Neas Energy A/S

Skelagervej 1
9000 Aalborg

CVR-No.
20293195

Annual Report 2017

The Annual Report has been adopted and approved on the Annual General Meeting on 17 May 2018.

Chairman of the General Meeting
Anne Sveistrup Boysen

ANNUAL REPORT

2017

NEAS ENERGY

Part of centrica

Contents

Preface And at A Glance

In 2017 we have lifted Neas Energy to new heights

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At a Glance

Neas Energy is an energy asset management company in the Centrica Group. We provide physical and financial optimisation of renewable and conventional energy assets operating on energy markets in Europe.

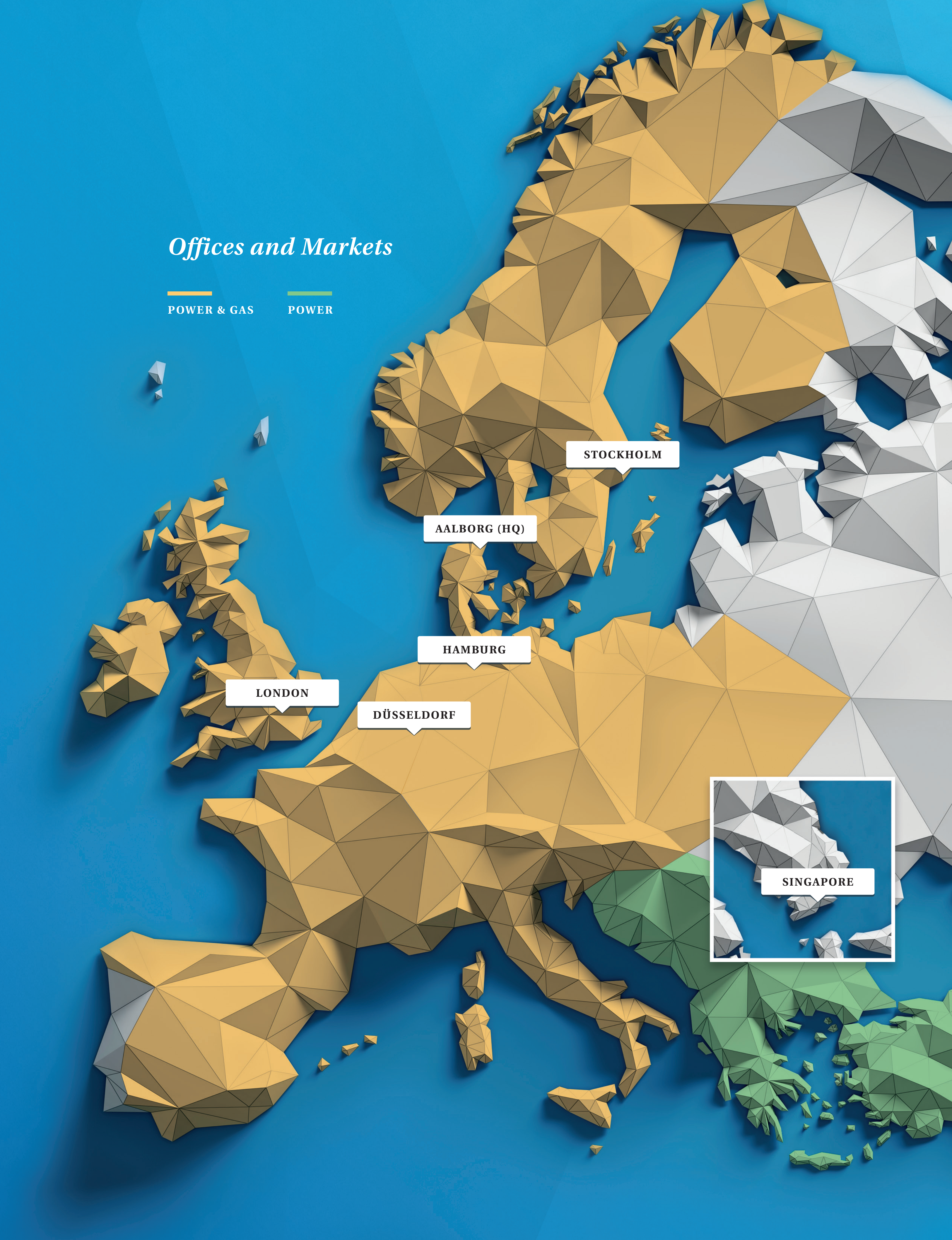
Based on more than 15 years of experience from liberal energy markets, today Neas Energy trade electricity and power in all major energy markets in Europe. Combining our 24/7 energy trading desks with our proprietary software systems for balancing and optimisation enables us to provide added value in route-to-market services for energy asset owners and operators in Europe.

Neas Energy's headquarters are located in Aalborg, Denmark and we have regional offices in Hamburg, Düsseldorf, Stockholm and Singapore as well as an integrated cooperation with Centrica Energy Marketing and Trading in London.

Offices and Markets

POWER & GAS

POWER



Employee Facts

Female employees

30%

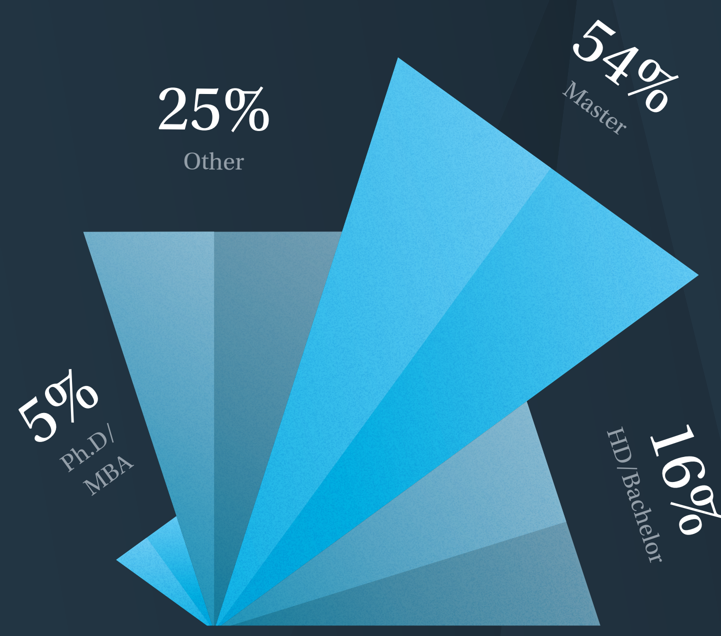
Male employees

70%

Average age

36 **Years old**

Level of Education



Nationalities

Neas Energy has 23 different nationalities employed and an international atmosphere at the headquarter in Denmark.

CEO's Review

The First Year in Centrica Came with A Fabulous Performance

In 2017 Neas Energy realised an operating profit (EBIT) of mDKK 232.0 equalling an increase of 0.9 %.

Solid performances across the board in origination and trading with a good diversification of income streams was the backbone of the 2017 results.

A consolidation of our asset management and balancing services to target specific asset profiles and a very satisfying performance from our Intraday trading desk proved a highly profitable combination.

Cross border power trading delivered a performance above expectations and the structuring desk, except for the trading of certificates which delivered below budget, also surpassed the 2017 targets.

The gas trading desk again in 2017 surpassed expectations delivering an outstanding performance. Gas trading benefited from increasing lines for trading and a thus increasing access to valuable capacities in the European gas markets.

The average number of employees in grew from 252 in 2016 to 283 in 2017, consistent with forecast.

It is my assessment that the financial performance for 2017 is very satisfying.

THE EXECUTIVE BOARD

Anders Bauditz

New Markets Were Implemented on The Trading Floor

In 2017 Neas Energy expanded activities to the Netherlands, Spain and Bulgaria to offer route-to-market services to energy infrastructure investors and owners of renewables assets such as wind parks and solar farms.

EM&T integration And New Combined Strategy

With the integration of Neas Energy and Centrica Energy Marketing & Trading (EM&T) we are now implementing a new combined strategy. The strategy is bringing the teams in Denmark and UK together and supports best practice sharing, talent development and delivery. With the integration we will increase our collaboration and work together towards achieving our shared strategic goal.

Strong Efficiency Mindset

2017 was characterised by focus on continuous improvement, performance management and cost awareness in an effort to industrialize processes for our well/established businesses and ensure transparency throughout the entire value chain in our business model.

Biggest Onshore PPA in Europe Was Signed – Markbygden

A new breed of PPAs was brought to the market, Hybrid PPAs, where revenue streams and risks are integrated into structures designed to meet a limited risk appetite from infrastructure investors and owners of assets to operate on market terms. Neas Energy signed a landmark deal on an innovative Hybrid PPA structure for Europe's single biggest onshore wind installation, Markbygden EET.

Enerchain

In June 2017 Neas and Centrica joined Ponton and the Enerchain project - together with 31 other market participants - to support the development of a blockchain based P2P marketplace, to explore this new technology. On Wednesday 4th of October, Neas joined Ponton and other industry leaders at EMART in Amsterdam to demonstrate live trading on the blockchain-based Enerchain peer to peer (P2P) trading platform.

Outlook is promising for 2018

Forecasting price developments in markets which are becoming increasingly dependent of weather and interdependent structural capacities is difficult. However, since the expansion of the electricity grid is still lacking behind the influx of renewables, and the price correlation with LNG in the European gas complex increases, we expect the markets in 2018 and beyond will continue to react promptly to weather measures, outages, congestions and global LNG prices. This, we expect, puts Neas Energy in a favorable position to maximize the value of customer's assets and utilise its diversified asset portfolio, flexible trading and capacities in the electricity and gas markets.

The directors expect the general level of activities and scope of the business to be similar in the coming year.

On behalf of the Executive Directors and our Board of Directors, I would like to extend my thanks and congratulations to the employees in Neas Energy on a strong and satisfying performance in 2017.

Organisation chart

Neas Energy

Executives

- Strategic Business Development
- Business Processes & Implementation
- HR
- Legal & Market Implementation
- Communications
- Compliance

Sales
- Nordic
- Germany (subsidiary)
- UK (subsidiary)

Markets
- Short Term Power Trading
- Gas Trading
- Structuring
- Trading
- Capital Management (subsidiary)

Support
- Finance
- Back office
- Risk Management
- IT-Development
- IT-Operations

Financial Highlights

Amounts in million DKK	2017	2016	Change in %
Revenue	32,172.7	18,511.9	74%
EBITDA *	249.5	250.4	0%
EBIT **	232.0	230.0	1%
Profit before tax	261.8	160.7	63%
Profit for the year	208.6	122.5	70%
Equity	766.0	557.4	37%
Equity ratio	28.3%	25.8%	10%
Average number of employees	283.0	252.0	12%

* Profit before special items, amortisation and depreciation ** Operating profit

Financial Highlights

Amounts in TDKK

Financial highlights	2017	2016	2015	2014	2013
Income statement					
Revenue	32,172,715	18,511,938	20,349,162	11,162,227	5,785,811
Index	556	320	352	193	100
Profit before special items, amortisation and depreciation	249,455	250,400	202,365	129,146	-2,301
Index	10,941	10,982	8,895	5,713	100
Operating profit	232,008	229,996	165,610	113,002	-10,038
Index	2,411	2,391	1,750	1,226	100
Results from net financials	29,841	-69,333	-27,223	-5,991	-4,264
Index	800	-1,526	-538	-41	100
Profit before tax	261,849	160,663	138,387	107,011	-14,302
Index	1,931	1,223	1,068	848	100
Profit for the year	208,618	122,536	98,764	83,808	-8,820
Index	2,465	1,489	1,220	1,050	100
Balance sheet					
Assets	2,708,870	2,164,490	1,948,275	1,428,407	993,461
Index	273	218	196	144	100
Investment in plant & equipment	22,789	3,590	1,219	479	4,437
Index	514	81	27	11	100
Cash less bank loans	124,042	205,347	679,770	159,450	60,214
Index	206	341	1,129	265	100
Share capital	123,507	123,507	123,507	125,038	125,038
Index	99	99	99	100	100
Equity	766,022	557,362	434,986	432,621	339,842
Index	225	164	128	127	100
Equity and subordinated loan capital	766,022	557,362	784,986	432,621	339,842
Index	225	164	231	127	100
Current liabilities excluding bank loans	1,683,784	1,536,342	1,153,924	982,835	593,864
Index	284	259	194	165	100
Cash flow					
Net cash flow from:					
Operating activities	-45,033	-93,844	287,884	138,339	65,703
Investment activities	-36,272	-18,207	-17,285	-17,013	66,953
Financing activities	0	-362,372	257,947	-1,440	-56,992
Cash flow for the year	-81,305	-474,423	528,546	119,886	75,664

Financial ratios	2017	2016	2015	2014	2013
Profitability					
Return on equity	31.5%	24.7%	22.8%	21.7%	-5.2%
Profit margin	0.7%	1.2%	0.8%	1.0%	-0.2%
Equity ratio	28.3%	25.8%	22.3%	30.3%	34.2%
Equity incl. subordinated loan ratio	28.3%	25.8%	40.3%	30.3%	34.2%
Other: Average number of employees	283	252	222	176	133

Corporate Review

New markets
were implemented
on the trading floor

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Centrica Group Corporate Responsibility

As a company in the Centrica Group, Neas Energy's reporting on corporate policies and annual review of progress are covered by Centrica Plc.
Centrica reviews a number of corporate functions and Corporate Citizenship in the group's annual report and a number of reports/updates on "Responsible Business" measures.

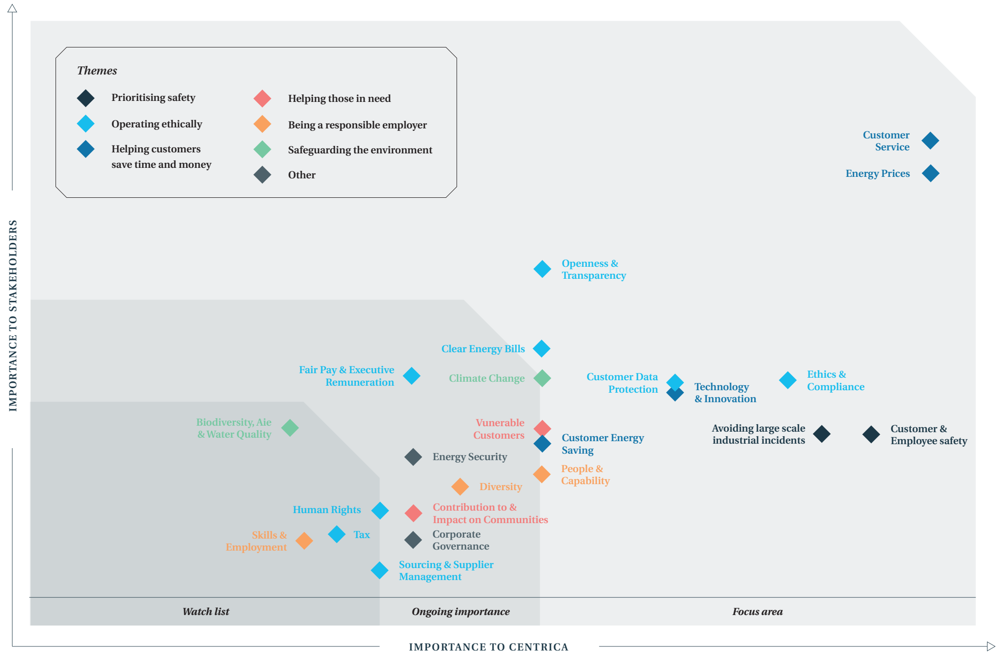
The 2017 annual report is available here:

https://www.centrica.com/investors/financial-reporting/2017-annual-report

Well-Established Policy And Principles for Responsible Business

Centrica's Corporate Responsibility policy is centred on policy and principles for "Responsible Business" in which issues are prioritised by assessing their 'materiality' – the extent to which issues are important to our external stakeholders as well as our business. Centrica aims to fully understand the risks and opportunities facing the business by engaging with key external stakeholders such as customers, politicians and NGOs, alongside internal experts from across the business. By prioritising issues through this process, Centrica effectively manage the impacts and stakeholder relationships by focusing resource, engagement and reporting activities on addressing the issues that matter most.

Centrica's material issues matrix



Reporting on Corporate Responsibility

Information and data on Centrica's performance within Corporate Responsibility is available on the group website here:

https://www.centrica.com/responsibility

The latest version of the Communication on Progress for the UNGC along reports on the CR Basis of Reporting, Performance Review and a number of other CR related reports/updates can be found here:

https://www.centrica.com/responsibility/our-performance/reports-downloads

The 2017 update on Centrica's general Corporate Responsibility and principle is available here:

https://www.centrica.com/responsibility/our-approach/being-responsible-business

A Responsible Employer with A Diversified Workforce

Neas Energy complies with Centrica's principles for responsibility in employment and diversification of gender, ethnicity, religion and sexual orientation.

We are committed to promoting equal opportunities and diversity as part of creating an inclusive working environment that attracts, develops and retains the best people. Indi¬viduals are treated in a non-discriminatory manner at all stages of their employment, including recruitment and selection, reward, training and development and promotion and career development.

At senior management level, 28% are female, and 29% of employees excluding the Board and senior management are female. We continue to target an equal number of men and women in all levels of management and the board – meaning an 50/50 split. In recruitment in general we are exclusively focused on attracting the best and most talented resources without respect to neither sex, ethnicity, religion or other physical, social or spiritual preferences.

Centrica employees breakdown by gender %

28%	29%
Female senior managers	Overall female employees

Board Diversity

Centrica recognises the benefits of diversity in all its forms - at board level and throughout the group. During 2017, 25% of the Board were women and comprised directors from the UK, US, Canada and Italy with a wide range of backgrounds and expertise.

Centrica supports the recommendations of the Hampton-Alexander Review and is continuing to develop the skills, experience and knowledge of a diverse pipeline of talent. Our Nominations Committee is committed to ensuring and promoting a diverse blend of skills, backgrounds and nationalities on the board.

Corporate Governance

Board of Directors

Cassim Mangerah	Chairman
Jonathan Westby	Member
Peter John Worby	Member
Bo Lynge Rydahl	Member
Kenneth Brian Skou	Employee representative
Peter Lohmann Holm	Employee representative

Headquarter
Aalborg

Financial Review

Internal Controls and Risk Management for The Process of Financial Reporting

The company's risk management and internal controls for financial reporting are designed for provision of internal accounts, which allow measurement and follow-up of company performance, and publication of external accounts in accordance with the Danish Financial Statements Act for large enterprises in accounting class C, and which give an accurate picture free from material errors.

The Supervisory and Executive Boards in the company are thus created to ensure the presence of relevant competencies concerning risk management and evaluation of internal controls in relation to financial reporting. Responsibility for setting up effective internal controls and a risk management system for financial reporting rests with the Executive Management Board.

The Supervisory and Executive Boards regularly review the risks which affect the company, including those who affect financial reporting in particular.

Control activities have been put into place designed to detect and eliminate any error or deficiency in the data used for financial reporting. There are also mechanisms in place to ensure that the company observes relevant legislation and other regulations for financial reporting. Reporting is checked regularly, and any error or deficiency in data reported is communicated and corrected by the companies. The Supervisory and Executive Boards are regularly informed of major changes in legislation and on other relevant compliance matters.

Additional analyses and control activities are performed during compilation of the annual report to ensure that financial reporting complies with the accounting practice in use. The Supervisory Board ensures that any weakness detected and reported in internal controls by the auditor elected by the annual general meeting is corrected along with any error or deficiency, and that controls and procedures are implemented to prevent such errors and deficiencies.

Income Statement

Revenues amounted to 32,172.7 mDKK and a gross profit of 500.8 mDKK equivalent to a gross profit margin of 1.6%.

Gross profit consists of a contribution margin from the buying, selling and trading of energy, portfolio management and administrative and technical services for electricity producers and other electricity and gas companies.

Net turnover increased by 73.8% compared to last year.

Operating profit was 232.0 mDKK compared to 230.0 mDKK last year. Profit margin is realised at 0.7% in the current year, which is slightly lower compared to last year mainly due to increasing staff costs.

Financial items comprised a net income of 29.8 mDKK. Financial revenues consist primarily of interest earnings from interest earned from deposits at Centrica Group Treasury, whilst financial expenses primarily consist of warranty provisions and interest payable and exchange rate adjustments related to British pounds.

Profit before tax was therefore 261.8 mDKK. Tax on profit for the year was 53.2 mDKK, of which 49.8 mDKK was current tax for the year.

Profit for the year was thereafter 208.6 mDKK. Last year, the company made a profit of 122.5 mDKK.

Balance sheet

Total assets as of 31 December 2017 comprised 2,708.9 mDKK, of which 61.9% are placed in working capital of 1,676.0 mDKK excluding cash, cash equivalents and debt to banks. Net working capital comprises especially of receivables from the buying and selling of energy, plus the value of open positions and holdings on the balance sheet date.

Given an equity ratio of 28.3%, equity comprise 766.0 mDKK, an increase of 37.4% compared to last year. The increase is mainly driven by the result of the year

Cash Flow Statement

Cash flow for the year comprised a net capital cost of 81.3 mDKK

Operations made a negative contribution of -45.0 mDKK after tax, compared to -93.8 mDKK last year.

Net cash flow from investing activities was in 2017 negative and amounted to -36.3 mDKK, which comprised purchase of new software and equipment, whilst the cash outflow from financial activities was 0 mDKK.

Statement by The Management on The Annual Report

The Board of Directors and the Executive Board have today considered and approved the annual report of Neas Energy A/S for the financial year 01.01.2017 - 31.12.2017.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Aalborg, 17 May 2018

The Executive Board

Anders Bauditz

The Supervisory Board of Directors

Cassim Mangerah

Jonathan Westby

Peter John Worby

Bo Lynge Rydahl

Peter Lohmann Holm

Kenneth Brian Skou

Chairman

The annual report was presented and approved at the company's ordinary annual general meeting held on 17 May 2018.

Anne Sveistrup Boysen

Independent Auditor's Report

To the shareholders of Neas Energy A/S

Opinion

We have audited the financial statements of Neas Energy A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations and cash flows for the financial year 01.01.2017 - 31.12.2017 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 financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for The Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements Management is responsible for: assessing the Entity's ability to continue as a going concern, for disclosing - as applicable - matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements. Unless Management either intends to liquidate the Entity, or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for The Audit of The Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole 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 the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Entity'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 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 Entity'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 financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

Statement on The Management Commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the 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 commentary.

Aalborg, 17 May 2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No. (CVR): 33 96 35 56

Lars Birner Sørensen	**Peter Mølkjær**
State Authorised	State Authorised
Public Accountant	Public Accountant
Identification No (MNE)	Identification No (MNE)
mne11671	mne24821

Accounting Policies

General

This Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act for large class C companies. This include the use of International Financial Reporting Standards for recognition, measurement and presentation and disclosure of financial instruments in accordance with § 37.5.

In the current year an adjustment of balance sheet lines has been performed. The adjustment has been considered and is made as it is the managements view that it shows a more fair picture of the status in the balance sheet.

The main adjustments are related to classification adjustments between receivables and other receivables and deposits, prepayments and cash. Receivables consist, following the adjusted classification, of all receivables related to specific counterparties on delivered energy. Previously unsettled deliveries were presented as other receivables. Deposits consist, following the adjusted classification, security for future trading activities, prepayments of prepayments made for a specific purpose or service and all cash like items are presented as cash. The effect on the balance sheet are reflected in the following table.

	2016	2017
Trade receivables	70.348.512	49.469.750
Other receivables/ deposits	214.782.595	73.524.757
Prepayments	- 80.895.662	-189.779.923
Cash and cash equivalents	- 204.235.445	66.785.416

The adjustment has no effect on result nor equity.

Financial Statements

The Neas Energy A/S companies in general, including the current parent company, are members of the Centrica Plc. (Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, No.: 3033654) and is also reported in the Centrica Group financial statement. Formerly the Neas Energy Group has been reported as a consolidated entity, but since the Neas Energy entities are now reported as part of the Centrica plc. Group we use the §112 exemption to not report a consolidated Group result.

All financial statements are prepared in accordance with the accounting policies of the group.

The financial statements are a compilation of the audited financial statements for the parent company and subsidiaries. Result and capital shares are displayed in the income statement and balance sheet.

Foreign currency

The Annual Report is presented in Danish kroner (DKK). Foreign-currency transactions are translated into Danish kroner throughout the year at the rates of exchange ruling on the transaction date.

Receivables and liabilities denominated in foreign currencies are translated into Danish kroner at the rates of exchange ruling on the balance sheet date. Exchange gains and losses are recognised in the income statement under financial items.

Basis of Recognition and Measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities.

All expenses including depreciation, amortization and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when future financial benefits are likely to accrue to the company and the value of such assets can be reliably measured. Liabilities are recognised in the balance sheet when they are probable and can be measured reliably. Upon initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described below for each item.

Predictable losses and risks arising before the date of presentation of the financial statements and the facts that confirm or rebut circumstances and conditions existing at the reporting date are taken into consideration upon recognition and measurement.

Income Statement
Revenues

Physical Production
Income from the sale of energy incl. certificates, also including trading activities connected to physical energy, is recognised in accordance with the delivery principle such that income is recognised as and when delivery takes place.
Income from the sale of services is recognised linearly as and when the services are delivered also according to the delivery principle. Profits and loss is included in the income statement as revenue.

Derivative Financial Instruments
Derivative financial instruments regarding sales and purchases of energy are recognised at fair value. Positive and negative adjustments in fair values of derivative financial instruments are included in receivables or liabilities, respectively. The effect of value adjustments in fair value of derivative financial instruments is recognised in the income statement as revenue.
Neas Energy enters into financial energy contracts on a regular basis for which no quoted fair value exists. The fair value of these instruments is determined using accepted valuation models and current market data.

Cost
Cost is recognised in the income statement upon delivery of the acquired service or physical item. Provisions are made for deliveries referring to the reporting period. Cost referring to future periods is accrued as prepayments.

Depreciation and Amortisation
Amortisation of intangible assets and depreciation of property, plant and equipment aim to ensure linear amortisation and depreciation over the expected useful life of the asset in question. The following useful lives and residual values apply:

	Useful life	Residual value
Software	3-5 years	0%
Contractual rights	7 years	0%
Plant and equipment	5 years	0%

Net Financials
Net financials comprise of interest income, interest expenses and foreign currency adjustments.

Taxes
The current and deferred taxes for the year are recognised in the income statement as taxes for the year with the portion attributable to the net profit or loss for the year, and directly in equity with the portion attributable to amounts recognised directly in equity.

The parent company is included in the joint taxation with Danish affiliated companies. The ultimate parent company of the group is the administration company for the joint taxation and therefore makes all corporation tax payments to the taxation authorities. The levied Danish corporation tax is distributed by calculating joint taxation contributions among the jointly taxed companies in proportion to their taxable incomes. Similarly, companies with a negative taxable income receive joint taxation contributions from companies able to apply this loss to reduce their own taxable profit.

Balance Sheet
Intangible Assets

Intangible assets are measured in the balance sheet at the lower of cost less accumulated amortisation and the recoverable amount. The recoverable amount is the value of the asset in continued use or from sale. Directly and indirectly incurred costs are included in cost.

IT-development projects are recognised at cost, including costs of, for example, wages directly or indirectly attributable to the development projects. Development projects are recognised in the balance sheet where these aim to develop a particular product or system that the company intends to produce with the intention to sell or use in own production. Other development costs are recognised in the income statement in the year they are incurred.

Capitalised development costs are amortised from the time of completion the product or system linearly over the period where they are expected to generate economic benefits. However, the amortisation period cannot exceed five years.

In the balance sheet intangible assets are shown as software and all assets within this category are own developed assets.

Equipment

Property, plant and equipment is measured in the balance sheet at the lowest cost of the accumulated depreciation and the recoverable amount. The recoverable amount is the value of the asset in continued use or from sale.

The recoverable amount of the asset is calculated as the higher of the net selling price and the capital value. The capital value is calculated as the present value of the expected net cash flows from application of the asset or asset group and expected net cash flows from sale of the asset or asset group after the end of useful life.

Equity Investments in Group Enterprises Or Associated Companies

Equity investments in group enterprises and associated companies are recognised and measured according to the 'Equity Method.' Accordingly, investments are measured at the pro rata share of the companies' equity value with addition or subtraction of unamortised positive or negative goodwill respectively and with subtraction or addition of unrealised intercompany profits and losses.

In the income statement the parent company's share of the company's profits is recognised for the year after elimination of intercompany profits and losses and with subtraction or addition of amortisation of positive or negative goodwill respectively.

Group enterprises and associated companies with a negative equity value are measured at nil and any receivables from such companies are reduced by the parent company's share of the negative equity value to the extent that it is regarded irrecoverable. If the negative equity value exceeds the receivable the exceeding amount is recognised as a provision only to the extent that the parent company has a legal or de facto obligation to indemnify the liabilities of the company in question.

Inventories

Inventories are in general measured at lowest prices of either cost prices or net realisation value. The value is tested given the two principles and the lower is applied in the balance sheet.

Gas Inventories
Gas inventory is measured at cost price according to the FIFO-principle.

Other Inventory
Other equipment purchased in order to set up technical solutions at customers is put in stock until delivery and recognised at cost price.

Receivables

Receivables consist primarily of settled and realised gains from counterparties related to physical trading.

Receivables are measured at the nominal value less estimated risks of losses according to both group wise and individual assessments.

Receivables from physical trading is measured at nominal value.

Other Receivables

Other receivables consist primarily of unrealised gains from financial trading activities and deposits.

Unrealised gains from financial trading activities are recognised at fair value. Deposits are measured at nominal value.

Prepayments

Prepayments contains prepaid cost for delivery in periods after status date.

Equity

Net revaluation of equity investments in subsidiaries is recognised under equity in reserve for net revaluation according to the equity method, to the extent the carrying amount exceeds the acquisition value.

The acquisition and sale of own equity investments and dividend from these are recognised directly in equity under retained earnings.

A reserve for development cost is recognised in the equity.

Current and Deferred Taxes

Neas Energy A/S is an administrative company and is liable for the full tax payment of the jointly taxed companies of the Neas Energy Group.

Current tax payable and receivable is recognised in the balance sheet as calculated tax on the taxable income, adjusted for tax paid on account.

Joint taxation contributions payable and receivable are recognised in the balance sheet as corporation tax under receivables or liabilities.

Deferred tax liabilities and deferred tax assets are calculated on the basis of all temporary differences arising between the carrying amount of assets and liabilities and their respective tax assets, and are recognised in the balance sheet at the prevailing tax rate. However, deferred tax of temporary differences regarding non-amortisable goodwill and other items is not recognised where temporary differences, except for company acquisitions, have arisen at the time of acquisition without any impact on the profit or loss or taxable income.

Deferred tax assets are recognised at their assessed expected realisable value by offsetting against deferred tax liabilities or against tax on future earnings.

Liabilities Other Than Provisions

Liabilities other than provisions are measured at cost at the time when the liability is incurred. Liabilities other than provisions are subsequently measured at amortised cost, with capital losses and loan costs being distributed over the term of the liability on the basis of the calculated, effective rate of interest at the time at which the liability is incurred.

Payables

Payables consist primarily of settled and realised gains from counterparties related to physical trading.

Payables are measured at nominal value.

Other payables
Other payables consist primarily of liabilities towards public institutions and employees.

Other payables are measured at nominal value.

Deferred Income

Deferred income contains prepayments received for delivery after status date.

Cash Flow Statement

The cash flow statement is prepared according to the indirect method, showing cash flows from operating, investing and financing activities, as well as changes in cash flows for the year and cash equivalents at the beginning and end of the year. Cash flows from operating activities are calculated as the net profit or loss for the year, adjusted for non-cash operating items, corporate income tax paid and changes in working capital.

Cash flows from investing activities consist of the additions to and disposals of intangible assets, property, plant and equipment and investments, appropriately adjusted for changes in the amount of receivables and payables for such items.

Cash flows from financing activities consist of cash flows provided by, and dividend paid to shareholders, as well as the securing of and repayment of non-current liabilities other than provisions.

Cash flows at the beginning and end of the year comprise cash and short-term bank debt.

Calculation of Financial Ratios

Financial ratios have been calculated in accordance with the recommendations of the Danish Society of Financial Analysts:

Return on equity

$$\frac{\text{Profit for the year}}{\text{Average equity}}$$

Profit margin

$$\frac{\text{Operating profit}}{\text{Revenue}}$$

Equity ratio

$$\frac{\text{Equity at year-end}}{\text{Total assets}}$$

Financial Statements

An outstanding
financial performance

34-58

Income Statement

Amounts in TDKK

Note		2017	2016
1	**Revenue**	**32,172,715**	**18,511,938**
	Cost of sales	-31,671,869	-18,017,413
	Gross profit	**500,846**	**494,525**
	Own work capitalised	19,386	16,599
	Other operating income	40,405	1,252
	Other external expenses	-74,056	-68,524
2	Staff costs	-237,126	-193,452
	Profit before special items, amortisation and depreciation	**249,455**	**250,400**
3	Other external expenses, special items	0	-8,027
	Depreciation, amortisation and impairment losses	-17,447	-12,377
	Operating profit	**232,008**	**229,996**
4	Income from investments in group enterprises	21,557	-3,306
5	Income from investments in associates	206	-1,634
6	Other financial income	21,045	465
7	Other financial expenses	-12,967	-64,858
	Profit before tax	**261,849**	**160,663**
8	Tax on profit	-53,231	-38,127
	Profit for the year	**208,618**	**122,536**

Distribution of Profit for The Year

Amounts in TDKK

	2017	2016
Proposed distribution of profit:		
Retained earnings	208,618	122,536
Total	**208,618**	**122,536**

Balance Sheet

Amounts in TDKK

Assets		2017	2016
Note			
	Software	46,245	39,504
	Development projects in progress	11,735	6,607
9	**Intangible assets**	**57,980**	**46,111**
	Plant and equipment	3,775	4,064
	Leasehold improvements	14,213	0
	Plant and equipment in progress	8,854	2,631
10	**Plant and equipment**	**26,842**	**6,695**
11	Investments in group enterprises	32,836	24,447
11	Investments in associates	6,381	6,167
12	Other receivables	93,746	113,452
	Fixed asset investments	**132,963**	**144,066**
	Non-current assets	**217,785**	**196,872**
	Inventories	**158,409**	**26,577**
	Trade receivables	808,904	712,714
	Receivables from group enterprises	593,059	2,568
	Receivables from associates	7,723	4,403
13	Other receivables	685,846	1,006,264
	Prepayments	22,836	9,745
	Receivables	**2,118,368**	**1,735,694**
	Cash	**214,308**	**205,347**
	Current assets	**2,491,085**	**1,967,618**
	Assets	**2,708,870**	**2,164,490**

Balance Sheet

Amounts in TDKK

Note	Equity and liabilities	2017	2016
14	Share capital	123,507	123,507
	Reserves for development costs	31,812	16,207
	Retained earnings	610,703	417,648
	Equity	**766,022**	**557,362**
8	Provision for deferred tax	12,742	9,295
	Provisions	**12,742**	**9,295**
	Other payables	156,056	61,491
15	**Non-current liabilities other than provisions**	**156,056**	**61,491**
15	Current portion of long-term liabilities other than provisions	309,481	289,989
16	Other provisions	1,507	0
	Bank loans	90,266	0
	Debt to group enterprises	15,023	21,900
	Trade payables	947,648	839,532
	Income tax payable	49,682	33,974
17	Other payables	360,443	319,625
	Deferred income	0	31,322
	Current liabilities other than provisions	**1,774,050**	**1,536,342**
	Liabilities other than provisions	**1,930,106**	**1,597,833**
	Equity and liabilities	**2,708,870**	**2,164,490**

18 Guarantees
19 Security furnished
20 Contingent liabilities
21 Contractual obligations
22 Fees paid to auditors appointed at the annual general meeting
23 Related parties

Statement of Changes in Equity

Amounts in TDKK

	Share capital	Reserve for development costs	Retained earnings	Total
Balance as of 01.01.2017	123,507	16,207	417,648	557,362
Capitalized development costs	0	15,605	-15,605	0
Other adjustments	0	0	42	42
Profit/loss for the year	0	0	208,618	208,618
Balance as of 31.12.2017	**123,507**	**31,812**	**610,703**	**766,022**

Cash Flow Statement

Amounts in TDKK

	2017	2016
Profit before tax	**261,849**	**160,663**
Adjustment of non-cash items	-4,305	17,309
Operating profit adjusted for non-liquid items	**257,544**	**177,972**
Corporation tax paid	-34,076	-37,697
Changes in net working capital:		
Receivables	-362,968	-689,164
Inventories	-131,832	-736
Payables	226,299	455,781
Net cash flow from operating activities	**-45,033**	**-93,844**
Investment in non-current assets:		
Purchase of intangible assets	-26,852	-19,818
Sale of plant and equipment	178	0
Purchase of plant and equipment	-22,789	-3,590
Sale of financial assets	0	313
Purchase of financial assets	0	-5
Disposal of financial assets	13,191	4,893
Net cash flow from investing activities	**-36,272**	**-18,207**
Repayments on long-term debt	0	-362,372
Net cash flow from financial activities	**0**	**-362,372**
Total net cash flow for the year	**-81,305**	**-474,423**
Cash at the beginning of the year	205,347	679,770
Cash at the end of the year	**124,042**	**205,347**
Cash at end of year specified as follows:		
Cash	214,308	205,347
Debt to banks	-90,266	0
Total	**124,042**	**205,347**

Notes

Amounts in TDKK

1. Revenue	2017	2016
Power	17,190,680	12,699,444
Gas	14,982,035	5,812,494
Total	**32,172,715**	**18,511,938**
Profit from fair value instruments	**364,460**	**310,632**

The Neas Energy Group carries out almost all activities from Denmark as all handling of physical production and trading is done from the main office in Aalborg thus a split of the activity is not relevant. Furthermore, Neas Energy sees the European market as an integrated Pan-european market with more and more synergies across countries.

2. Staff costs	2017	2016
Wages and salaries	215,169	175,583
Pension costs	12,563	10,991
Other social security costs	2,608	2,163
Other staff costs	6,786	4,715
Total	**237,126**	**193,452**
Average number of employees	**283**	**252**
Total remuneration to Executive Board and Board of Directors	**6,832**	**5,488**

A bonus scheme for the management exists. It solely relates to the performance of the company in general and the total amounts are not significant.

3. Other external expenses, special items	2017	2016
Other external expenses, special items	0	8,027
Total	**0**	**8,027**

Expenses related to the sale of shares to and entering the Centrica Group (Project FOX). The cost relates to extraordinary consultancy and legal services in the project, and is not deemed to be part of the ordinary operations at Neas. The main period of the project was Q1 2016.

Notes

Amounts in TDKK

4. Income from investments in group enterprises

	2017	2016
Share of profit/loss for the year	21,557	-3,306
Total	**21,557**	**-3,306**

5. Income from investments in associates

	2017	2016
Share of profit/loss for the year	206	-1,634
Total	**206**	**-1,634**

6. Other financial income

	2017	2016
Financial income arising from group enterprises	20,724	31
Financial income from associates	150	146
Interest income	171	288
Total	**21,045**	**465**

7. Other financial expenses

	2017	2016
Financial expenses from group enterprises	68	3,211
Guarantee provision	4,526	7,139
Exchange rate adjustments	2,529	10,539
Interest expenses	5,844	43,969
Total	**12,967**	**64,858**

Notes

Amounts in TDKK

8. Tax on profit from ordinary activities	2017	2016
Tax on current year taxable income	49,784	38,371
Change in deferred tax for the year	3,447	-70
Correction to current tax, previous years	0	-174
Total	**53,231**	**38,127**
Deferred tax is computed at 22% and is broken down as follows:		
Intangible assets	12,100	9,627
Plant and equipment	642	-332
Total provision for deferred tax, closing balance	**12,742**	**9,295**
Total provision for deferred tax, opening balance	9,295	9,365
Provision for deferred tax for the year	**3,447**	**-70**

Notes

Amounts in TDKK

9. Intangible assets	2017	2016
Software		
Cost price as of 01.01.2017	123,528	107,024
Additions during the year	21,724	16,504
Disposals during the year	-3,228	0
Cost price as of 31.12.2017	**142,024**	**123,528**
Amortisations as of 01.01.2017	84,024	73,037
Amortisations during the year	14,787	10,987
Reversal of amortisations on disposals in the year	-3,032	0
Amortisations as of 31.12.2017	**95,779**	**84,024**
Book value as of 31.12.2017	**46,245**	**39,504**
Development projects in progress		
Cost price as of 01.01.2017	6,607	3,293
Additions during the year	26,852	19,818
Transfers during the year	-21,724	-16,504
Cost price as of 31.12.2017	**11,735**	**6,607**
Amortisations as of 01.01.2017	0	0
Amortisations as of 31.12.2017	**0**	**0**
Book value as of 31.12.2017	**11,735**	**6,607**
Booked value intangible assets as of 31.12.2017	**57,980**	**46,111**

Notes

Amounts in TDKK

10. Plant and equipment	2017	2016
Cost price as of 01.01.2017	12,220	11,261
Correction opening balance	0	3
Additions during the year	1.497	956
Disposals during the year	-846	0
Cost price as of 31.12.2017	**12,871**	**12,220**
Depreciation as of 01.01.2017	8,156	6,767
Depreciation during the year	1,705	1,389
Reversal of depreciation on disposals in the year	-765	0
Depreciation as of 31.12.2017	**9,096**	**8,156**
Book value as of 31.12.2017	**3,775**	**4,064**
Leasehold improvements		
Cost price as of 01.01.2017	0	0
Additions during the year	15,069	0
Cost price as of 31.12.2017	**15,069**	**0**
Depreciation as of 01.01.2017	0	0
Depreciation during the year	856	0
Depreciation as of 31.12.2017	**856**	**0**
Book value as of 31.12.2017	**14,213**	**0**
Plant and equipment in progress		
Cost price as of 01.01.2017	2,631	0
Additions during the year	22,789	2,631
Transfers during the year	-16,566	0
Cost price as of 31.12.2017	**8,854**	**2,631**
Depreciation as of 01.01.2017	0	0
Depreciation as of 31.12.2017	0	0
Book value as of 31.12.2017	**8,854**	**2,631**
The carrying amount of assets held under finance leases amounts to	**379**	**1,051**
Booked value plant and equipment as of 31.12.2017	**26,842**	**6,695**

Notes

Amounts in TDKK

11. Fixed asset investments	2017	2016
Investment in group enterprises		
Cost price as of 01.01.2017	35,551	36,046
Corrections opening balance	-2,625	0
Additions during the year	0	5
Disposals during the year	-11,175	-500
Cost price as of 31.12.2017	**21,751**	**35,551**
Revaluation and depreciation as of 01.01.2017	-11,104	-3,286
Correction opening balance	2,625	0
Share of profit/loss for the year	21,557	-3,305
Reversal of revaluations and depreciations on disposals in the year	-2,016	-4,393
Fair value adjustments in the year	23	-120
Revaluation and depreciation as of 31.12.2017	**11,085**	**-11,104**
Book value as of 31.12.2017	**32,836**	**24,447**
Book value goodwill as of 31.12.2017	**433**	**649**

Goodwill is in Group classified as contractual rights, TDKK 433.

Investment in associates		
Cost price as of 01.01.2017	11,178	11,491
Disposals during the year	0	-313
Cost price as of 31.12.2017	**11,178**	**11,178**
Revaluation and depreciation as of 01.01.2017	-5,011	-3,342
Share of profit/loss for the year	206	-1,634
Fair value adjustments in the year	8	-35
Revaluation and depreciation as of 31.12.2017	**-4,797**	**-5,011**
Book value as of 31.12.2017	**6,381**	**6,167**

Notes

Amounts in TDKK

11. Fixed asset investments

Group enterprises	Domicile	Equity	Profit for the year	Percentage owned
Neas Invest A/S	Aalborg, Denmark	1,436	-58	100%
Neas Fondsmæglerselskab A/S	Aalborg, Denmark	11,839	788	100%
UtilityNorth A/S	Aalborg, Denmark	0	16	100%
Neas Energy Ltd.	London, United Kingdom	7,321	7,419	100%
Neas Energy d.o.o. Beograd	Beograd, Serbia	0	-106	100%
Neas Energy Gmbh.	Hilden, Germany	317	1,713	100%
Neas Energy Singapore Pte. Ltd.	Singapore	11,467	11,785	100%
Associates				
Danish Carbon Fund	Copenhagen, Denmark	6,159	0	7%
Vindpark Keblowo ApS	Hobro, Denmark	11,913	411	50%

11. Fixed asset investments

	2017	2016
Receivables from group enterprises		
Cost price as of 01.01.2017	0	26,410
Disposals during the year	0	-26,410
Cost price as of 31.12.2017	**0**	**0**
Revaluation and depreciation as of 01.01.2017	0	0
Revaluation and depreciation as of 31.12.2017	**0**	**0**
Book value as of 31.12.2017	**0**	**0**

Notes

Amounts in TDKK

12. Other receivables (non-current)	2017	2016
Cost price as of 01.01.2017	0	0
Cost price as of 31.12.2017	0	0
Revaluation and depreciation as of 01.01.2017	113,452	0
Fair value adjustments in the year	-19,706	113.452
Revaluation and depreciation as of 31.01.2017	93,746	113.452
Book value as of 31.12.2017	93,746	113.452

13. Other receivables (current)	2017	2016
Fair value of physical and financial instruments	295,141	300,054
Certificates	83,840	335,233
Deposits	292,541	366,715
Others	14,324	4,262
Total	**685,846**	**1,006,264**

14. Share capital

Share capital comprises 123,507,152 shares at a nominal value of DKK 1 each - 84,998,992 A-shares and 38,508,160 B-shares.

Changes in share capital	
Balance as of 01.01.2012	125,038
Disposal of treasury shares, 12.03.2015	-3,083
Cash capital increase, 25.06.2015	38,508
Cash capital decrease, 25.06.2015	-36,956
Balance as of 31.12.2017	**123,507**

Notes

Amounts in TDKK

15. Non-current liabilities other than provisions	2017	2016
Nominal value of long-term debt	465,537	351,480
Within 1 year	309,481	289,989
2-5 years	156,056	61,491
After 5 years	0	0
Total	**465,537**	**351,480**

Non-current liabilities other than provisions consists of fair value of physical and financial instruments.

16. Other provisions

Neas Energy A/S is part in a dispute with an external party - a provision of 1,507 TDKK has been made to cover a potential loss. The dispute is expected to be resolved by mid 2018 and no additional loss is expected.

17. Other payables	2017	2016
Danish export VAT scheme	288,133	265,834
Others	72,310	53,791
Total	**360,443**	**319,625**

Notes

Amounts in TDKK

	2017	2016
18. Guarantees		
The Company's banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to:	375,856	512,762
The guarantees are provided to exchanges, transmission system operators and power producers.		
19. Security furnished		
The following assets have been deposited as security for limits in banks:		
Cash with a carrying amount of	0	22,000

Neas Energy A/S has provided security against Neas Energy Ltd. for all accounts with Handelsbanken, which as per 31 December 2017 amounted to TDKK 50.

20. Contingent liabilities

The company has no contingent liabilties as of the balance sheet date.

Notes

Amounts in TDKK

21. Contractual obligations	2017	2016
Non-financial rent and leasing payments:		
Within 1 year	9,718	8,785
2 -5 years	3,914	25,042
Total	**13,632**	**76,194**

Contractual obligations consist of leasing payments on property and cars.

22. Fees paid to auditors appointed at the annual general meeting	2017	2016
Mandatory audit of the annual accounts	1,197	1,417
Tax advice	0	256
Total	**1,197**	**1,673**

Notes

Amounts in TDKK

23. Related parties

Controlling influence:	**Basis of influence:**
Centrica Nederland B.V., Holland	Parent company

Significant influence:	**Basis of influence:**
Cassim Mangerah, Windsor, United Kingdom	Chairman of the Supervisory Board of Directors
Peter John Worby, Wexbridge, United Kingdom	Member of the Supervisory Board of Directors
Jonathan Westby, Ascot, United Kingdom	Member of the Supervisory Board of Directors
Bo Lynge Rydahl	Member of the Supervisory Board of Directors
Kenneth Brian Skou, Hørning, Denmark	Member of the Supervisory Board of Directors
Peter Lohmann Holm, Svenstrup J, Denmark	Member of the Supervisory Board of Directors

Transactions:

Fees to the Executive and Supervisory Boards, re. note 2.

Transactions with related parties, is only mentioned in case the transactions are not performed at arm's length. There is no such transaction in the financial year 2017.

Ownership structure:

The following shareholders are registered in the company's Register of Shareholders with a shareholding of more than 5%: Centrica Nederland B.V., Hoofddorp Holland.

Neas Energy A/S, the parent company, appears as a subsidiary in the consolidated accounts for Centrica Plc. (Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD, No.: 3033654) which includes the biggest and smallest group in which the parent company is a subsidiary.

The consolidated accounts of Centrica Plc. are available at Centrica's website: www.centrica.com

Notes Regarding Financial Instruments

Amounts in TDKK

The notes in the following section is an addition related to the IAS 39 requirements to specify Risk and Fair Value in the balance sheet.

Risk note

24. Market risk

Managing energy assets operating on liberal market terms with significant price volatility and constantly changing exposure imposes significant requirements to the organization. The ownership, control, assurance of risks are segregated between front, middle and back office, respectively. Risk Management constantly monitors exposure across business areas using a standard value-at-risk metric (VaR) (1-day 95%) approach complimented with an internally developed model to compensate for some of the known limitations of the VaR approach. The VaR utilization during 2017 ranged between 5 and 25m DKK. The associated risk limits are set in the Risk Policy on the Group level and in the Risk Guidelines for the respective business areas. As an energy trading company Neas Energy is active in most power and gas markets throughout Europa, as well as the related markets for e.g. green certificates.

The total day-to-day risk, as defined in the Risk Policy reported ultimo 2016 and 2017 respectively are 9,2 mDKK and 6,8 mDKK. The majority of market risk exposure reflected in these numbers is related to price spread among price areas or as time spreads within price area as oppose to an outright exposure against the general price level of power or gas.

The framework for open currency positions is based on the risk assessment of the foreign currency market. Each currency is associated with a risk weight reflecting the risk related to the respective currencies. The commercial currency exposure is accumulated in a portfolio managed by Neas Energy's Treasury department and subsequently hedged in the market.

Renewable production volumes and the associated volumetric risk are regularly reassessed. Our meteorologists, traders and quantitative analysts carry out this evaluation. Based on their evaluation the hedge might be adjusted within the limits set in the Risk Policy.

Trading energy throughout Europa in different currencies naturally entails currency risk, which is handled by our Treasury Department with the purpose removing all material financial risk. As with other financial risk, this is monitored by Risk Management

Notes Regarding Financial Instruments

Amounts in TDKK

25. Liquidity Risk

During 2017 Neas Energy has had negative cash flow but has solid liquidity reserve to support our business limiting the liquidity risk concerning obligations to customers and counterparts. In 2016 Neas Energy joined the export VAT scheme and the scheme has had a positive influence on the liquidity reserve which more than serves the business. However the continuous focus on daily monitoring and reporting on liquidity to ensure optimal placement of cash relative to earnings has been maintained. This includes the continuous focus has been on procedures for monitoring and reporting on cash flow management.

Liquidity risk is the risk that the Group is unable to meet its financial obligations as they fall due. The Group experiences significant movements in its liquidity position primarily due to the seasonal nature of its business and margin cash arrangements. To mitigate this risk the Group maintains significant committed facilities. Maturities of derivative financial instruments, borrowings, and trade and other payables are provided in the following tables:

	Ultimo 2017	2018	2019	2020	After 2021
Trade payables	947,648	-947,648	0	0	0
Other payables - Accrued trading counterparties	0	0	0	0	0
Fair value of physical and financial instruments	-88,124	-9,696	-9,691	-16,804	-51,933
Total	**859,524**	**937,952**	**-9,691**	**-16,804**	**-51,933**

	Ultimo 2016	2017	2018	2019	After 2020
Trade payables	839,532	839,532	0	0	0
Other payables - Accrued trading counterparties	0	0	0	0	0
Fair value of physical and financial instruments	76,786	50,977	28,382	2,460	-5,033
Total	**916,318**	**890,509**	**28,382**	**2,460**	**-5,033**

Below is a tabel that shows how the net value of the fair value of physical and financial instruments are booked in the balance sheet.

	2017	2016
Fair value of physical and financial instruments - assets	377,413	428,266
Fair value of physical and financial instruments - liabilities	465,537	351,480
Fair value of physical and financial instruments - net values	**-88,124**	**76,786**

For further specification see note 27 regarding Offsetting.

Neas Energy A/S has credit facilities in form of guaranties at Euler Hermes 250 mDKK. At Sydbank the credit facility in form of guaranties is 305 mDKK, where 100 mDKK can be used as a cash overdraft.

Notes Regarding Financial Instruments

Amounts in TDKK

26. Credit Risk

According to Neas Energy's Risk Policy, all counterparts are required to be credit-rated and an internal cap imposed defining the maximum exposure allowed. Credit evaluating each counterpart specifically is creating this foundation by setting the basic boundaries for the trading activities. During and after onboarding, the credit team monitors the customer's or counterparty's credit worthiness and decides what should be done in order to enter a contract or a cooperation including the issues regarding bank guarantees, parent company guarantee, CSA etc. Neas Energy also apply credit insurance to mitigate credit risk. Neas Energy's credit risk monitoring covers a daily report of the overall credit lines and exposure to trading counterparts.

2017	Trade Receivables	Other receivables - Accrued trading counterparties	Fair value of physical and financial instruments	Total
The credit quality of the group's counterparties				
Clearing centres	116,970	0	66,395	183,365
Minimal risk (Rated A)	88,817	0	40,855	129,672
Low risk (Rated B)	601,113	0	281,637	882,750
High risk (Rated C)	1,855	0	0	1,855
Not rated	149	0	0	149
Total	**808,904**	**0**	**388,887**	**1,197,791**

2016	Trade Receivables	Other receivables - Accrued trading counterparties	Fair value of physical and financial instruments	Total
The credit quality of the group's counterparties				
Clearing centres	224,891	0	0	224,891
Minimal risk (Rated A)	42,478	0	73,923	116,401
Low risk (Rated B)	404,685	0	201,394	606,079
High risk (Rated C)	23,155	0	10,531	33,686
Not rated	17,505	0	14,206	31,711
Total	**712,714**	**0**	**300,054**	**1,012,768**

Notes Regarding Financial Instruments

Amounts in TDKK

The notes in the following section is an addition related to the IAS 39 requirements to specify risk and fair value in the balance sheet.

A considerable part of Neas Energy's counterparts are covered by the standard EFET agreement. This agreement also contain regulation on credit, payment and offsetting. This mean that Neas Energy is less exposed to credit risk as opposed to a setup with less or no standardised terms. In general Neas Energy has had no claims against counterparts without the ability to pay.

Minimal and low risk covers TSO's, Power Plants and A-rated counterparts. It is the assessment of the Group that these counterparts carries no or only little credit risk as they are part of partly public security of supply or have high credit ratings. The category "Not rated" covers counterparts with smaller claims that has not been formally classified in the year end process or counterparts without any formal rating. However Neas Energy always carries out an internal evaluation of the credit risk towards any counterpart before trading is allowed.

Notes Regarding Financial Instruments

Amounts in TDKK

27. Credit risk (continued)

Neas Energy enters in to offsetting agreements with counterparts also covering financial contracts. Both long and short positions are traded with these counterparts and the gross value of these contracts can be significant. However the possibility to offset individual contracts with these counterparts mean that the actual cash settlement of the contracts is significantly lower. Offsetting is mainly done on specific counterparts on the specific product, but Neas Energy has a few master netting agreements with the possibility to do cross commodity netting. The netting is carried out also in the actual settlement in cash.The table below shows the financial assets and liabilities that are subject to offsetting.

Offsetting of receivables	2017			2016		
	Gross	**Netting**	**Net**	**Gross**	**Netting**	**Net**
Trade receivables	751,569	57,335	808,904	1,000,151	-287,437	712,714
Other receivables - Accrued trading counterparties	0	0	0	0	0	0
Receivable from group enterprises, current portion	593.059	0	593,059	2,568	0	2,568
Fair value of physical and financial instruments						
Other Receivables: Fair value of physical and financial instruments	418,334	-29,447	388,887	300,054	0	300,054
Receivable from group enterprises, non-current portion	0	0	0	0	0	0
Received cash on Futures	-11,474	0	-11,474	14,760	0	14,760
Total	406,860	-29,447	377,413	314,814	0	314,814
Total	**1,751,488**	**27,888**	**1,779,376**	**1,317,533**	**-287,437**	**1,030,096**

Offsetting of payables	2017			2016		
	Gross	**Netting**	**Net**	**Gross**	**Netting**	**Net**
Trade payables	890,313	57,335	947,648	1,126,969	-287,437	839,532
Other payables - Accrued trading counterparties	0	0	0	0	0	0
Fair value of physical and financial instruments	494,984	-29,447	465,537	351,480	0	351,480
Total	**1,385,297**	**27,888**	**1,413,185**	**1,478,449**	**-287,437**	**1,191,012**

The company's banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to TDKK 423,022.
The counterparties banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to TDKK 29,805.

Notes Regarding Financial Instruments

Amounts in TDKK

28. Sensitivity analysis of financial instruments

The sensitivity analysis in the table shows the effect of market value changes assuming a relative price change at 31 December. Effect on profit (loss) before tax comprises financial instruments that remained open at the balance sheet date and have an effect on profit (loss) in the financial year in question.

	2017		2016	
	P/L effect	**Reasonably possible change in variable %**	**P/L effect**	**Reasonably possible change in variable %**
Nordic Power	9,613	+/- 4%	5,238	+/- 4%
Continental Power	25,045	+/- 4%	9,881	+/- 4%
UK Power	1,704	+/- 5%	178	+/- 5%
Europe Gas	2,043	+/- 5%	1,769	+/- 5%

Notes Regarding Financial Instruments

29. Fair value hierachy

Fair value hierachy
Financial assets and financial liabilities measured and held at fair value are classified into one of the three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities;
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data; and
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

Valuation techniques used to derive Level 2 and Level 3 fair values and Group valuation process
Level 2 energy derivatives are fair valued by comparing the difference between the expected contractual cash flow for the relevant commodities and the quoted prices or prices derived from quoted prices. Renewable energy contracts with volume flexibility enters the valuation with their expected production profile.

Level 2 foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market.

For Level 3 energy derivatives, the main input used by the Group pertains to deriving expected future commodity prices in markets with no quoted prices at all. This applies for some OTC gas and power contracts traded in very illiquid markets.

Gas storage and cross border capacities (gas and power) enter the valuation (Level 3) using the intrinsic value as an estimate of the fair value. On the transaction date, the extrinsic value (time value) is computed as the difference between the book value and the intrinsic value. This time value is deferred until delivery of the underlying assets, equivalent to deferred day-1 values.

The notes in the following section is an addition related to the IAS 39 requirements to specify risk and fair value in the balance sheet

Level 1
- Exchange traded derivatives and identical energy contracts

Level 2
- Power derivatives (not in Level 1 or 3)
- Gas derivatives (not in Level 1 or 3)
- Currency derivatives

Level 3
- Asian options
- Cross border capacities
- Power and gas derivatives traded in markets with no access to market data

It should be noted that the fair values disclosed here only concern those contracts entered into which are within the scope of IAS 39. The Group has a few other commodity contracts which are outside the scope of IAS 39 and are not fair valued.

The Group's valuation process includes specific team of individuals (Risk Management) that perform valuation of the Group's derivatives for financial reporting purposes, including Level 3 valuations. It is also Risk Management that derives future commodity price curves based on available external data and these prices feed in to the energy derivatives valuations.

Notes Regarding Financial Instruments

Amounts in TDKK

29. Fair value hierachy (continued)

Sensitivity analysis of Level 3 contracts

The market risk exposure associated with the Level 3 contracts can be divided into three groups of similar risk profile. The first is the price risk on the unobservable unquoted outright gas and power derivatives. The second is a small portfolio of Asian options with an insignificant market risk. The third group is a portfolio of bought real options – cross border capacities and gas storages. The downside risk is limited by the fact Neas Energy has the right, but not the obligation to utilise these real options.

The market risk for all Level 3 contracts is included in the risk limits set in the Risk Policy and consequently hedged in the underlying markets or through proxy hedged in correlated markets (Level 1 and 2 contracts). These contracts have no significant exposure against the general price level of gas or power.

2017

	Level 1	Level 2	Level 3	Total
Power	-42,428	-25,317	1,945	-65,800
Gas	-2,909	3,060	-16,670	-16,519
Other	0	-5,805	0	-5,805
Total	**-45,337**	**-28,062**	**-14,725**	**-88,124**

2016

	Level 1	Level 2	Level 3	Total
Power	18,382	65,990	1,525	85,897
Gas	6,891	-19,871	-4,624	-17,604
Other	0	8,493	0	8,493
Total	**25,273**	**54,612**	**-3,099**	**76,786**

Other financial instruments

Due to their nature and/or short-term maturity, the fair values of trade and other receivables, cash and cash equivalents, trade and other payables and provisions are estimated to approximate their carrying values.

Loans and other borrowings

The fair value of short-term loans and commercial paper are assumed to equal their book values due to the short-term nature of these amounts.

The reconciliation of the Level 3 fair value measurements during the year is as follows.

Level 3 financial instruments	2017 Financial instruments	2016 Financial instruments
1 January	-3,099	40,281
Total realised and unrealised (losses)/gains	-11,626	-43,380
31 December	**-14,725**	**-3,099**
Total (losses)/gains for the year for level 3 instruments	**8,826**	**-94,229**

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