

# QUARTERLY REPORT

## 02-2016



# H1 2016 HIGHLIGHTS

- Under IFRS, Agder Energi's net income in the first six months of the year was NOK 182 million (controlling interest's share), compared with NOK 560 million in the year-earlier period. Operating revenues in the first six months of the year came to NOK 3,916 million (H1 2015: NOK 3,931 million). Overall, unrealised gains and losses on electricity, currency and interest rate contracts as well as on Euro-denominated loans reduced net income by NOK 206 million, in contrast to a positive contribution of NOK 217 million last year.
- For its internal reporting Agder Energi using Norwegian generally accepted accounting principles (NGAAP), which it considers to present an accurate picture of its underlying operations. Under NGAAP, Agder Energi's operating profit for the first six months was NOK 1,100 (869) million, while its pre-tax profit was NOK 977 (731) million. Net income rose by NOK 119 million to NOK 470 (351) million. NOK 100 million of the increase in net income was attributable to an increase in profit at the grid operating company, primarily due to a higher income cap.
- 5,494 GWh (4,966 GWh) of hydroelectric power was generated in the first half of the year, an increase of 11%.
- During that period, the average spot price (in the NO2 region) was 21.2 øre/kWh (20.5 øre/kWh), up 4% from the same period last year.
- In June, Agder Energi decided to install a second generator at Skjerka power station. Currently the power station's annual production is 650 GWh with just one generator. We expect work on the project, which will require a total investment of almost NOK 300 million, to start in early autumn after the Ministry of Petroleum and Energy reaches its final decision.
- In June LOS signed an agreement to acquire Telge Kraft, one of the leading suppliers of electricity to Swedish businesses, with turnover of almost SEK 1.8 billion in 2015. LOS will complete the purchase of the company in the fourth quarter.
- In June NetNordic signed an agreement to buy IPnett. IPnett is a Scandinavian supplier of networking, communication and security solutions, whose turnover was NOK 330 million in 2015. Agder Energi has a 59.4% ownership interest in NetNordic, which forms part of the Group's venture capital portfolio. NetNordic will complete the purchase of IPnett in August.

## Key figures

		H1 2016	H1 2015	H1 2014	Full-year 2015
Operating revenues	NOK million	3,916	3,931	4,024	8,260
EBITDA	NOK million	947	1,264	1,278	2,886
Adjusted EBITDA 1)	NOK million	1,269	1,112	1,266	2,084
Operating profit	NOK million	670	1,006	993	2,309
Profit before tax	NOK million	499	952	802	2,138
Net income (controlling interest's share)	NOK million	182	560	383	1,314
Cash flow from operating activities	NOK million	859	985	798	1,502
Purchase of property, plant, equipment and intangible assets	NOK million	605	571	570	1,286
Capital employed 2)	NOK million	13,100	12,514	11,996	13,921
Operating margin	%	17.1	24.0	24.7	28.0
Return on capital employed 3)	%	14.3	14.3	13.4	18.5
Equity ratio	%	23.9	22.7	24.8	25.4
Net interest-bearing liabilities/Trailing 12-month adjusted EBITDA 4)		3.8	3.5	3.6	4.1
FFO/Net interest-bearing liabilities 5)		27.8	21.0	21.2	21.9

1) Adjusted EBITDA is corrected for unrealised gains and losses on energy derivatives, currency derivatives and foreign currency loans and for major exceptional items.

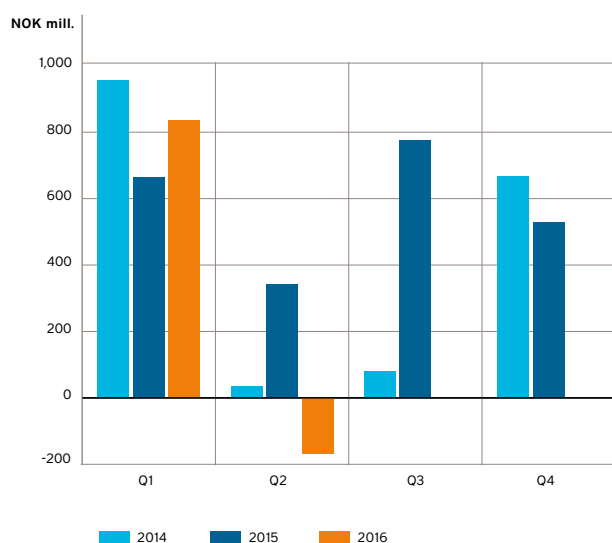
2) At the end of the reporting period.

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

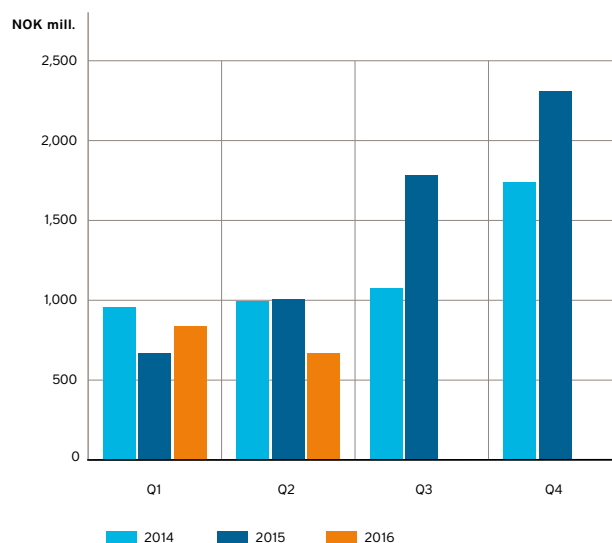
4) The rolling 12-month adjusted EBITDA is the adjusted EBITDA for the past four quarters.

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 1,496 (1,414) million, while their operating profit was NOK 915 (827) million. Pre-tax profit amounted to NOK 875 (788) million.

In the second quarter, the company generated 2,342 GWh (2,117 GWh) of hydroelectric power. Over the first half of the year, 5,494 GWh (4,966 GWh) was generated, an increase of 11%. Hydrological resources remained well above normal at the end of the period. In the NO2 price zone, reservoir levels at the end of the quarter were around 16% higher than the average for the past 10 years.

The average spot price (in the NO2 region) in the first half of the year was 21.2 øre/kWh (20.5 øre/kWh), up 4%. 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 482 (393) million, which meant that the effective tax rate was 55.1% (49.9%). The tax expense rose due to a combination of higher pre-tax profit, higher resource rent tax payable due to an increase in the spot value of electricity generated

and an upward adjustment to estimated deferred resource rent tax. Net income amounted to NOK 394 (395) million.

The two business areas invested NOK 197 (284) million in property, plant and equipment in the first half of 2016. The main reasons for this reduction were lower investment in new projects, partly as a result of the completion of the Iveland 2 project, and a decline in investments required by the authorities. During the reporting period, NOK 69 (122) million was invested in new projects.

In June, Agder Energi decided to install a second generator at Skjerka power station. Currently the power station's annual production is 650 GWh with just one generator. We expect work on the project, which will require a total investment of almost NOK 300 million, to start in autumn after the Ministry of Petroleum and Energy reaches its final decision. The new generator will reduce the risk of outages, avoid overflow losses and increase the value of the electricity generated by shifting production from times with low prices to times with higher prices.

### The Network business area

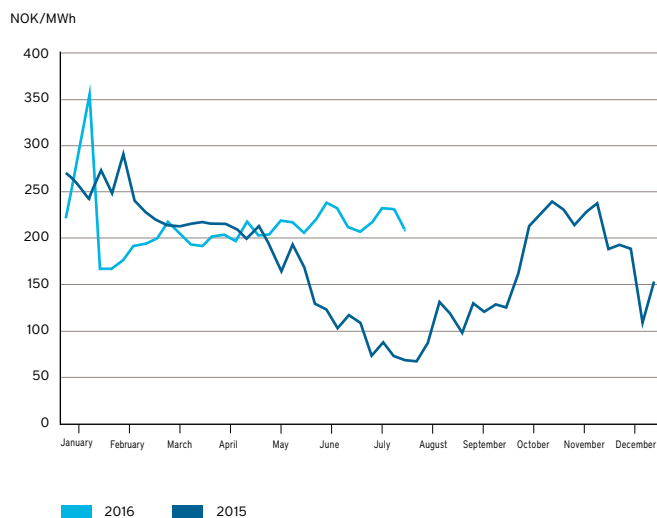
The Network business area is responsible for developing, operating and maintaining the transmission and distribution grid in Aust-Agder and Vest-Agder. The business area's operating revenues in

the first half of the year came to NOK 691 million, compared with NOK 563 million in the year-earlier period. The increase over last year was due to a higher income cap. The income cap is set by the Norwegian Water Resources and Energy Directorate, and it mainly rose due to one-off factors that positively impacted the calculation of the permitted revenues of grid operating companies. Higher revenues were the main explanation why operating profit rose to NOK 217 (92) million). In addition, the first half of 2015 saw significant expenses related to energy not supplied (KILE) and fault resolution necessitated by the storm Nina. Delays to maintenance work also pushed down maintenance costs in the first half of this year.

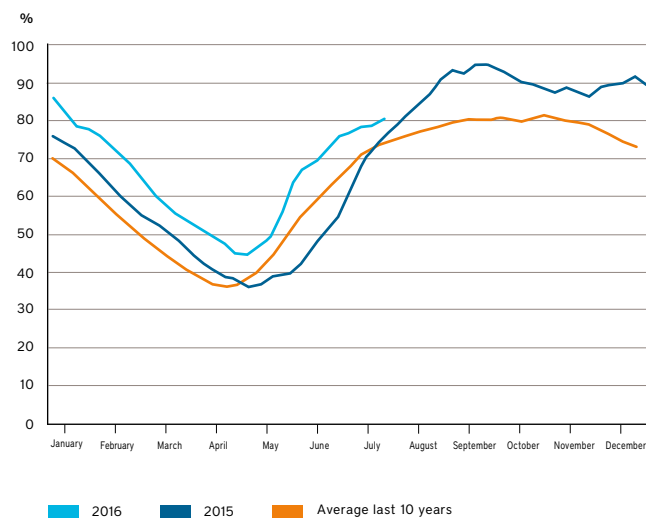
The business area invested NOK 291 (189) million in the first six months of the year, of which NOK 213 (128) million related to investments in new projects. NOK 99 (38) million was invested in the smart meter project. This includes a NOK 40 million investment in the Honna substation. It has been agreed that Statnett will take over the substation once it has been completed and is ready for connection to the grid.

Including NOK 79 (43) million of customer contributions, gross investment in the business area was NOK 370 (284) million.

## 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 2,390 (2,038) million in the first half of the year, while operating profit was NOK 42 (52) 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 six months of the year was NOK 1,430 million, compared with NOK 1,261 million in the year-earlier period. Its operating profit was NOK 52 (67) million. In total, the company supplied 4,912 GWh (4,437 GWh) in the first half of the year.

Otera supplies contracting services for the installation, operation, maintenance and servicing of electricity, transport and communications infrastructure. The company's turnover totalled NOK 511 (415) million in the first six months of the year. It made an operating loss of NOK 13 (12) million. The loss was due to Otera Infra, and in the first quarter the company cut its workforce by around 50 full-time equivalents. Both Otera's Swedish business and Otera XP performed strongly, with both turnover and profit up over the equivalent period last year.

Agder Energi Varme's turnover in the first half of the year was NOK 56 (51) million, while its operating profit was NOK 12 (8) million. Operating profit mainly improved thanks to higher sales of heating energy as a result of near-average temperatures so far this year. The company supplied 82 GWh (73 GWh) of energy. Electricity price hedges made a positive contribution in the period. Investment in the period amounted to NOK 8 (6) million.

### Cash flows and capital adequacy

Cash flow from operating activities came to NOK 859 million in the first half of the year, compared with NOK 985 million in the year-earlier period. Cash flow was boosted by an underlying EBITDA that was slightly higher than in the year-earlier period and by lower trade receivables. However, these two factors were more than offset by an increase in other accruals and lower trade payables, which meant that cash flow from operating activities fell NOK 136 million from the year-earlier period.

Investment in property, plant and equipment and intangible assets amounted to NOK 605 (571) million. NOK 79 (45) 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 90% of the investments in property, plant and equipment. Net cash used in investing activities totalled NOK 412 million, compared with NOK 628 million in the first half of 2015. The reduction in net cash used in investing activities reflects receipts from the disposal of our ownership interests in Fosen Vind and Bjerkeim Vind.

Net financial expenses in the first half of the year came to NOK 171 (54) million. The interest expense on the Group's debt portfolio was NOK 128 (136) million. High levels of construction activity meant that NOK 15 (13) million of construction loans were capitalised in relation to our own investments, reducing the net interest expense to NOK 113 (123) million. There was an unrealised loss of NOK 48 million (gain of NOK 74 million) on interest rate swaps.

Average interest-bearing liabilities were NOK 8.4 (7.9) billion, and the average interest rate on the debt portfolio was 3.1% (3.5%). The Group had a liquidity buffer of NOK 1.5 (1.5) billion at the close of the period, consisting of unused credit facilities and bank deposits.

### Changes to accounting principles

In the past, Agder Energi has classified

all currency, electricity and interest rate derivatives as current assets or current liabilities. Upon reconsideration Agder Energi has decided to change this principle, and it now classifies derivatives expiring more than one year after the statement of financial position date as non-current.

In 2016 Agder Energi changed the way in which it classifies gains and losses on currency contracts and foreign currency loans. These were previously considered financial items, but after a reassessment they are now classified as operating items.

In June the Financial Supervisory Authority of Norway ordered Agder Energi to change the way in which it accounts for long-term electricity contracts denominated in Euros. Although Agder Energi believes that its past practice was in accordance with IFRS, the Group has nevertheless chosen not to appeal the decision and has therefore complied with the Financial Supervisory Authority's order in the presentation of its financial statements for the first half of 2016.

This change to the accounting principles is described in greater detail in notes 1 and 2.

**Operations and working environment**  
At the end of the first quarter the Group

had 1,303 (1,269) full-time and temporary employees, representing 1,268 (1,231) full-time equivalents. The increase mainly occurred within the Group's venture capital portfolio, as well as at Otera AB and Otera XP.

The sickness absence rate for the first six months was 3.9%, compared with 3.7% in the year-earlier period.

7 (5) incidents resulting in injury were recorded in the first half of 2016. The incidents occurred at Otera Infra (2), Agder Energi Vannkraft (4) and Agder Energi Varme (1). 3 incidents resulted in a total of 166 lost days. In addition, an incident that occurred in October 2015 caused 18 lost days in January. Total lost days therefore came to 184 (29). The accident figures for the first six months of the year are equivalent to a lost time injury frequency (number of LTIs per million work hours) of 3.1 (3), a total injury frequency (number of injuries, whether or not they resulted in lost time, per million work hours) of 7.2 (5) and an injury severity rate (number of days lost per million work hours) of 189 (29). On a trailing 12-month basis, the equivalent figures were 3, 7.5 and 121 respectively.

The main reason for the increase in the number of lost days and the higher injury severity rate was two fall accidents.

**Outlook**

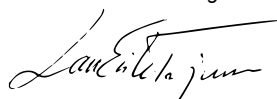
Electricity prices rose in the second quarter, but from relatively low levels, and futures contracts suggest that electricity prices will remain around 19-20 øre/kWh over the coming years. We expect the Group's hedging activities to continue making a significant positive contribution, but the contribution will gradually decline resulting in lower achieved 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 be high in 2016.

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

**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 2016 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 picture of the Group's assets, liabilities, financial position and overall results.

Kristiansand, 24 August 2016  
The Board of Directors of Agder Energi AS



Lars Erik Torjussen  
Chair



Tine Sundtoft  
Deputy Chair



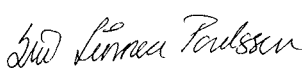
Jill Akselsen  
Board Member



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 million)	Q2		H1		Full-year
	2016	2015 (restated)	2016	2015 (restated)	2015 (restated)
Energy sales	1,265	1,055	2,884	2,618	4,672
Transmission revenues	243	219	542	490	1,071
Other operating revenues	493	394	812	670	1,715
Unrealised gains and losses on energy and currency contracts	-544	-12	-322	153	802
<b>Total operating revenues</b>	<b>1,457</b>	<b>1,656</b>	<b>3,916</b>	<b>3,931</b>	<b>8,260</b>
Energy purchases	-616	-435	-1,401	-1,226	-2,200
Transmission expenses	-61	-57	-127	-124	-247
Other raw materials and consumables used	-312	-219	-487	-358	-1,006
Employee benefits	-232	-221	-462	-455	-900
Depreciation and impairment losses	-144	-132	-277	-258	-577
Property taxes and licence fees	-50	-40	-104	-108	-214
Other operating expenses	-209	-210	-388	-396	-807
<b>Total operating expenses</b>	<b>-1,624</b>	<b>-1,314</b>	<b>-3,246</b>	<b>-2,925</b>	<b>-5,951</b>
<b>Operating profit</b>	<b>-167</b>	<b>342</b>	<b>670</b>	<b>1,006</b>	<b>2,309</b>
Share of profit of associates and joint ventures	0	-13	-3	-10	84
Financial income	3	-3	8	11	9
Unrealised gains and losses on interest rate contracts	2	66	-48	74	10
Financial expenses	-57	-58	-128	-129	-274
<b>Net financial income/expenses</b>	<b>-52</b>	<b>-8</b>	<b>-171</b>	<b>-54</b>	<b>-171</b>
<b>Profit before tax</b>	<b>-219</b>	<b>334</b>	<b>499</b>	<b>952</b>	<b>2,138</b>
Income tax	56	-88	-124	-257	-519
Resource rent tax	-70	-62	-192	-135	-314
<b>Tax expense</b>	<b>-14</b>	<b>-150</b>	<b>-316</b>	<b>-392</b>	<b>-833</b>
<b>Net income</b>	<b>-233</b>	<b>184</b>	<b>183</b>	<b>560</b>	<b>1,305</b>
Of which attributable to non-controlling interests	0	0	1	0	-9
Of which attributable to controlling interest	-233	184	182	560	1,314
Earnings per share/Earnings per share, diluted (NOK)	-86	68	67	207	487

# COMPREHENSIVE INCOME

(Amounts in NOK million)	Q2		H1		Full year 2015
	2016	2015	2016	2015	
<b>Net income</b>	<b>-233</b>	<b>184</b>	<b>183</b>	<b>560</b>	<b>1,305</b>
<b>Other comprehensive income and expenses</b>					
Cash flow hedges	-9	36	-28	26	8
Translation differences	-3	0	-5	-5	1
Tax impact	2	-10	7	-7	2
<b>Total items that may be reclassified to income statement</b>	<b>-10</b>	<b>26</b>	<b>-26</b>	<b>14</b>	<b>11</b>
Remeasurements of pensions	0	0	0	0	487
Tax impact	0	0	0	0	-151
<b>Total items that will not be reclassified to income statement</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>336</b>
<b>Total other comprehensive income and expenses</b>	<b>-10</b>	<b>26</b>	<b>-26</b>	<b>14</b>	<b>347</b>
<b>Comprehensive income</b>	<b>-243</b>	<b>210</b>	<b>157</b>	<b>574</b>	<b>1,652</b>
Of which attributable to non-controlling interests	1	-1	3	-2	-14
Of which attributable to controlling interest	-244	211	154	576	1,666

# STATEMENT OF FINANCIAL POSITION

(Amounts in NOK million)	30/06/2016	30/06/2015	2015
		(restated)	(restated)
Deferred tax assets	327	386	374
Intangible assets	284	240	277
Property, plant and equipment	13,439	12,806	13,143
Investments in associates and joint ventures	41	309	61
Derivatives	1,560	1,103	1,931
Other non-current financial assets	849	471	819
<b>Total non-current assets</b>	<b>16,500</b>	<b>15,315</b>	<b>16,605</b>
Inventories	41	47	37
Receivables	1,177	1,035	1,512
Derivatives	522	388	613
Cash and cash equivalents	60	91	473
<b>Total current assets</b>	<b>1,800</b>	<b>1,561</b>	<b>2,635</b>
<b>TOTAL ASSETS</b>	<b>18,300</b>	<b>16,876</b>	<b>19,240</b>
Paid-in capital	1,907	1,907	1,907
Retained earnings	2,427	1,849	2,928
Non-controlling interests	46	67	58
<b>Total equity</b>	<b>4,380</b>	<b>3,823</b>	<b>4,893</b>
Deferred tax	1,020	711	1,213
Provisions	1,684	1,470	1,348
Derivatives	720	439	708
Interest-bearing non-current liabilities	7,127	7,109	7,284
<b>Total non-current liabilities</b>	<b>10,551</b>	<b>9,729</b>	<b>10,553</b>
Interest-bearing current liabilities	1,592	11,582	1,745
Tax payable	451	375	463
Derivatives	167	147	216
Other non-interest-bearing current liabilities	1,159	1,220	1,370
<b>Total current liabilities</b>	<b>3,369</b>	<b>3,324</b>	<b>3,794</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>18,300</b>	<b>16,876</b>	<b>19,240</b>



# STATEMENT OF CASH FLOWS

(Amounts in NOK million)	Q2		H1		Full year
	2016	2015	2016	2015	2015
<b>Cash flow from operating activities</b>					
Profit before tax	-219	334	499	952	2,138
Depreciation and impairment losses	144	132	277	258	588
Unrealised gains/losses on energy, currency and interest rate contracts	542	-53	370	-227	-812
Share of profit of associates and joint ventures	0	13	3	10	-84
Tax paid	-230	-291	-460	-496	-484
Change in trade receivables	53	77	512	446	-41
Change in trade payables	-131	-1	-57	73	107
Change in net working capital, etc.	105	102	-285	-31	90
<b>Net cash provided by operating activities</b>	<b>264</b>	<b>313</b>	<b>859</b>	<b>985</b>	<b>1,502</b>
<b>Investing activities</b>					
Purchase of property, plant, equipment and intangible assets	-305	-365	-526	-526	-1,196
Purchase of property, plant and equipment paid for by customers	-37	-26	-79	-45	-90
Purchase of businesses/financial assets	-5	-18	-39	-68	-81
Net change in loans	0	-3	-9	1	105
Sale of property, plant, equipment and intangible assets	1	-5	1	0	11
Sale of businesses/financial assets	0	0	240	10	366
<b>Net cash used in investing activities</b>	<b>-346</b>	<b>-417</b>	<b>-412</b>	<b>-628</b>	<b>-885</b>
<b>Financing activities</b>					
New long-term borrowings	150	400	450	700	1,450
Repayment of long-term borrowings	-2	-9	-407	-309	-1,108
Net change in current liabilities	55	383	-243	-1	166
Dividends paid	-660	-702	-660	-710	-706
<b>Net cash used in financing activities</b>	<b>-457</b>	<b>72</b>	<b>-860</b>	<b>-320</b>	<b>-198</b>
<b>Net change in cash and cash equivalents</b>	<b>-539</b>	<b>-32</b>	<b>-413</b>	<b>37</b>	<b>419</b>
Cash and cash equivalents at start of period	599	123	473	54	54
Cash and cash equivalents at end of period	60	91	60	91	473

# 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
<b>Equity reported in financial statements at 31/12/2014</b>	<b>1,907</b>	<b>-143</b>	<b>10</b>	<b>1,903</b>	<b>3,677</b>	<b>83</b>	<b>3,760</b>
Adjustment to long-term electricity contracts	0	0	0	230	230	0	230
<b>Equity at 01/01/2015 (restated)</b>	<b>1,907</b>	<b>-143</b>	<b>10</b>	<b>2,133</b>	<b>3,907</b>	<b>83</b>	<b>3,990</b>
Net income for the year	0	0	0	1,314	1,314	-9	1,305
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	-43
<b>Equity at 31/12/2015</b>	<b>1,907</b>	<b>-133</b>	<b>16</b>	<b>3,045</b>	<b>4,835</b>	<b>58</b>	<b>4,893</b>
<b>Equity at 01/01/2016</b>	<b>1,907</b>	<b>-133</b>	<b>16</b>	<b>3,045</b>	<b>4,835</b>	<b>58</b>	<b>4,893</b>
Net income for the year	0	0	0	182	182	1	183
Other comprehensive income and expenses	0	-21	-7	0	-28	2	-26
Dividends paid	0	0	0	-660	-660	0	-660
Other changes in equity	0	0	0	5	5	-15	-10
<b>Equity at 30/06/2016</b>	<b>1,907</b>	<b>-154</b>	<b>9</b>	<b>2,572</b>	<b>4,334</b>	<b>46</b>	<b>4,380</b>

# BUSINESS AREAS

## OPERATING REVENUES UNDER NGAAP

(Amounts in NOK million)	Q2		H1		Full year 2015
	2016	2015	2016	2015	
Hydroelectric power and energy management	666	605	1,496	1,414	2,513
Network	310	249	691	563	1,161
Marketing and business development	1,193	913	2,390	2,038	4,196
Parent company/other/eliminationsr	-120	-93	-234	-220	-422
<b>Group (NGAAP)</b>	<b>2,050</b>	<b>1,674</b>	<b>4,344</b>	<b>3,795</b>	<b>7,448</b>

## OPERATING PROFIT UNDER NGAAP

(Amounts in NOK million)	Q2		H1		Full year 2015
	2016	2015	2016	2015	
Hydroelectric power and energy management	373	333	915	827	1,350
Network	80	33	217	92	212
Marketing and business development	12	29	42	52	108
Parent company/other/eliminations	-37	-43	-73	-101	-175
<b>Group (NGAAP)</b>	<b>428</b>	<b>352</b>	<b>1,100</b>	<b>869</b>	<b>1,495</b>

## NET INCOME UNDER NGAAP

(Amounts in NOK million)	Q2		H1		Full year 2015
	2016	2015	2016	2015	
<b>Hydroelectric power and energy management</b>	<b>181</b>	<b>179</b>	<b>394</b>	<b>395</b>	<b>674</b>
Network	48	10	139	39	118
Marketing and business development	3	11	19	22	49
Parent company/other/eliminations	-42	-63	-81	-105	-106
<b>Group (NGAAP)</b>	<b>190</b>	<b>137</b>	<b>471</b>	<b>351</b>	<b>735</b>
Of which attributable to non-controlling interests	0	1	0	0	-11
<b>Of which attributable to controlling interest</b>	<b>189</b>	<b>136</b>	<b>470</b>	<b>351</b>	<b>746</b>

# RECONCILIATION OF FIGURES FOR BUSINESS AREA WITH REPORTED IFRS FIGURES

## OPERATING REVENUES

(Amounts in NOK million)	Q2		H1		Full year 2015
	2016	2015	2016	2015	
<b>Operating revenues under NGAAP</b>	<b>2,050</b>	<b>1,674</b>	<b>4,344</b>	<b>3,795</b>	<b>7,448</b>
Energy sales	-17	-6	-26	-17	-43
Surplus/shortfall in transmission revenues	-33	2	-80	2	54
Unrealised gains and losses	-544	-13	-322	153	802
<b>Operating revenues under IFRS</b>	<b>1,457</b>	<b>1,656</b>	<b>3,916</b>	<b>3,931</b>	<b>8,260</b>

## OPERATING PROFIT

(Amounts in NOK million)	Q2		H1		Full year 2015
	2016	2015	2016	2015	
<b>Operating profit (NGAAP)</b>	<b>428</b>	<b>352</b>	<b>1,100</b>	<b>869</b>	<b>1,495</b>
IFRS adjustments to revenues (see above)	-594	-17	-428	137	812
Goodwill amortisation	-2	1	-2	2	-1
Other	0	6	0	-2	2
<b>Operating profit under IFRS</b>	<b>-167</b>	<b>342</b>	<b>670</b>	<b>1,006</b>	<b>2,309</b>

## NET INCOME

(Amounts in NOK million)	Q2		H1		Full year 2015
	2016	2015	2016	2015	
<b>Net income (NGAAP)</b>	<b>190</b>	<b>137</b>	<b>471</b>	<b>351</b>	<b>735</b>
IFRS adjustments to operating profit (see above)	-595	-11	-430	137	814
Unrealised gains and losses on interest rate swaps	2	66	-48	74	10
Other financial income/expenses	2	15	0	8	12
Tax	168	-24	191	-12	-266
<b>Net income (IFRS)</b>	<b>-233</b>	<b>184</b>	<b>183</b>	<b>560</b>	<b>1,305</b>

# 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 2015, with the following exceptions:

*Classification of derivatives on the statement of financial position.* In the past, Agder Energi has classified all currency, electricity and interest rate derivatives as current assets or current liabilities. As of 2016 Agder Energi has decided to change this principle, and it now classifies derivatives expiring more than one year after the statement of financial position date as non-current. Comparative figures have been restated. See Note 2.

*Recognition of long-term electricity contracts.* As discussed in Agder Energi's 2015 annual report, the Group has contracts for physical energy sales that are settled in euros. Agder Energi does not consider the currency portion of these contracts to be an embedded derivative that must be separated from the host contract and be accounted for separately as an independent derivative. Under the old accounting practice, these contracts were recognised in their entirety on delivery. In June, the Financial Supervisory Authority of Norway ordered Agder Energi to separate out the currency portion as an embedded derivative measured at fair value in its future financial reporting. Agder Energi disagrees with the Financial Supervisory Authority, and believes that its past practice is in accordance with IFRS. Nevertheless, Agder Energi has decided to comply with the Financial Supervisory Authority's order without appealing it. Comparative figures have been restated. See Note 2.

*Presentation of the effect on the income statement of currency derivatives and loans.* Previously Agder Energi classified unrealised and realised gains and losses on currency derivatives and loans as financial items. Currency futures and foreign currency loans are used to manage the currency risk associated with future revenues from electricity sales. This link has become stronger in recent years and means that presenting currency gains and losses as operating items will provide more relevant information. Comparative figures have been restated. See Note 2.

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 IMPACT OF CHANGES TO ACCOUNTING PRINCIPLES

As described in Note 1, Agder Energi has changed the accounting principles that it uses for:

- 1) Classification of derivatives on the statement of financial position
- 2) Recognition of long-term electricity contracts
- 3) Presentation of the effect on the income statement of currency derivatives and loans

The impact of this on comparative figures in the statement of financial position and income statement respectively are shown in the tables below.

(Amounts in NOK million)	30/06/2015			31/12/2015				
	Previously reported	Change		Restated	Previously reported	Change		Restated
		1)	2)			1)	2)	
Derivatives (non-current assets)	0	799	304	1,103	1,280	651		1,931
Derivatives (current assets)	1,152	-799	36	388	1,824	-1,280	69	613
Equity	3,670	0	153	3,823	4,569	0	324	4,893
Deferred tax	524	0	187	711	817	0	396	1,213
Derivatives (non-current liabilities)	0	439	0	439	0	708	0	708
Derivatives (current liabilities)	586	-439	0	147	924	-708	0	216

(Amounts in NOK million)	Q2 2015			H1 2015				
	Previously reported	Change		Restated	Previously reported	Change		Restated
		2)	3)			2)	3)	
Energy sales	1,062		-7	1,055	2,677		-59	2,618
Unrealised gains and losses on currency and energy contracts	6	18	-36	-12	70	-171	254	153
Energy purchases	-441		6	-435	-1,231		5	-1,226
Unrealised gains and losses on interest rate swaps	30		36	66	328		-254	74
Financial expenses	-59		1	-58	-184		55	-129
Income tax	-83	-5		-88	-300	43		-257
Resource rent tax	-57	-5		-62	-186	51		-135
Net income	-176	8		184	637	-77		560

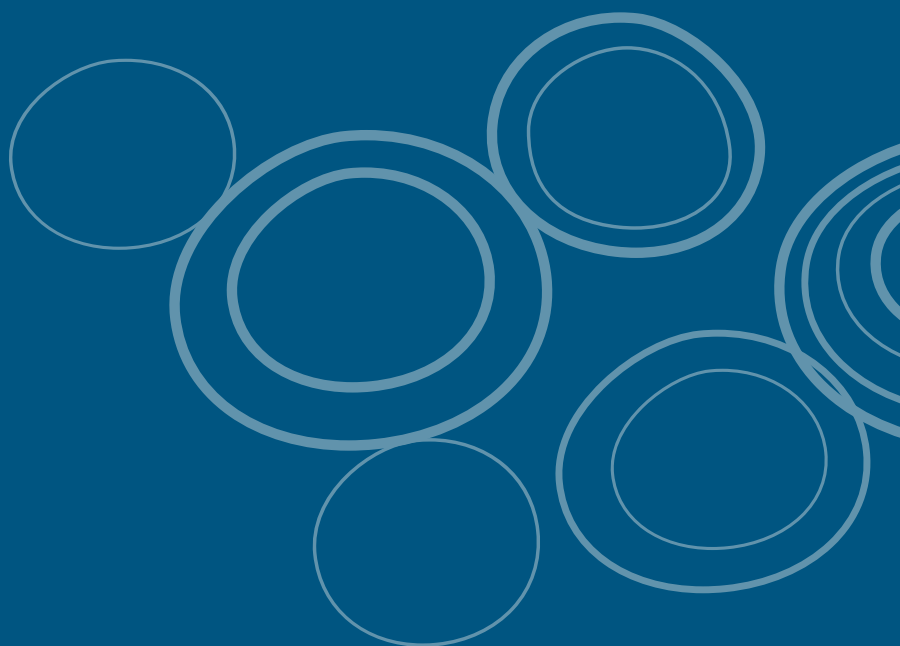
(Amounts in NOK million)	Full-year 2015			
	Previously reported	Change		Restated
		2)	3)	
Energy sales	4,835		-163	4,672
Unrealised gains and losses on currency and energy contracts	741	209	-148	802
Energy purchases	-2,212		12	-2,200
Unrealised gains and losses on interest rate swaps	-138		148	10
Financial expenses	-425		151	-274
Income tax	-467	-52		-519
Resource rent tax	-251	-63		-314
Net income	1,211	94		1,305

The table on the next page shows the impact of the changes in accounting principles on the figures of Q1 in 2016 and 2015.

(Amounts in NOK million)	Q1	
	2016	2015
Energy sales	1,619	1,563
Transmission revenues	299	271
Other operating revenues	319	276
Unrealised gains and losses on energy and currency contracts	222	165
<b>Total operating revenues</b>	<b>2,459</b>	<b>2,275</b>
Energy purchases	-785	-791
Transmission expenses	-66	-67
Other raw materials and consumables used	-175	-139
Employee benefits	-230	-234
Depreciation and impairment losses	-133	-126
Property taxes and licence fees	-54	-68
Other operating expenses	-179	-186
<b>Total operating expenses</b>	<b>-1,622</b>	<b>-1,611</b>
<b>Operating profit</b>	<b>837</b>	<b>664</b>
Share of profit of associates and joint ventures	-3	3
Financial income	5	14
Unrealised gains and losses on interest rate contracts	-50	8
Financial expenses	-71	-71
<b>Net financial income/expenses</b>	<b>-119</b>	<b>-46</b>
<b>Profit before tax</b>	<b>718</b>	<b>618</b>
Income tax	-180	-169
Resource rent tax	-122	-73
<b>Tax expense</b>	<b>-302</b>	<b>-242</b>
<b>Net income</b>	<b>416</b>	<b>376</b>
Of which attributable to non-controlling interests	1	0
Of which attributable to controlling interest	415	376
Earnings per share/Earnings per share, diluted (NOK)	154	139

### NOTE 3 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.



**Agder Energi**  
P.O. Box 603 Lundsiden, 4606 Kristiansand  
Visiting adress (head office): Kjøita 18, 4630 Kristiansand  
Tel. no: +47 38 60 70 00  
Organisation number: NO 981 952 324