

QUARTERLY REPORT 03-2015



Q1-Q3 2015 HIGHLIGHTS

- Agder Energi's net income for the first nine months of 2015 was NOK 806 million (controlling interest's share), compared with NOK 469 million in the same period of 2014. The most important reason for the increase was gains on electricity contracts.
- Operating revenues for the first nine months of the year came to NOK 6,152 million (same period of 2014: NOK 5,641 million), while operating profit was NOK 1,808 (1,035) million. Pre-tax profit amounted to NOK 1,382 (985) million. The Group's tax expense was NOK 572 (475) million, giving an effective tax rate of 41.4% (48.2%).
- 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 nine months they added NOK 450 million to pre-tax profit, compared with a NOK 114 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 1,232 (1,353) million, and it made a pre-tax profit of NOK 932 (1,155) million. Net income on this basis was NOK 482 (606) million.
- In the first three quarters, the company generated 6,634 GWh (6,631 GWh) of hydroelectric power.
- The average spot price (in the NO2 region) over that period was 17.0 øre/kWh (22.1 øre/kWh), down 23% from the previous year.
- The Norwegian Water Resources and Energy Directorate has recommended that the Ministry of Petroleum and Energy grant licences for the Åseral projects. These projects include a new generator at Skjerka power station, a tunnel between the lakes Langevatn and Nåvatn, two new power stations and a new dam to regulate Langevatn. If the projects are completed, they will add 143 GWh of annual electricity generation.
- Otera has signed an agreement with Sognekraft to build a 132 kV power line in Sogn og Fjordane. The contract is worth just over NOK 30 million.
- Under Norwegian generally accepted accounting practice (NGAAP), Agder Energi's net income in the first nine months was NOK 468 million (controlling interest's share). The equivalent figure for the year-earlier period was NOK 542 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.

Finansielle hovedtall

		Q1-Q3 2015	Q1-Q3 2014	Q1-Q3 2013	Full-year 2014
Operating revenues	mill. kr	6,152	5,641	6,622	8,267
EBITDA	mill. kr	2,195	1,458	1,868	2,303
Adjusted EBITDA 1)	mill. kr	1,619	1,777	1,812	2,467
Operating profit	mill. kr	1,808	1,035	1,522	1,715
Profit before tax	mill. kr	1,382	985	1,072	998
Net income (controlling interest's share)	mill. kr	806	469	436	475
Cash flow from operating activities	mill. kr	1,320	1,109	1,224	1,512
Purchase of property, plant, equipment and intangible assets	mill. kr	891	779	877	1,156
Capital employed 2)	mill. kr	12,673	11,911	11,362	12,058
Operating margin	%	29.4	18.3	22.9	20.7
Return on capital employed 3)	%	13.7	16.0	17.4	11.0
Equity ratio	%	22.5	25.7	25.5	22.9
Net interest-bearing liabilities/Trailing 12-month adjusted EBITDA 4)		3.6	3.5	3.0	3.3
FFO/Net interest-bearing liabilities 5)		19.9	20.6	20.7	25.1

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

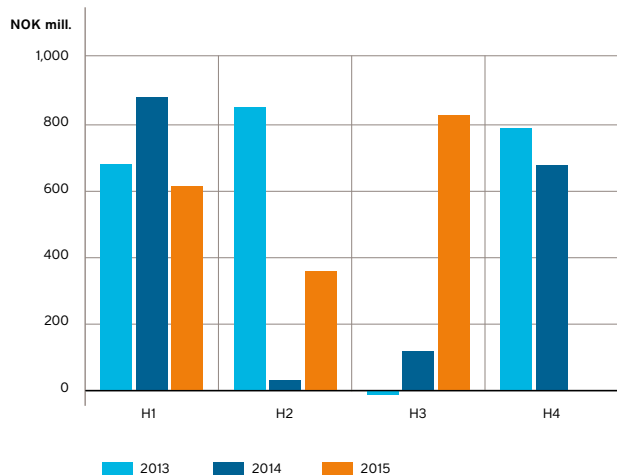
2) At the end of the reporting period.

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

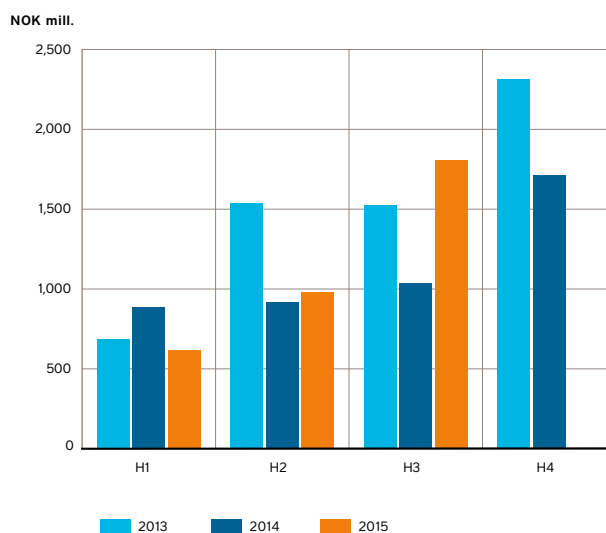
4) The rolling 12-month adjusted EBITDA is the adjusted EBITDA for the past four quarters.

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 turnover of these business areas was NOK 1,843 (2,011) million, while their operating profit was NOK 1,002 (1,212) million. Pre-tax profit amounted to NOK 943 (1,157) million.

In the third quarter, the company generated 1,673 GWh (1,750 GWh) of hydroelectric power. The equivalent figure for the first three quarters of the year was 6,634 GWh (6,631 GWh), which is higher than normal. Hydrological resources remained well above normal at the end of the period.

In the NO₂ price zone, reservoir levels were around 20% higher than the average for the past 10 years.

The average spot price (in the NO₂ region) in the first nine months of the year was 17.0 øre/kWh (22.1 øre/kWh), down 23% from the previous year. Prices were particularly low in the third

quarter, averaging 10.2 øre/kWh (24.7 øre/kWh). 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, although lower than last year.

The tax expense was NOK 452 (534) million, which meant that the effective tax rate was 47.9% (46.1%). Net income amounted to NOK 491 (624) million.

The business area invested NOK 444 (415) million in property, plant and equipment in the first nine months of 2015. NOK 169 (314) 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. The work being done on new dams in the Skjerka area in Åseral was the main reason why year-to-date investments to satisfy regulatory requirements rose from NOK 32 million to NOK 160 million.

The Network business area

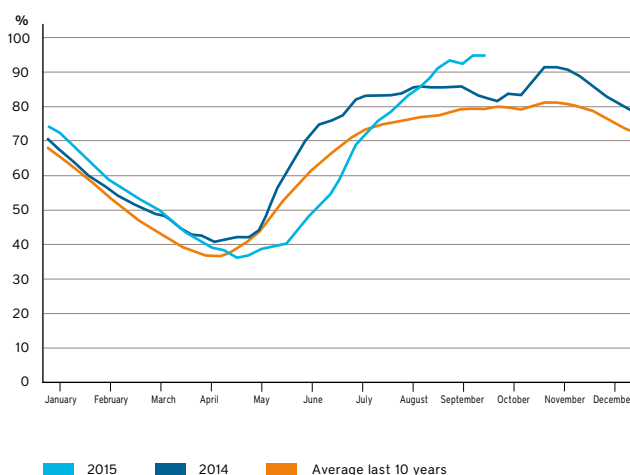
The Network business area is responsible for developing, operating and maintaining the transmission and distribution grid in Aust-Agder and Vest-Agder. Its operating revenues were NOK 833 (803) million in the first three quarters, while operating profit was NOK 151 (124) million. Operating profit was higher than in 2014, when the income cap was unusually low. Nevertheless, profit was slightly below expectations. This was primarily due to the storm Nina in January, as well as an increase in the rate charged for energy not supplied (KILE). In addition, low interest rates have a negative impact on the income cap.

The business area invested NOK 313 (285) million in the first nine months of the year, of which NOK 204 (178) million related to investments in new projects.

Market prices in price zone NO2



Reservoir storage levels in price zone NO2



Marketing and Business Development business area

The Marketing and Business Development business area's turnover was NOK 3,080 (3,325) million in the first three quarters, while operating profit was NOK 94 (70) million. The main companies in this business area are LOS, Otera and Agder Energi Varme. It also includes the Group's venture capital portfolio and its strategic and financial ownership interests.

LOS's turnover in the first three quarters was NOK 1,848 million, compared with NOK 2,195 million in the year-earlier period. Its operating profit was NOK 94 (74) million. The company supplied 6,120 GWh (6,210 GWh) during that period. Turnover was down as a result of lower spot prices.

Otera supplies contracting services for the installation, operation, maintenance and servicing of electricity, transport and communications infrastructure. The

company's turnover totalled NOK 673 (626) million in the first nine months. It made an operating loss of NOK 7 (5) million. The loss reflected performance in the first quarter, which is traditionally the company's weakest.


Agder Energi Varme's turnover was NOK 66 (58) million, while its operating profit was NOK 10 (3) million. It supplied 87 GWh (81 GWh) of energy. Higher temperatures than normal 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 nine months of the year amounted to NOK 14 (17) million.

Cash flows and capital adequacy

Cash flow from operating activities rose to NOK 1,320 million, from NOK 1,109 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 961 (820) million in the first nine months of the year. The Hydroelectric Power and Network business areas were responsible for over 90% of the investments in property, plant and equipment. Net cash used in investing activities totalled NOK 942 million, compared with NOK 753 million in the same period of 2014.

Net financial expenses in the quarter came to NOK 426 (50) million. Interest on the Group's debt portfolio was NOK 208 (208) million. The high level of investment in projects meant that NOK 20 (22) million of interest on construction loans was capitalised under work in progress. The net interest expense recognised in the income statement was therefore NOK 188 (186) million. The Group made an unrealised loss of NOK 126 million (gain of NOK 148 million) on interest rate swaps, currency contracts and euro-denominated loans. The Group also realised a loss of NOK 107 million



(gain of NOK 8 million) on currency contracts, due to the weakness of the Norwegian krone.

Average interest-bearing liabilities were NOK 8.0 (7.7) 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 quarter, consisting of bank deposits and unused credit facilities.

Operations and working environment

At the close of the third quarter the Group had 1,251 (1,245) full-time and temporary employees, representing 1,222 (1,220) full-time equivalents.

The sickness absence rate for the first nine months was 3.4%, compared with 3.7% in the year-earlier period.

11 (12) incidents resulting in injury were recorded during the period. The incidents occurred at Otera Infra (6) and Agder Energi Vannkraft (5). Of the accidents, 5 (7) resulted in total lost time of 43 (37) days. The accident figures are equivalent to a lost time injury frequency (number of LTIs per million work hours) of 3.4 (4.1), a total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 7.4 (7.0) and an injury severity rate (number of days lost per million work hours) of 29.0 (21.6). On a trailing 12-month basis, the equivalent figures were 3.0, 9.1 and 24.2 respectively.

Outlook

In the third quarter, the price of futures contracts for electricity continued to fall, indicating low prices for the coming

years. The Group's hedging activities have made a significant positive contribution in 2015, but we expect to achieve lower prices going forwards. At the end of the quarter, 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.

Kristiansand, 27 October 2015
The Board of Directors of Agder Energi AS

INCOME STATEMENT

(Amounts in NOK millions)	Q3		Q1-Q3		Full-year
	2015	2014	2015	2014	2014
Energy sales	782	1,164	3,722	4,126	5,814
Transmission revenues	282	246	772	788	1,139
Other operating revenues	411	307	1,082	989	1,470
Unrealised gains/losses on energy contracts	506	-252	576	-262	-156
Total operating revenues	1,981	1,465	6,152	5,641	8,267
Energy purchases	-296	-582	-1,790	-2,136	-3,083
Transmission expenses	-61	-52	-185	-159	-220
Other raw materials and consumables used	-246	-160	-604	-561	-815
Employee benefits	-180	-189	-635	-610	-810
Depreciation and impairment losses	-129	-139	-387	-423	-588
Property taxes and licence fees	-55	-54	-163	-156	-209
Other operating expenses	-184	-170	-580	-561	-827
Total operating expenses	-1,151	-1,346	-4,344	-4,606	-6,552
Operating profit	830	119	1,808	1,035	1,715
Share of profit of associates and joint ventures	-1	-2	-11	-8	-11
Financial income	4	6	15	18	26
Unrealised gains/losses on currency and interest rate contracts	-454	180	-126	148	-449
Financial expenses	-120	-74	-304	-208	-283
Net financial income/expenses	-571	110	-426	-50	-717
Profit before tax	259	229	1,382	985	998
Income tax	-68	-62	-368	-264	-178
Resource rent tax	-18	-55	-204	-211	-295
Tax expense	-86	-117	-572	-475	-473
Net income from continuing operations	173	111	810	510	525
Net income from discontinued operations	0	-1	0	-30	-33
Net income	173	110	810	480	492
Of which attributable to non-controlling interests	4	3	4	11	17
Of which attributable to controlling interest	169	107	806	469	475
Earnings per share/Earnings per share, diluted (NOK)	63	40	299	174	176

TOTAL COMPREHENSIVE INCOME

(Amounts in NOK millions)	2015	Q3 2014	2015	Q1-Q3 2014	Full-year 2014
Net income	173	110	810	480	492
Other comprehensive income and expenses					
Cash flow hedges	-21	21	5	-31	-95
Translation differences	3	-1	-2	-5	3
Tax impact	6	-6	-1	8	26
Total items that may be reclassified to income statement	-12	14	2	-28	-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
Total other comprehensive income and expenses	-12	14	2	-28	-212
Total comprehensive income	161	124	812	452	280
Of which attributable to non-controlling interests	3	2	1	9	17
Of which attributable to controlling interest	158	122	811	443	263

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK millions)	30/09/2015	30/06/2015	30/09/2014	2014
Deferred tax assets	373	386	408	415
Intangible assets	239	241	221	223
Property, plant and equipment	13,000	12,806	12,342	12,534
Investments in associates and joint ventures	311	308	275	297
Other non-current financial assets	486	471	444	455
Total non-current assets	14,409	14,212	13,690	13,924
Inventories	47	46	35	38
Receivables	821	1,035	847	1,538
Derivatives	1,659	1,152	686	864
Cash and cash equivalents	85	91	37	54
Total current assets	2,612	2,324	1,605	2,494
TOTAL ASSETS	17,021	16,536	15,295	16,418
Paid-in capital	1,907	1,907	1,907	1,907
Retained earnings	1,854	1,696	1,949	1,770
Non-controlling interests	71	67	75	83
Total equity	3,832	3,670	3,931	3,760
Deferred tax	530	524	506	439
Provisions	1,466	1,470	1,139	1,475
Interest-bearing non-current liabilities	7,376	7,109	6,511	7,115
Total non-current liabilities	9,372	9,103	8,156	9,029
Interest-bearing current liabilities	1,465	1,582	1,468	1,184
Tax payable	432	375	505	498
Derivatives	937	586	355	710
Other non-interest-bearing current liabilities	983	1,220	880	1,237
Total current liabilities	3,817	3,763	3,208	3,629
TOTAL EQUITY AND LIABILITIES	17,021	16,536	15,295	16,418

STATEMENT OF CASH FLOWS

(Amounts in NOK millions)	Q3		Q1-Q3		Full-year
	2015	2014	2015	2014	2014
Cash flow from operating activities					
Profit before tax from continuing operations	259	229	1,382	985	998
Profit before tax from discontinued operations	0	0	0	-32	-37
Depreciation and impairment losses	129	139	391	423	590
Unrealised gains/losses on energy, currency and interest rate contracts	-52	73	-450	114	604
Share of profit of associates and joint ventures	1	2	11	8	11
Loss/gain on disposals	0	1	0	18	21
Tax paid	0	0	-496	-770	-755
Change in trade receivables	95	-34	541	699	176
Change in trade payables	11	0	84	-157	-122
Change in net working capital, etc.	-108	-99	-143	-179	26
Net cash provided by operating activities	335	311	1,320	1,109	1,512
Investing activities					
Purchase of property, plant, equipment and intangible assets	-320	-209	-891	-779	-1,136
Purchase of businesses/financial assets	-2	-21	-70	-38	-42
Net change in loans	0	-3	1	-3	-22
Sale of property, plant, equipment and intangible assets	8	0	8	2	2
Sale of businesses/financial assets	0	0	10	65	42
Net cash used in investing activities	-314	-233	-942	-753	-1,156
Financing activities					
New long-term borrowings	250	600	950	2,025	2,325
Repayment of long-term borrowings	-502	-742	-811	-1,345	-1,344
Net change in current liabilities	225	50	224	-319	-603
Dividends paid	0	0	-710	-713	-713
Net cash used in financing activities	-27	-92	-347	-352	-335
Net change in cash and cash equivalents	-6	-14	31	4	21
Cash and cash equivalents at start of period	91	51	54	33	33
Cash and cash equivalents at end of period	85	37	85	37	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	806	806	4	810
Other comprehensive income and expenses	0	4	1	0	5	-3	2
Dividends paid	0	0	0	-700	-700	-10	-710
Other changes in equity	0	0	0	-27	-27	-3	-30
Equity at 30/09/2015	1,907	-139	11	1,982	3,761	71	3,832

BUSINESS AREAS

NET INCOME UNDER NGAAP

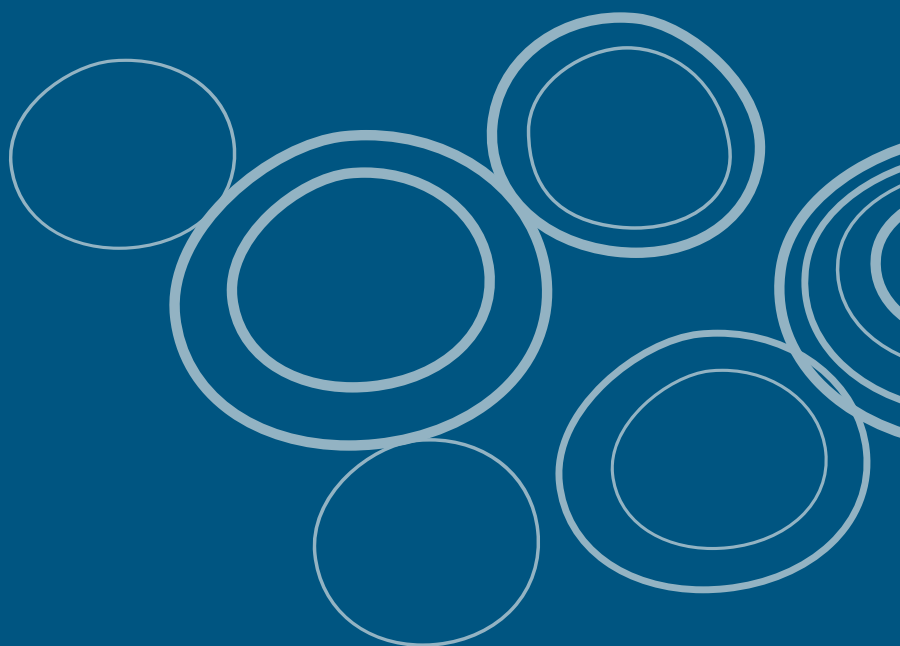
(Amounts in NOK millions)	Q3		Q1-Q3		Full-year
	2015	2014	2015	2014	2014
Hydroelectric power and energy management	96	185	491	624	824
Networks	31	9	70	47	42
Marketing and business development	24	8	48	31	156
Parent company/other/eliminations	-32	-54	-138	-146	-169
Group (NGAAP)	119	148	471	555	853
Of which attributable to non-controlling interests	3	3	2	13	19
Of which attributable to controlling interest	116	144	468	542	834

OPERATING PROFIT UNDER NGAAP

(Amounts in NOK millions)	Q3		Q1-Q3		Full-year
	2015	2014	2015	2014	2014
Hydroelectric power and energy management	175	329	1,002	1,212	1,666
Networks	59	34	151	124	141
Marketing and business development	40	18	95	70	127
Parent company/other/eliminations	-19	-50	-123	-138	-162
Group (NGAAP)	255	331	1,124	1,268	1,772

RECONCILIATION WITH GROUP'S REPORTED OPERATING PROFIT

(Amounts in NOK millions)	Q3		Q1-Q3		Full-year
	2015	2014	2015	2014	2014
Operating profit (NGAAP)	255	331	1,124	1,268	1,772
<i>Adjustment for differences arising from:</i>					
Energy sales	40	18	82	9	-31
Surplus/shortfall in transmission revenues	34	24	34	76	184
Goodwill amortisation and impairment	1	1	2	9	7
Changes to pension plans	0	0	0	0	-48
Other	-6	-2	-11	-8	-6
Operating profit (adjusted IFRS)	324	372	1,232	1,353	1,879
Changes in obligation to provide free electricity and pay compensation	0	0	0	-56	-56
Changes to pension plans	0	0	0	0	48
Unrealised gains/losses on energy contracts	506	-252	576	-262	-156
Operating profit under IFRS	830	120	1,808	1,035	1,715



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