

QUARTERLY REPORT 01-2015



Q1 2015 HIGHLIGHTS

- Agder Energi's first quarter net income was NOK 461 million (controlling interest's share), compared with NOK 578 million in the first quarter of 2014. The most important reason for the fall in net income was a lower contribution from hydroelectric power generation.
 - Operating revenues in the first three months of the year came to NOK 2,376 million (Q1 2014: NOK 2,650 million), while operating profit was NOK 617 (883) million. Operating revenues and operating profit were both lower than last year due to large changes in unrealised gains/losses on electricity contracts in the first quarter of 2014. Pre-tax profit amounted to NOK 807 (918) million. The Group's tax expense was NOK 346 (338) million, giving an effective tax rate of 42.9% (36.8%).
 - 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 quarter they contributed NOK 363 million to pre-tax profit, compared with NOK 382 million in the year-earlier period.
- Adjusted for unrealised gains and losses and major exceptional items, the Group's operating profit was NOK 552 (601) million, and it made a pre-tax profit of NOK 444 (536) million. Net income on this basis was NOK 196 (297) million.
 - The Group generated 2,849 GWh (2,696 GWh) of hydroelectric power in the quarter, up 6%.
 - The average spot price (in the NO2 region) in the first quarter was 23.9 øre/kWh (24.9 øre/kWh), down 4% from the previous year.
- In April the government announced that it wanted to introduce a requirement for legal and functional separation at all companies which operate power grids. Agder Energi's organisational structure is already in line with the government's proposal, so it would only need to make minor adaptations. For the power grid industry as a whole, however, the proposal might lead to consolidation.
 - Otera has signed a contract with Nordlandsnett to build 132 kV high-voltage lines across Svartisen. The contract is worth around NOK 60 million.
 - Under Norwegian generally accepted accounting practice (NGAAP), Agder Energi's net income in the first quarter was NOK 215 million (controlling interest's share). The equivalent figure for the year-earlier period was NOK 279 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

		Q1 2015	Q1 2014	Q1 2013	Full year 2014
Operating revenues	NOK millions	2,376	2,650	2,725	8,267
EBITDA	NOK millions	743	1,031	793	2,303
Adjusted EBITDA 1)	NOK millions	678	749	792	2,467
Operating profit	NOK millions	617	883	678	1,715
Profit before tax	NOK millions	807	918	564	998
Net income (controlling interest's share)	NOK millions	461	578	281	475
Cash flow from operating activities	NOK millions	925	527	381	1,512
Purchase of property, plant, equipment and intangible assets	NOK millions	180	242	200	1,136
Capital employed 2)	NOK millions	12,074	12,243	11,213	12,058
Operating margin	%	26.0	33.3	24.9	20.7
Return on capital employed 3)	%	9.9	20.3	16.4	11.0
Equity ratio	%	25.1	29.4	27.3	22.9
Net interest-bearing liabilities/Trailing 12-month adjusted EBITDA 4)		3.4	3.3	3.4	3.3
FFO/Net interest-bearing liabilities 5)		23.4	20.0	22.0	25.1

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

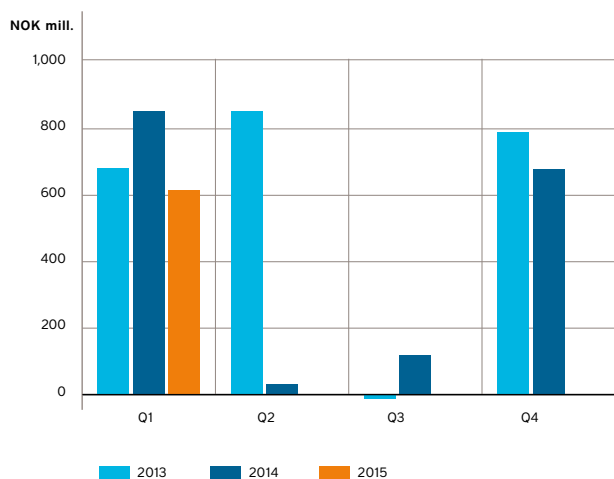
2) At the end of the reporting period.

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

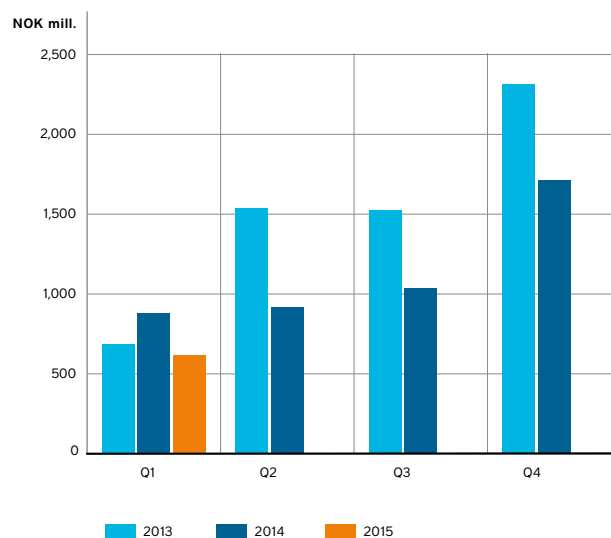
4) The rolling 12-month adjusted EBITDA is the adjusted EBITDA for the past four quarters.

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 quarter was NOK 809 (844) million, while their operating profit was NOK 494 (564) million. Pre-tax profit amounted to NOK 474 (531) million.

The amount of hydroelectric power generated was 2,849 GWh (2,696 GWh).

In spite of the large amount of hydroelectric power generated in the quarter, hydrological resources remained well above normal. In the NO2 price zone, reservoir levels were around 11% higher than the average for the past 10 years.

The average spot price (in the NO2 region) in the first quarter was 23.9 øre/kWh (24.9 øre/kWh), down 4% 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, although lower than in the same period last year.

The tax expense was NOK 258 (243) million, which meant that the effective tax rate was 54.4% (45.8%).

Higher electricity generation resulted in an increase in resource rent tax payable. In addition, the estimate for deferred resource rent tax was adjusted up. Net income amounted to NOK 216 (288) million.

The business area invested NOK 80 (136) million in property, plant and equipment in the quarter. NOK 44 (96) 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 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. Operating revenues in the first quarter came to NOK 314 (302) million, while operating profit was NOK 59 (56) million.

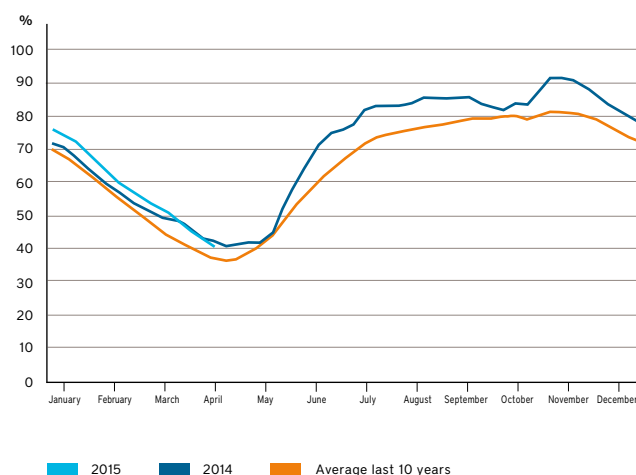
Revenues rose as a result of the income cap being raised. The income cap for each year is set by NVE, and it depends on the company's own expenses and on overall expenses in the industry two years ago. The 2014 income cap was low, due to lower expenses in the industry as a whole in 2012. Falling interest rates also had a negative impact on the income cap. The income cap for 2015 is at a more normal level, in spite of the fact that interest rates are expected to remain low.

In the first quarter, depreciation was NOK 6 million lower than in the same period last year, after a reassessment of the useful life of property, plant and equipment. Meanwhile, other operating expenses rose. This was entirely the result of the major storm Nina, which in

Market prices in price zone NO 2



Reservoir storage levels (price zone NO2)



January caused NOK 26 million in expenses related to fault resolution and energy not supplied (KILE).

The business area invested NOK 76 (88) million in the first quarter, of which NOK 56 (51) million related to investments in new projects.

Marketing and Business Development business area

The Marketing and Business Development business area's turnover was NOK 1,274 (1,324) million in the first quarter, while its operating profit was NOK 23 (23) 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.

The electricity supplier LOS achieved turnover of NOK 943 million, compared with NOK 998 million in the first quarter of 2014. Its operating profit was NOK 36 (35) million. The company supplied

2,560 GWh (2,680 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 radio networks. The company made an operating loss of NOK 12 (11) million in the first quarter, on turnover of NOK 185 (167) million. Otera's business is seasonal, and the first quarter is normally the weakest. The company's operating performance was also hit by NOK 4 million of exceptional charges.

Agder Energi Varme's turnover was NOK 31 (33) million, while its operating profit was NOK 5 (8) million. It supplied 47 GWh (48 GWh) of energy. The mild winter meant that volumes were low, although this was partially offset by customer growth. The company's electricity hedges made a smaller contribution

than in the year-earlier period. Investment in the period amounted to NOK 4 (4) million.

Cash flows and capital adequacy

Cash flow from operating activities rose to NOK 925 million in the first quarter, from NOK 527 million in the first quarter of 2014, in spite of lower underlying EBITDA. This increase was due to a reduction in tax paid and a positive contribution from other working capital.

The Group invested NOK 230 (256) million in the first quarter. The Hydroelectric Power and Network business areas were responsible for 95% of the investments in property, plant and equipment. Net cash used in investing activities totalled NOK 211 million, compared with NOK 222 million in the same period of 2014.

In the first quarter, the Group had net financial income of NOK 190 (35) million. The interest expense on the Group's

debt portfolio amounted to NOK 68 (70) million. The Norwegian krone strengthened significantly over the quarter, leading to large fluctuations in the value of the hedging portfolio that does not qualify for hedge accounting under IFRS. The Group made an unrealised gain of NOK 298 (100) million on interest rate swaps, currency contracts and euro-denominated loans. Meanwhile, a NOK 64 (4) million foreign exchange loss was realised. Capitalised interest rate expenses came to NOK 7 (11) 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% (3.8%). The Group had a liquidity buffer of NOK 1.6 (1.6) billion at the close of the quarter, consisting of bank deposits and unused credit facilities.

Operations and working environment

At the end of the first quarter the Group had 1,239 (1,557) full-time and tempora-

ry employees, representing 1,209 (1,532) full-time equivalents. The decrease from last year was mainly due to the sale of Otera Elektro.

The sickness absence rate for the quarter was 4.0%, compared with 4.5% in the year-earlier period.

3 (9) incidents resulting in injury were recorded during the period. The incidents occurred at Otera Infra (2) and Agder Energi Vannkraft (1). Of the accidents, 3 (8) 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 6.3 (11.1), a total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 6.3 (14.3) and an injury severity rate (number of days lost per million work hours) of 60.5 (58.7). On a rolling 12-month basis, the equivalent figures were 1.9, 6.3 and 16.5 respectively.

Outlook

In the first quarter, 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 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, 5 May 2015
The Board of Directors of Agder Energi AS

INCOME STATEMENT

(Amounts in NOK millions)	2015	Q1 2014	Full year 2014
Energy sales	1,764	1,809	5,814
Transmission revenues	271	293	1,139
Other operating revenues	276	266	1,470
Unrealised gains/losses on energy contracts	65	282	-156
Total operating revenues	2,376	2,650	8,267
Energy purchases	-939	-992	-3,083
Transmission expenses	-67	-51	-220
Other raw materials and consumables used	-139	-135	-815
Employee benefits	-234	-222	-810
Depreciation and impairment losses	-126	-148	-588
Property taxes and licence fees	-68	-53	-209
Other operating expenses	-186	-166	-827
Total operating expenses	-1,759	-1,767	-6,552
Operating profit	617	883	1,715
Share of profit of associates and joint ventures	3	-2	-11
Financial income	14	4	26
Unrealised gains/losses on currency and interest rate contracts	298	100	-449
Financial expenses	-125	-67	-283
Net financial income/expenses	190	35	-717
Profit before tax	807	918	998
Income tax	-216	-248	-178
Resource rent tax	-130	-90	-295
Tax expense	-346	-338	-473
Net income from continuing operations	461	580	525
Net income from discontinued operations	0	-4	-33
Net income	461	576	492
Of which attributable to non-controlling interests	0	-2	17
Of which attributable to controlling interest	461	578	475
Earnings per share/Earnings per share, diluted (NOK)	171	214	176

TOTAL COMPREHENSIVE INCOME

(Amounts in NOK millions)	2015	Q1 2014	Full year 2014
Net income	461	576	492
Other comprehensive income and expenses			
Cash flow hedges	-10	-22	-95
Translation differences	-5	-2	3
Tax impact	3	6	26
Total items that may be reclassified to income statement	-12	-18	-66
Remeasurements of pensions	0	0	-209
Tax impact	0	0	63
Total items that will not be reclassified to income statement	0	0	-146
Total other comprehensive income and expenses	-12	-18	-212
Total comprehensive income	449	558	280
Of which attributable to non-controlling interests	-1	-3	17
Of which attributable to controlling interest	450	561	263

STATEMENT OF FINANCIAL POSITION

(Amounts in NOK millions)	31/03/2015	31/03/2014	31/12/2014
Deferred tax assets	392	368	415
Intangible assets	221	254	223
Property, plant and equipment	12,585	12,076	12,534
Investments in associates and joint ventures	308	176	297
Other non-current financial assets	469	536	455
Total non-current assets	13,975	13,410	13,924
Inventories	41	41	38
Receivables	1,284	1,246	1,538
Derivatives	1,152	1,202	864
Cash and cash equivalents	123	151	54
Total current assets	2,600	2,640	2,494
Assets of discontinued operations	0	93	0
TOTAL ASSETS	16,575	16,143	16,418
Paid-in capital	1,907	1,907	1,907
Retained earnings	2,188	2,778	1,770
Non-controlling interests	65	69	83
Total equity	4,160	4,754	3,760
Deferred tax	512	598	439
Provisions	1,488	1,086	1,475
Interest-bearing non-current liabilities	6,714	6,022	7,115
Total non-current liabilities	8,714	7,706	9,029
Interest-bearing current liabilities	1,200	1,467	1,184
Tax payable	535	626	498
Derivatives	671	382	710
Other non-interest-bearing current liabilities	1,295	1,137	1,237
Total current liabilities	3,701	3,612	3,629
Liabilities of discontinued operations	0	71	0
TOTAL EQUITY AND LIABILITIES	16,575	16,143	16,418

STATEMENT OF CASH FLOWS

(Amounts in NOK millions)	Q1		Full year 2014
	2015	2014	
Cash flow from operating activities			
Profit before tax from continuing operations	807	919	998
Profit before tax from discontinued operations	0	-7	-37
Depreciation and impairment losses	126	148	590
Unrealised gains/losses on energy, currency and interest rate contracts	-363	-382	604
Share of profit of associates and joint ventures	-3	2	11
Loss/gain on disposals	0	0	21
Tax paid	-205	-382	-755
Change in trade receivables	369	503	176
Change in trade payables	74	-149	-122
Change in net working capital, etc.	120	-125	26
Net cash provided by operating activities	925	527	1,512
Investing activities			
Purchase of property, plant, equipment and intangible assets	-180	-242	-1,136
Purchase of businesses/financial assets	-50	-14	-42
Net change in loans	4	0	-22
Sale of property, plant, equipment and intangible assets	5	0	2
Sale of businesses/financial assets	10	34	42
Net cash used in investing activities	-211	-222	-1,156
Financing activities			
New long-term borrowings	300	425	2,325
Repayment of long-term borrowings	-553	-34	-1,344
Net change in current liabilities	-384	-570	-603
Dividends paid	-8	0	-713
Net cash used in financing activities	-645	-179	-335
Net change in cash and cash equivalents	69	126	21
Cash and cash equivalents at start of period	54	33	33
Cash and cash equivalents at end of period	123	159	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
Changes due to acquisitions, disposals, etc.	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
Year-to-date profit	0	0	0	461	461	0	461
Other comprehensive income and expenses	0	-7	-4	0	-11	-1	-12
Dividends paid	0	0	0	0	0	-9	-9
Changes due to acquisitions, disposals, etc.	0	0	0	-32	-32	-8	-40
Equity at 31/03/2015	1,907	-150	6	2,332	4,095	65	4,160

BUSINESS AREAS

NET INCOME UNDER NGAAP

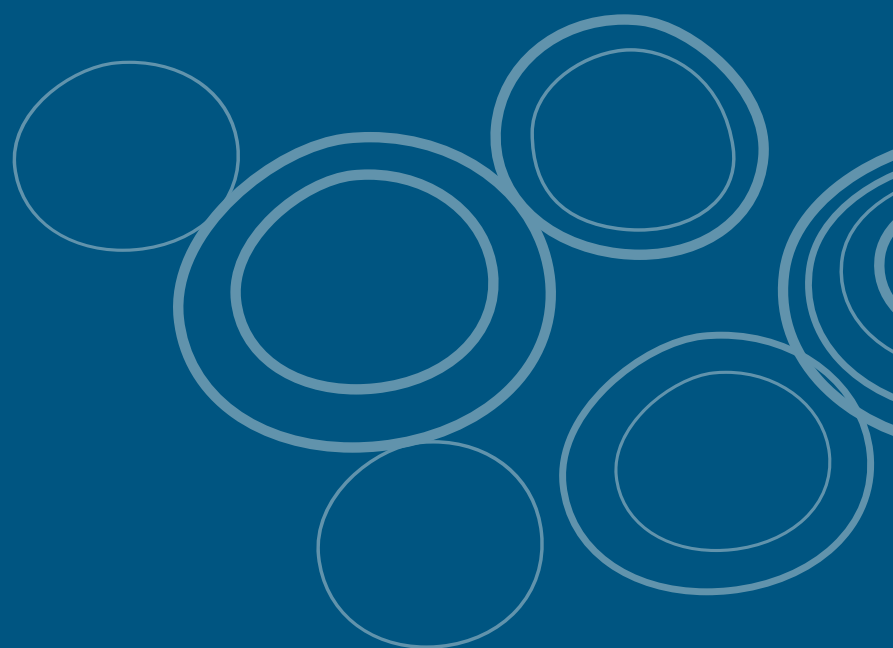
(Amounts in NOK millions)	Q1		Full year
	2015	2014	2014
Hydroelectric power and energy management	216	288	824
Network	29	27	42
Marketing and business development	11	6	156
Parent company/other/eliminations	-42	-43	-169
Group (NGAAP)	214	278	853
Of which attributable to non-controlling interests	-1	-1	19
Of which attributable to controlling interest	215	279	834

OPERATING PROFIT UNDER NGAAP

(Amounts in NOK millions)	Q1		Full year
	2015	2014	2014
Hydroelectric power and energy management	494	564	1,666
Network	59	56	141
Marketing and business development	23	23	127
Parent company/other/eliminations	-59	-63	-162
Group (NGAAP)	517	580	1,772

RECONCILIATION WITH GROUP'S REPORTED OPERATING PROFIT

(Amounts in NOK millions)	Q1		Full year
	2015	2014	2014
Operating profit (NGAAP)	517	580	1,772
<i>Adjustment for differences arising from:</i>			
Energy sales	41	-4	-31
Surplus/shortfall in transmission revenues	0	22	184
Goodwill amortisation and impairment	1	5	7
Changes to pension plans	0	0	-48
Other	-7	-2	-6
Operating profit (adjusted IFRS)	552	601	1,879
Changes in obligation to provide free electricity and pay compensation	0	0	-56
Changes to pension plans	0	0	48
Unrealised gains/losses on energy contracts	65	282	-156
Operating profit under IFRS	617	883	1,715



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