

QUARTERLY REPORT 01-2017



HIGHLIGHTS

- In the first quarter of 2017, Agder Energi's net income under IFRS was NOK 325 million (controlling interest's share), compared with NOK 415 million in the first quarter of 2016. Overall, unrealised gains and losses on electricity, currency and interest rate contracts as well as on Euro-denominated loans reduced net income by NOK 8 (84) million. Adjusted for this, net income was NOK 317 (331) million. Operating revenues in the period came to NOK 2,906 million (Q1 2016: NOK 2,459 million).
- For its internal reporting Agder Energi uses Norwegian generally accepted accounting principles (NGAAP), as this gives an accurate picture of its underlying operations. Under NGAAP, Agder Energi made an operating profit of NOK 609 (672) million in the first quarter. Pre-tax profit amounted to NOK 578 (605) million. Net income rose to NOK 302 million, from NOK 280 million in the first quarter of 2016.
- In February, Agder Energi was licensed to upgrade and increase the capacity of its power stations in Åseral. The license covers the installation of a new generator at Skjerka power station, raising the dam at Lake Langevatn, a new transfer tunnel from Langevatn to Nåvatn, and two new power stations, Øygaard and Kvernvatn. Together, these projects may increase the Group's annual power generation by 145 GWh.
- In the first quarter, the Group generated 2,716 GWh (3,168 GWh) of hydroelectric power.
- In the first quarter, the average spot price (in the NO2 region) was 27.8 øre/kWh (21.1 øre/kWh), up 32% from last year.
- In March, Otera XP was sold. The company, which supplies telecommunications engineering services, had turnover of NOK 133 million in 2016.

Key figures

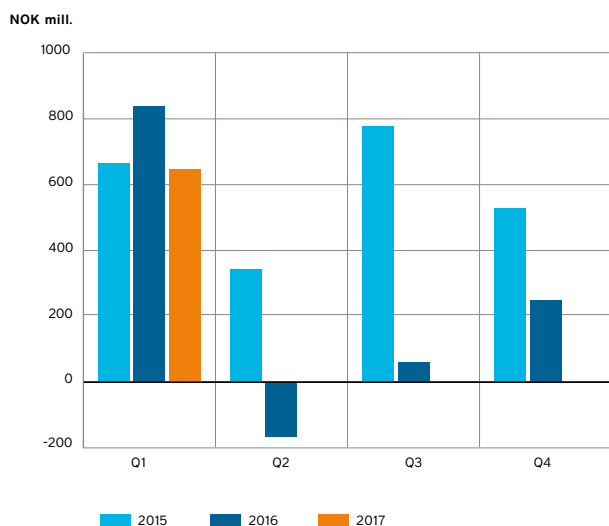
		Q1 2017	Q1 2016	Q1 2015	Full-year 2016
Operating revenues	NOK million	2 906	2 459	2 425	8 668
EBITDA 1)	NOK million	792	963	790	1 586
Operating profit	NOK million	645	837	664	978
Profit before tax	NOK million	593	718	618	799
Net income (controlling interest's share)	NOK million	325	415	461	251
Cash flow from operating activities	NOK million	204	595	672	1 779
Purchase of property, plant, equipment and intangible assets	NOK million	322	263	180	1 397
Capital employed 2)	NOK million	13 975	13 815	12 219	13 769
Operating margin	%	22,2	34,0	27,4	11,3
Return on capital employed 3)	%	6,8	18,7	11,2	7,8
Equity ratio	%	24,8	27,7	25,5	22,8

1) Operating profit before depreciation and impairment losses.

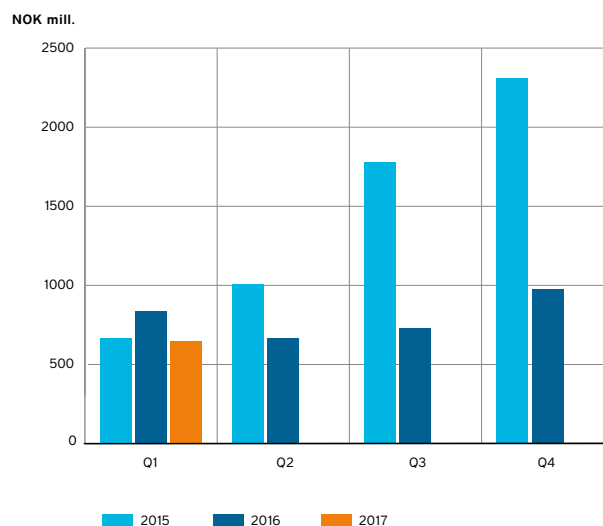
2) At the end of the reporting period.

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

Operating profits for the quarter



Accumulated operating profit



The Hydroelectric Power and Energy Management business areas

The combined operating revenues of these business areas came to NOK 907 (830) million in the first quarter, while their operating profit was NOK 539 (542) million. Pre-tax profit amounted to NOK 518 (514) million.

The business areas generated 2,716 GWh (3,168 GWh) of hydroelectric power, down 14%. The Group's hydrological resources (the amount of water and snow both in and outside its reservoirs) were below normal at the end of the quarter. All of Agder Energi's electricity is generated in the NO2 price zone. At the end of the quarter, overall reservoir levels for all power companies in the price zone were around 8% above the average for the past ten years.

The average spot price (in the NO2 region) in the first quarter was 27.8 øre/kWh (21.2 øre/kWh), up 32%. Higher marginal costs for coal power generation and lower hydrological resources in the Nordic Region were the main reasons for the increase. A continued strong contribution from the Group's electricity price hedges meant that the prices achieved by the Group were higher than

spot prices, as well as higher than the prices achieved in the same period last year.

The tax expense was NOK 270 (301) million, giving an effective tax rate of 52.2% (58.7%). The reduction in the tax expense was mainly due to the estimate for deferred resource rent tax being adjusted down. Net income amounted to NOK 248 (213) million.

NOK 93 (84) million was invested in property, plant and equipment. The increase was due to slightly higher reinvestments. During the reporting period, NOK 44 (46) million was invested in new projects.

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. The business area's operating revenues in the first quarter came to NOK 350 million, compared with NOK 381 million in the year-earlier quarter. The reduction was due to a lower income cap. The income cap is set by the Norwegian Water Resources and Energy Directorate, and it mainly fell due to one-off

factors that positively impacted the calculation of the permitted revenues of grid operating companies in 2016. Lower revenues were the main explanation for why operating profit fell to NOK 78 (137) million. Expenses related to energy not supplied (KILE) and fault resolution were around NOK 5 million higher than in the year-earlier quarter.

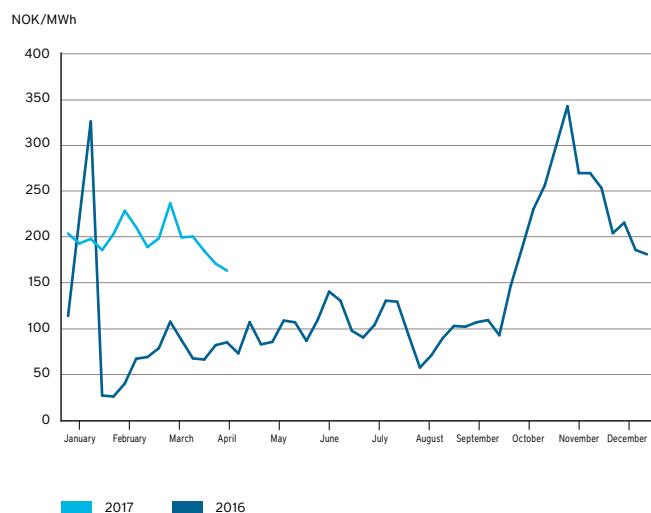
The business area invested NOK 176 (112) million in the first quarter, of which NOK 143 (81) million related to investments in new projects. NOK 77 (44) million was invested in the smart meter project. The figure for investment also includes NOK 31 (6) million invested in Honna substation in Åseral. Agder Energi Nett has an option to let Statnett take over the substation once it is completed and operational.

Including NOK 33 (42) million of customer contributions, gross investment in the business area was NOK 209 (154) million.

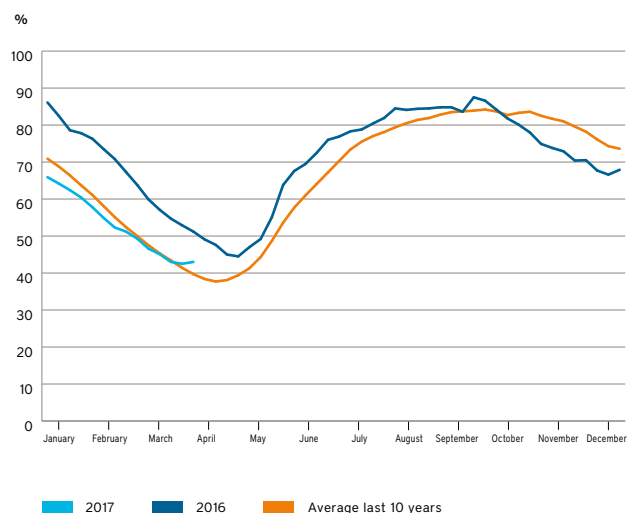
Marketing and Business Development business area

The Marketing and Business Development business area's turnover was NOK 1,710 (1,196) million in the first quarter,

Market prices in price zone NO2



Reservoir storage levels in price zone NO2



while operating profit was NOK 49 (30) million. The main companies in this business area are LOS, Otera and Agder Energi Varme. The Group's venture capital portfolio also forms part of the business area.

The electricity retailer LOS's turnover in the first quarter was NOK 1,233 million, compared with NOK 812 million in the year-earlier period. Of the increase, around NOK 300 million was due to the acquisition of LOS Energy (formerly Telge Kraft), while the rest reflected both higher prices and volumes at the company's existing operations. Operating profit was NOK 39 (33) million, which includes a NOK 16 (0) million depreciation expense related to the acquisition of LOS Energy.

Otera supplies contracting services for the installation, operation, maintenance and servicing of electricity and transport infrastructure. In the first quarter, Otera's turnover was NOK 232 (213) million, while its operating profit was NOK 1 million (loss of NOK 14 million). In March, Agder Energi sold Otera XP. The company, which supplies telecommunications engineering services, made an operating profit of NOK 9 million on

turnover of NOK 133 million in 2016. Otera's operating profit for the first quarter includes a NOK 20 million gain on the disposal of Otera XP. In the consolidated IFRS accounts, however, the gain is insignificant, as it is offset by the impairment of unamortised goodwill in conjunction with the sale.

Agder Energi Varme's turnover was NOK 40 (38) million, while its operating profit was NOK 12 (11) million. The company supplied 56 GWh (57 GWh) of energy. Like last year, above average temperatures led to less energy than expected being supplied in the first quarter. However, customer growth helped to push up volumes in the quarter. Electricity price hedges once again made a positive contribution in the quarter. Investment in the quarter amounted to NOK 7 (2) million.

Cash flows and capital adequacy

Cash flow from operating activities came to NOK 204 million in the first quarter, compared with NOK 595 million in the year-earlier period. Operating profit adjusted for depreciation and unrealised gains and losses on energy and currency contracts came to NOK 766 (748) million. The main reasons for

cash flow being lower were a reduction in other current liabilities, which is included under the line "Change in net working capital", as well as a reduction in trade payables.

Investment in property, plant and equipment and intangible assets amounted to NOK 322 (263) million. NOK 33 (42) 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 299 million in the first quarter of 2017, compared with NOK 66 million in the year-earlier period. This difference can mainly be explained by lower receipts from the sale of investments.

Net financial expenses in the first quarter came to NOK 52 (119) million. The interest expense on the Group's debt portfolio was NOK 62 (69) million. Investments in associates contributed a

NOK 6 million gain (NOK 3 million loss).

Average interest-bearing liabilities were NOK 8.5 (8.5) billion, and the average interest rate on the debt portfolio was 2.9% (3.3%). The Group had a liquidity buffer of NOK 1.7 (2.1) billion at the close of the quarter, consisting of unused credit facilities and bank deposits.

Operations and working environment

At the end of the first quarter the Group had 1,376 (1,284) full-time and temporary employees, representing 1,346 (1,258) full-time equivalents. The increase in staff numbers was mainly due to acquisitions in the second half of 2016.

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

In the quarter, 1 (2) incident resulting in injury was recorded. This involved an employee at Otera's Swedish business

falling on the ice. So far, the injury has resulted in the person being absent for a total of 35 days. A further 10 days were lost in January as a result of an accident that occurred in January 2016. In comparison, there were 76 lost days in the first quarter of last year. The accident figures for the year to date are equivalent to a lost time injury frequency (number of LTIs per million work hours) of 2.0 (3.9), a total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 2.0 (3.9) and an injury severity rate (number of days lost per million work hours) of 70 (150). On a trailing 12-month basis, the equivalent figures were 3.0, 5.0 and 170 respectively.

Outlook

Annual contracts in the futures markets indicate that prices in 2017 will remain relatively unchanged from last year. From 2018 onwards, electricity prices are expected to be lower. We expect the

Group's hedging activities to make a significant, but declining, positive contribution. At the end of the quarter, the Group's hydrological resources (water and snow) were below normal, and going forwards Agder Energi expects the amount of power that it generates to fall from the high levels seen over the past three years down to more normal levels.

The grid operating company's high income cap in 2016 was largely the result of various one-off factors that had a positive impact on the calculation of its permitted revenues. We therefore expect the income cap and profit to be lower in 2017 than in 2016.

Kristiansand, 9 May 2017
The Board of Directors of Agder Energi AS

INCOME STATEMENT

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Energy sales	2 209	1 619	6 044
Transmission revenues	329	299	1 143
Other operating revenues	342	319	2 100
Unrealised gains/losses on energy and currency contracts	26	222	-619
Total operating revenues	2 906	2 459	8 668
Energy purchases	-1 347	-785	-3 429
Transmission expenses	-68	-66	-258
Other raw materials and consumables used	-199	-175	-1 317
Employee benefits	-252	-230	-1 014
Depreciation and impairment losses	-147	-133	-608
Property taxes and licence fees	-48	-54	-211
Other operating expenses	-200	-179	-853
Total operating expenses	-2 261	-1 622	-7 690
Operating profit	645	837	978
Share of profit of associates and joint ventures	6	-3	-7
Financial income	4	4	16
Unrealised gains/losses on interest rate contracts	2	-49	78
Financial expenses	-64	-71	-266
Net financial income/expenses	-52	-119	-179
Profit before tax	593	718	799
Income tax	-140	-180	-154
Resource rent tax	-130	-122	-383
Tax expense	-270	-302	-537
Net income	323	416	262
Of which attributable to non-controlling interests	-2	1	11
Of which attributable to controlling interest	325	415	251
Earnings per share/Earnings per share, diluted (NOK)	120	154	93

COMPREHENSIVE INCOME

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Net income	323	416	262
Other comprehensive income			
Cash flow hedges	9	-19	21
Translation differences	0	-2	-10
Tax impact	-2	5	-5
Total items that may be reclassified to income statement	7	-16	6
Remeasurements of pensions	0	0	191
Tax impact	0	0	-55
Total items that will not be reclassified to income statement	0	0	136
Total other comprehensive income	7	-16	142
Comprehensive income	330	400	404
Of which attributable to non-controlling interests	-3	-2	13
Of which attributable to controlling interest	333	402	391

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	31/03/17	31/03/16	31/12/16
Deferred tax assets	336	335	300
Intangible assets	448	290	476
Property, plant and equipment	14 005	13 235	13 817
Investments in associates and joint ventures	30	36	37
Derivatives	872	1 905	884
Other non-current financial assets	1 115	839	1 081
Total non-current assets	16 806	16 640	16 595
Inventories	121	38	142
Receivables	2 199	1 263	2 573
Derivatives	508	568	466
Cash and cash equivalents	330	599	543
Total current assets	3 158	2 468	3 724
TOTAL ASSETS	19 964	19 108	20 319
Paid-in capital	1 907	1 907	1 907
Retained earnings	2 993	3 328	2 668
Non-controlling interests	50	50	51
Total equity	4 950	5 285	4 626
Deferred tax	1 130	1 185	1 109
Provisions	1 728	1 551	1 776
Derivatives	511	641	465
Interest-bearing non-current liabilities	7 099	7 490	7 192
Total non-current liabilities	10 468	10 867	10 542
Interest-bearing current liabilities	1 925	1 040	1 951
Tax payable	606	513	630
Derivatives	79	175	206
Other non-interest-bearing current liabilities	1 936	1 228	2 364
Total current liabilities	4 546	2 956	5 151
TOTAL EQUITY AND LIABILITIES	19 964	19 108	20 319

STATEMENT OF CASH FLOWS

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Cash flow from operating activities			
Profit before tax	593	718	799
Depreciation and impairment losses	147	133	608
Unrealised gains/losses on energy, currency and interest rate contracts	-28	-172	540
Share of profit of associates and joint ventures	-6	3	7
Tax paid	-313	-230	-440
Change in trade receivables	512	459	-431
Change in trade payables	-108	74	166
Change in net working capital, etc.	-593	-390	530
Net cash provided by operating activities	204	595	1 779
Investing activities			
Purchase of property, plant, equipment and intangible assets	-289	-221	-1 255
Purchase of property, plant and equipment paid for by customers	-33	-42	-142
Purchase of businesses/financial assets	-2	-34	-155
Net change in loans	-24	-9	11
Sale of property, plant, equipment and intangible assets	1	0	17
Sale of businesses/financial assets	48	240	247
Net cash used in investing activities	-299	-66	-1 277
Financing activities			
New long-term borrowings	0	300	1 113
Repayment of long-term borrowings	-92	-405	-1 199
Net change in current liabilities	-26	-298	314
Dividends paid	0	0	-660
Net cash used in financing activities	-118	-403	-432
Net change in cash and cash equivalents	-213	126	70
Cash and cash equivalents at start of period	543	473	473
Cash and cash equivalents at end of period	330	599	543

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 01/01/16	1 907	-133	16	3 045	4 835	58	4 893
Net income for the year	0	0	0	251	251	11	262
Other comprehensive income	0	16	-12	136	140	2	142
Dividends paid	0	0	0	-660	-660	0	-660
Changes due to acquisitions, disposals, etc.	0	0	0	9	9	-20	-11
Equity at 31/12/16	1 907	-117	4	2 781	4 575	51	4 626
Equity at 01/01/17	1 907	-117	4	2 781	4 575	51	4 626
Year-to-date profit	0	0	0	325	325	-2	323
Other comprehensive income	0	7	1	0	8	-1	7
Changes due to acquisitions, disposals, etc.	0	0	0	-8	-8	2	-6
Equity at 31/03/17	1 907	-110	5	3 098	4 900	50	4 950

BUSINESS AREAS

OPERATING REVENUES UNDER NGAAP

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Hydroelectric power and energy management	907	830	2 658
Network	350	381	1 424
Marketing and business development	1 710	1 196	5 797
Parent company/other/eliminations	-97	-113	-391
Group (NGAAP)	2 871	2 294	9 489

OPERATING PROFIT UNDER NGAAP

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Hydroelectric power and energy management	539	542	1 457
Network	78	137	417
Marketing and business development	49	30	71
Parent company/other/eliminations	-57	-36	-134
Group (NGAAP)	609	672	1 811

NET INCOME UNDER NGAAP

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Hydroelectric power and energy management	248	213	586
Network	46	91	278
Marketing and business development	33	16	26
Parent company/other/eliminations	-28	-39	-137
Group (NGAAP)	299	281	753
Of which attributable to non-controlling interests	-3	0	8
Of which attributable to controlling interest	302	280	744

RECONCILIATION OF FIGURES FOR BUSINESS AREA WITH REPORTED IFRS FIGURES

OPERATING REVENUES

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Operating revenues under NGAAP	2 871	2 294	9 489
Energy sales	5	-9	-58
Surplus/shortfall in transmission revenues	5	-47	-143
Unrealised gains and losses	27	222	-619
Operating revenues under IFRS	2 906	2 459	8 668

OPERATING PROFIT

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Operating profit (NGAAP)	609	672	1 811
IFRS adjustments to revenues (see above)	36	166	-820
Goodwill amortisation	0	-1	1
Other	0	0	-14
Operating profit under IFRS	645	837	978

NET INCOME

(Amounts in NOK million)	Q1		Year
	2017	2016	2016
Net income (NGAAP)	299	281	753
IFRS adjustments to operating profit (see above)	36	164	-833
Unrealised gains and losses on interest rate swaps	2	-50	78
Other financial income/expenses	-23	-2	-17
Tax	8	22	282
Net income (IFRS)	323	416	262



NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1 ACCOUNTING PRINCIPLES

Agder Energi's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The same accounting principles and calculation methods have been applied as for the annual financial statements for 2016.

The financial statements of the parent company and subsidiaries adhere to Norwegian generally accepted accounting principles (NGAAP). Internal reporting to the management team is also based on NGAAP, and in the interim report the business areas are also presented using NGAAP.

The accounts have not been audited.

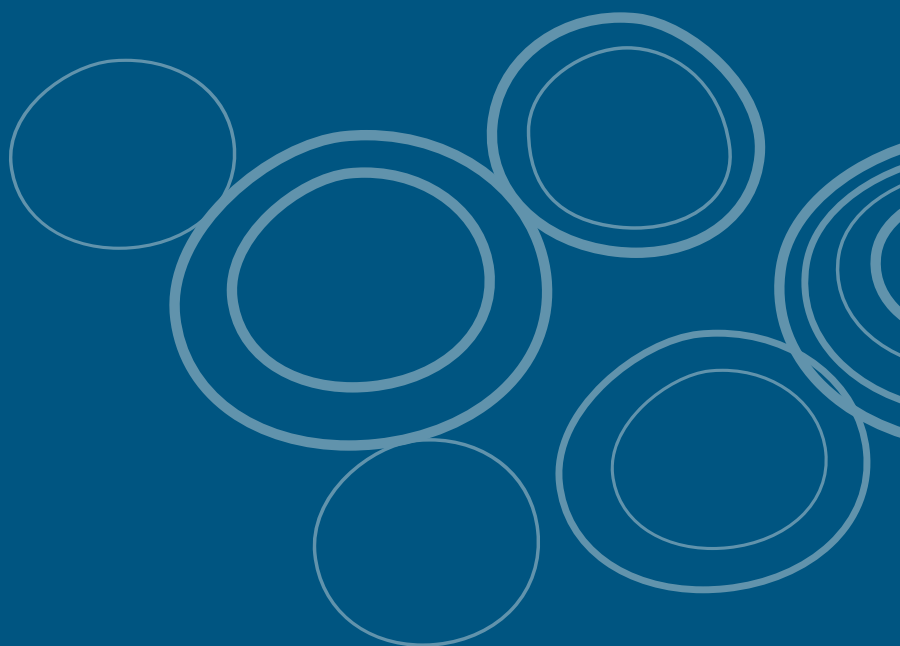
NOTE 2 BUSINESS AREAS

Segment information is reported using the same segments as used in financial reports to the senior management team. Segment reporting is used by Agder Energi's management to assess the performance of the various business areas, and to allocate resources to them. See page 11 for tables showing the financial performance of the business areas.

NOTE 3 ALTERNATIVE PERFORMANCE MEASURES

Agder Energi's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The parent company and subsidiaries present their financial statements in accordance with Norwegian generally accepted accounting principles (NGAAP), and internal reporting to the management team is also based on NGAAP.

The senior management team believes that NGAAP gives a better picture of the Group's underlying performance, since it does not include unrealised gains and losses on electricity, currency and interest rate contracts and on Euro-denominated loans used for hedging purposes. However, changes in the market values of the Group's trading portfolios are also included under NGAAP. Other than this, there are only minor differences between the figures reported under IFRS and NGAAP. The tables on page 12 show the reconciliation of reported IFRS figures with NGAAP figures.



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