trade support for the purpose of supporting the activities in the Trading department. This has created a greater focus on day-ahead and intraday market trading.

## Expansion in Germany

During summer 2017, Energi Danmark opened the Group's 14<sup>th</sup> and 15<sup>th</sup> offices, in Munich and Osnabrück respectively. The offices are part of the Group's German subsidiary, Energie Vertrieb Deutschland. With the expansion in Germany, the Group now also covers north-western Germany as well as southern Germany.

With companies in five different countries and 15 offices across Denmark, Sweden, Finland, Norway and Germany, the Group is a well-consolidated company with a solid international foothold and we continue to have a strong presence in both Germany and the Nordic region.

"The team of gas traders must be viewed as part of the diversification of trading activities."

Thomas Bjørn Houliind  
Director, Markets at Energi Danmark



# Crucial to stay ahead of the game

## - compliance and legal risks

Focus on compliance and legal aspects is crucial to a growing international group. For this reason, 2017 has been characterised by great attention in this area, as well as the associated risks we face as an international energy trading company. It is essential that we closely monitor legislation, and that we constantly optimise processes to ensure that we stay ahead of the game and thereby ensure that we always comply with applicable laws and minimise the legal risks associated with the Group's contracts.

### Compliance risk

The Energi Danmark Group is exposed to economic and reputational risk if the Group is not compliant with the laws, regulations, standards and practices applicable to an energy trading and service company. The Energi Danmark Group's compliance function ensures on an on-going basis that the Energi Danmark Group is compliant in close cooperation with the business teams and the other support functions.

The compliance function mitigates these risks by ensuring awareness of the compliance risks within the business teams and by developing and maintaining internal guidelines and processes to ensure compliance. Great efforts are also put into the implementation of the EU General Data Protection Regulation (GDPR), in order to ensure the Group is compliant when the GDPR is effective in May 2018.

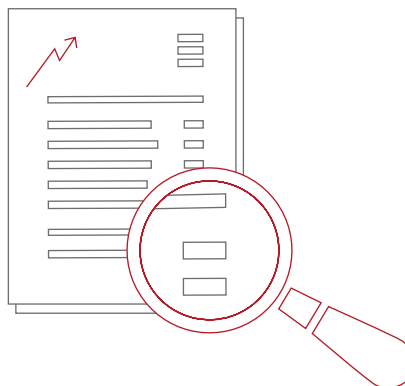
The Energi Danmark Group is out of the scope of the Markets in Financial Instruments

Directive (MIFID II) and notifications stating this have been sent to the relevant financial authorities. The Group has implemented the relevant measures for entities out of scope and will continue to monitor the development and practices regarding MIFID II in 2018.

### Legal risk

When trading electricity, gas, financial contracts or other commodities with customers and counterparties, the Energi Danmark Group is exposed to legal risks such as claims from third parties and disputes. The Group's legal function identifies and qualifies these risks as early as possible in close cooperation with the business teams and other support functions.

The Energi Danmark Group's legal function mitigates these risks when developing standard contracts, by negotiating balanced and market standard contracts and by identifying potential for optimisation of the contractual process and legal framework.



Together <sup>we</sup>  
↗ manage  
your risks





Our One Stop Shop concept was launched in 2011 and remains one of the Energi Danmark Group's key services. The One Stop Shop concept is aimed at international companies seeking to streamline and not least professionalise the procurement of energy - One Stop Shop is therefore extremely relevant.

# One Stop Shop – the customer in focus

## Focus on the customer's needs

In a market characterised by streamlining processes, the One Stop Shop concept is able to meet key needs for a large number of international companies. By professionalising and optimising energy procurement across borders, customers achieve safe, efficient and uniform procurement processes.

In companies that have branches in several different countries, the needs will naturally differ from country to country, and the Energi Danmark Group contributes with unique solutions when it comes to individual strategies and contracts. A tailored solution in one country can also be com-

bined with standard solutions in another country, making One Stop Shop a flexible product that can be adapted to the customer and not the other way around.

However, this requires that we, as a Group, are able to adapt.

"We constantly work to become better and better at creating new solutions and focusing on what our customers request. We need to be able to adapt in a flexible international market, where customers seek out the optimal solutions," says Head of Sales Denmark at Energi Danmark, Viggo Aavang Jensen.



"We constantly work to become better and better at creating new solutions and focusing on what our customers request. We need to be able to adapt in a flexible international market, where customers seek out the optimal solutions."

Viggo Aavang Jensen, Head of Sales Denmark at Energi Danmark

### Knowledge across borders

With portfolio managers in Denmark, Sweden, Finland, Norway and Germany, the Energi Danmark Group has solid local knowledge of energy markets, which, when combined, means that we are a great international force. Experiences can be shared across national borders for the benefit of our customers. Local, cultural and language support also provides assurance to customers in our management of energy procurement and consultancy services.

Last but not least, the employees of the Energi Danmark Group can also enjoy the common sharing of knowledge and exchange of experiences that becomes a natural part of working across borders. This ensures that we constantly optimise our knowledge and expertise.

### We manage your risks – and optimise your assets

Strong international collaboration is crucial to creating good solutions and growth for customers. We manage the customer's risks across borders and utilise the opportunities that also arise in the international energy markets.

In addition to risk management, the Energi Danmark Group also has a major focus on optimisation. Optimisation of the customer's final electricity price, but also optimisation of the customer's internal processes. Here, we help by minimising the number of suppliers, thereby creating a more effective process to manage energy procurement.

## A close cooperation

By virtue of having, among other things, a strong international set-up of portfolio managers with local knowledge of energy markets, the Energi Danmark Group has the capacity to utilise the opportunities in the energy market and carry out business at a European level, thereby create a more effective process for energy procurement for the customer.

Johan Stenhammar is an Energy Risk Adviser at Energi Försäljning Sverige, and, like other Energy Risk Advisers in the different countries, he collaborates closely with portfolio managers in Energi Danmark Securities.

"We are all careful to manage the customer's business efficiently and with high quality. We have a high level of expertise and effective decision-making processes, as many of us have been part of the energy industry for a number of years. The entire Group is service-minded and willing to constantly develop our expertise so that we can remain the best advisers and source of knowledge for our customers," says Energy Risk Adviser at Energi Försäljning Sverige, Johan Stenhammar.



"The entire Group is service-minded and willing to constantly develop our expertise so that we can remain the best advisers and source of knowledge for our customers."

**Johan Stenhammar, Energy Risk Adviser at Energi Försäljning Sverige**

The issuing of a new three-year corporate bond in 2017 has been a great success, and several new investors showed interest in investing in Energi Danmark.

# Successful issue of new corporate bond

In June 2017, Energi Danmark A/S issued a new corporate bond totaling DKK 750 million. The issuing of the new bond, which also acted as refinancing of the corporate bond from 2014 of DKK 500 million. Energi Danmark experienced great interest both in Denmark and abroad, and the corporate bond was quickly subscribed.

It is extremely positive that so many parties believe in investing in Energi Danmark. The successful

issue shows that the financial market has faith in Energi Danmark, and that investors consider the Group to be a valuable and reliable player in the energy market going forward.

The first trading day in the market was 11 August 2017. The issue means that Energi Danmark has greater flexibility in relation to managing the company's capital structure.

**ISSUER**

Energi Danmark A/S

**ISIN**

DK0030400973

**CURRENCY**

Danish kroner ("DKK")

**NOMINAL AMOUNT**

DKK 750,000,000

**REFERENCE INTEREST**

Three-month CIBOR

**COUPON**

Three-month CIBOR + 240 bps

**DUE DATE**

22 June 2020

**DENOMINATION**

DKK 1,000,000

**LISTING**

NASDAQ OMX First North Bond Market, Copenhagen

Trust us to  
➤ manage  
your risks



Trust is one of the keywords in the Energi Danmark Group's business. Trust results in valuable, long-term customer relationships. We use trust in combination with timing and teamwork to provide the best possible service to our customers.

# Trust us to manage your risks

For more than 20 years, the Energi Danmark Group has developed its business with a focus on security and accountability. Security through high levels of professionalism and accountability through reliability and transparency. This is expressed in our three keywords; TEAMWORK, TIMING and TRUST.

## **Teamwork ensures strong results**

Teamwork is essential in connection with customer management across countries and companies. With offices in five countries, the focus is on teamwork, and strong teamwork ensures strong results both for our customers and for the Group. For this reason, we continually work to optimise collaboration between all departments and companies within the Group - both with regard to IT systems and between employees. To ensure long-term success, it is essential that all employees know how they individually contribute to the Group's overall goals. A strong culture in which we provide feed-

back to one another also helps develop employees, generates positive teamwork and positive results. That is why we have implemented a feedback culture during the past year.

## **Timing ensures minimal risk**

Timing is crucial when trading on the international power exchanges. The Energi Danmark Group is familiar with both local and international energy markets, and the right timing can be the deciding factor with regard to whether prices become high or low. Through documented procedures and precision timing, we are able to make considered choices and enter into great trades, minimising customers' risk in the international energy markets. This allows us to help ensure competitiveness and an increased bottom line for our customers.

## **Trust ensures long-term relationships**

The Energi Danmark Group has a constant focus on developing

partnerships based on trust.

Whether with customers, partners or stakeholders. A reliable and value-creating partnership helps ensure long-term relationships, generating value for all parties. We want to be the customers' expert, and a reliable and fair partner in the energy market. We succeed at this through trusting partnerships in which reliability and accountability are at the forefront of our minds as we tailor the products and hedge the risks that are most appropriate for each customer.

"We are happy to go to great lengths for each individual customer to ensure the hedging of risks and the product that is most suitable for that customer," says Director, Customers at Energi Danmark, Peter L. Lehm.

Based on teamwork, timing and trust, we can therefore tell our customers, with conviction: 'Trust us to manage your risks'.



"We are happy to go to great lengths for each individual customer to ensure the hedging of risks and the product that is most suitable for that customer."

**Peter L. Lehm, Director, Customers at Energi Danmark**



# Market knowledge is our core business

The core expertise of the Energi Danmark Group is our knowledge of the international energy markets. Knowledge that helps create value for both the Group and its customers.

When it comes to energy trading, we have a strong team of dedicated traders who trade electricity and gas across national borders every single day of the year. They move electricity from areas with excess electricity to areas with less electricity, thereby optimising earnings.

The Energi Danmark Group wishes to deliver the best possible service and make the best possible products available to our customers; including both electricity consumers and electricity producers. This takes place based on our extensive knowledge of the market,

ensuring that customers always receive the solution that is best suited to their needs and risk profile.

The energy markets experience constant change, and it is therefore essential to always keep a finger on the pulse regarding the most recent developments in the energy markets. Our Trading department keeps a keen eye on the latest developments at all times, and the Energi Danmark Group is therefore a leader when it comes to knowledge of the European energy markets. We use this knowledge to create value for our customers.

Our success is dependent upon talented and professional employees, as well as flexible and scalable systems. Dedicated employees and IT systems that can quickly be adapted to manage new products, processes and markets are crucial to be able to create professional and tailored solutions.



# The energy markets in 2017

Political decisions played a huge role in the energy markets in 2017, where the general uptrend from 2016 continued.

## Spot market pressured by weak hydro balance

For a second straight year, the spot price level in the Nordic countries increased in 2017. The average system price for the year was 29.41 EUR/MWh, an increase of 2.50 EUR/MWh (9%) from 2016 and almost 40% higher than the average price level of 2015. The most expensive day of the year was November 29, where the system price reached 51.88 EUR/MWh on a day with very cold autumn weather and high consumption across the Nordic area.

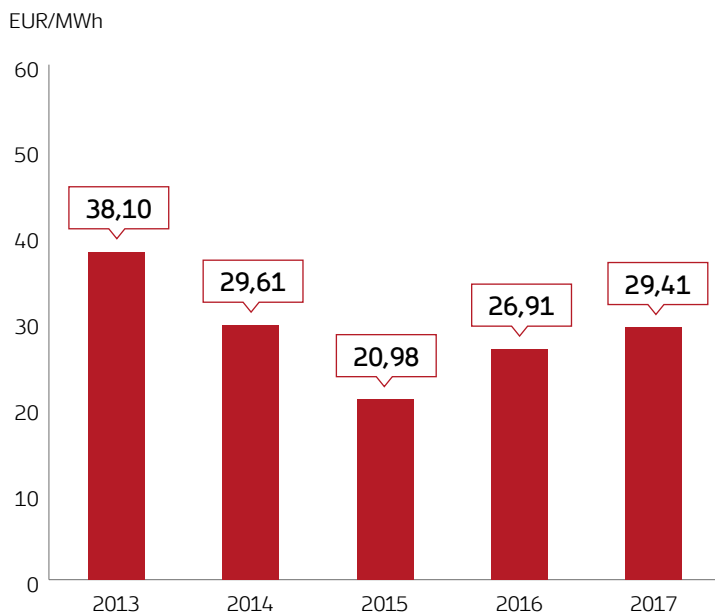
### Big deficit on hydro balance

One of the primary reasons behind the rising spot prices in 2017 was the big deficit, the Nordic hydro balance opened the year with. Early in the year, the hydrological situation was under pressure, with the balance in a deficit of more than 15 TWh, and this led to a high degree of pressure on the supply side of the Nordic power market. Meanwhile, temperatures were well below average during large parts of

January and February, something which caused higher demand. In January and February, the average system price was 30.81 EUR/MWh

and 32.28 EUR/MWh respectively. The hydro balance improved later in 2017 and was in a two-digit surplus at the end of the year.

Average spot prices 2013-2017



# Upside continued on the forward markets

On the forward market, the bullish development from 2016 continued in 2017. The market appears to have finally put the very bearish times from a couple of years behind it, a period which culminated with extremely low prices in early 2016. Since then, the market has edged upwards, and this upside also affected most of 2017. Both short and long term contracts rose during most of the year, although the bullish sentiment faded a bit during

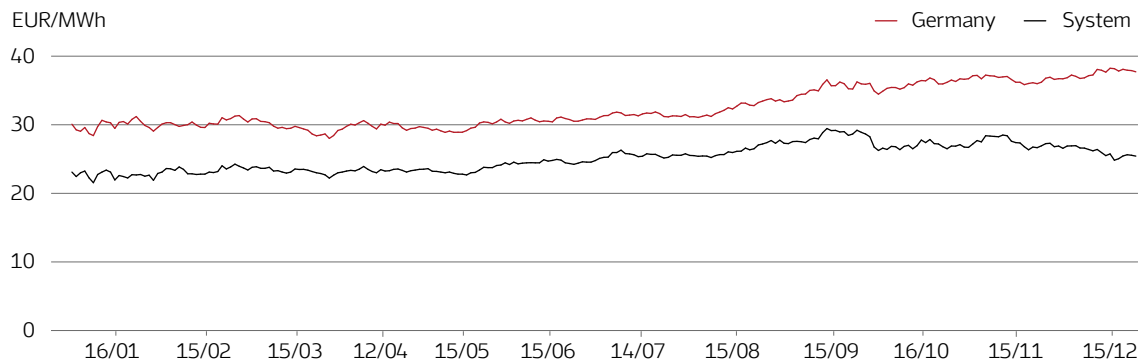
the autumn. Focusing on a couple of contracts on the market, the annual contract for 2019 closed the year at a price level of 26.07 EUR/MWh, an increase of almost 15% since the beginning of the year. The 2020 contract saw a similar development, rising 16% to close the year at 26.25 EUR/MWh.

## Steady fuel rises

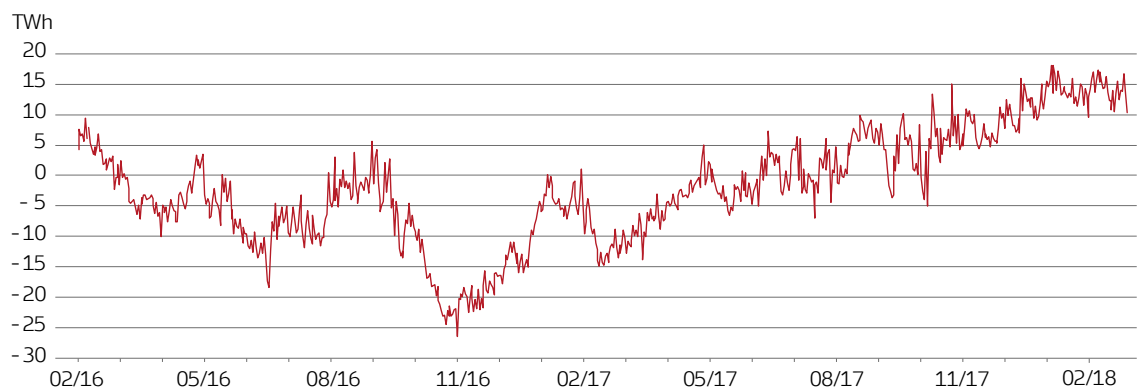
The upside was biggest during the first half of the year, where the

rises in the fuel markets were very strong. This affected the power markets, as did renewed concerns that the French nuclear sector could end up in another crisis like the one the market experienced in 2016. Although the Nordic power market is not as dependent on fuels as for instance the German market, the fluctuations still made a massive impact during the year.

## Forward prices 2017



## Nordic hydro balance





## Danish-German cable deal strengthens Nordic power export

For several years it had been a big issue in the Nordic power market, that it was very limited how much electricity the Nordic producers could export from Denmark to Germany. This despite the fact that a cable with an installed capacity of 1,780 MW connects Jutland and Germany, and despite the fact that the Germans could use the cheaper Nordic electricity. For years, however, it was very limited how much electricity could be exported through the cable. Internal cable problems in Germany meant that the Germans shut down the cable frequently. In 2015 and 2016, the cable was closed for export to Germany most of the time, and the Nordic power producers lost several hundred million euros per year because of this.

### Minimum capacity

This scenario changed in 2017, when the Danish Energy Ministry,

together with their German counterparts, managed to agree on securing a minimum level of capacity available on the cable for export of electricity from Jutland to Germany. This meant that the Nordic producers can now to some extent sell their cheap electricity on the German market. The minimum capacity was implemented already from the summer of 2017, and the amount of MW on the cable that are guaranteed open for export will increase steadily during the coming years. In 2018, the minimum capacity will be 700 MW, in 2019, it will be 1,000 MW and in 2020, it will be 1,100 MW.

### Rising EPADs

While the cable deal is good news for the Nordic producers, it has led to rising EPAD prices for consumers, especially in Denmark. EPAD is an abbreviation for Electricity Price Area Difference. It is the anticipated

average difference between the price for a Nordic system forward in a given period and the same period price for the price area to which the EPAD relates. The opportunity to export electricity southwards means that it is no longer necessary for the producers to sell their electricity too cheaply in the Nordic area as often as they used to. The Danish EPADs rose significantly following the deal, which was announced in June 2017. At the end of the year, the EPAD for YR-18 for the Danish price area DK1 had increased by more than 500%, from 1.30 EUR/MWh in early June to 5.43 EUR/MWh in late December. The cable deal was not the only reason behind this massive upside, but it certainly played an important part in the increases.

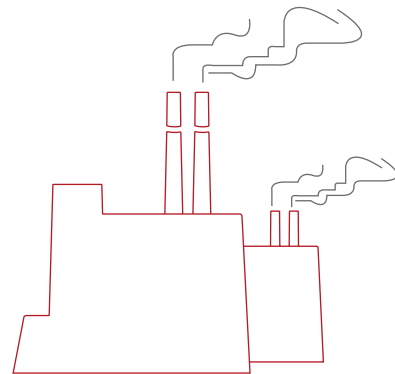
# New reform of the European quota system

Following long-lasting negotiations, the EU made another reform of the union's CO<sub>2</sub> quota market in 2017. The market has been functioning poorly for years, and several countries had called for further action to strengthen the market. After almost a year of negotiations within the EU, the Commission, the Parliament and representatives from the union's member nations made an agreement during the autumn of 2017. A deal which should both limit the amounts of quotas put up for auction on the market, remove a lot of the quota surplus that has been flooding the market for years, and include further industrial sectors into the scheme.

## Carbon price floors

The benchmark CO<sub>2</sub> quota price closed 2017 at around 8 EUR/t, something which according to several experts is not enough to provide sufficient incentive to the big carbon emitters to switch to more environmentally friendly energy sources. Therefore, several countries in the EU have started to implement their own carbon price floors – minimum prices on CO<sub>2</sub> emission. In France, there was presidential election during the year, and one of the ambitions of elected president

Emmanuel Macron was to implement a carbon price floor to ensure that the country could reach their climate ambitions. In the Netherlands, the government had the same ambitions, and at the end of the year, both countries' governments were working on implementing the systems.



## European CO<sub>2</sub> quota price 2017 – EUA DEC-18



# Bullish year in the fuel markets

2017 was in general a bullish year in the international fuel markets, where both oil, coal and gas prices rose throughout most of the year. Political decisions and disasters were among the events which influenced the year.

## Oil price rose by 17.5%

For several years, OPEC has tried to stabilise the oil market, capping some of the huge oversupply which has impacted the market. 2017 was a signal that these efforts are now paying off. Together with Russia, the OPEC countries in 2017 implemented a new production cut deal, which limits the participating nations' output by a total of 1.8 million barrels per day. The deal, combined with rising demand in several parts of the world, supported the oil market throughout most of the year, and the oil price ended the year at approximately 67 USD/bbl. This was an increase of around 10 USD/bbl, equaling 17.5%, compared to the level at the beginning of the year.

## Steady upside on the gas markets

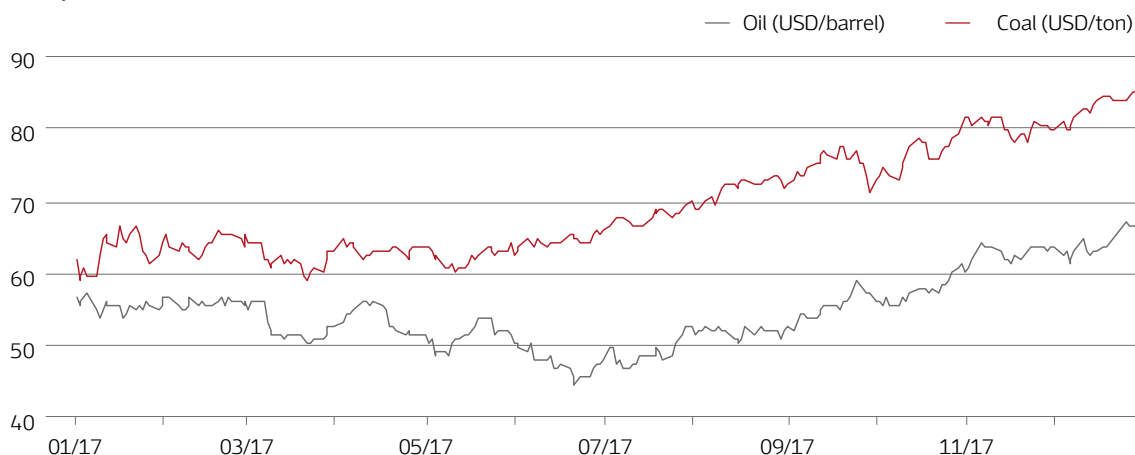
There were quite noticeable increases in the European gas markets as well during 2017. The nuclear crisis in France in 2016 continued to haunt the market in 2017, where traders feared a new shortfall in supply. This meant that the price on the energy sources, which would have to replace the nuclear power, rose. Among these was gas. During autumn, the European gas markets suddenly made headlines as an explosion on a gas

facility in Austria left one dead, and caused massive price increases due to the insecurity about how the event would affect the market. The market did however quickly calm down again, but this did not change the fact that the year in total ended with an upside.

## Coal demand remains high in China

2017 was characterised by an almost uninterrupted long upside in the international coal markets. As always, the events in China were decisive, since China is both the biggest consumer and producer of coal. China remained dependent on import to cover the country's high coal demand, and the tight supply situation also affected the development in Europe. The price on a ton of coal rose by almost 30% during the year, and the benchmark contract closed the year at a price level of around 85 USD/t. During the autumn, the European market also reacted to the insecure situation following the federal election in Germany. Three months after the election, there was still no government in place, but the future of coal in the country's energy mix had been a big part of the negotiations. The market had therefore remained very focused on whether or not a new German government would decide to cut coal's share in the German energy mix. The most likely scenario is however that the German coal sector will only be reduced marginally during the coming years, as a fast phase-out would be very expensive and jeopardise the country's supply security.

Fuel prices in 2017





We pave  
**the way** for  
a **valuable**  
↑ partnership





# Expectations to the Northern European economy in 2018

2017 was a very solid year for the Northern European economy. Both within the Eurozone and in the EU at large, the economic development surpassed the expectations of experts from the beginning of the year. The European Commission expects that the positive development will continue in 2018, and estimates a growth of 2.1% in both the Eurozone and in the EU at large.

The economic recovery in the EU has started to accelerate, following several years where the economic development was stagnant. In 2017, the growth in the Eurozone was the biggest in a decade, and was significantly higher than expected at the beginning of the year. In the EU at large as well, the economic growth exceeded expectations. According to the estimates of the European Commission from November last year, the total growth of the EU is estimated to be 2.2% in 2017. This is both a big increase compared to the level of 2016 (1.8%) and significantly higher than the 1.7% which the Commission had anticipated early in the year.

Globally, the year started with some uncertainty in the financial markets. On 20 January 2017, Donald Trump was inaugurated as president of the United States, and there was some insecurity in the market as to what decisions Trump would make, for instance regarding US participation in international trade deals. The markets did however quickly lose the uncertainty, and the US also saw a solid growth in GNP during the year. Later in the year, the presidential election in France and the federal election in Germany were among the important events. Both elections ended up with the results that the markets had anticipated, and this added to the positive development.

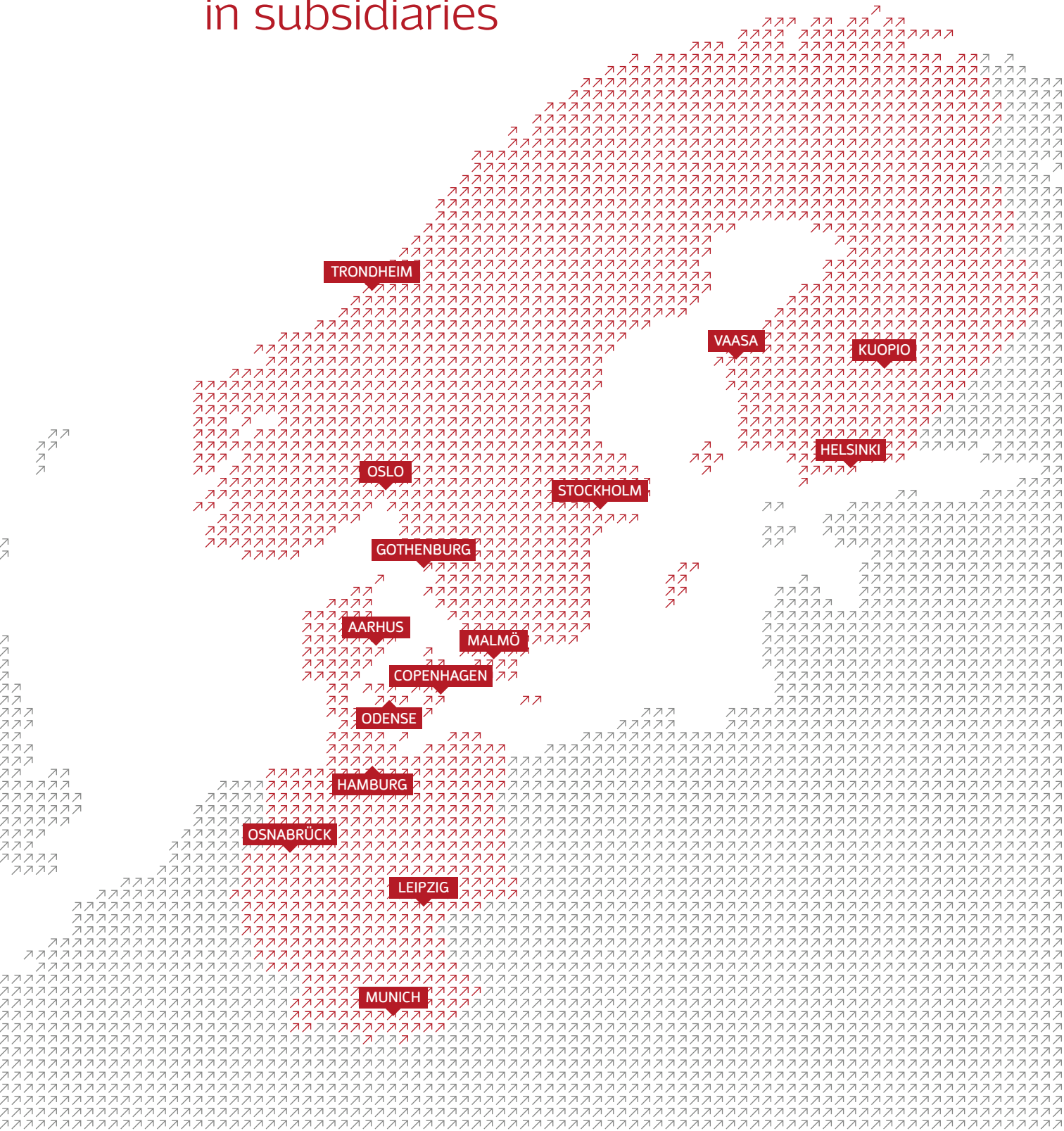
Inflation in the Eurozone increased in 2017, after several years where it had been low despite several initiatives from the European Central Bank. According to the autumn prognosis of the European Commission, the total inflation of the year would be 1.5%, significantly higher than the level from 2016, which was 0.3%. The Commission expects the inflation to decrease slightly in 2018, and estimates a level of 1.4%.

Job creation continues in the EU, a natural consequence of the solid economic development, which the member states of the union experienced during 2017. Unemployment in the Eurozone was 9.1% in 2017 according to the European Commission, which is the lowest level since 2009. The commission expects that the unemployment will decrease further during the coming years, and estimates a level of 8.5% in 2018 and 7.9% in 2019 respectively.

Following several years without increases in the Nordic electricity consumption, the total consumption level increased in 2017. It seems likely that this development will continue in 2018. In the Nordic areas, the economic growth is expected to continue in Denmark, Finland and Norway, while a more stagnate development seems likely in Sweden.

# Trends

in subsidiaries



# Securities

Energi Danmark Securities A/S (EDS) can add another year to its run of years with positive results, as in 2017 it realised pre-tax profits of DKK 2.2 million, which is not satisfactory, however, in relation to the initial expectations for the year.

The profit before tax of DKK 2.2 million should be seen in connection with the fact that at the balance sheet day, there were future fees related to signed contracts for DKK 10.1 million.

In recent years, the company has experienced a significant increase in gross profit, which is due, in large part, to a solid customer approach by the Nordic region and, recently, the German market as well. The company's total portfolio volume grew by approximately 10% in 2017, and the company's portfolio concept is now firmly anchored in all the Nordic countries, as well as being off to a good start in Germany. In recent years, the company has built up a skilful international team of qualified employees. At the same

time, the development of EDS' primary revenue sources through expansion of the product palette has been positive.

The company's growth and the clear synergy benefits in relation to the rest of the Group mean that EDS will be consolidated and its equity will be expanded in line with the positive results. This will provide additional resources that will enable EDS to continue its growth, continue its positive development and create additional value for our customers.

Amounts in DKK million	IFRS			Danish GAAP	
	2017	2016	2015	2014	2013
<b>Key figures, Energi Danmark Securities</b>					
Revenue – Sales of power etc.	29.8	29.3	31.3	40.4	36.9
Gross profit	16.0	46.9	30.7	40.1	37.3
<b>Operating profit</b>	<b>1.4</b>	29.6	15.7	24.6	23.7
Profit from financial items	0.8	1.2	2.0	2.1	1.5
<b>Profit before tax</b>	<b>2.2</b>	30.8	17.7	26.7	25.2
Tax	-0.5	-6.8	-4.2	-6.6	-6.3
<b>Profit for the year</b>	<b>1.7</b>	24.0	13.5	20.1	18.9
Balance sheet total	751.3	378.0	861.4	194.3	189.2
Of this, investment in non-current assets	0.0	0.0	0.0	0.2	0
<b>Equity</b>	<b>180.7</b>	179.0	163.5	160.1	143.9

## Key ratios, Energi Danmark Securities

Gross margin ratio	53.7%	159.9%	98.1%	99.3%	101.1%
Profit ratio (EBIT)	4.7%	101.0%	50.2%	60.8%	64.4%
Solvency ratio	24.1%	47.4%	19.0%	82.4%	76.1%
<b>Return on equity before tax</b>	<b>1.2%</b>	18.0%	10.9%	17.6%	18.4%
Return on equity after tax	0.9%	14.1%	8.3%	13.2%	13.8%
Average number of full-time employees	12	12	11	6	6

Due to the change in accounting principles from Danish GAAP to IFRS the key figures and ratios from 2013-2014 are not comparable with the figures and ratios from 2015-2017.

# Wind

2017 has been a satisfactory year for Energi Danmark Vind A/S (EDV), and EDV considers the total profit of DKK 10.4 million, before tax and after accruals concepts of financial contracts, to be satisfactory. The portfolio was increased by 33 MW installed capacity, which is the single largest extension in EDV history so far. An above-average wind yield (Index 102%) and a slightly improved market value on wind-produced electricity have also contributed to the result in 2017. The market value on wind-produced

electricity has improved to level 17-19 øre per kWh.

The falling settlement prices encountered are a challenge for EDV and the market in general. Before 2013, the market prices for electricity generated by wind was within the range of 30-45 øre/kWh, depending on area and hedging period. In terms of operating activities, 2017 was satisfactory and the availability of the company's installations was high with an availability of more than 97%.

In 2017, the company has implemented start/stop software in almost the entire portfolio, as EDV is fully contributing in the market for "special regulation". In 2017, EDV had over 15,000 stops and starts during participations in this regulation market. EDV is settled for every lost kWh in stops including a bonus. In the operational year 2017, EDV had over 23.5 TWh settled in the market for special regulation.

In 2018, the focus will be on consolidation.

Amounts in DKK million	IFRS			Danish GAAP	
	2017	2016	2015	2014	2013
<b>Key figures, Energi Danmark Vind</b>					
Revenue – Sales of power etc.	93.0	59.7	72.2	41.7	58.9
Gross profit	52.2	35.8	76.6	32.8	42.8
<b>Operating profit</b>	<b>17.4</b>	<b>10.2</b>	<b>51.6</b>	<b>19.2</b>	<b>27.6</b>
Profit from financial items	-7.0	-8.0	-11.1	-5.1	-5.7
<b>Profit before tax</b>	<b>10.4</b>	<b>2.2</b>	<b>40.5</b>	<b>14.1</b>	<b>21.9</b>
Tax	-2.0	0	-8.3	-1.9	-0.3
<b>Profit for the year</b>	<b>8.4</b>	<b>2.2</b>	<b>32.2</b>	<b>12.2</b>	<b>21.6</b>
Balance sheet total	816.8	559.5	607.5	380.8	284.7
Of this, investment in non-current assets	-323.3	-0.3	-220.8	-104.3	22.5
<b>Equity</b>	<b>245.0</b>	<b>236.3</b>	<b>234.1</b>	<b>201.8</b>	<b>189.6</b>

## Key ratios, Energi Danmark Vind

Gross margin ratio	56.1%	60.1%	106.1%	78.5%	72.7%
Profit ratio (EBIT)	18.7%	17.0%	71.5%	46.1%	46.9%
Solvency ratio	30.0%	42.2%	38.5%	53.0%	66.6%
<b>Return on equity before tax</b>	<b>4.3%</b>	<b>0.9%</b>	<b>18.6%</b>	<b>7.2%</b>	<b>15.5%</b>
Return on equity after tax	3.5%	0.9%	14.8%	6.3%	15.3%
Average number of full-time employees	1	1	1	1	1.5

Due to the change in accounting principles from Danish GAAP to IFRS the key figures and ratios from 2013-2014 are not comparable with the figures and ratios from 2015-2017.

# Sweden



Energi Försäljning Sverige AB (EFS) managed to deliver more than 6.5 TWh of electricity in 2017 and EFS keeps its position as the third largest electricity supplier in the Swedish corporate market and is therefore well on the way to meet the goal of achieving a market share of 10%.

EFS is pleased to see that our customers continue to see us as a trustworthy partner and our

ambition is to be the natural first choice of partner for corporate customers.

With offices in Stockholm, Gothenburg and Malmö, we reach out to both new and existing customers all over Sweden. With our One Stop Shop concept, we can offer a solution to companies within the Nordic region and Germany. This makes us an interesting partner with expertise throughout the European

market and a perfect partner for companies with operations in several countries.

Annual profit before tax of SEK 83.3 million demonstrates that EFS's earnings remains stable at a good level, in spite of extensive investments in new and more efficient systems and a strong continued focus on growth.

Amount in millions SEK.	IFRS			Danish GAAP	
	2017	2016	2015	2014	2013
<b>Key figures, Energi Försäljning Sverige</b>					
Revenue – Sales of power etc.	2,129.7	2,183.3	1,829	2,921.3	2,750.7
Gross profit	119.0	72.1	72.3	68.6	94.6
<b>Operating profit</b>	<b>80.4</b>	31.5	29.6	32.2	55.0
Profit from financial items	2.9	1.4	0.4	-0.4	0.8
<b>Profit before tax</b>	<b>83.3</b>	32.9	30.0	31.8	55.8
Tax etc.	-17.4	-7.2	-6.6	-9.9	-12.5
<b>Profit for the year</b>	<b>65.9</b>	25.7	23.4	21.9	43.3
Balance sheet total	733.3	1,061.9	957.3	734.6	647.4
Of this, investment in non-current assets	-0.1	-0.6	-0.3	-0.9	-0.9
<b>Equity</b>	<b>287.8</b>	221.9	196.2	245.5	223.6

## Key ratios, Energi Försäljning Sverige

Gross margin ratio	5.6%	2.2%	2.6%	2.3%	3.4%
Profit ratio (EBIT)	3.8%	1.0%	1.0%	1.1%	2.0%
Solvency ratio	39.2%	20.9%	20.5%	33.4%	34.5%
<b>Return on equity before tax</b>	<b>32.7%</b>	15.7%	16.3%	13.6%	27.6%
Return on equity after tax	25.9%	9.6%	9.7%	9.3%	21.4%
Average number of full-time employees	18	18	21	23	21

Due to the change in accounting principles from Danish GAAP to IFRS the key figures and ratios from 2013-2014 are not comparable with the figures and ratios from 2015-2017.

# Finland

In 2017, Energia Myynti Suomi Oy's (EMS) result before tax increased by 100% to 160.7 TEUR (TEUR 80.1 in 2016). Revenue increased by 2% on the previous year to MEUR 179.7. EMS has strengthened the back office and sales with new employees resulting in a significant rise in new contracts and sales volume compared to 2016. In September, EMS opened a new office at Kuopio, which strengthens the presence in Eastern and Northern Finland enabling EMS to increase the already high level

of support for current and new customers.

In December, EMS was selected to continue as electricity supplier of the Finnish government for another 4-year period in close cooperation with Energi Danmark. The contract with the Finnish government is a good example of our Group's ability to provide a high level of service with long-term perspectives.

During the year, EMS has noticed an increase of demand from custo-

mers regarding the One Stop Shop concept, which resulted in new cross border customers. A systematic approach to multinational customers with our unique concept will be one of our focus points in 2018.

In 2018, we will also work to reach a new customer segment within wind services as well as make a great effort to develop demand response services. New products and services will strengthen our already strong footprint in Finland and support our long-term growth plans.

Amounts in EUR thousand	IFRS			Danish GAAP	
	2017	2016	2015	2014	2013
<b>Key figures, Energia Myynti Suomi</b>					
Revenue – Sales of power etc.	179,748.9	176,966.4	171,814.6	180,632.5	116,353.7
Gross profit	1,528.0	1,384.1	1,540.8	4,088.3	3,576.3
<b>Operating profit</b>	<b>60.8</b>	53.1	-374.8	2,393.5	1,461.6
Profit from financial items	99.9	27.0	-262.0	-318.7	-44.2
<b>Profit before tax</b>	<b>160.7</b>	80.1	-636.8	2,074.8	1,417.4
Tax	-31.0	-16.0	121.1	-414.8	-356.2
<b>Profit for the year</b>	<b>129.7</b>	64.1	-515.7	1,660.0	1,061.2
Balance sheet total	31,561.2	39,975.1	39,622.8	43,572.5	44,066.2
Of this, investment in non-current assets	107.5	-8.5	-50.7	-42.5	-54.2
<b>Equity</b>	<b>5,805.3</b>	5,675.6	5,611.5	7,984.0	6,324.0

## Key ratios, Energia Myynti Suomi

Gross margin ratio	0.9%	0.8%	0.9%	2.3%	3.1%
Profit ratio (EBIT)	0.0%	0.0%	-0.2%	1.3%	1.3%
Solvency ratio	18.4%	14.2%	14.2%	18.3%	14.4%
<b>Return on equity before tax</b>	<b>2.8%</b>	1.3%	-10.4%	29.0%	24.5%
Return on equity after tax	2.3%	1.1%	-8.5%	23.2%	18.3%
Average number of full-time employees	7	6	6	6	4.5

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# Norway

For Energi Salg Norge AS (ESN), 2017 was characterised by strong growth. The total delivery for 2017 was close to 2.7 TWh distributed among traditional industry, trade and service industry, electricity retailers and real estate companies.

One of our targets for 2017 was to consolidate our position in the electricity retailer market and during the past year, we delivered 1.4 TWh in this segment. We are expecting further growth in the segment

in 2018 and our goal is to deliver 2.4 TWh via electricity retailers.

In 2017, ESN signed contracts for a total of 6.8 TWh for future delivery. The volume was distributed with approximately a third in the retail & property segment, a third in the industry segment and a third in the energy trading companies segment. Of the 6.8 TWh, 1.2 TWh will be delivered in 2018. The rest will be distributed in the period 2019-2022.

ESN's target for 2018 is to continue its growth in the electricity retailer segment. In 2018, we will also market our services and competence towards the new digital industry, namely data storage. Alongside this, we will continue to achieve a wider customer mix and the company aims to target larger customers that demand a wider product mix, as well as customers with branches in several countries that are attracted by the Group's One Stop Shop concept.

Amount in millions (NOK)	IFRS			Danish GAAP	
	2017	2016	2015	2014	2013
<b>Key figures, Energi Salg Norge</b>					
Revenue – Sales of power etc.	748.5	422.2	347.0	374.0	356.5
Gross profit	15.0	8.5	20.4	31.0	20.2
<b>Operating profit</b>	<b>-3.8</b>	<b>-7.7</b>	<b>6.9</b>	<b>17.4</b>	<b>10.2</b>
Profit from financial items	0.2	0.3	0.4	0.3	0.4
<b>Profit before tax</b>	<b>-3.6</b>	<b>-7.4</b>	<b>7.3</b>	<b>17.7</b>	<b>10.6</b>
Tax	0.7	1.8	-2.0	0.9	-3.0
<b>Profit for the year</b>	<b>-2.9</b>	<b>-5.6</b>	<b>5.3</b>	<b>18.6</b>	<b>7.6</b>
Balance sheet total	260.9	258.0	109.2	107.3	113.5
Of this, investment in non-current assets	-0.6	-0.5	-0.5	-0.8	-0.5
<b>Equity</b>	<b>44.5</b>	<b>47.4</b>	<b>53.0</b>	<b>68.7</b>	<b>50.1</b>

## Key ratios, Energi Salg Norge

Gross margin ratio	2.0%	2.0%	5.9%	8.3%	5.7%
Profit ratio (EBIT)	-0.5%	-1.8%	2.0%	4.7%	2.9%
Solvency ratio	17.1%	30.0%	48.5%	64.0%	44.2%
<b>Return on equity before tax</b>	<b>-7.8%</b>	<b>-14.7%</b>	<b>14.5%</b>	<b>29.8%</b>	<b>22.8%</b>
Return on equity after tax	-6.3%	-11.1%	10.5%	31.3%	16.4%
Average number of full-time employees	8	8	9	8	6

Due to the change in accounting principles from Danish GAAP to IFRS the key figures and ratios from 2013-2014 are not comparable with the figures and ratios from 2015-2017.

# Germany

Energie Vertrieb Deutschland EVD GmbH has closed the year 2017 with an order intake of 5.541 TWh. With the signed order volume, we have been ahead of the budget and were able to get a number of new customers in different industrial segments. We would like to point out, that the organisation is very strong in the field of food industry, water plants and the oil and gas industry. However, the competition is strong, which has had a negative influence on the realised sales margin. As the year

before we have been able to renew several contracts from important customers for the coming years.

As an addition to our existing offices in both Hamburg and Leipzig we opened a new sales office in Osnabrück in June 2017. The region of Osnabrück is one of the most important industrial centres in Germany and especially the food industry is present in the region with several production plants.

We are planning to launch a new sales office in the southern part of Germany within the next two years with the purpose of continuing our growth.

The goals for the coming year are to maintain our existing customers and renew the contracts with an expected volume of 3 TWh. Furthermore, we are intensifying the process of contacting new potential customers in the industrial segments, where we have already been successful in the previous years.

Amounts in EUR thousand	IFRS			Danish GAAP	
	2017	2016	2015	2014	2013
<b>Key figures, Energie Vertrieb Deutschland EVD GmbH</b>					
Revenue – Sales of power etc.	102,353.5	60,144.3	29,212.7	0.0	0.0
Gross profit	1,461.4	761.4	-30.4	1,066.0	0.0
<b>Operating profit</b>	<b>-342.0</b>	<b>-538.9</b>	<b>-889.0</b>	<b>580.0</b>	<b>-3.0</b>
Profit from financial items	94.9	130.2	500.0	-3.0	0.0
<b>Profit before tax</b>	<b>-247.1</b>	<b>-408.7</b>	<b>-389.0</b>	<b>577.0</b>	<b>-3.0</b>
Tax	79.7	131.8	125.5	-186.0	0.0
<b>Profit for the year</b>	<b>-167.4</b>	<b>-276.9</b>	<b>-263.5</b>	<b>391.0</b>	<b>-3.0</b>
Balance sheet total	46,918.2	36,597.5	31,822.8	23,454.0	25.0
Of this, investment in non-current assets	-57.0	-114.4	-146.0	-447.0	0.0
<b>Equity</b>	<b>8,957.9</b>	<b>9,125.3</b>	<b>9,402.2</b>	<b>10,388.0</b>	<b>22.0</b>

## Key ratios, Energie Vertrieb Deutschland EVD GmbH

Gross margin ratio	1.4%	1.3%	-0.1%	N/A	N/A
Profit ratio (EBIT)	-0.3%	-0.9%	-3.0%	N/A	N/A
Solvency ratio	19.1%	24.9%	29.5%	44.3%	88%
<b>Return on equity before tax</b>	<b>-2.7%</b>	<b>-4.4%</b>	<b>-3.9%</b>	<b>11.1%</b>	<b>N/A</b>
Return on equity after tax	-1.9%	-3.0%	-2.7%	7.5%	N/A
Average number of full-time employees	9	5	3	1	0

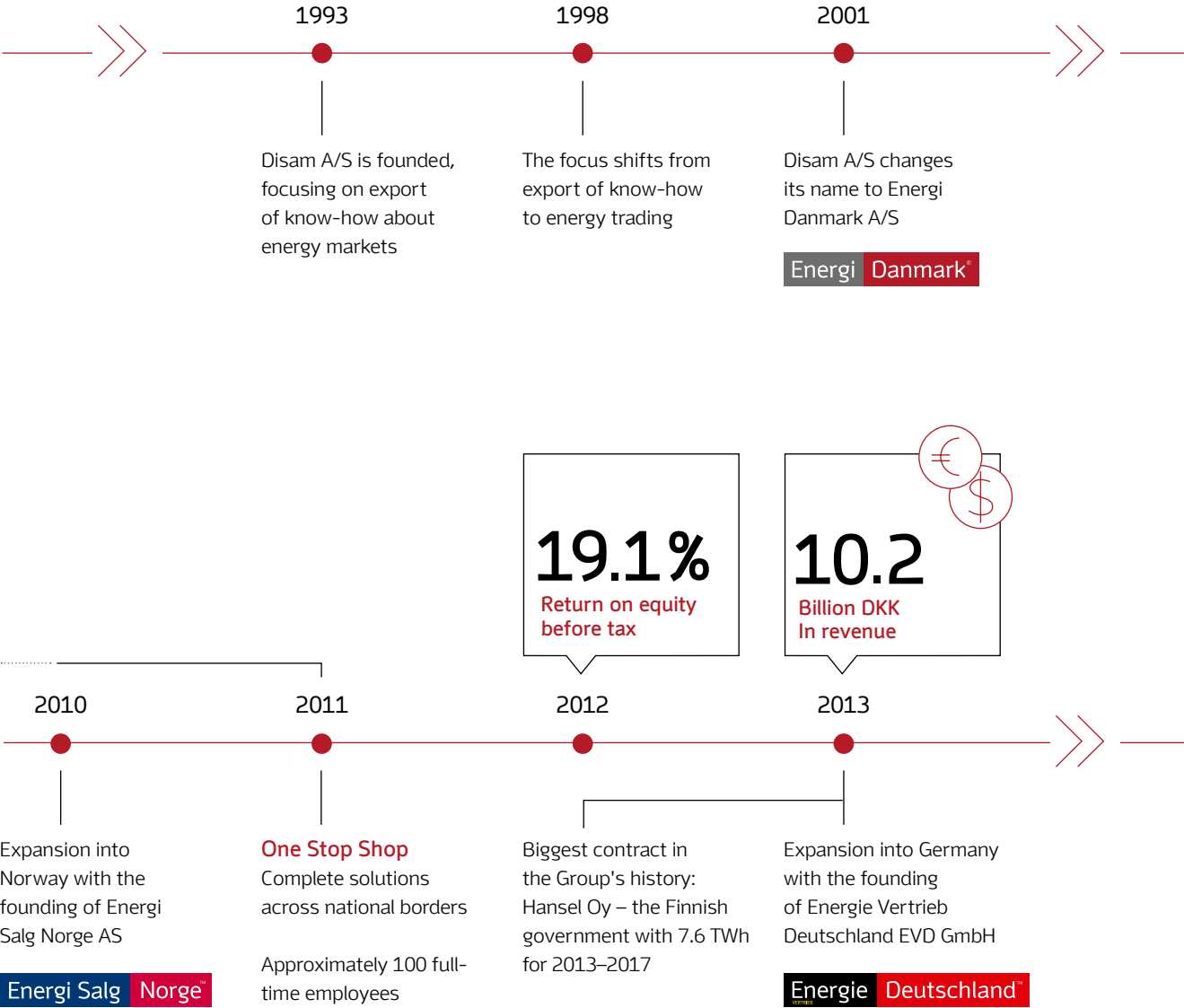
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We  
handle the  
↗ forces  
of nature



# Milestones in the Energi Danmark Group

Energi Danmark A/S was founded in 1993. Over the years, it has grown from being a small company with relatively few employees to being a Northern European Group with more than 200 employees distributed across Denmark, Sweden, Finland, Norway and Germany. Shown below is the development of the Group's history.



**5.2**  
Billion DKK  
in revenue

2005

Portfolio management is added with the start-up of Energi Danmark Securities A/S

Energi Danmark

2007–2011  
focus on Nordic expansion  
**+28.7%**  
Revenue

2007

Expansion into Sweden with the founding of Energi Försäljning Sverige AB

Energi Sverige

2008

Focus on wind power with the founding of Energi Danmark Vind A/S

Energi Danmark

2009

Expansion into Finland with the founding of Energia Myynti Suomi OY

Energia Suomi

**988.8**  
Million DKK  
in equity

2014

Certified in accordance with the ISO 9001 and ISO 14001 standards

More than  
**14.5**  
Billion DKK  
In revenue

2015

24.9 TWh delivered in 2015

**18%**  
Return on equity  
before tax

2016

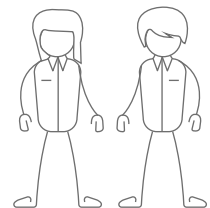
Trading activities in more than 20 countries

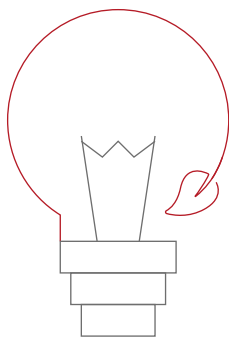
Prolongation of the contract with the Finnish government for 2018-2022

More than  
**17**  
Billion DKK  
in revenue

2017

Average of 204 full-time employees





# Powering business. Responsibly.

Energy is crucial to a well-functioning society characterised by progress and quality of life. A vital global commodity that is only really noticed when it is not available. In the Energi Danmark Group, we notice everything that relates to energy.

We have a thorough understanding of the energy markets across all of Europe. With our broad and specialised range of expertise we cover all current energy markets. Our comprehensive understanding of the markets allows us to offer advice and risk management within consumption and production.

Our mission is to safeguard your company's energy investment while also providing you with the best possibilities for sustainable trading. We aim to be a competent and trustworthy partner, providing valuable service, now and in the long term. With an organisation that never sleeps, specialised employees and high-tech tools, we predict energy prices minute by minute.

We monitor all relevant changes and analyse enormous data volumes that have a major impact on your energy bill. We are awake and alert. Always.

## Sustainability Report

This 2017 Sustainability Report is a statutory report on the Group's Corporate Social Responsibility in accordance with Section 99a of the Danish Financial Statements Act. The sustainability report covers both the Danish parent company as well as all the

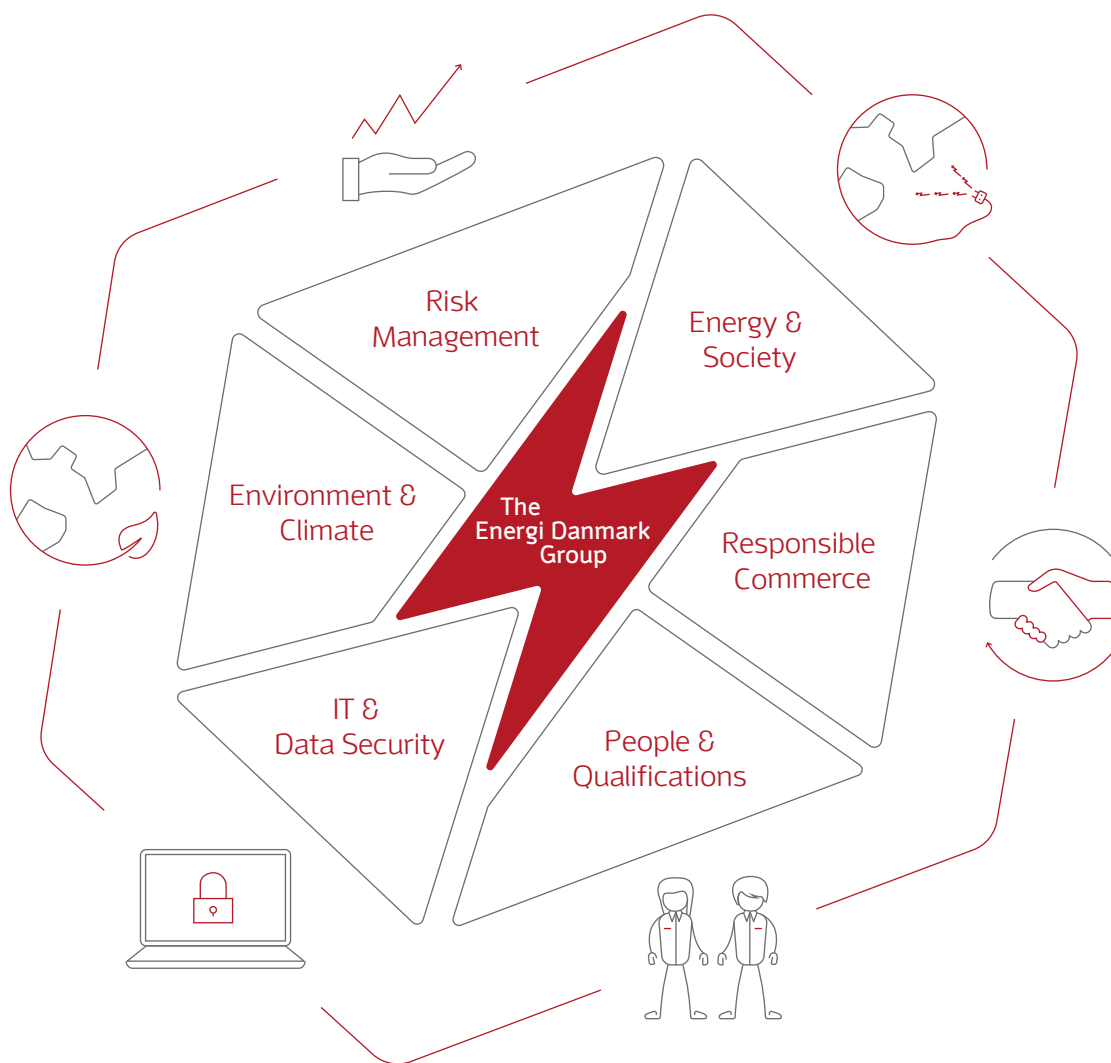
Group's subsidiaries, thus providing insight into our international activities what our sustainability targets are and how we aim to reach them. The sustainability reports from previous years can also be found on [www.energidanmark.com](http://www.energidanmark.com).



# Our sustainable prioritisations

The Energi Danmark Group welcomes the 17 Sustainable Development Goals from the UN as an essential and relevant framework with regard to the use of the earth's resources. We have chosen to focus our sustainable initiatives on goal 7: Affordable & Clean Energy, which is where we can make a difference through our core business. The objective of this UN goal is to ensure

access to financially accessible, reliable, sustainable and modern energy for everyone. Using UN goal 7 as the guideline, we base our CSR strategy on the following six strategy points: Energy & Society, Responsible Commerce, People & Qualifications, IT and Data Security, Environment & Climate and Risk Management.





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# Statement from the CEO

## - sustainability is key to success

For a number of years, the Energi Danmark Group has been working on sustainable activities across the countries in which we are present. For the past year, we have worked on implementing our redefined CSR strategy and bringing our focus areas closer to the business, as we believe sustainable initiatives close to our business will have the biggest impact – internally and externally.

The strategic approach and our six focus areas are part of the extension of the "People, Planet, Profit" philosophy, which we will continue to focus on. We see great value in retaining and developing our sustainable way of conducting business while still making a profit and meeting the expectations of our stakeholders; namely shareholders, customers and employees.

Our stakeholders continue to demand more of us as a business partner, which makes our strategic focus on sustainability an ongoing and important element for our Group. We know that great balance between environmental, social and economic factors relates closely to a successful business and we must ensure profitable growth for both shareholders, customers and employees as well as for society.

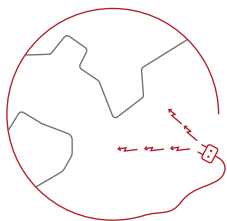
Among our six focus areas that are all integral parts of the way in which we think and trade

in the Energi Danmark Group, you will find activities aimed both at our internal processes and values and externally at our stakeholders. Our focus areas in 2017 include the expansion of our wind portfolio, the aim of forming future market rules in terms of demand response and our work to ensure a great working environment.

I believe in a continued strategic focus on sustainable initiatives as well as profitable growth for the Group's shareholders, customers and employees, resulting in a positive contribution to our financial bottom line as well as to our society.

Regards

**Jørgen Holm Westergaard**  
CEO of the Energi Danmark Group



Sustainability

# Energy & Society

The Energi Danmark Group is conscious of its social responsibility. Our business is based on healthy and responsible business activities. We want to contribute to society through the creation of jobs and consideration of nature and the environment. The Energi Danmark Group works continuously to develop products and services that we identify a need for, now and in the future. With this focus on the future, we will contribute to sustainable societal growth, which can also provide additional business value for our customers, employees and stakeholders.

## Great potential in Nordic wind energy production

In 2017, the Energi Danmark Group has focused on the possibilities of expanding the handling of wind energy in the Nordic countries. The Group has a solid set-up for balancing and managing the sales of electricity for wind turbines in Denmark, and the ambition is to expand the wind portfolio to the rest of the Nordic region. In 2017 in Finland, the Group has implemented the systems necessary to handle the electricity production from wind turbines meaning that we will be able to enter into agreements with Finnish wind turbine owners.

In 2018, we will look into adjusting our set-up to the needs of the electricity producers in new markets in order to support the green transition and ensure better earnings for wind turbine owners in these markets.



## BlueGrid – a project on flexibility

The Energi Danmark Group contributes actively to forming the future market rules together with our stakeholders. In 2017, we applied for and received public funding from EUFP to set up a demonstration project as part of a consortium with Blue Kolding and Krüger. The purpose of the project is to demonstrate how wastewater treatment facilities can participate in balancing the

energy system by adjusting energy consumption and production. This project runs for three years and is a great opportunity to increase our expertise in managing consumption units in ancillary services markets.

In 2018, the Energi Danmark Group will continue to be an active participant in initiatives within demand response and flexibility. We will use our extensive market

knowledge and our understanding of our customers' preferences to discover new ways to create value through flexibility – both for our customers and for the society.

We want to contribute to achieving a greener Europe and even small amounts of energy flexibility at the right time can make a big difference.

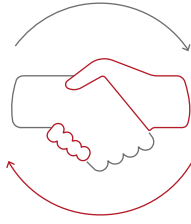
## Wind turbines in the market for regulating power

In 2016, Energi Danmark launched a new product for its wind turbine customers, allowing the turbines to participate in the market for regulating power. This option is an important part of the Group's sustainable focus as it makes it more attractive to own a wind turbine while also ensuring optimal utilisation of the wind energy. Through the regulating power market, the Danish TSO Energinet.dk is able to balance the relationship between consumption and production and thereby maintain a stable security of supply in the power grid. The turbine owner gives Energi Danmark permission to remotely control each turbine and stop electricity production when the market price for downwards regulation is adequately high.

Regulation power for wind turbines is aimed at both existing and new customers and our goal for 2017 was to increase the regulating power portfolio. In 2017, many new wind turbine owners have decided to participate in the market and by the end of the year; our portfolio size has almost doubled. Hopefully, the option for participating in the market for regulating power will lead to additional customer satisfaction and in addition attract new customers in 2018.







## Sustainability

# Responsible Commerce

In energy trading groups such as the Energi Danmark Group, the primary task is to ensure optimal management of customers' risks within energy purchases. We help energy consumers and energy producers to exercise active and financially advantageous trading strategies rather than being passive players in the energy market. We also focus on responsible trade with suppliers and partners within renewable energy.

Our customer advice is based on our customers' individual risk profiles and desires. We deliver tailored, transparent solutions to customers, whether they are international groups, public sector entities or smaller companies.

Trade in the European power exchange is managed by our extensive Trading department, which has specialist expertise within all relevant areas, including Short and Long

Term Trading, Cross Border, Gas and Intraday Trading. This means that all trading areas are monitored by experienced specialists on behalf of our customers.

Sustainable energy is a central fulcrum for substantial parts of our business, including within the subsidiary Energi Danmark Vind and in connection with products such as Miljøvenlig El and Bra Miljøval. In connection with these areas, we are

very aware of our collaboration and trade agreements with suppliers, whether relating to the delivery of complete wind turbines or guarantees of origin for hydropower and wind power. With regard to international collaboration, we also have an obligation to undertake ethical trade based on the UN's Global Compact, including anti-corruption, human rights and social matters.

## ISO re-certification

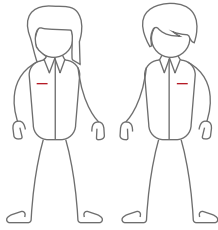
In 2017, the Energi Danmark Group was re-certified by DNV-GL according to the new ISO 9001:2015 and 14001:2015 standards on quality management and environmental management. The certification is applicable to both Energi Danmark and all subsidiaries in Denmark, Sweden, Finland, Norway and Germany.

The ISO certification aim to help organisations to adapt to a changing world. It focuses on enhancing an organisation's ability to satisfy its customers and provides a coherent foundation for growth and sustained success. It establishes a process for signing

and evaluating supplier contracts in order to ensure the best possible conditions for responsible commerce. Besides evaluation of technical, commercial and legal factors, contracts with suppliers and partners should therefore include an evaluation of ethical and environmental factors according to the Energi Danmark Group's overall requirements.

In 2018, the Energi Danmark Group will continue to honor the ISO certificate's guidelines and assess and evaluate suppliers and partners in accordance with the processes outlined in the ISO manual.





## Sustainability

# People & Qualifications

At the Energi Danmark Group, our employees are our most important resource and, in order to prepare for the future, it is essential that our employees match the competencies needed. We therefore aim to develop employees' competencies needed to reach our strategic goals.

We want to provide a working environment in which employees can excel, develop and strengthen their professional and personal skills. The Energi Danmark Group aims to be a good place to work, where employees are inspired and motivated to do their very best. We continuously focus on employee satisfaction, professionally and socially.

## Providing a great working environment

In 2017, for the fifth year in a row, we completed a Group-wide Employee Satisfaction Survey (ESS). Top management and all departments and teams have actively worked with the results from the ESS and there has been valuable dialogue between management and employees. We do this because we believe that a great working environment will help to retain skilled and dedicated employees.

We measure the employee satisfaction on many parameters; one being if employees can recommend others to work for the Group. In 2017, that number was 78%, which is an improvement from 2016 where the

number was 76%. Throughout the year, we have worked with focusing on a great working environment.

We have focused on celebrating our successes, and all departments and teams have worked to ensure better teamwork and team spirit.

The initiatives in 2017 have been of great value and the Executive Management Committee has decided to continue prioritising well-being. Therefore, our goal in 2018 is that 80% of employees can recommend working for the Group. This year, we will continue working on developing the leadership competencies of our mid-level managers, as we believe great

managers increase well-being for the individual employee.

In order to be able to work more in-depth with the ESS results, we will from now on complete the survey every second year. In between surveys, we will measure a few selected parameters to evaluate the progress.

## Establishing a strong culture

Establishing a strong culture where all employees know how they contribute to reaching the overall objectives is essential to succeed in the long run. Transparent and direct communication in all organisational layers is important in this sense. Our focus has been and still is to ensure strategic communication throughout the Group. Goal management has been a part of that and we have actively worked with the goal management since initiated in 2015.

One of our focus areas has been to strengthen the cross-organisational cohesion between Energi Danmark and our subsidiaries, as we believe strong communication and cohesion across the organisation ensure the best possible service to our customers across country borders. In 2017, we held kick-off on the goal management in Sweden, Finland and Norway and the plan for 2018 is to implement goal management in Germany as well as solidify

goal management in the Nordic countries.

Lastly, we have implemented a feedback culture. The purpose is to remember to praise, give and receive constructive feedback. We believe a feedback culture strengthens employee development and ensures better teamwork and thus better results for the Group and shareholders.

## Prioritising healthy employees

Another parameter to measure well-being is to focus on absence, especially absence in relation to sickness. In 2017, that number was 1.92%, which is very satisfying and better than 2016, which was 3.28% just confirming well-being is increasing in the Group.

We continue to focus on the health of our employees and have a good health insurance for all. We support many activities, formal as well as informal e.g. company soccer and DHL relay. Late 2017, a group of colleagues

established an informal running club to exercise after work and we hope many employees will participate.

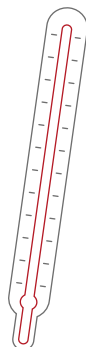
In 2018, our ambition is to have maximum 2.7% absence, in relation to own sickness, which is an average benchmark of the business. During 2018, we will continue to work with well-being in the Group. The goal is to minimise absence due to sickness and ensure that employees thrive in the Group.

### SICKNESS ABSENCE

# 1.92%

The Group aims for a sickness absence below 2.70%, which is an average benchmark of the business.

**GOAL 2018**  
**BELOW 2.7%**



### EMPLOYEE SATISFACTION

# 78%

At least 80% of employees in the Employee Satisfaction Survey recommend others to work for the Group.

**GOAL 2018**  
**MINIMUM 80%**



# Diversity and gender distribution in the management team

## Report for the under-represented gender

This is the Energi Danmark Group's statutory report for gender composition in accordance with section 99b of the Danish Financial Statements Act. The aim is to create focus on the under-represented gender, which is currently female due to the distribution within the Energi Danmark Group. Men are in the majority within the whole energy industry, and therefore most employees of the Energi Danmark Group are men. As of 31 December 2017, 66% of employees were men.

The Energi Danmark Group would very much like the gender distribution among employees of the Group to reflect the distribution of women and men in society. As Energi Danmark is an international energy trading group, diversity within its work force is seen as an asset. The Group is thus aware of the advantages of having a diversified organisation, which also includes a versatile management team composition. The Energi Danmark Group recruits its employees solely based on talent and personality, and offers the same opportunities to all employees, regardless of nationality, religion, political convictions, gender and age. We encourage all employees to achieve their full potential in line with their personal ambitions and goals.

## Target figures for the under-represented gender on the Board and at other management levels

The Energi Danmark Group appoints and promotes managers based on the attitude that the most suitable person is always appointed regardless of gender. All employees can aspire to be part of the management and the Group's aim is for women and men to take equal advantages of the opportunity. We offer our employees the opportunities to develop professional competencies through participation in relevant courses etc. when it complements the Group's strategic goals.

As of 31 December 2017, Energi Danmark's Board of Directors was made up of six people, five men and one

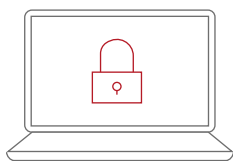
woman. At top management level, there were 12 people, of whom two were women (17%). There were also three women (19%) at middle management level, which totals 16 people. With regard to women in management, Energi Danmark currently has an under-representation on its Board and at top and middle management levels. The aim here is to increase the number of women in management by ensuring the representation of qualified female candidates for upcoming management positions.

## Goals for gender distribution on the Board and at management level

In 2014, Energi Danmark's Board adopted a target figure for the proportion of the under-represented gender on the Board, and a policy to increase the proportion of the under-represented gender at the Group's other levels of management. These goals were divided into visions for 2017 and 2021 respectively, the aim being to have:

- > An 85/15 distribution on the Board of Energi Danmark, requiring at least one woman to be elected into the Board before 2017. The goal of an 85/15 gender distribution on the Board was achieved in 2017, as there was one woman elected into the Board. Before 2021, the ambition is to achieve a gender distribution of 70/30 on the Board, requiring the election of another woman into the Board.
- > 28% of Energi Danmark's top management, which currently consists of 12 people, to be comprised of women in 2017. The goal of a 72/28 gender distribution at the top management level was, however, not achieved in 2017, although there is one more woman compared to last year due to the creation of two separate business areas needing two managers. As the goal for 2017 was not reached, we will continue to aim for a 72/28 gender distribution at the top management level.

## Sustainability



# IT & Data Security

IT & Data Security are two crucial areas for an energy trading group such as the Energi Danmark Group, for several reasons. As an energy supplier, we must be present in the markets 24/7 in order to monitor and act on behalf of our customers. We therefore need to make sure that our IT platforms, for internal and external use, remain operational round the clock, and that all data in our systems is reliable.

As an international energy group with trading activities across more than 20 European borders, a turnover of more than DKK 17 billion and the management of data from approximately 160,000 measuring points in five countries, the Energi Danmark Group sets out strict requirements concerning IT & Data Security day and night, all year round.

As part of our security, we have extensive IT policies in place, as employees' attentiveness with regard to safe use of email and internet facilities is crucial for avoiding the majority of potential virus and hacker attacks. To Energi Danmark and as balance responsible party (BRP) IT security is essential. This is why we constantly keep our knowledge and processes updated and among other things also participate in a safety committee under Dansk Energi (Danish Energy Association), which meets several times a year to discuss and determine their position with regard to the challenges in the area.

### Being compliant with the L68 Law

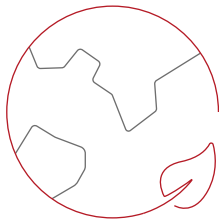
Within IT Security our focus in 2017 was to become compliant with the requirements laid out in the L68 Law "IT Readiness in the electricity and natural gas sector". As Energi Danmark is a company on the highest level in the L68 Law in relation to our role in the electricity and natural gas sector, this sets new requirements for our IT Security. The law requires Energi Danmark to identify risks, prepare contingency plans and secure the confidentiality across the company. It also puts demands on our employees' as well as our suppliers' security management. Energi Danmark has had a close cooperation with Energinet in the process.

The process of being compliant is still ongoing and will to some extent also overlap with the needs created by the "EU General Data Protection Regulation" in which all companies that store and work with personal data have to become

compliant by May 2018. Both laws direct our efforts in the IT Security arena across the entire organisation by both driving standardisation in the way that we work with our role in the energy supply sector and market, as well as affecting the way we handle the data we store and events that might occur in regards to both of these areas.

At the Energi Danmark Group, we welcome the stricter legislation, that will help ensure that all companies prioritise and deal with the challenges – ensuring both a higher general IT and data standard within the sector as well as more equal terms for all parties in the energy markets.

Our first priority in IT & Data Security is to protect – to protect our customers, employees, shareholders and other stakeholders, as well as the company itself, against attacks on our systems and data.



Sustainability

# Environment & Climate

The Energi Danmark Group takes responsibility for climate issues. We have an overriding Environment & Climate policy of contributing to the development of renewable energy in Denmark. To be able to realise this, we choose to invest in, construct and operate wind turbine projects through our subsidiary Energi Danmark Vind. Allowing us to evolve from exclusively being an energy trading company to also having physical production. By investing in new wind turbines, we continually strive to increase the net amount of renewable energy sources in Denmark for the benefit of the future environment.

## Energi Danmark Vind adds 15 new wind turbines

In 2017 The Energi Danmark Group's subsidiary, Energi Danmark Vind A/S (EDV), added 15 new wind turbines, erected in Hogager near Holstebro, Denmark.

With the addition of the new wind turbines EDV expanded its wind power portfolio by 33 MW corresponding to an expansion of the portfolio by 66%. The wind

turbines are 2.2 MW Vestas wind turbines with an estimated annual production of just over 80 GWh.

EDV's aim is to contribute to the development of new wind energy, and the company therefore actively participates in the development of sustainable energy sources in collaboration with subcontractors. EDV is experiencing increasing

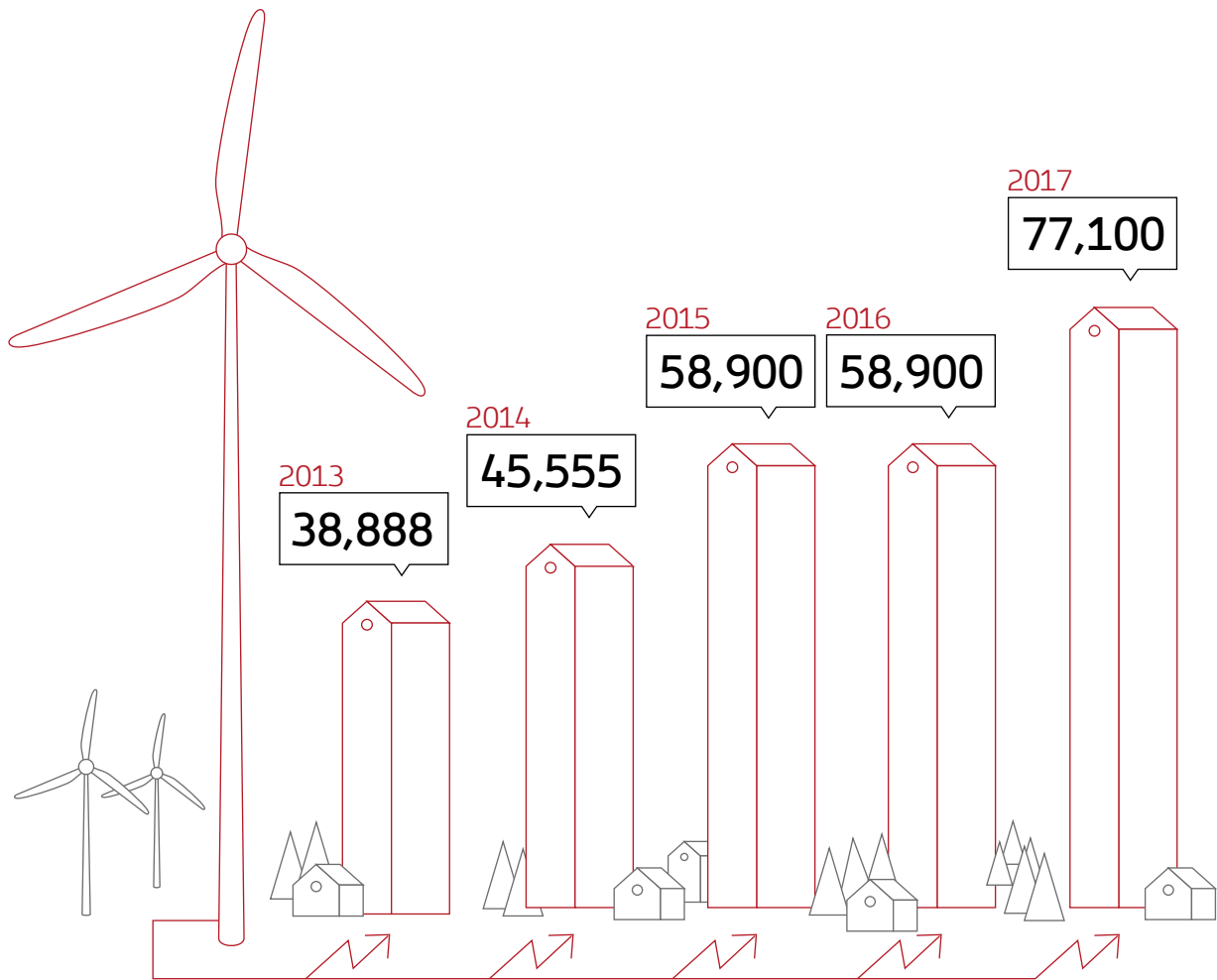
demand from customers for guarantees of origin from new wind turbines.

"Investments in new wind turbines help contribute to a society with lower consumption of fossil fuels and lower carbon emissions," says Hans Hensberg, Director of Energi Danmark Vind.



"Investments in new wind turbines help contribute to a society with lower consumption of fossil fuels and lower carbon emissions."

Hans Hensberg, Director of Energi Danmark Vind



## Electricity for over 77,000 households

In 2017, Energi Danmark Vind generated approximately 208,000 MWh from wind energy, which equates to the energy consumption of 46,000 households. This development took place in a year where wind energy levels have been approximately 6% above the norm and the availability of the company's installations was satisfactory, at an average of 97.1%, which is 0.1 percentage points over the budgeted target. Since its start-up in 2009, EDV has taken part in the implementation of new wind

power installations in the Danish electricity supply grid corresponding to an annual production of 347,000 MWh, which is equivalent to the consumption of around 77,100 households.

EDV is aware that sustainability increasingly means how the company focuses on cultivating and realising projects that are sustainable for the environment as well as the economy.

In the future, the aim will be to continue to expand the portfolio of land-based wind turbines. For 2018, there are currently no projects in the pipeline, as EDV is awaiting the government's final law-regulation for land based wind projects. Considering that EDV expanded the portfolio by approximately 66% in 2017, this year will most likely be a year of consolidation.





Sustainability

# Risk Management

Risk Management is the core of everything we do within the Group – the core of the products we supply to our customers and the core of everyday thinking and operations. Without professional Risk Management in the short and long term, we cannot achieve a sustainable Group, which can deliver excellent results now and in the future, as well as good service to our customers and shareholders. Sustainability depends on good Risk Management and results in a financially sound and well-functioning Group that is well-equipped for future challenges.

The Energi Danmark Group business model is based on being one of the leading Northern European energy trading companies. Our activities include:

- > Selling electricity – both physically and financially, especially to customers in Denmark, Sweden, Norway, Finland and Germany
- > Buying electricity – both physically and financially – from Nord Pool, Nasdaq, other exchanges, counterparts, decentralised power plants, wind turbines etc.
- > Carbon certificates trading
- > Gas trading
- > Portfolio management and counselling
- > Green certificates trading
- > Operation of own wind turbines
- > Cross-border trading of electricity in Europe
- > Trading on balancing markets
- > Buying and selling other energy-related commodities.

When trading energy products on various markets, Risk Management becomes a very important part of the business model. The Energi Danmark Group is exposed to different kinds of risks including (among others) market risks, liquidity risks, credit risks, volume risks, currency exchange risks, operational risks and interest rate risks.

In order to handle these risks, the parts of the organisation responsible for sales, purchasing and trading

have included relevant Risk Management procedures and internal controls in their daily operations.

The responsibility, however, for measuring and evaluating risk exposure levels and monitoring adherence to risk lines sits with the Risk Management department. The Risk Management department is independent of the departments managing the risks.

The Board of Directors has set the lines within which exposure to risk is permitted. The Risk Management department compares actual exposure levels with the lines given by the Board on a daily basis. In case of a breach, the Board is informed immediately and exposure is to be reduced to below these lines.

All derivative activities for Trading purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

## Market risk

The market price for electricity has proven quite volatile and subject to changes and events that cannot be predicted. The spot price is determined hourly on the physical exchanges and forms the basis for financial trading of electricity on futures and forward contracts.

The price risk from selling electricity with fixed price elements are hedged by buying corresponding financial contracts on the exchange markets thereby securing the Energi Danmark Group the contract margin.

Another market risk is the volume risk when trading electricity based on future prices (with fixed price elements) because the corresponding price hedge needs to match actual customer consumption volumes in order to avoid ineffective hedging positions. Combined customer consumption is monitored on a regular basis in order to predict and adjust the corresponding hedging position.

Being present in multiple countries with different currencies (primarily DKK, NOK, SEK and EUR) also exposes the Group to fluctuations and changes in exchange rates against DKK. Exposure is monitored on a daily basis and the Group enters into currency rate contracts in order to hedge exposure, thereby minimising the risk.

To manage all of these risks, the Risk Management department is using an ETRM-system called Elviz. Elviz is the foundation for calculating daily exposure using both VaR-based models and models developed in-house showing day-to-day risks and MWh-exposure. Elviz contains almost all of the Energi Danmark Group's positions/ contracts, which are used as a basis for calculating the exposure using price curves derived from exchange quotes (where applicable).

### Liquidity risks

In the Energi Danmark Group, many of the working capital requirements from trading activities exist due to funding the purchase of electricity for delivery to our customers.

Especially since the Wholesale Model was implemented, the liquidity requirement has increased by the end of each month, but rapidly declines at the beginning of the following month. The increase is due to the fact that the Energi Danmark Group has to pay grid companies/ Energinet.dk for customer consumption-related energy taxes, transportation of electricity and PSO before receiving payments from customers.

The liquidity risk is managed and monitored on a daily basis and a cash flow prognosis showing expected future cash movements is maintained.

Company bonds of DKK 500 mio. expired in June 2017 and new bonds were issued increasing the amount to DKK 750 mio.

When trading energy products on various markets, Risk Management becomes the business model.

### Collateral risk

When trading electricity on the exchanges, there is usually a requirement for margin calls to be covered by collaterals. The amount to be covered is calculated by the exchanges every day and sent to the Energi Danmark Group. Back office receives and monitors the collaterals, and management makes sure that sufficient collateral is always in place.

The Energi Danmark Group has sufficient liquidity and collateral lines to support the business.

### Credit risk

When trading electricity, financial contracts, other goods and commodities with customers, counterparts and exchanges, the Energi Danmark Group is exposed to a credit risk.

The credit risk exposure depends on the credit-worthiness of the customers and counterparts. The customers are primarily to be found within the public sector, utility sector and across business markets (B2B). Counterparts are typically established companies trading with commodities.

All customers and counterparts are subject to a credit rating before starting to trade. Existing customers and counterparts are also reevaluated on an ongoing basis, especially when new contracts are due to be signed. To do the credit rating the Energi Danmark Group uses a credit rating score model from an external party. If the score is below certain predefined levels a manual credit rating is done as well, either accepting the new contract or asking for additional security before signing. Counterparts are all evaluated and given a line of exposure within which daily exposures are calculated and monitored by the Risk Management department.

It is the credit rating policy not to decline any customer that would like to trade with the Energi Danmark Group; however, when evaluating the credit score and, if necessary, additional security requirements, the Finance department demands a solid creditworthiness.

The necessity of demanding a solid creditworthiness has become even more relevant since the Wholesale Model was implemented in Denmark, because losses from customers not paying their energy taxes and the transport of electricity have shifted from grid companies/Energinet.dk to trading companies like the Energi Danmark Group.

### Interest rate risk

The Energi Danmark Group is partly financing its operation with loans from banks. The loans are subject to a variable interest rate. Cash flows and interest rate levels are monitored on a regular basis. Part of the interest rate risk is hedged using interest rate swaps. The corporate bond interest rate is based on CIBOR + fixed margin.

### Compliance risk

The Energi Danmark Group is exposed to economic and reputational risk if the Group is not compliant with the laws, regulations, standards and practices applicable to an energy trading and service company. The Energi Danmark Group's compliance function ensures on an on-going basis that the Energi Danmark Group is compliant in close cooperation with the business teams and the other support functions.

The compliance function mitigates these risks by ensuring awareness of the compliance risks within the

business teams and by developing and maintaining internal guidelines and processes to ensure compliance. Great efforts are also put into the implementation of the EU General Data Protection Regulation (GDPR), in order to ensure the Group is compliant when the GDPR is effective in May 2018.

The Energi Danmark Group is out of the scope of the Markets in Financial Instruments Directive (MIFID II) and notifications stating this have been sent to the relevant financial authorities. The Group has implemented the relevant measures for entities out of scope and will continue to monitor the development and practices regarding MIFID II in 2018.

### Legal risk

When trading electricity, gas, financial contracts or other commodities with customers and counterparties, The Energi Danmark Group is exposed to legal risks such as claims from third parties and disputes. The Group's legal function identifies and qualifies these risks as early as possible in close cooperation with the business teams and other support functions.

The Energi Danmark Group's legal function mitigates these risks when developing standard contracts, by negotiating balanced and market standard contracts and by identifying potential for optimisation of the contractual process and legal framework.

#### Important events after the end of the financial year

No important events have occurred since the end of the financial year.

#### R&D activities

Energi Danmark A/S has not incurred any R&D expenses in 2017, but the company continues to develop its technological platforms and products on an on-going basis.

#### Uncertainty regarding recognition and measurement

Reference is made to the description of significant accounting judgements, estimates and assumptions in note 2.

In the process of applying the Group's accounting policies, management has made the following estimates and assumptions, which have

the most significant effect on the amounts recognised in the consolidated financial statements:

- > Impairment of wind turbines
- > Fair value of financial and physical contracts
- > Amortisation of initial margin (day-1 profit or loss)

# Responsible behaviour

The UN Global Compact calls on companies to recognise, support and implement a set of core values in the area of human rights, labour standards, environment and anti-corruption.

The Energi Danmark Group has operations in Denmark, Sweden, Finland, Norway and Germany. We do not have a separate policy in the area of human rights, but as one of the leading energy trading companies in Northern Europe, we are committed to the 10 principles in the UN Global Compact on human rights, environment and anti-corruption. These principles form the basis for the standards we employ in our everyday operations as well as our cooperation with other businesses such as suppliers etc. By committing to these principles, we act in accordance with the conventions of the UN, ILO and OECD. UN Global Compact The UN Global Compact is a corporate responsibility initiative built around universal principles regarding human rights, labour standards, the environment and anti-corruption. It was originally proposed by UN Secretary-General Kofi Annan to the World Economic Forum (Davos forum) in 1999. Businesses can pledge to support these principles at their own free will. The 10 principles that we will focus on when it comes to potential future international partners are:

## Human rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure they are not complicit in human rights abuses.

The Human Rights provision includes prohibitions against slavery, debt bondage, the use of human

trafficking and forced prison labour, as well as the right to free movement during an employment relationship, including a prohibition on withholding identity cards, travel documents, etc.

## Labour standards

**Principle 3:** Businesses should uphold freedom of association and effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

## Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;

**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

## Anti-corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

# Focus on a sustainable future







# 2017

annual report

2008

2009

2010

2011

2012

2013

2014

2015

2016

2017

Equity trend. 2008-2014: Danish GAAP. 2015-2017: IFRS

Trust us to  
↗ manage  
your risks


Michael, Portfolio Management  
Energi Danmark Group





# Consolidated financial statements

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A woman wearing a white helmet, a blue and red patterned scarf, and a backpack is standing on a rocky, snow-covered mountain peak. She is holding a climbing rope and looking towards the camera. The background shows a vast, snow-covered mountain range under a cloudy sky.

Hege, Customer Service  
Energi Danmark Group



Trust <sup>us</sup>  
↗ to lead  
the way



# Income statement and other comprehensive income

Notes	DKK '000	2017	2016
3	Revenue - Sales of power etc.	17,178,672	15,082,773
	Purchase of power	-17,115,191	-14,555,400
	Net income/(loss) from financial instruments	347,278	-55,151
	<b>Gross profit</b>	<b>410,759</b>	<b>472,222</b>
4	Staff costs	-132,965	-133,846
5, 7	Other external costs	-110,572	-105,229
6	Depreciation	-54,863	-48,385
	<b>Operating profit</b>	<b>112,359</b>	<b>184,762</b>
8	Finance income	5,867	3,477
9	Finance costs	-46,839	-42,816
	<b>Profit before tax</b>	<b>71,387</b>	<b>145,423</b>
10	Tax	-14,202	-31,327
	<b>Profit for the year</b>	<b>57,185</b>	<b>114,096</b>
<b>Attributable to:</b>			
	Shareholders of Energi Danmark A/S	57,185	114,096
		<b>57,185</b>	<b>114,096</b>
Statement of other comprehensive income			
<b>Items that may be reclassified to profit or loss in subsequent periods</b>			
	Exchange differences on translation of foreign operations	-6,476	-4,173
	<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-6,476</b>	<b>-4,173</b>
	<b>Total comprehensive income for the year, net of tax</b>	<b>50,709</b>	<b>109,923</b>
<b>Attributable to:</b>			
	Shareholders of Energi Danmark A/S	50,709	109,923

## Balance sheet – assets

Notes	DKK '000	2017	2016
<b>Assets</b>			
<b>Non-current assets</b>			
11	Intangible assets	67,209	44,500
12	Tangible assets	826,547	536,472
10	Deferred tax	6,277	1,856
	<b>Total non-current assets</b>	<b>900,033</b>	<b>582,828</b>
<b>Current assets</b>			
18	Trade receivables	3,273,231	3,237,435
	Trade receivables from associates	1,951	1,672
10	Income tax receivables	12,122	0
18, 19	Derivative assets	1,323,674	1,308,618
	Deposits	397,711	384,677
	Other receivables	126,785	215,692
	Cash	8,020	6,070
	<b>Total current assets</b>	<b>5,143,494</b>	<b>5,154,164</b>
	<b>Total assets</b>	<b>6,043,527</b>	<b>5,736,992</b>



## Balance sheet – liabilities

Notes	DKK '000	2017	2016
	<b>Equity</b>		
14	Share capital	221,833	221,833
	Exchange rate reserve	-9,023	-2,547
	Retained earnings	701,779	644,594
	Proposed dividend	0	0
	<b>Total equity</b>	<b>914,589</b>	<b>863,880</b>
	<b>Non-current liabilities</b>		
15,18,19	Corporate bonds	747,851	0
10	Deferred tax	64,580	18,916
	<b>Total non-current liabilities</b>	<b>812,431</b>	<b>18,916</b>
	<b>Current liabilities</b>		
15,18,19	Credit institutions	409,947	843,787
	Trade payables	1,625,938	1,433,054
15,18,19	Corporate bonds	0	499,709
10	Income tax payable	5,985	8,184
18, 19	Derivative liabilities	1,604,217	1,387,319
	Other payables	670,420	682,143
	<b>Total current liabilities</b>	<b>4,316,507</b>	<b>4,854,196</b>
	<b>Total liabilities</b>	<b>5,128,938</b>	<b>4,873,112</b>
	<b>Total equity and liabilities</b>	<b>6,043,527</b>	<b>5,736,992</b>
13	Interest in subsidiaries		
16	Pledges, collateral and contingent liabilities		
17	Operating leases		
20	Related party disclosures		
21	Events after the balance sheet date		
22	Standards issued but not yet effective		

# Statement of changes in equity

Notes DKK '000

	Share capital	Exchange rate reserve	Retained earnings	Dividends	Total
Equity 01/01 2017	221,833	-2,547	644,594	0	863,880
Profit for the year	0	0	57,185	0	57,185
<b>Other comprehensive income in 2017</b>					
Foreign currency translation adjustment	0	-6,476	0	0	-6,476
<b>Comprehensive income for the period</b>	<b>0</b>	<b>-6,476</b>	<b>57,185</b>	<b>0</b>	<b>50,709</b>
<b>Transactions with the owners</b>					
Dividend distributed	0	0	0	0	0
<b>Transactions with the owners for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity 31/12 2017</b>	<b>221,833</b>	<b>-9,023</b>	<b>701,779</b>	<b>0</b>	<b>914,589</b>
<b>Equity 01/01 2016</b>					
Equity 01/01 2016	221,833	1,626	530,498	0	753,957
Profit /(loss) for the year	0	0	114,096	0	114,096
<b>Other comprehensive income in 2016</b>					
Foreign currency translation adjustment	0	-4,173	0	0	-4,173
<b>Comprehensive income for the period</b>	<b>0</b>	<b>-4,173</b>	<b>114,096</b>	<b>0</b>	<b>109,923</b>
<b>Transactions with the owners</b>					
Dividend distributed	0	0	0	0	0
<b>Transactions with the owners for the period</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Equity 31/12 2016</b>	<b>221,833</b>	<b>-2,547</b>	<b>644,594</b>	<b>0</b>	<b>863,880</b>

During the year dividend of DKK 0.00 per share was paid (2016: DKK 0.00).

# Statement of cash flows

Notes	DKK '000	2017	2016
	Operating profit	112,359	184,762
	Adjustments for operating items of a non-cash nature etc.:		
	Depreciation and amortisation etc.	54,863	48,385
	Net foreign exchange differences	-6,476	-5,319
	Gain on disposal of tangible assets	-590	-509
	Finance income, received	5,867	3,477
	Finance costs, paid	-46,839	-42,816
	Changes in trade and other receivables	24,742	-460,156
	Changes in trade and other payables	396,523	85,199
10	Income taxes received	13,985	-4,178
	<b>Cash flow from operating activities</b>	<b>554,434</b>	<b>-191,155</b>
	Purchase of intangible assets	-39,946	-36,112
	Purchase of tangible assets	-327,872	-2,994
	Disposal of tangible assets	1,757	0
	Disposals of financial assets	0	30,639
	<b>Cash flow from investing activities</b>	<b>-366,061</b>	<b>-8,467</b>
	Issued corporate bond	747,417	0
	Repayment of corporate bond	-500,000	0
	Dividends paid	0	0
	<b>Cash flow from financing activities</b>	<b>247,417</b>	<b>0</b>
	<b>Cash flow for the year</b>	<b>435,790</b>	<b>-199,622</b>
	Cash and cash equivalents at 1 January	-837,717	-638,095
	Currency translation adjustments	0	0
	<b>Cash and cash equivalents 31 December</b>	<b>-401,927</b>	<b>-837,717</b>

Issued corporate bonds amounts to DKK 750m. Transaction cost of 2.583m has been deducted in the cash flow statement.

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# Notes to the consolidated financial statements

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# Notes to the consolidated financial statements

## Notes

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### 1 Accounting policies

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#### Basis of preparation

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Energi Danmark A/S (the Company) is a limited company incorporated and domiciled in Denmark. Energi Danmark A/S' primary activity is trading in energy and commodities such as electricity and gas as well as carbon contracts.

The consolidated financial statements at 31 December 2017 for Energi Danmark A/S is presented in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and additional requirements in the Danish Financial Statements Act.

The consolidated financial statements of Energi Danmark A/S and its subsidiaries (collectively, Energi Danmark or the Group) for the year ended 31 December 2017 were authorised for issue in accordance with the directors on 23 March 2018.

The consolidated financial statements are presented in Danish Kroner (DKK) and all values are rounded to the nearest thousand (DKK 000's), except when otherwise indicated.

The format for presenting the income statement is based on the type of expenditure to better reflect the activities provided by Energi Danmark A/S.

For more information regarding the group structure, please refer to Note 13.

The consolidated financial statements have been prepared on a historical cost basis, except where otherwise indicated in the below stated accounting policy.

#### Basis of consolidation

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The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017.

The consolidated financial statements cover the parent company Energi Danmark A/S and subsidiaries in which Energi Danmark A/S has control. The Group has control over an entity, when the Group is exposed to or has rights to variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity.

Only potential voting rights that are considered to be substantive at the balance sheet date are included in the control assessment.

The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits

and losses on transactions between the consolidated entities are eliminated.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements.

For more information regarding the Group structure, please refer to Note 13.

#### Early adoption of IFRS 9

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In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9 and

is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group has in 2016 adopted the new standard.

#### Foreign currency translation

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The Group's consolidated financial statements are presented in Danish Kroner (DKK), which is also the parent company's functional currency. For each entity, the Group determines the functional

currency and items included in the financial statements of each entity are measured using that functional currency.



# Notes to the consolidated financial statements

## Notes

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Receivables, debt and other monetary items denominated in foreign currencies are translated using the exchange rate at the balance sheet date. Differences between the exchange rate at the balance sheet date and the date on which the receivable or debt arose or was included in the latest annual reports are recognised in the income statement under financial income and costs.

Foreign currency transactions are translated during initial recognition, applying the exchange rate on the transaction date. Exchange rate differences that arise between the rate at the

transaction date and the rate in effect at the payment date are recognised in the income statement as financial items.

Differences in exchange rates arising from the translation of foreign subsidiaries' equity at the beginning of the year at the exchange rates at the balance sheet date and from the translation of income statements from the average exchange rates for the currency exchange rates at the balance sheet date are recognised directly in other comprehensive income.

### Offsetting

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Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset

the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Income statement

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#### Revenue – sale of power etc.

Sales of physical and financial electricity, gas and wind power to customers and counterparties are included and accrued in full after delivery. Net revenue is recognised exclusive of VAT, taxes and sales discounts.

The Group collects payments from customers on behalf of grid companies and tax authorities. In that respect, the Group regards itself as an agent, and recognises these transactions on a net-basis.

#### Purchase of power

Purchases of physical and financial electricity, gas and wind power with customers and counterparties are included and accrued in full after delivery.

#### Net income/loss from financial instruments

Net income/loss from financial instruments includes fair value adjustments of derivative financial instruments used for economic hedging of the Group's exposure to interest rate risks, foreign currency risks and commodity price risks. Including fair value adjustments of sales and purchases contracts qualifying for accounting as derivative.

#### Staff costs

Staff costs include salaries and wages, as well as social benefits, pensions, etc. for the company's staff.

#### Other external costs

Other external costs include expenditure for sales, marketing, advertising, IT, administration and facilities, etc.

#### Depreciation

Depreciation includes amortisation on completed development projects, technical facilities, operating equipment, vehicles, wind turbines and leasehold improvements. Depreciation is recognised based on the amortisation and depreciation profiles determined for the assets.

#### Finance income and costs

"Finance income" and "Finance costs" respectively include interest, capital gains and losses concerning securities as well as surcharges and refunds under the Danish Tax Prepayment Scheme etc.

#### Tax and deferred tax

Energi Danmark A/S is taxed jointly with Energi Danmark Securities A/S and Energi Danmark Vind A/S. The parent company is the management company for the joint taxation and settles all payments with the tax authorities.

Deferred taxes are measured based on all temporary differences between the carrying amount and taxable value of assets and liabilities. However, deferred taxes based on temporary differences concerning amortisation of non-deductible goodwill and other items on which temporary differences, other than acquisitions, have arisen at the time of acquisition without affecting profit and loss or taxable revenue are not recognised.

An adjustment is made to deferred tax resulting from elimination of unrealised intercompany profit and losses.

Realisation of the assets at their carrying amount will not cause tax liabilities or tax receivables other than those mentioned in Note 10.

# Notes to the consolidated financial statements

## Notes

### Balance sheet

#### Intangible assets

Costs for completed development projects include costs, wages and salaries that can be directly or indirectly attributed to these activities. Development projects recognised in the balance sheet are measured at cost less any accumulated amortisation and accumulated impairment losses.

Recognised costs for completed development projects are measured at cost less any accumulated amortisation and accumulated impairment losses.

The cost includes the purchase price and any costs directly associated with the acquisition until the asset is ready for use.

Costs for completed development projects are amortised on a straight-line basis over the estimated useful life, based on the expected service life up to a maximum of 10 years.

#### Tangible assets

Technical facilities, operating equipment and fixtures as well as leasehold improvements etc. are measured at cost less accumulated depreciations. Wind turbines acquired for the purpose of being included in the Group's operating activities are listed as non-current assets. The cost includes the purchase price and any costs directly associated with the acquisition until the asset is ready for use.

Where individual components of an item of tangible assets have different useful lives, they are depreciated separately. Depreciation is provided on a straight-line basis over the expected useful lives of the assets/components.

Depreciation is linear over the expected useful lives of the assets based on the following assessments of the expected service life of the assets:

Operating equipment, fixtures etc.	3–5 years
Wind turbines	25 years
Leasehold improvements	7–10 years
Land is not depreciated	

Profits or losses from the sale of tangible assets are determined as the difference between the sales price less sales costs and the carrying amount at the time of the sale.

#### Impairment of non-current assets

Non-current assets with definite useful lives are tested for impairment when there is an indication that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing

impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

#### Leases

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease. All other leases are classified as operating leases.

All leases in the Group are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the lease term unless another systematic basis is more representative of the time pattern of benefits.

#### Financial Assets

Non-derivative financial assets are in accordance with IFRS 9 Financial Instruments classified into the categories financial assets measured at fair value through profit or loss, fair value through other comprehensive income or amortised costs.

#### Receivables

The Group classifies receivables, including trade receivables, as financial instruments measured at amortised costs, when both of the following conditions are met:

- > The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- > The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets within this category are measured at amortised cost using the effective interest method, less any impairment losses.

#### Impairment of financial assets

The Group recognises a provision for impairment for expected credit loss (ECL) on financial assets measured at amortised costs.

For financial assets containing a significant financing component the impairment provision is made on an individual assessment based on the ECL within 12 months after the balance sheet date. If the credit risk of the financial asset has increased significantly the Group measures the impairment provision at an amount equal to lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group considers reasonable and supportable information that is publicly available. This includes both quantitative and qualitative information, including the Group's own historical experience and forecasts.

# Notes to the consolidated financial statements

## Notes

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The provision for impairment for trade receivables are always measured at an amount equal to lifetime ECL. For further information on the Group's impairment of financial assets refer to Note 18.

### Own use of contracts

The Group enters into certain contracts that meet the criteria for the own use exemption. For these contracts the Group applies the fair value option, as the measurement of both the physical contracts and the related hedging instrument at the fair value through profit or loss reduces or eliminates an accounting asymmetry.

### Derivative financial instruments

The Group uses derivative financial instruments, such as forward currency contracts, interest rate swaps and forward commodity contracts, to hedge its foreign currency risks, interest rate risks and commodity price risks, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The sales and purchase contracts that qualify for accounting as derivatives are recognised in the statement of profit or loss as net income/loss from financial instruments. Commodity contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are held at cost.

The Group uses the derivative financial instruments for economic hedges only, and thus does not apply hedge accounting.

Consequently, any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss.

If, at time of inception, a difference arises between the model value of a financial instrument or physical contract accounted for as a derivative, and the transaction price (day-one profit or loss), the difference is recognised in the income statement over the delivery period.

### Liabilities

Financial liabilities, including payables to suppliers, corporate bonds and debt to credit institutions, are initially recognised at fair value (typically the amount of the proceeds received), net of transaction costs incurred. In subsequent periods, the financial liabilities are measured at amortised cost; any difference between the cost (the proceeds) and the nominal value is recognised in the income statement over the period of the borrowings using the effective interest method.

Other liabilities are measured at net realisable value.

### Equity

#### *Foreign currency translation reserve*

The exchange rate translation reserve in the consolidated financial statements comprises exchange differences arising on the translation of the financial statements of foreign enterprises from their functional currencies into Danish kroner. On realisation, accumulated translation adjustments are reclassified from equity to financial items in the income statement.

### Dividends

The proposed dividend is recognised as a liability on the date of adoption by the Annual General Meeting (date of declaration). The expected dividend payment for the year is disclosed as a separate item under equity.

### Fair value measurement

The Group measures financial instruments such as derivatives, at fair value at each balance sheet date. Fair-value related disclosures for financial instruments and non-financial assets that are measured at fair value or where fair values are disclosed, are summarised in note 19.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or, if not available, in the most advantageous market.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

# Notes to the consolidated financial statements

## Notes

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

### Operating segments

The operating segments are based on geographical segments, which also equals the legal structure of the Group. The segment reporting is based on the monthly reporting sent to the management.

### Cash flow statement

The cash flow statement shows the Group's cash flow for the year divided into operating, investing and financing activities during the

year, as well as the year's changes in cash and cash equivalents and the company's cash and cash equivalents at the beginning and end of the year.

### Cash flow from operating activities

Cash flow from operating activities is presented using the indirect presentation form and is stated as the year's profit/loss before tax plus depreciation and impairment losses and with adjustments for changes in working capital and paid corporate tax.

### Cash flow from investing activities

Cash flow from investing activities includes payments in connection with the purchase and sale of non-current assets.

### Cash flow from financing activities

Cash flow from financing activities includes cash flows provided by and dividends paid to shareholders as well as raising of loans and repayments on interest-bearing debt.

### Cash

Cash comprises liquid assets and current securities that can be converted into liquid assets without hindrance and for which there is only limited risk of changes in value and debt to credit institutions.

Cash in foreign currency are measured at the average rate of The National Bank of Denmark on the balance sheet date.

## Key Ratios

The key ratios were calculated in accordance with the recommendations of the Danish Society of Financial Analysts.

The key ratios listed in the overview of financial highlights were calculated as follows:

$$\text{Gross margin ratio} = \frac{\text{Gross profit} \times 100}{\text{Net revenue}}$$

$$\text{Profit ratio (EBIT)} = \frac{\text{Profit from ordinary operating activities} \times 100}{\text{Net revenue}}$$

$$\text{Equity ratio (solvency)} = \frac{\text{Equity, excluding non-controlling interests, end of year} \times 100}{\text{Total assets, end of year}}$$

$$\text{Return on equity before tax} = \frac{\text{Profit before tax} \times 100}{\text{Average equity, excluding non-controlling interests}}$$

$$\text{Return on equity after tax} = \frac{\text{Profit after tax} \times 100}{\text{Average equity, excluding non-controlling interests}}$$

# Notes to the consolidated financial statements

## Notes

### 2 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management continuously reassesses these estimates and judgements based on a number of factors in the given circumstances. The following accounting estimates are considered significant for the financial reporting.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in the following. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

In the process of applying the Group's accounting policies, management has made the following estimates and assumptions, which have the most significant effect on the amounts recognised in the consolidated financial statements:

- > Impairment of wind turbines
- > Fair value of financial and physical contracts
- > Amortisation of initial margin (day-1 profit or loss)

Other disclosures relating to the Group's exposure to risks and uncertainties includes capital management (Note 14), financial instrument risk management and sensitivity analysis disclosures (Note 18 and 19).

#### Impairment of wind turbines

The Energi Danmark Group invests in wind turbines, which are measured at cost less accumulated depreciations. In accordance with the Group's accounting policies the portfolio of wind turbines are tested for impairment, when indications of impairment occurs. Impairment exists when the carrying amount of the wind turbines exceeds the recoverable amount.

As a consequence of the electricity price level during 2017, the Group has tested whether its wind turbines are impaired. The impairment test is carried out on a portfolio basis and is based on Management's estimates and assumptions of which the most significant include:

- > Expected production
- > Future electricity prices
- > Cost for maintenance program
- > Discount rate

At 31 December 2017, the carrying amount of wind turbines is DKK 816m (2016: DKK 526m).

#### Fair value of financial and physical contract

The Group measures its financial and physical contracts at fair value in accordance with the accounting policies as summarised in note 1.

Energi Danmark's strategy for measuring the fair value of these energy contracts is to utilise quoted prices in an active trading market.

In the absence of quoted prices for identical or similar energy contracts, general acceptable valuation models are applied and observable market data is used as input to the fair value calculations. Where the instruments are complex combinations of standard or non-standard products, unobservable market data may be used in the valuation models in order to calculate the fair value.

To ensure the validity and accuracy of the models all assumptions and inputs are approved and continuously tested.

The assumptions within the models used to determine the fair value of the physical and financial energy contracts in accordance with IFRS 13 are central, since any changes in assumptions could have a significant impact on the fair values and movements which are reflected in the consolidated income statement and balance sheet.

More detail on the assumptions used in the fair value measurement of the Group's energy contracts and related sensitivities are further described in note 19.

At 31 December 2017, the carrying amount of derivative assets and liabilities amounts to DKK 1,324m (2016: DKK 1,309m) and DKK 1,604m (2016: DKK 1,387m), respectively.

#### Amortisation of initial margin (day-1 profit or loss)

Day 1 profits are recognised in the income statement over the delivery period. Corrections for day 1 profits are partly calculated using price elements based on averages on which there is some uncertainty attached.

At 31 December 2017 the carrying amount of day 1 profits amounts to DKK 345m (2016: DKK 321m).

Day 1 profits are further described in note 19.

# Notes to the consolidated financial statements

Notes DKK '000

## 3 Operating segments

Management has defined the Groups business segments (reportable segments) based on the reporting presented regularly to the Executive Board and which forms the basis for Managements strategic decisions. The segmentation reflects the legal structure of the Group.

- > **Energi Danmark:** Physical and financial energy trading, carbon trading and trading with gas and wind energy. Sells energy to the subsidiaries.
- > **Energi Danmark Securities:** Delivers portfolio management services, and trade with derivative financial instruments in this relation.

- > **Energi Danmark Vind:** Buys and owns wind turbines and sells electricity from wind production
- > **Energi Försäljning Sverige:** Sells energy on the Swedish market
- > **Energia Myynti Suomi:** Sells energy on the Finnish market
- > **Energi Salg Norge:** Sells energy on the Norwegian market
- > **Energie Vertrieb Deutschland EVD GmbH:** Sells energy on the German market

The reportable segments have been determined without aggregating operating segments.

2017

	Total revenue	Internal revenue	External revenue	Finance income	Finance costs	Depreciation and amortisation	Reportable segment profit/loss before tax
Energi Danmark	16,741,210	3,950,984	12,790,226	6,181	44,752	18,998	56,765
Energi Danmark Securities	29,754	29,102	652	799	0	22	2,209
Energi Danmark Vind	92,962	41,297	51,665	11	7,049	33,535	10,358
Energi Försäljning Sverige	1,645,796	0	1,645,796	2,258	34	637	62,870
Energia Myynti Suomi	1,337,142	0	1,337,142	743	0	53	1,159
Energi Salg Norge	592,156	0	592,156	194	29	280	-2,722
Energie Vertrieb Deutschland EVD GmbH	761,165	130	761,035	777	71	1,338	-1,840
<b>Total segments</b>	<b>21,200,185</b>	<b>4,021,513</b>	<b>17,178,672</b>	<b>10,963</b>	<b>51,935</b>	<b>54,863</b>	<b>128,799</b>
Adjustment and elimination	-4,021,513	-4,021,513	0	-5,096	-5,096	0	-57,412
<b>Consolidated</b>	<b>17,178,672</b>	<b>0</b>	<b>17,178,672</b>	<b>5,867</b>	<b>46,839</b>	<b>54,863</b>	<b>71,387</b>

Adjustment and elimination consists of elimination of internal transactions. The transactions between the segments are made on market conditions.



# Notes to the consolidated financial statements

Notes DKK '000

	2016						
	Total revenue	Internal revenue	External revenue	Finance income	Finance costs	Depreciation and amortisation	Reportable segment profit/ loss before tax
Energi Danmark	14,545,503	3,327,571	11,217,932	9,186	44,354	21,227	136,206
Energi Danmark Securities	29,314	29,314	0	1,183	0	110	30,777
Energi Danmark Vind	59,671	22,034	37,637	6	7,994	24,278	2,180
Energi Försäljning Sverige	1,721,213	0	1,721,213	1,331	235	892	25,291
Energia Myynti Suomi	1,317,605	0	1,317,605	201	1	368	8,758
Energi Salg Norge	340,993	0	340,993	378	10	314	-6,058
Energie Vertrieb Deutschland EVD GmbH	447,393	0	447,393	1,320	350	1,196	3,318
<b>Total segments</b>	<b>18,461,692</b>	<b>3,378,919</b>	<b>15,082,773</b>	<b>13,605</b>	<b>52,944</b>	<b>48,385</b>	<b>200,472</b>
Adjustment and elimination	-3,378,919	-3,378,919	0	-10,128	-10,128	0	-55,049
<b>Consolidated</b>	<b>15,082,773</b>	<b>0</b>	<b>15,082,773</b>	<b>3,477</b>	<b>42,816</b>	<b>48,385</b>	<b>145,423</b>

Adjustment and elimination consists of elimination of internal transactions. The transactions between the segments are made on market conditions.

	2017	2016	2017	2016
	External revenue		Non-current assets (excluding deferred tax asset)	
Denmark	12,842,543	11,255,569	888,271	574,700
Sweden	1,645,796	1,721,213	626	951
Finland	1,337,142	1,317,605	906	479
Germany	761,035	447,393	3,381	4,290
Norway	592,156	340,993	572	552
<b>Total</b>	<b>17,178,672</b>	<b>15,082,773</b>	<b>893,756</b>	<b>580,972</b>

Revenue is allocated to the country of domicile for the customer.

No single customer accounts for more than 10% of consolidated revenue.

# Notes to the consolidated financial statements

Notes	DKK '000	2017	2016
4	Staff costs		
	Wages and salaries	114,059	115,470
	Pensions, defined contribution plans	13,423	12,519
	Other expenses for social security	5,483	5,857
		<b>132,965</b>	<b>133,846</b>
	Average number of employees	204	180
	Number of employees at 31 December	214	184

Remuneration of Board of Directors and Executive Management.

	2017	
	Board of Directors	Executive Management
Wages and salaries	125	8,585

The executive management has a bonus scheme that is based on achieved Group earnings.

	2016	
	Board of Directors	Executive Management
Wages and salaries	125	10,665

The executive management has a bonus scheme that is based on achieved Group earnings.

5	Development project costs		
	Relationship between costs and expensed research and development:		
	Incurring R&D costs		
	R&D costs accounted for under intangible assets	39,946	36,112
	R&D costs for the year in the income statement	0	0

# Notes to the consolidated financial statements

Notes	DKK '000	2017	2016
6	Depreciation		
	Amortisation of intangible assets	18,228	20,721
	Depreciation of tangible assets	36,893	27,539
	Gain on disposal of tangible and intangible assets, etc.	-258	125
		<b>54,863</b>	<b>48,385</b>
7	Fees paid to auditors appointed at the annual general meeting		
	Fee regarding statutory audit	1,034	937
	Tax assistance	401	426
	Assurance engagements	25	35
	Other assistance	751	839
		<b>2,211</b>	<b>2,237</b>
8	Finance income		
	Interest income, credit institutions	452	258
	Interest on late payments	2,086	1,644
	Other interest income	3,329	1,575
		<b>5,867</b>	<b>3,477</b>
9	Finance costs		
	Interest expenses, credit institutions	14,290	10,096
	Interest expenses, corporate bonds	15,190	11,153
	Other interest expenses	17,359	21,567
		<b>46,839</b>	<b>42,816</b>

# Notes to the consolidated financial statements

Notes	DKK '000	2017	2016
10	Tax		
	<b>Tax for the year is composed as follows:</b>		
	Tax on profit for the year in the income statement	14,202	31,327
	Tax on other comprehensive income	0	0
	<b>Tax on profit for the year has been calculated as follows:</b>		
	Current tax for the year	8,834	28,177
	Deferred tax	5,134	2,707
	Adjustment of prior-year tax charge	234	443
	<b>Specification of the tax on the profit for the year:</b>		
	Calculated 22% tax of the profit for the year	15,705	31,993
	Adjustment of calculated tax in foreign subsidiaries	722	2,240
	Non-deductible costs and non-taxable income	-8,117	-6,056
	Adjustment of prior-year tax charge	234	443
	Deferred tax from previous year accounted for	5,658	2,707
	Non-capitalised tax asset	0	0
	<b>Effective tax</b>	<b>14,202</b>	<b>31,327</b>
	<b>Income tax receivable/payable</b>		
	Income tax receivable/payable at 1 January	-8,184	16,414
	Foreign currency translation adjustments, income tax	655	-156
	Adjustment of tax, previous years	-234	-443
	Transferred from deferred tax	36,719	0
	Current tax for the year	-8,834	-28,177
	Income tax received	-13,985	4,178
	<b>Income tax receivable/payable at 31 December</b>	<b>6,137</b>	<b>-8,184</b>
	<b>Income tax is recognised in the balance sheet:</b>		
	Income tax receivable	12,122	0
	Income tax payable	-5,985	-8,184
		<b>6,137</b>	<b>-8,184</b>

# Notes to the consolidated financial statements

Notes	DKK '000	2017	2016
<b>Deferred tax</b>			
	Deferred tax, 1 January	17,060	15,677
	Foreign currency translation, adjustments, deferred tax	-1,054	-1,324
	Financial contracts	39,433	0
	Adjustments of deferred tax, previous years	-2,270	0
	Adjustment of deferred tax	5,134	2,707
	<b>Deferred tax 31 December</b>	<b>58,303</b>	17,060
<b>Deferred tax relates to:</b>			
	Intangible assets	3,551	3,962
	Tangible assets	68,429	55,950
	Loss allowance on trade receivables	-790	-1,051
	Financial contracts	0	-39,433
	Foreign accounting policies	-3,539	-2,368
	Loss transferred	-9,348	0
	<b>Carrying amount 31 December</b>	<b>58,303</b>	17,060
<b>Deferred tax is recognised as follows in the balance sheet:</b>			
	Deferred tax asset	-6,277	-1,856
	Deferred tax liability	64,580	18,916
		<b>58,303</b>	17,060

The Group has no unrecognised deferred tax assets.

# Notes to the consolidated financial statements

Notes DKK '000

11 Intangible assets

	2017		
	Completed development projects	Development projects in progress	Total
Cost 1 January	199,637	23,130	222,767
Foreign currency translation adjustment	-271	0	-271
Additions	0	39,946	39,946
Transfers	15,258	-15,258	0
<b>Cost 31 December</b>	<b>214,624</b>	<b>47,818</b>	<b>262,442</b>
Accumulated amortisations 1 January	178,267	0	178,267
Foreign currency translation adjustment	-1,262	0	-1,262
Amortisations for the year	18,228	0	18,228
<b>Accumulated amortisations 31 December</b>	<b>195,233</b>	<b>0</b>	<b>195,233</b>
<b>Carrying amount 31 December</b>	<b>19,391</b>	<b>47,818</b>	<b>67,209</b>
	2016		
	Completed development projects	Development projects in progress	Total
Cost 1 January	181,247	5,928	187,175
Foreign currency translation adjustment	-520	0	-520
Additions	0	36,112	36,112
Transfers	18,910	-18,910	0
<b>Cost 31 December</b>	<b>199,637</b>	<b>23,130</b>	<b>222,767</b>
Accumulated amortisations 1 January	158,038	0	158,038
Foreign currency translation adjustment	-492	0	-492
Amortisations for the year	20,721	0	20,721
<b>Accumulated amortisations 31 December</b>	<b>178,267</b>	<b>0</b>	<b>178,267</b>
<b>Carrying amount 31 December</b>	<b>21,370</b>	<b>23,130</b>	<b>44,500</b>

Development projects in progress includes development and test of IT-systems, which support the daily operation of the Group. The costs consists of internal costs, e.g. salary and external costs, e.g.

assistance from external IT developers. The development of the IT systems is expected to lead to better service of customers.



# Notes to the consolidated financial statements

Notes DKK '000

12 Tangible assets

	2017			
	Leasehold improvements	Vehicles	Tools and equipment	Total
Cost 1 January	6,596	12,047	608,349	626,992
Foreign currency translation adjustment	-226	-39	146	-119
Additions	0	2,978	324,894	327,872
Disposals	0	-3,766	0	-3,766
<b>Cost 31 December</b>	<b>6,370</b>	<b>11,220</b>	<b>933,389</b>	<b>950,979</b>
Accumulated depreciation 1 January	2,955	5,591	81,974	90,520
Foreign currency translation adjustments	-3	61	-54	4
Depreciations for the year	649	2,151	34,093	36,893
Depreciations, disposals for the year	0	-2,985		-2,985
<b>Accumulated depreciations 31 December</b>	<b>3,601</b>	<b>4,818</b>	<b>116,013</b>	<b>124,432</b>
<b>Carrying amount 31 December</b>	<b>2,769</b>	<b>6,402</b>	<b>817,376</b>	<b>826,547</b>

	2016			
	Leasehold improvements	Vehicles	Tools and equipment	Total
Cost 1 January	6,549	11,464	607,615	625,628
Foreign currency translation adjustment	-8	15	-36	-29
Additions	55	2,741	722	3,518
Disposals	0	-2,173	48	-2,125
<b>Cost 31 December</b>	<b>6,596</b>	<b>12,047</b>	<b>608,349</b>	<b>626,992</b>
Accumulated depreciation 1 January	2,310	5,579	57,113	65,002
Foreign currency translation adjustments	-3	6	-33	-30
Depreciations for the year	648	1,997	24,894	27,539
Depreciations, disposals for the year	0	-1,991	0	-1,991
<b>Accumulated depreciations 31 December</b>	<b>2,955</b>	<b>5,591</b>	<b>81,974</b>	<b>90,520</b>
<b>Carrying amount</b>	<b>3,641</b>	<b>6,456</b>	<b>526,375</b>	<b>536,472</b>

For assets pledged as security, please refer to note 16.

The Group has no significant contractual commitment to invest in tangible assets in future years.

# Notes to the consolidated financial statements

Notes DKK '000

13 Interest in subsidiaries

Name	Address	Country of incorporation	Voting right and ownership share
Energi Danmark Securities A/S	Sundkrogsgade 21, 2. 2100 København Ø	Denmark	100%
Energi Danmark Vind A/S	Hedeager 5, 8200 Aarhus N	Denmark	100%
Energi Försäljning Sverige AB	Stortorget 23, 21134 Malmö	Sweden	100%
Energia Myynti Suomi Oy	Teknoboulevardi 3-5, 01530 Vantaa	Finland	100%
Energi Salg Norge AS	Drammensveien 123, Skøyen, 0277 Oslo	Norway	100%
Energie Vertrieb Deutschland EVD GmbH	Christoph-Probst-Weg 4, 20150 Hamburg	Germany	100%

14 Share capital

#### Capital management

The capital structure is managed by Energi Danmark on behalf of the Group. This applies to managing capital used in daily operation as well as planning and deciding dividends to Energi Danmark.

The Group uses own funding, bank facilities and corporate issued bonds to finance working capital requirements.

The overall objective when managing capital is to ensure a continued development and strengthening of the Group's capital structure to support profitable growth.

The long term objective relating to capital structure is to improve solvency ratio significantly. This will primarily be achieved through consolidation of future results. It has been agreed with

the shareholders and the owners of the corporate bond, that no dividend will be distributed, before the solvency ratio equals a minimum of 20%. The solvency ratio at 31 December 2017 amounts to 15.1% (31 December 2016: 15.1%)

For an overview of the dividends distributed historically, please refer to page 134.

#### Reserves - proposed dividend

The share capital as of 31 December 2017 consists of 221,833,336 shares of a nominal value of 1 DKK. (2016: 221,833,336 shares of a nominal value of 1 DKK).

All shares have the same voting rights.

# Notes to the consolidated financial statements

Notes	DKK '000	2017	2016
15	Borrowings		
	Credit institutions and borrowings		
	<b>Non-current borrowings</b>		
	Corporate bonds	747,851	0
		<b>747,851</b>	<b>0</b>
	<b>Current borrowings</b>		
	Corporate bonds	0	499,709
	Debt to credit institutions	409,947	843,787
		<b>409,947</b>	<b>1,343,496</b>
	<b>Total borrowings</b>		
	Nominal value		
	<b>Maturity of non-current and current borrowings</b>		
	Less than one year	409,947	1,343,496
	Between one and five years	747,851	0
	More than five years	0	0
		<b>1,157,798</b>	<b>1,343,496</b>

The interest rate to credit institutions is variable. The variable interest rate is hedged using interest rate swaps. Refer to the description in note 18.

Issued bonds consists of corporate bonds issued on First North in Denmark.

Issuer	Nominal value	Interest rate margin	Received	Due	31/Dec/17
Energi Danmark A/S a)	750,000	2.40%	2017	22/06/2020	747,851

a) The interest rate is set every three months as three-month CIBOR + 2.40%. The listed interest rate was set on 22/12/2017.

# Notes to the consolidated financial statements

Notes	DKK '000	2017	2016
16	Pledges, collateral and contingent liabilities		
	The following assets are pledged as collateral for trading on power exchanges as well as balances with counterparties:		
	Power exchange Nord Pool Spot, EEX, APX , Nasdaq OMX and other counterparties etc. Deposited cash.	393,984	184,488
	<b>Guarantees</b>		
	Guarantees provided by a financial institute	723,818	793,770
	The Group has provided its portfolio of wind turbines as collateral for the debt which amounts to DKK 500.3m as of 31 December 2017 (2016: DKK 250.2m). The carrying amount of the wind turbines amounts to DKK 815.9m as of 31 December 2017 (2016: DKK 526.1m).		
17	Operating leases		
	Energi Danmark has entered into operating lease contracts of which the main contracts relates to leased offices. The minimum lease periods are in the interval from 1 to 5 years.		
		Total commitments fall due as follows (undiscounted):	
	Less than one year	9,780	11,358
	Between one and five years	23,066	19,974
	More than five years	0	4,286
		<b>32,846</b>	<b>35,618</b>
	For 2017 (2016) the recognised lease payments are DKK 7,861 thousands. (DKK 7,705 thousands)		

# Notes to the consolidated financial statements

Notes DKK '000

18 Risks, financial instruments and recognised transactions

The Energi Danmark Group is exposed to market risks (price, volume, currency exchange risks), operational risks, credit risks, interest rate risks and liquidity risks. The Group's Executive Directors oversees the management of these risks. The Group's senior management is supported by a risk management team that advises on financial risks and the appropriate financial risk governance framework for the Group.

All derivative activities for risk management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

## Credit risk

When trading electricity, financial contracts, other goods and commodities with customers, counterparties and exchanges Energy Denmark is exposed to a credit risk.

The credit risk exposure depends on the creditworthiness of the customers and counterparties. The customers are primarily to be found within the public sector, utility sector and across business markets (B2B).

## Counterparts

The counterparties are typically established companies trading with commodities.

All counterparties are subject to a credit-rating before starting to trade. Existing counterparties are also reevaluated on an ongoing basis especially when new contracts are due to be signed. Counterparts are all evaluated and given a line of exposure within

which daily exposures are calculated and monitored by the Risk Management department.

The daily credit risk regarding counterparties varies significantly due to fluctuations in electricity prices, as well as trading activity with the different counterparties.

## Customers

All customers are subject to a credit-rating before starting to trade. Existing customers are also reevaluated on an ongoing basis especially when new contracts are due to be signed. To do the credit rating Energy Denmark uses a credit rating score model from an external party. If the score is below certain predefined levels a manual credit-rating is done as well, either accepting the new contract or asking for additional security before signing.

It is the credit rating policy not to decline any customer that would like to trade with Energy Denmark, however when evaluating the credit-score and, if necessary, security requirements, the Finance department demands high standards. The necessity of maintaining high standards has become even more relevant since the Wholesale Model was implemented because losses from customers not paying their energy taxes and the transport of electricity have shifted from grid companies/Energinet.dk to trading companies like Energi Danmark.

The maximum exposure for credit risk on financial assets is reflected in the carrying amounts of financial assets in the balance sheet, without deducting the received deposits.

Based on the above description, it is assessed, that the overall credit risk for the Energi Danmark Group is considered to be low.

Trade receivable and provisions for impairment:

	2017		2016	
	Carrying amount before impairment	Provision for impairment	Carrying amount before impairment	Provision for impairment
Customers not due	3,269,511	697	3,238,982	3,000
Customers in dunning process	6,049	2,030	1,169	446
Insolvent customers	1,991	1,593	3,652	2,922
<b>Total</b>	<b>3,277,551</b>	<b>4,320</b>	<b>3,243,803</b>	<b>6,368</b>

Trade receivables are subject to impairment, where the actual provision is made based on a predefined percentage dependent on the numbers of reminders sent to the customer. If the customer

enters into bankruptcy or equivalent procedure a full writeoff of the receivable is performed.

# Notes to the consolidated financial statements

Notes DKK '000

## Liquidity risk

In Energy Denmark many of the working capital requirements from trading activities exist due to the funding of purchase of electricity for delivery to our customers. Especially since the Wholesale Model was implemented, the liquidity requirements has increased by the end of each month, but rapidly declines at the beginning of the following month. The increase is due to the fact that Energi Danmark has to pay grid companies/Energinet.dk for customer consumption-related energy taxes, transportation of electricity and PSO before receiving payments from customers.

The liquidity risk is managed and monitored on a daily basis and a cash flow prognosis showing expected future cash movements is maintained.

When trading electricity on the exchanges there is usually a requirement for margin calls to be covered by collaterals. The amount to be covered is calculated by the exchange every day and sent to Energi Danmark. Back office receives and monitors the collaterals always making sure that sufficient collateral is in place.

Energi Danmark has sufficient liquidity and collateral lines to support the business.

	Contractual maturity incl. interest (cash flow)				
	Carrying amount	Total	< 1 year	1-5 years	> 5 years
31 December 2017					
<b>Non-derivative financial instruments</b>					
Borrowings current and non-current	1,157,798	1,204,947	427,947	777,000	0
Trade payables	1,625,938	1,625,938	1,625,938	0	0
Other liabilities	676,405	676,405	676,405	0	0
<b>Derivative financial instruments</b>					
Derivatives	1,604,217	1,415,097	537,737	863,209	14,151
<b>Total financial instruments</b>	<b>5,064,358</b>	<b>4,922,387</b>	<b>3,268,027</b>	<b>1,640,209</b>	<b>14,151</b>
31 December 2016					
<b>Non-derivative financial instruments</b>					
Borrowings current and non-current	1,343,496	1,349,385	1,349,385	0	0
Trade payables	1,433,054	1,433,054	1,433,054	0	0
Other liabilities	690,327	690,327	690,327	0	0
<b>Derivative financial instruments</b>					
Derivatives	1,387,319	1,233,186	546,639	659,565	26,982
<b>Total financial instruments</b>	<b>4,854,196</b>	<b>4,705,952</b>	<b>4,019,405</b>	<b>659,565</b>	<b>26,982</b>

The contractual maturity analysis is based on the expected contractual cash flows.



# Notes to the consolidated financial statements

Notes DKK '000

## Interest rate risk

Energy Denmark is partly financing its operation with loans from banks. The loans are subject to a variable interest rate. Cash flows and interest rate levels are monitored on a regular basis.

The interest rate is hedged using interest rate swaps for the coming year, however hedge accounting are not used. The corporate bond interest rate is based on a CIBOR + fixed margin.

## Sensitivity analysis

Regarding the balances and loans with variable interest rate, a decrease in the interest rate of 1%-point compared to the interest rates at the balance sheet date, would lead to a positive effect of DKK 10.8m in the profit and loss and DKK 8.4m on the equity. A corresponding increase in the interest rate would lead to a negative effect of DKK 19.1m in the profit and loss and DKK 14.9m on the equity.

The sensitivity analysis is based on the recognised financial assets and liabilities and the interest rate swaps at the balance sheet date. No repayments of loans or new borrowings has been taken into account. The used change in interest rate is assessed to be reasonably likely considering the current market conditions.

## Market risk

The market price for electricity has shown to be quite volatile and subject to changes and events that can not be predicted.

Combined customer consumption is monitored on a regular basis in order to predict and adjust the corresponding hedging position.

The spot price is determined hourly on the physical exchanges and forms the basis for financial trading of electricity on futures and forward contracts.

Being present in multiple countries with different currencies (primarily DKK, NOK, SEK and EUR) also exposes the group to fluctuations and changes in exchange rates against DKK. Exposure is monitored on a daily basis and the Group enters into currency rate contracts in order to hedge exposure thereby minimizing the risk.

The price risk from selling electricity with fixed price elements are hedged by buying corresponding financial contracts on the exchange markets thereby securing Energi Danmark the contract margin.

To manage all of these risks the Risk Management department is using an ETRM-system called Elviz. Elviz is the foundation for calculating daily exposures using both VaR-based models and models developed inhouse showing day-to-day risks and MWh-exposure. Elviz contains almost all of Energy Denmark's positions/contracts, which are used as a basis for calculating the exposure using price curves derived from exchange quotes (where applicable).

Another market risk is the volume risk when trading electricity based on future prices (with fixed price elements) because the corresponding price hedge needs to match actual customer volume in order to avoid ineffective hedging positions.

Sensitivity analysis	2017			2016		
	P/L effect	Equity effect	Reasonably possible change in variable%	P/L effect	Equity effect	Reasonably possible change in variable%
Electricity	18,231	14,220	5%	7,054	5,502	5%
Currency exchange rate	9,350	7,293	5%	574	4	5%

The sensitivity analysis is based on the recognised financial assets and liabilities at the balance sheet date. Expected volatility of 5% is used for all markets and products in the sensitivity analysis.

# Notes to the consolidated financial statements

Notes DKK '000

19 Information about financial instruments

## Categories of financial instruments

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	3,273,231	3,273,231	3,237,435	3,237,435
Trade receivables from associates	1,951	1,951	1,672	1,672
Other receivables and deposits	524,496	524,496	600,369	600,369
Cash	8,020	8,020	6,070	6,070
<b>Financial assets measured at amortised cost</b>	<b>3,807,698</b>	<b>3,807,698</b>	<b>3,845,546</b>	<b>3,845,546</b>
Derivative assets	1,323,674	1,323,674	1,308,618	1,308,618
<b>Financial assets measured at fair value through profit or loss</b>	<b>1,323,674</b>	<b>1,323,674</b>	<b>1,308,618</b>	<b>1,308,618</b>
Credit institutions	409,947	409,947	843,787	843,787
Corporate bonds	747,851	755,250	499,709	502,500
Trade payables	1,625,938	1,625,938	1,433,054	1,433,054
Other payables	676,405	676,405	690,327	690,327
<b>Financial liabilities measured at amortised costs</b>	<b>3,460,141</b>	<b>3,467,540</b>	<b>3,466,877</b>	<b>3,469,668</b>
Derivative liabilities	1,604,217	1,604,217	1,387,319	1,387,319
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>1,604,217</b>	<b>1,604,217</b>	<b>1,387,319</b>	<b>1,387,319</b>

	2017	2016
<b>Assets</b>		
Financial	722,044	609,878
Physical	601,630	698,740
	<b>1,323,674</b>	<b>1,308,618</b>
<b>Liabilities</b>		
Financial	622,177	267,394
Physical	982,040	1,119,925
	<b>1,604,217</b>	<b>1,387,319</b>

# Notes to the consolidated financial statements

Notes DKK '000

## Fair value measurement of financial instruments

	2017			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
<b>Derivative financial assets:</b>				
Foreign exchange forward	0	35,083	0	35,083
Commodity derivative	258,791	893,609	136,191	1,288,591
<b>Total</b>	<b>258,791</b>	<b>928,692</b>	<b>136,191</b>	<b>1,323,674</b>

## Financial liabilities measured at fair value

<b>Derivative financial liabilities:</b>				
Interest rate swaps	0	18,932	0	18,932
Foreign exchange forward	0	6,824	0	6,824
Commodity derivative	5,026	1,572,738	697	1,578,461
<b>Total</b>	<b>5,026</b>	<b>1,598,494</b>	<b>697</b>	<b>1,604,217</b>

	2016			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
<b>Derivative financial assets:</b>				
Foreign exchange forward	0	64,836	0	64,836
Commodity derivative	389,377	749,022	105,383	1,243,782
<b>Total</b>	<b>389,377</b>	<b>813,858</b>	<b>105,383</b>	<b>1,308,618</b>

## Financial liabilities measured at fair value

<b>Derivative financial liabilities:</b>				
Interest rate swaps	0	29,305	0	29,305
Commodity derivative	88	1,317,430	40,496	1,358,014
<b>Total</b>	<b>88</b>	<b>1,346,735</b>	<b>40,496</b>	<b>1,387,319</b>

# Notes to the consolidated financial statements

Notes DKK '000

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or, if not available, in the most advantageous market.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

#### Foreign exchange forwards and interest rate swaps

Foreign exchange forwards and interest rate swaps are measured using generally accepted valuation techniques based on relevant observable swap-curves and foreign exchange rates.

#### Commodity derivatives

Commodity derivatives are measured using generally accepted valuation techniques based on relevant observable electricity price curves, foreign exchange rates etc. and manual calculated charges.

For valuation of assets and liabilities in level 3, the known prices are used together with an appropriate interest rate to extrapolate the prices to future periods, where no prices are available. The used interest rate amounts to 2% at 31 December 2017 (2% at 31 December 2016).

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair

value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1:** Quoted (unadjusted) market prices in active markets for identical assets or liabilities

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

If electricity prices changes with 5% the net level 3 value will change with DKK 19.5m. (2016: DKK 17.2m.)

The transfers from level 3 to level 2 consists primarily of wind contracts, where the terms of the contract is less than 5 year at the year end. Besides this DKK 48m in new transactions related to level 3.

#### Trade receivables, trade receivables from associates, other receivables and deposits, credit institutions, trade- and other payables

Trade receivables, trade receivables from associates, other receivables and deposits, credit institutions, trade- and other payables with a short credit time is assessed to have a fair value, which equals the carrying amount.

# Notes to the consolidated financial statements

Notes DKK '000

## Amortisation of initial margin

If, at the time of inception, a difference arises between the model value of a financial instrument or physical contract accounted for as derivatives, calculated on the basis of unobservable inputs, and

the transaction price (day-one profit or loss), the Group adjusts the model parameters to take into account the initial margin.

The margin is recognised as profit over the delivery period.

	2017	2016
Deferred initial margin 1 January	320,695	293,727
Recognised in profit or loss	-126,551	-126,590
Initial margin on new contracts	150,700	153,558
<b>Deferred initial margin 31 December</b>	<b>344,844</b>	<b>320,695</b>

## Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet if there is a currently enforceable legal right to offset the recognised amounts

and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

	2017			2016		
	Gross	Netting	Net	Gross	Netting	Net
Offsetting of current derivatives						
Derivative assets	4,202,519	-2,878,845	1,323,674	3,735,481	-2,426,863	1,308,618
Derivative liabilities	-4,483,062	2,878,845	-1,604,217	-3,814,182	2,426,863	-1,387,319
	<b>-280,543</b>	<b>0</b>	<b>-280,543</b>	<b>-78,701</b>	<b>0</b>	<b>-78,701</b>

The sales contracts and the associated hedging contracts can only be offset to a limited extent, as the transactions are made with different counterparties. As a consequence, the net value of the

derivatives will be affected by the difference between the average sales price, the price of the hedging and the current market price at the balance sheet date as well as the size of the open positions.

# Notes to the consolidated financial statements

Notes DKK '000

20 Related party disclosures

Energi Danmark's related parties include the following:

## Controlling interest

Energi Danmark A/S does not have any related parties with controlling interest.

## Ownership

The following shareholders are noted in the company's shareholder list and are considered to have significant influence over Energi Danmark A/S:

	<u>% ownership</u>
SEAS-NVE A.m.b.a., Hovedgaden 36, Svinninge	28.97
NRGi A.m.b.a., Dusager 22, Aarhus N	23.12
Energi Nord Holding A/S, Over Bækken 6, Aalborg	18.37
EWII Energi A/S, Kokbjerg 30, Kolding	16.50
SEAS-NVE Strømmen A/S, Hovedgaden 36, Svinninge	11.52
SEF Forsyning A/S, Fåborgvej 64, 5700 Svendborg	1.12
Fonden Langelands Elforsyning, Spodsbjergvej 141, 5900 Rudkøbing	0.40
	<b>100.00</b>

## Management

The Group's related parties further includes members of the Board of Directors and Executive Management. Remuneration to the Board of Directors and Executive Management is disclosed in note 4.

The Group has had the following transactions and balances with related parties:

	<u>2017</u>	<u>2016</u>
Sale of power	1,703,101	1,439,419
Purchase of power	9,876	8,799
Receivables	1,951	3,043
Payables	0	336

Related-party transactions are made on arm's length terms. Intra-group transactions have been eliminated in the consolidated financial statements.



# Notes to the consolidated financial statements

Notes DKK '000

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21 Events after the balance sheet date

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No important events have occurred since the end of the financial year.

22 Standards issued but not yet effective

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The IASB has issued the following standards and interpretations, which are not mandatory for Energi Danmark up to the date of issuance of the Group's consolidated financial statements for 2017:

- > IFRS 9 and subsequent changes to IFRS9, IFRS 7 and IAS 39
- > IFRS 14, IFRS 15 and IFRS 16 Leases
- > Amendments to IAS 7, IAS 12, IAS 28, IAS 40, IFRS 2, IFRS 4 and IFRS 10
- > Annual Improvements to IFRSs 2014-2016 Cycle
- > IFRIC 22

Of the above new standards and amendments, only IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers have been endorsed by the EU.

As described in note 1, the Group has chosen to early adopt IFRS 9 in connection with its transition to IFRS. For further description of the impact from the adoption of IFRS 9, please refer to note 1. The Group intends to adopt the other standards and interpretations, if applicable, when they become mandatory according to the effective date.

#### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is required to be applied on all sales contracts with customers. IFRS 15 is mandatory for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Energi Danmark expects the standard only to have minor impact and further detailed analysis will be conducted including assessment of how Energi Danmark will apply the transitional provisions and the related elective reliefs.

IFRS 15 will be implemented by the Group as it becomes effective from 1 January 2018.

#### **IFRS 16 Leases**

IFRS 16 Leases was issued in January 2016 and will be effective for annual periods beginning on or after 1 January 2019. The standard will significantly change the accounting treatment of leases that are currently classified as operating leases. IFRS 16 requires that all leases – with few exceptions – are recognised in the balance sheet as an asset with a corresponding liability. Further, the income statements will be affected as the lease expense for all operating leases under IFRS 16 will be split into depreciations and interest expenses, which under the current IAS 17 all is recognised in other external cost.

Energi Danmark has not yet carried out detailed analysis of the consequences from implementation of IFRS 16. However, the new standard is expected only to have minor impact, as the Group in 2017 has operating lease agreements with minimum payments amounting to DKK 32.8m, which under IFRS 16 potentially should be recognised in the balance sheet. In addition, the annual operating lease payments, which in 2017 amounts to DKK 7.9m, would in accordance with IFRS 16 be presented as cash flow from financing activities – whereas under the current IAS 17 the operating lease payments are presented as cash flow from operating activities.

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## Parent financial statements

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# Income statement

Notes	DKK '000	2017	2016
3	Revenue - Sales of power etc.	16,741,210	14,545,503
	Purchase of power	-16,875,940	-14,155,112
	Net income/loss from financial instruments	375,875	-57,636
	<b>Gross profit</b>	<b>241,145</b>	<b>332,755</b>
4	Staff costs	-92,129	-92,530
	Other external costs	-92,094	-85,588
5	Depreciation	-18,998	-21,227
	<b>Operating profit</b>	<b>37,924</b>	<b>133,410</b>
	Profit on investments in subsidiaries, net of tax	57,412	37,964
6	Finance income	6,181	9,186
7	Finance costs	-44,752	-44,354
	<b>Profit before tax</b>	<b>56,765</b>	<b>136,206</b>
8	Tax	420	-22,110
	<b>Profit for the year</b>	<b>57,185</b>	<b>114,096</b>
<b>Proposal for the distribution of net profit</b>			
	Reserve for net revaluation according to the equity method	57,412	37,964
	Reserve for development costs	28,546	29,134
	Retained earnings	-28,773	46,998
	<b>Total</b>	<b>57,185</b>	<b>114,096</b>

## Balance sheet – assets

Notes	DKK '000	2017	2016
	<b>Assets</b>		
	<b>Non-current assets</b>		
9	Intangible assets	63,959	41,137
10	Tangible assets	8,376	9,706
11	Investments in subsidiaries	793,454	742,518
14	Deferred tax	376	36,884
	<b>Total non-current assets</b>	<b>866,165</b>	<b>830,245</b>
	<b>Current assets</b>		
16	Trade receivables	2,091,199	2,178,104
	Receivables from subsidiaries	275,424	362,943
	Trade receivables from associates	1,951	1,672
12	Income tax receivables	12,122	0
16, 17	Derivative assets	745,967	1,007,703
	Deposits	325,784	373,411
	Other receivables	76,252	281,412
	Cash	64,645	6,883
	<b>Total current assets</b>	<b>3,593,344</b>	<b>4,212,128</b>
	<b>Total assets</b>	<b>4,459,509</b>	<b>5,042,373</b>



## Balance sheet – liabilities

Notes	DKK '000	2017	2016
	<b>Equity</b>		
13	Share capital	221,833	221,833
	Reserve for development costs	57,680	29,134
	Reserve for net revaluation according to the equity method	466,502	415,566
	Retained earnings	168,574	197,347
	<b>Total equity</b>	<b>914,589</b>	<b>863,880</b>
	<b>Non-current liabilities</b>		
16, 17	Corporate bonds	747,851	0
	<b>Total non-current liabilities</b>	<b>747,851</b>	<b>0</b>
	<b>Current liabilities</b>		
16, 17	Credit institutions	0	726,679
	Trade payables	1,361,789	1,277,617
	Debt to subsidiaries	166,243	166,915
16, 17	Corporate bonds	0	499,708
12	Income tax payable	0	12,239
16, 17	Derivative liabilities	1,028,874	1,138,323
	Other payables	240,163	357,012
	<b>Total current liabilities</b>	<b>2,797,069</b>	<b>4,178,493</b>
	<b>Total liabilities</b>	<b>3,544,920</b>	<b>4,178,493</b>
	<b>Total equity and liabilities</b>	<b>4,459,509</b>	<b>5,042,373</b>
15	Pledges, collateral and contingent liabilities		
18	Events after the balance sheet date		

# Statement of changes in equity

Notes DKK '000

	Share capital	Development Reserve	Reserve for net revaluation according to the equity method	Retained earnings	Dividends	Total
<b>Equity 1 January 2017</b>	221,833	29,134	415,566	197,347	0	863,880
Foreign currency translation adjustment	0	0	-6,476	0	0	-6,476
Transferred through distribution of net profit	0	28,546	57,412	-28,773	0	57,185
<b>Equity 31 December 2017</b>	221,833	57,680	466,502	168,574	0	914,589
<b>Equity 1 January 2016</b>	221,833	0	381,775	150,349	0	753,957
Foreign currency translation adjustment	0	0	-4,173	0	0	-4,173
Dividends paid	0	0	0	0	0	0
Transferred through distribution of net profit	0	29,134	37,964	46,998	0	114,096
<b>Equity 31 December 2016</b>	221,833	29,134	415,566	197,347	0	863,880

# Notes to the parent financial statements

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# Notes to the parent financial statements

## Notes

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### 1 Accounting policies

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The parent financial statements at 31 December 2017 for Energi Danmark A/S is presented in accordance with the provisions of the Danish Financial Statements Act regarding Class C (large) companies.

The parent financial statements are presented in Danish kroner (DKK) and all values are rounded to the nearest thousand (DKK 000's), except when otherwise indicated.

The accounting policies for the separate financial statements are unchanged to last year.

#### **Reserve for development cost**

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend

or cover losses. The reserve will be reduced or dissolved if the recognised development costs are no longer part of the Group's operations by a transfer directly to the distributable reserves under equity. Furthermore the reserve will be reduced in accordance with the depreciations of the development costs.

#### **IFRS for financial instruments**

Following the Danish Financial Statements Act §37,5 the financial assets and financial liabilities are recognised and measured in accordance with the International Financial Reporting Standards. Please refer to the accounting policies for the Group for further description.

### Additional accounting principles for the parent company

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#### **Profit on Investments in Subsidiaries**

The proportionate share of the profit after tax of subsidiaries is recognised in the income statement of the parent company after elimination of the proportionate share of internal profit/loss.

#### **Investments in Subsidiaries**

Investments in subsidiaries are measured according to the equity method. Investments in subsidiaries are measured at the proportionate share of the companies' equity calculated in accordance with the Group's accounting policies, minus or plus unrealised

intercompany profit and loss, with the remaining value of positive or negative goodwill added or subtracted in accordance with the acquisition method.

Net revaluation of investments in subsidiaries is transferred to the reserve for net revaluation according to the equity method in equity to the extent that the carrying amount exceeds the acquisition cost. Dividends from subsidiaries expected to be adopted before the adoption of the annual report of Energi Danmark A/S are not bound to the revaluation reserve.

# Notes to the parent financial statements

## Notes

### 2 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Management continuously reassesses these estimates and judgements based on a number of factors in the given circumstances. The following accounting estimates are considered significant for the financial reporting.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described in the following. Energi Danmark based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

In the process of applying the Company's accounting policies, management has made the following estimates and assumptions, which have the most significant effect on the amounts recognised in the financial statements:

- > Impairment of wind turbines
- > Fair value of financial and physical contracts
- > Amortisation of initial margin (day-1 profit or loss)

Other disclosures relating to the Company's exposure to risks and uncertainties includes capital management, financial instrument risk management and sensitivity analysis disclosures (Note 16 and 17).

#### Impairment of wind turbines

The Energi Danmark Group invests in wind turbines, which are measured at cost less accumulated depreciations. In accordance with the Group's accounting policies the portfolio of wind turbines are tested for impairment, when indications of impairment occurs. Impairment exists when the carrying amount of the wind turbines exceeds the recoverable amount.

As a consequence of the electricity prices having decreased significantly during 2017, the Group has tested whether its wind turbines are impaired. The impairment test is carried out on a

portfolio basis and is based on Management's estimates and assumptions of which the most significant include:

- > Expected production
- > Future electricity prices
- > Cost for maintenance program
- > Discount rate

At 31 December 2017 in the subsidiary Energi Danmark Vind A/S the carrying amount of wind turbines is DKK 816m (2016: DKK 526).

#### Fair value of financial and physical contract

Energi Danmark measures its financial and physical contracts at fair value in accordance with the accounting policies as summarised in note 1.

Energi Danmark's strategy for measuring the fair value of energy contracts is to utilise quoted prices in an active trading market. In the absence of quoted prices for identical or similar energy contracts, general acceptable valuation models are applied and observable market data is used as input to the fair value calculations. Where the instruments are complex combinations of standard or non-standard products, unobservable market data may be used in the valuation models in order to calculate the fair value.

To ensure the validity and accuracy of the models all assumptions and inputs are approved and continuously tested.

The assumptions within the models used to determine the fair value of the physical and financial energy contracts in accordance with IFRS 13 are central, since any changes in assumptions could have a significant impact on the fair values and movements which are reflected in the income statement and balance sheet.

More detail on the assumptions used in the fair value measurement of the energy contracts and related sensitivities are further described in note 17.

At 31 December 2017, the carrying amount of derivative assets and liabilities amounts to DKK 746m (2016: DKK 1,008m) and DKK 1,029m (2016: DKK 1,138m), respectively.

#### Amortisation of initial margin (day-1 profit or loss)

Day 1 profits are recognised in the income statement over the delivery period. Corrections for day 1 profits are partly calculated using price elements based on averages on which there is some uncertainty attached.

At 31 December 2017 the carrying amount of day 1 profits amounts to DKK 201m (2016: DKK 195m).

Day 1 profits are further described in note 17.

# Notes to the parent financial statements

Notes	DKK '000	2017	2016
3	Revenue		
	Sale of power	16,741,210	14,545,503
		<b>16,741,210</b>	<b>14,545,503</b>
	Denmark	12,817,339	11,187,891
	Sweden	1,434,847	1,484,722
	Finland	1,269,408	1,201,247
	Germany	748,907	442,066
	Norway	470,709	229,577
		<b>16,741,210</b>	<b>14,545,503</b>
4	Staff costs		
	Wages and salaries	82,524	83,664
	Pensions, defined contribution plans	8,666	7,933
	Other expenses for social security	939	933
		<b>92,129</b>	<b>92,530</b>
	Average number of employees	149	130
	Staff costs include salaries to management of 8,585 tDKK. (2016: 10,665 tDKK). Fees paid to external board members for 2017 represent 125 tDKK (2016: 125 tDKK). Other board members	have not received any fees. The executive management has a bonus scheme that is based on achieved Group earnings.	
5	Depreciation and amortisation		
	Amortisation of intangible assets	16,599	19,069
	Depreciation of tangible assets	2,629	2,481
	Gain on disposal of tangible and intangible assets, etc.	-230	-323
		<b>18,998</b>	<b>21,227</b>



# Notes to the parent financial statements

Notes	DKK '000	2017	2016
6	Finance income		
	Interest income, credit institutions	345	201
	Interest income, subsidiaries	93	2,288
	Interest income, on late payments	1,338	45
	Other interest income	4,405	6,652
		<b>6,181</b>	<b>9,186</b>
7	Finance costs		
	Interest expenses, credit institutions	8,412	7,672
	Interest expenses, subsidiaries	3,825	4,010
	Interest expenses, corporate bonds	15,190	11,153
	Other interest expenses	17,325	21,519
		<b>44,752</b>	<b>44,354</b>
8	Tax		
	Current tax	0	22,652
	Adjustment of tax, previous years	236	443
	Deferred tax	-656	-985
		<b>-420</b>	<b>22,110</b>
	<b>Specified as follows:</b>		
	Tax on profit from ordinary activities	-420	22,110
	Effective tax	64.8%	22.5%
	<b>Income tax, received</b>	<b>16,070</b>	<b>-1,946</b>

# Notes to the parent financial statements

Notes DKK '000

9 Intangible assets

	2017		
	Completed development projects	Development projects in progress	Total
Cost 1 January	185,146	23,130	208,276
Additions	0	39,421	39,421
Disposals	14,733	-14,733	0
<b>Cost 31 December</b>	<b>199,879</b>	<b>47,818</b>	<b>247,697</b>
Accumulated amortisation 1 January	167,139	0	167,139
Amortisations for the year	16,599	0	16,599
Amortisations, disposals for the year	0	0	0
<b>Accumulated amortisation 31 December</b>	<b>183,738</b>	<b>0</b>	<b>183,738</b>
<b>Carrying amount 31 December</b>	<b>16,141</b>	<b>47,818</b>	<b>63,959</b>

	2016		
	Completed development projects	Development projects in progress	Total
Cost 1 January	167,249	5,928	173,177
Additions	0	35,099	35,099
Transfers	17,897	-17,897	0
<b>Cost 31 December</b>	<b>185,146</b>	<b>23,130</b>	<b>208,276</b>
Accumulated amortisation 1 January	148,070	0	148,070
Amortisations for the year	19,069	0	19,069
Amortisations, disposals for the year	0	0	0
<b>Accumulated amortisation 31 December</b>	<b>167,139</b>	<b>0</b>	<b>167,139</b>
<b>Carrying amount 31 December</b>	<b>18,007</b>	<b>23,130</b>	<b>41,137</b>

Development projects in progress includes development and test of IT-systems, which support the daily operation of the parent company. The costs consist of internal costs, e.g. salary, and

external costs, e.g. assistance from external IT developers. The development of the IT systems is expected to lead to better service of customers.

# Notes to the parent financial statements

Notes DKK '000

10 Tangible assets

	2017			
	Leasehold improvements	Vehicles	Tools and equipment	Total
Cost 1 January	6,187	9,660	4,632	20,479
Additions	0	1,529	388	1,917
Disposals	0	-2,562	0	-2,562
<b>Cost 31 December</b>	<b>6,187</b>	<b>8,627</b>	<b>5,020</b>	<b>19,834</b>
Accumulated depreciation 1 January	2,835	4,328	3,610	10,773
Depreciations for the year	619	1,659	351	2,629
Depreciations, disposals for the year	0	-1,944	0	-1,944
Accumulated depreciations 31 December	3,454	4,043	3,961	11,458
<b>Carrying amount</b>	<b>2,733</b>	<b>4,584</b>	<b>1,059</b>	<b>8,376</b>
<b>Depreciation period</b>	<b>10 years</b>	<b>5 years</b>	<b>3-5 years</b>	<b>-</b>

	2016			
	Leasehold improvements	Vehicles	Tools and equipment	Total
Cost 1 January	6,132	9,089	4,329	19,550
Additions	55	2,502	303	2,860
Disposals	0	-1,931	0	-1,931
<b>Cost 31 December</b>	<b>6,187</b>	<b>9,660</b>	<b>4,632</b>	<b>20,479</b>
Accumulated depreciation 1 January	2,218	4,732	3,217	10,167
Depreciations for the year	617	1,471	393	2,481
Depreciations, disposals for the year	0	-1,875	0	-1,875
Accumulated depreciations 31 December	2,835	4,328	3,610	10,773
<b>Carrying amount</b>	<b>3,352</b>	<b>5,332</b>	<b>1,022</b>	<b>9,706</b>
<b>Depreciation period</b>	<b>10 years</b>	<b>5 years</b>	<b>3-5 years</b>	<b>-</b>

# Notes to the parent financial statements

Notes	DKK '000	2017	2016
11	Investments in subsidiaries		
	<b>Cost 1 January</b>	<b>423,691</b>	<b>423,691</b>
	Value adjustments 1 January	318,827	292,661
	Regulation on equity in subsidiaries	-6,476	873
	Dividend paid	0	-8,498
	Profit for the year	57,412	37,964
	Adjustment, Group	0	-4,173
	<b>Value adjustments 31 December</b>	<b>369,763</b>	<b>318,827</b>
	<b>Carrying amount 31 December</b>	<b>793,454</b>	<b>742,518</b>

Name and address	Country of incorporation	Voting right and ownership
Energi Danmark Securities A/S, Sundkrooggade 21, 2., 2100 København Ø	Denmark	100%
Energi Danmark Vind A/S, Hedeager 5, 8200 Aarhus N	Denmark	100%
Energi Försäljning Sverige AB, Stortorget 23, 21134 Malmö	Sweden	100%
Energia Myynti Suomi Oy, Teknoboulevardi 3-5, 01530 Vantaa	Finland	100%
Energi Salg Norge AS, Drammensveien 123, 0277 Oslo	Norway	100%
Energie Vertrieb Deutschland EVD GmbH, Christoph-Probst-Weg 4, 20150 Hamburg	Germany	100%

The subsidiaries are autonomous legal entities.

# Notes to the parent financial statements

Notes	DKK '000	2017	2016
12	Income tax receivable/payable		
	Income tax receivable 1 January	-12,239	12,802
	Adjustment of tax, previous years	-236	-443
	Current tax for the year	0	-22,652
	Income tax received	-16,070	-1,946
	Transferred from deferred tax	40,667	0
	<b>Income tax receivable 31 December</b>	<b>12,122</b>	<b>-12,239</b>
13	Share capital		
	For information in regards to the share capital, please refer to Note 14 in the Consolidated Financial Statements.		
	<b>Proposal for the distribution of net profit</b>		
	Reserve for net revaluation according to the equity method	57,412	37,964
	Reserve for development costs	28,546	29,134
	Retained earnings	-28,773	46,998
	<b>Total</b>	<b>57,185</b>	<b>114,096</b>
14	Deferred tax		
	Deferred tax, 1 January	36,884	35,653
	Adjustments of deferred tax, previous years	3,503	246
	Transferred to income tax	-40,667	0
	Adjustment of deferred tax	656	985
	<b>Deferred tax 31 December</b>	<b>376</b>	<b>36,884</b>
	<b>Deferred tax relates to:</b>		
	Intangible assets	-3,550	-3,962
	Tangible assets	307	116
	Bad debt provision	581	1,051
	Financial contracts	0	39,433
	Loss	2,792	0
	Adjustment	246	246
	<b>Carrying amount 31 December</b>	<b>376</b>	<b>36,884</b>

# Notes to the parent financial statements

Notes	DKK '000	2017	2016
15	Pledges, collateral and contingent liabilities		
	The following assets are pledged as collateral for trading on power exchanges as well as balances with counterparties:		
	Power exchange Nord Pool Spot, EEX, APX, Nasdaq OMX and other counterparties etc. Deposited cash.	323,741	172,668
	<b>Guarantees</b>		
	Guarantees provided by a financial institute	723,818	793,770

The Group has provided its portfolio of wind turbines as collateral for the debt which amounts to DKK 500.3m as of 31 December 2017 (2016: DKK 250.2m). The carrying amount of the wind turbines amounts to DKK 815.9m as of 31 December 2017 (2016: DKK 526.1m).

#### **Contingent liabilities for joint and several liabilities for corporate tax etc.**

The parent company is included as a part of group taxation with Danish subsidiaries. The companies are jointly and severally liable

to pay Danish corporate tax and tax at source on dividends, interest and royalties within the sphere of joint taxation. The jointly taxed companies' total net payables for SKAT amount to DKK 0m as at 31 December 2017 (2016: DKK 12.2m). Any subsequent correction of the joint taxable income or tax at source on dividends etc. may lead to the companies being liable to pay a larger amount. The Group as a whole is not liable for others.



# Notes to the parent financial statements

Notes DKK '000

16 Risks, financial instruments and recognised transactions

Energi Danmark is exposed to market risks (price, volume, currency exchange rate risks), operational risks, credit risks, interest rate risks and liquidity risks. The Executive Directors oversees the management of these risks. The Group's senior management is supported by a risk management team that advises on financial risks and the appropriate financial risk governance framework for the Company.

All derivative activities for Risk Management purposes are carried out by specialist teams that have the appropriate skills, experience and supervision. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

#### Credit risk and counterparties

When trading electricity, financial contracts, other goods and commodities with customers, counterparties and exchanges, Energi Danmark is exposed to a credit risk.

The credit risk exposure depends on the creditworthiness of the customers and counterparties. The customers are primarily to be found within the public sector, utility sector and across business

markets (B2B). Counterparts are typically established companies trading with commodities.

All customers and counterparties are subject to a credit rating before starting to trade. Existing customer and counterparties are also reevaluated on an ongoing basis, especially when new contracts are due to be signed. To do the credit rating Energi Danmark uses a credit rating score model from an external party. If the score is below certain predefined levels a manual credit rating is done as well, either accepting the new contract or asking for additional security before signing. Counterparts are all evaluated and given a line of exposure within which daily exposures are calculated and monitored by the Risk Management department.

It is the credit rating policy not to decline any customer that would like to trade with Energi Danmark; however, when evaluating the credit score and, if necessary, security requirements, the Finance department demands high standards. The necessity of maintaining high standards has become even more relevant since the Wholesale Model was implemented because losses from customers not paying their energy taxes and the transport of electricity have shifted from grid companies/Energinet.dk to trading companies like Energi Danmark.

Trade receivable and provisions for impairment:

	2017		2016	
	Carrying amount before impairment	Provision for impairment	Carrying amount before impairment	Provision for impairment
Customers not due	2,088,392	0	2,180,310	3,000
Customers in dunning process	3,698	1,241	669	255
Insolvent customers	1,750	1,400	1,902	1,522
<b>Total</b>	<b>2,093,840</b>	<b>2,641</b>	<b>2,182,881</b>	<b>4,777</b>

Trade receivables are subject to impairment, where the actual provision made is based on a predefined percentage dependent on the numbers of reminders sent to the customer. If the customer

enters into bankruptcy or equivalent procedure a full writeoff of the receivable is performed.

# Notes to the parent financial statements

Notes DKK '000

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## Liquidity risk

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In Energi Danmark many of the working capital requirements from trading activities exist due to funding the purchase of electricity for delivery to our customers. Especially since the Wholesale Model was implemented, the liquidity requirement has increased by the end of each month, but rapidly declines at the beginning of the following month. The increase is due to the fact that Energi Danmark has to pay grid companies/Energinet.dk for customer consumption-related energy taxes, transportation of electricity and PSO before receiving payments from customers.

The liquidity risk is managed and monitored on a daily basis and a cash flow prognosis showing expected future cash movements is maintained.

The company bonds of DKK 500m expired in June 2017 and new bonds were issued of DKK 750m.

When trading electricity on the exchanges, there is usually a requirement for margin calls to be covered by collaterals. The amount to be covered is calculated by the exchange every day and sent to Energi Danmark. Back office receives and monitors the collaterals, always making sure that sufficient collateral is in place.

Energi Danmark has sufficient liquidity and collateral lines to support the business.

# Notes to the parent financial statements

Notes DKK '000

	Contractual maturity incl. interest (cash flow)				
	Carrying amount	Total	< 1 year	1-5 years	> 5 years
31 December 2017					
<b>Non-derivative financial instruments</b>					
Borrowings current and non-current	747,851	795,000	18,000	777,000	0
Trade payables	1,361,789	1,361,789	1,361,789	0	0
Other liabilities	406,406	406,406	406,406	0	0
<b>Derivative financial instruments</b>					
Derivatives	1,028,874	912,492	437,996	419,746	54,750
<b>Total financial instruments</b>	<b>3,544,920</b>	<b>3,475,687</b>	<b>2,224,191</b>	<b>1,196,746</b>	<b>54,750</b>
31 December 2016					
<b>Non-derivative financial instruments</b>					
Borrowings current and non-current	1,226,387	1,232,277	1,232,277	0	0
Trade payables	1,277,617	1,277,617	1,277,617	0	0
Other liabilities	536,166	536,166	536,166	0	0
<b>Derivative financial instruments</b>					
Derivatives	1,138,323	1,039,528	460,795	555,988	22,745
<b>Total financial instruments</b>	<b>4,178,493</b>	<b>4,085,588</b>	<b>3,506,855</b>	<b>555,988</b>	<b>22,745</b>

# Notes to the parent financial statements

Notes DKK '000

## Interest rate risk

Energi Danmark is partly financing its operation with loans from banks. The loans are subject to a variable interest rate. Cash flows and interest rate levels are monitored on a regular basis.

The interest rate risk is hedged using interest rate swaps for the coming year. The corporate bond interest rate is based on CIBOR + fixed margin.

## Market risk

The market price for electricity has proven to be quite volatile and subject to changes and events that can not be predicted.

The spot price is determined hourly on the physical exchanges and forms the basis for financial trading of electricity on futures and forward contracts.

The price risk from selling electricity with fixed price elements are hedged by buying corresponding financial contracts on the exchange markets thereby securing Energi Danmark the contract margin.

Another market risk is the volume risk when trading electricity based on future prices (with fixed price elements) because the corresponding price hedge needs to match actual customer volumes in order to avoid ineffective hedging positions. Combined customer consumption is monitored on a regular basis in order to predict and adjust the corresponding hedging position.

Being present in multiple countries with different currencies (primarily DKK, NOK, SEK and EUR) also exposes Energi Danmark to fluctuations and changes in exchange rates against DKK. Exposure is monitored on a daily basis and the Company enters into currency rate contracts in order to hedge exposure, thereby minimizing the risk.

To manage all of these risks, the Risk Management department is using an ETRM-system called Elviz. Elviz is the foundation for calculating daily exposure using both VaR-based models and models developed inhouse showing day-to-day risks and MWh-exposure. Elviz contains almost all of Energi Danmark's positions/contracts, which are used as a basis for calculating the exposure using price curves derived from exchange quotes (where applicable).

The equity will be affected with the P/L effect less tax of approximately 22%.

	2017			2016		
	P/L effect	Equity effect	Reasonably possible change in variable%	P/L effect	Equity effect	Reasonably possible change in variable%
Electricity	15,232	11,881	5%	6,012	4,689	5%
Currency exchange rate	9,350	7,293	5%	574	448	5%

# Notes to the parent financial statements

Notes DKK '000

17 Information about financial instruments

## Categories of financial instruments

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	2,091,199	2,091,199	2,178,104	2,178,104
Trade receivables from associates and subsidiaries	277,375	277,375	364,615	364,615
Other receivables and deposits	402,036	402,036	654,823	654,823
Cash	64,645	64,645	6,883	6,883
<b>Financial assets measured at amortised cost</b>	<b>2,835,255</b>	<b>2,835,255</b>	<b>3,204,425</b>	<b>3,204,425</b>
Derivative assets	745,967	745,967	1,007,703	1,007,703
<b>Financial assets measured at fair value through profit or loss</b>	<b>745,967</b>	<b>745,967</b>	<b>1,007,703</b>	<b>1,007,703</b>
Credit institutions	0	0	726,679	726,679
Corporate bonds	747,851	755,250	499,708	502,500
Trade payables	1,361,789	1,361,789	1,277,617	1,277,617
Other payables etc.	406,406	406,406	536,166	536,166
<b>Financial liabilities measured at amortised costs</b>	<b>2,516,046</b>	<b>2,523,445</b>	<b>3,040,170</b>	<b>3,042,962</b>
Derivative liabilities	1,028,874	1,028,874	1,138,323	1,138,323
<b>Financial liabilities measured at fair value through profit or loss</b>	<b>1,028,874</b>	<b>1,028,874</b>	<b>1,138,323</b>	<b>1,138,323</b>

	2017	2016
<b>Assets</b>		
Financial	360,103	563,104
Physical	385,864	444,599
	<b>745,967</b>	<b>1,007,703</b>
<b>Liabilities</b>		
Financial	283,711	292,965
Physical	745,163	845,358
	<b>1,028,874</b>	<b>1,138,323</b>

# Notes to the parent financial statements

Notes DKK '000

## Fair value measurement of financial instruments

	2017			
	Level 1	Level 2	Level 3	Total
<b>Financial assets measured at fair value</b>				
Interest rate swaps	0	0	0	0
<b>Derivative financial assets:</b>				
Foreign exchange forward	0	35,322	0	35,322
Commodity derivative	258,791	316,537	135,317	710,645
<b>Total</b>	<b>258,791</b>	<b>351,859</b>	<b>135,317</b>	<b>745,967</b>

## Financial liabilities measured at fair value

<b>Derivative financial liabilities:</b>				
Interest rate swaps	0	18,932	0	18,932
Foreign exchange forward	0	38,137	0	38,137
Commodity derivative	5,026	966,082	697	971,805
<b>Total</b>	<b>5,026</b>	<b>1,023,151</b>	<b>697</b>	<b>1,028,874</b>

If electricity prices changes with 5% the net level 3 value will change with DKK 19.5m.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market or, if not available, in the most advantageous market.

The principal or the most advantageous market must be accessible by Energi Danmark.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by

selling it to another market participant that would use the asset in its highest and best use.

Energi Danmark uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

**Level 1** - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

**Level 2** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

**Level 3** - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

# Notes to the parent financial statements

Notes DKK '000

	2016			
	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value				
Interest rate swaps	0	1,138	0	1,138
<b>Derivative financial assets:</b>				
Foreign exchange forward	0	64,855	0	64,855
Commodity derivative	389,377	461,843	90,490	941,710
<b>Total</b>	<b>389,377</b>	<b>527,836</b>	<b>90,490</b>	<b>1,007,703</b>
Financial liabilities measured at fair value				
<b>Derivative financial liabilities:</b>				
Interest rate swaps	0	29,305	0	29,305
Foreign exchange forward	0	17,557	0	17,557
Commodity derivative	88	1,063,540	27,833	1,091,461
<b>Total</b>	<b>88</b>	<b>1,110,402</b>	<b>27,833</b>	<b>1,138,323</b>

If electricity prices changes with 5% the net level 3 value will change with DKK 17.2m.



# Notes to the parent financial statements

Notes DKK '000

## Amortisation of initial margin

If, at the time of inception, a difference arises between the model value of a financial instrument or physical contract accounted for as derivatives, calculated on the basis of unobservable inputs, and the transaction price (day-one profit or loss),

Energi Danmark adjusts the model parameters to take into account the initial margin.

The margin is recognised as profit over the delivery period.

	2017	2016
Deferred initial margin beginning of year	194,895	179,240
Recognised in profit or loss	-85,459	-73,926
Initial margin on new contracts	91,361	89,581
<b>Deferred initial margin end of year</b>	<b>200,797</b>	<b>194,895</b>

## Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised

amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

	2017			2016		
	Gross	Netting	Net	Gross	Netting	Net
<b>Offsetting of current derivatives</b>						
Derivative assets	2,704,037	-1,958,070	745,967	3,235,771	-2,228,068	1,007,703
Derivative liabilities	-2,986,944	1,958,070	-1,028,874	-3,366,391	2,228,068	-1,138,323
<b>Total</b>	<b>-282,907</b>	<b>0</b>	<b>-282,907</b>	<b>-130,620</b>	<b>0</b>	<b>-130,620</b>

The sales contracts and the associated hedging contracts can only be offset to a limited extent, as the transactions are made with different counterparties. As a consequence, the net value of the derivatives will be affected by the difference between the average

sales price, the price of the hedging and the current market price at the balance sheet date as well as the size of the open positions.

# Notes to the parent financial statements

## Notes

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18 Events after the balance sheet date

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No important events have occurred since the end of the financial year.

Determination  
↗ creates  
results  
for our customers



# Statement by the Board of Directors and the Executive Board

The Board of Directors and the Executive Board have today discussed and approved the annual report of Energi Danmark A/S for the financial year 1 January – 31 December 2017.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements in the Danish Financial Statements Act. The financial statements of the parent company, Energi Danmark A/S, have been prepared in accordance with the Danish Financial Statements Act.

It is our opinion that the consolidated financial statements and parent company financial statement give a true and fair value of the Group's and the Parent Company's assets, liabilities and financial position at 31 December 2017 and of the results of the Group's and the Parent Company's operations and the Group cash flows for the financial year 1 January – 31 December 2017.

In our opinion the managements review provides a true and fair account of the development in the Group's and the Parent Company's operations and financial circum-

stances, of the result for the year and of the overall financial position of the Group and the Parent Company as well as a description of the most significant risks and elements of uncertainty facing the Group and the Parent Company.

We recommend that the annual report is approved at the annual general meeting.

Aarhus, 23 March 2018

## Executive Board

Jørgen Holm Westergaard

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CEO

Jesper Nybo Stenager

---

CFO

## Board of Directors

Jesper Hjulmand

---

Chairman

Søren Sørensen

---

Deputy Chairman

Chris Dahlerup

---

Martin Romvig

---

Anders J. Banke

---

Jens Otto Veile

---

# Independent auditor's report

## To the Shareholders of Energi Danmark A/S

### Opinion

We have audited the consolidated financial statements and the parent company financial statements of Energi Danmark A/S for the financial year 1 January – 31 December 2017, comprising an income statement, balance sheet, statement of changes in equity and notes, including accounting policies for the Group as well as for the Parent Company, and a consolidated statement of comprehensive income and a consolidated cash flow statement. The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2017 and of the results of the Group's operations and cash flows for the financial year 1 January – 31 December 2017 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Further, in our opinion the parent company financial statements give a true and fair view of the financial position of the Parent Company at 31 December 2017 and of the results of the Parent Company's operations for the financial year 1 January – 31 December 2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the international Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

### Statement on the Management's review

Management is responsible for the Management's review.

Our opinion on the consolidated financial statements and the parent company financial statements does not cover the Management's review, and we do not express any assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent company financial statements, our responsibility is to read the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the consolidated financial statements or the parent company financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

Based on our procedures, we concluded that the Management's review is in accordance with the consolidated financial statements and the parent company financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the Management's review.

### Management's responsibilities for the consolidated financial statements and the parent company financial statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act and for the preparation of parent company financial statements that give a true and fair view in accordance with the Danish Financial Statements Act.

Moreover, Management is responsible for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent company financial statements, Management is responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the consolidated financial statements and the parent

company financial statements unless Management either intends to liquidate the Group or the Parent Company or to cease operations, or has no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the consolidated financial statements and the parent company financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit conducted in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain an attitude of professional scepticism throughout the audit. We also:

- > Identify and assess the risk of material misstatement of the consolidated financial statements and the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- > Obtain an understanding of internal control relevant to the audit 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 Group's and the Parent Company's internal control.
- > Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- > Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent company financial statements and, based on the audit evidence obtained, whether

a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusion is based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may imply that the Group and the Parent Company to cease to continue as a going concern.

- > Evaluate the overall presentation, structure and contents of the consolidated financial statements and the parent company financial statements, including the note disclosures, and whether the consolidated financial statements and the parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- > Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Aarhus, 23 March 2018

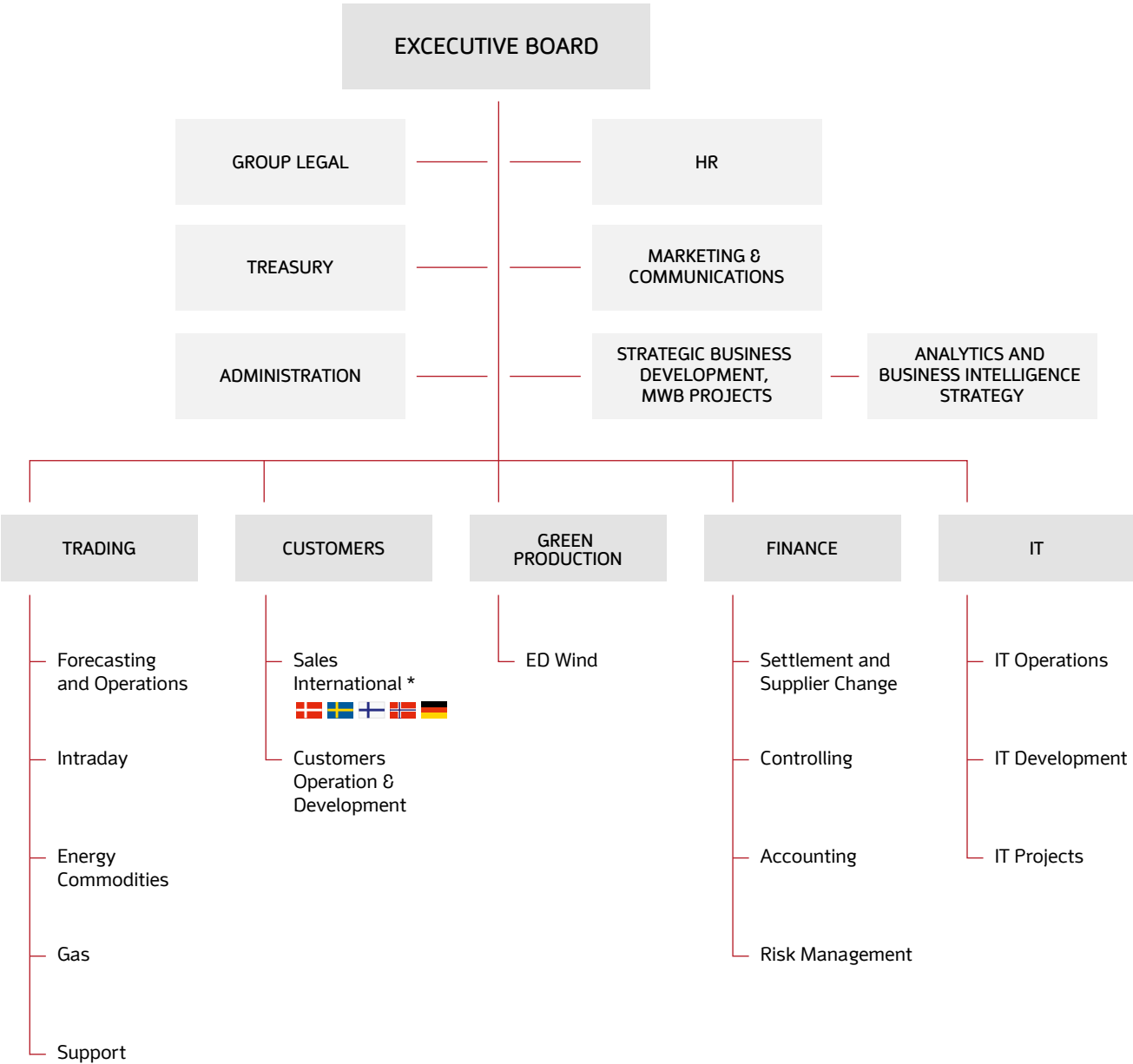
### **ERNST & YOUNG**

Godkendt Revisionspartnerselskab  
CVR no. 30 70 02 28

**Claus Hammer-Pedersen**  
State Authorised Public  
Accountant  
MNE-nr. mne 21334

**Klaus Skovsen**  
State Authorised Public  
Accountant  
MNE-nr. mne 30204

# Organisational chart



- Subsidiaries:
- Energi Danmark Securities: Kresten Therkildsen
  - Energi Danmark Vind: Hans Hensberg
  - Energi Försäljning Sverige: Ulf Dahlin
  - Energia Myynti Suomi: Olli Puranen
  - Energi Salg Norge: Espen Fjeld
  - Energie Vertrieb Deutschland: Colin Wulff



# Corporate information

Energi Danmark A/S  
Hedeager 5  
DK-8200 Aarhus N  
Tel. +45 87 42 62 62  
Fax +45 87 42 62 63  
E-mail: ed@energidanmark.dk  
www.energidanmark.com  
CVR no.: 17 22 58 98  
Established: 1 July 1993  
Domicile: Aarhus Municipality  
Financial year: 1 January – 31 December

## Board of Directors

- > Chairman, CEO Jesper Hjulmand, SEAS-NVE
- > Deputy chairman, CEO Søren Sørensen, NRGi
- > Managing Director, Chris Dahlerup, EWII Energi
- > CEO Martin Romvig, Eniig
- > CEO Anders J. Banke, SEF
- > Director, Jens Otto Veile

## The Executive Management Committee

### Executive Board

Jørgen Holm Westergaard, CEO  
Jesper Nybo Stenager, CFO

### Trading

Thomas Bjørn Houliind,  
Director, Markets

### Customers

Peter Lønbro Lehm,  
Director, Customers

### IT

Thomas Bech Pedersen,  
Systems Manager

### Strategic Business Development

Thomas Elgaard Jensen,  
Director, Strategic Business Development

## Auditor

ERNST & YOUNG,  
Approved Public Accountants  
Værkmestergade 25  
DK-8000 Aarhus C

## Law Firm

Bech-Bruun

## Main Bank

Nordea Bank Danmark A/S

## Annual General Meeting

The Annual General Meeting is to be held on 6 April 2018.



Jesper Hjulmand



Søren Sørensen



Chris Dahlerup



Martin Romvig



Anders J. Banke



Jens Otto Veile



Jørgen Holm  
Westergaard



Jesper Nybo Stenager

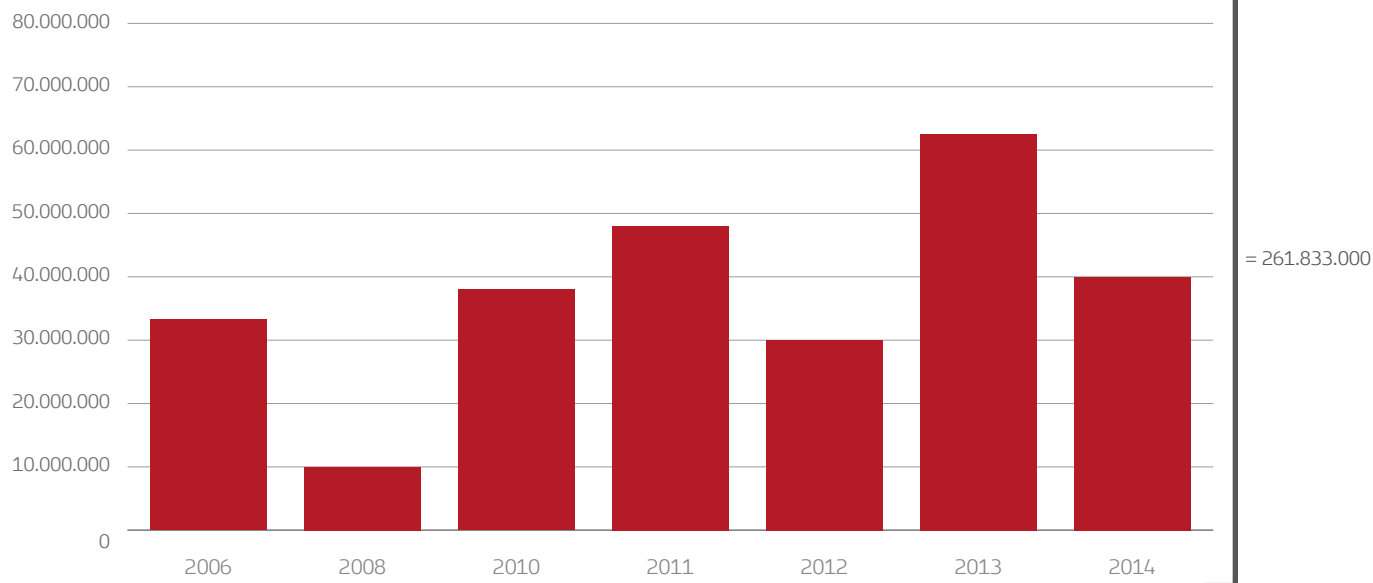
# Ownership

Energi Danmark is owned by six electricity companies, which in turn are owned by private shareholders. Shareholders are SEAS-NVE, NRGi, Energi Nord Holding, EWII Energi, SEF Energi and Fonden Langelands Elforsyning.

As at 31 December 2017, the company has the following shareholders:

	Ownership%	Share capital (DKK)
1. SEAS-NVE a.m.b.a., Svinninge, Denmark	28.97	64,260,207
2. NRGi a.m.b.a., Aarhus N, Denmark	23.12	51,292,837
3. Energi Nord Holding A/S, Aalborg, Denmark	18.37	40,755,012
4. EWII Energi A/S, Kolding, Denmark	16.50	36,590,343
5. SEAS-NVE Strømmen A/S, Svinninge, Denmark	11.52	25,556,367
6. SEF Energi A/S, Svendborg, Denmark	1.12	2,493,320
7. Fonden Langelands Elforsyning, Rudkøbing, Denmark	0.40	885,250
	<b>100.00</b>	<b>221,833,336</b>

## Annual dividend in DKK



# Board of Directors and Management

## Board of Directors

### Jesper Hjulmand

CEO of SEAS-NVE  
MSc (Business Administration)  
Date of birth: 15.12.1963  
Member of the Board since:  
01.01.2005  
Board memberships, honorary offices:  
> Energi Danmark A/S (Chairman)  
> Dansk Energi (Chairman)  
> Cerius A/S (Chairman)  
> Fibia P/S (Chairman)  
> Employer's Association for Danish  
Energy and Utility Companies  
> DEA (Chairman)  
> Tryghedsgruppen s.m.b.a.  
(Deputy Chairman)  
> TRYG A/S  
> Dansk Industri Hovedbestyrelse  
(Executive committee)  
Committee memberships:  
> TRYG A/S audit and risk committee  
> Supervisory board in Dansk Energi  
> Supervisory board in  
Tryghedsgruppen  
> Supervisory board in Forenet Kredit

### Søren Sørensen

Lecturer at the University of Aarhus  
and Business Academy Aarhus.  
Engineer, HD in organisation and  
corporate management  
Executive MBA, Change Management  
Date of birth: 27.02.1964  
Member of the Board since:  
17.04.2008  
Board memberships, honorary offices:  
> Energi Danmark A/S  
> Incuba Invest A/S

### Chris Dahlerup

Managing Director of EWII Energi  
Master of Science (MSc) in Business  
Administration and Auditing  
Date of birth: 21.07.1966  
Member of the Board since:  
02.06.2017  
Board memberships, honorary offices:  
> VL95 (Chairman)  
> Dansk Energi Trade Committee  
(Chairman)  
> Energinet.dk's Interessentforum  
(Stakeholder Forum) on behalf of  
Dansk Energi

### Martin Romvig

CEO of Eniig  
MBA  
Date of birth: 23.10.1969  
Member of the Board since:  
15.10.2014  
Board memberships, honorary offices:  
> Eniig Energi A/S (Chairman)  
> Eniig Fiber A/S (Chairman)  
> Eniig Energiteknik A/S (Chairman)  
> Eniig Renewables A/S (Chairman)  
> Dansk Energi Direktørudvalg  
(Committee of Directors)  
> Dansk Industri Committee for Energy  
and Climate policy

### Anders J. Banke

CEO of SEF  
Electrical (heavy current) engineer  
Date of birth: 19.08.1971  
Member of the Board since:  
01.01.2009  
Board memberships, honorary offices:  
> Go2green (Chairman)  
> VL60 (Chairmanship)  
> Sydfyns Elforsynings almennyttige  
Fond (SEAF)  
> Local council, Sydbank, Svendborg  
> Dansk Energi Lederforum (Chairman)

### Jens Otto Veile

Director  
MSc Economics  
MBA INSEAD  
Date of birth: 24.07.1950  
Member of the Board since:  
27.09.2004  
Board memberships, honorary offices:  
> Kaj Andersen & Sønner Holding A/S  
(Chairman)  
> Investeringselskabet af 1. november  
2001 A/S (Chairman)  
> Andersen Motors A/S (Chairman)  
> Andersen Motors Ejendomme A/S  
(Chairman)  
> Suzuki Bilimport Danmark A/S  
(Chairman)  
> e-parts A/S (Chairman)  
> Bascon Holding A/S (Chairman)  
> Bascon A/S (Chairman)  
> The Danish Pension Fund for  
Engineers (DIP)  
> Karen Krieger-Fonden  
> Bursar of The Carlsberg Foundation  
and The New Carlsberg Foundation

## Executive Board

### Jørgen Holm Westergaard

CEO of Energi Danmark A/S  
(since 1 May 1999)  
MSc Economics  
Date of birth: 06.08.1963  
Board memberships, honorary offices:  
> Energi Danmark Securities A/S  
(Chairman)  
> Energi Försäljning Sverige AB  
(Chairman)  
> Energi Danmark Vind A/S (Chairman)  
> Energia Myynti Suomi Oy (Chairman)  
> Energi Salg Norge AS (Chairman)  
> Energie Vertrieb Deutschland EVD  
GmbH (Chairman)  
> Dansk Elhandel

### Jesper Nybo Stenager

CFO of Energi Danmark A/S  
(since 1 April 2015)  
State-authorised Public Accountant  
(MSc Business Economics & Auditing)  
Date of birth: 08.09.1970  
Board memberships, honorary offices:  
> Energi Danmark Securities A/S  
> Energi Försäljning Sverige AB  
> Energi Danmark Vind A/S  
> Energia Myynti Suomi Oy  
> Energi Salg Norge AS  
> Energie Vertrieb Deutschland  
EVD GmbH

# Corporate information, subsidiaries



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**Aarhus**



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