

QUARTERLY REPORT

04-2015



2015 HIGHLIGHTS

- Agder Energi's net income for 2015 was NOK 1,220 million (controlling interest's share), compared with NOK 475 million in 2014. The most important reason for the improvement was gains on power, currency and interest rate contracts.
- Operating revenues for the year came to NOK 8,361 million (2014: NOK 7,808 million), while operating profit was NOK 2,399 (1,715) million. Pre-tax profit amounted to NOK 1,929 (998) million. The Group's tax expense was NOK 718 (473) million, giving an effective tax rate of 37.2% (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 2015, gains and losses made a positive contribution of NOK 602 million to pre-tax profit, compared with a negative contribution of NOK 605 million the previous year.
- Adjusted for unrealised gains and losses and major exceptional items, the Group's operating profit was NOK 1,658 (1,877) million, and it made a pre-tax profit of NOK 1,221 (1,609) million. Net income on this basis was NOK 663 (921) million.
- In 2015, the company generated 8,995 GWh (9,060 GWh) of hydroelectric power. This was approximately 1,100 GWh more than the Group would expect to generate in a normal year.
- In 2015 the average spot price (in the NO2 region) was 17.7 øre/kWh (22.8 øre/kWh), down 22% from the previous year.
- In November, Agder Energi, Statkraft, BKK and Skagerak Energi signed an agreement to sell all of the shares in Småkraft AS, Norway's largest developer of small hydro projects. The transaction was completed in December, and the shares were acquired by the German investment fund Aquila Capital. The sale frees up capital that can be reinvested in Agder Energi's core business, and confirms the value generated through Småkraft AS.
- Lislevatn power station in Evje og Hornnes municipality was officially opened in October. Its installed capacity is 4.2 MW, and its annual electricity generation will be 18.5 GWh, equivalent to the consumption of around 900 households.
- NorgesGruppen has signed a three-year electricity supply agreement with LOS Energy. The agreement, which is worth around NOK 600 million, covers 1,600 retail outlets whose annual consumption is 730 GWh. That is equivalent to the consumption of around 40,000 households.
- Under Norwegian generally accepted accounting practice (NGAAP), Agder Energi's net income in 2015 was NOK 746 million (controlling interest's share). The equivalent figure for 2014 was NOK 834 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, except for in the case of transmission tariffs that are passed on to customers in the retail business. See discussion in the section on changes to accounting principles. 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

		2015	2014	2013
Operating revenues	NOK millions	8,361	7,808	9,391
EBITDA	NOK millions	2,976	2,303	2,856
Adjusted EBITDA 1)	NOK millions	2,235	2,467	2,304
Operating profit	NOK millions	2,399	1,715	2,354
Profit before tax	NOK millions	1,929	998	1,726
Net income (controlling interest's share)	NOK millions	1,220	475	846
Cash flow from operating activities	NOK millions	1,482	1,512	1,486
Purchase of property, plant, equipment and intangible assets	NOK millions	1,266	1,136	1,299
Capital employed 2)	NOK millions	13,597	12,058	11,878
Operating margin	%	28.7	22.0	25.1
Return on capital employed 3)	%	17.2	10.8	17.8
Equity ratio	%	24.7	22.9	26.2
Net interest-bearing liabilities/Trailing 12-month adjusted EBITDA 4)		3.8	3.2	3.2
FFO/Net interest-bearing liabilities 5)		21.9	25.1	21.8

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

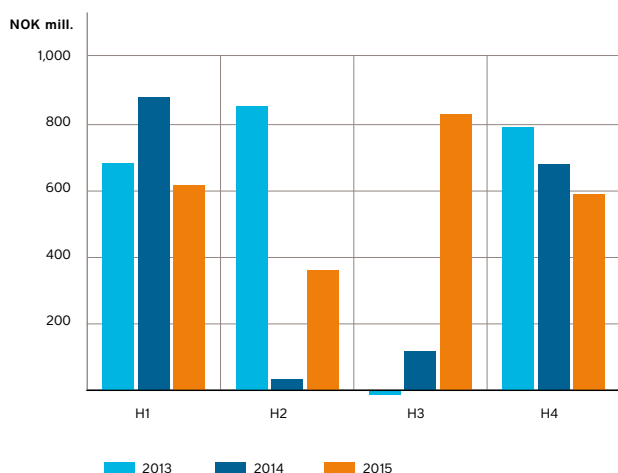
2) At the end of the reporting period.

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

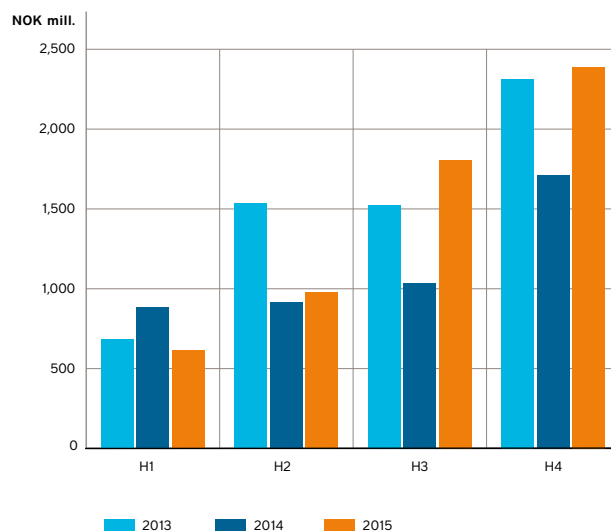
4) The rolling 12-month adjusted EBITDA is the adjusted EBITDA for the past four quarters.

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 2015 was NOK 2,508 (2,767) million, while their operating profit was NOK 1,350 (1,622) million. Pre-tax profit amounted to NOK 1,274 (1,542) million.

In the fourth quarter, the company generated 2,361 GWh (2,429 GWh) of hydroelectric power. For the year as a whole, the figure was 8,995 GWh (9,060 GWh), which is approximately 1,100 GWh (14%) higher than expected in a normal year. Hydrological resources remained well above normal at the end of the year.

In the NO₂ price zone, year-end reservoir levels were around 25% higher than the average for the past 10 years.

The average spot price (in the NO₂ region) for the year was 17.7 øre/kWh (22.8 øre/kWh), down 22% from the

previous year. In the fourth quarter prices averaged 19.7 øre/kWh (24.8 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 600 (717) million, which meant that the effective tax rate was 47.1% (46.6%). The tax expense fell due to lower pre-tax profit and a reduction in resource rent tax payable as a result of lower spot prices. Net income amounted to NOK 674 (824) million.

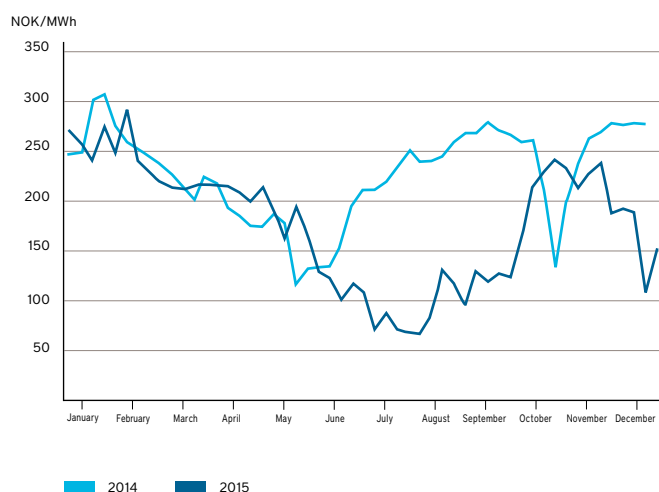
Investment in property, plant and equipment in 2015 totalled NOK 604 (538) million. NOK 230 (345) million of this related to investments in new projects, with the completion of the Brokke Nord/Sør, Skarg power station in 2014 being the main reason for the

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 69 million to NOK 201 million.

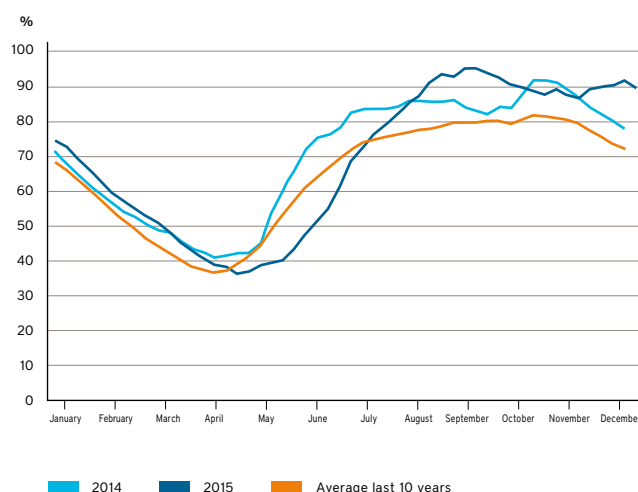
The Network business area

The Network business area is responsible for developing, operating and maintaining the transmission and distribution grid in Aust-Agder and Vest-Agder. This business area had NOK 1,161 (1,096) million of operating revenues in 2015, while operating profit was NOK 212 (141) 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. Other controllable

Market prices in price zone NO2



Reservoir storage levels in price zone NO2



costs were lower than the previous year.

The business area invested NOK 453 (366) million in 2015, of which NOK 299 (229) million related to investments in new projects. NOK 70 (49) million was invested in the smart meter project.

Including NOK 90 (100) million of customer contributions, gross investment in the business area was NOK 543 (466) million.

Marketing and Business Development business area

The Marketing and Business Development business area's turnover was NOK 4,196 (4,337) million in 2015, while operating profit was NOK 108 (127) 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 2015 was NOK 2,278 million, compared with NOK 2,696 million 2014. Its operating profit was NOK 101 (110) million. In total, the company supplied 8,470 GWh (8,670 GWh) over the course of the year. 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 996 (899) million in 2015. It made an operating loss of NOK 20 million (operating profit of NOK 10 million). Operating profit was negatively impacted by restructuring costs and an impairment charge against fixed-price contracts at Otera Infra incurred in the fourth quarter, which together came to NOK 20 million.

Agder Energi Varme's turnover in 2015 was NOK 92 (83) million, while its

operating profit was NOK 10 (7) million. It supplied 125 GWh (118 GWh) of energy. In 2015, above normal temperatures once again led to relatively low volumes of energy supplied. However, customer growth helped to push up volumes. Electricity price hedges made a positive contribution in the period. The business area invested NOK 25 (27) million.

Cash flows and capital adequacy

Cash flow from operating activities came to NOK 1,482 million in 2015, compared with NOK 1,151 million the previous year. Underlying EBITDA was slightly down, but this was more than compensated for by a reduction in tax paid.

Investment in property, plant and equipment and intangible assets amounted to NOK 1,266 (1,136) million. NOK 90 (100) million of this comprised investments in power distribution networks paid for by customers. On the

statement of cash flows investments are presented gross, with customer payments included under net cash provided by operating activities. 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 865 million, compared with NOK 1,156 million in 2014. Cash received from the sale of Småkraft was the main reason for the reduction.

Net financial expenses in 2015 came to NOK 470 (717) million. Interest on the Group's debt portfolio was NOK 273 (280) million. The high level of investment in projects meant that NOK 31 (26) million of interest on construction loans was capitalised under work in progress. The net interest expense recognised in the income statement was therefore NOK 242 (254) million. The Group made an unrealised loss of NOK 138 (449) million on interest rate swaps, currency contracts and euro-denominated loans. The Group also realised a loss of NOK 150 (3) million on currency contracts, due to the weakness of the Norwegian krone. Meanwhile, it made a NOK 84 profit (NOK 11 million loss) on investments in associates, primarily thanks to a gain on the sale of shares in Småkraft.

Average interest-bearing liabilities were NOK 8.2 (7.7) billion, and the average interest rate on the debt portfolio was 3.35% (3.65%). The Group had a liquidity buffer of NOK 2.0 (1.5) billion at the

close of the year, consisting of bank deposits and unused credit facilities.

Accounting principles

In 2015 Agder Energi changed the way that it accounts for transmission tariffs invoiced to customers by its retail business on behalf of the grid operators. Previously these tariffs were presented gross in the income statement under energy sales and energy purchases. As of 2015 they are being presented net. The comparative figures for 2014 have also been restated to reflect this change. As a result, energy sales for 2014 have fallen by NOK 459 million to NOK 5,355 million. Similarly, energy purchases have fallen by NOK 459 million to NOK 2,624 million. The change has not had any impact on Agder Energi's reported profit.

Agder Energi has signed various supply agreements with clients in power-intensive industries that are payable in euros. The exchange rate element of these contracts is treated as an integrated part of the contracts and is recognised through profit or loss when the power is delivered. The Financial Supervisory Authority of Norway has asked Agder Energi to justify why the exchange rate element is not treated separately from the contracts for accounting purposes and recognised at fair value.

Operations and working environment

At the close of the year, the Group had 1,294 (1,245) full-time and temporary

employees, representing 1,270 (1,220) full-time equivalents.

The sickness absence rate for the year was 3.5%, compared with 3.6% in the year-earlier period.

13 (19) incidents resulting in injury were recorded during the period. The incidents occurred at Otera Infra (8) and Agder Energi Vannkraft (5). Of the accidents, 6 (8) resulted in total lost time of 88 (42) days. The accident figures are equivalent to a lost time injury frequency (number of LTIs per million work hours) of 3.0 (3.5), a total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 6.4 (8.4) and an injury severity rate (number of days lost per million work hours) of 43.4 (19).

Outlook

Electricity prices continued to fall in the fourth quarter, and futures contracts indicate that prices will remain low over 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 2016.

The financial results of our grid operating company should improve in 2016 over 2015, thanks to a higher income cap.

Kristiansand, 17 February 2016
The Board of Directors of Agder Energi AS

INCOME STATEMENT

(Amounts in NOK millions)	Q4			
	2015	2014	2015	2014
Other comprehensive income and expenses	1,385	1,574	4,835	5,355
Transmission revenues	299	351	1,071	1,139
Other operating revenues	633	481	1,715	1,470
Unrealised gains/losses on energy contracts	164	106	740	-156
Total operating revenues	2,481	2,512	8,361	7,808
Energy purchases	-694	-833	-2,212	-2,624
Transmission expenses	-62	-61	-247	-220
Other raw materials and consumables used	-402	-254	-1,006	-815
Employee benefits	-264	-200	-899	-810
Depreciation and impairment losses	-190	-165	-577	-588
Property taxes and licence fees	-51	-53	-214	-209
Other operating expenses	-227	-266	-807	-827
Total operating expenses	-1,890	-1,832	-5,962	-6,093
Operating profit	591	680	2,399	1,715
Share of profit of associates and joint ventures	95	-3	84	-11
Financial income	-7	8	8	26
Unrealised gains/losses on currency and interest rate contracts	-12	-597	-138	-449
Financial expenses	-120	-75	-424	-283
Net financial income/expenses	-44	-667	-470	-717
Profit before tax	547	13	1,929	998
Income tax	-99	86	-467	-178
Resource rent tax	-47	-84	-251	-295
Tax expense	-146	2	-718	-473
Net income from continuing operations	401	15	1,211	525
Net income from discontinued operations	0	-3	0	-33
Net income	401	12	1,211	492
Of which attributable to non-controlling interests	-13	6	-9	17
Of which attributable to controlling interest	414	6	1,220	475
Earnings per share/Earnings per share, diluted (NOK)	153	2	452	176

TOTAL COMPREHENSIVE INCOME

(Amounts in NOK millions)	Q4		2015	2014
	2015	2014		
Net income	401	12	1,211	492
Andre inntekter og kostnader				
Cash flow hedges	3	-64	8	-95
Translation differences	3	8	1	3
Tax impact	3	18	2	26
Total items that may be reclassified to income statement	9	-38	11	-66
Remeasurements of pensions	487	-209	487	-209
Tax impact	-151	63	-151	63
Total items that will not be reclassified to income statement	336	-146	336	-146
Total other comprehensive income and expenses	345	-184	347	-212
Total comprehensive income	746	-172	1,558	280
Of which attributable to non-controlling interests	-7	8	-6	17
Of which attributable to controlling interest	753	-180	1,564	263

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK millions)	31/12/2015	30/09/2015	31/12/2014
Deferred tax assets	374	373	415
Intangible assets	277	239	223
Property, plant and equipment	13,143	13,000	12,534
Investments in associates and joint ventures	61	311	297
Other non-current financial assets	819	486	455
Total non-current assets	14,674	14,409	13,924
Inventories	37	47	38
Receivables	1,512	821	1,538
Derivatives	1,824	1,659	864
Cash and cash equivalents	473	85	54
Total current assets	3,846	2,612	2,494
TOTAL ASSETS	18,520	17,021	16,418
Paid-in capital	1,907	1,907	1,907
Retained earnings	2,604	1,854	1,770
Non-controlling interests	58	71	83
Total equity	4,569	3,832	3,760
Deferred tax	817	530	439
Provisions	1,348	1,466	1,475
Interest-bearing non-current liabilities	7,284	7,376	7,115
Total non-current liabilities	9,449	9,372	9,029
Interest-bearing current liabilities	1,745	1,465	1,184
Tax payable	463	432	498
Derivatives	924	937	710
Other non-interest-bearing current liabilities	1,370	983	1,237
Total current liabilities	4,502	3,817	3,629
TOTAL EQUITY AND LIABILITIES	18,520	17,021	16,418

STATEMENT OF CASH FLOWS

(Amounts in NOK millions)	Q4		2015	2014
	2015	2014		
Cash flow from operating activities				
Profit/loss before tax (continuing operations)	547	13	1,929	998
Profit/loss before tax (discontinued operations)	0	-5	0	-37
Depreciation and impairment losses	202	167	589	590
Unrealised gains/losses on energy, currency and interest rate contracts	-152	490	-602	604
Share of profit/loss of associates and jointly controlled entities	-95	3	-84	11
Loss/gain on disposal of discontinued operations	0	3	0	21
Tax paid	12	15	-484	-755
Change in trade receivables	-582	-523	-41	176
Change in trade payables	23	35	107	-122
Change in net working capital, etc.	211	205	68	26
Net cash provided by operating activities	166	403	1,482	1,512
Investing activities				
Purchase of property, plant, equipment and intangible assets	-375	-357	-1,266	-1,136
Purchase of businesses/financial assets	-11	-4	-81	-42
Net change in loans	104	-19	105	-22
Sale of property, plant, equipment and intangible assets	3	0	11	2
Sale of businesses/financial assets	356	-23	366	42
Net cash used in investing activities	77	-403	-865	-1,156
Financing activities				
New long-term borrowings	500	300	1,450	2,325
Repayment of long-term borrowings	-305	1	-1,108	-1,344
Net change in current liabilities	-58	-284	166	-603
Dividends paid	0	0	-706	-713
Net cash used in financing activities	145	17	-198	-335
Net change in cash and cash equivalents	388	17	419	21
Cash and cash equivalents at start of period	85	37	54	33
Cash and cash equivalents at end of period	473	54	473	54

STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK millions)	Paid-in capital	Cash flow hedges	Trans-lation 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	1,220	1,220	-9	1,211
Other comprehensive income and expenses	0	10	6	336	352	-5	347
Dividends paid	0	0	0	-700	-700	-6	-706
Other changes in equity	0	0	0	-38	-38	-5	-44
Equity at 30/09/2015	1,907	-133	16	2,721	4,511	58	4,569

BUSINESS AREAS

NET INCOME UNDER NGAAP

(Amounts in NOK millions)	Q4			
	2015	2014	2015	2014
Hydroelectric power and energy management	183	200	674	824
Network	48	-5	118	42
Market	1	96	49	127
Parent company/other/eliminations	32	0	-106	-146
Group (NGAAP)	264	292	735	847
Of which attributable to non-controlling interests	-13	0	-11	13
Of which attributable to controlling interest	278	292	746	834

OPERATING PROFIT UNDER NGAAP

(Amounts in NOK millions)	Q4			
	2015	2014	2015	2014
Hydroelectric power and energy management	348	453	1,350	1,622
Network	61	17	212	141
Market	14	58	108	127
Parent company/other/eliminations	-52	-23	-175	-158
Group (NGAAP)	371	505	1,495	1,733

RECONCILIATION WITH GROUP'S REPORTED OPERATING PROFIT

(Amounts in NOK millions)	Q4			
	2015	2014	2015	2014
Operating profit/loss (NGAAP)	371	505	1,495	1,772
<i>Adjustment for differences arising from:</i>				
Energy sales	39	-40	120	-31
Surplus/shortfall in transmission revenues	16	108	50	184
Goodwill amortisation and impairment	1	-2	3	7
Changes to pension plans	0	-48	0	-48
Other	1	2	-10	-6
Operating profit/loss (adjusted IFRS)	427	525	1,659	1,879
Changes in obligation to provide free electricity and pay compensation	0	0	0	-56
Changes to pension plans	0	48	0	48
Unrealised gains/losses on energy contracts	164	107	740	-156
Operating profit under IFRS	591	680	2,399	1,715



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