ANNUAL REPORT 2016

NEAS ENERGY

Part of centrica

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Preface and at a glance

In 2016 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 optimization of renewable and conventional energy assets operating on energy markets in Europe.

Based on more than 15 years of experience from liberal energy markets Neas Energy today 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 & Markets

Employee facts

Female employees

30%

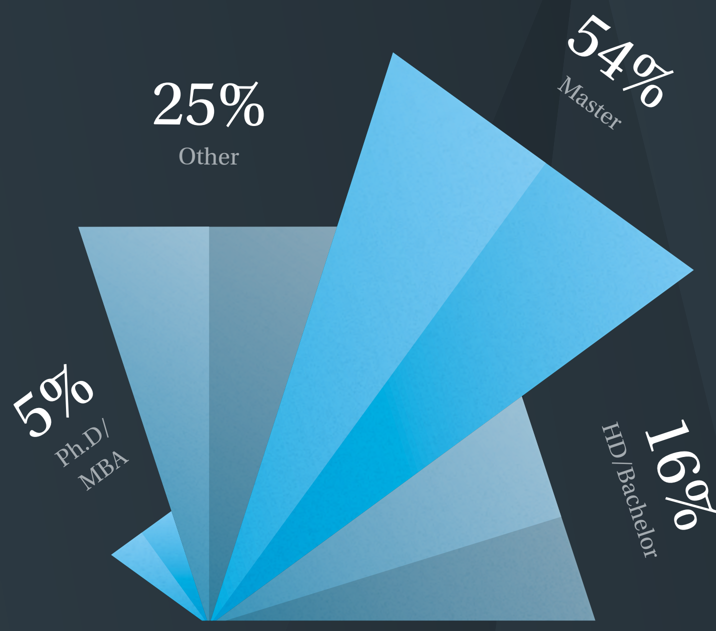
Male employees

70%

Average age

36 **Years old**

Level of education



Nationalities

Neas Energy has 20 different nationalities employed and an international atmosphere at the headquarter in Denmark.

CEO's review

A Stand-Out Year

In 2016 Neas Energy realised an operating income (EBIT) of mDKK 228,0 equalling an increase of 44%. Change of ownership opens a brand-new chapter for Neas Energy.

A convincing performance from our trading desks utilizing flexibility in trading and optimisation of customer assets and capacities in periods of high volatility in the electricity and gas markets once again proved highly valuable for our customers and Neas Energy and is the primary driver for the increase in gross profit in 2016.

External expenses, special items primarily related to M&A consultancy in the due diligence process and legal assistance for the transaction of company shares to the British energy group Centrica amounted to mDKK 8.0 in 2016, but despite this we are on all levels dealing with a record breaking result. The average number of employees in 2016 grew to 268 from 243 in 2015, consistent with forecast.

Given the considerable allocation of internal resources and external expenses for due diligence and related M&A activities for the sale of Neas Energy to Centrica, it is my assessment that the financial performance for 2016 is very satisfying. We have managed to develop Neas Energy's areas of business further and strengthen revenue and sales process simultaneously. Excluding external expenses, special items of mDKK 8.0 not inherent in business operations, the operating profit for 2016 would reach mDKK 236.

"The change of ownership opens a brand new chapter

THE EXECUTIVE BOARD
Bo Lynge Rydahl

New Owner is the Perfect Match

The acquisition of Neas Energy by Centrica's Energy Marketing and Trading division stands out as the single biggest event in the company in 2016. The deal was announced in April and formally approved by the EU competition authorities in October and marks a major milestone in the company history.

For Centrica, the acquisition of Neas Energy is considered an essential element in the group's strategy to accelerate the growth of their Energy Marketing and Trading (EM&T) activities and to serve renewable and distributed energy customers at a wholesale level across Europe.

For Neas Energy, becoming part of a major investment grade energy group provides us with unprecedented opportunities to grow the scale of our existing business activities further, enter new markets and expand the scope of our business model in energy and similar or overlapping markets.

Besides supplementing each other's geographical market access and market shares, Centrica EM&T and Neas Energy also supplement each other's capabilities within financial risk management and physical asset management to strengthen the collective proposition to clients with exposures in multiple markets and a demand for both route-to-market service and structured risk management. The new ownership from Centrica is considered a perfect match for both parties to grow the collective businesses.

The new ownership implies that Neas Energy's financial reporting from now on will be included into the Centrica group reporting.

In this sense, we have started to align Neas Energy's accounting principles with group principles and will continue the alignment going forward which is also the case for risk management and corporate social responsibility meaning that the extensive annual reporting on these matters is now a part of the Centrica's annual report.

Organisation chart

Neas Energy

Executives

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

Sales	Markets	Support
Nordic	Short Term Power Trading	Finance
Germany (subsidiary)	Gas Trading	Back office
UK (subsidiary)	Structuring	Risk Management
	Trading	IT-Development
	Capital Management (subsidiary)	IT-Operations

A New Breed of Energy Trading

Neas Energy's business model is built on an advanced integration of software for physical energy management and flexible trading capabilities. Neas Energy represents a new generation of energy asset management and trading that will help to move energy markets towards sustainable and digital market designs and is in fact essential to realise the transition to renewable and intermittent energy supply in Europe. The political dedication to the transition of European energy markets to ensure sustainable and affordable energy in global competition was undiminished throughout 2016.

The implementation of a new electricity market design in Germany during 2016, Neas Energy's biggest market, demonstrated political momentum for free market pricing and a development to harmonize subsidies to mitigate market disruption. A similar policy was introduced in the EU Winter Package on energy markets and renewable subsidies. For Neas Energy, political regulation to ensure free and transparent market pricing is welcomed, as this will essentially provide for a long term sustainable market environment for Neas Energy's business model.

Weather Sensitive Markets

In 2016, the electricity and gas markets in Europe followed weather-related and seasonal patterns caused by increasing importance of weather-driven renewables and structural interdependencies. Relatively stable weather scenarios during Q1 to Q3 dampened market volatility. However, outages in the French nuclear fleet in Q4 depicted a market extremely sensitive to disruptions in the available capacity in Europe. A scenario in which grid capacities obviously are still too limited to mitigate. The result was massive price spikes and a period of very high volatility as cold spells moved in and out of central Europe. With our 24/7 flexibility in power and gas markets across Europe, Neas Energy was able to effectively utilize our short term trading capabilities in this period of high sensitivity and extreme fluctuation in Europe's electricity and gas markets.

Financial Highlights

Amounts in million DKK	2016	2015	Change in %
Revenue	18,576.6	20,373.5	-9%
EBITDA *	250.6	197.5	27%
EBIT **	228.0	158.6	44%
Profit before tax	160.7	138.3	16%
Profit for the year	122.5	98.8	24%
Equity	557.4	435.0	28%
Equity ratio	25.7%	22.4%	15%
Average number of employees	268.0	243.0	10%

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

Valuable Flexible Trading Capacities

Again in 2016, we saw a convincing performance of our Structuring department where the trading of contracted electricity flows from our clients continued to generate profits. Also, Structuring saw an increasing demand for financial risk management from energy infrastructure investors seeking to offset market risks from energy generation and associated certificates, which we expect will be a growing trend for the years to come where subsidies become increasingly market-conform and eventually phased out.

A remarkably strong Q4 at our short term power trading desks utilising access to flexible capacities in a period of structural challenges in the European electricity system caused by outages in the French nuclear fleet once again testifies to the value of our flexible trading activities. Q2 and Q3 are usually characterised by lower volatility since weather measures have less of an impact on supply and demand during this period. However, in 2016 this was even more pronounced than usually, and the market saw only few and limited price fluctuations which dulled the level of activity at our short term power trading desks.

Our gas trading desk again in 2016 surpassed expectations with a very impressive performance realising stable and steady increasing profits as the level of activity continues to build in scale and geographical reach. Besides expanding our proprietary gas trading activities, we also entered a number of contracts for optimisation of storage and transport capacities for clients in the European gas sector, which increases our access to flexibility and provide our clients with additional value in unutilized markets.

The collective performance from our trading departments in 2016 testifies to the value of flexible trading capabilities in markets increasingly sensitive to weather measures and structural interdependencies. In 2016, we expanded our power and gas trading activities to an additional four countries to add even more optionality and flexibility into our energy trading and move closer to the full Pan-European trading footprint.

Selective Assets Management

Throughout 2016, we saw prices on "Direktvermarktung" (direct marketing of renewable energy generation) services in Germany continue to drop and reach levels where margins on balancing services are close to nil. This caused us to be increasingly selective on which assets we will offer our balancing services for going forward to ensure a profitable and sustainable asset management business. During 2016, we conducted individual assessments of every wind farm in our portfolio to analyse which Direktvermarktung clients we could provide with real additional value. This process has reduced volumes under management in 2017 but ensured a profitable business with a sustainable business proposition for the long run in the very important German market.

In the Nordics, we grew our client activities within renewables as Neas Energy signed significant contracts with major investors in renewables looking to offset market risk when financing or risk managing their infrastructure investments. In this region, we also saw an increasing demand for Neas Energy's services in structuring of both financial and physical solutions for large scale consumers. The reliable energy supply with high percentage of renewables in the Nordics has attracted some of the World's biggest companies to locate data centres here. With our capabilities, we are in a unique position to accommodate their demands and preferences in sourcing, direct infrastructure investments, technologies and additionality. We see great mutual value in cooperation with technology companies for the development of new generations of software and technologies for intelligent energy management.

Opening Trading Office in Singapore

2016 marked the opening of a Neas Energy office in Singapore. The office is primarily established to carry out off-hours trading on the European electricity and gas markets to increase off-hours activities and relieve the 24/7 shift trading in Aalborg.

The IT-infrastructure for real time data exchange and systems for trading are fully operational as well as procedures concerning risk management and reporting.

Outlook is promising for 2017

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 2017 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 2016.

Consolidated financial highlights

Amounts in TDKK

Financial highlights	2016	2015	2014	2013	2012
Income statement					
Revenue	18,576,641	20,373,466	11,178,293	5,794,359	4,637,721
Index	401	439	241	125	100
Profit before special items, amortisation and depreciation	250,594	197,524	135,426	-8,883	53,222
Index	471	371	254	-17	100
Operating profit	227,973	158,552	117,065	-8,883	53,222
Index	428	298	220	-17	100
Results from net financials	-67,265	-20,248	-10,469	-5,900	-9,531
Index	706	212	110	62	100
Profit before tax	160,708	138,304	106,596	-14,783	43,691
Index	368	317	244	-34	100
Profit for the year	122,536	98,764	83,808	-8,820	32,773
Index	374	301	256	-27	100
Balance sheet					
Assets	2,170,301	1,945,381	1,430,167	987,644	762,387
Index	285	255	188	130	100
Investment in plant & equipment	3,587	1,219	479	4,437	866
Index	414	141	55	512	100
Cash less bank loans	426,055	716,130	187,584	67,698	-7,966
Index	-5,348	-8,990	-2,355	-850	100
Share capital	123,507	123,507	125,038	125,038	125,038
Index	99	99	100	100	100
Equity	557,362	434,986	432,621	339,842	348,134
Index	160	125	124	98	100
Equity and subordinated loan capital	557,362	784,986	432,621	339,842	348,134
Index	160	225	124	98	100
Current liabilities excluding bank loans	1,603,731	1,150,671	983,826	585,494	256,457
Index	625	449	384	228	100
Cash flow					
Net cash flow from:					
Operating activities	95,354	287,884	138,339	65,703	-1,324
Investment activities	-23,057	-17,285	-17,013	66,953	-53,140
Financing activities	-362,372	257,947	-1,440	-56,992	-1,088
Cash flow for the year	-290,075	528,546	119,886	75,664	-55,552

Financial ratios	2016	2015	2014	2013	2012
Profitability					
Return on equity	24.7%	22.8%	21.7%	-2.6%	9.9%
Return on capital employed	10.5%	8.2%	8.2%	-0.9%	7.0%
Profit margin	1.2%	0.8%	1.0%	-0.2%	1.1%
Equity ratio	25.7%	22.4%	30.2%	34.4%	45.7%
Equity incl. subordinated loan ratio	25.7%	40.4%	30.2%	34.4%	45.7%
Other: Average number of employees	268	243	190	146	131

Corporate Review

The year brought positive breakthroughs in political and commercial environments

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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.

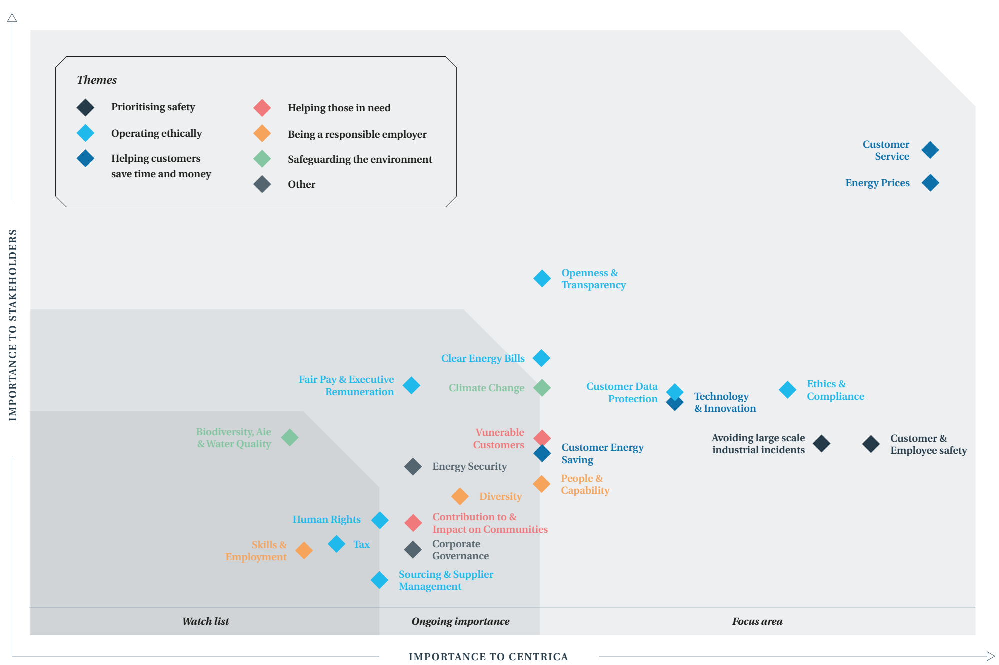
The 2016 annual report is available here:

https://www.centrica.com/investors/financial-reporting/2016-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



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 2016 update on Centrica's general Corporate Responsibility and principle "Responsible Business" is available here:

https://www.centrica.com/sites/default/files/responsibility/centrica_responsible_business_update_2016_0.pdf


Deloitte

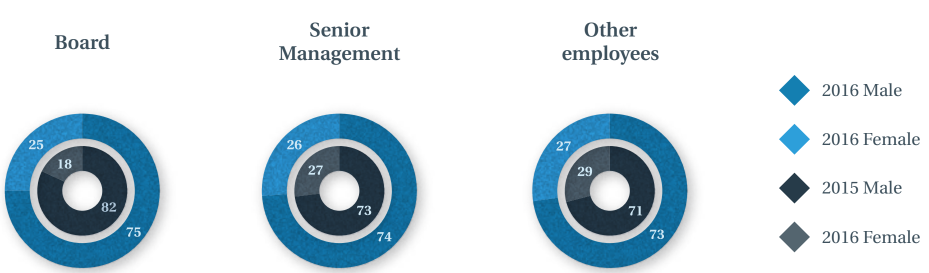
A Responsible Employer with a Diversified Workforce

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. Individuals 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, 26% are female, and 27% of employees excluding the Board and senior management are female.

Centrica employees breakdown by gender %



Board Diversity

Board diversity Centrica recognises the benefits of diversity in all its forms, at Board level and throughout the Group. As at 31 December 2016, 25% of the Board were women, this is an increase compared to 31 December 2015 where females represented 18% of the Board.

Centrica supports the updated recommendations of the Davies review and is continuing to increase the skills, experience and knowledge of a diverse pipeline of talent. Just as importantly, we have also sought to promote a diverse blend of skills, backgrounds and nationalities on the Board.

Corporate Governance

Board of Directors

Cassim Mangerah	Chairman
Jonathan Westby	Member
Stuart Dee	Member
Nicolas Webb	Member
Peter Lohmann Holm	Employee representative
Kenneth Brian Skou	Employee representative

Headquarter
Aalborg

.87305
17.4559
455.95
1342.60
+1.08
3.7440
125.09
123-20
Track
Period/Range
04
05
06
09
10
11
12
13
Last
Bid Size
Bid
Jun11
1.00
10
Jul11
1.88
20
Jul11
1.65
5

Financial review

Internal controls and risk management for the process of financial reporting

The group's risk management and internal controls for financial reporting are designed for provision of internal accounts, which allow measurement and follow-up of group 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 group 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 which 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 group 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 18,576.6 mDKK and a gross profit of 511.5 mDKK equivalent to a gross profit margin of 2.8%.

Gross profit consists of a contribution margins 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 decreased by 8.8% compared to last year.

Operating profit was 228.0 mDKK compared to 158.6 mDKK last year. Profit margin is realized at 1.2% in the current year, which is higher than last year in spite of incurring cost of 8.0 mDKK for special items related to joining the Centrica Group. Operating profit less special items is 236.0 mDKK and constitutes a realized profit margin of 1.3%.

Financial items comprised a net cost of 65.6 mDKK. Financial revenues consist primarily of interest earnings from deposits and receivables, whilst financial expenses primarily consist of warranty provisions and interest payable on the subordinated loans, incl. payment of a make-hole interest when the loans were repaid, and exchange rate adjustments related to British Pounds.

Profit before tax was therefore 160.7 mDKK. Tax on profit for the year was 38.2 mDKK, of which 38.9 mDKK was current tax for the year.

Profit for the year was thereafter 122.5 mDKK, including special items. Last year, the group made a profit of 98.8 mDKK.

Balance sheet

Total assets as of 31 December 2016 comprised 2,170.3 mDKK, of which 77.4% are placed in working capital of 1,680.2 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 25.7%, equity incl. subordinated loans comprise 557.4 mDKK, a decrease of 29.0% compared to last year. The decrease is mainly due to the repayment of the subordinated loans in connection to the Centrica take over.

The parent company Neas Energy A/S' share of the equity comprises a corresponding amount, as the group's members are all 100% owned and controlled companies.

Cash flow statement

Cash flow for the year comprised a net capital cost of 290.1 mDKK.

Operations made a positive contribution of 95.4 mDKK before tax, compared to 287.9 mDKK last year.

Net cash flow from investing activities was in 2016 negative and amounted to 23.1 mDKK which comprised purchase of new software and equipment, whilst the cash outflow from financial activities 362.4 mDKK was used to pay out the subordinated loans.

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 01.01.2016 - 31.12.2016.

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 31.12.2016 and of the results of its operations and cash flows for the financial year 01.01.2016 - 31.12.2016.

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, 26. May 2017

The Executive board

Bo Lynge Rydahl

The Supervisory Board OF DIRECTORS

Cassim Mangerah	Jonathan Westby	Stuart Dee
Nicholas Webb	Peter Lohmann Holm	Kenneth Brian Skou

Chairman

The annual report was presented and approved at the company's ordinary annual general meeting held on 26. May 2017.

Anne Sveistrup Boysen

Independent auditor's reports

To the shareholders of Neas Energy A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Neas Energy A/S for the financial year 01.01.2016 - 31.12.2016, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2016, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2016 - 31.12.2016 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 financial statements section of this auditor's report. We are independent of the Group 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 consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent 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 consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error. In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and 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 consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity 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 financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 exits. 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 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 consolidated financial statements and the parent 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 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 consolidated financial statements and the parent 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 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 consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient 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.

Statement on the management commentary

Management is responsible for the management commentary. Our opinion on the consolidated financial statements and the parent 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 consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent 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 consolidated financial statements and the parent 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, 26. May 2017

Deloitte - Statsautoriseret Revisionspartnerselskab
Central Business Registration No.: 33 96 35 56

Lars Birner Sørensen	**Thomas Hjøllund Jensen**
State Authorised	State Authorised
Public Accountant	Public Accountant

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 IAS39 as an amendment to the regular Danish regulation. The accounting principles are unchanged compared to previous year.

The NEAS Energy Group has as at October 5th been a member of the CENTRICA Plc. Group and is also reported in the CENTRICA Group financial statement.

Consolidated financial statements

The consolidated financial statements cover the parent company and its subsidiaries, in which the parent company holds more than 50% of the voting rights.

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

The consolidated financial statements are a compilation of the audited financial statements for the parent company and subsidiaries, and income, expenses and outstanding balances internal to the group have been eliminated.

Recently acquired companies are recognised in the consolidated financial statements from the date of acquisition. Comparative figures are not adjusted for recently acquired companies.

The acquisition method is used when a new company is acquired, such that its identifiable assets and liabilities are measured at fair value on the date of acquisition.

The cost of the equity investment in the acquired companies is offset by the proportional share of the fair value of the subsidiaries' net assets at the time the group relationship is established.

Foreign currency

The Annual Report is presented in Danish kroner (DKK). Presentation currency equals the functional currency of the group.

Foreign-currency transactions are translated into Danish kroner throughout the year at the rates of exchange ruling on the transaction date. Hedged transactions are recognised at the hedged or calculated exchange rate, taking into account the currency interest differential over time. Receivables and liabilities denominated in foreign currencies are translated into Danish kroner at the rates of exchange ruling on the balance sheet date. Hedged amounts are recognised at the hedged or calculated exchange rate, taking into account the currency interest differential over time. Realised and unrealised 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.

Financial instruments
Profits/losses from financial trading activities are recognised as ascertained and open positions are adjusted to the fair value on the reporting date and the adjustment effect is thus recognised in the income statement as revenue.
Open positions on financial contracts are adjusted to fair value at the reporting date and the adjustment effect is thus recognised 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%

New acquisitions of fixtures and fittings, tools and equipment with cost not exceeding DKK 50,000 per item are recognised in the income statement in the year of acquisition.

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 of the product or system linearly over the period where they are expected to generate economic benefits. However, the amortisation period cannot exceed five years.

Equipment
Property, plant and equipment is measured in the balance sheet at lower of cost less 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 unamortized 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 amortization 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 realization 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 are measured at the nominal value less estimated risks of losses according to both group wise and individual assessments.

Other receivables
Other receivables consist primarily of unrealised gains from financial trading activities and of receivables from counterparties related to physical trading.

Unrealised gains from financial trading activities are recognised at fair value and receivables from physical trading is 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 are measured at nominal value.

Other payables

Other payables consist primarily of unrealised liabilities from financial trading activities and of payables to counterparties relating to physical trading.

Unrealised liabilities from financial trading activities are recognised at fair value and payables from physical trading 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

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

Return on capital employed

$$\frac{\text{Operating profit}}{\text{Total assets}}$$

Profit margin

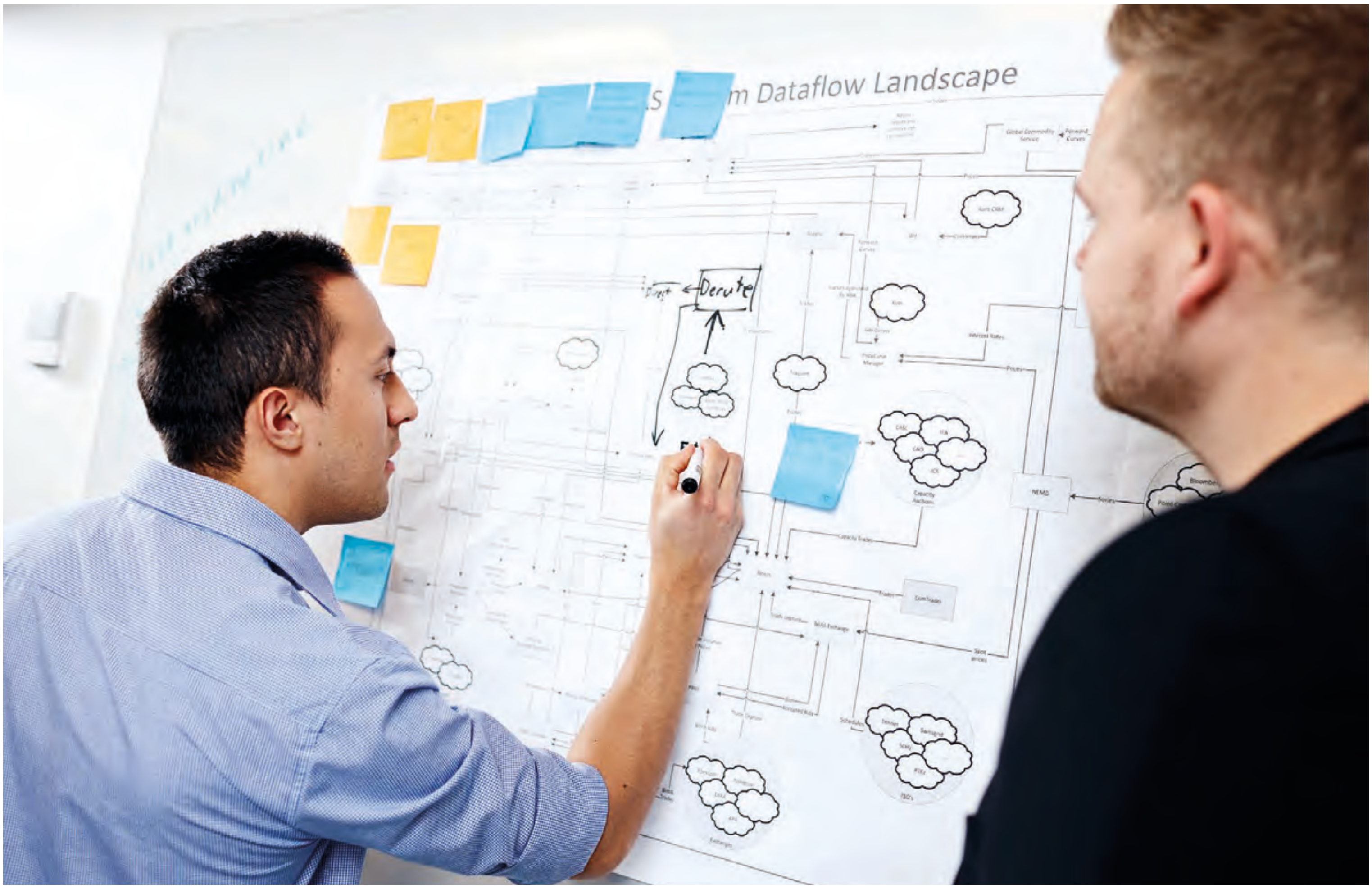
$$\frac{\text{Operating profit}}{\text{Revenue}}$$

Equity ratio

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

Equity incl. subordinated loan ratio

$$\frac{\text{Equity at year-end including subordinated loans}}{\text{Total assets}}$$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Consolidated financial statements

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Income statement

Amounts in TDKK

Note		Group 2016	Group 2015	Parent company 2016	Parent company 2015
1	**Revenue**	**18,576,641**	**20,373,466**	**18,511,938**	**20,349,162**
	Cost of sales	-18,065,169	-19,948,084	-18,001,781	-19,930,250
	Gross profit	**511,472**	**425,382**	**510,157**	**418,912**
	Other external expenses	-71,341	-61,250	-82,904	-59,513
2	Staff costs	-189,537	-166,608	-176,853	-157,034
	Profit before special items, amortisation and depreciation	**250,594**	**197,524**	**250,400**	**202,365**
3	Other external expenses, special items	-8,027	-23,555	-8,027	-23,555
	Depreciation, amortisation and impairment losses	-14,594	-15,417	-12,377	-13,200
	Operating profit	**227,973**	**158,552**	**229,996**	**165,610**
4	Income from investments in group enterprises	0	0	-3,306	-7,191
5	Income from investments in associates	-1,634	1,174	-1,634	1,174
6	Other financial income	163	1,887	193	1,858
7	Other financial expenses	-65,794	-23,309	-64,586	-23,064
	Profit before tax	**160,708**	**138,304**	**160,663**	**138,387**
8	Tax on profit from ordinary activities	-38,172	-39,540	-38,127	-39,623
	Profit for the year	**122,536**	**98,764**	**122,536**	**98,764**

Distribution of profit for the year

Amounts in TDKK

	Parent company 2016	Parent company 2015
Proposed distribution of profit:		
Reserves for net revaluation according to the equity method	0	-3,883
Extraordinary dividend	0	100,000
Retained earnings	122,536	2,647
Total	**122,536**	**98,764**

Balance sheet

Amounts in TDKK

		Group		Parent company	
Assets		**2016**	**2015**	**2016**	**2015**
Note					
	Software	39,504	35,986	39,504	33,986
	Contractual rights	649	866	0	0
	Development projects in progress	6,607	3,293	6,607	3,293
9	**Intangible assets**	**46,760**	**40,145**	**46,111**	**37,279**
	Plant and equipment	4,064	4,494	4,064	4,494
	Plant and equipment in progress	2,631	0	2,631	0
10	**Plant and equipment**	**6,695**	**4,494**	**6,695**	**4,494**
	Investments in group enterprises	0	0	24,447	32,760
	Investments in associates	6,167	8,149	6,167	8,149
	Receivables from group enterprises	0	26,410	0	26,410
11	**Fixed asset investments**	**6,167**	**34,559**	**30,614**	**67,319**
	Non-current assets	**59,622**	**79,198**	**83,420**	**109,092**
	Inventories	**26,577**	**25,841**	**26,577**	**25,841**
	Trade receivables	110,044	172,402	110,013	172,295
	Receivables from group enterprises	0	30,682	2,568	88,535
	Receivables from associates	4,403	4,273	4,403	4,273
12	Other receivables	1,452,569	867,197	1,437,286	819,089
	Prepayments	91,031	49,658	90,641	49,380
	Receivables	**1,658,047**	**1,124,212**	**1,644,911**	**1,133,572**
	Cash	**426,055**	**716,130**	**409,582**	**679,770**
	Current assets	**2,110,679**	**1,866,183**	**2,081,070**	**1,839,183**
	Assets	**2,170,301**	**1,945,381**	**2,164,490**	**1,948,275**

Balance sheet

Amounts in TDKK

Note	Equity and liabilities	Group 2016	Group 2015	Parent company 2016	Parent company 2015
13	Share capital	123,507	123,507	123,507	123,507
	Reserves for development costs	0	0	16,207	0
	Retained earnings	433,855	311,479	417,648	311,479
	Equity	**557,362**	**434,986**	**557,362**	**434,986**
8	Provision for deferred tax	9,208	9,724	9,295	9,365
	Provisions	**9,208**	**9,724**	**9,295**	**9,365**
	Subordinated loan capital	0	350,000	0	350,000
14	**Non-current liabilities other than provisions**	**0**	**350,000**	**0**	**350,000**
14	Current portion of long-term liabilities other than provisions	0	12,372	0	12,372
	Debt to group enterprises	0	0	21,900	18,184
	Trade payables	23,975	62,524	19,658	57,123
	Income tax payable	34,297	32,431	33,974	33,474
15	Other payables	1,514,083	1,027,977	1,490,925	1,017,404
	Deferred income	31,376	15,367	31,376	15,367
	Current liabilities other than provisions	**1,603,731**	**1,150,671**	**1,597,833**	**1,153,924**
	Liabilities other than provisions	**1,603,731**	**1,500,671**	**1,597,833**	**1,503,924**
	Equity and liabilities	**2,170,301**	**1,945,381**	**2,164,490**	**1,948,275**

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

Statement of changes in equity

Amounts in TDKK

Group	Share capital	Retained earnings	Total
Balance as of 01.01.2016	123,507	311,479	434,986
Other adjustments	0	-160	-160
Profit/loss for the year	0	122,536	122,536
Balance as of 31.12.2016	**123,507**	**433,855**	**557,362**

Parent company	Share capital	Reserve for development costs	Retained earnings	Total
Balance as of 01.01.2016	123,507	0	311,479	434,986
Capitalized development costs	0	16,207	-16,207	0
Other adjustments	0	0	-160	-160
Profit/loss for the year	0	0	122,536	122,536
Balance as of 31.12.2016	**123,507**	**16,207**	**417,648**	**557,362**

Cash flow statement

Amounts in TDKK

	Group	
	2016	**2015**
Profit before tax	**160,708**	**138,304**
Adjustment of non-cash items	16,063	16,173
Operating profit adjusted for non-liquid items	**176,771**	**154,477**
Corporation tax paid	-36,822	-16,145
Changes in net working capital:		
Receivables	-507,425	25,852
Inventories	-736	-9,467
Trade payables	-38,549	-59,376
Other payables related to operations	502,115	192,543
Net cash flow from operating activities	**95,354**	**287,884**
Investment in non-current assets:		
Purchase of intangible assets	-19,818	-16,534
Sale of plant and equipment	0	20
Purchase of plant and equipment	-3,587	-1,219
Sale of financial assets	348	448
Net cash flow from investing activities	**-23,057**	**-17,285**
Sale of company shares	0	10,500
Proceeds from borrowings	0	350,000
Repayments on long-term debt	-362,372	-2,553
Dividends paid	0	-100,000
Net cash flow from financial activities	**-362,372**	**257,947**
Total net cash flow for the year	**-290,075**	**528,546**
Cash at the beginning of the year	716,130	187,584
Cash at the end of the year	**426,055**	**716,130**
Cash at end of year specified as follows:		
Cash	426,055	716,130
Total	**426,055**	**716,130**

Notes

Amounts in TDKK

1. Revenue	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Power	12,764,147	15,626,167	12,699,445	15,601,863
Gas	5,812,494	4,747,299	5,812,493	4,747,299
Total	**18,576,641**	**20,373,466**	**18,511,938**	**20,349,162**
Profit from fair value instruments	**310,632**	**180,857**	**310,632**	**180,857**

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	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Wages and salaries	169,657	148,741	158,984	140,219
Pension costs	12,338	10,558	10,991	9,794
Other social security costs	2,752	2,301	2,163	2,005
Other staff costs	4,790	5,008	4,715	5,016
Total	**189,537**	**166,608**	**176,853**	**157,034**
Average number of employees	**268**	**243**	**252**	**222**
Total remuneration to executive board and board of directors	**5,488**	**4,858**	**5,488**	**4,858**

3. Other external expenses, special items	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Other external expenses, special items	8,027	23,555	8,027	23,555
Total	**8,027**	**23,555**	**8,027**	**23,555**

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 and compared to the 2015 numbers the decrease is that this project has mainly been handled internally at Neas.

Notes

Amounts in TDKK

4. Income from investments in group enterprises	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Share of profit/loss for the year	0	0	-3,306	-7,191
Total	**0**	**0**	**-3,306**	**-7,191**

5. Income from investments in associates	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Share of profit/loss for the year	-1,634	1,174	-1,634	1,174
Total	**-1,634**	**1,174**	**-1,634**	**1,174**

6. Other financial income	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Financial income arising from group enterprises	0	0	31	122
Financial income from associates	146	221	146	221
Exchange rate adjustments	0	1,254	0	666
Interest income	17	412	16	411
Other financial income	0	0	0	438
Total	**163**	**1,887**	**193**	**1,858**

7. Other financial expenses	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Financial expenses from group enterprises	3,090	2,150	3,211	2,274
Guarantee provision	7,583	6,849	7,139	6,501
Exchange rate adjustments	11,386	0	10,539	0
Interest expenses	43,735	14,310	43,697	14,289
Total	**65,794**	**23,309**	**64,586**	**23,064**

Notes

Amounts in TDKK

	Group		Parent company	
8. Tax on profit from ordinary activities	**2016**	**2015**	**2016**	**2015**
Tax on current year taxable income	38,862	44,871	38,371	44,544
Change in deferred tax for the year	-516	-3,996	-70	-3,586
Correction to current tax, previous years	-174	-1,335	-174	-1,335
Total	**38,172**	**39,540**	**38,127**	**39,623**
Deferred tax is computed at 22% and is broken down as follows:				
Intangible assets	9,540	8,133	9,627	8,545
Plant and equipment	-332	-378	-332	-357
Current assets	0	1,969	0	1,177
Total provision for deferred tax, closing balance	**9,208**	**9,724**	**9,295**	**9,365**
Total provision for deferred tax, opening balance	9,724	13,720	9,365	12,951
Provision for deferred tax for the year	**-516**	**-3,996**	**-70**	**-3,586**

Notes

Amounts in TDKK

9. Intangible assets	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Software				
Cost price as of 01.01.2016	117,024	109,901	107,024	99,901
Additions during the year	16,504	13,241	16,504	13,241
Disposals during the year	0	-6,118	0	-6,118
Cost price as of 31.12.2016	**133,528**	**117,024**	**123,528**	**107,024**
Amortisations as of 01.01.2016	81,037	73,207	73,037	67,211
Correction opening balance	0	5	0	1
Amortisations during the year	12,987	13,300	10,987	11,300
Reversal of amortisations on disposals in the year	0	-5,474	0	-5,474
Amortisations as of 31.12.2016	**94,024**	**81,038**	**84,024**	**73,038**
Book value as of 31.12.2016	**39,504**	**35,986**	**39,504**	**33,986**
Contractual rights				
Cost price as of 01.01.2016	1,516	1,516	0	0
Cost price as of 31.12.2016	**1,516**	**1,516**	**0**	**0**
Amortisations as of 01.01.2016	650	433	0	0
Amortisations during the year	217	217	0	0
Amortisations as of 31.12.2016	**867**	**650**	**0**	**0**
Book value as of 31.12.2016	**649**	**866**	**0**	**0**
Development projects in progress				
Cost price as of 01.01.2016	3,293	0	3,293	0
Additions during the year	19,818	3,293	19,818	3,293
Transfers during the year	-16,504	0	-16,504	0
Cost price as of 31.12.2016	**6,607**	**3,293**	**6,607**	**3,293**
Amortisations as of 01.01.2016	0	0	0	0
Amortisations as of 31.12.2016	**0**	**0**	**0**	**0**
Book value as of 31.12.2016	**6,607**	**3,293**	**6,607**	**3,293**
Booked value intangible assets as of 31.12.2016	**46,760**	**40,145**	**46,111**	**37,279**

Notes

Amounts in TDKK

10. Plant and equipment	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Cost price as of 01.01.2016	11,261	12,591	11,261	12,591
Correction opening balance	3	0	3	0
Additions during the year	956	1,219	956	1,219
Disposals during the year	0	-2,549	0	-2,549
Cost price as of 31.12.2016	**12,220**	**11,261**	**12,220**	**11,261**
Depreciation as of 01.01.2016	6,767	8,041	6,767	8,041
Depreciation during the year	1,389	1,216	1,389	1,216
Reversal of depreciation on disposals in the year	0	-2,490	0	-2,490
Depreciation as of 31.12.2016	**8,156**	**6,767**	**8,156**	**6,767**
Book value as of 31.12.2016	**4,064**	**4,494**	**4,064**	**4,494**
Plant and equipment in progress				
Cost price as of 01.01.2016	0	0	0	0
Additions during the year	2,631	0	2,631	0
Cost price as of 31.12.2016	**2,631**	**0**	**2,631**	**0**
Depreciation as of 01.01.2016	0	0	0	0
Depreciation as of 31.12.2016	**0**	**0**	**0**	**0**
Book value as of 31.12.2016	**2,631**	**0**	**2,631**	**0**
The carrying amount of assets held under finance leases amounts to	**1,051**	**1,744**	**1,051**	**1,744**
Booked value plant and equipment as of 31.12.2016	**6,695**	**4,494**	**6,695**	**4,494**

Notes

Amounts in TDKK

11. Fixed asset investments	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Investment in group enterprises				
Cost price as of 01.01.2016	0	0	36,046	35,673
Additions during the year	0	0	5	373
Disposals during the year	0	0	-500	0
Cost price as of 31.12.2016	**0**	**0**	**35,551**	**36,046**
Revaluation and depreciation as of 01.01.2016	0	0	-3,286	3,883
Share of profit/loss for the year	0	0	-3,305	-7,191
Reversal of revaluations and depreciations on disposals in the year	0	0	-4,393	0
Fair value adjustments in the year	0	0	-120	22
Revaluation and depreciation as of 31.12.2016	**0**	**0**	**-11,104**	**-3,286**
Book value as of 31.12.2016	**0**	**0**	**24,447**	**32,760**
Book value goodwill as of 31.12.2016	**0**	**0**	**650**	**2,866**
Goodwill is in the Group classified as contractual rights, TDKK 650.				
Investment in associates				
Cost price as of 01.01.2016	11,491	11,939	11,491	11,939
Disposals during the year	-313	-448	-313	-448
Cost price as of 31.12.2016	**11,178**	**11,491**	**11,178**	**11,491**
Revaluation and depreciation as of 01.01.2016	-3,342	-4,531	-3,342	-4,531
Share of profit/loss for the year	-1,634	1,174	-1,634	1,174
Fair value adjustments in the year	-35	15	-35	15
Revaluation and depreciation as of 31.12.2016	**-5,011**	**-3,342**	**-5,011**	**-3,342**
Book value as of 31.12.2016	**6,167**	**8,149**	**6,167**	**8,149**

Notes

Amounts in TDKK

11. Fixed asset investments

Group enterprises	Domicile	Equity	Profit for the year	Percentage owned
Neas Invest A/S	Aalborg, Denmark	1,494	-91	100%
Neas Fondsmæglerselskab A/S	Aalborg, Denmark	11,051	-186	100%
Nordjysk Elhandel Finans A/S	Aalborg, Denmark	0	-8	100%
UtilityNorth A/S	Aalborg, Denmark	13,440	369	100%
Neas Energy Ltd.	London, United Kingdom	-290	-1,225	100%
Neas Energy d.o.o. Beograd	Beograd, Serbia	-155	-92	100%
Neas Energy Gmbh.	Hilden, Germany	-1,396	-1,723	100%
Neas Energy Singapore Pte. Ltd.	Singapore	-342	-349	100%
Associates				
Danish Carbon Fund	Copenhagen, Denmark	6,159	0	7%
Vindpark Keblowo ApS	Hobro, Denmark	11,485	-3,269	50%

11. Fixed asset investments

	Group		Parent company	
	2016	**2015**	**2016**	**2015**
Receivables from group enterprises				
Cost price as of 01.01.2016	26,410	111,045	26,410	111,045
Disposals during the year	-26,410	-84,635	-26,410	-84,635
Cost price as of 31.12.2016	**0**	**26,410**	**0**	**26,410**
Revaluation and depreciation as of 01.01.2016	0	0	0	0
Revaluation and depreciation as of 31.12.2016	**0**	**0**	**0**	**0**
Book value as of 31.12.2016	**0**	**26,410**	**0**	**26,410**
Book value fixed asset investments as of 31.12.2016	**6,167**	**34,559**	**30,614**	**67,319**


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Notes

Amounts in TDKK

12. Other receivables

	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Fair value of physical and financial instruments	413,506	360,369	413,506	360,369
Certificates	335,233	102,498	335,233	102,498
Deposits	116,298	55,232	115,498	54,722
Deposits - on call	36,435	29,910	36,435	29,910
Accrued trading counterparties	533,561	267,642	532,352	264,579
Others	17,536	51,546	4,262	7,011
Total	**1,452,569**	**867,197**	**1,437,286**	**819,089**

13. 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 01.01.2011	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 31.12.2016	**123,507**

Notes

Amounts in TDKK

14. Non-current liabilities other than provisions	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Nominal value of long-term debt	0	362,372	0	362,372
Within 1 year	0	12,372	0	12,372
2-5 years	0	0	0	0
After 5 years	0	350,000	0	350,000
Total	**0**	**362,372**	**0**	**362,372**

15. Other payables	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Fair value of physical and financial instruments	351,480	280,171	351,480	280,171
Accrued trading counterparties	841,375	695,460	819,820	685,524
Others	321,228	52,346	319,625	51,709
Total	**1,514,083**	**1,027,977**	**1,490,925**	**1,017,404**

Notes

Amounts in TDKK

	Group		Parent company	
16. Guarantees	**2016**	**2015**	**2016**	**2015**
The Company's banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to	539,141	634,033	512,762	617,014
17. Security furnished				
The following assets have been deposited as security for limits in banks: Cash with a carrying amount of	22,000	66,180	22,000	66,180

Neas Energy A/S has provided security against Neas Energy Ltd. for all accounts with Handelsbanken, which as per 31 December 2016 amounted to TDKK 4,239.

Neas Energy A/S has provided security against Nordjysk Elhandel Finans A/S for all accounts with Sydbank, which as per 31 December 2016 amounted to TDKK 0.

18. Contingent liabilities

Group

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

Parent company

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

Notes

Amounts in TDKK

19. Contractual obligations	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Non-financial rent and leasing payments:				
Within 1 year	8,785	7,322	8,785	7,322
2 -5 years	25,042	23,477	25,042	23,477
After 5 years	42,367	35,705	42,367	35,705
Total	**76,194**	**66,504**	**76,194**	**66,504**

20. Fees paid to auditors appointed at the annual general meeting	Group 2016	Group 2015	Parent company 2016	Parent company 2015
Mandatory audit of the annual accounts	1,447	844	1,291	525
Tax advice	346	148	256	74
Other services	198	1,092	126	1,006
Tax advice, other auditors	0	91	0	0
Total	**1,991**	**2,175**	**1,673**	**1,605**

Notes

Amounts in TDKK

21. 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
Stuart Dee, Lee Lane, United Kingdom	Vice chairman of the supervisory board of directors
Nicholas Webb, Great Linford, United Kingdom	Member of the supervisory board of directors
Jonathan Westby, Ascot, United Kingdom	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.

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. 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 IAS 39

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

22. 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 (VaR) approach complimented with an internally developed model to compensate for some of the known limitations of the VaR approach. The associated risk limits are set in the Risk Policy on the Group level and in the Risk Guidelines for the respective business areas.

The total day-to-day risk, as defined in the Risk Policy reported ultimo 2015 and 2016 respectively are 8.7 mDKK and 9.2 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.

Notes regarding IAS 39

Amounts in TDKK

23. Liquidity Risk

During 2016, continuous measures were taken to manage liquidity risk and optimize cash flow management. Neas Energy has positive cash flow and solid liquidity reserve to support our business limiting the liquidity risk concerning obligations to customers and counterpart. In 2015 the subordinated loan from ATP as well as co-operation with Euler Hermes has had a positive influence on the liquidity reserve. Continuous focus has been given to daily monitoring andreporting on liquidity to ensure optimal placement of cash relative to earnings. Furthermore, a continuous focus has been on procedures for monitoring andreporting 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 due primarily 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 2016	2017	2018	2019	After 2020
Trade payables	23,975	-23,975	0	0	0
Other payables - Accrued trading counterparties	841,375	-841,375	0	0	0
Fair value of physical and financial instruments	-76,786	50,977	28,382	2,460	-5,033
Total	**788,564**	**-814,373**	**28,382**	**2,460**	**-5,033**

	Ultimo 2015	2016	2017	2018	After 2019
Trade payables	62,524	-62,524	0	0	0
Other payables - Accrued trading counterparties	695,460	-695,460	0	0	0
Fair value of physical and financial instruments	-186,525	121,512	25,428	39,247	337
Subordinated loan	362,372	-32,779	-4,060	-4,060	-370,300
Total	**933,831**	**-669,251**	**21,368**	**35,187**	**-369,963**

Neas Energy does not at this point in time have the data to display the fair value in gross on both assets and liabilities thus the fair value in the balance sheet is shown as net values. Below are a tabel that shows how the Net value of the Fair value of physical and financial instruments are book in the balance sheet.

	2016	2015
Fair value of physical and financial instruments - assets	428,266	466,695
Fair value of physical and financial instruments - liabilities	351,480	280,171
Fair value of physical and financial instruments - net values	**76,786**	**186,525**

For further specification see note 24 regarding Offsetting.

Neas Energy A/S has Credit facilities in form of guaranties at Euler Hermes 250 mio.DKK and Handelsbanken 175 mio.DKK. At Sydbank the Credit facility in form of guaranties is 305 mio.DKK, where 100 mio.DKK can be used as a cash overdraft.

Notes regarding IAS 39

Amounts in TDKK

24. 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. A new structure has been applied to the approval hierarchy from Credit Team Lead upwards to the CFO, CEO and The Board of Directors. Neas Energy's credit risk monitoring covers a daily report of the overall credit lines and exposure to trading counterparts.

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	38,597	115,945	0	154,542
Minimal risk	819	41,658	102,284	144,761
Low risk	62,560	342,125	278,168	682,853
High risk	0	24,395	18,848	43,243
Not rated	8,068	9,438	14,206	31,712
Total	**110,044**	**533,561**	**413,506**	**1,057,111**

2015	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	95,459	50,186	31,924	177,569
Minimal risk	26,157	95,919	256,395	378,471
Low risk	2,523	21,367	52,001	75,891
High risk	0	5,918	124	6,042
Not rated	48,263	94,252	19,925	162,440
Total	**172,402**	**267,642**	**360,369**	**800,413**

Notes regarding IAS 39

Amounts in TDKK

24. Credit risk (continued)

A considerable part of Neas Energys 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 IAS 39

Amounts in TDKK

24. 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	2016			2015		
	Gross	**Netting**	**Net**	**Gross**	**Netting**	**Net**
Trade receivables	124,765	-14,721	110,044	194,262	-21,860	172,402
Other receivables - Accrued trading counterparties	806,277	-272,716	533,561	653,824	-386,182	267,642
Fair value of physical and financial instruments						
Other Receivables: Fair value of physical and financial instruments	413,506	0	413,506	368,839	-8,470	360,369
Receivable from group enterprises, current portion	0	0	0	26,410	0	26,410
Receivable from group enterprises, non-current portion	0	0	0	26,173	0	26,173
Received cash on Futures	14,760	0	14,760	19,706	0	19,706
Gas Storage	0	0	0	25,567	0	25,567
Total	428,266	0	395,146	466,695	-8,470	458,225
Total	**1,359,308**	**-287,437**	**1,071,871**	**1,314,781**	**-416,512**	**898,269**

Offsetting of payables	2016			2015		
	Gross	**Netting**	**Net**	**Gross**	**Netting**	**Net**
Trade payables	38,696	-14,721	23,975	84,384	-21,860	62,524
Other payables - Accrued trading counterparties	1,114,091	-272,716	841,375	1,091,112	-394,652	695,460
Fair value of physical and financial instruments	351,480	0	351,480	280,171	0	280,171
Total	**1,504,267**	**-287,437**	**1,216,830**	**1,454,667**	**-416,512**	**1,038,155**

The Company's banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to TDKK 539,141.
The counterparties banks have provided guarantees for contractual obligations guarantees at the balance sheet date amounted to TDKK 160,368.

Notes regarding IAS 39

Amounts in TDKK

25. 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.

	2016		2015	
	P/L effect	**Reasonably possible change in variable %**	**P/L effect**	**Reasonably possible change in variable %**
Nordic Power	5,238	+/- 4%	7,775	+/- 4%
Continental Power	9,881	+/- 4%	16,643	+/- 4%
UK Power	178	+/- 5%	1,368	+/- 5%
Europe Gas	1,769	+/- 5%	0	+/- 5%

Notes regarding IAS 39

Amounts in TDKK

26. 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: 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.

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)
- Elcertificates derivatives
- 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 IAS 39

Amounts in TDKK

26. 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 net bought 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 utilize 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.hedged in correlated markets (Level 1 and 2 contracts). These contracts have no significant exposure against the general price level of gas or power.

2016

	Level 1	Level 2	Level 3	Total
Power	18,683	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**

2015

	Level 1	Level 2	Level 3	Total
Power	-26,224	162,345	7,271	143,392
Gas	1,974	4,086	33,010	39,070
Other	0	4,064	0	4,064
Total	**-24,250**	**170,495**	**40,281**	**186,526**

Other financial instrument

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 og these amounts.

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

Level 3 financial instruments	2016 Financial instruments	2015 Financial instruments
1 January	40,281	53,315
Total realised and unrealised (losses)/gains	-43,380	-13,034
31 December	**-3,099**	**40,281**
Total (losses)/gains for the year for level 3 instruments	**-94,229**	**56,648**

Maximizing Value by Managing Risk

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