



Skagerak
Energi

Annual Report 2014

English summary



Annual report 2014 for the Skagerak Energi Group

THE BUSINESS

Skagerak Energi is a regional energy utility, headquartered in Porsgrunn, Norway. The Group operates within the five business areas: power generation, power transmission, heat distribution, natural gas supply and electrical installation. Skagerak Kraft AS produces hydropower in southern Norway. On average, its 48 wholly or partly owned generating facilities have produced an annual 5.4 TWh over the past 10 years. Skagerak Nett AS operates regional and local power transmission grids in Vestfold and Telemark, and supplies around 187,000 customers. Skagerak Varme AS builds and operates district heating systems in Vestfold and Telemark, while Skagerak Naturgass AS sells and distributes natural gas in southern Norway. Skagerak Elektro AS provides electrical installation services. Skagerak Energi also owns 48 per cent of Fjordkraft, which sells power in the retail market.

In the presentation below, the figures for 2013 are stated in parenthesis.

KEY FIGURES IN 2014

- Profit after tax totalled NOK 158 million (NOK 488 million).
- Low electricity prices, 21% below the year before.
- Provision of NOK 149 million recognised in connection with disputed tax assessments for 2008 and 2009 fiscal years.
- Strong profit performance by Fjordkraft.
- Sickness absence kept low throughout 2014. Totalled 3.7% (3.6%).
- Although systematic HSE efforts have led to a low lost-time injury rate in the past couple of years, 2 people were severely injured in 2014.
- Stable and efficient operations in all business areas.
- 2 new power plants put into operation in Setesdalen (Brokke) and Valdres (Tisleifjord). Skagerak's overall output increased by 62 GWh.

MARKETS

In 2014 the power generation market was significantly affected by temperature and precipitation levels. In addition, grid capacity restrictions caused major price differences between the various regions in Norway and

the Nordic region.

Norway's average temperature was 2.2 degrees Celsius higher than normal, the hottest since 1900. Precipitation in the country as a whole was close to normal, but was some 20 per cent higher than usual in southern Norway. Higher output and lower consumption forced prices down in the Nordic region. Grid capacity restrictions also led to the price in southern Norway falling below the average Nordic price. On the Continent, cheap coal and low-cost carbon quotas have contributed to long-term expectations of low electricity prices.

Temperature and precipitation levels led to substantial volumes of snow over 600m, while most of the precipitation in lower lying areas came in the form of rain. Thanks to good reservoir management, the snow melt occurred under largely controlled conditions. Skagerak started and ended the year with close to normal water levels in its reservoirs, around 70 per cent of capacity, the same as for the country as a whole. Power consumption in Norway totalled 125.9 TWh in 2014 (128.1 TWh). Norway exported a net total of 15.7 TWh (5.3 TWh). The average spot price for the year in Skagerak's most important production area (NO2) was NOK 0.228/kWh, while the Nordic system price came to NOK 0.248/kWh.

REVENUES AND FINANCIAL RESULTS

The Group generated net operating revenues of NOK 2,359 million in 2014 (NOK 2,810 million), some 16 per cent less than the year before. Profit after tax came to NOK 158 million (NOK 488 million). The decrease in net profit is attributable to three main factors: a substantial fall in electricity prices, lower earnings from grid operations and a high tax expense.

Electricity prices in Skagerak's most important production area fell by 21 per cent from 2013 to 2014. The impact on revenues of this decrease was somewhat reduced by an extremely high output level. The power business also recognised an unrealised change in value due to long-term hedging contracts and energy agreements, which reduced its overall result by NOK 69 million.

The power transmission business posted 17 per cent lower net operating revenues as

a result of lower grid tariffs to end users and a lower than normal delivered volume.

A reduction in volume delivered, due to high average temperatures through 2014, also affected the revenues generated by the district heating and natural gas businesses.

Since 2010 there has been a regular exchange of documentation between Skagerak Energi and the Central Tax Office for Large Enterprises in order to arrive at a final decision regarding deductions for bad debts in connection with the Group's previous investment in Cinclus Technology AS. In response to the Tax Office's proposed decision, which at the close of 2014 was not final, a provision has been made with respect to a tax demand of NOK 149 million, including NOK 16 million in estimated interest expenses.

As a result of active efforts with respect to costs, there has been a real reduction in other operating expenses, despite increased maintenance activity at part-owned power plants. Developments in operating costs were also affected by changes in pension plans amounting to NOK 84 million, which were due to implementation of longevity adjustments with effect from 2014.

Operating profit before depreciation (EBITDA) totalled NOK 1,177 million, a decrease of 24 per cent from 2013 (NOK 1,540 million). The bulk of the Group's operating profit derive from power generation (around 2/3) and power transmission (around 1/3).

Income from associated companies improved significantly, with an extremely strong performance by Fjordkraft.

The Group had net financial items of NOK -196 million, an increase of NOK 34 million compared with the year before. The increase is attributable to interest on the tax demand, as well as a higher level of debt. As a result of the high level of investment and low earnings, net interest-bearing debt increased to NOK 5.4 billion (NOK 5.1 billion).

Overall, investments in 2014 totalled NOK 810 million (NOK 949 million). The bulk of the investments were in the power generation segment (32 per cent) and the power transmission segment (62 per cent).

Efforts to improve profitability in a market characterised by low electricity

prices continue in all business areas. For the smaller units (natural gas, electrical installation and heat distribution) the potential for structural improvements through partnerships/integration with other companies will also be considered.

GOING CONCERN

The financial statements have been prepared on the basis that the Group is a going concern. The business is financially sound, has adequate liquidity and a market position which, based on existing forecasts, is expected to provide good long-term value creation.

ANNUAL PROFIT AND ALLOCATIONS

The Group made a consolidated net profit for the year of NOK 158 million, while the parent company itself, Skagerak Energi AS, made a loss of NOK 29.7 million. The board is proposing that the annual general meeting allocate the year's financial result as follows:

From Other Equity: NOK 29.7 million

Total allocated: NOK 29.7 million

It is proposed that a dividend of NOK 65 million be paid for 2014. The board has evaluated the company's equity and liquidity after the proposed dividend payout and considers this to be a reasonable level, based on assessed risk and the scope of the business.

No circumstances have arisen since the close of the financial year which are of material significance for an assessment of the financial statements. The board believes that the year-end financial statements provide a true and fair picture of Skagerak Energi's assets and liabilities, financial position and results.

EARNINGS, OPERATIONS AND DEVELOPMENTS IN THE BUSINESS AREAS

Power generation

Net operating revenues from the Group's own electricity production decreased by 18 per cent to NOK 1,231 million in 2014, largely as a result of lower electricity prices. The fall in revenues was to some degree offset by an extremely high output level. Operating costs rose by 5.8 per cent, partly on the back of high levels of activity at part-owned power plants. Operating profit before depreciation

(EBITDA) totalled NOK 812 million (NOK 1,105 million). The business invested NOK 258 million in 2014 (NOK 434 million).

In 2014 Otra Kraft put the Brokke North/South and Skarg power plant into operation. This expansion boosted output by 175 GWh, of which Skagerak's share is 55 GWh. Skagerak Kraft also put the 6.5 GWh Tisleifjord power plant into operation.

For 2014 as a whole, Skagerak generated 6.216 TWh, compared with 5.447 TWh in 2013. Skagerak's output accounted for 4.4 per cent of Norway's total annual production of electricity. At the start of 2015, the water level in Skagerak's reservoirs was close to normal.

Reservoir restrictions and forced operation due to the rebuilding of dams on several of our watercourses have occasionally prevented optimal utilisation of the water. Apart from this, our power plants had an extremely good level of availability in 2014.

The operation involves considerable market risk with respect to both volume and price. The Group has clear guidelines for the sale of our own power output, and routines for optimising the management of our water in relation to expected market prices.

The exploitation of waterfalls is strictly regulated by the Norwegian Water Resources and Energy Directorate (NVE) through its operating licences. In the next few years many older licences will come up for review. In addition to the original legislation governing the right of reversion administered by the NVE and Ministry of Petroleum and Energy, Norway has – by endorsing the EU's Water Framework Directive – introduced a regional level of authority to assess the environmental condition of the watercourses. Proposals to tighten up the requirements for minimum water flow and reservoir restrictions could lead to lower hydropower production and reduced flexibility, which would have a negative impact on the phasing into the system of further renewable generating facilities. The different action plans for each water region have been circulated for consultation. The county councils are scheduled to vote on the plans in mid-2015.

The NVE also administers the regulations governing dam safety. A significant tightening up of the regulations has resulted in many older dams having to be rebuilt, at considerable expense. In 2014 Skagerak completed the rebuilding of three major

dams. In the years to come Skagerak will have to reinvest substantial sums in older dams belonging to its wholly and partly owned power plants.

Efforts are actively being made to evaluate and plan a number of new hydropower projects, in addition to the development projects proposed under the auspices of Småkraft AS. Decisions will be made with regard to most of Skagerak's own projects in the course of 2016. The electricity certificate scheme provides substantial incentives for the construction of renewable energy production facilities, but there is growing uncertainty surrounding future certificate prices. The certificate market encompasses both Norway and Sweden, and is meant to have a neutral impact. However, we are now seeing discrepancies between the framework conditions in the two countries due to different tax regulations. Tax is a significant cost element for hydropower, through property tax, licence fees, ground rent tax, natural resource tax and ordinary corporation tax. The profitability of new projects is particularly vulnerable to increases in the overall tax burden

Power transmission

The power transmission segment, Skagerak Nett AS, generated net operating revenues of NOK 814 million in 2014, some 17 per cent less than the year before (NOK 981 million). The decrease is attributable to a low earnings cap for 2014, deriving from the low industrywide level of costs in 2012. In addition, the volume of power transmitted was lower than anticipated due to higher than normal average temperatures. Operating expenses were lower than the year before due higher capitalised salaries and changes in pension plans. Systematic efforts to reduce costs have also paid off. EBITDA totalled NOK 405 million in 2014 (NOK 524 million).

A total of NOK 502 million was invested in 2014 (NOK 384 million). The capital base for the power grid sector (NVE capital) at the close of 2014 amounted to NOK 2,858 million, up 4.2 per cent from the previous year. The NVE capital forms the basis for the rate of return stipulated in the NVE's earnings regulation model. In 2014 this rate was reduced from 6.9 per cent to 6.6 per cent.

Operational performance was stable through the whole of 2014. However, the summer six months saw a substantial

amount of lightning and thunderstorms, which at times proved operationally more challenging than a normal year.

Grid operations are regulated by the NVE through wide-ranging mandated activities, technical equipment standards and requirements with regard to organisation and competence. The business's earnings are determined by the NVE in accordance with a model that rewards efficiency compared with other grid companies. Skagerak Nett AS works constantly to increase the efficiency of its operations.

Throughout 2014 work continued to prepare solutions for advanced metering and management (AMM) systems, which are due to be installed at all grid customers by 1 January 2019.

Skagerak Nett AS supplied 6,750 GWh in 2014, and had 186,700 grid customers at the close of the year.

District heating

The district heating business, Skagerak Varme AS, generated operating revenues of NOK 52 million in 2014 (NOK 47 million), an increase of 11 per cent on the year before. Despite the higher sales volume (up from 74 to 78 GWh), fuel costs were reduced as a result of efficient operations. EBITDA came to NOK -2.5 million (NOK -8 million).

2014 saw record high temperatures, which led to lower energy sales than would have been the case under more normal weather conditions. The company continues to work to expand its customer base, and has several expansion opportunities under consideration. The business invested NOK 25 million in 2014 (NOK 102 million).

The district heating business uses several different energy carriers for the production of heat. The main operational focus has been to optimise the bio-facilities and overall control of the various heat sources. New bio-facilities in Tønsberg and Skien had their first whole year of operation using locally sourced, renewable fuel. Together with the seawater heat pump in Horten and plentiful access to surplus heat from industrial production at Herøya in Porsgrunn, this brought the renewable rate to 95 per cent.

Electrical installation

Skagerak Elektro AS generated revenues of NOK 179 million in 2014, down 2 per cent from 2013 (NOK 183 million). EBITDA

totalled NOK 8 million (NOK 1 million). Positive non-recurring items in the pensions area came to NOK 10 million in 2014.

The company started increasing its focus on infrastructure building and energy service as far back as 2012. However, activity in these sectors was lower than expected in 2014. This is probably a temporary dip, and the market for electrical installation services is expected to grow significantly in the coming years. Within the power generation and transmission sectors, investment levels will increase due to the need for modernisation, the construction of new renewable power generating facilities and the introduction of AMM systems. Road and rail investments are also rising sharply as a result of new projects and new safety requirements, eg in tunnels. With respect to fibre-optic and telecommunications, the various companies' investment plans have also increased as a result of the introduction of new technology. Energy conservation is also becoming more popular as a result of the authorities' pursuit of various national climate targets, which generates demand for advanced management systems that Skagerak Elektro can supply.

The company will therefore continue its restructuring efforts in 2015. The focus will be on increasing capacity and recruiting specialist expertise within project planning and management.

Natural gas

Skagerak Naturgass AS saw its operating

revenues fall by 13 per cent to NOK 118 million in 2014 (NOK 135 million). This is attributable to lower consumption by individual customers in a year with extremely low electricity prices and higher than normal temperatures. A total of 16,213 tonnes of gas was delivered in 2014 (19,739 tonnes), a decrease of 18 per cent from the year before. Nevertheless, higher margins and lower costs led to a rise in EBITDA from NOK 7 million in 2013 to NOK 11 million in 2014. Work towards the receipt and distribution of biogas in connection with a new production facility in Vestfold (GreVE Biogass) continued in 2014.

Associates

In 2014 Skagerak Energi owned shares in Fjordkraft AS (48 per cent), Småkraft AS (20 per cent), Nape Kraft AS (49 per cent), Energi og Miljøkapital AS (35 per cent), and Viking Varme AS (50 per cent). The share of the profit from these shareholdings recognised in Skagerak Energi's consolidated income statement for 2014 totalled NOK 77 million, while their combined book value in the consolidated balance sheet came to NOK 318 million.

ORGANISATION AND HSE

Personnel and organisation

Skagerak Energi is organised as a group comprising five business areas and a parent company, which, in addition to acting as shareholder, provides shared support services to the business areas. The Group had 772 employees in 2014, corresponding to 743 full-time equivalents, 2.4 per cent

ORGANISATION

Company	31.12.2013		31.12.2014	
	No. of employees	Full-time equivalents	No. of employees	Full-time equivalents
Skagerak Nett	381	372	380	365
Skagerak Kraft	123	116	120	112
Parent Company	118	112	110	106
Skagerak Varme	16	16	17	17
Skagerak Elektro	132	131	138	137
Skien Fjernvarme	2	2	2	2
Skagerak Naturgass	5	5	5	5
Sum	777	754	772	743

less than the year before. 741 people were permanent employees, corresponding to 712 full-time equivalents.

Skagerak Energi works systematically to retain and develop skilled employees, and undertakes regular management development programmes. In 2014 a number of organisational development initiatives were implemented, including talent and successor planning. The employee survey conducted in 2014 showed that Skagerak's workforce enjoy considerable job satisfaction. Group-wide results are unchanged from the previous year's survey.

Health and Safety

Overall, the Group had a sickness absence rate of 3.7 per cent in 2014 (3.6 per cent), a levelling off after the substantial fall from 2012 to 2013.

The Group's objective is that no employee should be injured at work. In 2014 there was a slight increase in the number of injuries, following a sharp drop from 2012 to 2013. A total of 7 personal injuries were recorded in 2014, of which 3 resulted in lost time (5 personal injuries, of which 3 resulted in lost time). This gave the Group an H1 value of 2.4 (no. of lost time injuries per million hours worked) and an H2 value of 5.7 (total no. of injuries per million hours worked) in 2014. Two of the injuries sustained in 2014 were extremely serious, which has led to a further tightening up and improvement of routines and safety measures.

The three most important tools used for raising awareness of HSE and reducing the number of injuries are behaviour based safety (BBS) observations, non-conformance reporting (near misses, hazardous conditions and other undesirable incidents) and continuous improvement efforts with the involvement of management and staff. In addition, annual safety training is implemented, as well as other HSE courses as required. The board will continue keep a close watch on the Group's injury prevention and HSE awareness efforts.

Equality

The Group is keen to give equal opportunities with respect to competence development, promotion and other employment conditions to all its employees, irrespective of gender or social, ethnic or cultural background. Measures have been identified and implemented

to support the aim of achieving a better gender balance in the management area. In this connection, 13 women have completed the Female Future programme offered by the Confederation of Norwegian Enterprise (NHO) over the past few years. This is a programme that aims to encourage women to take management positions and directorships.

In general, the Group emphasises initiatives that accommodate the different phases of its employees' lives, with the aim of both recruiting younger employees and encouraging older staff to postpone retirement. Flexitime has been instituted, so that people with special needs are able to some degree to adapt their working hours to their own situation.

The Group places great emphasis on adapting the workload for employees with health issues, one of several important reasons for the steady fall in the sickness absence rate. Placements have also been offered to external candidates who require work training or need to test their capacity for work.

In 2014 Skagerak Energi AS was nominated for the Inclusive Working Life Award, and was named an Inclusive Working Life ambassador by the Telemark Working Life Centre in recognition of its outstanding efforts to create an inclusive working environment.

16 of the Group's 76 managers are women (75 managers, of whom 19 women). The Group's board of directors comprises 9 people, of whom 6 are women. 4 of the women directors were elected by the shareholders, while 2 were elected by the workforce.

Environment

Hydropower is a source of energy whose production causes no harmful emissions. In the construction and operation of its plants, the Group places great emphasis on protecting the environment. Its businesses have sound routines for recycling and the treatment of waste. In 2014 no violations of our operating licences were reported, nor was any impact on the environment caused by regulation of watercourses. Skagerak Kraft AS retained its environmental certification under ISO 14001 in 2014.

Development of the power transmission grid in a way that causes the least inconvenience to society as a whole is one of the main tasks of a grid operator. In connection with the major ongoing project to reinforce the power transmission grid in

the Grenland area, collaboration between Statnett and Skagerak Nett AS has paved the way for a better grid structure and higher capacity, as well as enabling the removal of around 54 km of high voltage cables in the region, many of which span built-up areas. The project has been in progress for almost two years, and is on schedule.

Skagerak Nett has embarked upon a major new transformer project to pave the way for the supply of electricity to the new double-track railway line between Porsgrunn and Larvik.

Compared with heat production using local oil-fired boilers, the renewable energy supplied by our district heating business cut carbon emission levels by approx. 16,000 tonnes in 2014. This corresponds to the emissions from around 11,000 private cars. Skagerak Varme AS aims to achieve fossil-free heat production at all its facilities by 2020.

Customers of Skagerak Naturgass AS are largely businesses that are replacing oil-fired heating with natural gas or biogas boilers. Such a move produces significant reductions in carbon dioxide, nitrous oxide and sulphur dioxide emissions, as well as airborne particulates, and is responsible for a sharp drop in greenhouse gas emissions in Grenland and Vestfold. Efforts to establish natural gas/biogas for transport purposes in the region continued in 2014.

CORPORATE GOVERNANCE AND RISK

Skagerak Energi has established a system of corporate governance based on a set of governing documents which specify what the business is to do and how it is to do it. The system covers the role of shareholders, day-to-day administration, risk management, internal control, authorisations, principles and policies for the Group's subunits, the Group's strategy and action plans, as well as a balanced scorecard for strategy implementation and follow-up. The quality of the guidelines and processes was further improved through 2014.

Market risk

Skagerak Energi is exposed to market risk largely through its own electricity production and transmission activities. In a hydropower system, prices and generating capacity will vary significantly, and this can have a

major impact on Skagerak Energi's results. Based on the need for major investments and considerable uncertainty with respect to future electricity prices, it was decided in 2014 to hedge part of the power sales volume up until 2018 by means of energy derivatives. Normally, there would also have been a certain evening out of revenues, in that major inflows of water and high levels of production come in years with low prices, and vice versa. The power transmission business is regulated in that its earnings are determined by the NVE. Skagerak Varme AS and Skagerak Naturgass AS are exposed to fluctuations in raw materials prices, electricity prices and competing energy solutions.

Interest and foreign exchange risk

Skagerak is indirectly exposed to changes in foreign exchange rates. Electricity generated is sold on the NordPool power exchange, where prices are quoted in EUR while settlement is made in either EUR or NOK. Skagerak has elected to receive payment in NOK. The Group is engaged in capital-intensive businesses, and – with a normal borrowing-to-asset ratio – is substantially exposed to changes in interest rates. Of the Group's total long-term interest-bearing

debt, around half is carried at fixed interest rates. The Group is exposed to interest rate risk through the effect of interest rates on the grid business's earnings cap, as well as the impact of the risk-free interest rate on the calculation of the ground rent tax in the power generation sector.

Credit risk

Credit risk in connection with the sale of electricity derives from counterparty risk with respect to the NordPool power exchange. This is deemed to be of limited scope. Credit risk associated with the operation of power transmission grids is spread across many small counterparties, and with favourable opportunities to limit any losses.

Liquidity risk

The Group has liquid reserves through agreements with Statkraft relating to drawing rights. The Group's liquidity risk is deemed to be low.

OUTLOOK

In the next few years, electricity prices are expected to remain at a low level, as a result of increased construction of and output from renewable power generating

facilities in the Nordic region and on the Continent. At the same time, demand is not expected to change significantly. Low European prices on carbon quotas and coal also have a negative impact on prices. However, as long as international power exchange capacity remains limited, substantial variations in Norwegian prices may occur in some years, as a result of weather conditions and precipitation levels.

In the long term a better balance between supply and demand is expected to arise as a result of the planned increase in the power exchange capacity with the Continent and the UK, the phasing out of nuclear power and a reduction in subsidies for solar and wind power. The degree of uncertainty is, however, substantial.

Within the power transmission sector, the earnings cap will rise as a result of higher investment levels.

To increase earnings, efforts will be made to implement internal improvement and cost-reduction measures. In addition, Skagerak will seek to exploit restructuring opportunities with other companies, in order to promote further development and synergies in a period that is expected to see increased consolidation in the power sector.

Porsgrunn 27 March 2015
The Board of Directors



Steinar Bysveen
Chair of the Board



Rolf Erling Andersen
Deputy chair



Ida Helliiesen
Director



Unni Karlsen Hongseth
Director



Kristin Steinfeldt-Foss
Director



Gunn Marit Helgesen
Director



Gunnar Møane
Director



Line Klausen
Director



Kjersti Haugen
Director



Knut Barland
CEO

Income Statement

(All figures in NOK 1,000)

SKAGERAK ENERGI GROUP			SKAGERAK ENERGI AS	
2014	2013		2014	2013
		OPERATING REVENUES		
1 231 439	1 338 058	Power sales revenues	0	0
876 504	1 078 224	Grid revenues	0	0
412 580	438 229	Other operating revenues	132 197	125 762
2 520 523	2 854 510	GROSS OPERATING REVENUES	132 197	125 762
92 091	64 533	Transmission costs	0	0
-69 021	20 261	Unrealised changes in value of energy contracts	0	0
2 359 411	2 810 239	NET OPERATING REVENUES	132 197	125 762
448 776	507 613	Salary & payroll costs	96 096	100 469
137 773	133 366	Property tax & licence fees	0	0
595 969	629 110	Other operating expenses	96 176	113 319
1 176 893	1 540 150	EBITDA	-60 074	-88 026
465 144	438 611	Depreciation & impairment	21 164	14 661
711 749	1 101 539	EBIT	-81 238	-102 687
77 046	25 594	SHARE OF PROFIT FROM SUBSIDIARIES & ASSOCIATES	345 790	405 098
		FINANCIAL ITEMS		
17 088	15 339	Financial income	93 997	84 477
215 062	177 138	Financial expenses	213 954	174 704
2 242	-416	Unrealised changes in value of interest/currency contracts	1 224	-416
-195 733	-162 215	NET FINANCIAL ITEMS	-118 733	-90 643
593 063	964 918	PROFIT/LOSS BEFORE TAX	145 819	211 768
435 411	477 404	Tax expense	175 496	45 899
157 652	487 514	NET PROFIT/LOSS	-29 677	165 869
		NET PROFIT/LOSS ALLOCATED TO		
-3 255	-2 410	Non-controlling interests		
160 907	489 924	Majority interests		
		SPECIFICATION OF:		
		Dividend paid	163 000	189 000

Statement of Comprehensive Income

(All figures in NOK 1,000)

SKAGERAK ENERGI GROUP			SKAGERAK ENERGI AS	
2014	2013		2014	2013
157 652	487 514	NET PROFIT/LOSS	-29 677	165 869
		OTHER COMPREHENSIVE INCOME		
		ITEMS IN OTHER COMPREHENSIVE INCOME THAT WILL NOT RECYCLE OVER PROFIT/LOSS:		
-151 370	-331 180	Actuarial gains/losses on defined-benefit pension plans	-1 026	-60 319
0	140	Settlement of pensions transfer	0	608
-18 522	-27 548	Items recognised in associates	0	0
49 661	99 991	Tax relating to Other Comprehensive income	277	16 719
-120 231	-258 597	OTHER COMPREHENSIVE INCOME	-749	-42 992
37 421	228 917	TOTAL COMPREHENSIVE INCOME	-30 426	122 877
		TOTAL COMPREHENSIVE INCOME ALLOCATED TO:		
-3 415	-3 014	Non-controlling interests		
40 836	231 931	Majority interests		

Balance Sheet

(All figures in NOK 1,000)

SKAGERAK ENERGI GROUP			SKAGERAK ENERGI AS	
31.12.2014	31.12.2013		31.12.2014	31.12.2013
ASSETS				
NON-CURRENT ASSETS				
406 533	400 443	Intangible assets	127 622	97 942
9 861 209	9 524 554	Property, plant & equipment	167 741	169 905
317 553	167 508	Investments in subsidiaries and associates	6 675 985	6 675 985
87 600	272 666	Other non-current financial assets	3 110 942	2 941 654
10 672 895	10 365 171	TOTAL NON-CURRENT ASSETS	10 082 290	9 885 487
CURRENT ASSETS				
5 680	6 125	Inventories	0	0
490 541	459 186	Receivables	19 394	89 382
16 091	14 867	Investments	16 091	14 867
1 018	0	Derivatives	0	0
306 012	49 174	Cash & cash equivalents	5 996	5 016
819 341	529 351	TOTAL CURRENT ASSETS	41 481	109 264
11 492 236	10 894 522	TOTAL ASSETS	10 123 771	9 994 751

Balance Sheet

(All figures in NOK 1,000)

SKAGERAK ENERGI GROUP			SKAGERAK ENERGI AS	
31.12.2014	31.12.2013		31.12.2014	31.12.2013
EQUITY AND LIABILITIES				
EQUITY				
1 695 539	1 695 539	Share capital	1 695 539	1 695 539
399 211	399 211	Share premium fund	399 211	399 211
2 094 750	2 094 750	PAID-IN EQUITY	2 094 750	2 094 750
1 630 167	1 752 331	Other equity	1 903 470	2 096 896
1 630 167	1 752 331	RETAINED EARNINGS	1 903 470	2 096 896
32 786	30 811	NON-CONTROLLING INTERESTS	0	0
3 757 703	3 877 892	TOTAL EQUITY	3 998 221	4 191 647
LIABILITIES				
841 372	829 980	Provisions	54 266	41 563
107 899	58 027	Derivatives	0	0
5 662 722	4 700 151	Other long-term liabilities	5 550 000	4 600 000
6 611 994	5 588 158	LONG-TERM LIABILITIES	5 604 266	4 641 563
0	323 608	Interest-bearing debt	230 664	1 066 079
449 016	447 902	Tax payable	203 984	20 753
30 953	11 805	Derivatives	0	0
642 570	645 158	Other interest-free liabilities	86 636	74 710
1 122 540	1 428 472	SHORT-TERM LIABILITIES	521 284	1 161 542
7 734 533	7 016 630	TOTAL LIABILITIES	6 125 550	5 803 104
11 492 236	10 894 522	TOTAL EQUITY AND LIABILITIES	10 123 771	9 994 751

Porsgrunn 27 March 2015
The Board of Directors



Steinar Bysveen
Chair of the Board



Polf Erling Andersen
Deputy chair



Ida Helliiesen
Director



Unni Karlsen Hongseth
Director



Kristin Steinfeldt-Foss
Director



Gunn Marit Helgesen
Director



Gunnar Mørane
Director



Line Klausen
Director



Kjersti Haugen
Director



Knut Barland
CEO

Statement of Cash Flow

(All figures in NOK 1,000)

SKAGERAK ENERGI GROUP			SKAGERAK ENERGI AS	
2014	2013		2014	2013
CASH FLOW FROM OPERATING ACTIVITIES				
593 063	964 918	Profit/loss before tax	145 819	211 768
-4 303	4 274	Gains(-)/losses on sale of non-current assets	-3 408	4 954
465 144	438 611	Depreciation & impairment	21 164	14 661
-16 510	-19 845	Other items with no cash flow effect	-18 468	416
-433 204	-409 336	Taxes paid	-21 667	-35 981
604 191	978 622	NET CASH FLOW FROM THE YEAR'S OPERATIONS	-123 440	195 818
CASH FLOW FROM INVESTING ACTIVITIES				
-24 481	-283 777	Change in inventory, receivables & payables	-7 349	6 850
20 480	55 098	Dividend from associates	0	0
-77 046	-25 594	Share of profit/loss from associates	0	0
88 653	262 348	Change in other current items	89 263	-76 244
-13 147	-74 827	Change in other non-current items	-14 617	-62 340
598 650	911 870	NET CASH FLOW FROM OPERATING ACTIVITIES	190 738	64 084
CASH FLOW FROM INVESTING ACTIVITIES				
Investments in property, plant & equipment:				
-353 570	-497 176	- linked to increased capacity	0	0
-446 053	-420 277	- linked to reinvestments	-21 106	-25 267
7 178	55 504	Sale of property, plant & equipment (sales price)	5 511	53 897
-20 705	-24 570	Payment of loans to other companies	0	0
-10 018	-31 470	Investments in other companies	0	-44 762
3	0	Sales and receipts from other investments	3	0
-823 164	-917 988	NET CASH FLOW FROM INVESTING ACTIVITIES	-15 592	-16 131
CASH FLOW FROM FINANCING ACTIVITIES				
5 390	5 710	Equity transactions	0	0
762 571	1 017 794	New long-term borrowings	750 000	1 000 000
-123 608	-831 610	Change in short-term/long-term debt	-635 415	-500 819
-163 000	-189 000	Dividend paid	-163 000	-189 000
0	0	Change in long-term receivables and liabilities	-125 750	-357 250
481 353	2 894	NET CASH FLOW FROM FINANCING ACTIVITIES	-174 165	-47 069
256 838	-3 223	Net change in cash & cash equivalents	980	884
49 174	52 397	Cash & cash equivalents as at 1 Jan	5 016	4 132
306 012	49 174	CASH & CASH EQUIVALENTS AS AT 31 DEC	5 996	5 016



Skagerak
Energi