

QUARTERLY REPORT 02-2015



H1 2015 HIGHLIGHTS

- Agder Energi's net income for the first six months of 2015 was NOK 637 million (controlling interest's share), compared with NOK 362 million in the first half of 2014. The most important reason for the improvement was gains on power, currency and interest rate contracts.
- Operating revenues came to NOK 4,171 million (H1 2014: NOK 4,176 million), while operating profit was NOK 978 (915) million. Pre-tax profit amounted to NOK 1 123 (756) million. The Group's tax expense was NOK 486 (358) million, giving an effective tax rate of 43.3% (47.4%).
- Agder Energi's operations expose it to risk from changes in electricity prices, electricity generation levels, exchange rates and interest rates. In order to hedge and manage cash flows in these areas, the Group uses hedging instruments. Unrealised gains and losses are measured through profit and loss. Unrealised gains and losses on electricity, currency and interest rate contracts can have a big impact on reported profits. In the first six months they added NOK 398 million to pre-tax profit, compared with a NOK 42 million negative contribution in the year-earlier period.
- Adjusted for unrealised gains and losses and major exceptional items, the Group's operating profit was NOK 908 (981) million, and it made a pre-tax profit of NOK 725 (854) million. Net income on this basis was NOK 346 (444) million.
- 4,961 GWh (4,881 GWh) of hydroelectric power was generated in the first half of the year, an increase of 2 %.
- The average spot price (in the NO2 region) in the first half of 2015 was 20.5 øre/kWh (20.8 øre/kWh), down 2% from the previous year.
- Statkraft, TrønderEnergi, NTE, Agder Energi and Statnett have agreed to review opportunities for developing wind projects in central Norway with a total nameplate capacity of 1,000 MW. All of the four power companies' relevant wind power projects in central Norway will be jointly reviewed, including all of the relevant licensed projects of Fosen Vind, SAE Vind and Sarepta Energi. The partners will work together to study the possibility of a new 1,000 MW project by the end of September.
- If the new project portfolio is deemed profitable, investment decisions may be taken in the first quarter of 2016. The preliminary plan is for Statkraft to have a 50.1% ownership interest in the overall project, while TrønderEnergi will have a 5-10% interest. A consortium led by Credit Suisse Energy Infrastructure Partner wishes to take over the remaining share in the project. The financing for the project and final ownership interests of the partners will be decided ahead of any investment decision.
- Bergen City Council has chosen LOS Energy as its new electricity supplier. The agreement, which has an annual value of almost NOK 80 million, will run for two years, with a possible two-year extension.
- Under Norwegian generally accepted accounting practice (NGAAP), Agder Energi's net income in the first half of the year was NOK 352 million (controlling interest's share). The equivalent figure for the year-earlier period was NOK 398 million.

1) Agder Energi's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The same accounting principles and calculation methods have been applied as for the annual financial statements for 2014. The accounts have not been audited. The financial statements of the parent company and subsidiaries adhere to Norwegian generally accepted accounting principles (NGAAP), and the business areas are presented in accordance with NGAAP in the interim report.

Key figures

		H1 2015	H1 2014	H1 2013	Full-year 2014
Operating revenues	NOK millions	4,171	4,176	5,193	8,267
EBITDA	NOK millions	1,236	1,199	1,762	2,303
Adjusted EBITDA 1)	NOK millions	1,167	1,267	1,404	2,467
Operating profit	NOK millions	978	915	1,532	1,715
Profit before tax	NOK millions	1,123	756	1,230	998
Net income (controlling interest's share)	NOK millions	637	362	655	475
Cash flow from operating activities	NOK millions	985	798	887	1,512
Purchase of property, plant, equipment and intangible assets	NOK millions	571	570	518	1,136
Capital employed 2)	NOK millions	12,361	11,891	11,375	12,058
Operating margin	%	23.4	21.9	29.5	20.7
Return on capital employed 3)	%	13.7	13.0	20.7	11.0
Equity ratio	%	22.2	24.5	25.9	22.9
Net interest-bearing liabilities/Trailing 12-month adjusted EBITDA 4)		3.5	3.6	3.1	3.3
FFO/Net interest-bearing liabilities 5)		20.9	21.2	26.7	25.1

1) Adjusted EBITDA is corrected for unrealised gains and losses on energy contracts and major exceptional items.

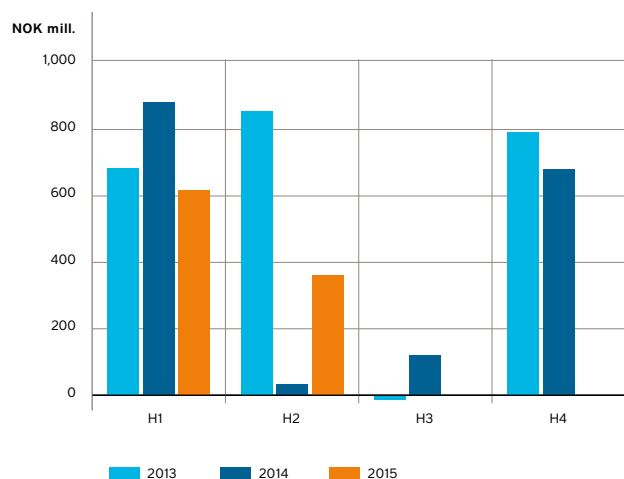
2) At the end of the reporting period.

3) Before tax, based on profit/loss and capital employed for the past four quarters.

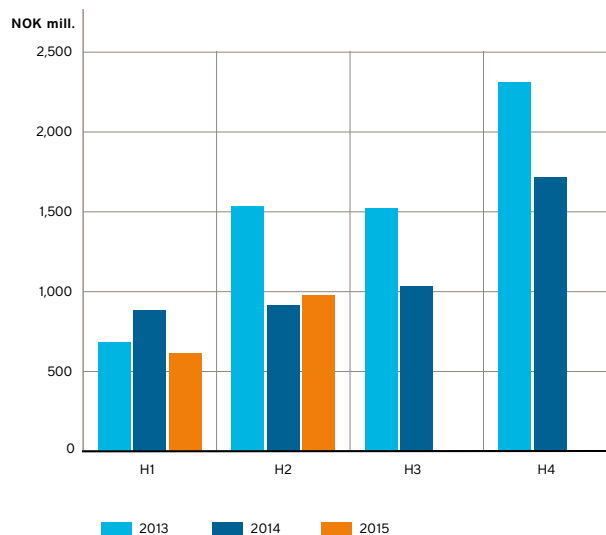
4) The rolling 12-month adjusted EBITDA is the adjusted EBITDA for the past four quarters.

5) FFO is adjusted EBITDA + dividends from A and JV + financial income – tax payable.

Operating profits for the quarter



Accumulated operating profit



The Hydroelectric Power and Energy Management business areas

The combined operating revenues of these business areas in the first half of the year came to NOK 1,414 (1,403) million, while their operating profit was NOK 827 (883) million. Pre-tax profit amounted to NOK 788 (829) million.

In the second quarter, Agder Energi generated 2,112 GWh (2,185 GWh) of hydroelectric power. For the first half of the year as a whole, it generated 4,961 GWh (4,881 GWh), up 2% on the year-earlier period. Hydrological resources remained well above normal at the end of the period.

In the NO2 price zone, reservoir levels were around 17% lower than the average for the past 10 years.

The average spot price (in the NO2 region) in the first half of 2015 was 20.5 øre/kWh (20.8 øre/kWh), down 2% from the previous year. However, a strong contribution from the Group's electricity price hedges meant that the prices

achieved by the Group were significantly higher than spot prices, and around the same level as last year.

The tax expense was NOK 393 (390) million, which meant that the effective tax rate was 49.9% (47.0%). The main explanation for the increase was a rise in resource rent tax payable. Net income amounted to NOK 395 (439) million.

The two business areas invested NOK 284 (305) million in property, plant and equipment in the first half of 2015. NOK 122 (233) million of this related to investments in new projects, with the completion of the Brokke Nord/Sør, Skarg power station in the third quarter last year being the main reason for the reduction. Work on the new dams in the Skjerka area in Åseral were the main reason that investments to satisfy regulatory requirements rose to NOK 106 (17) million.

The Network business area

The Network business area is responsible for developing, operating and main-

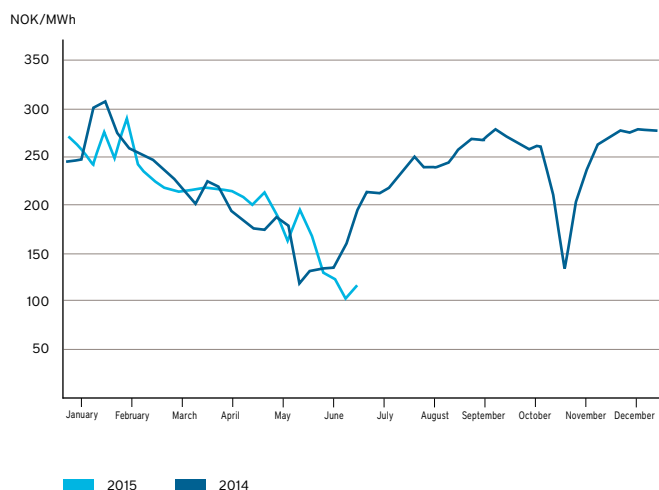
taining the transmission and distribution grid in Aust-Agder and Vest-Agder. This business area had NOK 563 (555) million of operating revenues in the first half of the year. Its operating profit was NOK 92 (91) million, which was lower than expected. The biggest single cause of this was the major storm Nina, which in January caused NOK 26 million in expenses related to fault resolution and energy not supplied (KILE).

The business area invested NOK 189 (197) million in the first six months of the year, of which NOK 128 (114) million related to investments in new projects.

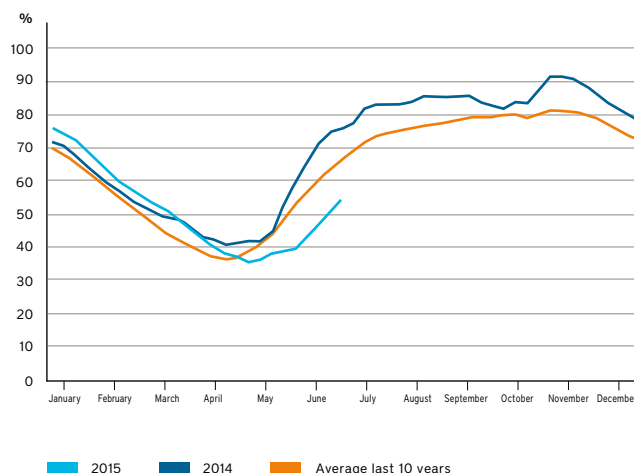
Marketing and Business Development business area

The Marketing and Business Development business area had a turnover of NOK 2,305 (2,380) million in the first half of the year, while operating profit came to NOK 55 (52) million. The main companies in this business area are LOS, Otera and Agder Energi Varmer. It also includes the Group's venture capital

Market prices in price zone NO2



Reservoir storage levels in price zone NO2



portfolio and its strategic and financial ownership interests.

The electricity supplier LOS achieved turnover of NOK 1,524 million, compared with NOK 1,597 million in the first half of 2014. Its operating profit was NOK 67 (59) million. The company supplied 4,440 GWh (4,600 GWh) during that period. Turnover fell due to both lower spot prices and lower volumes as a result of a mild winter.

Otera is a contractor that provides services related to high-voltage and low-voltage power supply, electricity for road and rail, as well as mobile phone and fibre-optic networks. The company made an operating loss of NOK 12 (8) million in the first six months, on turnover of NOK 415 (426) million. The loss reflected performance in the first quarter, which is traditionally the company's weakest.

Agder Energi Varme's turnover in the first half of the year was NOK 51 (47)

million, while its operating profit was NOK 8 (7) million. It supplied 73 GWh (68 GWh) of energy. Mild weather in the first four months of the year had a negative impact on the volume of energy supplied, while growth in customer numbers had positive effect. Electricity price hedges made a positive contribution in the period. Investment in the first half of the year amounted to NOK 6 (11) million.

Cash flows and capital adequacy

Cash flow from operating activities came to NOK 985 million in the first six months of the year, compared with NOK 798 million in the year-earlier period. Underlying EBITDA was slightly down, but this was outweighed by a reduction in tax paid.

The Group invested NOK 638 (587) million in the first half of the year. The Hydroelectric Power and Network business areas were responsible for just over 90% of the investments in property, plant and equipment. Net cash used in

investing activities totalled NOK 628 million, compared with NOK 520 million in the same period of 2014.

The Group had net financial income of NOK 145 million, compared with a net expense of NOK 159 million in the prior year. The interest expense on the Group's debt portfolio amounted to NOK 136 (138) million. The Group made an unrealised gain of NOK 328 million (loss of NOK 32 million) on interest rate swaps, currency contracts and euro-denominated loans. The Norwegian krone was slightly stronger than at the start of the year, pushing up the value of the hedging portfolio that does not qualify for hedge accounting under IFRS. Capitalised interest rate expenses came to NOK 13 (24) million, due to high project activity.

Average interest-bearing liabilities were NOK 7.9 (7.5) billion, and the average interest rate on the debt portfolio was 3.5% (3.7%). The Group had a liquidity buffer of NOK 1.4 (1.4 billion at the close

of the period, consisting of bank deposits and unused credit facilities.

Operations and working environment

At the end of the first half, the Group had 1,269 (1,245) full-time and temporary employees, representing 1,231 (1,220) full-time equivalents.

The sickness absence rate was 3.8% in the first half of the year, compared with 4.1% in the year-earlier period.

4 (8) incidents resulting in injury were recorded during the period. The incidents occurred at Otera Infra (3) and Agder Energi Vannkraft (1). Of the accidents, 3 (7) resulted in total lost time of 29 (37) days. The accident figures are equivalent to a lost time injury frequency (number of LTIs per million work hours) of 3.1 (5.8), a total injury frequency (number of

injuries, whether or not they resulted in lost time, per million work hours) of 4.1 (9.1) and an injury severity rate (number of days lost per million work hours) of 29.8 (30.4). On a trailing 12-month basis, the equivalent figures were 2.0, 6.1 and 17.3 respectively.

Outlook

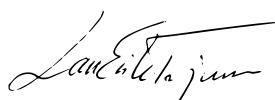
Over the first half of the year, the price of futures contracts for electricity fell further, indicating low prices for the coming years. The contribution from the Group's hedging activities, which was significant in 2014, is likely to fall in 2015, so we expect to achieve lower prices going forwards. At the end of the first half, the Group's hydrological resources (water and snow) were significantly above normal. Assuming normal precipitation levels, we expect hydroelectric power generation to remain high in 2015.

The financial results of our grid operating company should improve in 2015 over 2014, thanks to a higher income cap. We expect the income cap and profitability of our grid operating company to continue rising over the coming years.

Declaration by the Board of Directors

We confirm that, to the best of our knowledge, the interim financial statements for the period 1 January to 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting. We also confirm that the information contained in the interim report provides a true and fair view of the Group's assets, liabilities, financial position and overall results.


Kristiansand, 26 August 2015
The Board of Directors of Agder Energi AS



Lars Erik Torjussen
Chair



Lars Petter Maltby
Deputy member



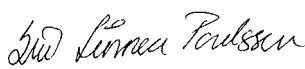
Bente Rist
Board member



Leif Atle Beisland
Board member



Steinar Bysveen
Board member



Siw Linnea Poulsson
Board member



Marit Grimsbo
Board member



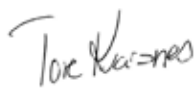
Steinar Asbjørnsen
Board member



Johan Ekeland
Board member



Øyvind Østensen
Board member



Tore Kvarsnes
Board member



Gro Granås
Board member



Tom Nysted
CEO

INCOME STATEMENT

(Amounts in NOK millions)	Q2		H1		Full-year 2014
	2015	2014	2015	2014	
Energy sales	1,176	1,153	2,940	2,962	5,814
Transmission revenues	219	249	490	542	1,139
Other operating revenues	395	416	671	682	1,470
Unrealised gains/losses on energy contracts	5	-292	70	-10	-156
Total operating revenues	1,795	1,526	4,171	4,176	8,267
Energy purchases	-555	-562	-1,494	-1,554	-3,083
Transmission expenses	-57	-56	-124	-107	-220
Other raw materials and consumables used	-219	-266	-358	-401	-815
Employee benefits	-221	-200	-455	-422	-810
Depreciation and impairment losses	-132	-136	-258	-284	-588
Property taxes and licence fees	-40	-49	-108	-102	-209
Other operating expenses	-210	-225	-396	-391	-827
Total operating expenses	-1,434	-1,494	-3,193	-3,261	-6,552
Operating profit	361	32	978	915	1,715
Share of profit of associates and joint ventures	-13	-4	-10	-6	-11
Financial income	-3	8	11	12	26
Unrealised gains/losses on currency and interest rate contracts	30	-132	328	-32	-449
Financial expenses	-59	-66	-184	-133	-283
Net financial income/expenses	-45	-194	145	-159	-717
Profit before tax	316	-162	1,123	756	998
Income tax	-84	46	-300	-202	-178
Resource rent tax	-56	-66	-186	-156	-295
Tax expense	-140	-20	-486	-358	-473
Net income from continuing operations	176	-182	637	398	525
Net income from discontinued operations	0	-24	0	-28	-33
Net income	176	-206	637	370	492
Of which attributable to non-controlling interests	0	10	0	8	17
Of which attributable to controlling interest	176	-216	637	362	475
Earnings per share/Earnings per share, diluted (NOK)	65	-80	236	134	176

TOTAL COMPREHENSIVE INCOME

(Amounts in NOK millions)	Q2		H1		Full-year 2014
	2015	2014	2015	2014	
Net income	176	-206	637	370	492
Other comprehensive income and expenses					
Cash flow hedges	36	-30	26	-52	-95
Translation differences	0	-2	-5	-4	3
Tax impact	-10	8	-7	14	26
Total items that may be reclassified to income statement	26	-24	14	-42	-66
Remeasurements of pensions	0	0	0	0	-209
Tax impact	0	0	0	0	63
Total items that will not be reclassified to income statement	0	0	0	0	-146
Other comprehensive income	26	-24	14	-42	-212
Total comprehensive income	202	-230	651	328	280
Of which attributable to non-controlling interests	-1	10	-2	7	17
Of which attributable to controlling interest	203	-240	653	321	263

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK millions)	30/06/2015	30/06/2014	2014
Deferred tax assets	386	382	415
Intangible assets	241	226	223
Property, plant and equipment	12,806	12,269	12,534
Investments in associates and joint ventures	308	175	297
Other non-current financial assets	471	502	455
Total non-current assets	14,212	13,554	13,924
Inventories	46	34	38
Receivables	1,035	794	1,538
Derivatives	1,152	960	864
Cash and cash equivalents	91	51	54
Total current assets	2,324	1,839	2,494
TOTAL ASSETS	16,536	15,393	16,418
Paid-in capital	1,907	1,907	1,907
Retained earnings	1,696	1,790	1,770
Non-controlling interests	67	73	83
Total equity	3,670	3,770	3,760
Deferred tax	524	502	439
Provisions	1,470	1,131	1,475
Interest-bearing non-current liabilities	7,109	5,853	7,115
Total non-current liabilities	9,103	7,486	9,029
Interest-bearing current liabilities	1,582	2,268	1,184
Tax payable	375	367	498
Derivatives	586	532	710
Other non-interest-bearing current liabilities	1,220	970	1,237
Total current liabilities	3,763	4,137	3,629
TOTAL EQUITY AND LIABILITIES	16,536	15,393	16,418

STATEMENT OF CASH FLOWS

(Amounts in NOK millions)	Q2		H1		Full-year
	2015	2014	2015	2014	2014
Cash flow from operating activities					
Profit before tax from continuing operations	316	-163	1,123	756	998
Profit before tax from discontinued operations	0	-25	0	-32	-37
Depreciation and impairment losses	132	136	258	284	590
Unrealised gains/losses on energy, currency and interest rate contracts	-35	423	-398	41	604
Share of profit of associates and joint ventures	13	4	10	6	11
Loss/gain on disposals	0	17	0	17	21
Tax paid	-291	-388	-496	-770	-755
Change in trade receivables	77	230	446	733	176
Change in trade payables	-1	-8	73	-157	-122
Change in net working capital, etc.	102	45	-31	-80	26
Net cash provided by operating activities	313	271	985	798	1,512
Investing activities					
Purchase of property, plant, equipment and intangible assets	-391	-328	-571	-570	-1,136
Purchase of businesses/financial assets	-18	-3	-68	-17	-42
Net change in loans	-3	0	1	0	-22
Sale of property, plant, equipment and intangible assets	-5	2	0	2	2
Sale of businesses/financial assets	0	31	10	65	42
Net cash used in investing activities	-417	-298	-628	-520	-1,156
Financing activities					
New long-term borrowings	400	1,000	700	1,425	2,325
Repayment of long-term borrowings	-9	-569	-309	-603	-1,344
Net change in current liabilities	383	201	-1	-369	-603
Dividends paid	-702	-713	-710	-713	-713
Net cash used in financing activities	72	-81	-320	-260	-335
Net change in cash and cash equivalents	-32	-108	37	18	21
Cash and cash equivalents at start of period	123	159	54	33	33
Cash and cash equivalents at end of period	91	51	91	51	54

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK millions)	Paid-in capital	Cash flow hedges	Translation differences	Retained earnings	Total for controlling interest	Non controlling interest	Total equity
Equity at 01/01/2014	1,907	-74	7	2,284	4,124	86	4,210
Net income for the year	0	0	0	475	475	17	492
Other comprehensive income and expenses	0	-69	3	-146	-212	0	-212
Dividends paid	0	0	0	-707	-707	-6	-713
Other changes in equity	0	0	0	-3	-3	-14	-17
Equity at 31/12/2014	1,907	-143	10	1,903	3,677	83	3,760
Equity at 01/01/2015	1,907	-143	10	1,903	3,677	83	3,760
Net income for the year	0	0	0	637	637	0	637
Other comprehensive income and expenses	0	19	-3	0	16	-2	14
Dividends paid	0	0	0	-700	-700	-10	-710
Other changes in equity	0	0	0	-27	-27	-4	-31
Equity at 30/06/2015	1,907	-124	7	1,813	3,603	67	3,670

BUSINESS AREAS

NET INCOME UNDER NGAAP

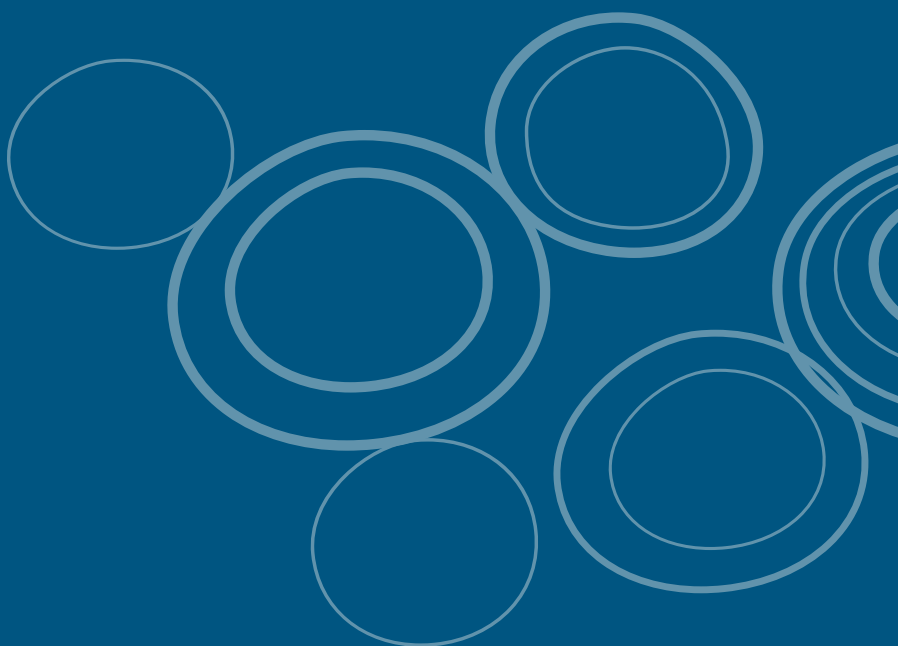
(Amounts in NOK millions)	Q2		H1		Full-year 2014
	2015	2014	2015	2014	
Hydroelectric power and energy management	179	151	395	439	824
Networks	10	11	39	38	42
Marketing and business development	13	17	24	23	156
Parent company/other/eliminations	-64	-49	-106	-92	-169
Group (NGAAP)	138	129	352	407	853
Of which attributable to non-controlling interests	1	10	0	9	19
Of which attributable to controlling interest	137	119	352	398	834

OPERATING PROFIT UNDER NGAAP

(Amounts in NOK millions)	Q2		H1		Full-year 2014
	2015	2014	2015	2014	
Hydroelectric power and energy management	333	319	827	883	1,666
Networks	33	35	92	91	141
Marketing and business development	32	29	55	52	127
Parent company/other/eliminations	-45	-26	-104	-89	-162
Group (NGAAP)	352	357	869	937	1,772

RECONCILIATION WITH GROUP'S REPORTED OPERATING PROFIT

(Amounts in NOK millions)	Q2		H1		Full-year 2014
	2015	2014	2015	2014	
Operating profit (NGAAP)	352	357	869	937	1,772
<i>Adjustment for differences arising from:</i>					
Energy sales	1	-5	42	-9	-31
Surplus/shortfall in transmission revenues	0	30	0	52	184
Goodwill amortisation and impairment	1	3	2	8	7
Changes to pension plans	0	0	0	0	-48
Other	2	-4	-5	-6	-6
Operating profit (adjusted IFRS)	356	380	908	981	1,879
Changes in obligation to provide free electricity and pay compensation	0	-56	0	-56	-56
Changes to pension plans	0	0	0	0	48
Unrealised gains/losses on energy contracts	5	-292	70	-10	-156
Operating profit under IFRS	361	32	978	915	1,715



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