

Fjordkraft Holding ASA and the Fjordkraft Group

Annual Report 2019



MAIN OFFICE, BERGEN:
Fjordkraft AS
Folke Bernadottes vei 38
5147 Fyllingsdalen

SANDEFJORD:
Fjordkraft AS
Østre Kullerød 3
3241 Sandefjord

TRONDHEIM
TrøndelagKraft AS
Sluppenvegen 17 B, 5 etg.
7037 Trondheim

OSLO:
Fjordkraft AS
Lilleakerveien 6
0283 Oslo

STAVANGER:
Fjordkraft AS
DNB Arena, Ishockeyveien 1
4021 Stavanger

VESTERÅLEN:
Fjordkraft AS
Strandgata 47
8400 Sortland

Contents

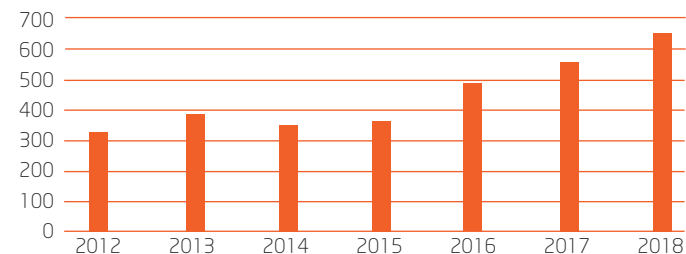
PREFACE		PART 3	
0.1 Key figures	3	3.1 Strategy and strategy planning	39
PART 1		PART 4	
1.1 Letter from the CEO	4	4.1 Board of Directors' Report	43
PART 2		The company's overall operations	44
2.1 Fjordkraft at a glance	7	Market	45
Our business	8	New growth initiatives	46
2.2 Management	10	Organisation	47
Organisation	11	Environment	48
2.3 Corporate social responsibility	16	Finances	50
2.4 Corporate Governance Report	27	Outlook	52
2.5 Board of Directors	34	4.2 Financial statement Fjordkraft Group	55
		4.3 Notes Fjordkraft Group	63
		4.4 Financial statement	
		Fjordkraft Holding ASA	134
		4.5 Notes Fjordkraft Holding ASA	139
		4.6 Auditor's report	157

Key figures

Key figures

NOK in thousands	2019	2018
Gross revenue	7 122 528	6 720 948
Net revenue	1 295 134	1 097 422
Net revenue adjusted	1 283 721	1 087 893
EBIT reported	482 738	326 883
EBIT adjusted	491 053	390 142
Net income	370 171	253 569
Basic earnings per share (in NOK)	3,54	2,42
EBIT margin	37 %	30 %
EBIT margin adjusted	38 %	36 %
Net interest bearing debt (cash)	(580 936)	(131 209)
Capex excl. M&A	50 372	33 783
Volume sold (GWh)	13 407	13 197
# of deliveries ('000) excl. Extended Alliance	622	605

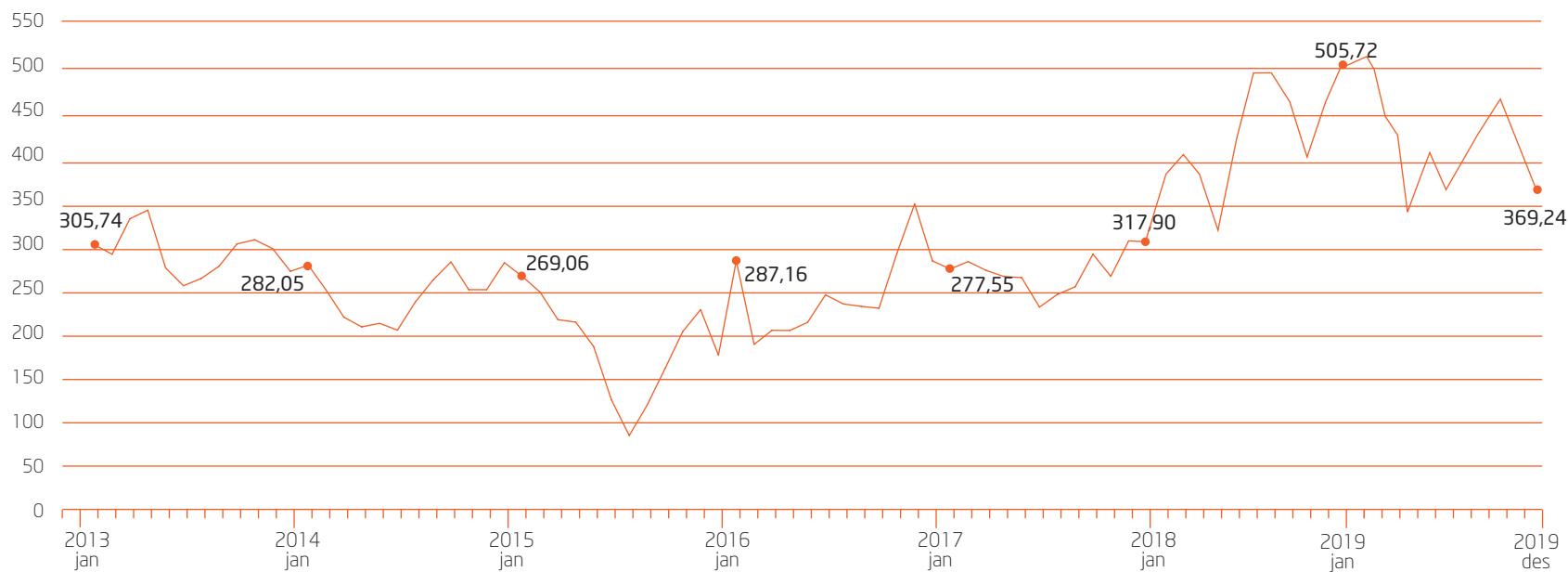
Number of switches between electricity providers in Norway per year ¹



1) Supplier change figures from NVE. Not included churn from relocations and/or churn from financial inability to pay for customer (hence cancellation of subscription by electricity supplier).

Due to implementation of Elhub NVE does not provide statistics from 2019.

Electricity price (Nord Pool System price) y= NOK/MWh



Part 1

1.1

Letter from the CEO

Letter from the CEO

2019 was the year when the term “climate crises” appeared for real. In media, in people’s consciousness and on the internet. In 2018 the term did not even make it into the list of top 30 words most frequently used in connection to the word climate 1).

Fjordkraft became publicly listed in March 2018. Preparing for this, we worked a lot on our equity story, telling our advisor all about our climate neutrality, our low emission product, our management philosophy. To be honest, we were pretty sure that this would be a substantial part of our equity story, looking forward to telling this great story to potential investors. To our surprise, the feedback we received was that this part of our story would be of minor interest for investors. This certainly proved to be true. Among the hundreds of investors, we had the pleasure of meeting on our roadshows, only a handful took interest in our efforts for climate neutrality.

Paradigm shift

As we started 2019, the general sentiment in society, as well as in business and the financial services industry, had completely changed. ESG was a theme at innumerable conferences and a daily feature in the financial press. In 2019, ESG was on the agenda of every investor meeting I took part in. There was a great deal of interest, good questions and interesting discussions.

During the course of 2020, we will evaluate which ESG certification Fjordkraft should complete.

There are several alternatives and standards from which to choose. Certification methods and tools are at an early stage of development, and we must expect standards and their use to undergo major changes.

From the “Klimanjaro” initiative to www.klimahub.no

Our Klimanjaro initiative has been widely known as a concept of cleaning up supply chains. Back in 2016 we required all our suppliers to be climate neutral as from the first of January 2019, applying the UN standards for climate neutrality. Now, all our regular suppliers are climate neutral, representing reductions in CO2 emission 100-times more than we could have achieved on our own.

At the COP 24 UN Climate Change Conference in Katowice December 2018, the UN acknowledged our Klimanjaro initiative to be a Lighthouse Activity, and an example to follow. We received the award with pride, knowing that Fjordkraft was the first, and so far the only, Norwegian company to be a UN Lighthouse. UN stated that Klimanjaro is scalable, replicable and can be implemented across all industries, all over the globe. Thus – we now take our responsible as a Lighthouse further, introducing www.klimahub.no. Klimahub.no is a hub where all companies in Norway can register their emissions, climate neutral initiatives and compensate their rest emissions by purchasing climate quotas.



The Climate Roar was named the new word of the year for 2019 by the Language Council of Norway. Rolf Barmen (centre) made an appeal at The Climate Roar demonstration in Torgallmenningen in Bergen on 30 August 2019. Here he is together with Helene Frihammer, Head of Klimapartnere Vestland, and Dag Rune Olsen, Rector of the University of Bergen, who also made appeals. Photo: Helene Frihammer.

By this initiative, we make it easier for our suppliers to require climate neutrality from their suppliers, and we also offer access, free of charge, to companies that are not a part of our value chain.

The global community recognises that climate problems are accelerating. Therefore, we need solutions that accelerate as well. Klimanjaro accelerates. Klimanjaro represents a solution that creates a domino effect for climate neutrality. And Klimanjaro makes it more costly to pollute, thus paving way for investments reducing CO2 emissions.

Innovation

Fjordkraft is present in all segments of the market: private customers, small and medium-sized enterprises, the tender market for public customers and large industrial companies. This enables us to extract value from brand awareness, innovation, expertise and product development in different markets and with respect to many customer groups.

Our strategy is to be a “Fast Second” when it comes to innovation that builds on new technology and hardware. This means that investments within an area will be put on hold pending the emergence of a dominant design and the right conditions for innovation that can be extracted on a large scale. In practice, we did this with respect to launching mobile telephony, energy management systems, local energy solutions related to solar panels in the consumer market and solar production in the business market, and heat pumps, as well as for charging electric cars in homes and

housing associations. Our new app has been very well received and, by the end of February 2020, had been downloaded more than 115,000 times by private customers wanting to monitor their daily electricity consumption and to have access to smart solutions.

In 2020, we started a software company, together with Rieber and Søn AS, to capitalise on investments and innovations that have been developed over many years by Fjordkraft. The company, Metzum AS, will deliver a cloud-based software platform. The customer base will be other companies in the energy industry and companies with large volumes of bills. The Metzum team consists of software developers with extensive experience in developing applications for the energy industry and other industries. For some customer groups and industries with large volumes of bills, it will also be appropriate to purchase settlement and billing as service deliveries – based on the Metzum system platform. The company Allrate AS is being established to ensure an outstanding operating environment is in place for billing services. I view these as attractive “spin-off” opportunities from our existing business that entail limited risk exposure.

Robust demand

As yet we do not know how far it will spread, but at the time of writing the global financial markets are focused on predicting the consequences of the coronavirus (COVID-19). In addition to the spreading of disease, this could potentially have a massive impact on markets and the everyday

lives of people across the world.

To a very large extent, Fjordkraft’s core business is shielded from macroeconomic conditions, and enjoys robust demand. Electricity consumption in a Norwegian home averages around 17,000 kilowatt hours per year, and the variation in outdoor temperatures is the factor that affects consumption the most from year to year.

Lighting, heating and various domestic appliances have become more energy efficient. At the same time, a large proportion of the population has acquired electric cars, and this is affecting electricity consumption. An electric car that does 15,000 kilometres a year requires around 3,000 kilowatt hours of charging, and at the start of 2020 there were approximately 375,000 electric cars and chargeable hybrids on Norwegian roads 2).

Results count

The focus on ESG is essential, but it must go hand in hand with profitability and continued development. I am therefore pleased that in 2019 the company further improved on the good result from the previous year.

With our first full year as a publicly listed company behind us, we are starting to learn about life on the stock exchange. Nominations for the Stockman Award and the European Small and Mid-Cap Awards 3) are confirmation that we are effective at presenting information to the market. Ensuring that the company maintains a good balance between our different groups of stakeholders is a very important part of my job.

Of the several outstanding results the company

achieved in 2019, I would, by way of conclusion, like to highlight the one that has perhaps pleased me the most: Our customer service was named Norway’s best customer service in 2019 4), irrespective of industry.

Results and performance must be improved continuously. Following 2019, we have a very good basis for doing so in the coming year.



Rolf Barmen
CEO

1) Source: Zynk, Olav Magnus Linje, MRKT REMIX 6 February 2020. 2) The total number of private cars is around 2.8 million. 3) 2nd place Stockman Award in 2019. The prize is awarded to companies nominated by Norwegian financial analysts for presenting good company information. Nominated by the Oslo Børs for the “Star of 2019” at the European Small and Mid-Cap Awards. Brussels, 2019. 4) The analysis company Kantar conducts Norway’s largest customer service survey. The results were published on 29 January 2020.

Part 2

2.1

Fjordkraft at a glance

More than 1.4 million people throughout the whole of Norway have electricity from Fjordkraft – either at home or at work. Fjordkraft aims to offer its customers power contracts and other benefits that provide them with better value for money.

Our business

PURPOSE

To be the most attractive electricity retailer in Norway



GOAL

Fjordkraft supplies electricity to more than 2 million people. At home and at work.



CORE VALUES

- Be friendly
- Create value
- Make it easier



National electricity supplier

Throughout the whole of Norway, over 1.4 million people have electricity from Fjordkraft – either at home or at work. Fjordkraft sells electricity throughout the whole of Norway. Norway has many grid companies that operate local grids and electricity meters. We sell electricity to customers who live in or have business activities in 114 different grid areas operated by local grid companies.

Consumer market

The Group accounted for a total of 543,836 electricity deliveries at the end of 2019 in the consumer segments. 20% of the electricity customers in the consumer market state that they use Fjordkraft. This is the highest market share measured for a power supplier in Norway.

Fjordkraft is a well-known brand. A total of 94% of the adult population has heard of Fjordkraft.

Business market

Fjordkraft is a leading supplier to the corporate market and has been chosen by more than 32,000 companies. Products range from straightforward

power contracts to advanced power portfolio management. Customers range from energy-intensive industrial manufacturers and large corporations with facilities all over the country to small local businesses. Digital tools for energy reporting and analysis help businesses achieve efficient energy use.

We also offer energy and environmental advice.

Electricity in Trøndelag

Fjordkraft owns 100% of the shares in the electricity supplier TrøndelagKraft AS, located in Trondheim.

30 alliance partners

The Alliance concept is Fjordkraft's collaboration model for power producers and electricity suppliers in rural areas. Fjordkraft provides services related to power trading, invoicing, settlement and market support to 30 energy companies all over Norway. These are electricity suppliers, grid companies and power producers.

This provides us with good insight into the conditions and situation for a wide range of different

players and allows us to present a comprehensive picture in our communication with industrial associations and government authorities.

Mobile

Fjordkraft aims to offer its customers power contracts and other benefits that provide them with better value for money. In April 2017, Fjordkraft became a provider of mobile telephony. Fjordkraft offers its customers low-cost mobile telephony using Telenor's network. The number of mobile subscribers was 100,027 at the end of 2019, a growth of 52 per cent year on year.

Fjordkraft is the largest service provider without its own telecommunications network.

Norway's largest customer service survey assesses which company has the best customer service in its industry each year. In January 2020 the results showed that Fjordkraft came first in the telecoms category and was also rated the best of all of the companies in all industries (banking, insurance, telecoms, travel, broadband etc.)

History

Fjordkraft was founded on 1 April 2001, with the ambition of becoming a leading company in the sale of electricity to the end-user market. Since the outset, the company has striven to increase national competition in the end-user market, introduce forward-looking, customer-friendly solutions, and ensure non-discriminatory market conditions for all the players in the industry. The company was founded as a result of a merger between the power-trading operations of BKK Kraftsalg AS and Skagerak Energi AS. The name Fjordkraft was adopted from 1 June 2001..

Shareholders

Fjordkraft Holding ASA was listed on the Oslo Stock Exchange's main list on 21 March 2018. The liquidity in the stock increased through 2019 and the proportion of "free float" rose from 40 per cent to 70 per cent as the original owners, Skagerak Energi AS and BKK AS, reduced their holdings. At the end of the year, the company had around 4,600 shareholders.

Our business

Acquisitions 2018-2019

On 1 July 2019, a transaction was carried out in which Fjordkraft bought 100 per cent of the shares in the end-user company Vesterålskraft Strøm AS. The acquisition included 8,600 customers.

In February 2018, an agreement was signed to acquire the shares in TrønderEnergi Marked AS, an electricity retailer in the Trøndelag region with 62,000 electricity deliveries.

A further transaction was concluded with the TrønderEnergi Group in August 2018, all of the shares in Oppdal Everk Kraftomsetning AS. The activities included around 5,200 electricity deliveries.

In October 2018, the company completed a transaction with BKK AS to take over the customer portfolio of Etne Elektrisitetslag. The customer portfolio amounted to around 1,600 electricity deliveries.

Joint ventures

Fjordkraft's internal management and invoicing system "Fjordkraft Factory" has been developed for the sale of account settlement and invoicing services to other alliance partners.

In November 2019, Fjordkraft decided to invest in the technology software company Metzum AS

through a joint venture with Rieber & Søn AS. The transaction was completed in 2020.

Fjordkraft has been investing in and building the software platform the "Fjordkraft Factory" since 2012. From 2020, the aim is to create a company that owns, delivers and develops forward-looking software to power trading and grid companies in Norway and Northern Europe. Alongside this company, an enterprise, Allrate AS, to sell rating and billing services to companies across the value chain will be started in early 2020.

Klimanjaro and www.klimahub.no

At the UN climate conference in Katowice in 2018, Fjordkraft's "Klimanjaro" climate initiative was chosen as one of the winners of the UN's "Momentum for Change" climate action award for 2018. Fjordkraft is the first Norwegian company to receive this award. "Klimanjaro" won the award in the "Climate Neutral Now" category. With "Klimanjaro" the company is using its purchasing power and requiring all of its suppliers to become climate-neutral if they wish to supply goods and services to Fjordkraft. The emission reductions Fjordkraft achieves through the company's suppliers are 100 times greater than the company's own emissions. Suppliers must produce climate

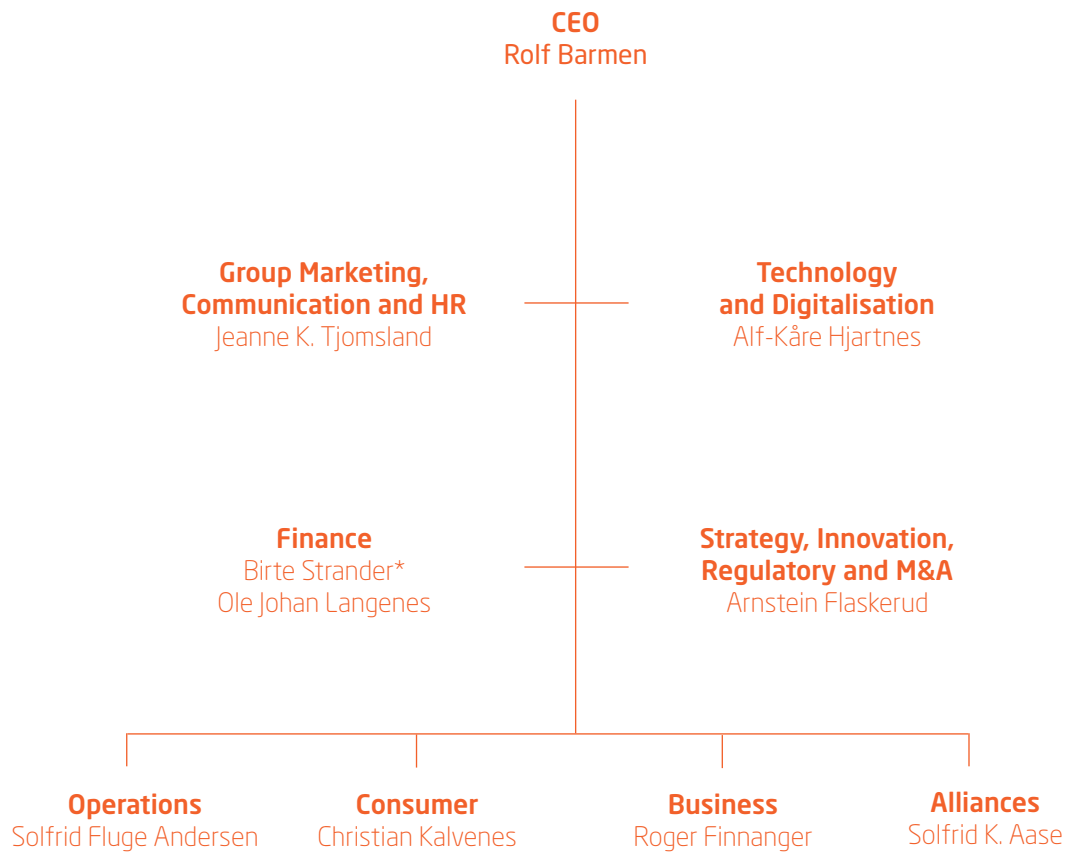
accounts, take action and compensate for their residual emissions.

During 2019, Fjordkraft developed the "Klimahub" web portal ready to launch in January 2020. "Klimahub" will be a portal where users can check Norwegian companies' climate footprints, create corporate climate accounts and invite partners to help create a climate-neutral value chain. The initial aim is to develop this into a portal with a wide reach among Norwegian companies. This is part of the company's CSR work.

2.2

Management

Organisation



Rolf Barmen

President and Chief Executive Officer (CEO)

Background: Rolf Barmen, born in 1964, is the President and Chief Executive Officer (CEO) of the Group. Mr Barmen has been the CEO of Fjordkraft since 2013 and also became the chairman of Trondheim Kraft AS at that time. He has extensive experience as a chief executive officer within the telecommunication industry including Teling AS from 1999 until 2008, Chess Communication from 2008 until 2011 and NextGenTel from 2011 until 2013. Furthermore, he has experience as regional director at Telenor Telehus and operations manager at IKEA Bergen, as well as the Chairman of Sportsklubben Brann.

Education: Mr Barmen holds a Master of Science in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH).

* Maternity leave in 2020



* Maternity leave in 2020

Birte Strander *

**Executive Vice-President (EVP)
and Chief Financial Officer (CFO)**

Background: Birte Strander, born in 1976, is the Executive Vice-President (EVP) and Chief Financial Officer (CFO) of the Company. Ms Strander commenced employment with Fjordkraft in 2002 as a financial controller, became Senior Business Developer in 2007, was appointed head of the department for Innovation and Projects in 2008 and appointed the Director of Business, Finance and IT in 2009. Prior to joining the Company, Ms Strander worked as a consultant at PwC from 2000 until 2002 and provided consulting services to Fjordkraft during this time.

Education: Ms Strander holds a Master of Science in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH).



Ole Johan Langenes

Acting Chief Financial Officer (CFO)

Background: Ole Johan Langenes, born in 1989, is from January 2020 acting Chief Financial Officer of the company during the period the current Chief Financial Officer, Birte Strander, is on maternity leave. Mr. Langenes commenced employment with Fjordkraft in 2013 as Business Controller and was appointed the position as Chief Accountant Officer in 2016.

Education: Mr Langenes holds a Master of Science in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH).



Arnstein Flaskerud

**Executive Vice-President (EVP)
and Head of Strategy and M&A**

Background: Arnstein Flaskerud, born in 1963, is the Company's Executive Vice-President (EVP) and Head of Strategy and Mergers and Acquisitions. Mr Flaskerud has more than 30 years' experience in the electric power industry. He commenced employment with Fjordkraft in 2001 as the Director of Corporate Clients. Mr Flaskerud was a strategic business developer in 2010, Director of the Strategy department in 2013, market manager for BKK Kraftsalg AS from 1997 until 2001 and Market Manager at Bergen Lysverker from 1992 until 1996. Mr Flaskerud was an engineer at Samkjøring av Kraftverkene in Norway for six years prior to 1992. In 2013, Flaskerud received the industry price for "Influencer of the Year" for his work with common invoicing and the "Supplier-centric Model". Furthermore, Mr Flaskerud is a Norwegian representative at Eurelectric, an EU organization for the power industry.

Education: Mr Flaskerud holds a Master of Science in Electric Power Engineering from Bergen University College (HiB) in addition to an Executive Master of Management degree from the Norwegian Business School (BI).



Jeanne Katralen Tjomsland

Executive Vice-President (EVP) and Head of Group Marketing, Communications and HR

Background: Jeanne Katralen Tjomsland, born in 1965, is the Company's Executive Vice-President (EVP) and Head of Group Marketing, Communications and HR. Ms Tjomsland has over 25 years' experience within the field of communication. She commenced employment with Fjordkraft as information manager in 2002, was appointed Director of Human Resources and Security in 2010 (which from 2015 also included a communications role). Ms Tjomsland was a Senior Public Relations Consultant and Deputy Manager at Consilio Kommunikasjon AS from 1997 until 2001. She was also Information Manager at BKK during a six month period and Information Manager at Bergen Lysverker from 1991 until 1997 and Manager for Information and Marketing at IULA World Congress from 1990 until 1991.

Education: Ms Tjomsland holds a Master of Science in Economics and Business Administration (siviløkonom) from Universitetet i Agder (UiA) and an Executive Master of Management degree from the Norwegian Business School (BI).



Alf-Kåre Hjartnes

Executive Vice-President (EVP) and Head of Technology and Digitalisation

Background: Alf-Kåre Hjartnes, born in 1974, is the Company's Executive Vice-President (EVP) and Head of Technology and Digitalisation. Mr Hjartnes has almost 20 years' experience from the electric power industry. He joined Fjordkraft in 1999 and has had several managerial positions with the company, particularly within the IT department. Mr Hjartnes was a senior IT advisor in 2004, joined the Business Development department in 2007 as senior advisor, became Senior Advisor in the Innovation and Projects department in 2008, was appointed IT Manager in 2010 and the Director of IT in 2012.

Education: Mr Hjartnes holds a cand.mag. degree in Information Technology and Economics and Business Administration from the Nord-Trøndelag University College (HiNT).

**Solfrid Fluge Andersen**

Executive Vice-President (EVP)
and Head of Operations (COO)

Background: Solfrid Fluge Andersen, born 1976, was employed at Fjordkraft in 2010 as Chief Accountant Officer. In 2014, she left the company and joined Falck Nutec as CFO. In 2015 she returned to Fjordkraft in the role of Business Developer. In the period 2015 to 2019, she had several different management positions within the invoicing, operations and in the Power Trading department, before she was appointed Executive Vice President for Operations Division in June 2019. Ms Andersen also has relevant experience from Bergen Energi (Kinect) as Team Manager for Cost Management before she was employed by Fjordkraft.

Education: Ms Andersen holds a Master of Science in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH) and a diploma in Hospitality Management from the International College of Tourism & Hotel Management in Sydney, Australia.

**Solfrid Kongshaug Aase**

Executive Vice-President (EVP)
and Head of Alliances

Background: Solfrid Kongshaug Aase, born in 1969, is the Company's Executive Vice-President (EVP) and Head of Alliances. Ms Aase has more than 20 years' experience in the electric power industry. She held several managerial positions in BKK AS and Fjordkraft in the fields of Business Development, Sales and Portfolio Services. At Fjordkraft, Ms Aase has, among other positions, worked as Business Manager from 2001 until 2006, as Market Manager for major customers from 2006 until 2008, was appointed Director of Customer Service in 2015 before she was appointed Head of Company Projects in 2017. Since 2019 Ms Aase has been Head of Alliances.

Education: Ms Aase holds a cand.polit. degree in Economics from the University of Bergen (UiB).

**Christian Kalvenes**

Executive Vice-President (EVP) and head of Consumer

Background: Christian Kalvenes, born in 1977, joined Fjordkraft in December 2017 as a business developer. In February 2019, he assumed the position of Executive Vice-President (EVP) Consumer. Mr Kalvenes has 13 years' experience as a top-level professional footballer in Norway, Scotland and England, between 2000-2012 Mr Kalvenes also has 7 years' experience from the mobile telephony company Chess, where he worked as a market coordinator (2011-2012), project manager (2013-2014) and Sales and Marketing Director (2014-2017).

Education: Mr Christian Kalvenes took a two-year IT course at Bergen Polytechnic College (now: NiTH), a two-year course in economics and administration at Sogn og Fjordane University College and a master's degree in business and management at the Norwegian School of Business (BI), with a specialisation in organisation and management

**Roger Finnanger**

Executive Vice-President (EVP) and Head of Business

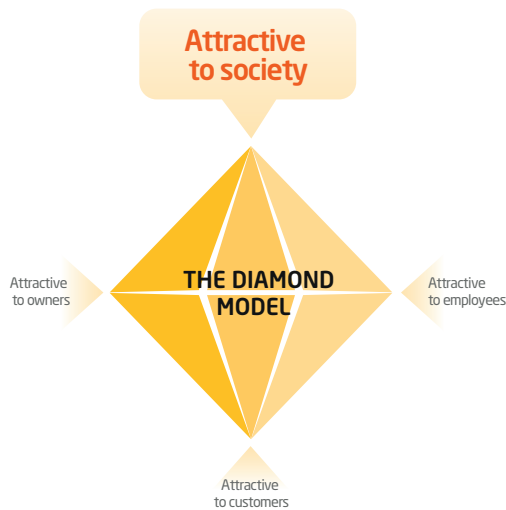
Background: Roger Finnanger, born in 1981, joined Fjordkraft in 2011 as a key account manager. In 2012, Mr Finnanger became the Sales Manager SME. He has headed the business market venture in the position of Director Business since 2014. In February 2019, Fjordkraft established a separate division for the business market and Mr Finnanger assumed the position of Executive Vice-President Business. Mr Finnanger has a background from Coca-Cola Enterprises where he worked for 10 years in a number of positions within sales, management and personnel development.

Education: Mr Roger Finnanger took a basic course in business economics at the Norwegian Business School (BI).

2.3

Corporate Social Responsibility

The right balance



To be the most attractive electricity retailer in Norway, Fjordkraft must balance the needs of its customers, employees, owners and society at large. While we can concentrate on one particular group at times, over time our efforts must be wide-ranging. Therefore, the optimum approach is to take steps that benefit multiple stakeholder groups. Our social responsibility is largely founded on idealism, but there is a limit to how much can be done purely as charity. In order to make the largest possible contribution to sustainable development, we must identify the measures that are socially beneficial and can support our business operations.

Why does Fjordkraft use the UN sustainable development goals?

The UN Sustainable Development Goals are the world's joint plan to eradicate poverty, combat inequality and halt climate change by 2030.

The Sustainable Development Goals were adopted by the United Nations General Assembly in September 2015 and succeed UN Millennium Development Goals (2000 – 2015). Whereas the Millennium Development Goals concentrated on developing countries, the new targets are global. All of the UN's 193 member states now agree on a total of 17 goals and 169 targets. Now the business world must take responsibility too. Fjordkraft wants to ensure that its sustainability work has the greatest possible impact. We will achieve this by using market mechanisms and recognised international standards as a starting point for our initiatives. The 17 Sustainable Development Goals have proven

to have a mobilising effect and are now the standard for the green shift for companies, organisations and governments around the world. Fjordkraft is especially focusing on achieving goal number 13, climate action. It is here Fjordkraft can make a contribution that really makes a difference, with "Klimanjaro", "Klimahub" and other actions that are closely related to our operations as an electricity retailer. At the same time, Fjordkraft is part of several initiatives that contribute to a number of different sustainability goals. We have therefore linked all of the measures described in this report to the relevant sustainability goals. We think this raises awareness with respect to what we can achieve through each measure.





Climate action in Fjordkraft

Fjordkraft has been climate neutral since 2007 and will remain a climate neutral company by reducing its own greenhouse gas emissions, purchasing electricity with guarantees of origin, and compensating for residual emissions by purchasing EUA climate quotas.

Fjordkraft wants to promote awareness of its own climate footprint and actively influence other businesses to do the same with its “Klimanjaro” climate initiative. We have required our suppliers to be climate neutral since 2019. In 2020, suppliers will also have to publish their climate accounts in “Klimahub” (see page 15).

Each year, we publish Fjordkraft’s climate accounts in Klimapartnere Hordaland’s overall emissions report.

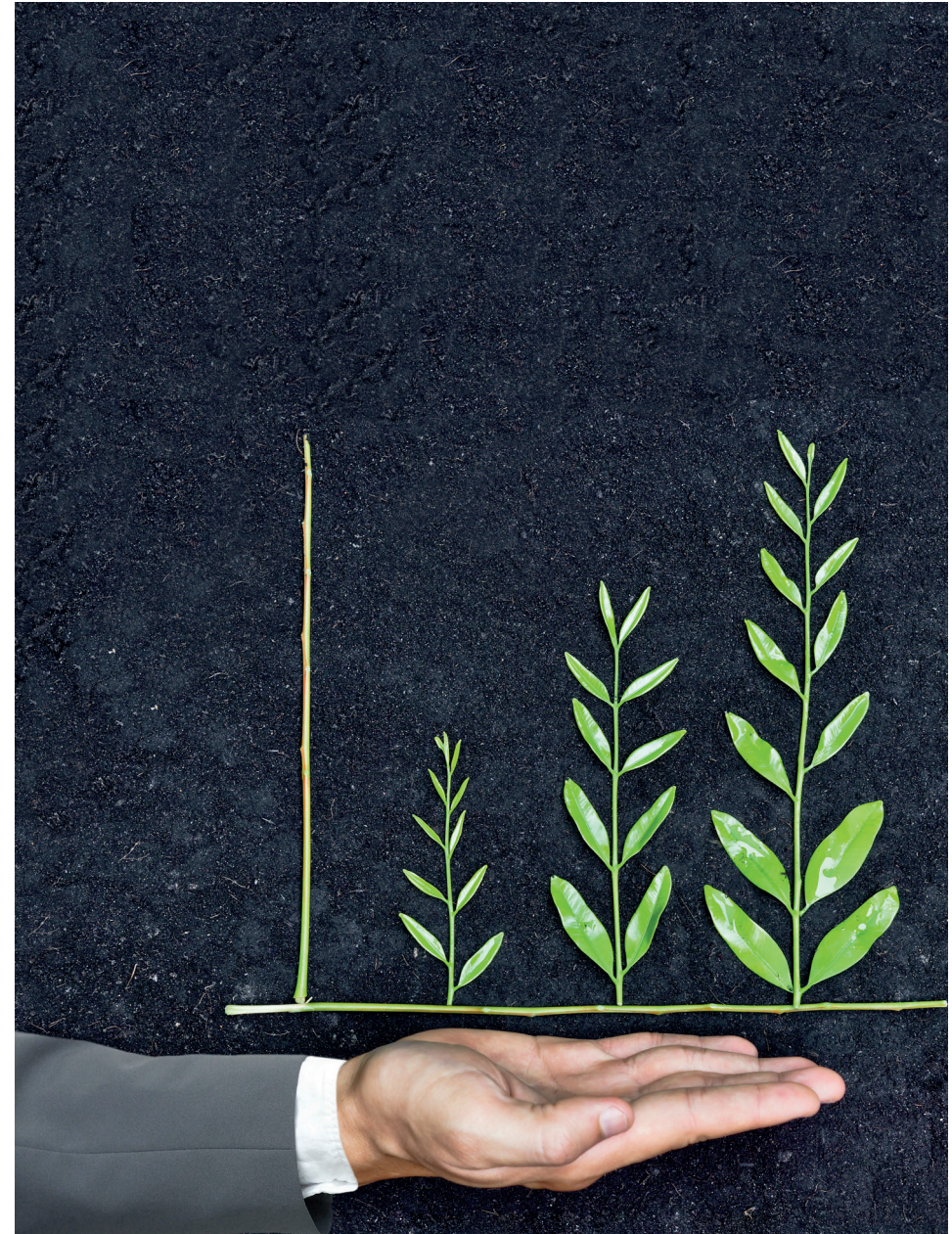
Fjordkraft is growing and this has an impact on our climate footprint. We are therefore implementing a number of internal climate and environmental initiatives.

- We use technology to streamline communication between our five locations and to reduce the need for travel. Our travel policy involves taking the environment into account, choosing local venues for gatherings and avoiding taking flights for short meetings.
- Employees who walk, cycle or travel by

public transportation to work receive financial compensation.

- We enable employees to recharge their electric cars at work.
- We arrange exercise campaigns to encourage employees to walk or cycle to work.
- We source separate our waste.
- We are constantly working to reduce the use of non-degradable materials in giveaways and marketing materials, and have committed to working to reduce plastics as a #Plastsmart Partner.
- We have decided to introduce a ‘Sustainability Academy’ for employee in order to raise awareness and increase knowledge.

Fjordkraft’s residual emissions are compensated for by purchasing certified climate quotas. For 2019, we purchased European Emission Allowance (EUA) quotas equivalent to our entire residual emissions. We also purchased Certified Emission Reduction (CER) quotas in line with our obligations as a participant in the UN Climate Neutral Now Initiative.



Climate accounting



CLIMATE ACCOUNTS (TONNES CO2E.)	2019	2018	Change 2018-2019
Fuel (vehicles and other consumption)	-	-	-
Fuel oil	-	-	-
Process emissions	-	-	-
Paraffin, propane and gas	-	-	-
Total direct emissions (Scope 1)	-	-	-
District heating/cooling	0,1	0,1	0,0 %
Electricity market-based	335,9	294,1	14,2 %
Total indirect emissions from purchased energy (Scope 2)	336,0	295,0	13,9 %
Flights	230,6	144,0	60,1 %
Mileage allowance	66,5	44,4	49,7 %
Waste for recycling	3,0	-	
Total other indirect emissions (Scope 3)	300,1	188,4	59,3 %
Total emissions	636,1	483,4	31,6 %
Total compensations/allowances	636,1	483,4	
Emissions after compensation	0	0	
KEY FIGURES			
Number of employees/annual Works	293	252	
Total energy consumption - MWh (fossil fuel + purchased energy)	646	540	
Heated area (m ²)	5 444	4 182	
CLIMATE AND ENERGY INDICATORS			
Total emissions per unit sold (tCO ₂ e/NOK million)	0,09	0,07	
Total emissions per FTE excl. process emissions (tCO ₂ e/FTE)	2,2	1,9	
Energy consumption for heating premises (kWh/m ²)	118,7	129,1	

Fjordkraft's climate accounts are published every year in Klimapartnere Vestland's (formerly Klimapartnere Hordaland) overall emissions report.



Partners and certifications

Klimapartnere Vestland

Fjordkraft is a member of a regional network project, Klimapartnere Vestland (formerly Klimapartnere Hordaland), which works to cut greenhouse gas emissions and stimulate green communities and business development in the county. In 2019, the network consisted of around 40 public and private enterprises. Klimapartnere Vestland publishes an annual report on its members' overall emissions.

#Plastsmart

#Plastsmart is an initiative in which business, academia, research and the government are working together to achieve smarter plastic use and avoid plastic waste. A #Plastsmart Partner receives advice and takes part in a network in order to improve its understanding and competence regarding specific actions. A #Plastsmart Partner reports annual measures and results to #Plastsmart. #Plastsmart involves three steps intended to help ensure the smarter use of plastics by enterprises.

Eco-Lighthouse

The Fjordkraft Group's three largest offices (in Bergen, Trondheim and Sandefjord) were Eco-Lighthouse-certified in the second half of 2017 and will be recertified in 2020. Being an Eco-Lighthouse involves having to work systematically on measures aimed at ensuring more

environmentally friendly operations and a good working environment. Each year Fjordkraft must produce a climate and environment report in which the effects of its actions are measured and new targets are set. Eco-Lighthouse is recognised by the EU.

Climate Neutral Now

Fjordkraft participates in the UN Climate Neutral Now Initiative, launched in conjunction with the Paris Agreement in 2015. The purpose of the initiative is to encourage states, businesses, and private individuals to undertake climate action to achieve the objectives of the Paris Agreement. The Climate Neutral Now Initiative's three-step method for climate neutrality provides the basis for Fjordkraft's supplier requirements in "Klimanjarø". Every year Fjordkraft reports its quota purchases and internal emission cutting measures to Climate Neutral Now.

Sustainability reporting to customers

Fjordkraft is not alone in setting requirements for its suppliers. In 2019, as the electricity retailer of a number of major Norwegian companies, we were required to implement various forms of sustainability reporting. This is a development we welcome. At the same time, we can see that the broad range of reporting services, which often have very different reporting and documentation requirements, makes this demanding work.



Climate risk

Risk categorisation	Risk assessment	Conclusion
<p>Physical risk <i>Costs associated with physical damage to assets due to climate change.</i></p>	<p>Fjordkraft has very few assets that could be physically damaged due to climate change.</p> <p>The increased frequency of extreme weather events may result in major damage to the grid companies' infrastructure, which might affect Fjordkraft's reputation in the event of prolonged power cuts. Society's tolerance for interruptions to the electricity supply is low.</p> <p>Global warming may result in lower electricity consumption for heating in the long term.</p> <p>Increasing weather variation suggests increased fluctuations in electricity prices, which could represent a reputational risk. Society's tolerance for higher electricity prices is low. At the same time, variation is advantageous with respect to the demand for hedging products, and Fjordkraft manages volatility better than its competitors, especially the small electricity retailers.</p>	<p>Low risk</p>
<p>Transition risk</p> <ul style="list-style-type: none"> • Technology • Market • Policy <p><i>Economic risks and opportunities associated with the transition to the low-emission society.</i></p>	<p>The transition to the low-emission society will create business opportunities for Fjordkraft due to greater electrification and demand for products closely associated with Fjordkraft's core operations.</p> <p>Solar energy provides opportunities in the short term, but is a threat in the long term due to the development of batteries or storage technology that make customers more self-sufficient.</p> <p>Energy management tools, etc. also provide opportunities in the short term, although energy efficiency represents volume risk in the long term.</p> <p>Fjordkraft was an early advocate of setting climate requirements and not waiting for government requirements.</p>	<p>Low risk, more opportunities</p>
<p>Third party risk <i>Claims for damages related to decisions or a failure to make decisions that can somehow be linked to climate policy or climate change.</i></p>	<p>Through "Klimanjaro", and now also "Klimahub", Fjordkraft is helping to raise awareness about greenhouse gas emissions and cutting emissions in and outside our own value chain.</p> <p>"Klimanjaro" has been recognised by the UN as a practical, innovative and scalable climate measure that can be replicated across the world.</p> <p>Fjordkraft has assumed more responsibility for stopping climate change than is expected of comparable companies.</p>	<p>Low risk</p>



Products and services for the low-emission society

Greater awareness of climate change and the need for a green shift has resulted in greater demand for products and services for the low-emission society.

So far, Fjordkraft has particularly focused on charging, energy efficiency and solar panels. In 2019, it was precisely Fjordkraft's focus on solar and the launch of a new Fjordkraft app that garnered the most attention.

Solar panels

Since April 2019, Fjordkraft has, in collaboration with Solcellespesialisten, offered a simple, informative online solution for ordering solar panels for private households.

A sun map shows which of a home's roof surfaces are suitable for solar panels and estimates how much of the home's energy consumption could be saved by self-produced solar energy. Customers can choose between panel types with different outputs, appearances and prices, and can also see how much support they are eligible to receive from Enova.

The goal is to contribute to the electrification of Norway by making it easier for people to produce their own renewable electricity.

'Plus Customers' (i.e. customers who at times produce more electricity than they use) can sell their surplus production to Fjordkraft. In 2019, Fjordkraft paid Plus Customers NOK 1 per kWh supplied to the electricity grid, up to 5,000 kWh. The fact that Fjordkraft paid a premium for their surplus produc-

tion gave customers an extra incentive to invest in solar panels.

Fjordkraft have modified this scheme from February 2020. Plus Customers are from that time able to choose between selling their surplus production immediately at the market price or using a Sun Account.

Sun Accounts work like a virtual battery in which customers can save an unlimited amount of kWh, which can be withdrawn at a later date. Since they are saving in kWh, customers can make a profit by storing surplus production from the summer months and using it when their production sinks and electricity prices rise in the winter months. Customers thereby avoid having to invest in physical batteries. The electricity stored in Sun Accounts has to be used within 18 months of being produced.

Thanks to the solar panel venture in the consumer market, we have noted a high demand for solar panels in the business market and will explore solutions for companies in 2020.

Green Loans

Solar panels will remain a substantial investment for private households. To make it easier to invest in solar panels, we launched Green Loans in January 2020 in collaboration with DNB. Customers can now see how much loan-financed solar panels will cost them per month during the ordering process, and can also choose between loans with and without collateral.





Solar panels for Statsraad Lehmkuhl Foundation

Fjordkraft sponsors solar panels for Statsraad Lehmkuhl Foundation, which have been installed on the roof of the foundation's premises in Bryggen in Bergen. The 136 panels will meet around half of its annual onshore electricity consumption needs, and can also charge the batteries on board 'Statsraad Lehmkuhl' when the ship is in port. The system in Bradbenken is owned by Fjordkraft and functions as a test system for new solutions. Fjordkraft is also one of the supporters of the foundation's preparations for Statsraad Lehmkuhl's first round the world voyage. The voyage is called 'One Ocean' and is intended to help spread information about the importance of the oceans in sustainable development.



The Fjordkraft app

On 10 October 2019, Fjordkraft launched a new mobile phone app that provides an overview of a customer's electricity consumption history and estimated consumption for the rest of the month, and makes it easier to administer their customer relationship. Plus Customers can use the app to administer withdrawals from their Sun Account. Customers without solar panels can investigate whether their roof is suitable for solar panels with the help of Fjordkraft's sun map. New functions will be launched on an ongoing basis in 2020.

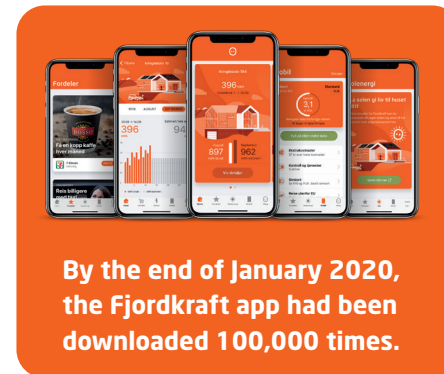
By the end of January 2020, the Fjordkraft app had been downloaded 100,000 times.

Fjordkraft Pulse

In 2018, we invited 1,000 pilot customers to test Fjordkraft Pulse, an app that retrieves data from new smart meters (AMS) and enables customers to monitor their electricity consumption. Fjordkraft Pulse comes with a simple pulse meter that plugs into the AMS meter and a receiver that plugs into the customer's WiFi router. The pilot project has been a success and a full-scale rollout in the Fjordkraft app will take place in 2020. Fjordkraft Pulse was one of seven pilot projects selected to receive support through Enova's AMS project.

Home chargers for electric cars

Fjordkraft offers private customers home chargers for electric cars. The cost of the home charger is repaid in instalments added to the customer's electricity bill. The Directorate for Civil Protection and



By the end of January 2020, the Fjordkraft app had been downloaded 100,000 times.

Emergency Preparedness (DSB) recommends that owners of electric cars or chargeable hybrids acquire an approved wall charger for charging at home. Using a normal wall socket for regular charging is not permitted due to earthing faults and the fact that they are prone to overload. Nevertheless, regular charging via normal wall sockets is extremely widespread. In addition to facilitating the use of chargeable vehicles, Fjordkraft wants to make it easier for customers to charge their cars safely. In the fourth quarter of 2019, we also conducted a pilot project with chargers for companies.

Ladestasjoner.no

Fjordkraft provides the service ladestasjoner.no, which is available online and as a separate app. Using our charging map, which retrieves data from NOBIL, you can easily find charging points nearby and get an overview of which charging points are

suitable for the different types of cars. The charging map provides a list of more than 10,000 charging points in Norway and the Nordic countries. At ladestasjoner.no, you will also find tips and advice on rapid charging and everything else you need to know about charging your electric car.

Other products and service

In addition to electricity supply contracts, Fjordkraft provides consultancy and energy management tools for monitoring energy consumption, cost savings and environmental impact.

Business customers are offered energy labelling and energy mapping. All buildings over 1,000 m² must undergo energy labelling every ten years and hold a valid energy certificate. This is mandatory for anyone selling or renting commercial buildings. Energy mapping involves more comprehensive mapping of a building's energy consumption and how to reduce it.

All business customers also have access to climate accounts that comply with the Greenhouse Gas Protocol standard.

As an electricity retailer, Fjordkraft is obliged to purchase electricity certificates. Fjordkraft also offers guarantees of origin.



Klimanjaro

The name, Klimanjaro combines 'klima', the Norwegian word for climate, with the name of Africa's highest peak, Mount Kilimanjaro.

"Klimanjaro" is a climate initiative whereby Fjordkraft requires the company's suppliers to be climate neutral. Using simple market mechanisms, we want to create a climate neutral domino effect that results in substantial cuts to emissions in just a few years.

The name "Klimanjaro" is a play on words that combines the name of Africa's highest peak, Mount Kilimanjaro, and the Norwegian word for climate, 'klima'. With the right preparations, it is eminently possible to conquer Kilimanjaro. Likewise, "Klimanjaro" is a feasible climate initiative for all organisations willing to take responsibility for the climate. By taking inspiration from an African mountain, we are underscoring that the challenge we face is a global one.

2019 was the first year in which Fjordkraft's suppliers had to keep climate accounts, cut emissions and compensate for their residual emissions by buying climate quotas. 2019 was also the year we saw the start of the domino effect when Sparebanken Vest set the same requirement for its suppliers to be climate neutral.

"Klimanjaro" - two steps forward

In 2019, Fjordkraft's suppliers were obliged to reduce their climate footprint by taking the following three simple steps. They had to:

- analyse their greenhouse gas emissions;
- cut greenhouse gas emissions by as much as possible; and
- compensate for any residual emissions by purchasing certified climate quotas.

The three steps must be repeated annually to ensure that the suppliers are climate neutral according to the UN definition, and thereby satisfy Fjordkraft's supplier requirements, "Klimanjaro".

Suppliers have a deadline of April 2020 by which they must purchase climate quotas and submit climate accounts for 2019.

The goal

Fjordkraft believes the business world must lead the way and use market mechanisms to achieve rapid and substantial cuts in emissions. In line with the Paris Agreement, we are working to ensure that the global rise in temperature does not exceed 1.5 degrees Celsius.

"Klimanjaro" has been recognised by the UN as a practical and scalable climate measure that can be implemented by any company or industry across the world. In addition to requiring our suppliers to be climate neutral, we are working to ensure that companies outside our value chain set the same requirements. In this way, we will create a domino effect and a market in which climate neutrality is the new standard.

In 2019, Sparebanken Vest and Sparebanken Sogn og Fjordane set the same requirement for their suppliers to be climate neutral. Fjordkraft is encouraging private companies, NGOs and public

authorities to set the same requirements for their suppliers.

New in 2019

"Klimanjaro" is to a large extent based on trust. Fjordkraft has not reviewed every individual supplier's climate accounts, reduction measures and quota purchases, but we do make it clear that we conduct spot checks.

From the very start, we have also been open about the fact that additional requirements may be set or that the existing ones may be tightened. In 2019, we introduced two such requirements, which will apply from and including 2020.

Purchase of EU quotas:

For 2020, Fjordkraft's suppliers must compensate for their residual emissions by purchasing EU quotas (EUA: European Emission Allowance).

Before Fjordkraft implemented "Klimanjaro", we spent time finding an internationally recognised methodology that could provide the starting point for our climate initiative. We didn't want to spend time on, or be a part of, a discussion on methods.

The UN's three-step method for climate neutrality means that residual emissions are compensated for by purchasing certified climate quotas: UN quotas (CER) or EU quotas (EUA).

Although the methodology provides room for far more than just compensation for residual emissions, it is the purchase of quotas that has sparked debate. The reason for this is the surfeit of very cheap UN quotas that have debatable climate effects.

The situation is different for EU quotas. Since

a limited number of EUAs are available, increased demand raises the price per quota. It costs industries that have to buy quotas more to pollute, which in turn provides incentives for developing renewable energy sources and zero and low-emission technology.

Fjordkraft has therefore decided to implement the following additional requirement for climate neutrality: Residual emissions must be compensated for by purchasing EUAs, or by a combination of 80% EUAs and 20% CERs, from 2020. The latter solution is for suppliers who want to fulfil the requirement to purchase UN quotas in the UN Climate Neutral Now Initiative.

The change is in line with Fjordkraft's stated goals of wanting to make it more expensive to pollute and implementing measures that have the greatest possible effect. "Klimanjaro" will still be based on the UN's three-step method for climate neutrality.

Public climate accounts

In 2020, Fjordkraft's suppliers must register their climate accounts in www.klimahub.no.

"Klimahub" is a publicly accessible database in which public and private enterprises can easily find climate neutral suppliers. In addition to submitting climate accounts, companies can describe how they are cutting their greenhouse gas emissions and purchase climate quotas.

It will be possible to buy EU quotas or a package of 80% EU quotas and 20% UN quotas for companies that want to fulfil the terms of the UN Climate Neutral Now Initiative.

A beta version of "Klimahub" was launched on UN Day on 24 October 2019, and the solution was





Fjordkraft becomes #Plastsmart

opened to everyone in January 2020. “Klimahub” retrieves data from the Brønnøysund Register Centre and Statistics Norway, meaning that companies that have not registered their climate data will be shown with average figures for their industry based on their industry code. Companies that have uploaded their climate accounts, described measures for cutting emissions and compensated for residual emissions will be clearly marked as being climate neutral.

Registration in “Klimahub” will make it easier for Fjordkraft to monitor developments at its suppliers. It will also be a very useful tool for buyers interested in a more climate-friendly value chain.

Companies can upload their climate accounts for a number of past years, and can easily monitor the climate accounts and statistics of companies that are registered as business partners. We believe that “Klimahub” will further strengthen the competitive advantage of climate neutral companies by making this information more easily accessible.

The road ahead

In 2020, we will:

- open “Klimahub” to everyone;
- require residual emissions to be compensated for with EU quotas; and
- enable more companies outside Fjordkraft’s value chain to require climate neutrality through sharing knowledge, talks and working meetings.

As a pilot company in #Plastsmart Partner (formerly a #Plastsmart company), Fjordkraft follows a five-step method:

- 1: Analysing our plastic streams
- 2: Taking internal action
- 3: Setting requirements for partners and suppliers
- 4: Facilitating greater recycling and recovery
- 5: Designing for the circular economy

The first two steps are similar to the UN’s three-step model for climate neutrality, although no solution is in place to compensate for plastic consumption that is not reduced. Instead, enterprises need to work together to increase the use of recycled plastic and find solutions that prevent plastic ending up as waste.

Fjordkraft generally offers intangible products and services. The potential for reducing plastic consumption is therefore greatest when purchasing goods, especially marketing merchandise.

The marketing department in Fjordkraft has introduced purchasing procedures that set requirements for packaging, product quality and transport. In practice, this means that, wherever possible, we choose local gift items that are not made of plastic and that can be reused. It is a requirement that individual products not be packaged in plastic, unless the plastic is essential to prevent the product deteriorating.

One specific example is our marketing during the Fjordkraft Bergen City Marathon. In recent years we have eliminated balloons, rain ponchos and heat blankets, and replaced plastic carrier bags with bags made from eco-friendly materials.

In the space of just a few years, such plastic items have become a reputational risk due to an increasing number of consumers and organisations becoming aware of the environmental challenges posed by plastic production and pollution.

The organisations involved in #Plastsmart Partner must report their status and results to #Plastsmart each year. In January 2020, it was decided that Fjordkraft would remain a #Plastsmart Partner after the pilot period.

#Plastsmart Partner is working to fulfil Sustainable Development Goals Nos. 12: Responsible consumption and production; 13: Climate action; 14: Life below water; and 17: Partnerships for the goals.



Plastic on beaches is a symptom of a system that does not work, and in #Plastsmart we will share knowledge and find solutions to the system challenges, says Elisabeth Skage, Project Manager for #Plastsmart. Together with (from the left): Mona Liss Berg, responsible for purchasing profile articles in Fjordkraft, Fjordkrafts Strategy Director Arnstein Flaskerud and Morten Løtvedt, Sales Manager after a beach clearing.

#Plastsmart

#Plastsmart is an initiative from Progressio, a cooperation forum involving senior managers from business, research, academia and municipalities in the Bergen region. The project takes a number of approaches and works on research into micro and nanoplastics, dissemination, better waste management in ports and the #Plastsmart Partner concept. The overall goal is to reduce plastic consumption and the extent of plastic waste.

#Plastsmart is headed by Elisabeth Skage, who was on secondment from, and was being paid by, Fjordkraft until October. Skage is now employed by Bergen Chamber of Commerce. Fjordkraft is represented in #Plastsmart’s steering group by our head of strategy, Arnstein Flaskerud, and is a pilot company in #Plastsmart Partner.

According to the Norwegian Climate Foundation, reducing plastic consumption will also lead to a reduction in greenhouse gas emissions. As with “Klimanjaro”, the use of purchasing power will be essential for achieving results fast.

Ethics at Fjordkraft

Climate neutrality and reduced plastic consumption are just two of the requirements Fjordkraft sets for its suppliers. Fjordkraft sets stringent requirements within its own organisation regarding proper conduct in business, and expects the company's suppliers to adhere to the same high standards.

Fjordkraft's suppliers are obliged to comply with the eight fundamental ILO conventions on:

- freedom of association and protection of the right to organise (No. 87)
- right to organise and collective bargaining (No. 98)
- prohibition of forced labour (No. 29 and No. 105)
- prohibition of discrimination relating to the workplace and pay (No. 100 and No. 111)
- minimum age for starting employment (No. 138)
- prohibition of the worst forms of child labour (No. 182)

Our suppliers must also ensure that any sub-contractors they use directly to fulfil the contract with Fjordkraft also comply with these conventions.

Through its internal code of conduct, which is based on recognised national and international standards, Fjordkraft has adopted strict anti-corruption provisions.

Because Fjordkraft wants to send a clear signal that it will not accept corruption involving our suppliers either, these regulations must also apply to our suppliers' employees and any subcontractors.

Fjordkraft is entitled to terminate the agreement with any supplier convicted of or fined for corruption. To qualify to compete in new tenders, it is a requirement that suppliers have not been convicted of corruption, organised crime or similar in the past five years.

Fjordkraft also requires suppliers and subcontractors to offer pay and working conditions that comply with the applicable regulations.

The Church City Mission

In January 2019, Fjordkraft entered into a partnership agreement with the Church City Mission. The goal is to make life easier for people experiencing hardship.

The Church City Mission is an open and inclusive non-profit organisation working in 50 towns and cities across Norway for people struggling with everyday life in various ways. Its vision is to ensure that every person is treated with respect, fairness and care.

When Fjordkraft became one of its strategic partners, it was with a shared understanding that together we could generate constructive engagement for people experiencing difficulties in their lives. The main aim of the partnership is to strengthen the socially beneficial and humanitarian initiatives the Church City Mission runs in Oslo, Bergen and Sandefjord.

"As a major actor, we have our corporate social responsibilities and are interested in giving something back. Working together with a national organisation like the Church City Mission, we can create a warmer and more inclusive society. We can help those who are freezing, both literally and metaphorically," says the head of sponsorship in Fjordkraft, Stian Madsen.

The partnership has resulted in many different activities. One of the largest was the '#oransjeskerf' campaign that got people in every department engaged.



Stian Madsen, head of sponsorship in Fjordkraft, balancing a few of the 160 orange scarves knitted by Fjordkraft-employees that were delivered to the Church City Mission.

"In total, Fjordkraft employees in Bergen, Oslo, Sandefjord, Trondheim and Sortland knitted 160 orange scarves that were delivered to the Church City Mission. They were overwhelmed by the level of engagement," says Madsen.

The Church City Mission has 1,800 employees in full and part-time positions, and engages 4,500 volunteers across the country. A close partnership with business and other social stakeholders is a key factor in the organisation's work to create a warmer society.

The benefits for both Fjordkraft and the Church City Mission are that both parties' interests are advanced by greater positive public exposure and profile raising in various arenas. The initial partnership is scheduled to last until 2021.

2.4

Corporate Governance Report

Corporate governance report

1. Implementation and reporting on corporate governance

This corporate governance report was prepared by the Board of Directors of Fjordkraft Holding ASA ("Fjordkraft" or the "Company"). The report is designed to cover all sections of the Norwegian Code of Practice for Corporate Governance (the "Code of Practice"). The Code of Practice is available from the Norwegian Corporate Governance Board's website www.nues.no.

The Board is aware of its responsibility to ensure that the Company conducts its business in accordance with the applicable principles for good corporate governance. It is also responsible for the implementation of internal procedures and regulations aimed at ensuring that the Company and its subsidiaries (collectively referred to as the "Group") comply with the Code of Practice.

2. Business

The Company's business, as defined in its articles of association, is the sale of electricity and other forms of energy in the retail market, in addition to other related business, including participation in other companies. The articles are available on www.fjordkraft.no. Fjordkraft Holding ASA is a public limited liability company organised under

Norwegian law and subject to the provisions of the Norwegian Public Limited Liability Companies Act.

Our purpose is to create the most attractive electricity retailer in Norway. Based on our core values "make it easier", "be friendly", and "create value", our goal is for Fjordkraft to deliver electricity to the power outlets of 2 million people, both at home and at work.

Fjordkraft aims to create long-term value for its shareholders through revenue from the sale of electricity and other services in both the private consumer and the business consumer markets.

In order to achieve this goal, we have based our strategy on the following:

1. Profitable growth
2. Product innovation
3. Digitalisation and automation
4. A strong brand
5. Customer satisfaction
6. Operational excellence
7. Cost leadership

The Board of Fjordkraft conducts an annual evaluation of the Company's current strategy and goals, and adopts a strategy plan for the coming period. Risk is an integral part of the strategy

process, and attitudes and limits are defined for each individual category of risk factor. Half-yearly risk reports are produced for the Audit Committee.

Fjordkraft has a clear code of conduct that defines what we consider acceptable and unacceptable behaviour, both internally and externally, for all of our employees, board members, contracted personnel, consultants, agents and others who act on behalf of Fjordkraft. The code of conduct is updated regularly and approved by the Board of Fjordkraft on an annual basis. The Company also has guidelines for whistle-blowing that define how our employees should report situations that breach our code of conduct, the law, or generally accepted ethical norms.

The Company has been climate neutral since 2007. The Company has made a commitment to remain climate neutral to the UN's climate programme Climate Neutral Now. All of the Company's contractual partners have to sign a letter of intent regarding becoming climate neutral. If they fail to do so, Fjordkraft will use its market power to find alternative solutions. Our goal is to create a market where climate neutrality is not only the ideal, but the new standard.

Deviations from the Code of Practice: None

3. Equity and dividends

Shareholders' equity

At the general meeting in 2019, the Board was granted the following authorities:

- The authority to increase the Company's share capital by up to NOK 3.134.887 by issuing up to 10.449.622 new shares with a nominal value of NOK 0.30 per share. The capital will be used for the Company's M&A activities. The authority is valid until the next general meeting, although until no later than 30 June 2020.

- The authority to purchase shares in the Company up to a total nominal value for the shares of NOK 313.489 by issuing a maximum of 1.044.962 new shares each per nominal value of NOK 0.30. The authority can only be used to purchase shares for use in the Company's share option programme. The authority is valid until the next general meeting, although until no later than 30 June 2020.

Capital structure

As at 31 December 2019, the Company's total non-current assets amounted to NOK 603 million and total current assets to NOK 2.405 million. The Company's total non-current liabilities amounted

to NOK 287 million, total current liabilities to NOK 1.718 million and shareholders' equity to NOK 1.003 million. The management and the Board regularly evaluate whether the Group's capital structure is appropriate for its objectives, strategy and risk profile. The Board considers this to be satisfactory in relation to its expressed goals, strategy and risk profile.

Dividend policy

Fjordkraft's initial target ambition is to distribute minimum 80% of its net income, adjusted for certain cash and non-cash items. In determining the annual dividend level, the Board of Directors will take into consideration, among other things, the expected cash flow, capital expenditure plans, covenant restrictions in its financial loan agreements, financing requirements (including for any mergers and acquisitions activity) and appropriate financial flexibility. There can be no assurance that a dividend will be proposed or declared in any given year. If a dividend is proposed or declared, there can be no assurance that the dividend amount will be as contemplated above.

Deviations from the Code of Practice: None

4. Equal treatment of shareholders and transactions with close associates

Fjordkraft has only one class of shares, and each share represents one vote at the general meeting. Existing shareholders have priority rights to subscribe to shares in the event of a share capital increase.

Any purchase or sale by the Company of its own shares is carried out through the Oslo Stock Exchange or at prices quoted on the Oslo Stock Exchange.

Any transaction between the Company and a close associate will be at arm's length. In the event of a material transaction between the Company and a shareholder, parent company of a shareholder, board member, executive management personnel or any close associates of the aforementioned, which does not form part of the ordinary course of business, the Board will arrange for a third party valuation of the transaction.

Deviations from the Code of Practice: None

5. Shares and negotiability

The Company's shares are listed on the Oslo Stock Exchange. All shares in the Company have equal rights and may be traded freely.

Fjordkraft's articles of association do not contain any restrictions on the negotiability of its shares.

Deviations from the Code of Practice: None

6. General meetings

Fjordkraft Holding ASA was listed on the stock exchange on 21 March 2018. In 2019 the Board has held nine meetings. The Company's annual general meeting took place on 14 May 2019. In addition the Board has held a seminar devoted focusing on strategy.

The general meeting serves as a democratic and effective body for the views of the shareholders and the Board. Fjordkraft encourages all its share-

holders to attend general meetings. The Board has taken the following steps to facilitate this:

- A notice calling the meeting with comprehensive supplementary information on the resolutions to be considered at the general meeting, including the recommendations of the Nomination Committee, was made available on Fjordkraft's website at least 21 days prior to the date of the general meeting.
- All shareholders who are registered in the Norwegian Central Securities Depository (VPS) will receive notification of the general meeting. This includes information on how to vote by proxy and the deadline for registering their intention to attend the general meeting.
- The registration deadline for attendance by a shareholder has been set as close to the date of the general meeting as possible.
- Shareholders who are unable to attend the general meeting in person may vote by proxy.

The annual general meeting approves the annual financial statements and annual report, the Board of Director's report and any dividend proposed by the Board. The annual general meeting also approves the remuneration of members of the Board and the Nomination Committee, as well as the external auditor. The meeting agenda may also include authorisation to purchase own shares, increase the share capital, elect members of the Board, the Nomination Committee or the external auditor, and any other matters listed in the notice

of the general meeting. Minutes from annual general meetings will be made available on Fjordkraft's website immediately after the general meeting.

All shares have equal voting rights at general meetings. Resolutions at general meetings are normally passed by simple majority (more than 50 per cent). However, Norwegian law requires a qualified majority for certain resolutions, including resolutions to waive preferential rights in connection with any share issue, approvals of mergers or demergers, amendments to the articles of association, or authorities to increase or reduce the share capital. Such matters require the approval of at least two-thirds of the share capital represented at the general meeting.

Link to the articles of association:

<https://investor.fjordkraft.no/en/board-of-directors-and-corporate-governance/articles-of-associations/>

Deviations from the Code of Practice: The Code of Practice recommends that the Board and chairman of the Nomination Committee be present at general meetings. Fjordkraft has not deemed it necessary to require all board members to be present at general meetings. The Chairman of the Board, the Company's external auditor, the chairman of the Nomination Committee, the CEO and other members of management are always present at general meetings. However, on the day of the general meeting on 14 May 2019 the chairman of the Nomination Committee was represented by another member of the committee, Jannicke Hilland.

7. Nomination committee

Pursuant to the articles of association, the Company shall have a Nomination Committee that shall consist of at least three members, where the majority of the members are independent of the Board of Directors and the Company's executive management. The current members of the Nomination Committee are Lisbeth Nærø (Chairman), Jannicke Hilland and Knut Barland.

The annual general meeting elects the members of the Nomination Committee. The members of the Nomination Committee are normally elected for a term of two years.

The Nomination Committee submits its recommendations to the annual general meeting for the election of board members and the Board's remuneration.

The general meeting has stipulated guidelines for the duties of the Nomination Committee, which are available from Fjordkraft's website.

All shareholders are entitled to propose candidates for the Board and the Nomination Committee through the Company's website.

Deviations from the Code of Practice: None

8. Corporate assembly and board of directors: composition and independence

Corporate assembly

As of today Fjordkraft has no corporate assembly. An agreement has been reached between the Company and a majority of the employees that the Company will not have a corporate assembly in

accordance with the Section 6-35(2) of the Public Limited Liability Companies.

Composition of the Board

The Board consists of eight members, of whom five are elected by the general meeting and three are representatives of the employees. More than the minimum required two board members elected by the shareholders are independent of the Company's largest shareholders. Board members can be elected for a period of two years.

The Board must at all times represent sufficient diversity in terms of background, competence and expertise to ensure that it can satisfactorily perform its duties. Fjordkraft's Board will always consist of at least 40 per cent women. Value creation for the shareholders of the Company will always be the Board's highest priority, both financially and reputationally speaking.

Independence of the Board

Operating as a collegiate body to promote value creation in the interests of the various stakeholders is key. The Board shall represent all stakeholders and not promote individual interests at the cost of the Company or any of its affiliates. Hence, the majority of the members elected to the Board are independent of the company's executive management and its main business connections. This is intended to ensure that the interests of the shareholders are always properly represented. Once a board member has been in office for a certain period, an assessment will be made of whether the person can still be regarded as independent of the executive management or not.

The general meeting elects the Chairman of the Board.

Fjordkraft encourages board members to hold shares in the Company to create a commonality of financial interest between themselves and the shareholders. The shares held by board members in 2018-2019 are listed in the notes to the financial statements in the Annual Report 2019.

Board members, including their CVs, are presented in this Annual Report and on the website: <https://investor.fjordkraft.no>. The Board is of the opinion that it has sufficient expertise and capacity to perform its duties in a satisfactory manner.

Deviations from the Code of Practice: None

9. The work of the board of directors

The Board is responsible of determining the instructions for their work and instructions for the executive management. The internal division of responsibilities and duties must always be clear. Instructions have been drawn up for the Board's work and these have been approved by the Board. The Board is responsible for supervising the day-to-day management and activities in general. They must also delegate authority and nominate board committees when this is seen as expedient and more efficient. The Board is responsible for ensuring that the Group's activities are soundly organised and for approving all plans and budgets for the activities of the Group.

Fjordkraft has prepared guidelines ensuring that board members and executive management personnel notify the Board in the event that they, directly or indirectly, have a significant interest

in any agreement entered into by the Company.

In the event of a matter that is material in nature and in which the Chairman of the Board is, or has been, personally involved, the consideration of this matter is chaired by another board member to ensure impartiality in the decision-making process.

In accordance with the Norwegian Public Companies Act the Board has appointed an Audit Committee. More information about this can be found in Section 15 - Auditor. The majority of the members of this committee shall be independent.

The Board has established a Remuneration Committee. The committee prepare items for consideration by the Board and its authority is limited to making such recommendations.

The Board evaluates its own performance on an annual basis and assures itself that its mix of board members possesses the competence and expertise necessary to govern the Company in a professional and appropriate matter. Details of any board committees appointed and/or newly appointed board members is presented in the annual report. No board committees were appointed during the year to consider particular matters other than the Audit Committee and Remuneration Committee.

Deviations from the Code of Practice: None

10. Risk management and internal control

It is the Board's responsibility to ensure that the Company practises proper internal control and has systems for risk management that are appropriate in relation to Fjordkraft's activities. The Board must annually review and approve the risk management

and internal control guidelines through its approval of the instructions for risk management and internal control.

The Board has delegated responsibility for monitoring and following up current risk exposure to the executive management. The CEO is responsible for ensuring compliance with the instructions given in this document. The CEO is also responsible for carrying out risk assessments from a business perspective.

The Company's CFO bears executive responsibility for the management and follow-up of the Company's risk management and internal control.

Fjordkraft has established a three-line defence system. This comprises the first line, second line and third line.

- The first line consists of line managers who are risk owners. Division and staff managers own the risk in their division/staff and are responsible for risk assessment and measures being taken in their division/staff. It is the risk owner's responsibility to ensure adequate risk management and internal control within his or her area of responsibility.
- The second line consists of roles that have professional and methodological responsibility, but no responsibility for any profits. The Company's second line is responsible for facilitating and reporting the Company's processes for risk management and internal control. The risk management function is part of the second line and consists of the Risk Manager, Finance Manager, Head of Security and Head of Power Trading.

- The third line consists of the internal audit function which reports directly to the Board's Audit Committee and performs control of both the first and second line. One or two internal audits are conducted each year based on the internal audit plan.

The instructions for risk management and internal control define the main principles for Fjordkraft's comprehensive risk management and internal control and apply to all parts of the business and all risk categories, including strategic, market, liquidity, credit and operational risk. Risks related to information security, climate, compliance and corruption and fraud are part of operational risk.

The purpose of the instructions is to develop and maintain a framework for overall risk management, to set principles for risk reporting in the business, to create predictability about measures taken to deal with risk, and to ensure an appropriate and effective internal control system. The framework shall ensure uniform processes for identifying, measuring, managing and reporting significant risks. The instructions shall describe the limits for the different risks that Fjordkraft can and will assume to achieve its goals, and what roles the various functions have in relation to risk management. Furthermore, the instructions shall contribute to ensuring that adequate internal control has been established.

Fjordkraft shall focus on building a strong risk and internal control culture where employees are aware of their responsibility to ensure good risk management and internal control. As a result,

internal control shall primarily be targeted at areas where risks are identified. For the same reason, the follow-up of key employees' compliance with the Company's code of conduct will involve self-declarations rather than regular audits.

Guidelines for risk management and internal control

ISO31000 provides the basis for Fjordkraft's framework for risk management. This means that risk is to be understood as "the impact of uncertainty related to goals". Generally, this means that risk is to be understood as the effect of uncertainty related to Fjordkraft's strategy plan as approved by the Board, while risk at a staff and division level is to be understood as uncertainty related to the achievement of goals defined in sub-strategies.

Fjordkraft practises a general principle that risk is not to be avoided, but taken consciously and controlled while optimising it in relation to earnings. Fjordkraft approaches risk systematically and risk management must be an integrated part of the Company's operational and strategic management.

Risk management shall support the achievement of Fjordkraft's overall strategy and be an significant part of the strategic plan.

Internal control in Fjordkraft shall be established at a reasonable and appropriate level, in line with Fjordkraft's values and risk willingness.

Risk willingness and limits

Risk willingness describes how much risk Fjordkraft is willing to assume to achieve goals within different categories of risk. A higher risk willingness within a category indicates that the Company shall

exploit the risks actively, but at the same time is willing to assume exposure to these risks. Lower risk willingness indicates that the Company seeks to limit exposure to these risks. Risk willingness will not necessarily remain constant and may change over time.

The CEO and the Company's first line shall make sure that its risk exposure is in line with the limits and guidelines provided. Violations of frameworks and guidelines shall be reported to the Board's Audit Committee.

Risk-based internal control

Fjordkraft shall take a risk-based approach towards internal control work to ensure appropriateness and efficiency. This means that the internal control work shall, as far as possible, correspond to the risks identified in connection with the Company's risk management process.

Risk and internal control reporting

A risk report shall be submitted to the executive management at least quarterly. The report shall clearly indicate the Company's most significant risks, as well as the proposed measures for managing them. For those risk categories where specific exposure limits have been set, the report shall also include how these limits has been utilised.

In addition to the overall risk report, monthly reports shall be provided for credit risk, liquidity risk and market risk.

In connection with risk reporting, information on the status of measures adopted by the executive management and/or the Board's Audit Committee to deal with risk shall also be provided.

The Risk Manager, together with the CEO, shall submit a risk report for all risk categories to the Board's Audit Committee at least semiannually. The report shall clearly identify the Company's most significant risks, as well as proposed measures, responsibilities and deadlines for managing these where relevant.

The various roles in the risk management function are also responsible for notifying the CEO if events and/or uncertainties occur which indicate that risk management activities should be performed with greater frequency. If there is reason to believe that a conflict of interest may exist in relation to the CEO's assessment and management of risk, the risk management function has the right and duty to report on significant risk directly to the Board's Audit Committee.

Each year, the Risk Manager shall compile a report for the executive management on the internal control work performed and the condition of the internal control system.

Financial reporting

The Board and the executive management are responsible for establishing and maintaining adequate internal control for financial reporting. The internal control of financial reporting is supervised by the CFO. The process is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU) and interpretations issued by the IFRS Interpretations Committee

(IFRS IC) applicable to companies reporting under IFRS. The financial statements comply with IFRS as issued by the International Accounting Standards Board (IASB).

The Audit Committee monitors financial reporting and its related internal controls, including the application of accounting policies, estimates and judgements.

The Group has a monthly reporting process where the financial results are presented and reviewed in a management report. Extended controls are carried out as part of the quarterly and year-end reporting processes.

The Board is of the opinion that the Group has sufficient expertise to perform proper and efficient financial reporting in accordance with IFRS and the Norwegian Accounting Act.

Deviations from the Code of Practice: None

11. Remuneration of the board of directors

The remuneration paid to board members is decided annually at the general meeting, based on a proposal from the Nomination Committee. The remuneration shall reflect the Board's responsibilities, expertise, time commitment and the complexity of the Company's activities. The fee paid to board members are fixed for the year and dependent on the role the member has on the Board, and is not linked to the Company's performance. The remuneration paid to each board member is disclosed in the notes to the financial statements in the annual report.

Stock options in the Company are not held or issued to the Board of Directors.

Board members and/or companies they are associated with shall ordinarily not take on specific assignments for Fjordkraft in addition to fulfilling their responsibilities as a board member. Any such situations must be disclosed to the full Board, and any remuneration for such additional assignments must be approved by the Board.

Deviations from the Code of Practice: None

12. Remuneration of executive personnel

The Board has established guidelines for the remuneration of the members of the executive management. It is a policy of the Company to offer the executive management competitive remuneration based on current market standards, and company and individual performance. The remuneration consists of a basic salary element combined with a performance-based bonus programme. The management is covered by the Company's insurance policies and each member is entitled to certain additional benefits, such as a set car allowance. A special statement on the remuneration of executive personnel is prepared for the general meeting.

The CEO and the other members of the executive management may terminate their employment with the Company with 6 months' written notice. The CEO is entitled to severance payment for a period of 12 months following termination of employment.

In accordance with the Public Limited Liability Companies Act, the Accounting Act and the NCGB Code of Practice, the details of the remuneration is disclosed in the notes to the financial statements. The remuneration to be paid shall be understanda-

ble and receive the general acceptance of relevant stakeholders.

Deviations from the Code of Practice: None

13. Information and communications

All reporting of financial and other information is based on transparency and takes into account the requirement for the equal treatment of all participants in the securities market. The Board establishes guidelines for the presentation of this information. A financial calendar and shareholder information is published on Fjordkraft's web pages: www.fjordkraft.no and <https://investor.fjordkraft.no>. All communication with regards to investor relations is published on the company's website, including quarterly reports, public presentations and the payment date for any dividends.

Information shared with the company's shareholders is published on Fjordkraft's website at the same time as it is sent to the shareholders.

Deviations from the Code of Practice: None

14. Take-overs

Fjordkraft's articles of association do not contain any restrictions on the negotiability of its shares, nor will the Board seek to hinder or obstruct any public bid for the Company's business or shares unless there are particular reasons for doing so.

In the event of a take-over bid, the Board will issue a statement to the shareholders in which they will make a recommendation as to whether shareholders should or should not accept the bid.

This statement will include a valuation from an independent expert, including detailed explanations.

Deviations from the Code of Practice: None

15. Auditor

In accordance with Norwegian law, the Board delegates authority to an Audit Committee that pre-approves the external auditor's audit plan. The auditor presents the main features of the audit plan to the Audit Committee each year.

A review of the Company's internal control procedures is presented to the Audit Committee at least once a year and the auditor reports any identified weaknesses and other areas for improvement.

The auditor is invited to participate in meetings held by the Board when annual accounts are being discussed, and attends every meeting held by the Audit Committee. At these meetings the auditor will report on any material changes to the Company's accounting policies and material accounting estimates. The auditor will also report on any material matters in which there has been disagreement between Fjordkraft's executive management and the auditor. The auditor must be present and present the auditor's report when the annual report is approved by the general meeting.

The Board must, at least once a year, hold a meeting with the auditor at which neither the CEO nor any other member of the executive management is present.

Guidelines have been established by the Board regarding the use by the Company of the auditor

for non-auditing services. These are intended to make the Company's executive management more aware of the auditor's independence.

The remuneration paid to the auditor is reported by the Board at the annual general meeting. This includes details of the fees paid for the audit itself, as well as any fees paid for other specific assignments. The remuneration paid is also disclosed in the notes to the Company's financial statements.

Deviations from the Code of Practice: None

2.5

Board of Directors



Per Axel Koch

Chairman

Chairman and Board member since
21 March 2018

Background: Per Axel Koch was born in 1961 and lives in Trondheim. He was elected to the Board of Directors by the General Meeting on 27 February 2018 with effect on and from the date of Listing. Mr Koch is CEO of Polaris Media ASA, an Oslo Børs listed company, which he has held since the company was established in 2008. He has more than 20 years' top managerial experience from the media industry. Mr Koch has from 1991 until 2008 held several management positions at Adresseavisen ASA including as CEO, Managing Director and Deputy Managing Director. Prior to 1991, Mr Koch was a consultant at McKinsey & Company (1988–1991) and at Wilh Wilhelmsen ASA (1987–1988).

Mr. Koch has over 20 years' experience as a representative on various company boards including Chairman of Sparebank 1 SMN (2001–2013), Chairman of AtB AS since 2016, Chairman of Papirkjøp AS since 2005, Chairman of Mid Norway Jazz Centre since 2014, Board Member of FINN.no AS since 2000, Board Member of Trønder-Avisa AS since 2010, as well as Board Member of Norwegian Jazz Forum since 2015.

Education: Mr Koch holds a Master of Science in Economics and Business Administration (Siviløkonom) and a Graduate Programme in Economics and Business Administration from the Norwegian School of Economics (NHH).



Birthe Iren Grotle

Board Member

Board Member since
15 December 2017

Background: Birthe Iren Grotle was born in 1965 and lives in Knarrevik. She has served as Deputy Chairman and Board Member of Fjordkraft Holding ASA since 15 December 2017, as deputy chairman of Fjordkraft AS from 2013 to 2017 and as Board Member of Fjordkraft AS in the period 2011–2013. Ms Grotle is Senior Advisor for industrial ownership in BKK AS. She has broad experience with management and has held various management positions in her career, including Deputy Managing Director of Kunde BKK AS from 2010 until 2016, Deputy Managing Director of BKK Marked AS from 2007 until 2010 and Chief Executive Officer of Coop Hordaland BA from 2005 until 2006. Ms Grotle has vast experience from various retail businesses including Manager of Deloitte & Touche Management Solutions, Administration Manager of NKL Bergen and Senior Consultant at Deloitte Consulting.

Education: Ms Grotle holds a Master of Science in Economics and Business Administration (siviløkonom) from the Norwegian School of Economics (NHH).



Heidi Theresa Ose

Board Member

Board member since
14 May 2019

Background: Heidi Theresa Ose was born in 1983 and lives in Oslo. She has served as board member of Fjordkraft Holding ASA since 14 May 2019. Heidi Theresa Ose has since 2018 been employed as Director of Hydropower Development in SN Power. Ms Ose was employed at Sweco Norway in 2009 and has broad experience from hydropower projects in South-America, Africa and Asia. She has been Senior Vice President of Hydropower and Dams in Sweco Norge AS (2017-2018) and Area Manager for Hydropower (2013-2016), Project Manager and Hydropower Planner (2011-2013), Trainee in hydropower (2009-2011). She has worked for Statkraft AS with hydropower in Albania (2008-2009).

Education: Heidi T. Ose holds a Master of Science in Energy and Environment from the Norwegian University of Science and Technology (NTNU). She has studied Energy Systems for Developing Countries at Makerere University in Uganda. She has also studied Project Management at Oslo University of Applied Science and Management Competence at Board Level at the Norwegian Business School (BI).



Live Haukvik

Board Member

Member since 21 March 2018

Background: Live Haukvik was born in 1963 and lives in Tønsberg. Ms Haukvik was elected to the Board of Directors by the General Meeting on 27 February 2018 with effect on and from the date of Listing. She is currently the COO of Komplett Group since 2014. Ms Haukvik has extensive experience as an executive and director of a diverse range of listed and fast-growing companies. She has been CEO of Goodtech ASA (2000-2005), CFO of Tandberg Data ASA (2006-2007), CFO of Grenland Group ASA (2007-2008) as well as CFO/COO of Komplett Group (2011-2017). She also has experience as partner at Considium Consulting Group from 2008 until 2011 and as supervisor and manager at KPMG.

Ms Haukvik is chairman of Komplett Bank ASA and has extensive board experience from several blue-chip companies including, amongst others: Eksportfinans, Agasti ASA, Kvaerner ASA, BI Norwegian Business School, Sparebanken 1 SRBank-Buskerud and Borgestad.

Education: Ms Haukvik holds a Master of Finance (liz.rer.pol.) from Université de Fribourg, Switzerland, and a Master of Management, with specialisation in Service Management, Cognitive Psychology and Scenario Building from The Norwegian Business School (BI).



Steinar Sønsteby

Board Member

Member since 21 March 2018

Background: Steinar Sønsteby was born in 1962 and lives in Bærum. He was elected to the Board of Directors by the General Meeting on 27 February 2018 with effect on and from the date of Listing. Mr Sønsteby is currently the Chief Executive Officer of Atea ASA. Mr Sønsteby is an IT and technology expert and has been instrumental in establishing the IT infrastructure industry in Norway. He has since 1996 held the position of Chief Executive Officer and Chief Operating Officer of entities that have since been combined with Atea ASA, including Merkantildata (Norway and Sweden). Prior to this, Mr Sønsteby has held several managerial positions, including CEO of Skrivervik Data AS and Section Manager NPC Civil AS. Mr Sønsteby has extensive M&A and integration experience, having been involved in over 50 acquisitions.

Mr Sønsteby is Board Member of various entities in the Atea Group.

Education: Mr Sønsteby holds a Master of Science in Mechanical Engineering (Civil Engineering) from the University of Utah and is a Business Candidate in finance from the Norwegian Business School (BI).



Frank Økland

Board Member (employee representative)

Member since 15 December 2017

Background: Frank Økland was born in 1969 and lives in Bergen. He has served as Board Member of Fjordkraft Holding ASA since 15 December 2017 and as a board member and employee representative of Fjordkraft AS since May 2003 in various periods. Mr Økland has been a sales manager in the Alliances and Concessionary division of Fjordkraft since 2014 and was a Key Account Manager for major customers from 2006 until 2014. Mr Økland has held secretarial positions with Fjordkraft from 2000 until 2004, with BKK Kraftsalg from 1996 until 1999 and with Bergen Lysverker AS from 1993 until 1996. He also has work experience from Heffermehl Inkasso AS, Forsvaret, Bergen Kommune and Nordbye Engros AS.

Education: Mr Økland holds two diplomas, one from the Norwegian School of Information Technology (NITH) in computer science and one from the Norwegian School of Economics (NHH) in mathematics and statistics.

**Elisabeth Norberg**

Board Member (employee representative)

Member since 14 May 2019

Background: Elisabeth Melheim Norberg was born in 1973 and lives in Nøtterøy. She has served as board member and employee representative of Fjordkraft Holding ASA since 14 May 2019. Ms Norberg was employed at Vestfold Kraft Energi in 2000, where she started as a marketing consultant and became employed at Fjordkraft when the company was established in 2001. Today she is the leader of digital ecosystem in Fjordkraft. Norberg has 19 years of work experience from the electricity retailing industry. During the years in Fjordkraft she has worked as a Webmaster (2001-2012), Digital Adviser (2012-2019) and Head of User Experience (2019).

Education: Ms Norberg is an IT Marketing Economist from the Business Academy, specializing in IT projects. She studied in eBusiness at the University of Lund and has certification from the Digital Marketing Institute.

**Lindi Bucher Vinsand**

Board Member (employee representative)

Member since 15 December 2017

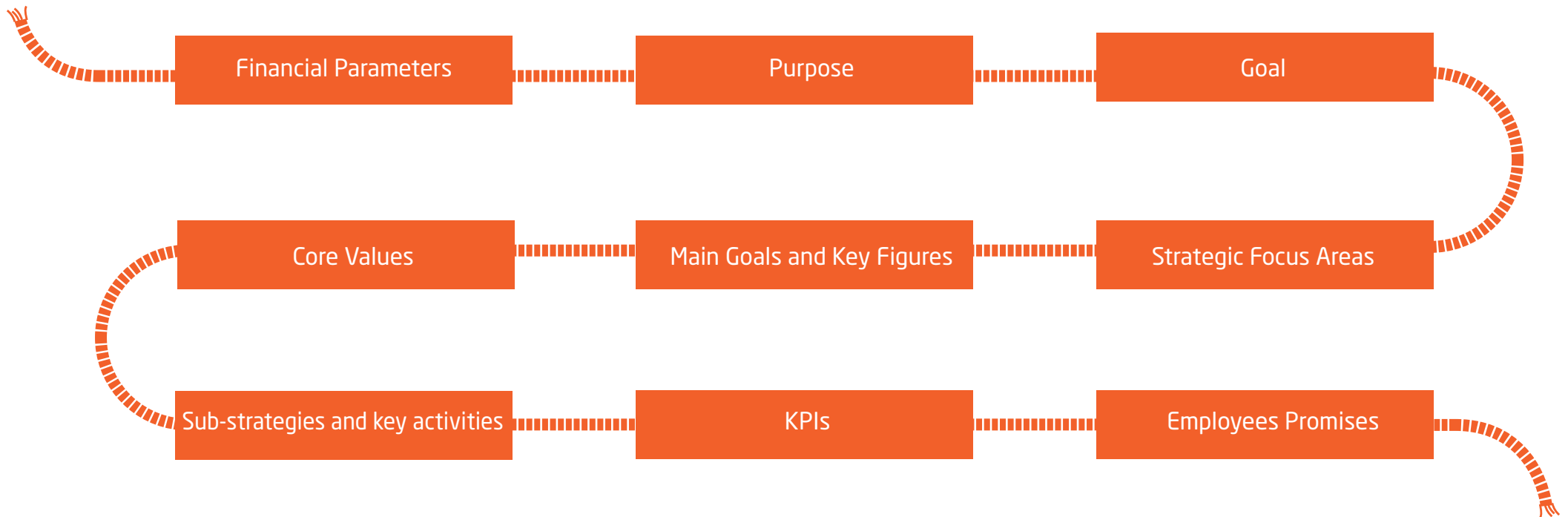
Background: Lindi Bucher Vinsand was born in 1956 and lives in Horten. She has served as board member of Fjordkraft Holding ASA since 15 December 2017 and was alternate board member of Fjordkraft AS from May to December 2017. Ms Vinsand has been Senior Advisor of Customer Service since 2017, however, she has been with the company since its origin. Ms Vinsand has 25 years' experience in the energy industry. Prior to joining Fjordkraft in 2001, she has work experience from Nøtterøy Everk and Vestfold Kraft Energi AS.

Education: Ms Vinsand holds a Bachelor of Science in Energy and Climate Technology from the Oslo College of Engineering and has taken a project management course from the Vestfold University College (HiVe).

Part 3

3.1 Strategy and strategy planning at Fjordkraft

Fjordkraft's strategy process is closely related to its management philosophy, ensuring that the strategy work is broad-based and not the exclusive province of the senior management. Fjordkraft's strategy addresses how the Group can defend and maintain its current competitive advantages and earnings, and how it can develop new advantages and business areas. Scenario modelling is a central tool in the Group's strategy work.



Fjordkraft's strategy process is closely related to its management philosophy, ensuring that the strategy work is broad-based and not the exclusive province of the senior management. A high degree of involvement ensures continuity from our overarching strategic choices right down to the individual employees' activities. The strategy plan serves as the basis for decisions in our everyday work, providing us with a long-term perspective and the power to implement changes. This has been a key focus area for Fjordkraft's strategy work since 2013.



Strategy and strategy planning at Fjordkraft

Fjordkraft's strategy process is closely related to its management philosophy, ensuring that the strategy work is broad-based and not the exclusive province of the senior management. Fjordkraft's strategy addresses how the Group can defend and maintain its current competitive advantages and earnings, and how it can develop new advantages and business areas. Scenario modelling is a central tool in the Group's strategy work.

General philosophy

Fjordkraft's strategy work is based on a high degree of involvement, in which we focus on defining collective ambitions in all areas of the organisation. This is especially important in periods of strong growth in order to ensure that new services and locations are involved in the same process and methods. This process ensures continuity from our overarching strategic choices right down to the individual employees' activities. Strategy work provides us with motivation, direction and differentiation. The strategy plan also serves as the basis for decisions in our everyday work, providing us with the power to implement changes and to take a long-term perspective. Rapid changes due to digitalisation and changing parameters mean all managers must be strategists for their area. They must be familiar with the best practices and always be looking ahead. The development of sub-strategies and key activities ensures there is a clear focus on strategic challenges and opportunities within all key areas. Our proprietary strategic planning process is a hybrid model where strategy and tactics are merged throughout the organisation.

Fjordkraft wants to continuously adapt to

ensure we stay ahead of developments. We firmly believe that creating economies of scale will be a critical success factor in continuing the positive development in our profitability. This applies to all parts of the organisation and demands continuous growth. The regulatory framework has ensured that regional end-user companies have been favoured, through the monopoly on premium rate services and vertically integrated brands. The new customer-oriented market model and the digitalisation of the industry are paving the way for more fair competition, new business opportunities and changes in the distribution of wealth creation throughout the entire value chain. We will optimise our business operations to ensure we are always rigged to be able to deliver satisfactory returns to our owners, regardless of the price pressure in the industry. We see that the time is ripe for consolidation and strong growth for a handful of national companies. Thanks to our broad customer base, expertise, "Factory" process and market muscle, Fjordkraft is extremely well positioned to take a leading position in the future market.

ESG – finding the right balance

To be the most attractive electricity supplier in Norway, Fjordkraft must balance the interests of customers, employees, owners and society as a whole. At times, we may concentrate on a single group, but over time we must spread our efforts; measures that are favourable for multiple stakeholders are thus the best. To make the greatest possible contribution to sustainable development we have to identify the measures that benefit society and at the same time can support our business operations. Our most important initiative is "Klimanjaro" in which we set requirements for our suppliers and strive for a climate-neutral value

chain. Klimanjaro can be reproduced by any company in any market around the world

Current good-value offers to customers and sources of growth that are already in operation

Fjordkraft works continuously to optimise the savings proposals and services we offer to our various customer groups. We currently have three main segments in which services are distributed as follows:

1. Residential
 - a. Electricity – Continued pressure on sales of core products and exploitation of the opportunities afforded by combined invoicing. We can now see attractive possibilities in the digital user experience, both in the consumer and the business market. Fjordkraft has during the last few years increased its focus on innovation in the user interface, helping customers to benefit from the new opportunities afforded by electrification.
 - b. Mobile – Fjordkraft as a mobile telephony operator. The main goal is to strengthen loyalty among existing electricity customers, while supporting the vision of two million electricity customers by allowing us to reach all members of the household.
2. Corporate
 - a. Electricity – Continued pressure on sales of core products and exploitation of the opportunities afforded by combined invoicing.
 - b. Energy and climate consulting – Our proprietary reporting solution is offered to all

customers and reports on consumption, cost, price forecasts and comparison of consumption and temperature. We differentiate in the market by offering Energy Mapping, Energy Labelling and a climate reporting tool.

3. Alliance

- a. Extended alliance – Operating services within message exchange, account settlement, invoicing and payment collection for alliance partners. Exploiting economies of scale in the Fjordkraft Factory.

All the current services and savings proposals correspond to exploitation of our competitive advantage: strong brand, large customer base, strong distribution power and the "Fjordkraft Factory". The "Fjordkraft Factory" has been developed to digitalise and simplify the Group's account settlement, invoicing, and payment collection processes.

A good attack is built on good lines of defence

We still believe that it is necessary to invest in areas that can yield a competitive advantage and that these advantages must be actively maintained on an ongoing basis. This has resulted in our current focus on building market muscle and significant investments in size, branding, distribution and digital processes.

Fjordkraft has focused on building strong lines of defence. Our main aim has been to uphold the return on the core product for as long as possible, as we do not currently see any other sources of income that could replace revenue from electricity in the short or medium term. Sector convergence is thus primarily a line of defence that will enable us to compensate for falling margins in the future.

We have defined three distinct lines of defence:

1. Maintain and develop net revenue

We have initially focused on high sales activity and expansion of the service spectrum to ensure increased loyalty among existing customers and uphold the existing revenue streams.

- High gross sales and increased market shares – Broad distribution, high Top of Mind score, regulatory parameters (supplier-centric model), consolidation
- Product development – Product management and portfolio optimisation
- Customer service and loyalty programmes – Customer loyalty, attraction, reduced sensitivity to price pressure

2. Cost efficiency to maintain and develop EBITDA

Our second line of defence focuses on cost leadership, as we expect this to be the “end game”. It is important to automate, while getting more customers to subscribe to the “Fjordkraft Factory”. We create value for our customers by delivering the right service at the right time, and we shall keep our promises in dialogue with our customers. We work every day to make things easier, for our customers, for our colleagues and for ourselves. At the same time, the continuous development of smart, innovative solutions should make it easier to be a Fjordkraft customer.

- Digitalisation – Continuous improvement
- Consolidation – Accelerated capitalisation of process improvements requires acquisitions

- Operational excellence – Low-cost company using the LEAN methodology

3. Developing new business

Our third line of defence focuses on developing entirely new business areas and new geographical areas. After several years of positive developments in our financial performance, growth, position and customer satisfaction, we have identified a need to develop the business beyond selling electricity. The most promising direction for our future expansion is sector convergence in the role of service provider – starting new sigmoid curves. We expect future technological shifts to entail increased pressure on electricity prices, at the same time as more and more customers will become self-sufficient. In the face of this outlook, it will be important to provide services related to the establishment of distributed production and at the same time meet the customers’ needs as a “prosumer” – the buying and selling of electricity, and the financing and insurance of the solar power systems.

- New business– New income from existing customers
- New countries – Exporting existing activities to new geographical markets

The entire future sustainability system must be maintained in parallel to ensure satisfactory returns and dividend capacity. This means that we must work on all three lines of defence at the same time.

New partnerships

Fjordkraft has grown into an attractive industrial

partner, having provided scale through industrial partnerships for many years. We have now modified our strategy and decided to initiate joint ventures under the condition of running the business on the Fjordkraft Factory.

We have also opened the way for co-ownership in other parts of the value chain. A recent example is our newly acquired 40% stake in Metzum, which offers rating and billing software to the sector.

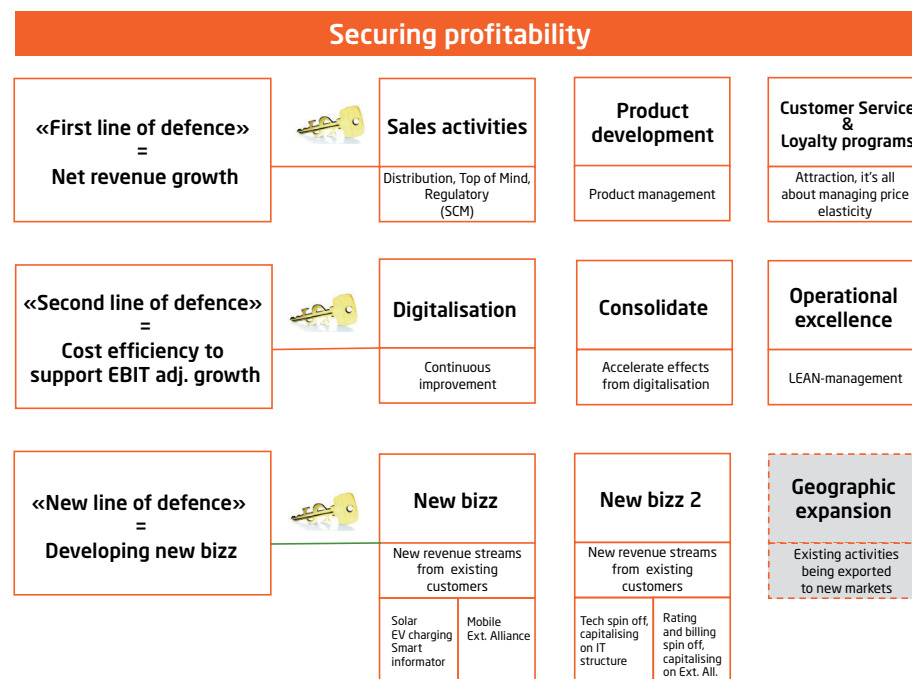
Scenario planning

In 2019, we chose to expand the horizon from 2025 to 2030. Working on the 2030 scenario has given the organisation greater confidence and the

capacity to follow through. This is because we now have a better understanding of which factors we can control, and which factors we cannot control. In addition, thinking about how we will act in different scenarios means adaptation to new realities can be implemented quickly. We have also acquired a good basis for testing the robustness of the strategy we have developed against the various scenarios.

In this context, we have prepared clear “flags” describing which events might trigger the individual scenario. The events are related to the critical uncertainties in the scenario model, and the scenario flags are evaluated and reported on a quarterly basis.

Securing profitability through the three <defensive lines>



Part 4

4.1

Board of Directors' Report

Fjordkraft Holding ASA and the Fjordkraft Group

Fjordkraft Holding ASA has completed its first full year as a listed company. In 2019, the Group again successfully matched and surpassed its good performance from the previous year. The Group achieved an operating result (EBIT adjusted) of NOK 491 million for 2019, compared with NOK 390 million for 2018.



The financial statements for 2019 were prepared in accordance with the IFRS accounting standard.

Fjordkraft has implemented IFRS 16 since the 2019 financial year. The NGAAP accounting standard was applied up to and including the 2016 financial year.

The Group's overall operations

Fjordkraft is Norway's leading brand for electricity sales in the consumer market and among the largest in the business market. The Group is a national electricity retailer and provider of related services to the consumer, public sector and business markets. Fjordkraft also operates an alliance concept consisting of 30 small and medium-sized electricity companies, which purchase marketing, system, settlement and billing services from Fjordkraft. Since 2017, the Group has offered mobile telephony services to the consumer market.

The Group accounted for a total of 622,092 electricity deliveries at the end of 2019 in the consumer and business segments. Public-sector customers are part of the business segment. The Group accounted for a total of 604,973 electricity deliveries at the end of 2018 in these segments. This is an increase of 17,119 electricity deliveries. The Group also manages 33,464 electricity deliveries in its extended alliance concept. Including the alliance concept, the Group had 654,188 electricity deliveries at the end of 2019. This represents a year-on-year growth of 15,751 deliveries compared to 2018.

The electricity retail industry has more than 100 players in Norway and has relatively low technological entry barriers. However, the barriers to achieving growth and profitability are high, primarily because of high brand recognition, an efficient sales system and cost-effective processes surrounding the customer lifecycle are all areas where investment is required. The competitors are made up of local, regional and national players.

Managing customer portfolios in the business market and for public companies requires expertise in the power market in particular, and financial markets in general. Becoming a national player requires a large volume of customers to achieve the efficient processes and financial strength necessary to build up a recognised brand and breadth in sales and distribution channels.

Fjordkraft's head office is in Bergen. In addition, the Group has offices in Oslo, Sandefjord, Sortland and Stavanger, and also in Trondheim via its subsidiary TrøndelagKraft AS. The Group's customer service centres are located in Bergen, Sandefjord, Sortland and Trondheim.

Fundamental conditions

Norwegian electricity production amounted to 134.6 TWh in 2019, which is a decrease of approximately 12.5 TWh from 2018. Electricity consumption in Norway was 134.7 TWh, which is similar to

2018. Hydropower accounted for 93.4 per cent of total domestic power generation. Wind power production in Norway increased during 2019 and amounted to 4 per cent of the total (5.5 TWh).

For the country as a whole, the first quarter of 2019 and December 2019 saw higher temperatures than the corresponding periods in 2018 and what is normal at these times. In both 2018 and 2019, summer temperatures were above average.

The Fjordkraft Group sold a total volume of 17.9 TWh of electricity in 2019, compared with 17.6 TWh in 2018. This volume does not include production and licensed power management.

The first half of the year saw price levels similar to the previous year, while prices were lower than in 2018 from June and to the end of the year. The average price on the Nordic power exchange was 38.35 øre/kWh for 2019, compared with 42.25 øre/kWh for 2018. January was the most expensive month of the year, with an average price on the Nordic power exchange of 52.60 øre/kWh. The last 15 years have seen only two months, in 2011 and 2006, with a higher monthly average price in NOK.

Digitisation in the industry

Elhub was launched for the power industry on 18 February 2019, after NVE commissioned

Statnett in 2013 to establish a national data hub to encompass all electricity meter data in Norway. The planned start date for Elhub was postponed from October 2017 to February 2019.

Elhub is a national neutral data hub that handles all measurement data and market processes in the Norwegian energy market. Standardised interfaces for message exchange allow all market participants to deal with a single player. Elhub receives and processes incoming messages, and then generates reply messages to the sender and relevant actors. Elhub is an important prerequisite for managing the huge volumes of data resulting from the introduction of digital electricity meters (AMS).

Elhub is intended to provide simpler and better processes and improve the quality of data transfers between the players in the industry. For electricity customers, the aim of Elhub is better quality information transfers, equal treatment and less risk of mistakes being made.

After the introduction of Elhub and as a result of the services delivered through Fjordkraft's alliance concept, the Group handles several hundred million data transactions per year through the "Fjordkraft factory". The number has increased from a couple of million transactions a few years ago.

The government set a deadline of 1 January 2019 by which all homes should have digital electricity meters installed. The country's power grid companies have been moving at very different speeds when it comes to installing meters. For a significant number of customers, automatic readings and hourly consumption were only available towards the end of 2019. This is because the

power grid companies carried out prolonged testing before sending any data. This affects settlement and billing, and hence customer perceptions and satisfaction. There are still some digital meters that do not transmit data.

Market

Strong brand with great digital maturity

According to Kantar's survey for the fourth quarter of 2019, 94 per cent of the adult population has heard of Fjordkraft. More than 50 per cent of the population of Norway mention Fjordkraft unprompted when asked to name an electricity supplier.

Customer satisfaction for the electricity industry was strained in both 2018 and 2019. In 2018, the main reason was high electricity prices, while customers experienced changes and had many questions related to the power grid companies' introduction of automatic electricity meters. The introduction of the message exchange for the electricity market, Elhub, from February 2019 brought a number of problems and inquiries related to settlement and billing. The situation started to normalise in the second half of the year. The price paid by the customer for electricity remains the determining factor for consumers' impressions of the industry. When electricity prices rise, the suppliers' reputation suffer. The price of grid rental also greatly affects consumers' feelings of satisfaction. This is reflected in the results from TNS

Kantar's Energy Barometer for the fourth quarter of 2019. The industry ended the year with a slight fall in its reputation.

The survey also measures customers' satisfaction with their own Group. Fjordkraft has improved through the year and now scores 70 points. This is close to the national average for electricity suppliers.

The challenges that followed the introduction of Elhub eased after the summer of 2019. This could also be seen from customer surveys conducted after this period. Every year, 25 companies in Bergen are examined to see which has the best customer service. Many national companies with large customer service operations are based in or have offices in Bergen. The scoring is based on surveys carried out by "mystery shoppers". Fjordkraft won this award for 2019, and also won it in 2016.

The analysis company Kantar conducts Norway's largest customer service survey, and assesses which company has the best customer service in its industry each year. The electricity industry is not considered in this survey, but in January 2020 the results showed that Fjordkraft came first in the telecoms category and was also rated the best of all of the companies in all industries (banking, insurance, telecoms, travel, broadband etc.).

The collaboration with Power, SAS Eurobonus, Spond, the sports chain XXL and others gives the Group access to distribution channels. Several of these are also included in a loyalty programme for existing customers. Fjordkraft is constantly working to improve its loyalty programme and raise customers' awareness of the benefits offered

through Fjordkraft. Fjordkraft Netthandel is a partnership with 150 online shops where Fjordkraft's customers get discounts and cash back via their electricity bills when they buy from the online shops.

As part of its loyalty-building work, Fjordkraft entered into a partnership with DEFA in February 2018 for the sale of home chargers for electrical vehicles. In the autumn of 2019, a pilot project on rental and billing of charging solutions for housing associations and corporate customers was launched.

Interest in solar panels and home production of electricity among private individuals is increasing slowly. With Solcellespesialisten as a supplier, Fjordkraft launched sales of solar panels to the consumer segment in April. Interest in solar panels is affected by the trend in electricity prices. There may also be a correlation between interest in electric cars and having solar panels on the roof. On Fjordkraft's website, it is easy to order solar panels and arrange for installation. The Group is also working on various solutions and business models in the business market related to solar energy. In the consumer market, Fjordkraft offers "green loans" to finance solar panels, in cooperation with DNB.

In November, the consultancy firm BearingPoint presented its fourth annual report analysing the digital maturity of 75 Norwegian enterprises. Fjordkraft was the winner in the "Energy" category for the second year in a row. The report states that Fjordkraft is making its mark in digital marketing and stands out from other players in

the energy industry. In the overall measurement of digital maturity, Fjordkraft came 17th out of the 75 companies included in the survey. Fjordkraft was the company that took the biggest jump in the rankings, up from 41st place. Other companies in the electricity industry was ranked from 46th to 68th. Digital marketing is cost-effective and represents an important sales channel for the Group.

Consumer market - electricity

Most Norwegian consumers usually have little interest in electricity as a product. This changes when market prices for electricity are high or customers are moving home. This means electricity has to be actively sold to most consumers. Therefore, having a broadly composed distribution system consisting of both internal and external partners, as well as sales channels across the country, is very important. The combination of internal and external sales channels reduces risk and provides opportunities for flexibility and benchmarking between channels. Fjordkraft makes use of numerous marketing channels. The Group meets or talks to almost two million customers and potential customers each year. This provides good opportunities for customer dialogue and represents enormous potential with regards to being able to offer customers relevant services and products.

Fjordkraft wants its customers to feel that, in addition to good electricity contracts and leading customer service in Norway, they are getting more value for their money. Its visibility and large customer base make Fjordkraft an attractive partner for other recognised brands. The aim is for cus-

tomers to see Fjordkraft as attractive enough for them to recommend the company to their friends.

Business market - electricity

In the business market, Fjordkraft accounts for more than 78,000 electricity deliveries to 32,000 business customers. Like the consumer market, the business market is fragmented with numerous retailers. Fjordkraft's business customers range in size from major groups and energy-intensive operations to medium-sized and small local production and service companies. Fjordkraft has a broad electricity distribution system thanks to its presence and sales offices in Bergen, Oslo, Sandefjord, Sortland, Stavanger and Trondheim.

Fjordkraft is a major supplier of electricity to municipalities in Norway and manages licensed power for a number of power producing municipalities. The Group also has a substantial number of other public-sector customers. The competition in the market for public sector tenders is intense. Large volumes of electricity are traded, and this requires expertise in portfolio management.

Customer surveys show that over the past two years the Group has increased its attractiveness in the business market, and enjoys 91 per cent recognition in this market. The Group is the player in the corporate market that most businesses would prefer to switch to. The survey was conducted by TNS Kantar for the first quarter of 2019. Increased attractiveness has been achieved by developing products and services for this market and through increased visibility in advertising channels, with decision-makers on business trips, and through digital channels.

Consolidation and acquisitions

Fjordkraft has stated that it intends to pursue a consolidation strategy. On 1 July, a transaction was carried out in which Fjordkraft bought 100 per cent of the shares in the end-user company Vesterålskraft Strøm AS. The acquisition included 8,600 customers and these were included in Fjordkraft's customer service and operating environment from 1 November. As a result of the purchase, Fjordkraft gained an office at Sortland in Vesterålen and this will be its main base for further investment in Northern Norway. Prior to this transaction, Vesterålskraft Strøm AS was an alliance partner for Fjordkraft and included in the Alliance segment.

New growth initiatives

Alliance services for other electricity companies

The alliance concept is Fjordkraft's partnership model for small-scale power producers, power grid companies and electricity retailers in the districts. Fjordkraft is responsible for purchases and managing the power portfolio for its members. This includes developing products and marketing materials, securing contract prices, analysis and offering expert advice in a number of areas. At the end of 2019, Fjordkraft had 30 companies in its alliance concept. The year-on-year decrease was due to company mergers. The Extended Alliance business area accounted for 32,096 electricity

deliveries at the end of 2019, compared to 33,464 at the end of 2018. Out of the portfolio at the end of 2019, 8,600 customers have been added to the customer base of Fjordkraft, as one of the alliance partners was acquired by Fjordkraft. Even apart from this, there has been growth in the portfolio.

Mobile telephony

Fjordkraft Mobile was launched on 25 April 2017. Fjordkraft's mobile telephony customers numbered 100,027 at the end of 2019. Customer growth in 2019 was 34,046, compared to an increase of 27,612 in 2018. The target is to have 125,000 mobile customers by the end of 2020. The consumer market for mobile telephony in Norway amounts to around 4.3 million customers.

The Group's mobile customers have the highest customer satisfaction of any mobile provider in the country, according to a survey conducted by EPSI in the autumn of 2019. The survey in 2018 produced the same result.

The mobile telephony market is dominated by two major players with several different brands. Mobile telephony is one of the industries with the largest marketing and advertising budgets and it takes a great deal to compete with the established players. Fjordkraft is taking advantage of its well-known brand, major distribution system, large and capable customer service centres, and expertise in billing and payments from the electricity market to serve existing customers and try to reach out to new ones. In Fjordkraft's case, the path from being an electricity retailer to a mobile phone operator was thus fairly short. The Group currently does not sell mobile telephony to the business market or physical phones and other equipment.

After two and a half years as a provider of mobile telephony, analyses show increased loyalty from customers who purchase both electricity and mobile telephony from Fjordkraft.

Fjordkraft is the largest mobile telephony provider without its own telecommunications network. Fjordkraft leases network access from Telenor. Although there are many providers of mobile telephony, the Norwegian market is in practice a duopoly dominated by Telenor and Telia. The Norwegian Communications Authority, Nkom, therefore follows this market closely and carries out bi-annually "margin squeeze tests" to monitor Telenor's handling of its market power.

The Fjordkraft Factory

The "Fjordkraft Factory" has been developed to digitalise and simplify the Group's settlement, invoicing, and payment collection processes. The "Factory" was built using a vendor-independent SOA protocol and provides infrastructure capable of coping with new market and regulatory developments such as Elhub and the "single invoice model". The platform is scalable, with the capacity to process higher transaction volumes coming from acquisitions, to support the Group's consolidation ambitions.

The Factory also provides the basis for sales of rating, billing and debt recovery services to alliance partners. This improves cost efficiency and also adds transaction volume beyond what Fjordkraft and TrøndelagKraft generate by themselves.

New technology company based on the Fjordkraft Factory

In November 2019, it was decided to invest in the technology company Metzsum AS through a joint venture with Rieber & Søn AS. Fjordkraft has been investing in and building the software platform the "Fjordkraft Factory" since 2012. The Factory has given the Group a competitive advantage and has supported Fjordkraft's growth ambitions and strategic choices. To manage this competitive advantage and commercialise it further, in 2020 a joint venture initiative has been established in a specialised software company. The new company will be cost-optimising for Fjordkraft as it will provide services for Fjordkraft more cost-efficient. Some of the components of the "Fjordkraft factory", with the exception of those that make up Fjordkraft's special competitive advantage, will also be customised, developed and managed by Metzsum to offer marketable products and services to players in the energy industry inside and outside Norway.

The aim is to create a company that owns, delivers and develops forward-looking software to power trading and grid companies in Norway and Northern Europe. Fjordkraft and Rieber & Søn aim to combine industry knowledge, networks and capital to create a leading technology and service environment. Rieber & Søn AS has extensive experience in establishing software companies in a variety of industries. Fjordkraft AS and Rieber & Søn AS each hold 40 per cent of the voting shares in Metzsum AS. The remaining 20 per cent of the shares in Metzsum AS are owned by key employees through an employee company controlled by Rieber & Søn.

Alongside this company, an enterprise to sell rating and billing services to companies across the value chain will be started in early 2020. Fjordkraft will be the majority owner of this service sales company.

Organisation

Employee growth

At the beginning of 2019, the Group had a total of 252 permanent employees, amounting to 248.7 FTEs. At the end of the year, the figures were 293 permanent employees and 288 FTEs. At the end of the year, five of the Group's employees were on parental leave. The rise in employee numbers is due to customer growth, higher levels of activity and contracted FTEs being converted into full-time positions. The average age in the Group was 38.

The Group has 63.9 FTEs covered by contract staff from staffing agencies. They mainly provide extra capacity in customer service and telemarketing. The Group has a total of 112 FTEs working in customer service and management in the consumer and business markets.

Four people, equivalent to 1.4 per cent of employees, have part-time positions at their own request. There are also 13 people working in telemarketing jobs equivalent to about 85% of a full-time position. This is in the nature of the position and is also influenced by the regulations relating to the time of day potential customers can be contacted by phone.

Total sick leave amounted to 4.9 per cent in 2019, compared with 4.7 per cent in 2018. The

target for sick leave is below 4.5 per cent. The absence is not work-related. Fjordkraft AS has signed up to the "Inclusive Working Life" scheme. A survey is conducted twice a year to learn how employees feel about their work situation and the degree to which they identify with the Group's goals and values. The surveys show that satisfaction among our employees is extremely high and the employees have a strong commitment to their workplace.

Equal opportunities

The purpose of the Anti-Discrimination Act is to promote equality, ensure equal opportunities and rights, and prevent discrimination. In Fjordkraft, men and women enjoy equal rights, opportunities and pay conditions for the same type of position. The Group actively and systematically promotes the purposes of the Act. The activities encompass recruitment, pay and working conditions, promotion, development opportunities and protection against discrimination or harassment.

The Group has an ambition for its gender equality work, and has set a goal that the proportion of women and men in Fjordkraft should be in the range of 40 - 60 per cent to ensure a good balance in the gender distribution. The Group also aims to ensure that the proportion of managers with staff responsibilities is the same as the proportion of women among the employees. At the end of 2019, women accounted for 43 per cent of employees. Of the new hires recruited to the Group in 2019, 36 per cent were women.

After the annual general meeting in 2019, the proportion of women among shareholder-elected

directors has been 60 per cent, and 62.5 per cent for the board as a whole. Overall, 28.3 per cent of management positions with staff responsibilities were held by women. In 2019, the Group's group management team had a 44/56 per cent split between women and men. This means that 53 per cent of the Group's senior management: board members and group management, are women.

The average annual fixed salary in the Group in 2019, excluding the executive management group, was NOK 582,478. The average salary for men was NOK 608,321, while for women it was NOK 547,452. The differences are explained by the fact that more men than women hold leadership positions with staff responsibilities. Sales management is an essential part of Fjordkraft's activities, and this is where there is a particular preponderance of men with staff responsibilities. Efforts are being made in recruitment processes to find more female candidates.

Operations and organisation

Fjordkraft's owners are among the Group's suppliers. BKK AS delivered services within payroll services and IT operations to Fjordkraft in the first quarter of 2019. From the first quarter of 2019, payroll services were discontinued after the tasks were insourced to Fjordkraft. Statkraft Energi AS's trading section in Trondheim delivers services within physical and financial energy trading.

Promise-based management has been an important element of Fjordkraft's culture and work methods since 2004 and aims to ensure that its strategy is converted into action in the individual's everyday lives. The Group's management

philosophy expresses how it expects managers to motivate and create results through employees.

Fjordkraft introduced LEAN as a working method in 2014, and in 2019 it focused once again on improving processes with the aid of the LEAN methodology. A training programme for continuous improvement was developed during the year and in 2019 knowledge of LEAN was further enhanced and included as a separate module in the Group's management development programme.

The Board

The Board has a total of 8 members. Per Axel Koch has been chairman since the company was listed on the Oslo Stock exchange. At the general meeting on 14 May 2019, Heidi Theresa Ose was elected by the shareholders to replace Robert Olsen. Among the employee-elected directors, Elisabeth Norberg took over as a board member from Øistein Prestø.

The Board held 9 meetings during the year. With the exception of the audit committee and the remuneration committee, there has been no board committees involving only a selection of board members during the year. The Board has discussed and evaluated its work.

The board members own shares in the company. An overview of the distribution of shares is provided in note 16 to the financial statements for 2019.

Strategy

The Group's strategic plan for 2020-2022 was reviewed and updated during the year. This will provide the basis for decisions and activities for

owners, the Board, managers and employees in the Group. Strategic assessments and discussions regularly form part of the Board's work and meetings.

Fjordkraft's strategy plan plays an important role in the managers' and employees' planning and normal workday. Managers at several levels help to shape the strategy for their areas of responsibility. Every year, as part of its evaluation and audit process, Fjordkraft chooses one priority area from the strategic plan which it subjects to particular scrutiny to test the validity of the assumptions. The framework and models produced by Osterwalder for value proposition design are used. The results are being used in the work on developing future products and business areas, as well as market communications.

Fjordkraft's strategy process is closely related to its management philosophy, ensuring that the strategy process is including the entire organisation, not only the senior management. Over time, the Group has developed a good process for involving the Group's middle management and key employees in the strategy plan and generating commitment to it.

Fjordkraft's strategy addresses how the Group can maintain its current competitive advantages and earnings, and how it can develop new advantages and business areas. Scenario modelling is an important tool in the Group's strategy work. Fjordkraft has developed a strategy account which has been used for several years to measure and document its capacity for implementing strategic decisions and goals.

After building economies of scale through industrial cooperation over many years, Fjordkraft is now

perceived as an attractive partner. The Group's strategy has changed to include joint ventures as well. The ownership in Metzsum AS, which will offer settlement and billing software to the energy sector, is an example of this.

Investor Relations

Fjordkraft Holding ASA has completed its first full year as a listed company. The company has been quoted on the main list on the Oslo Stock Exchange since 21 March 2018. The share (FKRAFT) saw a price increase of 80.4 per cent in the period from 1 January to 31 December 2019. The main index for the Oslo Stock Exchange rose by 16.5 per cent in the same period. The market value of the company at the end of the year was in excess of NOK 6 billion.

The liquidity in the stock increased through the year and the proportion of "free float" rose from 40 per cent to 70 per cent as the original owners, Skagerak Energi AS and BKK AS, reducing their holdings. At the end of the year, the company had around 4,600 shareholders. A list of the company's 20 largest shareholders is available on the website <https://investor.fjordkraft.no>

Through the year, the company has run its investor relations activities according to the strategy adopted for this area. It was a fine mark of recognition for Fjordkraft to take second place at the Stockman Prize awards ceremony in 2019. The prize is awarded to the companies nominated by Norwegian financial analysts for presenting good company information. The company was also nominated by the Oslo Stock Exchange for the "Star of 2019" award at the European Small and Mid-Cap

Awards that took place in Brussels in November. Companies are nominated by European stock exchanges. Fjordkraft was chosen as the runner-up behind the winner Admincom from Finland.

Sustainability has become a major concern and assessment criterion in the financial markets in 2019. In meetings with existing and potential investors through the year, the focus on ESG (environmental, social and corporate governance) has been a recurring issue.

Environment and sustainability

Corporate social responsibility

Fjordkraft is working towards several of the UN Sustainable Development Goals. This is covered in more detail in the sustainability report. The Group strongly believes that it can make a positive difference in efforts to reduce greenhouse emissions, in line with UN Sustainable Development Goal number 13 "Combat climate change".

Fjordkraft has been a climate-neutral Group since 2007 according to the UN definition. The Paris Agreement adopted at the December 2015 climate summit was a turning point for the Group's approach to environmental and climate issues. In 2016, Fjordkraft's senior management decided to require all of the Group's permanent contractual partners to be climate-neutral by 1 January 2019 in order to retain Fjordkraft as a customer. This has been called the "Klimanjaro Initiative".

At the UN climate conference in Katowice in 2018, Fjordkraft's "Klimanjaro" climate initiative

was chosen as one of the winners of the UN's "Momentum for Change" climate action award for 2018. Fjordkraft is the first Norwegian company to receive this award. "Klimanjaro" won the award in the "Climate Neutral Now" category. With "Klimanjaro" the Group is using its purchasing power and requiring all of its contractual partners to become climate-neutral if they wish to supply goods and services to Fjordkraft. The emission reductions Fjordkraft achieves through the Group's suppliers are 100 times greater than the Group's own emissions. Suppliers must produce climate accounts, take action and compensate for their residual emissions. The UN highlighted Klimanjaro as innovative, scalable and transferrable to all companies and industries – anywhere in the world.

Klimahub.no

As part of its CSR work in 2019, Fjordkraft has been working through "Klimanjaro" to get more companies to take an interest in using their purchasing power to demand climate-neutral suppliers. In this work, the Group has seen a need to keep track of its climate action and emissions. This also applies to corporate suppliers and partners. This was where the idea of "Klimahub" was conceived.

During the year, the Group developed the "Klimahub" web portal ready to launch in January 2020. "Klimahub" will be a portal where users can check Norwegian companies' climate footprints, create corporate climate accounts and invite partners to help create a climate-neutral value chain. The initial aim is to develop this into a portal with a wide reach among Norwegian companies. This is part of the Group's CSR work. Klimahub.no will be

free to use for businesses that want to register their carbon accounting, but it may make sense to take on sponsors and partners to support further development. Through the portal, it will also be possible to purchase climate quotas, guarantees of origin and related products from Fjordkraft and other providers.

With Klimanjaro, Fjordkraft won the Norwegian nomination in the "Social Responsibility and Environmental Awareness" classification at the European Business Awards. After contributions from 82 companies had been considered, Fjordkraft moved on to the international final in December 2019. The final was won by the British firm Macrebur.

Climate accounts

See page 19 for Fjordkraft Climate accounts.

Fjordkraft has no operations outside Norway. The Group's operations are exclusively office-based and do not include any production processes or premises. The waste from the office is sorted and recycled. Fjordkraft does not cause emissions to the air or water beyond consumption by the Group's employees using the offices and travel related to their work. The Group has committed to contributing to #plastsmart. The Group sorts and recycles plastic and has cut out disposable items and give-aways made of plastic, and will continue its efforts to reduce plastic in office equipment etc.

The Fjordkraft Group's total CO₂ emissions from energy consumption from offices and employees' business travel was calculated at 633 tonnes

Fjordkraft Climate Accounting

See page 19

Tonnes CO ₂ e	2019
Scope 1	NA
Scope 2	336,0
Scope 3	297,1
Total	633,1
Total compensations	633,1
Emissions after compensations/ allowances	0

CO₂e in 2019. Emissions in 2018 totalled 484 tonnes of CO₂e, an increase of 31 per cent. The reason for the increase from 2018 is a rise in the number of employees and the move into larger offices. With the acquisition of operations in Sortland, the number of locations has increased and this has also resulted in more travel. Of the emissions, 336 tonnes CO₂e came from energy consumption in the Group's offices, compared with 295 tonnes CO₂e in 2018. The offices in Bergen have grown, and Sortland became a new location from 1 July 2019. Guarantees of origin (GoOs) were purchased for this volume. Business travel by road and air amounted to emissions of 298 tonnes CO₂e, compared with 188 tonnes in 2018. Climate quotas equivalent to these emissions have been purchased. The Group's sites in Bergen, Sandefjord and Trondheim have been Eco-Lighthouse certified and also the offices in Oslo and Sortland will be certified.

For 2020, the Group has put in place new guidelines for travel to reduce the number of flights and the resulting CO2 emissions. The Group has excellent video conferencing facilities and the target should be reached with stricter internal guidelines and motivational campaigns.

The Group has noted that the interest in, and demand from companies for, electricity with GoOs is gradually increasing. There are national and international discussions taking place around the CO2 quota system and the use of both UN and EU quotas. As a result, the Group has decided to tighten the requirement on its suppliers that their CO2 emissions should be offset through EU allowances (EUA). Fjordkraft will use 'Klimahub' to sell EU allowances.

Ethics and compliance

The Group complies with the eight basic ILO conventions and also requires its suppliers to do so. Through its internal code of conduct, which is based on recognised national and international standards, Fjordkraft has adopted strict anti-corruption provisions. Fjordkraft's Corporate Governance report is part of the Group's annual report for 2019. The report is designed to cover all parts of the Norwegian Code of Practice for Corporate Governance.

Climate risk assessment

In the fourth quarter of 2019, the Group formalised climate risk assessment as part of risk reporting across the Group. Based on the Group's deliveries and customer base, there are not believed to be any critical risks or significant threats to the

Group's operations and customer base as a result of climate change. There is reason to expect more demand for sustainable products and investments. Fjordkraft is part of the renewable industry and will continue its development of products and services for the low-emission society.

The Group produced its first sustainability report in 2019. Work on this year's report has been inspired by an evaluation of the content from the Governance Group, covering the 100 largest companies on the Oslo Stock Exchange, which gave the company a very good report. Only 14 companies' sustainability reports were considered better than Fjordkraft's. The sustainability report is included in the Group's annual report for 2019 and discusses the other measures the Group has been working on.

Finances

The Fjordkraft Group has during 2019 experienced a stronger group performance than expected, driven by ability to maintain product margins in a competitive market as well as positive Merger and Acquisition effects. Product margin improvements is the main driver for the 18% adjusted net revenue growth. In addition to an all-time high adjusted EBIT, with improvement across all segments. In July, an agreement was signed to acquire the shares in Vesterålskraft Strøm AS, an electricity retailer in the northern region with 8,600 electricity deliveries. The purchase price was NOK 28.6 million. The acquisition contributes to increased market share in the northern part of Norway.

Based on the purchase price allocation, NOK 12.4 million has been allocated to the customer portfolio and NOK 10.8 million to goodwill.

Financial statements

The consolidated financial statements for Fjordkraft include the operations of Fjordkraft Holding ASA, the subsidiary Fjordkraft AS and second tier subsidiary TrøndelagKraft AS.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and the interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (IASB).

The going concern assumption is the basis for the statements, and according to the Board of Directors the financial statements provide a true and fair view of the Fjordkraft Group's assets and liabilities, financial position and result of operations.

Part of the electricity deliveries for the fiscal year is not settled when we present the 2019 financial statements. These deliveries are estimated, and deviations to estimated electricity sale revenues are posted as estimate deviations the subsequent year. Due to this the financial statements therefore include amounts related to corrections from previous years' contribution margin. In 2018 it was a positive recognition of NOK 5 million and in 2019 it was a positive recognition of NOK 11 million.

Total revenues in 2019 amounted to NOK 7,123 million, compared to NOK 6,721 million in 2018 and direct cost of sales amounted to NOK 5,827 million in 2019 compared to NOK 5,624 million in 2018. Total operating costs amounted to NOK 817 million, compared to NOK 760 million the previous year. The main cause for the increase in operating cost is due to increased expenses in personnel, marketing and IT expenses. In addition to increased depreciation.

The total operating costs for Fjordkraft Holding ASA amounted to NOK 14 million, compared to NOK 24 million in 2018. Due to the listing on Oslo Stock Exchange the operating costs in 2018 was higher than 2019. The financial income was NOK 95 million higher in 2019 and profit after tax was NOK 104 million higher than 2018.

The Groups profit before tax was NOK 490 million. Tax expenses was NOK 120 million. Profit after tax for 2019 was NOK 370 million. The corresponding figures for 2018 are NOK 332 million before tax and NOK 254 million after tax.

Disposal of the year's profit

As per IFRS accounting rules, the IFRS financial statements for 2019 show no provisions for dividends as at 31 December 2019. The board has proposed a dividend of NOK 3.00 per share, to be approved by the General Meeting.

Statement of financial position

The assets in the Fjordkraft Group mainly consists of current assets in the form of trade receivables and cash and cash equivalents. Non-current assets amount to approximately 20 per cent of the Group's

financial position value, while current assets correspond to 80 per cent. Due to variations in price and consumption, the value of these assets varies throughout the year. Total assets have been reduced with NOK 440 million in 2019, mainly due to a reduction in trade receivables (NOK 499 million) and derivative financial instruments (NOK 384 million). The reduction in trade receivables is mainly due to lower elspot prices and continuous improvements in the invoicing process. The reduction of derivative financial instruments due to lower prices in the spot market and price expectations for the future have decreased throughout the year. Cash and cash equivalents have increased with NOK 394 million from 2018 to 2019. In 2019 equity has increased by NOK 132 million from NOK 871 million to NOK 1 003 million as a result of retained earnings minus dividends paid. The Group's equity ratio is increased from 25 per cent as at 31 December 2018 to 33 per cent as at 31 December 2019.

Total current liabilities have decreased by NOK 564 million from 2018. This is largely related to reduced trade and other payables and derivative financial instruments, as commented earlier.

The long-term loan, from the purchase of TrønderEnergi Marked AS in 2018, has been reduced with first year instalments. Next year's instalments (NOK 56 million) are classified as a current liability in the statement of financial position.

The decrease in pension commitments of approximately NOK 15 million is due to the change in pension plan.

In Fjordkraft Holding ASA total assets have increased by NOK 150 million due to current

receivables from Group companies. Equity has increased with NOK 73 million and dividend payable has increased with NOK 84 million compared with 2018.

Key figures

The number of power deliveries in the Consumer and Business segments amounted to 622,092 at the end of 2019, an increase of 17,119 from 2018. Including the Extended Alliance, the number of power deliveries was 654,188 at the end of 2019. The number of mobile subscribers was 100,027 at the end of 2019, a growth of 52 per cent year on year.

There has been a 2% increase in total volume delivered to the Consumer and Business segments, from 13.1 TWh in 2018 to 13.4 TWh in 2019.

ROE (Return on equity) was 40 per cent in 2019, compared to 32 per cent in 2018.

Cash flow analysis

Due to fluctuations in price and consumption both between years and within a year, the cash flow analysis can vary significantly. Net cash from operation activities has increased with NOK 579 million from 2018 to 2019, driven by positive results in 2019 and reduction in trade receivables, partly offset by a reduction in trade payables.

Net cash used in investing activities was NOK 242 million higher in 2018, due to the acquisition of TrønderEnergi Marked in 2018. The acquisition was largely loan-financed, which also explains the reduction in net cash used in financing activities (- NOK 296 million in 2019 versus NOK 150 million in 2018).

In total the underlying cash generation in the group is very good. Of an adjusted EBITDA of NOK 646 million in 2019, the Group generated an Operating Free Cash Flow (OpFCF) before tax and changes in working capital of NOK 478 million.

Corporate Finance

The management of Fjordkraft group is based on the Norwegian Code of Practice for Corporate Governance (NUES). See separate chapter in the report, Corporate Governance report, for more about the governance principles and practice.

Financial Risk Management

The Group's main operations comprise of buying and selling electricity to end users and business customers. Volatility in commodity prices is the primary risk for the business.

The Group classifies the following categories of financial risks:

- Market risk
- Credit risk
- Liquidity risk

Market risk

The Group's activities expose it primarily to the financial risks of changes in commodity prices, interest rate risk, security prices and foreign currency exchange rates.

Market risk - commodity prices

The Group's operations of buying and selling electricity to its customers is a business of margins. When participating in the electricity market, the group uses a "back to back"-strategy. Trading in

the financial market is generally conducted on the behalf of customers. This is done by replicating obligations towards the customer with financial contracts entered into with Statkraft Energi AS ("SEAS"). This strategy is used both for consumers of electricity and Alliance partners. For smaller customers, which are grouped into portfolios, the estimated requirements of financial contracts do not always match the actual aggregated customer requirements. In these circumstances the Group aims to reduce its residual risk exposure as much as possible. The above discussion is not applicable to own use contracts.

There are two main categories of financial contracts used to manage risk exposure towards commodity prices; Forward contracts and options. Additionally, forward contracts on el-certificates are used to manage risk exposure towards fluctuations in el-certificate prices and, to a limited degree, forward contracts on Guarantees of origination to manage risk exposure towards fluctuations in prices of these Guarantees.

The trade of financial contracts is primarily conducted to reduce the fluctuation in prices for customers. Since the Group has chosen to cover, a portion of their future liabilities related to el-certificates (ranging from zero to 100%), by entering into forward contracts in advance, it introduces a risk of losses if the price of el-certificates falls at same time as the Group is forced to lower its prices to its customers. It is not considered to be probable that an event like this will occur and therefore the Group has not made a provision for losses on these contracts.

Market risk - volume

The Group is generally not exposed to volume risk for most of its standard products. Some, albeit low, volume risk exists for products with a financial instrument component. Combined portfolios as described above can have some volume risk exposure, however the related costs are largely covered by the customers.

Market risk - interest rates

The Group is mainly exposed to interest rate fluctuations associated with its floating rate bank credit facility, its long-term loan related to acquisition of TrønderEnergi Marked and short-term trade payables towards SEAS related to purchase of electricity. There is also some exposure to interest rate fluctuation associated with short-term receivables for customers who elects to extend their payment terms. The current exposure to interest rate does not warrant the use of derivative instrument, since it is not considered to be material. The Group has set out parameters to actively monitor this risk going forward.

Market risk - security prices

The Group is indirectly exposed to security price risk through its defined employee benefit agreement where part of the plan assets are invested in securities. This risk is managed through investment in diversified portfolios and managed by external insurance companies.

Market risk - foreign exchange rates

The Group has limited exposure to foreign exchange currency fluctuations. A small proportion of the Groups customers conduct transactions in foreign currency. The currency risk rising from these transactions is handled by purchasing electricity from SEAS through contracts denominated in the same currency as the related revenue.

Through its agreement with SEAS, the Group has the opportunity to conduct all of its operational and financial purchase of electricity in NOK. This limits the Groups general exposure to foreign currency.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties to the Group, arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables consist of a large number of end-user customers (mainly households) and corporate customers spread across diverse industries. The Group uses publicly available financial information and its own trading records to rate its business customers.

In addition to invoicing electricity and other services provided to customers, the Group provides

re-invoicing to customers related to grid rent on behalf of the grid owners ("gjennomfakturering"). This contributes to an increase in credit risk as the amount of trade receivables increases. The Group is also required from the grid owners to provide bank guarantees for the settlement of grid rent.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Derivative financial contracts are entered into with Statkraft Energi AS (SEAS), the Group's counterparty and a subsidiary of one of the Group's major shareholders, Statkraft AS. The Group manage the risks related to these contracts with SEAS, and other derivative financial contracts with customers, by entering into back-to-back contracts with the customers on similar terms and conditions. Credit risk in the form of counterparty risk that either SEAS or other customers will not be able to settle their part of the contracts does exist. The risk associated with SEAS is considered to be limited as SEAS is a very solid player. The risk against other customers is handled by conducting credit analyses before any counterparty risk is assumed, and only solid customers are accepted. Purchases of long-term contracts also require security from the customer.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, bank facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Outlook

The Group's ambition is to continue pursuing its consolidation strategy. Fjordkraft's infrastructure is scalable with low marginal costs and ready for acquisitions of customer portfolios thanks to the Fjordkraft Factory.

Regulatory environment for electricity and the mobile phone market

Fjordkraft has long experience of working with regulatory issues based on principles that facilitate an attractive market place, as well as customer-friendly, future-oriented solutions. The relationship with the Group's alliance partners, made up of local power producers, electricity retailers and power grid companies, provides insights that enable Fjordkraft to present a comprehensive picture of contacts with industry organisations and the authorities.

To ensure that power grid companies act neutrally in their marketing and communication in the future, the NVE ran a consultation procedure on a proposed regulatory change with a deadline in November 2019. The regulatory proposal requires grid operators and electricity companies to have

different brand names. The regulatory proposal also calls for both organisational and functional separation. This is to reduce the risk of cross-subsidies between monopoly operations and competitive activities within the same group. Norway has 124 power grid companies and more than a hundred electricity retailers. Many of these have the same owner, name and logo. The new regulatory proposal is expected to be implemented from January 2021.

Fjordkraft welcomes the regulatory change, which will provide equal competitive conditions for the electricity companies. As a national supplier with significant expenses to build up its brand, Fjordkraft constantly finds that the current situation confuses customers, favours players with the same name as the power grid company and inhibits competition in the market. NVE's proposal means that the name of the power grid company must differ from that of the electricity supplier.

The Group hopes to make use of its good experience from similar work in the electricity market in the work on regulatory issues for mobile telephony providers. Fjordkraft has played, and will continue to play, an active role in relation to regulatory authorities by promoting proposals that ensure a level playing field between dominant, established players and challengers in the mobile telephony market.

Consolidated billing and new market model

Electricity customers prefer to pay for electricity and grid rent at the same time, regardless of

which electricity retailer they have chosen. Major business customers have had this option for years. Fjordkraft has lobbied for consolidated billing in the industry since 2009 because it promotes competition and is customer friendly. Consolidated billing means that the electricity provider sends an invoice and collects money for both grid rental and electricity.

NVE's rules for consolidated billing were introduced in 2016, but their adoption by a large number of power grid companies and electricity retailers generally started in 2018. It is still optional for the electricity suppliers to offer consolidated billing. Power grid companies can also refuse consolidated billing of grid rental to their electricity providers provided that all suppliers are treated the same.

The industry authority, NVE, has been debating and investigating a new market model for many years. The new market model means that consolidated billing will be mandatory. NVE stated in 2019 that it plans to introduce a new market model step by step and that the first steps aim to improve the current voluntary billing.

Fjordkraft believes that the fact that the new market model has not yet been introduced is unfair to those customers who still do not pay for their electricity and grid rent together, and that competition is hampered by the fact that only local (incumbent) electricity suppliers can then offer this service.

The introduction of consolidated billing has been crucial to providing more equal conditions between the players and increased competition for customers. This has opened up the market

and the potential for sales for a company with Fjordkraft's distribution capability. More than 96% of Fjordkraft's consumer market customers are able to pay for their electricity and grid rental together. The Group has strengthened its competitiveness through this and looks forward to implementing equal conditions for all players.

Digitalisation

Elhub handles a huge amount of data as information and power consumption of the country's digital meters in households and businesses are read and stored for every hour in the day. It was easy to see that such a large digitalisation project for the industry as Elhub would create issues for customers and actors in the aftermath of its implementation. The system owners for the Nordic power grid companies have agreed to recommend postponement of the collection and display of meter data at 15-minute intervals to 2022 at the earliest. The Group does not feel the postponement poses a problem for customers or industry players.

Customer perspective

In the fourth quarter, Fjordkraft developed a user-friendly app which shows retail customers details of their own electricity consumption on a daily basis. Customers with mobile phones and solar power agreements from Fjordkraft can also see their consumption and manage their contracts. By the end of January 2020, almost 100,000 retail customers had downloaded the app. The Group has plans for further development and regular launches of new features in the app related to smart power management. With increasing use

of the "Internet of things" in the consumer's home, demand for household appliances and gadgets that can be connected and controlled is also growing. The Fjordkraft app will include functions and services that enrich customers' daily use of the app related to smart management in the home.

ENOVA and NVE want the new meters to be followed by smart solutions, which can motivate consumers to save electricity. Fjordkraft is one of seven companies to have received support from ENOVA to develop a pilot project, and will receive a total of NOK 6.3 million in the period 2017-2021 to develop smart energy-saving solutions for private homes. The pilot project is based on data from digital electricity meters. Through the year, test users have given good feedback on the ability to track their consumption in real time on their smartphones. The plan is to launch this commercially on a large scale in customers' homes towards the end of 2020.

Services for the low-emission society

Fjordkraft has developed and promoted a range of services and products for consumers and businesses adapted to the low-emission society. This work will continue.

Fjordkraft is closely monitoring the trend for households and companies to become "prosumers" of solar energy, for example and electrification of transport and other industries. The Group is in close contact with various stakeholder groups in these areas.

The Group expects to launch the "Marketplace"

in the second half of 2020, and expects this to play an important role in its digital ecosystem together with the Fjordkraft app. It will offer quality products and services from third parties to enrich the customer experience. With the launch of the "Marketplace", Fjordkraft will continue to be an intangible player while gaining new revenue streams and increasing loyalty in the customer base.

Joint venture and collaboration models

The Group will continue to work on assessing different ownership and collaboration models.

Fjordkraft has been in a position to capitalise on values built up in the Group over several years and will develop this further through joint ventures. Through joint venture ownership and the establishment of Metzum AS, the company will capitalise on technology components that should become standard products for the energy industry.

Fjordkraft's experience in service sales to alliance partners will be exploited via a separate spin-off with a joint venture ownership model. In the future, besides serving the Group's alliance concept, power grid companies and other players with a need for settlement and billing services will also be potential customers.

Shared ownership of larger regional or national electricity sales companies that sign up to Fjordkraft's expanded alliance concept, and which have the ability to realise profitable growth, will be considered.

Robust demand

The global financial markets are focused on predicting the consequences of the coronavirus (COVID-19). In addition to the spreading of disease, this could potentially have a massive impact on markets and the everyday lives of people across the world.

To a very large extent, Fjordkraft's core business

is shielded from macroeconomic conditions, and enjoys robust demand. The variation in outdoor temperatures is the factor that affects consumption the most from year to year. Therefore, the demand in the consumer segment is expected to be relatively stable. In the Business segment Fjordkraft expects a slight reduction in demand due to the coronavirus (COVID-19).

Fjordkraft predicts that some of its customers, both in the consumer and business segment, will be facing liquidity problems due to the coronavirus (COVID-19). Several companies are dealing with layoffs and, in worst case, bankruptcy. This will affect the capability to pay their electricity bills. As per now, Fjordkraft does not have an estimate on how severe this will affect the Groups impairment loss recognised in trade receivables. The administration are closely monitoring the situation, and working with both partners and customers to find suitable solutions.

Many areas of Norwegian society are aiming

at increased electrification as a way of reducing greenhouse gas emissions. The Group has also assessed the risks arising from the impact of climate change on its business operations. It is considered very low. Increased awareness of sustainability and renewable energy provides business opportunities for the Group.

The Board believes that the complexity of the electricity retailer industry has increased due to digitalisation and new framework conditions. In the opinion of the Board, it is large companies such as Fjordkraft that will best be able to leverage this to their advantage.

With its brand, customer base, distribution network, organisation and "factory", Fjordkraft is well-equipped to meet this trend. The Board would like to take this opportunity to say a big thank you to our employees and everyone who works for Fjordkraft for their efforts and contribution to our good results in 2019.

The Board of Fjordkraft Holding ASA, Bergen, 23 March 2020.



Per Axel Koch
Chairman



Birthe Iren Grotle
Board member



Frank Økland
Board member



Elisabeth M. Norberg
Board member



Heidi Theresa Ose
Board member



Live Bertha Haukvik
Board member



Steinar Sønsteby
Board member



Lindi Bucher Vinsand
Board member



Rolf Barmen
CEO

4.2

Financial statements Fjordkraft Group

Consolidated statement of profit or loss

NOK in thousands	Note	2019	2018
Continuing operations			
Revenue	4, 6	7 122 528	6 720 948
Direct cost of sales	5, 6	(5 827 394)	(5 623 526)
Revenue less direct cost of sales		1 295 134	1 097 422
Personnel expenses	6, 10, 17, 21	(236 106)	(217 514)
Other operating expenses	6, 11, 25	(379 973)	(378 382)
Depreciation right- of- use assets	23	(10 404)	-
Depreciation and amortisation	4, 6, 14, 15	(190 528)	(164 065)
Total operating expenses		(817 011)	(759 961)
Other gains and losses, net	8	4 615	(10 578)
Operating profit		482 738	326 883
Interest income	7	20 071	15 178
Interest expense lease liability	23	(1 677)	-
Interest expense	7	(6 956)	(4 927)
Other financial items, net	7, 9	(3 737)	(5 277)
Net financial income/(cost)		7 701	4 974
Profit/(loss) before tax		490 440	331 858
Income tax (expense)/income	12	(120 269)	(78 289)
Profit/(loss) for the year		370 171	253 569
Basic earnings per share (in NOK)	13	3,54	2,43
Diluted earnings per share (in NOK)	13	3,51	2,41

Consolidated statement of
comprehensive income (loss)

NOK in thousands	Note	2019	2018
Profit/(loss) for the year		370 171	253 569
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on pension obligations (net of tax)	12, 17	(11 091)	1 167
Total		(11 091)	1 167
Total other comprehensive income/(loss) for the year, net of tax		(11 091)	1 167
Total comprehensive income/(loss) for the year		359 080	254 736

Consolidated statement of financial position

NOK in thousands	Note	2019	2018
Assets			
Non-current assets			
Right-of-use assets property plant and equipment	23	65 976	-
Property, plant and equipment	14, 25	7 108	4 139
Goodwill	15, 25	166 696	155 849
Intangible assets	15, 25	178 542	199 957
Cost to obtain contracts	4	159 235	149 912
Other non-current financial assets	7	25 365	20 090
Total non-current assets		602 923	529 947
Current assets			
Intangible assets	15	23 760	33 595
Inventories		794	533
Trade receivables	7, 20, 25	1 507 467	2 006 328
Derivative financial instruments	7, 8, 9, 25	79 274	463 626
Other current assets	19	18 466	32 741
Cash and cash equivalents	7, 25	775 536	381 409
Total current assets		2 405 297	2 918 231
Total assets		3 008 220	3 448 178
Equity and liabilities			
Equity			
Share capital	16	31 349	31 349
Share premium	16	125 035	125 035
Retained earnings		846 833	714 651
Total equity		1 003 216	871 035
Non-current liabilities			
Net employee defined benefit plan liabilities	17	64 062	79 308
Interest-bearing long term debt	7	139 000	194 600
Deferred tax liabilities	12, 25	27 451	20 837
Lease liability- long term	23	56 515	-
Other provisions for liabilities		-	805
Total non-current liabilities		287 027	295 550

Consolidated statement of financial position

NOK in thousands	Note	2019	2018
Current liabilities			
Trade and other payables	7, 20, 25	818 143	1 100 186
Current income tax liabilities	12	111 656	94 213
Derivative financial instruments	7, 8, 9, 25	67 999	455 429
Social security and other taxes	25	142 620	57 523
Lease liability- short term	23	11 428	-
Other current liabilities	7, 18, 27	566 129	574 243
Total current liabilities		1 717 976	2 281 593
Total liabilities		2 005 004	2 577 143
Total equity and liabilities		3 008 220	3 448 178

The Board of Fjordkraft Holding ASA, Bergen, 23 March 2020.



Per Axel Koch
Chairman




Birthe Iren Grotle
Board member



Frank Økland
Board member




Elisabeth M. Norberg
Board member



Heidi Theresa Ose
Board member



Live Bertha Haukvik
Board member



Steinar Sønsteby
Board member



Lindi Bucher Vinsand
Board member



Rolf Barmen
CEO

Consolidated statement of changes in equity

NOK in thousands	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance at 1 January 2018	31 349	125 035	-	559 916	716 299
Profit/ (loss) for the year	-	-	-	253 569	253 569
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	1 167	1 167
Total comprehensive income/ (loss) for the year	-	-	-	254 736	254 736
Purchase of Treasury shares	-	-	(2 889)	-	(2 889)
Sale of Treasury shares	-	-	2 889	-	2 889
Dividends paid (note 13)	-	-	-	(100 000)	(100 000)
Transactions with owners	-	-	-	(100 000)	(100 000)
Balance at 31 December 2018	31 349	125 035	-	714 651	871 035
Balance at 1 January 2019	31 349	125 035	-	714 651	871 035
Profit/ (loss) for the year	-	-	-	370 171	370 171
Other paid-in equity (note 26)	-	-	-	2 994	2 994
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	(11 091)	(11 091)
Total comprehensive income/ (loss) for the year	-	-	-	362 074	362 074
Dividends paid (note 13)	-	-	-	(229 892)	(229 892)
Transactions with owners	-	-	-	(229 892)	(229 892)
Balance at 31 December 2019	31 349	125 035	-	846 833	1 003 216

Condensed consolidated statement of cash flows

NOK in thousands	Note	2019	2018
Operating activities			
Profit/(loss) before tax		490 440	331 858
<i>Adjustments for:</i>			
Depreciation	14,15	82 158	65 532
Depreciation right-of-use assets	23	10 404	-
Amortisation of contract assets	4	108 370	98 533
Interest income	7	(20 071)	(15 178)
Interest expense lease liability	23	1 677	-
Interest expense	7	6 956	4 927
Change in long-term receivables		(2 879)	(5 062)
Share based payment expense	26	2 994	-
Change in post-employment liabilities	17	(29 556)	4 402
Payments to obtain a contract *	4	(117 693)	(110 646)
<i>Changes in working capital (non-cash effect):</i>			
Impairment loss recognised in trade receivables	7	23 502	22 848
Change in fair value of derivative financial instruments	7	(4 615)	10 578
<i>Changes in working capital:</i>			
Inventories		(262)	861
Trade receivables	7,20	489 360	(506 065)
Purchase of el-certificates	15	(242 596)	(191 420)
Non-cash effect from cancelling el-certificates	15	246 569	169 330
Purchase of guarantees of origination	15	(12 975)	(30 208)
Non-cash effect from disposal of guarantees of origination	15	18 837	21 272
Other current assets	19	20 715	54 589
Trade and other payables	7,20	(297 054)	372 173
Other current liabilities	25,27	72 774	(49 229)
Cash generated from operations		847 054	249 094
Interest paid		(8 627)	(3 678)
Interest received		20 071	15 178
Income tax paid	12	(93 793)	(73 569)
Net cash from operating activities		764 704	187 026

Consolidated statement of cash flows

NOK in thousands	Note	2019	2018
Investing activities			
Purchase of property, plant and equipment	14	(3 791)	(1 376)
Purchase of intangible assets	15	(47 589)	(62 583)
Net cash outflow on acquisition of subsidiaries	25	(22 066)	(254 102)
Net (outflow)/proceeds from non-current receivables	7	(2 396)	(759)
Net (outflow)/proceeds from other long-term liabilities		(805)	(209)
Net cash used in investing activities		(76 648)	(319 028)
Financing activities			
Dividends paid	13	(229 892)	(100 000)
Proceeds from interest-bearing long term debt	7	-	278 000
Instalments long term debt	7	(55 600)	(27 800)
Payment of lease liability		(8 438)	-
Net cash used in financing activities		(293 930)	150 200
Net change in cash and cash equivalents		394 126	18 197
Cash and cash equivalents at 1 January		381 409	363 212
Cash and cash equivalents at 31 December		775 536	381 409

* The cash flow item "Payments to obtain a contract" has been moved from investing activities to operations compared to the condensed consolidated statement of cash flows for 2018 as this better reflects the actual nature of this item. The change affects Net cash from operating activities and net cash used in investing activities accordingly.

4.3 Notes Fjordkraft Group

Note 1	Accounting policies	64	Note 15	Intangible assets	102
Note 2	Changes in accounting policies	71	Note 16	Share capital	106
Note 3	Significant accounting judgements, estimates and assumptions	73	Note 17	Pension liabilities	108
Note 4	Revenue recognition	74	Note 18	El-certificate cancellation liability	114
Note 5	Direct cost of sales	78	Note 19	Other current assets	114
Note 6	Segment information	79	Note 20	Related party transactions	115
Note 7	Financial assets and financial liabilities	83	Note 21	Remuneration	117
Note 8	Fair value measurement of financial instruments	90	Note 22	Guarantees	120
Note 9	Financial risk management objectives	93	Note 23	IFRS 16 Leases	121
Note 10	Personnel expenses	96	Note 24	List of subsidiaries	123
Note 11	Other operating expenses and Other financial items, net	97	Note 25	Business combination	123
Note 12	Income tax	98	Note 26	Option program	125
Note 13	Earnings per share	100	Note 27	Other current liabilities	127
Note 14	Property, plant and equipment	101	Note 28	Events after the reporting period	127
				Directors responsibility statement	128
				Alternative performance measures	129

Note 1

Accounting policies

General information

These consolidated financial statements for Fjordkraft Holding ASA for the year ended 31 December 2019, was approved by the Board of Directors on 23 March 2020.

Fjordkraft Holding ASA and its subsidiaries (together "the Group" or "Fjordkraft") is a supplier of electrical power in Norway. The company is listed on Oslo Stock Exchange. The Group's core business is the purchase, sale and portfolio management of electrical power to households, private and public companies, and municipalities. In 2017, the Group also became a provider of mobile phone services to private customers in Norway.

Fjordkraft Holding ASA is incorporated and domiciled in Norway. The address of its registered office is Folke Bernadottes Vei 38, 5147 Bergen, Norway.

This note provides a list of the significant accounting policies adopted in the presentation of these consolidated financial statements to the extent they have not been disclosed in the other notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and interpretations

issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements also comply with IFRS as issued by the International Accounting Standards Board (IASB).

Basis of consolidation

These consolidated financial statements include the accounts of Fjordkraft Holding ASA and its subsidiaries (note 24).

Going concern

The Group's consolidated financial statements is prepared on a going concern basis. When assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows from existing customer contracts and other service contracts, debt service and obligations. After making such assessments, management has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

Basis of measurement

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets recognised as fair value through profit or loss, fair value through other comprehensive income, derivative financial instruments and defined benefit pension plans, which are measured at fair value. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving higher degree of judgement or complex-

ity, or areas where the assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Changes in accounting principles

The Group applied IFRS 16 for the first time in 2019. The nature and effect of the changes as a result of adoption of this new accounting standard are described in note 2. There has not been any other changes in accounting principles during the year.

New standards, amendments and interpretations effective for the financial year ended 31 December 2019

In addition to IFRS 16 mentioned above, the following new standards, amendments and interpretations are effective from 2019:

- Amendments to IFRS 9 - Prepayment Features with Negative Compensation
- IFRIC 23 - Uncertainty over Income Tax Treatments
- Amendments to IAS 28 - Long-term interests in Associates and Joint Ventures
- Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement
- Amendments to IFRS Standards - Annual Improvements to IFRSs 2015-2017 Cycle

The Group's assessment of the impact of these new standards, amendments and interpretations is that these will not be of significant importance in relation to the financial statements.

New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2019 and not early adopted by the Group

Certain new accounting standards, amendments and interpretations have been published that are not mandatory as per 31 December 2019. These new standards have not been adopted. The Group's assessment of the impact of these new standards, amendments and interpretations is set out below.

- Amendments to references to the Conceptual Framework - Effective EU 1/1-2020
- Amendments to IAS 1 and IAS 8 - Definition of Material - Effective EU 1/1-2020 - Early application permitted
- Amendments to IFRS 9 Financial IAS 39 and IFRS 7 IFRS 9 in response to the IBOR reform - Effective EU 1/1-2020 - Early application permitted
- Amendments to IFRS 3 Definition of a Business - Effective EU 1/1-2020 - Early application permitted
- IFRS 17 - Insurance contracts - EU: To be decided - Early application permitted

The Group's assessment of the impact of these new standards, amendments and interpretations is that these will not be of significant importance in relation to the financial statements.

Principles of consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Changes in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

Business combinations and goodwill

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated

set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of inputs and processes applied to these inputs that have the ability to create output.

Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the company achieves control over the financial and operating assets. This date may differ from the actual date on which the assets are transferred.

Comparative figures are not adjusted for acquired, sold or liquidated businesses. For accounting purposes, the acquisition method is used in connection with the purchase of businesses. Acquisition cost equals the fair value of the assets used as consideration, including contingent consideration, equity instruments issued and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and liabilities. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets (when the acquiring entity achieves control of the transferring entity), goodwill arises.

If the fair value of the net identifiable assets acquired exceeds the acquisition cost on the acquisition date, the excess amount is taken to the Income statement immediately.

Goodwill is not depreciated, but is tested at least annually for impairment. In connection with this, goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from synergy effects of the acquisition.

The allocation of goodwill may vary depending on the basis for its initial recognition.

The estimation of fair value and goodwill may be adjusted up to 12 months after the takeover date if new information has emerged about facts and circumstances that existed at the time of the takeover and which, had they been known, would have affected the calculation of the amounts that were included from that date.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred.

Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are presented in the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian kroner (NOK), which is Fjordkraft Holding ASA's functional and presentation currency. The functional currency in all subsidiaries in the Group is NOK.

Transactions and balances

Transactions in currencies other than the entity's functional currency (foreign currency) are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of

profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other financial items.

Non-monetary items that are measured at fair value in a foreign currency are converted to NOK using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not subsequently revaluated.

Revenue recognition

The Group recognises revenue when a customer obtains control of promised goods or services in an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

The Group applies the following five step method outlined in IFRS 15 Revenue from Contracts with Customers, to all revenue streams:

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and
5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group only applies the five-step model to contracts when it is probable that the Group will collect the consideration it is entitled to in exchange for the goods or services it transfers to the cus-

tomers. At contract inception, once the contract is determined to be within the scope of IFRS 15, the Group assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognises as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. For a complete discussion of accounting for revenue, see Note 4, “Revenue Recognition”.

A large proportion of the Group’s final settlement of sales and distribution of electricity is made after the Group has finalised its annual financial statements. Revenues related to sale of electricity are estimated based on the volumes that have been physically delivered during the period. The physically delivered volume is apportioned in accordance with consumption forecasts for each customer group and price plan. The model is rooted in historical information however there is a degree of estimation uncertainty attached to the volume apportioned to the various price segments that requires judgment by management when assessing.

Please refer to note 6 - Segment information, for disclosures related to any estimate deviations recognised in the current reporting period related to the previous reporting period.

Income tax

Income Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group’s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly

in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively..

Leases

IFRS 16 Leases were published in January 2016. The standard is mandatory for financial years beginning January 1 2019 or later. The company has applied the standard from the financial year 2019. The standard has led to almost all leases being recognized in the balance sheet, as it distinguishes between leases and service contracts on the basis of whether an identifiable asset is under the customer’s control. Differences between operating leases and financial leases have ceased in the tenant’s accounts. Under the new standard, both the asset (the right to use the asset rented) and the liability related to rental payments are recognised. The only exceptions are short-term leases and leases where the asset is of low value. At the reporting date, the company has non-cancellable leases. Some of the liabilities are covered by the exceptions for short-term leases or leases where the asset is of low value, and some of the liabilities are therefore related to schemes that will not qualify as leases under IFRS 16. See further description in note 2.

Cash and cash equivalents

The cash flow statement is prepared using the indirect method. For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade receivables, loans and other receivables

Trade receivables, loans and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. See note 7 and 9 for further information about the Group's accounting for trade receivables, loans, other receivables and credit risk.

Investments and other financial assets

1. Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of

principal and interest.

The Group has chosen not to use hedge accounting in accordance with IFRS 9. Thus, the unrealised changes in fair value of financial derivatives are recognised in the statement of profit or loss in Other gains and losses, net.

See note 7 and 9 for details about each type of financial asset.

The Group reclassifies debt investments when and only when its business model for managing those assets change.

2. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are recognised in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in IFRS 9. The Group only applies the following measurement category for debt instruments:

- - Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in

finance income using the effective interest rate method.

3. Impairment

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 7 and 9 details how the Group determines whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

4. Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group retains substantially all the risks and rewards of the ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

At derecognition the difference between the asset's carrying amount (including any cumulative gain or loss that previously has been recognised in other comprehensive income and accumulated in equity) and the sum of the consideration received is recognised in profit or loss.

Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value

at the end of each reporting period.

The Group has not designated any derivatives as hedging instruments, thus all subsequent changes in fair value are recognised through profit or loss.

See note 7 and 9 for details about each type of derivatives.

Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

The depreciation methods and periods used by the Group are disclosed in note 14.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the consolidated statement of profit or loss.

Own use contracts

The Group's business is the distribution of electricity where it enters into contracts to purchase and sell electricity. The sale of electricity gives rise to an el-certificate cancellation liability. The Group therefore enter into forward contracts to purchase el-certificates to be remitted to the government as settlement for the el-certificate cancellation liability. As a result, the Group's contracts to purchase and sell electricity, and to purchase and remit el-certificates is delivered in quantities that will be used or sold in the Groups' normal course of business. Hence, the contracts has been accounted for under the "own use" exemption, are considered executory contracts and are recognised in the consolidated financial statements when the underlying purchase or sale has occurred.

Intangible assets

1) Intangible assets acquired separately

1. El-certificates

Holdings of el-certificates are recognised as an intangible asset in accordance with IAS 38 - Intangible Assets and measured using the cost model. These certificates have an infinite life and are acquired to be used to settle the el-certificate cancellation liability by remitting the respective numbers of certificates to the government (refer to accounting policy 'Provision of El-certificate cancellation liability').

2. Software

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique

software products controlled by the Group are recognised as intangible assets if, and only if all of the following conditions have been demonstrated:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software including directly related employee costs.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

3. Customer portfolios

Customer portfolios are recognised at fair value in the consolidated statement of financial position at the time of acquisition. The customer portfolios have a limited useful economic life and are recognised at cost less deductions for accumulated depreciation. Depreciation is calculated based on the expected customer churn rate.

4. Goodwill

Goodwill is reported as an indefinite life intangible asset at cost less accumulated impairment losses. Cost of Goodwill acquired through business combinations is measured as residual amount after allocation of purchase price to identifiable assets at fair value. All intangible assets with indefinite useful lives are tested for impairment at least once every year. Single assets can be tested more often in case there are indications of impairment.

2) Internally generated intangible assets - Software

Research and development

Research expenditure as well as development expenditure that do not meet the criteria in (ii) above are recognised as an expense within other operating expenses in the consolidated statement of profit or loss, as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Refer to note 15 for details about amortisation methods and periods used by the Group for intangible assets.

Impairment of tangible and intangible assets

At each balance sheet date the Group reviews whether there are indication that the carrying amount of the Group's tangible and intangible assets have suffered an impairment loss.

Tangible and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (the net present value of a cash flow or other benefits that the asset is expected to contribute to the generation of, through its use by the Group). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction

costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are derecognised when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss within the line Other financial items, net.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Provision for El-certificate cancellation liability

The Group is required by law ("Lov om Elsertifikater" and "Forskrift om elsertifikater"), as a distributor of electricity, to hand over a number of electricity certificates to the government at 1 April each year (the certificates are effectively cancelled by the government at 1 April) based on the total MWh of electricity sold to consumers during the preceding year.

The amount of certificates to be remitted to the government is determined as a fixed percentage per MWh determined by the government, before the relevant year starts, based on actual delivered volume required to be covered by el-certificate. The Group has elected as its accounting policy to account for this liability using the net liability method. As a distributor with no production of renewable electricity, the Group does not receive el-certificates from the government. As a result,

all el-certificates necessary to meet the Group's certificate obligation are acquired.

This provision is estimated based on actual delivered volume required to be covered by el-certificates. The Group accounts for its el-certificates using the net liability approach. There is no specific guidance on such schemes under IFRS; however, the net liability approach is one of the commonly used approaches adopted. Hence, the part of the cancellation liability that is covered by the Group's holdings of el-certificates is measured at the cost of acquired el-certificates, the part covered by forward contracts is measured at contractual price of el-certificates, while any liability in excess of those amounts is recognised at fair value of the el-certificates that are required to be purchased (applicable when level of el-certificates acquired directly or through forward contracts are not sufficient to offset estimated number of certificates to be handed over to the government).

The cancellation liability is presented within other current liabilities and any el-certificates acquired are presented as part of Intangible assets. The corresponding cost is recorded as part of Direct cost of sales as it is considered an incremental cost of power purchased.

Other provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations,

the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits

The Group operates with both funded and unfunded defined benefit occupational pension schemes, and defined contribution pension schemes.

Pension schemes and pension obligations

Until the end of 2019 the Fjordkraft Group (Fjordkraft) had its occupational pension scheme for all employees organized in BKK Pensjonskasse. Until the turn of the year, the pension scheme was a defined-benefit occupational pension scheme (public occupational pension scheme) and included retirement pension, contractual pension (CPA) scheme, disability pension, spouse's pension and children's pension. The scheme complied largely with the regulations enshrined in the Act on the Government Pension Fund.

The scheme entitled members to defined future benefits. These were mainly dependent on the

number of years of service, the salary level at retirement age and the size of benefits paid by the national insurance. The liabilities were covered through an insurance company (funded).

The liability or asset recognised in the consolidated statement of financial position in respect of defined-benefit occupational pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Through 2019, Fjordkraft has completed a transformation process related to the pension scheme. As of 1.1.2020, Fjordkraft has decided to create a defined-contribution pension scheme for all employees born from 1963. Employees born before 1963 maintained their membership

in the public occupational pension scheme. The Group has a defined benefit occupational pension scheme covering a total of 15 active members and 28 pensioners. The Group has a contractual pension (CPA) scheme covering a total of 13 active members and 0 pensioners. Members who are converted to the defined-contribution pension scheme receive a paid-up policy for earned entitlements for the time they have earned rights in the public occupational pension scheme if they have at least three years of service.

The new defined-contribution pension scheme also includes disability pension, spouse's pension and children's pension. The Group has a defined contribution pension scheme covering a total of 284 active members and no pensioners.

In addition, Fjordkraft has chosen to introduce the contractual pension (CPA) scheme for private sector for those members who are converted to the defined-contribution pension scheme. The company has a contractual pension (CPA) scheme for private sector covering a total of 284 active members and no pensioners.

The agreement entitles members to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67.

For those members who are converted to the new pension scheme, a scheme has been established that provides supplementary allowances to employees who come out worse when changing the pension scheme. The supplementary allowance is set with final effect at the end of 2019, and the supplement constitutes a fixed percentage of the individual's pension basis up to the age of 66 years.

In parallel with the change in the future pen-

sion scheme, Fjordkraft's Board of Directors has decided to introduce a separate compensation scheme for employees with a long employment time and a high age, covering 29 active members and 0 pensioners. The scheme aims to counteract some of the effects that the introduction of life expectancy adjustment has had for public occupational pension schemes. The scheme applies to a closed group of employees and only applies if the employees are at least 67 years old at retirement. If an employee is 70 years old at retirement, the scheme will give a somewhat higher payout. Upon resignation or retirement prior to 67 years, the scheme will not provide any benefits.

In addition, Management has a defined contribution plan for the pension over 12 G that is expensed on an ongoing basis.

Share-based compensation

Employee share options at Fjordkraft represents rights for employees to buy shares in the company at a future date at a predetermined exercise price. To exercise the Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.

The fair value of the options are measured at grant date. The grant date is determined by the board of directors. The fair value of the employee services received in exchange for the allotment of options is recognised as an expense over the vesting period based on the fair value of the options. On each balance date, the Group revises its estimates of the number of options that are expected to be exercisable. Any adjustments will be recognised in the income statement and corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly

attributable transaction costs are credited to share capital and share premium when the options are exercised.

Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

Earnings per share

1. Basic earnings per share:

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares (note 13)

2. Diluted earnings per share:

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Government grants

Companies within the Group may be entitled to claim refunds / grants for investments in qualifying assets or in relation to qualifying expenditure (e.g. the Research & Development tax incentive scheme "SkatteFUNN").

Government grants are not recognised until there is a reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants are recognised in the consolidated statement of profit and loss on a systematic basis over the periods in which the Group recognises the corresponding expenses for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised by deducting the grant from the carrying amount of the asset. The grant is recognised in the Consolidated statement of profit or loss over the life of the depreciable asset as a reduced depreciation expense.

Government grants that are receivable as compensation for expenses or losses already incurred with no future related costs to be incurred by the Group are recognised in the Consolidated statement of profit or loss in the period in which they become receivable.

Rounding of amounts

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest thousand currency units unless otherwise stated.

Note 2

Changes in accounting policies - implementation of IFRS 16 Leases

The Fjordkraft Group has adopted IFRS 16 Leases from 1 January 2019 using the simplified transition approach in accordance with IFRS 16.C5(b) and has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The Groups agreements consists of property, cars, and office machines used in the operating activities. Cars usually have a lease period of 3 years, while several of the properties have a longer time frame. The office machines are leased in a 3-5 year period. Some of the property leases have extension options and these have been included in the calculation if the group is reasonably certain that they will be exercised.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. For leases which has previously been classified as operating leases under the principles of IAS 17 Leases, the lease liability upon adoption of IFRS 16 is measured as the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The Group has chosen to use a single discount rate to a portfolio of leases with similar characteristics. The Group has divided the leases into the following portfolios;

- Property rental; The Group considers that property leases have fairly similar characteristics in terms of class of underlying assets, maturity and security. A discount rate of 2.45% has been used for the portfolio of property leases, which corresponds to the interest rate the Group has on its only bank loan. The Group considers the interest rate on this bank loan to be comparable to the interest rate that may be offered by the bank in the event of a larger loan issued for the purchase of property, as it is considered that both loans will have similar long maturities and similar collateral.
- Car rental; The Group considers that car leases have fairly similar properties in terms of class of underlying assets, maturity and security. For the portfolio of car rentals, a discount rate of 5.32% is applied, which is equivalent to interest rate for comparable car loans observed in the market (for an estimated loan amount corresponding to the average purchase price of the cars leased).

The associated right-of use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the

balance sheet at 31 December 2018. For leases previously classified as financial leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at the date of initial application of IFRS 16 (1 January 2019) is the carrying amount of the lease asset and lease liability immediately before that date (31 December 2018), measured in accordance with IAS 17.

In applying IFRS 16 for the first time, the Group has used the following practical expedients as permitted by IFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics,
- reliance on previous assessments on whether leases are onerous,
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- the exclusion of operating leases of low value, and

- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease.

The reclassifications and adjustments arising from the new leasing rules are recognized in the 1 January 2019 opening balance sheet.

Note 2
Changes in accounting policies - implementation of IFRS 16 Leases

The following table explains the reconciliation between the operating lease commitments from applying IAS 17 as at 31 December 2018 and the lease liabilities recognized as at 1 January 2019:

NOK in thousands

Operating lease commitments as at 31 December 2018	60 256
Short term leases recognised on a straight-line basis as expense	(38)
Low-value leases recognised in a straight-line basis as expense	(23)
Contracts reassessed as service agreements	-
Adjustments as a result of different treatment of extension and termination options	-
Adjustments relating to changes in the index or rate affecting variable payments	-
Effect of discounting using the Group's weighted average incremental borrowing rate	(1 729)
Lease liability recognised upon implementation of IFRS 16*	58 466
Operating lease expenses in the period	2018
Property	9 535
Cars	1 025
Equipment	61
Total	10 621

*The amount presented in Note 21 IFRS 16 Leasing in the 2018 Financial Statements was NOK 31 261 thousand. The change is due to an extension of a property rental agreement signed close to year end 2018, but not being included in the calculation of the lease liability as at 31 December 2018.

Total lease liability as at 1. January 2019	58 466
Of which are:	
Non-current lease liability**	49 888
Current lease liability***	8 577
Total lease liability as at 1 January 2019	58 466

**Non-current lease liability are presented within "Lease liability long term".

***Current lease liability are presented within "Lease liability short term".

Right-of-use assets (property, equipment, cars) are presented within "Right-of-use-assets" and amounted to NOK 58 466 thousand as at 1 January 2019.

Note 3

Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of asset or liability affected in future periods.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

1. Defined benefit occupational pension scheme

The Group has a defined benefit occupational pension scheme for employees born before 1963, and a defined contribution pension scheme for

employees born from 1963.

The cost of the defined benefit occupational pension scheme and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at the reporting date.

2. Gross vs. net presentation

When evaluating the classification and presentation of revenue transactions with customers, management make judgment to what extent the Group in fact controls the specific goods and services before it is transferred to the customers. In making the judgement, management applies indicators set out in IFRS 15, of which key indicators are:

- is the Group primarily responsible for fulfilling the promise to provide the specified goods or services,
- does the Group have inventory risks before or after transferring goods or services to the customer,

- does the Group have discretion in establishing prices for the specific goods or services.

Following the detailed evaluation of these criteria, management is satisfied that the classification and presentation of revenue from sale of our various products and services are appropriate.

3. Determining the amount of the costs incurred to obtain or fulfil a contract with a customer

In determining which sales commissions represents incremental costs to obtain a contract, management evaluates the various type of sale commissions. A determining factor is to what extent the costs have led to a new contract being signed by the customer. Management also make judgment in determining the amortisation rate that provides the best match for the economic benefits the Group derives from these new contracts. A detailed analysis have been carried out to identify how long the various customers remain with the signed contract before cancelling the contract. Following the detailed review and evaluation of the historical behaviour of these customers, management is satisfied that the amortisation method used provides the best allocation of these costs.

4. Impairment of Goodwill

All intangible assets with indefinite useful lives are tested for impairment at least once every year. Single assets can be tested more often in case there are indications of impairment. The recover-

able amounts of the cash-generating units have been determined based on value in use calculations. The cash-generating units equal the business areas.

Value in use is calculated using the discounted cash-flow model and based on a five-year forecast made by Group Management. The forecast is built up from the estimate of the units within each business area. The preparation of the forecast requires a number of key assumptions such as volume, price, product mix, prices for raw material and components, which will create a basis for future growth and gross margin. These figures are set in relation to historic figures and external reports on market growth. The cash flow for the fifth year is used as the base for the sixth year and onwards in perpetuity. The discount rates used are, amongst other things, based on risk-free 10-year government bond yield, observed excess return in the market, industry-specific risk premium and the Group's financing. For the calculation of the in-perpetuity value, Gordon's growth model is used. According to Gordon's model, the terminal value of a growing cash flow is calculated as the starting cash flow divided by cost of capital less the growth rate.

If the recoverable amount of an asset or cash-generating unit is estimated to be lower than the carrying amount, the carrying amount of the asset or the cash-generating unit is reduced to the recoverable amount. The impairment is recognized in the income statement.

Note 4

Revenue recognition

The following table summarises revenue from contracts with customers:

Revenue:

NOK in thousands	2019	2018
Revenue - Consumer segment (1)	3 948 175	3 786 193
Revenue - Business segment (2)	2 899 333	2 775 034
Revenue - New growth initiatives (3)	218 924	151 064
Revenue - Corporate	56 096	8 657
Total revenue	7 122 528	6 720 948

Timing of revenue recognition

Over time:

NOK in thousands	2019	2018
Revenue - Consumer segment	3 896 620	3 707 156
Revenue - Business segment	2 874 572	2 754 851
Revenue - New growth initiatives	217 523	149 610
Revenue - Corporate	56 096	8 657
Total revenue recognised over time	7 044 811	6 620 274

At a point in time:

NOK in thousands	2019	2018
Revenue - Consumer segment	51 556	79 037
Revenue - Business segment	24 761	20 183
Revenue - New growth initiatives	1 401	1 454
Total revenue recognised at a point in time	77 717	100 674
Total revenue	7 122 528	6 720 948

(1) Revenue in the consumer segment comprise sale of electrical power to private consumers

(2) Revenue in the business segment comprise sale of electrical power to businesses

(3) Comprise of other business activities (sale of mobile service to private customers and power sale, included related services, to Alliance partners)

In order to give a better representation of the financial performance of the different segments, estimate deviations and other adjustments are no longer allocated to the segments, as precise allocation of these elements is difficult. This change was made in 2019 and 2018 figures are changed accordingly.

Note 4
Revenue recognition
Sale of electricity

The Group supplies electricity to both private and corporate end-user customers pursuant to agreed upon rates. Services are billed on a rate/KWh for the total volume consumed per month. Pursuant to the terms of the agreement, the Group has the right to invoice the customer in an amount that directly corresponds with the value to the customer of the Group's performance to date, accordingly the Company recognises revenue based on the amount billable to the customer.

Electricity Procurement Services

The Group has contracts with 'alliance partner' customers to jointly procure electricity from Statkraft

AS (parent company of major shareholder and a producer of electricity) in Norway. Services are billed on a rate per KWh of electricity procured on behalf of the alliance partner. The rate stipulated in the contract with alliance partners is based on the market price for electricity in the Norway electricity wholesale market plus a fixed markup. The Group is the agent in this transaction as it does not have control over the electricity being procured on behalf of the 'alliance' customers and accordingly recognises revenue, over time, equal to the amount of the markup billed to the alliance partners.

In addition, the Group provides certain additional services, namely procurement of el-certificates, electricity purchase contracts and derivative forward contracts and options contracts on behalf of the alliance partner, all related to the electricity management strategy of the alliance partners. Services related to procurement of electricity and related instruments are billed on a rate per KWh of volume of electricity under contract. The rate stipulated in the contract with alliance partners is based on the market price for electricity and respective instruments in the Norway electricity wholesale market plus a fixed markup. Similar to procurement above, the Group is the agent in these transactions as it does not have control over the electricity being purchased and instruments being purchased on behalf of the 'alliance' customers. Accordingly the Group recognises revenue, over time as these services are delivered, equal to the amount of the markup billed to the alliance partners.

The Group also provides invoicing, revenue reporting, collection and closely related services for some of the alliance partners. The fees depends on the type of service and can be fixed monthly,

fixed annually and / or fixed fees per transactions. With respect to these deliveries the Group is not an agent and revenue is recognised, over time or at a point in time corresponding to the Group's performance obligations for respective services.

Subscription - mobile phone services

The Group offers mobile phone subscriptions to private consumers, and charges a fixed price per month for use of text messaging, call and data services. The customers pay a monthly fixed amount on each subscription and any unused data can be rolled over to the next month. The data that is rolled over can not exceed the total data amount indicated in the customers subscriptions. The customer is invoiced monthly in advance for the fixed amount, while any consumption not included in the fixed monthly price is invoiced in arrears. Data usage is accounted for as a separate performance obligation and fixed monthly fee is allocated to data services based on estimated expected cost plus margin.

Customers that have a contract for delivery of electricity with the Group, are also provided with a discount on their mobile phone subscription. In accordance with IFRS 15.82, the monthly discount is allocated exclusively to mobile phone services on a stand-alone selling price basis, as the same discount is also offered to other customers on a regular basis.

Revenue from messaging and call services are recognised in the month they are billed, reflecting the consumer's consummation of the services as the customer receives a fixed amount to use each month and cannot transfer unused amounts to the next period. Revenue from data is recognised over

time reflecting the actual use of data by the customer. To the extent the customer do not use all of the data in a given period, the Group recognises a liability, unearned revenue, which is released to revenue as and when the customer consummate this data.

Other Services

Other services revenue consist primarily of revenues from:

- Insurance sales;
- Subscription revenue - tools; and
- Other miscellaneous products and services.

As it relates to insurance sales, the most significant judgment is determining whether the Group is the principal or agent for insurance sales made by the Group. The reported revenues from these transactions are made on a net basis because the performance obligation is to facilitate a transaction between the third party insurance company and end users, for which the Group earns a commission for connecting the customer with the insurance company and a markup for the invoicing and collection on behalf to the insurance company. Consequently, the portion of the gross amount billed to end users for premium that is remitted to the insurance company is not reflected as revenues.

The Group charges a fixed fee for access to tools and these contracts are typically on a month-to-month basis (with no specified minimum term). Accordingly the Group recognizes revenue for the monthly amount billable to the customer.

Note 4

Revenue recognition

Contracts with Multiple Performance Obligations

The Group periodically enters into contracts, or multiple contracts at or near the same time, with its customers in which a customer may purchase a combination of Electricity services and other services, such as procurement solutions or professional services. These contracts include multiple promises that the Group evaluates to determine if the promises are separate performance obligations. Once the Group determines the performance obligations, the Group determines the transaction price, which includes estimating the amount of variable consideration to be included in the trans-

action price, if any. The Company then allocates the transaction price to each performance obligation in the contract based on a relative stand-alone selling price method or using the variable consideration allocation exception if the required criteria are met. The corresponding revenues are recognised as the related performance obligations are satisfied as discussed in the revenue categories above.

Cost to Obtain Contracts

The Group capitalises commission expenses paid to external sales personnel that are incremental to obtaining customer contracts. The judgments

made in determining the amount of costs incurred include whether the commissions are in fact incremental and would not have occurred absent the customer contract. Costs to obtain a contract are amortised over the expected period of benefit that has been determined to be approximately 36 months, presented as part of Depreciation and amortisation. These costs are periodically reviewed for impairment.

The following table summarises assets recognised from the cost to obtain a contract:

NOK in thousands	2019	2018
Balance as at 1 January	149 912	137 536
Additions	117 693	110 909
Amortisation during the year	(108 370)	(98 533)
Impairment losses recognised	-	-
Balance as at 31 December	159 235	149 912

Contract Balances

The Company receives payments from its customers based on billing schedules established in each contract. Up-front payments and fees are recorded as deferred revenue upon receipt or when due, and may require deferral of revenue recognition

to a future period until the Company performs its obligations under these arrangements. Amounts are recorded as accounts receivable when the Company's right to consideration is unconditional (when the customer obtains control of promised goods or services).

The Company does not assess whether a contract has a significant financing component if the expectation at contract inception is such that the period between payment by the customer and the transfer of the promised goods or services to the customer will be one year or less.

Note 4

Revenue recognition

The following table presents changes in the Company's contract assets and liabilities during the year ended 31 December, 2018 and 2019:

NOK in thousands	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
31 December 2018:				
Contract assets				
Accrued revenue (delivered not invoiced)	796 922	6 438 179	(6 031 083)	1 204 017
Contract liabilities				
Deferred revenue (invoiced not delivered)	20 472			65 766
31 December 2019:				
Contract assets				
Accrued revenue (delivered not invoiced)	1 204 017	6 836 813	(7 062 600)	978 230
Contract liabilities				
Deferred revenue (invoiced not delivered)	65 766			66 227

During the year ended 31 December, 2018 and 2019, the Group recognised the following revenues as a result of changes in the contract asset and the contract liability balances in the respective periods:

NOK in thousands	2019	2018
Amounts included in the contract liability at the beginning of the period	65 766	20 472
Performance obligations satisfied in previous periods	65 766	20 472

Transaction Price Allocated to Future Performance Obligations

IFRS 15 requires that the Group disclose the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied as 31 December 2019 and 31 December 2018. The guidance provides certain practical expedients that limit this requirement. Majority of the Groups contracts meet either of the following practical expedients provided by

IFRS 15 and accordingly the Group has applied this practical expedient.

1. The performance obligation is part of a contract that has an original expected duration of one year or less.
2. The entity recognizes revenue from its satisfaction of the performance obligations in the amount billable to the customer in accordance with paragraph B16 of IFRS 15.

Concentrations of Credit Risk

The Group do not have any customers that comprised more than 10% of the Group's revenue for year ended 31 December 2019 and 31 December 2018.

As of 31 December 2019 and 31 December 2018 the Group do not have significant customers that comprises more than 10% of accounts receivable.

Note 5 Direct cost of sales

This note provides a breakdown of the items included in direct cost of sales.

NOK in thousands	2019	2018
Purchase of electrical power and el certificates	5 628 653	5 457 010
Other direct cost of sales	186 157	151 861
Interest compensation for extended credit days electricity purchase	12 583	14 655
Total direct cost of sales	5 827 394	5 623 526

Other indirect cost related to generating revenue are not included within direct costs of sales for 2019 and 2018 as they are not material and is included within other operating expenses in the consolidated statements of profit and loss. Management review and evaluate this on an annual basis.

The interest compensation for extended credit days related to electricity purchase from Statkraft Energi AS, the Group's main supplier of electrical

power, is recorded in direct cost of sales. The Group's agreement with Statkraft Energi AS allows for payment terms of 30 days, of which the outstanding balance is interest-bearing from day 1. Fjordkraft also has the right to postpone the payments by an additional 30 days if their current cash in hand does not cover the liability.

As at 31 December 2019, the interest bearing balance with Statkraft Energi AS was NOK 673 345 thousand (31 December 2018 was NOK 942 934 thousand).

The Group presents this interest expense as part of direct cost of sales as it consider this a cost directly related to the purchase of electrical power.

Refer to Note 20 for a complete overview of transactions and positions with related parties.

Note 6 Segment information

Disaggregation of revenue from contracts with customers

Operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Board examines the Group's performance from a type of services perspective. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The Group's reportable segments under IFRS 8 - "Operating Segments" are therefore as follows:

- Consumer segment - Sale of electrical power and related services to private consumers
- Business segment - Sale of electrical power and related services to business consumers

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the category of customer for each type of activity. No operating segments have been aggregated in arriving at the reportable segments of the Group. The principal categories of customers are direct sales to private consumers, business consumers and alliance partners.

The segment profit measure is adjusted operating profit which is defined as profit before tax earned by each segment without the allocation of non-recurring expenses, depreciation of acquisitions, other gains and losses, interest income, interest expense, and other financial items, net. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The accounting policies of the reportable segments are the same as the Group's accounting policies.

All of the Group's revenue is from external parties and is from activities currently carried out in Norway. There are no customers representing more than 10% of revenue.

The tables below is an analysis of the Group's revenue and results by reportable segment. New growth initiatives comprise of other business activities (sale of mobile service to private customers and power sale, included related services, to Alliance) which are not considered separate operating segments.

In order to give a better representation of the financial performance of the different segments, estimate deviations and other adjustments are no longer allocated to the segments, as precise allocation of these elements is difficult. This change was made in 2019 and 2018 figures are changed accordingly.

Note 6
Segment information

2019				
NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue adjusted	3 948 175	2 899 333	218 924	7 066 432
Total external segment revenue adjusted	3 948 175	2 899 333	218 924	7 066 432
Direct cost of sales adjusted	(3 046 521)	(2 563 430)	(172 760)	(5 782 711)
Revenue less direct cost of sales adjusted	901 654	335 903	46 164	1 283 721
Expenses				
Personnel and other operating expenses	(444 956)	(137 511)	(59 454)	(641 921)
Depreciation and amortisation	(125 305)	(16 531)	(8 911)	(150 748)
Total operating expenses adjusted	(570 261)	(154 042)	(68 365)	(792 668)
Operating profit adjusted	331 393	181 861	(22 201)	491 053
2018				
NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue adjusted	3 786 193	2 775 034	151 064	6 712 291
Total external segment revenue adjusted	3 786 193	2 775 034	151 064	6 712 291
Direct cost of sales adjusted	(3 019 933)	(2 484 071)	(120 396)	(5 624 399)
Revenue less direct cost of sales adjusted	766 260	290 964	30 668	1 087 893
Expenses				
Personnel and other operating expenses	(390 753)	(125 934)	(53 374)	(570 061)
Depreciation and amortisation	(110 101)	(10 992)	(6 597)	(127 690)
Total operating expenses adjusted	(500 855)	(136 926)	(59 971)	(697 751)
Operating profit adjusted	265 405	154 038	(29 303)	390 142

* Comprise of other business activities (sale of mobile service to private customers and power sale, included related services, to Alliance partners) which are not considered separate operating segments.

Note 6
Segment information

Reconciliation to statement of profit and loss for the period

NOK in thousands	2019	2018
Revenue adjusted	7 066 432	6 712 291
Corporate 1)	56 096	8 657
Revenue	7 122 528	6 720 948
Direct cost of sales adjusted	(5 782 711)	(5 624 399)
Corporate 1)	(44 681)	873
Direct cost of sales	(5 827 394)	(5 623 526)
Revenue less direct cost of sales adjusted	1 283 721	1 087 893
Corporate 1)	11 414	9 529
Revenue less direct cost of sales	1 295 134	1 097 422
Total operating expenses adjusted	(792 668)	(697 751)
Special items 2)	21 218	(25 835)
Depreciation of acquisitions 3)	(45 560)	(36 375)
Total operating expenses	(817 011)	(759 961)
Other gains and losses 4)	4 615	(10 578)
Operating profit	482 738	326 883
Interest income	20 071	15 178
Interest expense lease liability	(1 677)	-
Interest expense	(6 956)	(4 927)
Other financial items, net	(3 737)	(5 277)
Profit/(loss) before tax	490 440	331 858

1) Corporate consists of estimate deviations previous year and special revenue items. A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period. Management is of the opinion that the underlying operating profit in the reporting period should be adjusted for such estimate deviations related to previous reporting periods.

Note 6

Segment information

2) Special items consists of one-time items as follows:

NOK in thousands	2019	2018
Special items incurred specific to:		
- the process of listing the company on Oslo Stock Exchange	-	(11 323)
- acquisition related costs and implementation costs	(3 145)	(11 643)
- legal costs related to the compensatory damages	-	(460)
- strategic costs related to markets abroad	-	(2 409)
- change in pension plan	28 969	-
- Impairment charge	(4 606)	-
Special items	21 218	(25 835)

3) Depreciation of acquisitions consists of depreciation related to customer portfolios and acquisitions of companies accounted for in intangible assets in the consolidated statement of financial position. The Group has decided to report the operating profit of the segments adjusted for depreciation of acquisitions. In order to accommodate this, historically reported figures have been adjusted accordingly:

NOK in thousands	2019	2018
TrønderEnergi Marked acquisition	(32 753)	(30 777)
Oppdal Everk Kraftomsetning acquisition	(4 342)	(1 306)
Vesterålskraft Strøm acquisition	(1 516)	-
Other customer acquisitions	(6 949)	(4 292)
Depreciation of acquisitions	(45 560)	(36 375)

4) Other gains and losses, net consist of gains and losses on derivative financial instruments associated with the purchase and sale of electricity.

Note 7

Financial assets and financial liabilities

The Group holds the following financial instruments:

Financial assets

NOK in thousands	Notes	2019	2018
Financial assets at amortised cost			
Trade receivables (1)	7(a)	1 507 467	2 006 328
Other non-current financial assets (1)	7(a)	25 365	20 090
Cash and cash equivalents (1)	7(d)	775 536	381 409
Financial asset at fair value through profit or loss			
Derivative financial instruments (2)	8, 9	79 274	463 626
Total financial assets		2 387 642	2 871 453

Financial liabilities

NOK in thousands	Notes	2019	2018
Liabilities at amortised cost			
Trade and other payables (1)	7(b)	818 143	1 100 186
Interest-bearing long term debt	7(c)	194 600	250 200
Financial liabilities at fair value through profit or loss			
Derivative financial instruments (2)	8, 9	67 999	455 429
Total financial liabilities		1 080 742	1 805 815

(1) The fair value of cash and cash equivalents, trades receivables, other non-current financial assets and trade and other payables approximate their carrying value due to their short term nature.

(2) Derivative financial instruments are measured at fair value through profit and loss and are classified in Level 2 and 3. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. See note 8 for more information regarding fair value measurement of derivative financial instruments.

Financial Statement Impact:

The Group's financial instruments resulted in the following income, expenses and gains and losses recognised in the statement of profit or loss:

NOK in thousands	Notes	2019	2018
Interest from assets held at amortised cost		20 071	15 178
Interest expense from liabilities at amortised cost		(6 956)	(4 927)
Net impairment expense recognised on trade receivables *	7(a)	(25 220)	(23 075)
Fair value gains(losses) on derivatives	8	4 615	(10 578)
Total net foreign exchange (losses) recognised in other financial items	11	18	68
Total financial income and expense		(7 472)	(23 334)

* Impairment expense on trade receivables is recognised as "Other operating expenses" in the Consolidated statement of profit or loss

7(a) Trade receivables and Other non- current financial assets

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of the amounts is expected in one year or less they are classified as current assets. Trade receivables are generally due for settlement within 30 to 60 days. No interest is charged on outstanding trade receivables, unless it is past due date.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss (ECL). The expected credit losses on trade receivables are estimated using a provision matrix by grouping trade receivables based on reference to past default experi-

ence for the group of customers and an analysis of whether the customer is an active customer to whom the Group continues to supply goods and services to or has ceased purchasing goods or services from the Group. The customer's current financial position, adjusted for factors that are specific to the customers; general economic conditions of the industry in which the customers operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date, are all factors that are taken into account when measuring ECL.

There has been no change in the estimation techniques or significant assumptions made during

the current and prior reporting periods.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier. The trade receivables that have been written off are still subject to collection processes.

7(a)

Trade receivables and Other non-current financial assets

The following table details the risk profile of trade receivables based on the Group's provision matrix.

2019	Days past due						Total
	Current	31-60 days	61-90 days	91-120 days	121-180 days	More than 180 days	
NOK in thousands							
Active engagements (1)							
Consumer							
Expected loss rate	0,2 %	9,2 %	27,0 %	41,7 %	49,6 %	69,6 %	1,1 %
Gross carrying amount	715 140	12 180	3 778	1 187	876	4 983	738 146
Loss allowance provision	1 460	1 116	1 022	495	435	3 471	8 000
Business							
Expected loss rate	0,1 %	2,0 %	18,1 %	34,0 %	62,9 %	73,3 %	0,1 %
Gross carrying amount	696 306	1 525	492	50	35	15	698 422
Loss allowance provision	350	30	89	17	22	11	519
New growth initiatives							
Expected loss rate	0,2 %	15,0 %	40,0 %	50,0 %	60,0 %	70,0 %	0,4 %
Gross carrying amount	22 749	33	22	38	2	1	22 846
Loss allowance provision	45	5	9	19	1	1	80
Ceased engagements (2)							
Consumer							
Expected loss rate	0,2 %	8,6 %	21,8 %	31,0 %	37,8 %	81,1 %	61,9 %
Gross carrying amount	12 829	2 724	1 966	1 784	3 164	59 551	82 019
Loss allowance provision	20	233	429	553	1 197	48 315	50 746
Business							
Expected loss rate	0,0 %	5,0 %	19,5 %	42,1 %	77,2 %	90,3 %	39,4 %
Gross carrying amount	21 341	929	599	556	1 076	16 529	41 030
Loss allowance provision	21	47	117	234	830	14 924	16 173
New growth initiatives							
Expected loss rate	0,2 %	15,0 %	40,0 %	50,0 %	60,0 %	70,0 %	37,9 %
Gross carrying amount	263	31	45	235	83	184	841
Loss allowance provision	1	5	18	117	50	129	319
Total Loss allowance provision	1 897	1 436	1 683	1 436	2 534	66 851	75 837

(1) Active engagements represents accounts receivable for which the customer is still a customer for which the Group delivers ongoing services and / or power.

(2) Ceased engagements represents accounts receivable for associated with customers where the Group no longer delivers ongoing services and / or power.

7(a)

Trade receivables and Other non-current financial assets

2018	Days past due						Total
	Current	31-60 days	61-90 days	91-120 days	121-180 days	More than 180 days	
NOK in thousands							
Active engagements (1)							
Consumer							
Expected loss rate	0,0 %	7,6 %	16,9 %	22,8 %	27,4 %	58,2 %	0,3 %
Gross carrying amount	939 569	17 439	2 649	889	404	1 417	962 367
Loss allowance provision	296	1 331	447	202	111	824	3 212
Business							
Expected loss rate	0,1 %	3,9 %	23,4 %	39,8 %	42,5 %	n.a.	0,2 %
Gross carrying amount	969 571	10 130	420	190	401	-	980 711
Loss allowance provision	945	400	98	76	171	-	1 690
New growth initiatives							
Expected loss rate	0,1 %	0,1 %	25,9 %	25,9 %	25,9 %	25,9 %	10,0 %
Gross carrying amount	1 946	97	70	72	85	1 049	3 319
Loss allowance provision	2	0	18	19	22	272	333
Ceased engagements (2)							
Consumer							
Expected loss rate	0,2 %	7,9 %	19,4 %	22,5 %	29,3 %	69,5 %	45,5 %
Gross carrying amount	16 128	4 616	2 777	3 020	4 385	46 662	77 590
Loss allowance provision	33	366	539	679	1 286	32 420	35 324
Business							
Expected loss rate	0,0 %	7,8 %	26,6 %	35,9 %	70,6 %	88,0 %	30,2 %
Gross carrying amount	17 670	2 118	649	2 221	1 153	9 012	32 824
Loss allowance provision	46	164	173	797	814	7 931	9 925
New growth initiatives							
Expected loss rate	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Gross carrying amount	-	-	-	-	-	-	-
Loss allowance provision	-	-	-	-	-	-	-
Total Loss allowance provision	1 322	2 262	1 275	1 772	2 404	41 447	50 483

(1) Active engagements represents accounts receivable for which the customer is still a customer for which the Group delivers ongoing services and / or power.

(2) Ceased engagements represents accounts receivable for associated with customers where the Group no longer delivers ongoing services and / or power.

7(a)

Trade receivables and Other non-current financial assets

The following table shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in IFRS:

NOK in thousands	2019	2018
Opening balance 1 January	50 483	23 843
Additions from business combinations (see note 25)	2 100	3 792
Loss allowance recognised in profit or loss for the period	23 254	22 848
Other loss allowance provisions recognised in profit or loss for the period	-	-
At 31 December	75 837	50 483

The movement in lifetime ECL is mainly due to a higher percentage of trade receivables being more than 180 days past due.

During the year, the following gains/(losses) were recognised in profit or loss in other expenses in relation to impaired receivables:

NOK in thousands	2019	2018
Receivables written off	2 607	784
Movement in provision for impairment	23 254	22 848
Received payment on previously written off receivables	(641)	(557)
Net impairment expense recognised on trade receivables	25 220	23 075

Other non-current financial assets

The other non-current financial assets in the consolidated statement of financial position comprise of the following:

NOK in thousands	2019	2018
Loan to employees*	16 887	14 813
Other long term receivables from customers**	7 941	5 062
Other non - current financial assets	537	215
Total	25 365	20 090

* Loans to employees include next year's installments. Installments in 2020 amount to NOK 3 168. thousand.

** Customers who purchase Fjordkrafts home charger for electrical vehicle can repay this over the electricity bill. The repayment plan is 36 months. Fjordkraft has a lien in the home charger until it is repaid.

7(b) Trade and other payables

Current liabilities

NOK in thousands	2019	2018
Trade and other payables	818 143	1 100 186

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The Group's agreement with Statkraft Energi AS allows for payment terms of 30 days, of which the outstanding balance is interest-bearing from day 1. Fjordkraft also has the right to postpone the payments by an additional 30 days if their current cash in hand does not cover the liability. Please refer to note 20 for more details.

Fair value of trade and other payables

The carrying amount of trade and other payables are considered to be the same as their fair values due to their short-term nature.

7(c) Borrowings

Long term loan

NOK in thousands	Effective interest rate	2019	2018
Bank loan DnB	NIBOR 3 months + 1,35 %	194 600	250 200
Total		194 600	250 200

Fjordkraft AS has a long term loan in DNB related to the purchase of TrønderEnergi Marked AS in 2018.

The rate of interest is a calculated weighted average. The referanse interest rate is NIBOR. Repayment profile is five years with quarterly installments. The loan installments (55 600 tNOK) that are due in 2020 has been reclassified from interest-bearing long term debt to other current liabilities.

Credit facility

Fjordkraft AS has a credit facility from DNB Bank ASA with a limit of tNOK 1 000 000. The group has not drawn down on this facility at 31 December 2019 or 31 December 2018.

Collateral and covenants

Trade receivables with a carrying value not to exceed tNOK 2 118 000 has been pledged as collateral for all engagements with DNB, including long term loan, credit facility to the extent drawn down and guarantees (described in note 22).

NOK in thousands	2019	2018
Book value of assets pledged as security		
Trade receivables	1 507 467	2 006 328

In addition to the pledged collateral, there is also a covenant related to booked equity. Booked equity, in the consolidated statements, must amount to minimum NOK 350 000 thousand at the end of each quarter.

As of 31 December 2019, booked equity amounts to NOK 1 003 217 thousand (NOK 689 729 thousand net of proposed dividends based on the current number of shares in issue).

The Group is in compliance with covenants as of 31 December 2019, and do not consider there to be a significant risk of a breach of the covenants over the next 12 months.

7(d) Cash and cash equivalents

Current assets

NOK in thousands

	2019	2018
Cash at bank and in hand	775 536	381 409
Total	775 536	381 409

The above figures equals the amount of cash shown in the statement of cash flows at the end of the financial year.

Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest.

Restricted cash

There were no restricted cash at 31 December 2019 or 31 December 2018. Please refer to note 22 for information about bank guarantees.

Note 8

Fair Value

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. Changes in fair value are recognised through other gains and losses, net in the consolidated statement of profit or loss. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements At 31 December 2019

NOK in thousands	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	50 875	28 399	79 274
Total financial assets at fair value	-	50 875	28 399	79 274
Financial liabilities				
Derivative financial instruments	-	43 779	24 220	67 999
Total financial liabilities at fair value	-	43 779	24 220	67 999

Recurring fair value measurements At 31 December 2018

NOK in thousands	Level 1	Level 2	Level 3	Total
Financial assets				
Derivative financial instruments	-	274 263	189 363	463 626
Total financial assets at fair value	-	274 263	189 363	463 626
Financial liabilities				
Derivative financial instruments	-	289 325	166 104	455 429
Total financial liabilities at fair value	-	289 325	166 104	455 429

Note 8
Fair Value

There were no transfers between level 1 and 2 for recurring fair value measurements during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. After an updated assessment of the classification of derivative financial instruments the Group have chosen to reclassify the fair value of some instruments from level 2 to level 3, due to inputs not being directly observable. Comparable figures from 2018 has been reclassified accordingly. Total amounts remain unchanged as there has not been any change in the value of the inputs.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. Changes in assets and liabilities measured at fair value based on level 3 during the year are presented in the tables below.

Valuation techniques used to determine fair values

Specific valuation techniques used to value derivative financial instruments include present value of future cash flows, based on forward prices from Nasdaq OMX Commodities at the balance sheet date. In the case of material long-term contracts, the cash flows are discounted at a discount rate of 1,4 per cent (2018: 1,2 per cent). Valuation method is used for forward contracts and option contracts associated with purchase and sale of electricity. Key inputs to the valuation are discount rates, contract- and market prices. Level 3 input consists of area prices from Bergen and Kristiansand as these do not have observable market data.

The fair value of cash and cash equivalents, trade receivables, other non-current financial assets and trade and other payables approximate their carrying value.

Note 8
Fair Value

Assets and liabilities measured at fair value based on level 3

At 31 December 2019

NOK in thousands	Assets	Liabilities	Total, net
Opening balance 1 January 2019	189 363	166 104	23 259
Additions or derecognitions	(164 550)	(145 556)	(18 994)
Unrealised changes in value recognised in profit and loss	3 586	3 672	(86)
Closing balance 31 December 2019	28 399	24 220	4 179

Net realised gain (+) / loss (-) recognised in profit and loss 2019

2 810

At 31 December 2018

NOK in thousands	Assets	Liabilities	Total, net
Opening balance 1 January 2018	45 839	35 296	10 543
Additions or derecognitions	102 531	89 612	12 919
Unrealised changes in value recognised in profit and loss	40 993	41 196	(203)
Closing balance 31 December 2018	189 363	166 104	23 259

Net realised gain (+) / loss (-) recognised in profit and loss 2018

(9 176)

Sensitivity analysis of factors classified to level 3

NOK in thousands	10 % reduction	10 % increase
Net effect from power prices	(1 150)	1 150

Fair value of other financial instruments

The Group also has financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. There has not been identified any significant difference between fair value and carrying amount at 31 December 2019.

Note 9

Financial risk management objectives

The Group's main operations comprise of buying and selling electricity to end users and business customers. Volatility in commodity prices is the primary risk for the business. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The Group classifies the following categories of financial risks:

- Market risk
- Credit risk
- Liquidity risk

Market risk

The Group's activities expose it primarily to the financial risks of changes in commodity prices, interest rate risk, security prices and foreign currency exchange rates.

Market risk - commodity prices

The Group's operations of buying and selling electricity to its customers is a business of margins. When participating in the electricity market, the group uses a "back to back"-strategy. Trading in the financial market is generally conducted on the behalf of customers. This is done by replicating obligations towards the customer with financial contracts entered into with Statkraft Energi AS ("SEAS"). This strategy is used both for consumers of electricity and Alliance partners. For smaller customers, which are grouped into portfolios, the estimated requirements of financial contracts does not always match the actual aggregated customer requirements. In these circumstances the Group aims to reduce its residual risk exposure as much as possible. The above discussion is not applicable to own use contracts.

There are two main categories of financial contracts used to manage risk exposure towards commodity prices; Forward contracts and options. Additionally, forward contracts on el-certificates are used to manage risk exposure towards fluctuations in el-certificate prices and, to a limited degree, forward contracts on Guarantees of origination to manage risk exposure towards fluctuations in prices of these Guarantees.

The trade of financial contracts are primarily conducted to reduce the fluctuation in prices for customers. Since the Group has chosen to cover, a portion of their future liabilities related to el-cer-

tificates (ranging from zero to 100 %), by entering into forward contracts in advance, it introduces a risk of losses if the price of el-certificates falls at same time as the Group is forced to lower its prices to its customers. It is not considered to be probable that an event like this will occur and therefore the Group has not made a provision for losses on these contracts.

Market risk - volume

The Group is generally not exposed to volume risk for most of its standard products. Some, albeit low, volume risk exists for products with a financial instrument component. Combined portfolios as described above can have some volume risk exposure, however the related costs are largely covered by the customers.

Market risk - interest rates

The Group is mainly exposed to interest rate fluctuations associated with its floating rate bank credit facility, its long-term loan related to acquisition of TrønderEnergi Marked and short-term trade payables towards SEAS related to purchase of electricity. There is also some exposure to interest rate fluctuation associated with short-term receivables for customers who elects to extend their payment terms. The current exposure to interest rate does not warrant the use of derivative instrument, since it is not considered to be material. The Company has set out parameters to actively monitor this risk going forward.

Market risk - security prices

The Group is indirectly exposed to security price risk through its defined employee benefit agreement where part of the plan assets are invested in

securities. This risk is managed through investment in diversified portfolios and managed by external insurance companies. For further disclosure on fair value of plan assets and risk exposure related to employee benefits, please refer to note 17.

Market risk - foreign exchange rates

The Group has limited exposure to foreign exchange currency fluctuations. A small proportion of the Groups customers conduct transactions in foreign currency. The currency risk rising from these transactions is handled by purchasing electricity from SEAS through contracts denominated in the same currency as the related revenue.

Through its agreement with SEAS, the Group has the opportunity to conduct all of its operational and financial purchase of electricity in NOK. This limits the Groups general exposure to foreign currency.

Market risk - derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments and they are classified as 'held for trading' for accounting purposes below.

Note 9
Financial Risk Management Objectives

The group has the following derivative financial instruments:

NOK in thousands	2019	2018
Current assets		
Forwards with SEAS*	-	197 948
Options with SEAS*	-	(10 054)
Forwards with customers	65 700	266 266
Options with customers	9 744	5 686
Other derivatives	3 830	3 780
Total current derivative assets	79 274	463 626
Current liabilities		
Forwards with SEAS*	11 496	-
Options with SEAS*	17 417	-
Forwards with customers	35 502	451 560
Options with customers	-	89
Other derivatives	3 583	3 780
Total current derivative liabilities	67 999	455 429

* Statkraft Energi AS (SEAS)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties to the Group, arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables consist of a large number of end-user customers (mainly households) and corporate customers spread across diverse industries. The Group uses publicly available financial information and its own trading records to rate its business customers. Refer to note 7 for concentration of

credit risk related to trade receivables.

In addition to invoicing electricity and other services provided to customers, the Group provides re-invoicing to customers related to grid rent on behalf of the grid owners ("gjennomfakturering"). This contributes to an increase in credit risk as the amount of trade receivables increases. The Group is also required from the grid owners to provide bank guarantees for the settlement of grid rent, as described in note 22.

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agen-

cies. Derivative financial contracts are entered into with Statkraft Energi AS (SEAS), the Group's counterparty and a subsidiary of one of the Group's major shareholders, Statkraft AS (refer to note 20). The Group manage the risks related to these contracts with SEAS, and other derivative financial contracts with customers, by entering into back-to-back contracts with the customers on similar terms and conditions. Credit risk in the form of counterparty risk that either SEAS or other customers will not be able to settle their part of the contracts does exist. The risk associated with SEAS is considered to be limited as SEAS is a very solid player. The risk against other customers is handled by conducting credit analyses before any counterparty risk is assumed, and only solid customers are accepted. Purchases of long-term contracts also require security from the customer.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, bank facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Details of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk are set out at note 7(c), Borrowings.

Liquidity risk table

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

Note 9

Financial Risk Management Objectives

The table below presents the maturities on the Group's non-derivative financial liabilities with agreed repayment periods.

31 December 2019

NOK in thousands	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Non-interest bearing	144 798	-	-	-	-	144 798	144 798
Variable interest rate instruments	688 841	-	41 700	139 000	-	869 541	869 541
Fixed interest rate instruments	-	-	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-	-
Total	833 639	-	41 700	139 000	-	1 014 339	1 014 339

31 December 2018

NOK in thousands	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Non-interest bearing	157 252	-	-	-	-	157 252	157 252
Variable interest rate instruments	958 387	-	41 700	194 600	-	1 194 687	1 194 687
Fixed interest rate instruments	-	-	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-	-
Total	1 115 640	-	41 700	194 600	-	1 351 940	1 351 940

The table below presents the maturities on the Group's derivative financial liabilities in nominal values:

31 December 2019

NOK in thousands	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Forwards with SEAS	268	-	11 106	2 696	-	14 070	11 496
Options with SEAS	5 092	13 775	7 865	-	-	26 732	17 417
Forwards with customers	3 776	4 970	19 356	25 258	50	53 409	35 502
Options with customers	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	3 583
Total	9 135	18 745	38 327	27 954	50	94 210	67 999

31 December 2018

NOK in thousands	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Forwards with SEAS	-	-	-	-	506	506	-
Options with SEAS	1 572	2 713	5 803	-	-	10 088	-
Forwards with customers	56 238	101 648	218 863	91 092	-	467 840	451 560
Options with customers	109	-	-	-	-	109	89
Other derivatives	-	-	-	-	-	-	3 780
Total	57 920	104 361	224 665	91 092	506	478 543	455 429

Note 10

Personnel expenses

NOK in thousands	2019	2018
Salaries	205 273	165 035
Social security	28 864	24 368
Pension expenses	(7 623)	20 444
Other benefits	10 860	8 810
Gross personnel expenses	237 373	218 657
- Capitalised R&D costs	(1 267)	(1 143)
Total personnel expenses	236 106	217 514
Number of full-time equivalents (FTEs)	288	249

Pension obligations are covered through insurance companies. Norwegian entities are obligated to establish a mandatory company pension. This obligation is fulfilled under the current pension plan. Please refer to note 17 for further information regarding pensions.

For information regarding remuneration to executive management and Board of Directors please refer to note 21.

Group performance bonus

All of the Group's employees except from the CEO, are included in the Group's performance bonus scheme. The bonus is based on financial and operational performance indicators. The Group's performance is measured by profit before tax, customer satisfaction, distribution of number of electrical deliveries to the private market, and quality of invoicing process.

Note 11

Other operating expenses and Other financial items, net

This note provides a breakdown of the items included in other operating expenses and other financial items, net.

Other operating expenses

NOK in thousands	2019	2018
Sales and marketing costs	110 320	103 379
IT cost	30 263	20 651
Purchase of third- party services and external personnel	110 899	107 760
Losses	25 468	23 104
Professional fees *	49 688	63 460
Other operating costs	53 336	60 027
Total other operating expenses	379 973	378 382

* Includes legal fees, auditors remuneration, consultant fees

Other financial items, net

NOK in thousands	2019	2018
Foreign exchange gain/(losses)	19	68
Other financial expenses	(3 756)	(5 345)
Total other financial items, net	(3 737)	(5 277)

Auditor's remuneration (all related to services provided by Deloitte)

NOK in thousands	2019	2018
Statutory audit*	1 558	4 097
Tax advisory services	10	12
Other assurance services	175	14
Total	1 743	4 124

*Includes auditor's remuneration related to listing on Oslo Stock Exchange (2018)

Note 12

Income tax

Specification of tax expense recognised in statement of profit or loss

NOK in thousands	2019	2018
Tax payable on profit for the year	112 790	94 073
Adjustments to prior years tax payable	33	370
Adjustments to prior years deferred tax expense (income)	-	-
Change in deferred tax/(tax asset) from origination and reversal of temporary differences	7 395	(15 191)
Change in deferred tax/(tax asset) from changes in tax rates or the imposition of new taxes	51	(963)
Tax expense recognised in statement of profit or loss	120 269	78 289

Specification of current income tax liabilities

NOK in thousands	2019	2018
Tax payable on profit for the year	112 790	96 564
Provision government grants (SkatteFUNN)	(1 637)	(350)
Adjustments prior years tax	503	(2 001)
Current income tax liabilities recognised in statement of financial position	111 656	94 213

Reconciliation of statutory tax rate to effective tax rate:

NOK in thousands	2019	2018
Profit before tax	490 440	331 858
Income tax at statutory tax rate (22% - 2019 and 23% - 2018)	107 897	76 327
Tax expense recognised in statement of profit or loss	120 269	78 289
Difference	(12 373)	(1 962)
Deferred tax expense (income) relating to changes in tax rates	51	(963)
Permanent differences	12 004	3 118
Adjusted deferred tax (SkatteFUNN)	284	(34)
Other changes	-	(529)
Adjustments prior years tax payable	33	370
Difference	12 373	1 962

Note 12
Income tax

Specification of basis for deferred tax

NOK in thousands	2019	2018
Fixed assets/intangible assets	47 363	66 482
Receivables	(28 984)	(49 764)
Pension liabilities	(64 062)	(79 308)
Contract assets	161 883	149 912
Provisions for liabilities	(732)	(805)
Derivative financial instruments	11 275	8 197
Leasing liabilities	(1 966)	-
Temporary differences	124 777	94 714
Basis for calculation of deferred tax/(tax assets)	124 777	94 714
Deferred tax/(tax asset) (22% - 2019 and 22% - 2018)	27 451	20 837
Deferred tax asset recognised in statement of financial position	-	-
Deferred tax recognised in statement of financial position	27 451	20 837
<i>Net position</i>	<i>(27 451)</i>	<i>(20 837)</i>

Changes in deferred tax balances

2018	1 January 2018	Changes recognised in statement of profit or loss	Changes recognised in other comprehensive income	Changes from business combinations	31 December 2018
NOK in thousands					
Fixed assets/intangible assets	(643)	(8 394)	-	23 663	14 626
Receivables	(5 174)	(5 388)	-	(385)	(10 948)
Pension liabilities	(16 956)	(204)	349	(637)	(17 448)
Contract assets	31 633	1 347	-	-	32 981
Derivative financial instruments	4 142	(2 690)	-	351	1 803
Provisions for liabilities	-	80	-	(257)	(177)
Tax losses carried forward	(58)	58	-	-	-
Total	12 944	(15 191)	349	22 736	20 837
2019	1 January 2019	Changes recognised in statement of profit or loss	Changes recognised in other comprehensive income	Changes from business combinations	31 December 2019
NOK in thousands					
Fixed assets/intangible assets	14 626	(7 227)	-	3 021	10 420
Receivables	(10 948)	4 887	-	(315)	(6 376)
Pension liabilities	(17 448)	6 502	(3 128)	(20)	(14 094)
Contract assets	32 981	2 634	-	-	35 614
Derivative financial instruments	1 803	(1 626)	-	(338)	(161)
Provisions for liabilities	(177)	2 658	-	-	2 480
Leasing liabilities	-	(433)	-	-	(433)
Total	20 837	7 395	(3 128)	2 347	27 451

Note 13

Earnings per share

Earnings per share is calculated as profit/loss allocated to shareholders for the year divided by the weighted average number of outstanding shares.

Basic earnings per share

	2019	2018
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	370 171	253 569
Total comprehensive income attributable to equity holders of the company (NOK in thousands)	359 080	254 736
Weighted average number of ordinary shares in issue	104 496 216	104 496 216
Earnings per share in NOK	3,54	2,43
Total comprehensive income per share in NOK	3,44	2,44
Share options (see note 26)	930 000	870 000
Diluted earnings per share in NOK	3,51	2,41
Dividend per share in NOK	2,20	0,96

In addition to outstanding shares, there has been issued 870 000 share options to employees during 2018, and 90 000 in January 2019. Due to change in management, there has been a reduction of shares options in Q2 2019. The total number of share options is 930 000. These are included in the calculation.

Note 14

Property, plant and equipment

2019				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2019	9 639	25 279	1 376	36 293
Additions	-	-	3 791	3 791
Additions from business combinations (see note 25)	302	-	-	302
Transferred from construction in progress	4 172	995	(5 167)	-
Disposals	-	-	-	-
Cost 31 December 2019	14 113	26 274	-	40 387
Accumulated depreciation 1 January 2019	(7 449)	(24 706)	-	(32 155)
Depreciation for the year	(912)	(211)	-	(1 123)
Disposals	-	-	-	-
Accumulated depreciation 31 December 2019	(8 362)	(24 917)	-	(33 279)
Carrying amount 31 December 2019	5 751	1 357	-	7 108
2018				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2018	8 875	25 221	-	34 095
Additions	81	-	1 376	1 457
Additions from business combinations	683	58	-	741
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost 31 December 2018	9 639	25 279	1 376	36 293
Accumulated depreciation 1 January 2018	(6 090)	(24 437)	-	(30 527)
Depreciation for the year	(1 359)	(269)	-	(1 628)
Disposals	-	-	-	-
Accumulated depreciation 31 December 2018	(7 449)	(24 706)	-	(32 155)
Carrying amount 31 December 2018	2 190	573	1 376	4 139
Useful life	8 years (or lease term if shorter)		3 years	
Depreciation method	Straight line		Straight line	

Note 15

Intangible assets

Non-current intangible assets

2019

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets excl. Goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2019	140 692	42 869	157 435	12 633	353 630	155 849	509 479
Additions - Purchase	-	45 314	1 008	-	46 322	-	46 322
Additions - Internally generated	1 094	173	-	-	1 267	-	1 267
Additions from business combinations (see note 25)	-	-	12 362	1 270	13 632	10 847	24 479
Transferred from construction in progress	71 606	(71 606)	-	-	-	-	-
Government grants (SkatteFUNN)	-	(1 602)	-	-	(1 602)	-	(1 602)
Cost 31 December 2019	213 393	15 147	170 805	13 903	413 249	166 696	579 945
Accumulated depreciation 1 January 2019	(108 955)	-	(40 193)	(4 527)	(153 675)	-	(153 675)
Depreciation for the year	(29 492)	-	(41 087)	(4 662)	(75 241)	-	(75 241)
Impairment for the year*	(5 794)	-	-	-	(5 794)	-	(5 794)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 December 2019	(144 240)	-	(81 281)	(9 189)	(234 710)	-	(234 710)
Carrying amount 31 December 2019	69 155	15 147	89 526	4 715	178 542	166 696	345 238

Useful life	3 years	2-12 years	3 years
Depreciation method	Straight line	Straight line/other**	Straight line

* Impairment is mainly related to updated valuation in connection with the sale of IP rights in 2020.

**The majority of customer portfolios is calculated on basis of expected churn-profile of the customer portfolio.

Note 15
Intangible assets

Non-current intangible assets

2018

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets excl. Goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	171 865	-	171 865
Additions - Purchase	990	30 457	30 176	-	61 623	-	61 623
Additions - Internally generated	17	1 125	-	-	1 142	-	1 142
Additions from business combinations	-	-	107 118	12 066	119 184	155 849	275 033
Transferred from construction in progress	17 740	(17 740)	-	-	-	-	-
Government grants (SkatteFUNN)	-	(185)	-	-	(185)	-	(185)
Disposals	-	-	-	-	-	-	-
Cost 31 December 2018	140 692	42 869	157 435	12 634	353 630	155 849	509 479
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	(89 769)	-	(89 769)
Depreciation for the year	(27 340)	-	(32 180)	(4 384)	(63 904)	-	(63 904)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 December 2018	(108 955)	-	(40 192)	(4 526)	(153 673)	-	(153 673)
Carrying amount 31 December 2018	31 738	42 869	117 243	8 108	199 957	155 849	355 806
Useful life	3 years		5-12 years	3 years			
Depreciation method	Straight line		Straight line	Straight line			

Depreciation and impairment of intangible assets are included in the line 'Depreciation and amortisation' in the consolidated statement of profit and loss.

Note 15

Intangible assets

Impairment of Goodwill

The Group has performed an impairment test of Goodwill as of 31 December 2019 in accordance with IAS 36, using the methods outlined in note 3.

Goodwill as at December 31 2019, has a total carrying value of NOK 166 696 thousand. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table below:

NOK in thousands	Godwill
Consumer segment	112 198
Business segment	54 498
Total	166 696

When calculating value in use the weighted average cost of capital used were 9,1 % for both segments. Estimated growth rate in the terminal year was set at nominal 0,5 % for both segments, which is considered conservative.

Sensitivity analyses have been carried out based on a reduction of the budgeted operating income of 10 percent and by an increase in the cost of capital by one percentage point respectively.

None of the sensitivity analyses lead to a reduction of the recoverable amount below the carrying amount for any of the cash generating units, i.e. the hypothetical changes in key assumptions would not lead to any impairment. The calculations are based on management's assessment of reasonably possible adverse changes in two key assumptions (operating margin and cost of capital), yet they are hypothetical and should not be viewed as an indication that these factors are likely to change. The sensitivity analyses should therefore be interpreted with caution.

Research and development

Development projects focus on preparing the company for future changes in the framework conditions, streamlining processes and future growth. The work mainly concerns customer-related system projects. Of total R&D expenditure of NOK 65 281 thousand, NOK 18 700 thousand has been expensed as other operating expenses and NOK 46 581 thousand has been recognized as R&D assets.

It is expected that future earnings of ongoing R&D will correspond to expenses incurred.

Government grants

The Group has been awarded a government grant (SkatteFUNN) in 2019 for a project regarding power consumption analysis for smart home services. Of a total grant of NOK 1 637 thousand, NOK 35 thousand has been booked as reduction of R&D costs incurred in 2019, while the remaining NOK 1 602 thousand has been booked as a reduction of the cost price of the related asset.

Note 15
Intangible assets

Current intangible assets

2019

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2019	22 101	11 494	33 595
Additions - Purchase	242 596	12 975	255 571
Disposals*	(246 569)	(18 837)	(265 405)
Cost 31 December 2019	18 128	5 632	23 760
Carrying amount 31 December 2019	18 128	5 632	23 760

2018

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	191 160	30 208	221 368
Additions from business combinations	260	-	260
Disposals*	(169 330)	(21 272)	(190 602)
Cost 31 December 2018	22 101	11 494	33 595
Carrying amount 31 December 2018	22 101	11 494	33 595

* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability. Also refer to note 18.

Disposals of Guarantees of origination (GoO) refers to amount of certificates redeemed as evidence of the origin of electricity generated from renewable energy sources.

Note 16

Share capital

Shareholders at 31 December 2019

	Number of shares	Nominal value per share	Nominal value	Voting rights	Ownership
BKK AS	15 933 066	0,30	4 779 920	15,25 %	15,25 %
Skagerak Energi AS	15 528 228	0,30	4 658 468	14,86 %	14,86 %
Verdipapirfondet Dnb Norge	8 000 396	0,30	2 400 119	7,66 %	7,66 %
Folketrygdfondet	5 205 000	0,30	1 561 500	4,98 %	4,98 %
Geveran Trading Co Ltd	3 000 000	0,30	900 000	2,87 %	2,87 %
Verdipapirfondet Alfred Berg Gamba	2 588 403	0,30	776 521	2,48 %	2,48 %
Verdipapirfondet Nordea Norge Verdi	2 168 999	0,30	650 700	2,08 %	2,08 %
Handelsbanken Nordiska Smabolagsfond	2 034 092	0,30	610 228	1,95 %	1,95 %
Jpmorgan European Smallercompanies	1 551 148	0,30	465 344	1,48 %	1,48 %
Landkreditt Utbytte	1 500 000	0,30	450 000	1,44 %	1,44 %
Verdipapirfondet Alfred Berg Norge	1 456 859	0,30	437 058	1,39 %	1,39 %
J.P. Morgan Bank Luxembourg S.A.	1 413 431	0,30	424 029	1,35 %	1,35 %
Verdipapirfondet Eika Spar	1 242 612	0,30	372 784	1,19 %	1,19 %
Hsbc Ttee Marl European Trust	1 133 793	0,30	340 138	1,09 %	1,09 %
C Worldwide Norge Iii	1 132 800	0,30	339 840	1,08 %	1,08 %
Tr European Growth Trust Plc	1 071 768	0,30	321 530	1,03 %	1,03 %
Verdipapirfondet Alfred Berg Aktiv	1 008 779	0,30	302 634	0,97 %	0,97 %
Montanaro Smaller Comp Plc	1 000 000	0,30	300 000	0,96 %	0,96 %
Verdipapirfondet Eika Norge	978 904	0,30	293 671	0,94 %	0,94 %
KLP Aksjenorge Indeks	868 339	0,30	260 502	0,83 %	0,83 %
Others	35 679 599	0,30	10 703 880	34,14 %	34,14 %
Total	104 496 216		31 348 865	100 %	100 %

Share capital and share premium

NOK in thousands	Ordinary shares	Share premium	Total
31 December 2019	31 349	125 035	156 384
31 December 2018	31 349	125 035	156 384

Fully paid ordinary shares which have a par value of NOK 0.30 carry one vote per share and carry a right to dividends.

All issued shares have equal voting rights and the right to receive dividend.
For computation of earning per share and diluted earning per share see Note 13.

Note 16
Share capital

Shares owned/controlled by members of the Board of Directors, CEO and other members of the Executive Management (including related parties):

Number of shares	2019	2018
Rolf Barmen (Chief Executive Officer)	41 052	41 052
Birte Strander (Chief Financial Officer)	28 613	28 613
Jeanne K. Tjomsland (Head of Group Marketing, Communications and HR)	18 678	18 678
Arnstein Flaskerud (Head of Strategy and M&A)	22 260	22 260
Solfrid K. Aase (Head of Alliance)	7 456	7 456
Roger Finnanger (Head of Consumer)	483	483
Christian Kalvenes (Head of Private)	483	483
Alf-Kåre Hjartnes (Chief Operating Officer)	8 833	8 833
Solfrid Fluge Andersen (Chief Commercial Officer)	-	-
Per Axel Koch (Chairman of the Board)	32 258	32 258
Birthe Iren Grotle (Boardmember)	2 900	2 900
Heidi Theresa Ose (Boardmember)	-	-
Live Bertha Haukvik (Boardmember)	-	-
Steinar Sønsteby (Boardmember)	16 129	16 129
Lindi Bucher Vinsand (Boardmember, Employee representative)	1 612	1 612
Elisabeth M. Norberg (Boardmember, Employee representative)	3 225	3 225
Frank Økland (Boardmember, Employee representative)	645	645
Bettina Bergesen (Deputy in board meetings)	3 225	3 225
Lisbeth Nærø (Chairman of the Nomination committee)	-	-
Total	187 852	187 852

In addition to owned shares, members of Executive Management also owns options acquired through the new management option program, as outlined in note 26.

Options owned by members of the Executive Management:

Number of options	2019	2018
Rolf Barmen (Chief Executive Officer)	120 000	120 000
Birte Strander (Chief Financial Officer)	60 000	60 000
Jeanne K. Tjomsland (Head of Group Marketing, Communications and HR)	60 000	60 000
Arnstein Flaskerud (Head of Strategy and M&A)	60 000	60 000
Solfrid K. Aase (Head of Alliance)	60 000	60 000
Roger Finnanger (Head of Consumer)	60 000	30 000
Christian Kalvenes (Head of Private)	60 000	30 000
Alf-Kåre Hjartnes (Chief Operating Officer)	60 000	60 000
Solfrid Fluge Andersen (Chief Commercial Officer)	60 000	30 000
Total	600 000	510 000

Note 17

Pension liabilities

Description of the pension schemes

Until the end of 2019 the Fjordkraft Group had its occupational pension scheme for all employees organized in BKK Pensjonskasse. Until the turn of the year, the pension scheme was a defined-benefit occupational pension scheme (public occupational pension scheme) and included retirement pension, contractual pension (CPA) scheme, disability pension, spouse's pension and children's pension. The scheme complied largely with the regulations enshrined in the Act on the Government Pension Fund.

Through 2019, Fjordkraft has completed a transformation process related to the pension scheme. As of 1.1.2020, Fjordkraft has decided to create a defined-contribution pension scheme for all employees born from 1963. Employees born before 1963 maintained their membership in the public occupational pension scheme. Members who are converted to the defined-contribution pension scheme receive a paid-up policy for earned entitlements for the time they have earned rights in the public occupational pension scheme if they have at least three years of service.

The new defined-contribution pension scheme also includes disability pension, spouse's pension and children's pension. In addition, Fjordkraft has chosen to introduce the contractual pension (CPA) scheme for private sector for those members who are converted to the defined-contribution pension scheme. The agreement entitles members to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67.

The contribution rates for the defined contribution pension are set to:

- Salary representing 0 - 7,1 times G: 5 per cent
- Salary representing 7,1 - 12 times G: 15 per cent

For those members who are converted to the new pension scheme, a scheme has been established that provides supplementary allowances to employees who come out worse when changing the pension scheme. The supplementary allowance is set with final effect at the end of 2019, and the supplement constitutes a fixed percentage of the individual's pension basis up to the age of 66 years.

The disability pension scheme is relatively similar for the employees who remained in the public occupational pension scheme, and those who were enrolled in the defined contribution scheme.

- 3 per cent of pensionable income up to 12G
- 25 per cent of G, maximum 6 per cent of pensionable income, up to 12G
- 66 per cent of pensionable income in the interval between 6G and 12G

Benefits for spouse's pension and children's pension are set at the same level as in the public scheme:

- Spouse's pension: 9 % of the deceased's pensionable income
- Children's pension: 15 % of the deceased's pensionable income

In parallel with the change in the future pension scheme, Fjordkraft's Board of Directors has decided to introduce a separate compensation scheme for employees with a long employment time and a high age. The scheme aims to counteract some of the effects that the introduction of life expectancy adjustment has had for public occupational pension schemes. The scheme applies to a closed group of employees and only applies if the employees are at least 67 years old at retirement. If an employee is 70 years old at retirement, the scheme will give a somewhat higher payout. Upon resignation or retirement prior to 67 years, the scheme will not provide any benefits. The scheme covers a total of 29 active members and 0 pensioners.

CPA in the private sector is a life-long benefit with the first withdrawal opportunity from 62 years. Granting of the CPA means that the member meets the seniority conditions "seven of the last nine years as an employee in a business covered by the scheme". Members born in the years 1963 and 1964 will not be able to fulfill this condition, but can be purchased into the scheme through a lump sum payment when the member is granted AFP. A commitment and expense for this has been included in the accounts.

In addition, Management has a defined contribution plan for the pensions over 12 G, that is expensed on an ongoing basis.

Defined benefit occupational pension plans and pension liabilities

The scheme entitles members to defined future benefits. These are mainly dependent on the number of years of service, the salary level at retirement age and the size of benefits paid by the national insurance. The liabilities are covered

Note 17
Pension liabilities

through an insurance company (funded).

The liability or asset recognised in the consolidated statement of financial position in respect of defined-benefit occupational pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The Group's defined benefit occupational pension schemes covers a total of 15 active members and 28 pensioners. The liabilities are covered through the insurance company BKK Pensjonskasse.

The Group also has a contractual pension agree-

ment (CPA) for members of the defined benefit scheme covering a total of 17 members. The CPA currently has no pensioners. The agreement entitles staff to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67. The CPA is an unsecured arrangement funded through operations and does not have any plan assets.

The defined benefit pension plan's pension expenses and liabilities are presented according to IAS 19 (revised).

Defined contribution pension plans

The company has a defined contribution pension scheme covering a total of 284 active members and no pensioners.

The Group also has a contractual pension agreement (CPA) for all members of the defined contribution scheme. The CPA currently has no pensioners. The agreement entitles staff to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67. The CPA is an unsecured arrangement funded through operations and does not have any plan assets.

In addition to the above mentioned defined benefit occupational pension plans and defined contribution pension plans, Senior Management are entitled to additional annual contribution for salary exceeding 1.2 times the base amount (the average National Insurance base amount (G) for 2019 was NOK 99,858). Contributions are expenses on an ongoing basis.

Risk exposure

Through its defined benefit occupational pension

plans, the Group is exposed to a number of risks, the most significant are detailed below.

Asset volatility; The plan liabilities are calculated using a discount rate set with reference to covered bonds ("Obligasjoner med fortrinnsrett"); if plan assets underperform this yield, this will create a deficit. All plans hold a significant portion of investments in equity instruments, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities.

Changes in bond yields; A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation risk; Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy; The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

At the end of this note, a table showing sensitivity analysis of the most significant assumptions is enclosed.

Note 17
Pension liabilities

Amounts recognised in statement of financial position:

NOK in thousands	31 December 2019	31 December 2018
Present value of funded obligations	205 605	242 332
Fair value of plan assets	200 930	178 000
Deficit of funded plans	4 675	64 331
Present value of unfunded obligations	59 387	14 990
Total deficit of defined benefit pension plans	64 062	79 308

Amounts recognised in statement of profit or loss:

2019

NOK in thousands	Funded obligations	Non-funded obligations	Total
Accrued pension entitlement for the year	19 003	1 497	20 501
Payroll tax (PT)	2 679	211	2 891
Net interest expense / (income)	6 271	390	6 661
Expected return on plan assets	(4 825)	-	(4 825)
Past service cost	(66 903)	47 833	(19 069)
Curtailment (gain) / loss recognized	-	(862)	(862)
Settlement (gain) / loss recognized	-	(10 873)	(10 873)
Expenses paid	25	-	25
Members' contribution	(3 014)	-	(3 014)
Total amount recognised in profit or loss	(46 763)	38 197	(8 567)

2018

NOK in thousands	Funded obligations	Non-funded obligations	Total
Accrued pension entitlement for the year	16 942	1 306	18 248
Payroll tax (PT)	2 395	184	2 579
Net interest expense / (income)	5 044	301	5 345
Expected return on plan assets	(3 727)	-	(3 727)
Members' contribution	(2 001)	-	(2 001)
Total amount recognised in profit or loss	18 653	1 791	20 444

Note 17
Pension liabilities

Change in defined benefit obligation:

NOK in thousands	Present value of funded obligation	Fair value of plan assets	Total, funded obligations, net of plan assets	Present value of non-funded obligation	Total, net
At 1 January 2019	242 332	178 000	64 332	14 990	79 322
Additions from business combinations (see note 25)	91	-	91	-	91
Accrued pension entitlement for the year	19 003	-	19 003	1 497	20 501
Payroll tax (PT)	2 679	-	2 679	211	2 891
Interest expense (income)	6 271	-	6 271	390	6 661
Return on plan assets	-	4 800	(4 800)	-	(4 800)
Past service cost	(66 903)	-	(66 903)	47 833	(19 069)
Actuarial gains and losses (demographic assumptions)	-	-	-	-	-
Actuarial gains and losses (financial assumptions)	7 212	(806)	8 019	6 200	14 219
Benefits paid	(2 487)	(2 180)	(307)	-	(307)
Contribution	-	20 697	(20 697)	-	(20 697)
Members' contribution	-	3 014	(3 014)	-	(3 014)
Curtailment (gain) / loss recognized	-	-	-	(862)	(862)
Settlement (gain) / loss recognized	-	-	-	(10 873)	(10 873)
Payroll tax of contribution	(2 596)	(2 596)	-	-	-
At 31 December 2019	205 605	200 930	4 675	59 387	64 062

NOK in thousands	Present value of obligation	Fair value of plan assets	Total, funded obligations, net of plan assets	Present value of non-funded obligation	Total, net
At 1 January 2018	209 417	148 489	60 928	12 793	73 720
Additions from business combinations	9 157	6 456	2 701	-	2 701
Accrued pension entitlement for the year	16 942	-	16 942	1 306	18 248
Payroll tax (PT)	2 395	-	2 395	184	2 579
Interest expense (income)	5 044	-	5 044	301	5 345
Return on plan assets	-	3 727	(3 727)	-	(3 727)
Actuarial gains and losses (demographic assumptions)	-	-	-	-	-
Actuarial gains and losses (financial assumptions)	3 628	5 550	(1 922)	406	(1 515)
Benefits paid	(2 297)	(2 297)	-	-	-
Contribution	-	16 029	(16 029)	-	(16 029)
Members' contribution	-	2 001	(2 001)	-	(2 001)
Payroll tax of contribution	(1 955)	(1 955)	-	-	-
At 31 December 2018	242 332	178 000	64 332	14 990	79 308

Note 17
Pension liabilities

Actuarial gains and losses recognised directly in Other comprehensive income (OCI)

NOK in thousands	2019	2018
Net actuarial gains/(losses) recognised in OCI during the year	(11 091)	1 167
Tax effects of actuarial gains/(losses) recognised in OCI	(3 128)	349

Significant actuarial assumptions

	2019	2018
Discount rate	2,30 %	2,60 %
Salary growth rate	2,50 %	2,75 %
Expected growth in base social security amount (G)	2,00 %	2,50 %
Estimated return on plan assets	2,30 %	2,60 %
Pension growth rate	1,25 %	1,73-1,75 %
CPA withdrawal	25% when 62 yrs	25% when 62 yrs
Demographic assumptions	K2013BE	K2013BE
Voluntary retirement	Before 45 yrs - 4,5 % 45 yr - 60 yr - 2,0 % After 60 yrs - 0 %	Before 45 yrs - 4,5 % 45 yr - 60 yr - 2,0 % After 60 yrs - 0 %

* K2013BE is the insurance companies present best estimate based on The Financial Supervisory Authority of Norway's mortality table K2013 and Statistics Norway's present population projection.

Sensitivity of pension liabilities to changes in the weighted financial assumptions are:

NOK in thousands	Change in pension cost		Change in employee defined benefit liabilities	
	1.00 %	-1.00 %	1.00 %	-1.00 %
Discount rate	(999)	1 407	(57 493)	81 289
Salary growth rate	576	(472)	24 862	(19 901)
Expected growth in base social security amount (G)	747	(576)	53 164	(39 678)
Voluntary retirement	(91)	114	1 648	(1 841)

Note 17
Pension liabilities

Expected maturity for the defined benefit plans

NOK in thousands	Less than 1 year	1-2 years	2-5 years	More than 5 years	Total
2019	2 460	4 525	8 141	371 293	386 419
2018	2 529	5 656	11 050	1 089 797	1 109 032

The contribution for next annual reporting period is expected to be NOK 18 528 thousands.

Pension asset comprise:

Pension assets are invested in bonds and money-market placements issued by the Norwegian government, Norwegian municipalities, financial institutions and enterprises. Foreign currency bonds are hedged. Investments are made in both Norwegian and foreign shares. Any estimate deviation is distributed pro-rata between the individual asset categories.

In 2019 the plan's contributions were invested as follows:

NOK in thousands	Level 1	Level 2	Level 3	Total	%share
	Exchange listed prices	Observable prices	Non-observable prices		
Equity instruments (BKK Pensjonskasse)	15 900	36 388	18 728	71 016	35%
Interest bearing instruments (BKK Pensjonskasse)	482	129 432	-	129 914	65%
Total investments	16 382	165 820	18 728	200 930	100%

Note 18

El-certificate cancellation liability

The Group has the following el-certificate liability recognised in Other current liabilities in the statement of financial position:

NOK in thousands	31 December 2019	31 December 2018
El-certificate cancellation liability	263 135	246 716

The Group is required to provide el-certificates to Statnett to cover a certain percentage of its sale of electricity. El-certificate liabilities are disposed by 1 April the following year. Statnett is the system operator in the Norwegian energy system and is a state enterprise, established under the Act relating to state-owned enterprises and owned by the Norwegian state through the Ministry of Petroleum and Energy.

As liabilities are a result of electricity sold for the period, the liability at 31 December contains uncertainty due to the estimation of the final settlement of electricity sales. The Group acquires either el-certificates or forward contracts to cover its accrued and estimated future commitment. Group's holdings of el-certificates is measured at the cost of acquired el-certificates, the part covered by forward contracts is measured at contractual price of el-certificates, while any liability in excess of those amounts is recognised at fair value of the el-certificates that are required to be purchased (applicable when level of el-certificates acquired directly or through forward contracts are not sufficient to offset estimated number of certificates to be handed over to the government).

On 1 April 2019 the Group cancelled an el-certificate liability with Statnett at the amount NOK 246 569 thousands. As of 31 December 2019 and 31 December 2018 the total el-certificate liability as specified in the table above is either covered through forward contracts or el-certificates in hand.

Forward purchase of el-certificates are considered to be non-financial contracts entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements, and as a consequence not in the scope of IFRS 9 - Financial Instruments (IFRS 9.2.4). Therefore, El-certificates forwards (Gross nominal amounts by financial year: 2020 - NOK 45 701 thousand, 2021 - NOK 4 182 thousand, 2022 and later NOK 9 335 thousand) are not recognised in the financial statements until they are settled or are recognised as onerous contracts according to IAS 37 - Provisions, Contingent Liabilities and Contingent Assets.

Note 19

Other current assets

Other current assets consists of the following:

NOK in thousands	2019	2018
VAT claims	-	25 329
Prepaid costs	18 466	7 412
Total other current assets	18 466	32 741

Note 20

Related party transactions

As at 31 December 2019, the Group's related parties include Board of Directors and key management. Transactions related to these groups are disclosed in note 21.

In 2019 two major shareholders, BKK AS and Skagerak Energi AS, have sold shares in Fjordkraft Holding ASA. As a result of this Skagerak Energi AS, their parent company Statkraft AS, Skagerak Energi Group and Statkraft Group are no longer considered to be related parties per 31. December 2019. The figures in 2019 are based on transactions as per first quarter 2019. The board of Directors include a representative from BKK AS. BKK as and subsidiaries are therefore considered to be related parties.

Pricing of services and transactions between related parties are set on an arm's length basis in a manner similar to transactions with unrelated third parties.

The following transactions were carried out with related parties (NOK in thousands):

Income from related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2019	2018
BKK AS	Major shareholder	Sale of electrical power	10 509	12 207
BKK Energitjenester AS	Subsidiary of major shareholder	Sale of electrical power	1 046	-
BKK Nett AS	Subsidiary of major shareholder	Sale of electrical power	4 879	4 956
BKK Varme AS	Subsidiary of major shareholder	Sale of electrical power	-	-
Skagerak Energi AS	Major shareholder	Sale of electrical power	1 699	4 857
Skagerak Nett AS	Subsidiary of major shareholder	Sale of electrical power	1 748	4 370
Skagerak Varme AS	Subsidiary of major shareholder	Sale of electrical power	4 494	8 999
Statkraft AS	Parent company of major shareholder	Sale of electrical power	1 795	4 222
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	27 381	61 936
Other	Related party	Sale of other services	3 484	4 926

Sale of electrical power includes in some cases reinvoiced grid rent.

Expenses to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2019	2018
BKK AS	Major shareholder	Purchase of electrical power	1 545	1 493
BKK Produksjon AS	Subsidiary of major shareholder	Purchase of electrical power	12 689	14 085
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	1 055 212	4 211 917
BKK AS	Major shareholder	Purchase of other services	27 211	24 567
BKK Regnskapsservice AS	Subsidiary of major shareholder	Purchase of other services	1 875	5 225
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	1 829	4 096
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of other services	2 029	15 923
Other	Related party	Other	264	1 342

Other services consists of payroll expenses, IT, office expenses and customer service.

Note 20

Related party transactions

Purchase of assets (NOK in thousands)

Related party	Relation	Purpose of transactions	2019	2018
BKK AS	Major shareholder	Research and development	(86)	897
BKK AS	Major shareholder	Purchase of customer portfolio	-	5 130
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of customer portfolio	1 008	6 755
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of el-certificates	240 864	191 420
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of guarantees of origination	6 195	30 208

Distributions to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2019	2018
BKK AS	Major shareholder	Dividend	35 053	48 849
Skagerak Energi AS	Major shareholder	Dividend	-	47 997
Statkraft Industrial Holding AS	Owner at the time of distribution	Dividend	-	3 155

Current receivables from related parties (NOK in thousands)

Related party	Relation		31 December 2019	31 December 2018
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	-	9 315
Other	Related party	Sale of electrical power	1 010	2 906

Current liabilities to related parties (NOK in thousands)

Related party	Relation		31 December 2019	31 December 2018
BKK AS	Major shareholder	Other	195	917
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	-	131
BKK Nett AS	Subsidiary of major shareholder	Other	-	-
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	-	942 934
Other	Related party	Other	-	487

Payables to Statkraft Energi AS (SEAS) mainly relates to purchase of electricity. The Group purchases electricity at Nord Pool through SEAS. The daily transactions and payments is completed by SEAS, while Fjordkraft AS settles their liabilities towards Statkraft Energi AS monthly. Payables are normally settled in 30 days, but Fjordkraft has the right to postpone the payments by an additional 30 days if their current cash in hand does not cover the liability.

As compensation for the time difference between Fjordkraft's payments and Statkraft Energi AS settlements towards Nord Pool, Fjordkraft is charged with interest. Interest rate is based on 1 month NIBOR pluss a margin based on current market terms.

Payables to related parties are unsecured and are expected to be settled in cash.

Note 21

Remuneration

Executive management 2019:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	3 075	150	150	611	3 986	576
Birte Strander (Chief Financial Officer)	1 775	32	120	325	2 252	-
Jeanne K. Tjomsland (Head of Group Marketing, Communications & HR)	1 625	32	120	360	2 137	496
Arnstein Flaskerud (Head of Strategy and M&A)	1 775	32	120	303	2 230	-
Solfrid K. Aase (Head of Alliance)	1 475	32	100	268	1 874	-
Christian Kalvenes (Head of Consumer) ¹	1 354	32	92	224	1 702	-
Torkel Rolfseng (Head of Power Trading and Alliances) ²	125	-	8	28	161	-
Alf-Kåre Hjartnes (Head of Technology and Digitalisation)	1 625	32	120	273	2 050	508
Roger Finnanger (Head of Business) ³	1 354	32	92	231	1 708	-
Solfrid Fluge Andersen (Head of Operations) ⁴	871	-	58	149	1 079	-
Ingeborg C. Morken (Chief Commercial Officer) ⁵	1 167	32	80	296	1 574	-
Total remuneration executive management 2019	16 221	403	1 060	3 068	20 752	1 581

1) Part of executive management from 01.02.2019. Remuneration included above is from 01.02.2019 to 31.12.2019.

2) Part of executive management until 31.01.2019. Remuneration included above is from 01.01.2019 to 31.01.2019.

3) Part of executive management from 01.02.2019. Remuneration included above is from 01.02.2019 to 31.12.2019.

4) Part of executive management from 01.06.2019. Remuneration included above is from 01.06.2019 to 31.12.2019.

5) Part of executive management until 31.08.2019. Remuneration included above is from 01.01.2019 to 31.08.2019.

Board of Directors 2019:

NOK in thousands	Total remuneration
Per Axel Koch (Chairman)	519
Birthe Iren Grotle (Member)	-
Robert Olsen (Member)	-
Live Bertha Haukvik (Member)	356
Steinar Sønsteby (Member)	295
Lindi Bucher Vinsand (Member, Employee representative)	102
Øistein Prestø (Member, Employee representative)	42
Frank Økland (Member, Employee representative)	102
Bettina Bergesen (Deputy in board meetings)	3
Elisabeth M Norberg (Member, Employee representative)	65
Heidi Therese Ose (Member)	188
Lisbeth Nærø (Chairman of the Nomination committee)	51
Total remuneration Board of directors 2019	1 722

Note 21
Remuneration

Executive management 2018:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 920	150	143	444	3 656	692
Birte Strander (Chief Financial Officer)	1 636	41	120	274	2 071	-
Jeanne K. Tjomsland (Head of HR & Communication)	1 504	41	120	315	1 980	549
Arnstein Flaskerud (Head of Strategy and M&A)	1 622	41	120	252	2 035	-
Solfrid K. Aase (EVP - Head of Alliance)	1 371	41	100	242	1 754	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 421	41	100	304	1 867	-
Alf-Kåre Hjartnes (EVP - Head of Technology and Digitalisation)	1 510	41	120	234	1 905	29
Ingeborg C. Morken (Chief Commercial Officer)	1 639	41	120	279	2 079	543
Total remuneration executive management 2018	13 622	438	943	2 344	17 347	1 814

Board of Directors 2018:

NOK in thousands	Total remuneration
Per Axel Koch (Chairman)	395
Birthe Iren Grotle (Member)	-
Robert Olsen (Member)	-
Live Bertha Haukvik (Member)	271
Steinar Sønsteby (Member)	225
Lindi Bucher Vinsand (Member, Employee representative)	90
Øistein Prestø (Member, Employee representative)	90
Frank Økland (Member, Employee representative)	90
Bettina Bergesen (Deputy in board meetings)	3
Lisbeth Nærø (Chairman of the Nomination committee)	39
Total remuneration Board of directors 2018	1 202

In 2018 the option incentive program was implemented for executive management in the Group, as outlined in note 26. There are no additional bonus agreements or agreement of similar profit sharing with The CEO or Chairman of the board. The rest of the executive management is also included in the Group's performance bonus scheme. In 2019 the CEO received a discretionary bonus based on the performance by the company.

There has not been paid remuneration to board members that are under employment at the shareholding companies, BKK AS and Skagerak Energi AS, or at Statkraft Industrial Holding AS (subsidiary of parent company of major shareholder).

Mutual period for termination of employment is 6 months from the first of the month following notice of termination. The CEO is entitled to 12 months salary including other benefits, if the company chooses to terminate the employment before retirement.

The Group's executive management has the right to apply for loans on the same grounds as all the employees in the company. Maximum duration for loans to employees are 15 years. The interest rate for loans to employees is approximately equal to the current limit regarding taxation of benefits for such loans, plus up to 1 percentage point. Current limit for taxation of benefits is 2.5 %.

The CEO and Group management is included in the current pension plan for the Group.

Note 21
Remuneration
The Board of Director's declaration and guidelines in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act

Pursuant to Section 5-6 of the Norwegian Public Limited Liability Companies Act, the General Meeting shall consider the Board of Directors' declaration regarding salaries and remuneration to the executive management.

The General Meeting shall conduct a vote on the Board of Directors' proposal for guidelines for salaries and remuneration to the executive management. The vote of the General Meeting is consultative to the Board, with the exception of benefits mentioned in Section 6-16a, first paragraph, item 3 of the Norwegian Public Limited Liability Companies Act (including grant of equity-linked incentives). For these benefits, the vote is binding for the Board of Directors.

The Board of Directors has given the following declaration:

Summary of executive compensation policies

The main principle in the Company's policy for executive compensation is that the executive team shall be offered competitive salary terms, with performance-based compensation tied to business results and shareholder value (from January 1st 2019), in order to achieve the desired competence and incentives within the executive management team.

The Company has a separate Compensation Committee that provides the Board of Directors with recommendations regarding salary and other

benefits to the company's executive management. Based on the input from the Compensation Committee, guidelines for executive compensation are established by the Board for the coming year and presented to the General Meeting. According to these guidelines, the salary and other remuneration payable to the CEO is determined by the Board of Directors, while compensation payable to other members of the executive management is determined by the CEO in consultation with the Board Chairman and the Compensation Committee.

The above policy for determining executive compensation is valid for 2020 and the coming financial year. A more detailed description of the executive compensation paid in 2019 is provided above.

Guidelines for salaries and other remuneration to the executive management in the coming financial year
1. Fixed salary and cash bonus

Remuneration to the executive management team will from January 1st, 2020 consist of a fixed salary and performance-based compensation on EBIT earnings and 5 CPLs determined by the Board per year. The performance-based compensation is limited up to 10-40% of fixed salary.

2. Equity-linked incentives

Secondly, performance-based compensation is provided through equity-linked incentives in the company. Equity-linked incentives, which can be offered for instance in the form of shares and share options, provide management with an interest in the ownership of the company and create

additional incentives toward building long-term shareholder value.

Share options are granted to the executive team and some other key employees (approx. 5% of the total employees). The following specific limitations apply with respect to grant of share options in the company: (i) As a general rule, the share options vest during a period of three years. The maximum number of options vesting in any given year will not exceed one percent of the shares outstanding in the company. (ii) The strike price of the share options will be set at the market price at the time of grant. The strike price will be adjusted for any dividends paid before exercise. (iii) Share option grants have a cap of 3 times the market price at the date of grant. If the share price exceeds the cap price, the options may be settled by the company in cash based on the gain calculated at the cap price, providing an absolute limit to the possible gain.

3. Pension, benefits in kind and severance pay

Finally, members of the executive management team participate in the pension scheme of Fjordkraft Holding ASA and Fjordkraft AS in which they are employed. In addition, members of the executive management may receive certain limited benefits in kind, including a company car, telephone/internet access, and subscription to journals/newspapers. The terms of employment for the executive management vary regarding their entitlement to severance or termination payments. Details regarding individual severance terms are provided above.

Note 22

Guarantees

The company purchases bank guarantees to secure certain liabilities as per the table below.

NOK in thousands	31 December 2019	31 December 2018
Bank guarantees related to re-invoicing	940 170	881 970
Bank guarantees related to tax deductions and property rent	19 198	19 198
Total	959 368	901 168

The Group provides re-invoicing to customers related to grid rent to the grid owners ("gjennomfakturering"). The Group is required from the grid owners to provide bank guarantees for the settlement of grid rent. The majority of the Group's guarantees are related to this.

In addition, the Group's bank connection provides a guarantee covering rent for offices in Bergen and Trondheim as well as a guarantee related to employees tax withholding.

Note 23

IFRS 16 Leases

The Group implemented IFRS 16 1 January 2019. The implementation is further presented in note 2.

Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

NOK in thousands	31 December 2019	31 December 2018
Non-current assets		
<i>Right of use assets</i>		
Property	64 250	-
Equipment	1 183	-
Cars	544	-
Total	65 976	-
Non-current liabilities		
Lease liability long term	56 515	-
Current liabilities		
Lease liability short term	11 428	-
Total	67 942	-

Additions to the right-of-use assets in 2019 were NOK 17 915 thousand.

Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

NOK in thousands	31 December 2019	31 December 2018
Depreciation right-of-use assets		
Property	9 858	-
Equipment	84	-
Cars	461	-
Total	10 404	-
Interest expense lease liability	1 677	-
Expenses relating to short-term leases	4 765	-
Expenses relating to leases of low-value	408	-

The total cash outflow for leases in 2019 was NOK 15 288 thousand.

Note 23

IFRS 16 Leases

The Group's leasing activities and how these are accounted for

The Fjordkraft Groups lease agreements mainly consists of property leases, car-leases and office machine-leases used in the operating activities. Cars usually have a lease period of 3 years, while several of the buildings have a longer time frame. The office machines are leased in a 3-5 year period. Some of the building leases have extension options and these have been included in the calculation if the group is reasonably certain that they will be exercised.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used,

being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, eg term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect,

the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period in order to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and - restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The group has chosen not to revalue the right-of-use buildings held by the group.

Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

Variable lease payments

The Group has variable lease payments in its property lease agreements. Variable lease payments consists of annual adjustments to lease payments based on the Consumer Price Index.

Extention and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations.

Maturity analysis

The following table details the Group's remaining contractual maturity for its leasing liabilities.

The tables have been drawn based on the undiscounted cash flows of installments on leasing liabilities.

NOK in thousands	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Property	10 777	50 789	4 636	66 202
Equipment	244	944	-	1 187
Cars	407	147	-	554
Total	11 428	51 879	4 636	67 942

Note 24

List of subsidiaries

The following subsidiaries are fully consolidated in the financial statements as per 31 December 2019:

Name of entity	Place of business	Ownership interest held by the Group	Principal activities
TrøndelagKraft AS	TrøndelagKraft, Norway	100%	Purchase, sales and portfolio management of electrical power
Fjordkraft AS	Bergen, Norway	100%	Purchase, sales and portfolio management of electrical power

Note 25

Business combination

On 1 July 2019 Fjordkraft AS acquired 100% of the issued shares in Vesterålskraft Strøm AS, an electricity retailer in the Northern region, for consideration of NOK 28 589 thousand. The acquisition is expected to increase the group's market share in the northern part of Norway. The new regional office enables market share gains, and the company will use this momentum to further invest in sales activities in the northern region.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration:

NOK in thousands

Purchase price shares, paid cash	28 055
Interest, paid cash	534
Total purchase consideration	28 589

There is no contingent consideration included in this acquisition.

As of 1 July 2019 the assets and liabilities recognised as a result of the acquisition are as follows:

NOK in thousands	Fair value after adjustments
Customer relationships	12 362
Other intangible assets*	1 270
Right-of-use assets property, plant and equipment	1 590
Other tangible assets	302
Total non-current assets	15 524
Trade receivables	14 000
Derivative financial instruments	1
Other current assets	6 474
Cash and cash equivalents	6 523
Total current assets	26 999
Total assets	42 522

Note 25
Business combination

NOK in thousands	Fair value after adjustments
Net employee defined benefit plan liabilities	91
Deferred tax liabilities	2 347
Provisions for liabilities	1 590
Total non-current liabilities	4 029
Trade and other payables	15 011
Derivative financial instruments	1 538
Social security and other taxes	64
Other current liabilities	4 139
Total current liabilities	20 752
Total liabilities	24 780
Net identifiable assets acquired	17 742
Add: Goodwill	10 847
In total	28 589

The goodwill is attributable to Vesterålskraft Strøm AS's strong position and profitability in the electricity retailer market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. See note 15 above for the changes in goodwill as a result of the acquisition.

Deferred tax of NOK 2 999 thousand is related to the fair value adjustments of customer relationships and other intangible assets.

Acquisition-related costs

Acquisition-related costs and implementation costs of NOK 3 145 thousand are included in administrative expenses in profit or loss.

Acquired receivables

The fair value of trade receivables is NOK 14 000 thousand. The gross contractual amount for trade receivables due is NOK 16 000 thousand, of which NOK 2 000 thousand is expected to be uncollectable. The fair value of other receivables recognised is considered to be equal to the gross contractual amount.

Revenue and profit contribution

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax for the period ended 31 December 2019 would have been NOK 7 138 647 thousand and NOK 367 490 thousand respectively.

* In the purchase price allocation of 1 July 2019, the item "Other intangible assets" contained el-certificates of NOK 1 578 thousand with a corresponding liability recognised as "Other current liabilities". These amounts were adjusted to NOK 0 through an updated analysis in connection with the merger. As the same amount was adjusted against both assets and liabilities, net identifiable assets remains unchanged

Note 26

Option program

Fjordkraft Holding ASA established a new management option program 10 December 2018.

The option program was established to align management's and shareholders' incentives and to reduce turnover for key employees. In total 120 000 share options were issued to employees during 2019.

	2018 Option Plan	2018 Option Plan
Type	Options	Options
Issue date	18 January 2019	1 May 2019
Vesting conditions	The options vest in tranches with 1/3 vesting 15th of February 2020, 1/3 vesting 15th of February 2021, and 1/3 vesting 15th of February 2022. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The options vest in tranches with 1/3 vesting 15th of February 2020, 1/3 vesting 15th of February 2021, and 1/3 vesting 15th of February 2022. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
Expiry date	15 February 2023	15 February 2023
Exercise price	34,00	37,90
Total number outstanding	90 000	30 000

	2018 Option Plan	2018 Option Plan
Type	Options	Options
Grant Date	18 January 2019	1 May 2019
Measurement date	18 January 2019	1 May 2019
Share price	35,80	39,60
Lifetime* (years)	2,08	1,80
Volatility	30,00 %	30,00 %
Risk-free interest rate*	1,12 %	1,30 %
Fair Value*	7,170	7,300

*volume weighted average for options

The fair value of the options was calculated using the Black-Scholes model. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimate the likelihood of performance fulfillment and takes this into account in the valuation.

The expected volatility for options issued in 2019 is estimated at average of 30%, based on the volatility of comparable listed companies: XXL, KID, Arcus and Europris. Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total carrying amount and total cost per 31 December 2019 is NOK 2 993 862, not including social security.

Note 26
Option Program

The following table shows the changes in outstanding options in 2018 and 2019:

Period activity:

	1 January 2019 - 31 December 2019		1 January 2018 - 31 December 2018	
	Shares	Weighted Average Exercise Price (NOK)	Shares	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	870 000	33	-	-
Granted	120 000	34,98	870 000	33,00
Transferred in	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	-	-
Forfeited	-60 000	33	-	-
Expired	-	-	-	-
Adjusted quantity	-	-	-	-
Modification / Dividends	-	-	-	-
Transferred out	-	-	-	-
Outstanding at the end of period	930 000	31,05	870 000	33,00
Vested outstanding	-	-	-	-
Vested and expected to vest	930 000	31,05	870 000	33,00
Intrinsic value outstanding at the end of the period	930 000	25 059 000	870 000	870 000
Intrinsic value vested outstanding at the end of the period	-	-	-	-

At 31 December 2019, the range of exercise prices and weighted average remaining contractual life of the options were as follows :

Exercise price	Outstanding instruments				Vested outstanding	
	Outstanding per 31 December 2019	Weighted average remaining Contractual Life	Weighted average remaining years until vesting	Weighted Average Exercise Price	Vested options per 31 December 2019	Weighted Average Exercise Price
30,00 - 35,00	900 000	3,13	1,13	33,10	-	-
35,00 - 40,00	30 000	3,13	1,13	37,90	-	-
Total	930 000	3,13	1,13	33,25	-	-

Note 27

Other current liabilities

Other Current Liabilities consist of the following:

NOK in thousands	2019	2018
El-certificate cancellation liability	263 135	246 716
Accrued power purchase	122 744	140 443
Prepayments from customers	69 585	71 086
Installments on long term loan due within 12 month	55 600	55 600
Payroll liabilities	46 833	34 572
Other current liabilities	8 232	25 826
Total Other current liabilities	566 129	574 243

Note 28

Events after the reporting period

On the 6th of January 2019 Fjordkraft AS and Rieber & Søn AS bought shares in Metzum AS. Each company bought 40% of the shares, the remaining 20% is owned by employees in Metzum. Fjordkraft's share in the company was financed through the sale of software from Fjordkraft to Metzum. Metzum AS aims to develop, manage and deliver software to electricity suppliers and similar industries.

The Board of Directors has in the Board Meeting on 12 February 2020 proposed a dividend to the shareholders of NOK 3.00 per share.

The proposed dividend is subject to approval by the general meeting.

The global financial markets are focused on predicting the consequences of the coronavirus (COVID-19). In addition to the spreading of disease, this could potentially have a massive impact on markets and the everyday lives of people across the world.

To a very large extent, Fjordkraft's core business is shielded from macroeconomic conditions, and enjoys robust demand. The variation in outdoor temperatures is the factor that affects consumption the most from year to year. Therefore, the demand in the consumer segment is expected to be relatively stable. In the Business segment Fjordkraft expects a slight reduction in demand due to the coronavirus (COVID-19).

Fjordkraft predicts that some of its customers, both in the consumer and business segment, will be facing liquidity problems due to the coronavirus (COVID-19). Several companies are dealing with layoffs and, in worst case, bankruptcy. This will affect the capability to pay their electricity bills. As per now, Fjordkraft does not have an estimate on how severe this will affect the Groups impairment loss recognised in trade receivables. The administration are closely monitoring the situation, and working with both partners and customers to find suitable solutions.

There are no other significant events after the reporting period that has not been reflected in the consolidated financial statements.

Directors responsibility statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the consolidated and separate annual financial statements for Fjordkraft Holding ASA, for the year ended 31 December, 2019 (Annual report 2019).

Fjordkraft Holding ASA's consolidated financial statements have been prepared in accordance with IFRSs and IFRICs as adopted by the EU and applicable additional disclosure requirements in the Norwegian Accounting Act. The separate financial statements for Fjordkraft Holding ASA have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance

Ministry's prescribed regulations from 21 January 2008 on simplified IFRS. The Board of Directors' report for the Group and the parent company is in accordance with the requirements in the Norwegian Accounting Act.

To the best of our knowledge:

- The consolidated and separate annual financial statements for 2019 have been prepared in accordance with applicable financial reporting standards
- The consolidated and separate annual financial statements give a true and fair view of the

assets, liabilities, financial position and profit as a whole as of 31 December, 2019 for the Group and the parent company

- The Board of Directors' report for the Group and the parent company includes a fair review of:
 - i. the development and performance of the business and the position of the Group and the parent company, and
 - ii. the principal risks and uncertainties the Group and parent company face.

The Board of Fjordkraft Holding ASA, Bergen, 23 March 2020.



Per Axel Koch
Chairman



Birthe Iren Grotle
Board member



Frank Økland
Board member



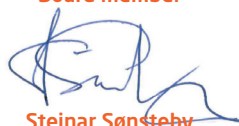
Elisabeth M. Norberg
Board member



Heidi Theresa Ose
Board member



Live Bertha Haukvik
Board member



Steinar Sønsteby
Board member



Lindi Bucher Vinsand
Board member



Rolf Barmen
CEO

Alternative performance measures

The alternative performance measures (abbreviated APM's) that hereby are provided by the Group are a supplement to the financial statements prepared in accordance with IFRS. The APM's are based on the guidelines for APM published by the European Securities and Markets Authority (ESMA) on or after 3rd of July 2016. As indicated in the guidelines an APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The performance measures are commonly used by analysts and investors.

The Group uses the following APM's (in bold). The words written in italics are included in the list of definitions or in the statement of profit or loss.

Cash EBIT is equivalent to Operating free cash flow before tax and change in Net working capital. This APM is used to illustrate the Group's underlying cash generation in the period.

Capex excl. M&A is used to present the capital expenditures excluding mergers and acquisitions to illustrate the Group's organic maintenance capex.

EBIT reported is equivalent to Operating profit and is used to measure performance from operational activities. EBIT reported is an indicator of the company's profitability.

EBIT adjusted

In order to give a better representation of underlying performance, the following adjustments are made to the reported EBIT:

- *Estimate deviations from previous years:* A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales, based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period
- *Other gains and losses, net:* Consist of gains and losses on derivative financial instruments associated with the purchase and sale of electricity
- *Special items:* Items that are not part of the

ordinary business, such as acquisition related costs and launch of new services

- *Depreciation of acquisitions:* Depreciation related to customer portfolios and acquisitions of companies. The Group has decided to report the operating profit of the segments adjusted for depreciation of acquisitions

EBIT reported margin is EBIT divided by Net revenue. This APM is a measure of the profitability and is an indicator of the earnings ability.

EBIT margin adjusted is calculated as EBIT adjusted divided by Net revenue adjusted. This APM is a measure of the profitability and is an indicator of the earnings ability.

EBITDA is defined as operational profit/loss before depreciation and amortisation. This APM is used to measure performance from operating activities.

EBITDA adjusted

In order to give a better representation of underlying performance, the following adjustments are made to EBITDA:

- *Estimate deviations from previous years:* A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period
- *Other gains and losses, net:* Consist of gains and losses on derivative financial instruments associated with the purchase and sale of electricity
- *Special items:* items that are not part of the ordinary business, such as acquisition related costs and launch of new services

Gross revenue is equivalent to Revenue as stated in the statement of profit or loss.

Market churn represents the annual supplier switching rate presented by the Norwegian Water Resources and Energy Directorate. This can be an indicator of the degree of competition in the electricity market.

Alternative performance measures

Net income is equivalent to Profit/(loss) for the period as stated in the statement of profit or loss.

Net income adjusted for certain cash and non-cash items is used in the dividend calculation, and is defined as the following: [(Adjusted EBIT + net finance)*(1-average tax rate) – amortisation of acquisition debt].

Net interest-bearing debt (NIBD) shows the net cash position and how much cash would remain if all interest-bearing debt was paid. The calculation is total interest-bearing liabilities deducted cash and cash equivalents.

Net revenue is equivalent to Revenue less direct cost of sales as stated in the statement of profit or loss.

Net revenue adjusted

This APM presents Net revenue adjusted for:

- *Estimate deviations from previous years:* A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales based on a best estimate

approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period

- *Other special revenue adjustments:* which represents non-recurring income which is recognised in the profit or loss for the period

Net working capital (NWC) is used to measure short-term liquidity and the ability to utilise assets in an efficient matter. NWC includes the following items from current assets: Inventories, intangible assets, trade receivables, derivative financial instruments and other current assets (that is, all current assets in the balance sheet except cash and cash equivalents); and the following items from current liabilities: trade payables, current income tax liabilities, derivative financial instruments, social security and other taxes and other current liabilities. First year instalments related to long term debt from acquisition are classified as interest-bearing debt.

Non-cash NWC elements and other items is used when analysing the development in NIBD. Non-cash NWC relates to items included in "change in NWC" that are not affecting Net interest-bearing debt while other items include interest, tax,

change in long-term receivables, proceeds from non-current receivables, proceeds from other long-term liabilities and adjustments made on EBITDA.

Number of deliveries is used to present the number of electrical meters supplied with electricity. One customer may have one or more electricity deliveries.

OpFCF before tax and change in NWC is Operating free cash flow and change in working capital, and is defined as EBITDA adjusted less Capex excl. M&A and payments to obtain contract assets.

Volume sold is used to present the underlying volume generating income in the period.

Alternative performance
measures

Financial statements with APMs

Reported amounts:

NOK in thousands	2019	2018
Operating income	7 122 528	6 720 948
Cost of sales	(5 827 394)	(5 623 526)
Net revenue	1 295 134	1 097 422
Personnel expenses	(236 106)	(217 514)
Other operating expenses	(379 973)	(378 382)
Operating expenses	(616 079)	(595 896)
Other gains and losses, net	4 615	(10 578)
EBITDA	683 670	490 947
Depreciation & amortisation	(200 932)	(164 065)
EBIT reported (Operating profit)	482 738	326 883
Net financials	7 701	4 974
Profit/ (loss) before taxes	490 440	331 858
Taxes	(120 269)	(78 289)
Profit/ (loss) for the year	370 171	253 569
EBIT reported margin	37%	30%

Alternative performance measures

Adjusted amounts:

NOK in thousands	2019	2018
Net revenue	1 295 134	1 097 422
Adjustment: (Positive/ negative estimate deviations previous year)	(11 414)	(5 449)
Compensatory damages	-	(4 080)
Net revenue adjusted	1 283 721	1 087 893
EBITDA	683 670	490 947
Adjustment: (Positive/ negative estimate deviations previous year)	(11 414)	(5 449)
Other gains and losses	(4 615)	10 578
Compensatory damages	-	(4 080)
Special items*	(21 218)	25 835
EBITDA adjusted (before unallocated and estimate deviations)	646 422	517 831
EBIT reported (Operating profit)	482 738	326 883
Adjustment: (Positive/ negative estimate deviations previous year)	(11 414)	(5 449)
Other gains and losses	(4 615)	10 578
Compensatory damages	-	(4 080)
Special items*	(21 218)	25 835
Part of depreciation related to acquisitions	45 560	36 375
EBIT adjusted (before unallocated and estimate deviations)	491 053	390 142
EBIT margin adjusted	38%	36%

* Special items consists of the following:

NOK in thousands	2019	2018
The process of listing the company on Oslo Stock Exchange	-	(11 323)
Acquisition related costs	(3 145)	(11 643)
Legal costs related to the compensatory damages	-	(460)
Strategic costs related to markets abroad	-	(2 409)
Change in pension plan	28 969	-
Impairment R&D (P&I project)	(4 606)	-
Special items	21 218	(25 835)

Alternative performance measures

Other financial APMs

Net interest bearing debt (cash)

NOK thousands	2019	2018
Interest-bearing long term debt	139 000	194 600
Reclassification of first year installments long term debt	55 600	55 600
Overdraft facilities	-	-
Cash and cash equivalents	(775 536)	(381 409)
Net interest bearing debt (cash)	(580 936)	(131 209)

Financial position related APMs

NOK thousands	2019	2018
Net working capital	(32 615)	310 828
OpFCF before tax and change in NwC	478 358	373 401
Capex excl. M&A	50 372	33 783

Non-financial APMs

Deliveries

Numbers in thousands	2019	2018
Electrical deliveries Consumer segment	544	529
Electrical deliveries Business segment	78	76
Total number of electrical deliveries *	622	605
Number of mobile subscriptions	100	66

* Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 654 thousand in 2019.

Volume in GWh

	2019	2018
Consumer segment	7 070	6 899
Business segment	6 338	6 298
Total volume	13 407	13 197

4.4

Financial statements Fjordkraft Holding ASA

Statement of comprehensive income (loss)

NOK in thousands	Note	2019	2018
Personell expenses	3	(8 225)	(6 255)
Operating expenses	4	(5 947)	(17 413)
Depreciation and amortisation	8	(149)	(99)
Operating profit		(14 321)	(23 766)
Financial income	11	397 538	302 695
Net financial income/(cost)		397 538	302 695
Profit/(loss) before tax		383 217	278 929
Income tax (expense)/income	5	267	333
Profit/(loss) for the year		383 484	279 262
Other comprehensive income:			
Total other comprehensive income for the year, net of tax		-	-
Total comprehensive income/(loss) for the year		383 484	279 262

Statement of financial position

NOK in thousands	Note	2019	2018
Assets			
Non current assets			
Deferred tax assets	5	659	391
Intangible assets	8	198	347
Investments in subsidiaries	6	734 231	734 231
Total non-current assets		735 088	734 970
Current receivables from Group companies	11	573 780	423 772
Cash and cash equivalents		-	-
Total current assets		573 780	423 772
Total assets		1 308 869	1 158 742

Statement of financial position

NOK in thousands	Note	2019	2018
Equity			
Share capital	7	31 349	31 349
Share premium	7	702 550	702 550
Retained earnings		254 049	181 059
Total equity		987 948	914 958
Non-current liabilities			
Net employee defined benefit liabilities	9	2 994	1 778
Total non-current liabilities		2 994	1 778
Current liabilities			
Trade and other payables	11	374	11 047
Dividend payable	11	313 489	229 892
Social security and other taxes		2 686	682
Other current liabilities	10	1 378	385
Total current liabilities		317 927	242 005
Total liabilities		320 921	243 784
Total equity and liabilities		1 308 869	1 158 742

The Board of Fjordkraft Holding ASA, Bergen, 23 March 2020.



Per Axel Koch
Chairman



Birthe Iren Grotle
Board member



Frank Økland
Board member



Elisabeth M. Norberg
Board member



Heidi Theresa Ose
Board member



Live Bertha Haukvik
Board member



Steinar Sønsteby
Board member



Lindi Bucher Vinsand
Board member



Rolf Barmen
CEO

Statement of changes in equity

NOK in thousands	Share capital	Share premium	Treasury shares	Retained earnings	Total equity
Opening balance at 01 January 2018	31 349	702 683	-	131 557	865 588
Profit/(loss) for the year	-	-	-	279 262	279 262
Other comprehensive income	-	-	-	-	-
Purchase of Treasury shares	-	-	(2 889)	-	(2 889)
Sale of Treasury shares	-	-	2 889	-	2 889
Reclassifications	-	(133)	-	133	-
Dividend	-	-	-	(229 892)	(229 892)
Closing balance 31 December 2018	31 349	702 550	-	181 060	914 958
Opening balance at 01 January 2019	31 349	702 550	-	181 060	914 958
Profit/(loss) for the year	-	-	-	383 484	383 484
Other comprehensive income	-	-	-	-	-
Management option program (note 13)	-	-	-	2 994	2 994
Dividend	-	-	-	(313 489)	(313 489)
Closing balance 31 December 2019	31 349	702 550	-	254 050	987 948

Statement of cash flows

NOK in thousands	Note	2019	2018
Profit/(loss) before tax		383 217	278 929
Adjustments for:			
Depreciation	8	149	99
Dividend recognised, not received	11	(397 538)	(302 746)
Share based payment expense	13	2 994	-
Change in post-employment liabilities, no cash effect	9	1 216	1 778
Changes in working capital:			
Other current assets		(55 216)	(121 026)
Trade and other payables		(10 734)	10 926
Other current liabilities	10	3 059	798
Net cash from operating activities		(72 854)	(131 242)
Investing activities			
Purchase of intangible assets	8	-	(446)
Dividends received from subsidiary	11	302 746	231 689
Net cash used in investing activities		302 746	231 243
Financing activities			
Dividends paid	11	(229 892)	(100 000)
Net cash used in financing activities		(229 892)	(100 000)
Net change in cash and cash equivalents			-
Cash and cash equivalents at 1 January		-	-
Cash and cash equivalents at 31 December		-	-

4.5

Notes Fjordkraft Holding ASA

Note 1 General information	140	Note 8 Intangibles assets	147
Note 2 Accounting policies	140	Note 9 Pension liabilities	148
Note 3 Personnel expenses	143	Note 10 Other current liabilities	150
Note 4 Operating expenses	143	Note 11 Related party transactions	151
Note 5 Tax	144	Note 12 Remuneration to the Executive management and Board of Directors	152
Note 6 Investments in subsidiaries	144	Note 13 Option program	154
Note 7 Share capital and shareholder information	145	Note 14 Events after the reporting period	156

Note 1 General information

Fjordkraft Holding ASA, is a public limited liability company, and was incorporated on 15 December 2017. The company's core business is purchase, sales and portfolio management of electrical power to end users, as well as related activities, including investment in other companies.

Fjordkraft Holding ASA is registered and domiciled in Norway. The address of its registered office is Folke Bernadottes Vei 38, 5147 Bergen, Norway.

Note 2 Accounting policies

Basis for preparation

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations from 21 January 2008 on simplified IFRS. Principally this means that recognition and measurement comply with the International Accounting Standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles. Any exceptions from measurement and recognition according to IFRS is disclosed below.

Use of estimates

The preparation of financial statements requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as

current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities.

Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets if, and only if, all of the following conditions have been demonstrated:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and

- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs are capitalised as part of the software including directly related employee costs. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use

Research expenditure as well as development expenditure that do not meet the criteria mentioned above are recognised as an expense within other operating expenses in the statement of comprehensive income (loss), as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Investments in subsidiaries

Investments in subsidiaries are recognised as the carrying amount of equity in the subsidiaries at the time of incorporation.

The carrying amount is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends exceeding the portion of retained equity after the purchase are reflected as a reduction in the carrying amount.

Note 2

Accounting policies

Pursuant to the exemption paragraph in Finance Ministry's prescribed regulations from 21 January 2008 on simplified IFRS, the company has elected to recognise dividends in accordance with the Norwegian Accounting Act and Norwegian Generally Accepted Accounting Principles. Thus, any dividend payable is recognised as a current liability at the balance sheet date of the reporting period of which the dividend is proposed based on.

Investments are written down to fair value if it is considered to be lower than carrying amount.

Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Cost of incorporation

The costs related to the incorporation is estimated on the date of incorporation in line with management best estimate, and recognised directly towards equity.

Taxes

The tax expense for the period includes both payable taxes for the period and changes in deferred tax. Tax expense is recognised in profit or loss, except when it relates to items in other comprehensive income or items directly attributable to equity.

Deferred tax is calculated in accordance with tax laws and regulations enacted or substantially adopted on the balance sheet date. Uncertain tax liabilities are recognised when the probability of payment exceeds 50 percent. Uncertain tax liabilities are assessed separately.

Deferred tax assets are capitalized to the extent that it is likely that future taxable profit will be available where future tax deductible can be utilized.

Pension schemes and pension liabilities

Until the end of 2019 the Fjordkraft Group (Fjordkraft) had its occupational pension scheme for all employees organized in BKK Pensjonskasse. Until the turn of the year, the pension scheme was a defined-benefit occupational pension scheme (public occupational pension scheme) and included retirement pension, contractual pension (CPA) scheme, disability pension, spouse's pension and children's pension. The scheme complied largely with the regulations enshrined in the Act on the Government Pension Fund.

The scheme entitled members to defined future benefits. These were mainly dependent on the number of years of service, the salary level at retirement age and the size of benefits paid by the national insurance. The liabilities were covered through an insurance company (funded).

The liability or asset recognised in the consolidated statement of financial position in respect of defined-benefit occupational pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms

of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

Through 2019, Fjordkraft has completed a transformation process related to the pension scheme. As of 1.1.2020, Fjordkraft has decided to create a defined-contribution pension scheme for all employees born from 1963. Employees born before 1963 maintained their membership in the public occupational pension scheme. Members who are converted to the defined-contribution pension scheme receive a paid-up policy for earned entitlements for the time they have earned rights in the public occupational pension scheme if they have at least three years of service.

The new defined-contribution pension scheme also includes disability pension, spouse's pension and children's pension. The company has a pension scheme covering a total of one active member. In addition, Fjordkraft has chosen to introduce the contractual pension (CPA) scheme for private sector for those members who are converted to the defined-contribution pension scheme. The company has a contractual pension (CPA) scheme

Note 2**Accounting policies**

for private sector covering a total of one active member.

The agreement entitles members to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67. The CPA is based on a three-party partnership between the employers' organisations, the labor organisation and the state. The state covers 1/3 of the expenses of CPA, while companies cover 2/3. The company 2/3 portion is funded through operation and do not have any plan assets.

For those members who are converted to the new pension scheme, a scheme has been established that provides supplementary allowances to employees who come out worse when changing the pension scheme. The supplementary allowance is set with final effect at the end of 2019, and the supplement constitutes a fixed percentage of the individual's pension basis up to the age of 66 years.

In parallel with the change in the future pension scheme, Fjordkraft's Board of Directors has decided to introduce a separate compensation scheme for employees with a long employment time and a high age. The scheme aims to counteract some of the effects that the introduction of life expectancy adjustment has had for public occupational

pension schemes. The scheme applies to a closed group of employees and only applies if the employees are at least 67 years old at retirement. If an employee is 70 years old at retirement, the scheme will give a somewhat higher payout. Upon resignation or retirement prior to 67 years, the scheme will not provide any benefits.

In addition, Management has a defined contribution plan for the pension over 12 G that is expensed on an ongoing basis.

Share based compensation

Employee share options at Fjordkraft Holding ASA represents rights for employees to buy shares in the company at a future date at a predetermined exercise price. To exercise the right, the Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.

The fair value of the options are measured at grant date. The grant date is determined by the board of directors. The fair value of the employee services received in exchange for the allotment of options is recognised as an expense over the vesting period based on the fair value of the options. On each balance date, the Company revises its

estimates of the number of options that are expected to be exercisable. Any adjustments will be recognised in the income statement and corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium.

Events after the reporting period

New information on conditions that existed on the balance sheet date is taken into account in the financial statements. Other events after the balance sheet date that will affect the company in the future, and are not insignificant, are disclosed in a separate note.

Note 3 Personnel expenses

NOK in thousands	2019	2018
Salaries	5 789	5 217
Social security	1 034	647
Pension expenses	601	390
Other benefits	801	1
Total	8 225	6 255

Salaries includes payments to Board of directors. See note 12.

The number of employees in the accounting year has been 1 (CEO).

From 1.1.18- 31.03.18 he was employed in Fjordkraft AS, but after the listing on Oslo Stock Exchange he was employed in Fjordkraft Holding ASA.

Loan to the employee	2019	2018
Loan (NOK in thousands)	576	692

Loan has been given on the following terms:

Maximum duration for loans to employees are 15 years.

The interest rate for loans to employees is approximately equal to the current limit regarding taxation of benefits for such loans, plus up to 1 percentage point. Current limit for taxation of benefits is 2.5 %.

Note 4 Operating expenses

NOK in thousands	2019	2018
Sales and marketing costs	3	12
IT costs	132	46
Purchase of third-party services and external personnel	4 344	4 430
Professional fees*	876	9 877
Other operating costs	592	3 048
Total operating expenses	5 947	17 413

* includes legal fees, auditor, consultants

Specification of auditors remuneration (all related to services provided by Deloitte)

NOK in thousands	2019	2018
Statutory audit**	335	2 677
Tax advisory services	-	-
Other non-audit related services	-	-
Total auditors remuneration	335	2 677

** Statutory audit in 2018 includes costs related to the listing on Oslo Stock Exchange.

Note 5 Income Tax

NOK in thousands	2019	2018
Tax payable on profit for the year	-	-
Adjustments prior years tax payable	-	-
Change in deferred tax/(tax asset)	(267)	(333)
Tax expense/(-income) recognised in statement of profit or loss	(267)	(333)
Tax expense/(-income) recognised in other comprehensive income	-	-
Profit/(loss) before tax	383 217	278 929
Income tax at statutory tax rate (2019 - 22% and 2018 - 23%)	84 308	64 154
Tax effect of following conditions:		
Non-deductible costs	-	(164)
Tax exemption method dividends	(84 575)	(64 340)
Deferred tax expense (-income) relating to changes in tax rates	-	18
Tax expense/(-income)	(267)	(333)
Specification of basis for deferred tax:		
Pension obligation	(2 994)	(1 778)
Tax losses carried forward	-	-
Basis for calculation of deferred tax/(tax assets)	(2 994)	(1 778)
Total deferred tax liability/(tax assets) (22 %)	(659)	(391)

Note 6 Investments in subsidiaries

NOK in thousands	Location	Ownership/ voting right	Equity last year (100%)	Profit last year (100%)	Book value
Fjordkraft AS	Bergen, Norway	100 %	506 001	405 612	734 231
Book value at 31 December 2019			506 001	405 612	734 231

Note 7

Share capital and shareholder information

List of shareholders at 31 December 2019	Number of shares	Nominal value per share	Nominal value	Voting rights	Ownership
BKK AS	15 933 066	0,30	4 779 920	15,25 %	15,25 %
Skagerak Energi AS	15 528 228	0,30	4 658 468	14,86 %	14,86 %
Verdipapirfondet Dnb Norge	8 000 396	0,30	2 400 119	7,66 %	7,66 %
Folketrygdfondet	5 205 000	0,30	1 561 500	4,98 %	4,98 %
Geveran Trading Co Ltd	3 000 000	0,30	900 000	2,87 %	2,87 %
Verdipapirfondet Alfred Berg Gamba	2 588 403	0,30	776 521	2,48 %	2,48 %
Verdipapirfondet Nordea Norge Verdi	2 168 999	0,30	650 700	2,08 %	2,08 %
Handelsbanken Nordiska Smabolagsfond	2 034 092	0,30	610 228	1,95 %	1,95 %
Jpmorgan European Smallercompanies	1 551 148	0,30	465 344	1,48 %	1,48 %
Landkreditt Utbytte	1 500 000	0,30	450 000	1,44 %	1,44 %
Verdipapirfondet Alfred Berg Norge	1 456 859	0,30	437 058	1,39 %	1,39 %
J.P. Morgan Bank Luxembourg S.A.	1 413 431	0,30	424 029	1,35 %	1,35 %
Verdipapirfondet Eika Spar	1 242 612	0,30	372 784	1,19 %	1,19 %
Hsbc Ttee Marl Europe Trust	1 133 793	0,30	340 138	1,09 %	1,09 %
C Worldwide Norge Iii	1 132 800	0,30	339 840	1,08 %	1,08 %
Tr European Growth Trust Plc	1 071 768	0,30	321 530	1,03 %	1,03 %
Verdipapirfondet Alfred Berg Aktiv	1 008 779	0,30	302 634	0,97 %	0,97 %
Montanaro Smaller Comp Plc	1 000 000	0,30	300 000	0,96 %	0,96 %
Verdipapirfondet Eika Norge	978 904	0,30	293 671	0,94 %	0,94 %
KLP Aksjenorge Indeks	868 339	0,30	260 502	0,83 %	0,83 %
Others	35 679 599	0,30	10 703 880	34,14 %	34,14 %
Total	104 496 216		31 348 865	100 %	100 %

Note 7
Share capital
and shareholder information

(NOK in thousands)	Ordinary shares	Share premium	Total
Share capital and share premium			
31 December 2019	31 349	702 550	733 898
31 December 2018	31 349	702 550	733 898

Fully paid ordinary shares which have a par value of NOK 0.30 carry one vote per share and carry a right to dividends. All issued shares have equal voting rights and the right to receive dividend.

Earnings per share

Earnings per share is calculated as profit/loss allocated to shareholders for the year divided by the weighted average number of outstanding shares.

Basic earnings per share	2019	2018
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	383 484	279 262
Weighted average number of ordinary shares in issue	104 496 216	104 496 216
Earnings per share in NOK	3,67	2,67
Stock options (see note 13)	930 000	870 000
Diluted earnings per share in NOK	3,64	2,65
Dividend per share in NOK	3,00	2,20

In addition to outstanding shares, there has been issued 870 000 share options to employees during 2018, and 90 000 in January 2019. Due to change in management, there has been a reduction of shares options in 2019. The total number of share options is 930 000. These are included in the calculation of diluted earnings per share. For more information, refer to note 13.

Note 8 Intangible assets

Non-current intangible assets

2019

NOK in thousands	Software and development projects	Total
Cost price 1 January 2019	446	446
Additions - Purchase	-	-
Additions - Internally generated	-	-
Transferred from construction in progress	-	-
Government grants (SkatteFUNN)	-	-
Disposals	-	-
Cost price 31 December 2019	446	446
Accumulated depreciation 1. January 2019	(99)	(99)
Depreciation for the year	(149)	(149)
Disposals	-	-
Accumulated depreciation 31. December 2019	(248)	(248)
Carrying amount 31. December 2019	198	198

2018

NOK in thousands	Software and development projects	Total
Cost price 1 January 2018	-	-
Additions - Purchase	446	446
Cost price 31 December 2018	446	446
Accumulated depreciation 1. January 2018	-	-
Depreciation for the year	(99)	(99)
Accumulated depreciation 31. December 2018	(99)	(99)
Carrying amount 31. December 2018	347	347

Useful life
Depreciation method

3 years
Straight line

Note 9

Pension Liabilities

General information

The CEO (the only employee of the company) was employed at Fjordkraft AS until 23 March 2018, and the employment was transferred to Fjordkraft Holding ASA from this date. Pension liabilities for the CEO are still included in Fjordkraft AS' pension plan. Accrued pension liability for the CEO as of 31 December 2019 was invoiced from Fjordkraft AS to Fjordkraft Holding ASA. Pension costs for the CEO for the year 2019 are calculated in Fjordkraft AS, but are invoiced to Fjordkraft Holding ASA on a yearly basis through the management agreement.

The following information is retrieved from the calculation of pension liabilities in Fjordkraft AS:

Description of the pension schemes

Until the end of 2019 Fjordkraft had its occupational pension scheme for all employees organized in BKK Pensjonskasse. Until the turn of the year, the pension scheme was a defined-benefit occupational pension scheme (public occupational pension scheme) and included retirement pension, contractual pension (CPA) scheme, disability pension, spouse's pension and children's pension. The scheme complied largely with the regulations enshrined in the Act on the Government Pension Fund.

Through 2019, Fjordkraft has completed a transformation process related to the pension scheme. As of 1.1.2020, Fjordkraft has decided to create a defined-contribution pension scheme for all employees born from 1963. Employees born before 1963 maintained their membership in the public occupational pension scheme. Members who are enrolled in the defined-contribution pension scheme receive a paid-up policy for earned entitlements for the time they have earned rights in the public occupational pension scheme if they have at least three years of service.

The new defined-contribution pension scheme also includes disability pension, spouse's pension and children's pension. In addition, Fjordkraft has chosen to introduce the contractual pension (CPA) scheme for private sector for those members who are enrolled in the defined-contribution pension scheme. The agreement entitles members to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67.

The contribution rates for the defined contribution pension are set to:

- Salary representing 0 - 7,1 times G: 5 per cent

- Salary representing 7,1 - 12 times G: 15 per cent

For those members who are enrolled in the new pension scheme, a scheme has been established that provides supplementary allowances to employees who come out worse when changing the pension scheme. The supplementary allowance is set with final effect at the end of 2019, and the supplement constitutes a fixed percentage of the individual's pension basis up to the age of 66 years.

The disability pension scheme is relatively similar for the employees who remained in the public occupational pension scheme, and those who were enrolled in the defined contribution scheme.

- 3 per cent of pensionable income up to 12G
- 25 per cent of G, maximum 6 per cent of pensionable income, up to 12G
- 66 per cent of pensionable income in the interval between 6G and 12G

Benefits for spouse's pension and children's pension are set at the same level as in the public scheme:

- Spouse's pension: 9 % of the deceased's pensionable income
- Children's pension: 15 % of the deceased's pensionable income

In parallel with the change in the future pension scheme, Fjordkraft's Board of Directors has decided to introduce a separate compensation scheme for employees with a long employment time and a high age. The scheme aims to counteract some of the effects that the introduction of life expectancy adjustment has had for public occupational pension schemes. The scheme applies to a closed group of employees and only applies if the employees are at least 67 years old at retirement. If an employee is 70 years old at retirement, the scheme will give a somewhat higher payout. Upon resignation or retirement prior to 67 years, the scheme will not provide any benefits. In Fjordkraft Holding ASA the scheme covers a total of 1 active members and no pensioners.

CPA in the private sector is a life-long benefit with the first withdrawal opportunity from 62 years. Granting of the CPA means that the member meets the seniority conditions "seven of the last

nine years as an employee in a business covered by the scheme". Members born in the years 1963 and 1964 will not be able to fulfill this condition, but can be purchased into the scheme through a lump sum payment when the member is granted AFP. A commitment and expense for this has been included in the accounts.

In addition, Management has a defined contribution plan for the pensions over 12 G, that is expensed on an ongoing basis.

Defined benefit occupational pension plans and pension liabilities

The scheme entitles members to defined future benefits. These are mainly dependent on the number of years of service, the salary level at retirement age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company (funded).

The liability or asset recognised in the consolidated statement of financial position in respect of defined-benefit occupational pension schemes is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid,

and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the consolidated statement of changes in equity and in the statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

The liabilities are covered through the insurance company BKK Pensjonskasse.

Fjordkraft Holding ASA's defined benefit occupational pension schemes covered a total of one active member and no pensioners until the end of 2019.

Fjordkraft Holding ASA also had a contractual pension agreement (CPA) covering a total of 1 member. The CPA currently has no pensioners. The agreement entitles staff to benefits from the age of 62 until they are eligible for a national insurance pension when reaching the age of 67. The CPA is an unsecured arrangement funded through operations and does not have any plan assets.

The defined benefit pension plan's pension

expenses and liabilities are presented according to IAS 19 (revised).

Defined contribution plan

With effect from 1.1.2020 Fjordkraft Holding ASA has a defined contribution pension scheme covering a total of 1 active member and no pensioners, including a contractual pension agreement (CPA) scheme for private sector.

In addition to the above mentioned defined benefit occupational pension plans and defined contribution pension plans, Senior Management are entitled to additional annual contribution for salary exceeding 12 times the base amount (the average National Insurance base amount (G) for 2019 was NOK 99,858). Contributions are expenses on an ongoing basis.

Risk exposure

Through its defined benefit occupational pension plans, Fjordkraft is exposed to a number of risks, the most significant are detailed below.

Asset volatility; The plan liabilities are calculated using a discount rate set with reference to covered bonds ("Obligasjoner med fortrinnsrett"); if plan assets underperform this yield, this will create a deficit. All plans hold a significant portion of investments in equity instruments, which are expected to outperform corporate bonds in the long-term while providing volatility and risk in the short-term.

As the plans mature, Fjordkraft intends to reduce

the level of investment risk by investing more in assets that better match the liabilities.

Changes in bond yields; A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plan's bond holdings.

Inflation risk; Some of Fjordkraft's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by or loosely correlated with inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy; The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.

Note 9
Pension Liabilities

Amounts recognised in statement of financial position 2019	Funded obligations	Non-funded obligations	Total
NOK in thousands			
Pension expenses defined benefit occupational pension scheme	264	29	293
Pension expenses defined contribution pension scheme	-	309	309
Total amount recognised in profit or loss	264	337	601

Change in defined benefit obligations	Present value of funded obligations	Present value of non-funded obligations	Total
NOK in thousands			
At 1 January 2019	1 609	170	1 778
Pension liability transferred from Fjordkraft AS	(1 380)	2 595	1 215
Accrued pension expenses for the year	-	-	-
At 31 December 2019	229	2 765	2 994

Amounts recognised in Statement of financial position 2018	Funded obligations	Non-funded obligations	Total
NOK in thousands			
Pension expenses	203	21	224
Total amount recognised in profit or loss	203	21	224

Change in defined benefit obligations	Present value of funded obligations	Present value of non-funded obligations	Total
NOK in thousands			
At 1 January 2018	-	-	-
Pension liability transferred from Fjordkraft AS	1 406	149	1 555
Accrued pension expenses for the year	203	21	224
At 31 December 2018	1 609	170	1 778

Note 10
Other current liabilities

Other Current Liabilities consist of the following:

NOK in thousands	2019	2018
Accrued expenses	1 378	385
Total other current liabilities	1 378	385

Note 11

Related party transactions

Related parties include major shareholders, Board of Directors and key management. In 2019 two major shareholders, BKK AS and Skagerak Energi AS, have sold shares in Fjordkraft Holding ASA. As a result of this Skagerak Energi AS, their parent company Statkraft AS, Skagerak Energi Group and Statkraft Group are no longer considered to be related parties per 31 December 2019. The 2019 figures are based on transactions as per first quarter 2019. The Board of Directors include a representative from BKK AS. BKK AS and subsidiaries are therefore considered to be related parties.

The following transactions were carried out with related parties (NOK in thousands):

Income from related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2019	2018
Fjordkraft AS	Subsidiary	Dividend	384 434	279 740
Fjordkraft AS	Subsidiary	Group contribution	13 104	23 006

Expenses to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2019	2018
BKK Regnskapservice AS	Subsidiary of major shareholder	Purchase of other services	22	94
Fjordkraft AS	Subsidiary	Purchase of other services	3 207	15 812

Distributions to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2019	2018
BKK AS	Major shareholder	Dividend	35 053	48 849
Skagerak Energi AS	Major shareholder	Dividend	-	47 997
Statkraft Industrial Holding AS	Owner at the time of distribution	Dividend	-	3 155

Current receivables from related parties (NOK in thousands)

Related party	Relation	2019	2018
Fjordkraft AS*	Subsidiary	573 780	423 772

* Includes intercompany cashpool

Current liabilities to related parties (NOK in thousands)

Related party	Relation	2019	2018
BKK AS	Major shareholder	-	-
Skagerak Energi AS	Major shareholder	-	-
Statkraft Industrial Holding AS	Owner at the time of distribution	-	-
Fjordkraft AS	Subsidiary	61	10 844

Note 12

Remuneration to the Executive management and Board of Directors

Pursuant to the Norwegian Accounting Act §7-31b, the Company is required to disclose remuneration to the Executive management and the Board of Directors received from other companies in the Group.

The Executive management, except for CEO, has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2019.

Executive management 2019:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	3 075	150	150	611	3 986	576
Birte Strander (Chief Financial Officer)	1 775	32	120	325	2 252	-
Jeanne K. Tjomsland (Head of Group Marketing, Communications & HR)	1 625	32	120	360	2 137	496
Arnstein Flaskerud (Head of Strategy and M&A)	1 775	32	120	303	2 230	-
Solfrid K. Aase (Head of Alliance)	1 475	32	100	268	1 874	-
Christian Kalvenes (Head of Consumer) ¹	1 354	32	92	224	1 702	-
Torkel Rolfseng (Head of Power Trading and Alliances) ²	125	-	8	28	161	-
Alf-Kåre Hjartnes (Head of Technology and Digitalisation)	1 625	32	120	273	2 050	508
Roger Finnanger (Head of Business) ³	1 354	32	92	231	1 708	-
Solfrid Fluge Andersen (Head of Operations) ⁴	871	-	58	149	1 079	-
Ingeborg C. Morken (Chief Commercial Officer) ⁵	1 167	32	80	296	1 574	-
Total remuneration executive management 2019	16 221	403	1 060	3 068	20 752	1 581

1) Part of executive management from 01.02.2019. Remuneration included above is from 01.02.2019 to 31.12.2019.

2) Part of executive management until 31.01.2019. Remuneration included above is from 01.01.2019 to 31.01.2019.

3) Part of executive management from 01.02.2019. Remuneration included above is from 01.02.2019 to 31.12.2019.

4) Part of executive management from 01.06.2019. Remuneration included above is from 01.06.2019 to 31.12.2019.

5) Part of executive management until 31.08.2019. Remuneration included above is from 01.01.2019 to 31.08.2019.

The Board of Directors has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2019:

Board of Directors 2019:

NOK in thousands	Total remuneration
Per Axel Koch (Chairman)	519
Birthe Iren Grotle (Member)	-
Robert Olsen (Member)	-
Live Bertha Haukvik (Member)	356
Steinar Sønsteby (Member)	295
Lindi Bucher Vinsand (Member, Employee representative)	102
Øistein Prestø (Member, Employee representative)	42
Frank Økland (Member, Employee representative)	102
Bettina Bergesen (Deputy in board meetings)	3
Elisabeth M Norberg (Member, Employee representative)	65
Heidi Therese Ose (Member)	188
Lisbeth Nærø (Chairman of the Nomination committee)	51
Total remuneration Board of Directors 2019	1 722

Note 12
Remuneration to the Executive management and Board of Directors

The Executive management has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2018. CEO received remuneration from Fjordkraft AS from 1.1.18 until 31.03.18, and from Fjordkraft Holding ASA after 31.03.18.:

Executive management 2018:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 920	150	143	444	3 656	692
Birte Strander (Chief Financial Officer)	1 636	41	120	274	2 071	-
Jeanne K. Tjomsland (Head of HR & Communication)	1 504	41	120	315	1 980	549
Arnstein Flaskerud (Head of Strategy and M&A)	1 622	41	120	252	2 035	-
Solfrid K. Aase (EVP - Head of Alliance)	1 371	41	100	242	1 754	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 421	41	100	304	1 867	-
Alf-Kåre Hjartnes (EVP - Head of Technology and Digitalisation)	1 510	41	120	234	1 905	29
Ingeborg C. Morken (Chief Commercial Officer)	1 639	41	120	279	2 079	543
Total remuneration executive management 2018	13 622	438	943	2 344	17 347	1 814

The Board of Directors has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2018:

Board of Directors 2018:

NOK in thousands	Total remuneration
Per Axel Koch (Chairman)	395
Birthe Iren Grotle (Member)	-
Robert Olsen (Member)	-
Live Bertha Haukvik (Member)	271
Steinar Sørnsteby (Member)	225
Lindi Bucher Vinsand (Member, Employee representative)	90
Øistein Prestø (Member, Employee representative)	90
Frank Økland (Member, Employee representative)	90
Bettina Bergesen (Deputy in board meetings)	3
Lisbeth Nærø (Chairman of the Nomination committee)	39
Total remuneration Board of Directors 2018	1 202

In 2018 a new option incentive program was implemented for executive management in the Group, as outlined in note 13. There are no additional bonus agreements or agreement of similar profit sharing with The CEO or Chairman of the board. The rest of the executive management is also included in the Groups performance bonus scheme. In 2019 the CEO received a discretionary bonus based on the performance of the company.

There has not been paid remuneration to board members that are under employment at the shareholding companies, BKK AS and Skagerak Energi AS. Mutual period for termination of employment is 6 months from the first of the month following notice of termination. The CEO is entitled to 12 months salary including other benefits, if the company chooses to terminate the employment before retirement. These benefits are shortened by other income received during the period.

The Group's executive management has the right to apply for loans on the same grounds as all the employees in the company. Maximum duration for loans to employees are 15 years. The interest rate for loans to employees is approximately equal to the current limit regarding taxation of benefits for such loans, plus up to 1 percentage point. Current limit for taxation of benefits is 2.5 %. The CEO and Group management is included in the current pension plan for the Group.

Note 13

Option program

Fjordkraft Holding ASA established a new management option program 10 December 2018.

The option program was established to align management's and shareholders' incentives and to reduce turnover for key employees. In total 120 000 share options were issued to employees during 2019.

	2018 Option Plan	2018 Option Plan
Type	Options	Options
Issue date	18 January 2019	1 May 2019
Vesting conditions	The options vest in tranches with 1/3 vesting 15th of February 2020, 1/3 vesting 15th of February 2021, and 1/3 vesting 15th of February 2022. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.	The options vest in tranches with 1/3 vesting 15th of February 2020, 1/3 vesting 15th of February 2021, and 1/3 vesting 15th of February 2022. The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
Expiry date	15 February 2023	15 February 2023
Exercise price	34,00	37,90
Total number outstanding	90 000	30 000

	2018 Option Plan	2018 Option Plan
Type	Options	Options
Grant Date	18 January 2019	1 May 2019
Measurement date	18 January 2019	1 May 2019
Share price	35,80	39,60
Lifetime* (years)	2,08	1,80
Volatility	30,00 %	30,00 %
Risk-free interest rate*	1,12 %	1,30 %
Fair Value*	7,170	7,300

*volume weighted average for options

The fair value of the options was calculated using the Black-Scholes model. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimate the likelihood of performance fulfillment and takes this into account in the valuation.

The expected volatility for options issued in 2019 is estimated at average of 30%, based on the volatility of comparable listed companies: XXL, KID, Arcus and Europris. Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total carrying amount and total cost per 31 December 2019 is NOK 2 993 862, not including social security.

Note 13
Option Program

The following table shows the changes in outstanding options in 2018 and 2019:

Period activity:

	1 January 2019 - 31 December 2019		1 January 2018 - 31 December 2018	
	Shares	Weighted Average Exercise Price (NOK)	Shares	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	870 000	33	-	-
Granted	120 000	34,98	870 000	33,00
Transferred in	-	-	-	-
Exercised	-	-	-	-
Cancelled	-	-	-	-
Forfeited	-60 000	33	-	-
Expired	-	-	-	-
Adjusted quantity	-	-	-	-
Modification / Dividends	-	-	-	-
Transferred out	-	-	-	-
Outstanding at the end of period	930 000	31,05	870 000	33,00
Vested outstanding	-	-	-	-
Vested and expected to vest	930 000	31,05	870 000	33,00
Intrinsic value outstanding at the end of the period	930 000	25 059 000	870 000	870 000
Intrinsic value vested outstanding at the end of the period	-	-	-	-

At 31 December 2019, the range of exercise prices and weighted average remaining contractual life of the options were as follows :

Exercise price	Outstanding instruments				Vested outstanding	
	Outstanding per 31 December 2019	Weighted average remaining Contractual Life	Weighted average remaining years until vesting	Weighted Average Exercise Price	Vested options per 31 December 2019	Weighted Average Exercise Price
30,00 - 35,00	900 000	3,13	1,13	33,10	-	-
35,00 - 40,00	30 000	3,13	1,13	37,90	-	-
Total	930 000	3,13	1,13	33,25	-	-

Note 14 Events after the reporting period

On the 6th of January 2019 Fjordkraft AS (subsidiary of Fjordkraft Holding ASA) and Rieber & Søn AS bought shares in Metzum AS. Each company bought 40% of the shares, the remaining 20% is owned by employees in Metzum. Fjordkraft's share in the company was financed through the sale of software from Fjordkraft to Metzum. Metzum AS aims to develop, manage and deliver software to electricity suppliers and similar industries.

The Board of Directors has in the Board Meeting on 12 February 2020 proposed a dividend to the shareholders of NOK 3.00 per share.

The proposed dividend is subject to approval by the general meeting.

The global financial markets are focused on predicting the consequences of the coronavirus (COVID-19). In addition to the spreading of disease, this could potentially have a massive impact on markets and the everyday lives of people across the world.

To a very large extent, Fjordkraft's core business is shielded from macroeconomic conditions, and enjoys robust demand. The variation in outdoor temperatures is the factor that affects consumption the most from year to year. Therefore, the demand in the consumer segment is expected

to be relatively stable. In the Business segment Fjordkraft expects a slight reduction in demand due to the coronavirus (COVID-19).

Fjordkraft predicts that some of its customers, both in the consumer and business segment, will be facing liquidity problems due to the coronavirus (COVID-19). Several companies are dealing with layoffs and, in worst case, bankruptcy. This will affect the capability to pay their electricity bills. As per now, Fjordkraft does not have an estimate on how severe this will affect the Groups impairment loss recognised in trade receivables. The administration are closely monitoring the situation, and working with both partners and customers to find suitable solutions.

There are no other significant events after the reporting period that has not been reflected in the consolidated financial statements.

4.6

Auditor's report



Deloitte AS
Lars Hillies gate 30
Postboks 6013 Postterminalen
NO-5892 Bergen
Norway
Tel: +47 55 21 81 00
www.deloitte.no

To the General Meeting of Fjordkraft Holding ASA

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fjordkraft Holding ASA, which comprise:

- The financial statements of the parent company Fjordkraft Holding ASA (the Company), which comprise the statement of financial position as at 31 December 2019, statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Fjordkraft Holding ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, consolidated statement of profit or loss, consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte AS and Deloitte Advokattfirma AS are the Norwegian affiliates of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.no for a more detailed description of DTTL and its member firms.

© Deloitte AS

Registret | Foretaksregisteret Medlemmer av
Den norske Revisorforening
Organisasjonsnummer: 980 211 282



Page 2
Independent Auditor's Report -
Fjordkraft Holding ASA

Revenue recognition – electrical power delivered not invoiced

Key audit matters	How the matter was addressed in the audit
<p>A large portion of the final settlement of the Group's sale of electrical power is made after the Group has finalised its annual financial statements.</p> <p>Electrical power that has been delivered but not yet invoiced as of 31 December 2019, amounts to NOK 978 millions, of which a majority relates to physical sales of power delivered in the retail market. Revenue from sale of power recognised for the year amounts to NOK 6 771 millions in 2019. We refer to information in notes 1 and 4 to the consolidated financial statements.</p> <p>The revenue from electrical power delivered, but not invoiced is based on estimated delivery by product and price plans. Estimated volume is based on actual deliveries in prior periods, and there is judgment involved related to volumes and allocation of volumes to price plans.</p> <p>Due to the level of management's judgment involved, this is considered a key audit matter.</p>	<p>We have assessed the Group's process for estimating delivered not invoiced revenue, and the design and implementation of key controls.</p> <p>We have tested the estimated revenue from sale of electrical power by comparing the revenue recognised, by product type, to an expected revenue based on;</p> <ul style="list-style-type: none"> • historical cost of power, • the historical correlation between cost of power and revenue, and • average product prices. <p>Where the estimated revenue by product was significantly higher or lower than expected, we obtained further explanations and supporting documentations.</p> <p>In addition, we reviewed subsequent information on actual power supply and received true-up power settlements, and evaluated the impact of the subsequent information on revenue.</p> <p>We have assessed the adequacy of the Group's disclosures presented in note 1 (accounting principles) and 4 to the consolidated financial statements.</p>

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



Page 3
Independent Auditor's Report -
Fjordkraft Holding ASA

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Page 4
Independent Auditor's Report -
Fjordkraft Holding ASA

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 23 March 2020
Deloitte AS



Helge-Roald Johnsen
State Authorised Public Accountant (Norway)