

# Q3 2018 PRESENTATION

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Rolf Barmen (CEO)  
Birte Strander (CFO)

Oslo, 7<sup>th</sup> November



# Q3 2018 HIGHLIGHTS

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Rolf Barmen (CEO)



# Highlights third quarter 2018

## Another solid quarter

- Adjusted net revenue was NOK 227.2m, +23% YoY
- Adjusted EBIT increased +34% YoY and was NOK 58.3m
- +14% YoY growth in deliveries, of which 2% organic

Quarter over quarter growth:

- Consumer & Business: +659
  - Extended Alliance: +7,672
  - Mobile Subscriptions: +4,282
- Gross revenue increasing +74% YoY, reflecting volume growth and significantly higher elspot prices than last year (+81%)<sup>1</sup>
  - Acquisition of Etne customer portfolio
    - About 1,600 deliveries
    - Closing 30 October
    - Transaction details comprised by confidentiality by seller's request

### Key Highlights

<b># of deliveries (end of period)<sup>2</sup></b> <b>596 286</b> Increase of 14 % YoY	<b>Net change in # of deliveries</b> <b>659</b> Of which org. growth 659
<b>Volume sold<sup>3</sup></b> <b>2 244 GWh</b> Increase of 10 % YoY	<b>Gross revenue</b> <b>NOK 1 328,5m</b> Increase of 74 % YoY
<b>Net revenue (adj.)<sup>4</sup></b> <b>NOK 227,2m</b> Increase of 23 % YoY	<b>EBIT (adj.)<sup>4</sup></b> <b>NOK 58,3m</b> 26 % Adj. EBIT margin (this q.)
<b>EPS (reported)</b> <b>NOK 0,25</b> Decrease of -25 % YoY	<b>Net debt / (Net cash)</b> <b>(NOK 133,4m)</b> NIBD/LTM EBITDA: -0,28

Sources: Company information

1) Arithmetic average difference in Nordpool's weekly system prices in NOK between Q3 2018 and Q3 2017

2) Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 629,809

3) Not including Alliance volume. Volume turnover for alliance partners Q3 2018: 713 GWh

4) Adj. Net revenue and EBIT are reported figures adjusted for any estimate deviations on sales and distribution of electricity related to previous reporting periods and unallocated items (incl. unrealised gains and losses on financial derivatives, depreciations from acquisitions and non-recurring cost/revenue)

# “We need more companies like Fjordkraft”

– The United Nations Climate Change secretariat

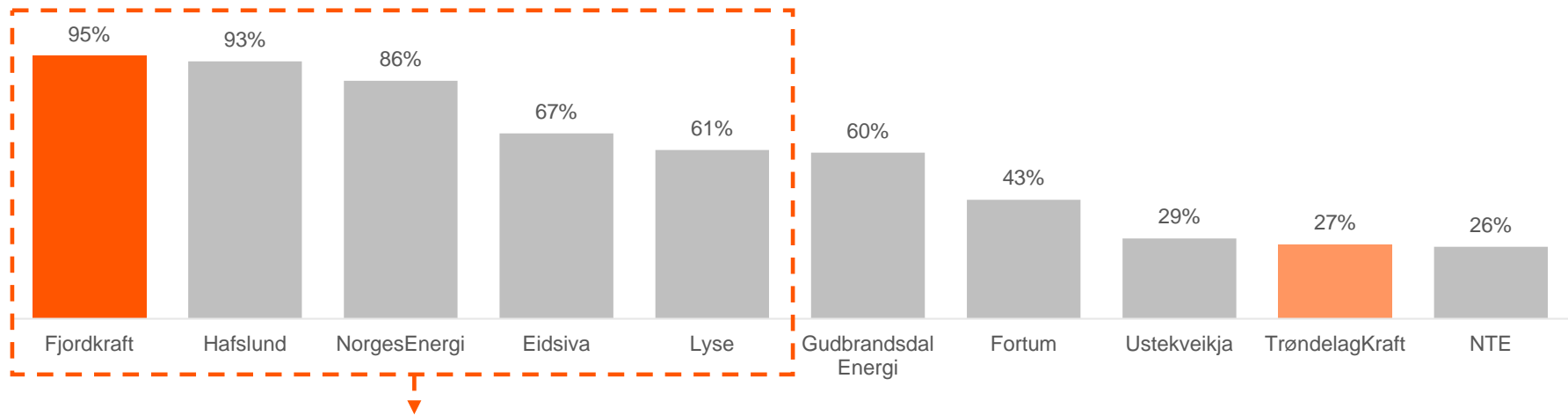
## Winner of United Nations “Momentum for Change” Climate Action Award

- The scalability and reach of the Klimanjaro initiative awarded Fjordkraft the United Nations “Momentum for Change” Climate action award of 2018
- Fjordkraft is the first Norwegian company to receive the award
- Through Fjordkraft’s efforts towards a climate neutral supply chain, annual CO2 emissions of about 56,000 tonnes are now being offset
- The award ceremony will take place at the UN Climate Change Conference in Katowice, Poland, 2-14 December 2018
- For more information, please see: [www.fjordkraft.no/klimanjaro](http://www.fjordkraft.no/klimanjaro)

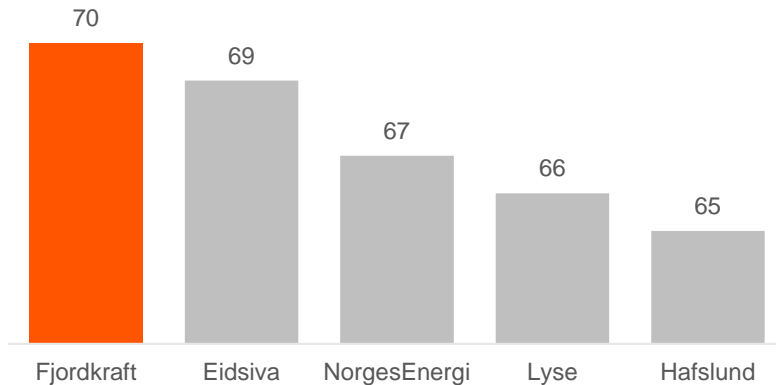


# Maintaining the position as the no. 1 electricity retail brand in the consumer segment in Norway

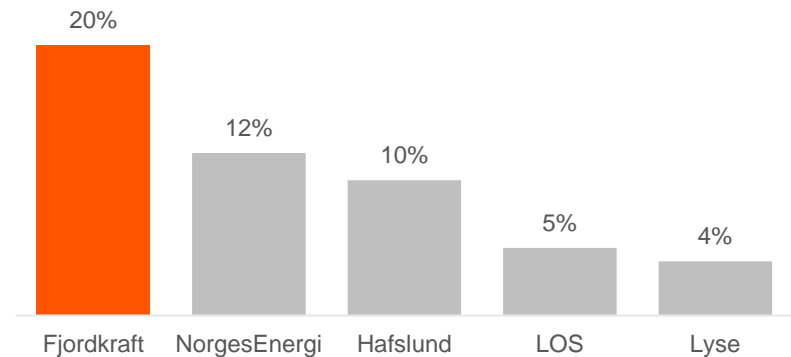
## Brand awareness<sup>1</sup>



## Customer satisfaction<sup>1,2</sup>



## Market share<sup>1,3</sup>



Sources:

- 1) From Kantar TNS Q3 2018 survey
- 2) Customer satisfaction for the five brands with the highest brand awareness
- 3) Perceived brand market share from Kantar TNS survey. Figures may differ from actual market share



# BUSINESS REVIEW

Rolf Barmen (CEO)

# Market development

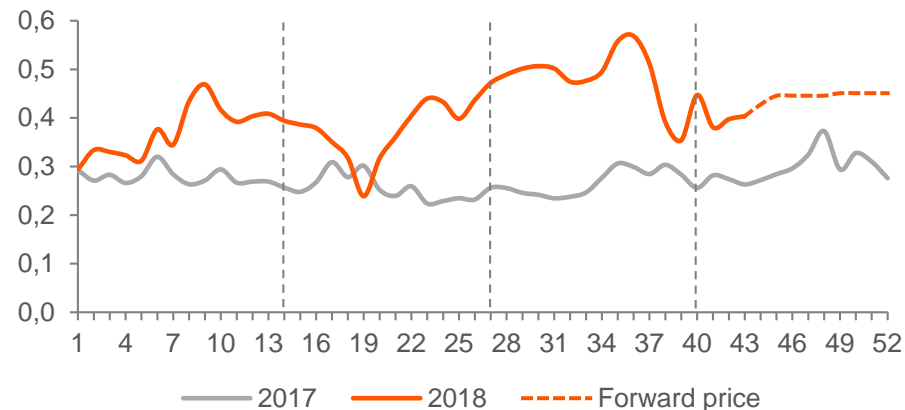
## Key highlights in Q3 2018

- The volatility continues – significant drop in prices in last half of September
  - Q3 2018 elspot prices 81% higher than in Q3 2017<sup>1</sup>
- Fjordkraft has no exposure to the Nasdaq Clearing loss following the Einar Aas trade
- Warmer than normal weather in three out of three months<sup>2</sup>
  - July: +4.3°C above normal
  - August: +0.6°C above normal
  - September: +1.5°C above normal
- Two new market churn reports from NVE released since the Q2 presentation
  - Q2 figures were published 9 October, showing an increasing trend in both the Consumer and Business segment

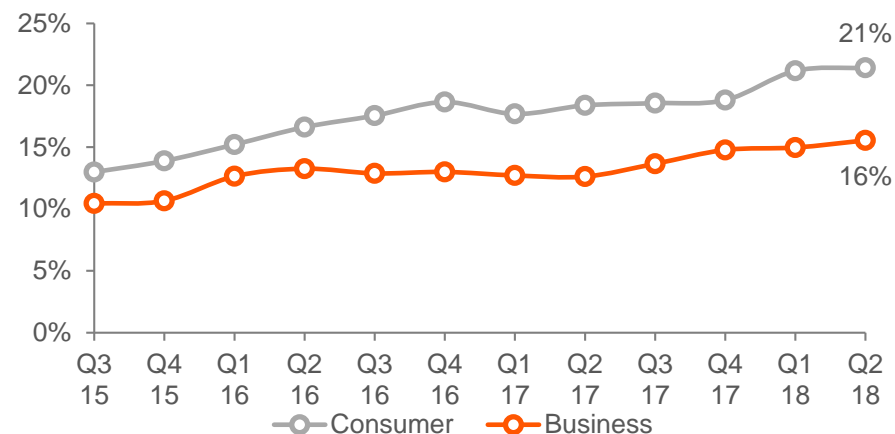
### Sources:

- 1) Arithmetic average difference in Nordpool's weekly system prices in NOK between Q3 2018 and Q3 2017
- 2) Temperature figures from met.no's monthly reports
- 3) Historical elspot prices are from Nordpool. Forward prices are from Nasdaq OMX Commodities 31 October 2018, using a conversion ratio of EUR/NOK 9.5458.
- 4) Figures from the Norwegian Water Resources and Energy directorate

## Weekly elspot prices (NOK/kWh)<sup>3</sup>



## Market churn (LTM)<sup>4</sup>

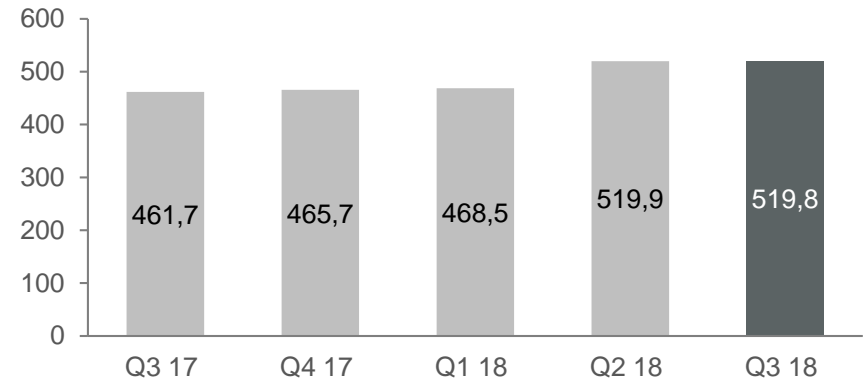


# Segment development - Consumer

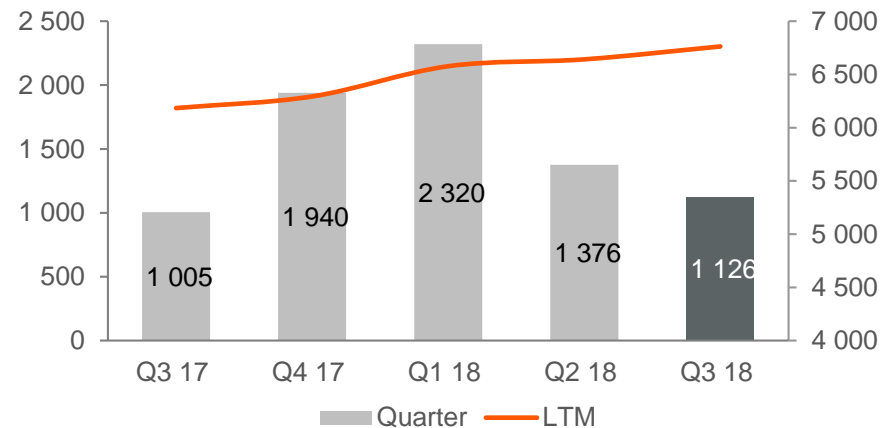
## Key highlights in Q3 2018

- Flat organic development quarter over quarter
  - Net additions in Q3 2018 were -23, all of which organic
- The deliveries from the Oppdal and Etne acquisitions will be included in Q4 2018
- Volume growth of 12% YoY driven by growth in # of deliveries
  - Avg. volume per delivery decreasing -1% YoY  
2,166 kWh in Q3 2018 vs. 2,182 kWh in Q3 2017
- Signed an agreement with Consort – a telemarketing and door-to-door sales channel with operations primarily in the Trøndelag area

## # of electricity deliveries<sup>1</sup> ('000)



## Volume (GWh)



Sources: Company information

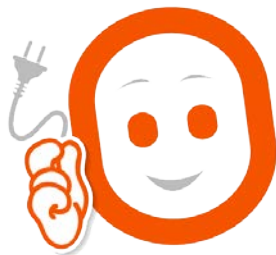
1) Number of electricity deliveries at the end of the period



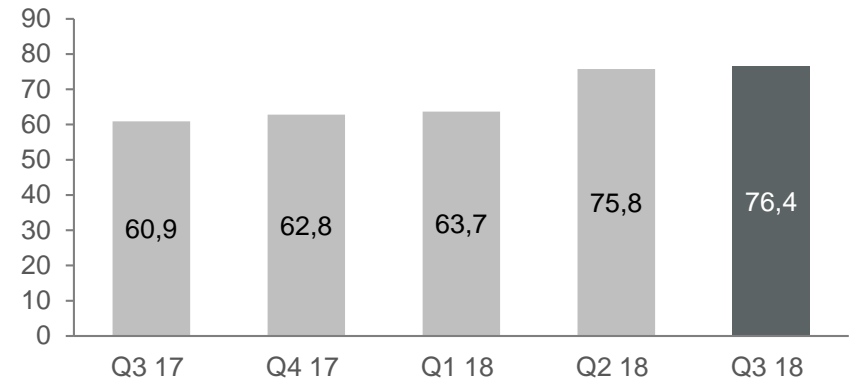
# Segment development - Business

## Key highlights in Q3 2018

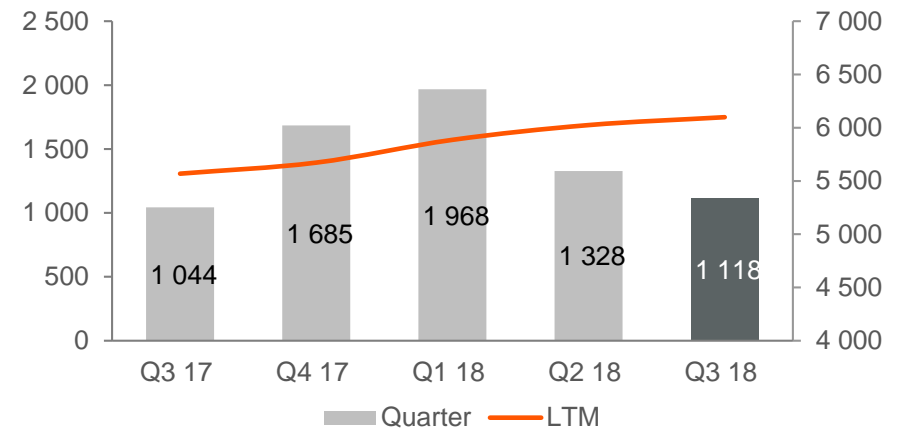
- Continued organic growth
  - Net additions in Q3 2018 were 682, all of which organic
- Volume growth of 7% YoY driven by growth in # of deliveries.
  - Avg. volume per delivery decreasing -15% YoY  
14,693 kWh in Q3 2018 vs. 17,220 kWh in Q3 2017.  
Drop in avg. volume per delivery because of relatively lower volume per delivery in TEM portfolio



## # of electricity deliveries<sup>1</sup> ('000)



## Volume (GWh)



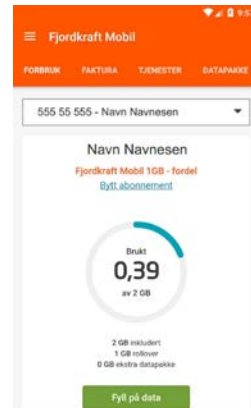
Sources: Company information

1) Number of electricity deliveries at the end of the period

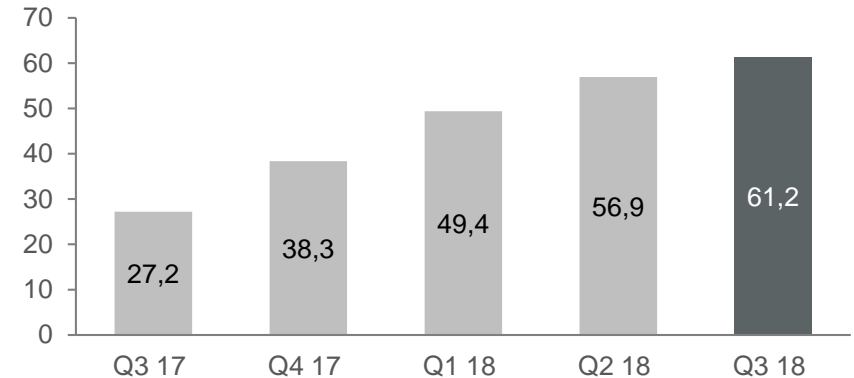
# New Growth Initiatives

## Key highlights in Q3 2018

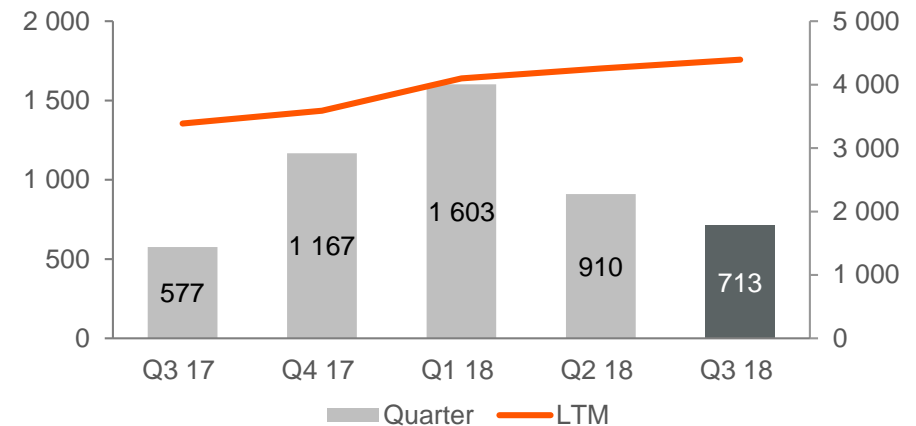
- The organic growth in mobile subscribers continues
  - +4,282 subscribers in Q3 2018
- Milestone: First quarter with positive net revenue from Mobile
- Launch of new mobile app in July, giving customers a complete overview of their subscription
  - ~22k downloads since the launch
- 24% YoY Alliance volume growth
- Extended Alliance grew by 7,672 deliveries in Q3 2018, comprising 33,523 deliveries at the end of the quarter



## # of Mobile subscribers<sup>1</sup> ('000)



## Volume Alliance (GWh)



Sources: Company information

1) Number of mobile subscribers at the end of the period



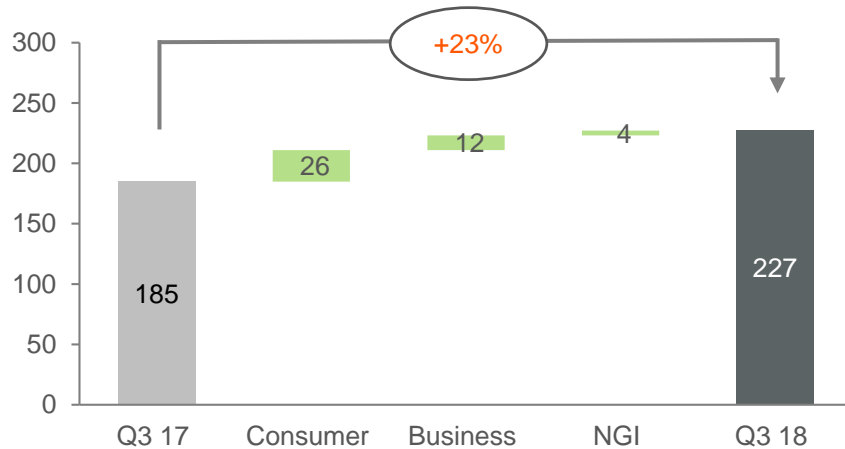
# FINANCIAL REVIEW

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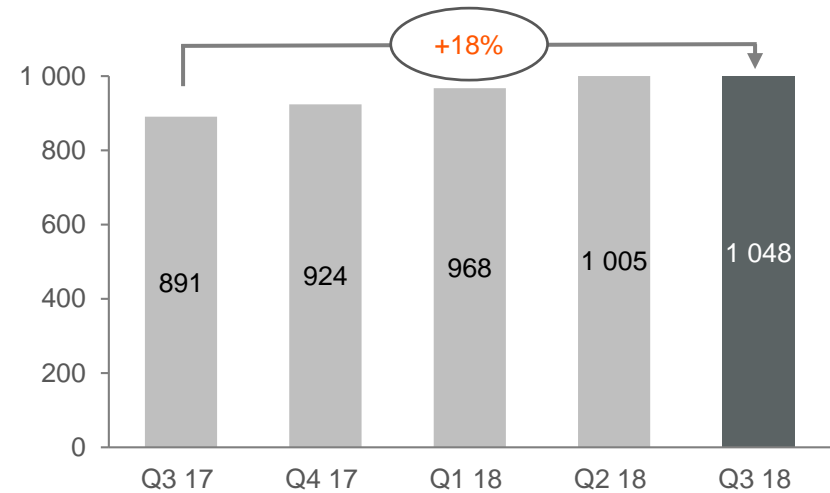
Birte Strander (CFO)

# Continued growth in adj. net revenue

## Change in adj. net revenue (NOKm)



## Adj. net revenue LTM (NOKm)



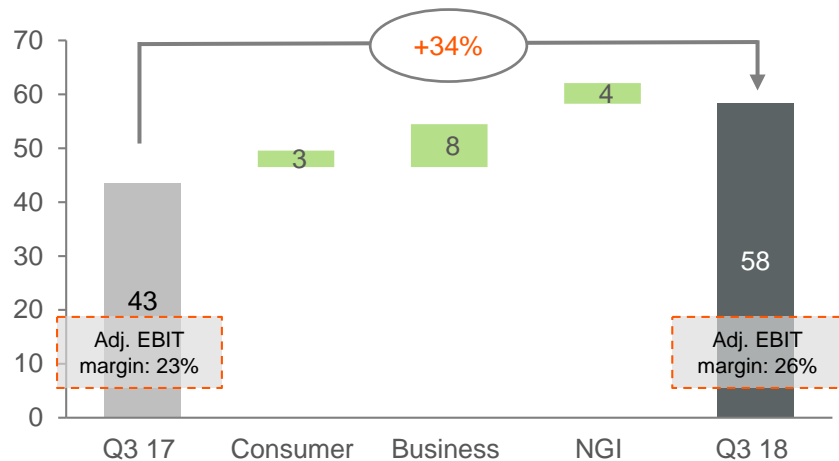
- Adjusted net revenue increased +23% YoY
  - Increase in adj. net revenue across all segments
  - ~ 50/50 split between improved margins and volume growth<sup>1</sup>
  - September particularly strong for the variable products in the consumer segment due to the significant drop in elspot prices
- LTM adjusted net revenue increasing with +18% YoY
  - ~ 40/60 split between improved margins and volume growth<sup>1</sup>
  - 1 pp of the increase is related to New Growth Initiatives

Sources: Company information

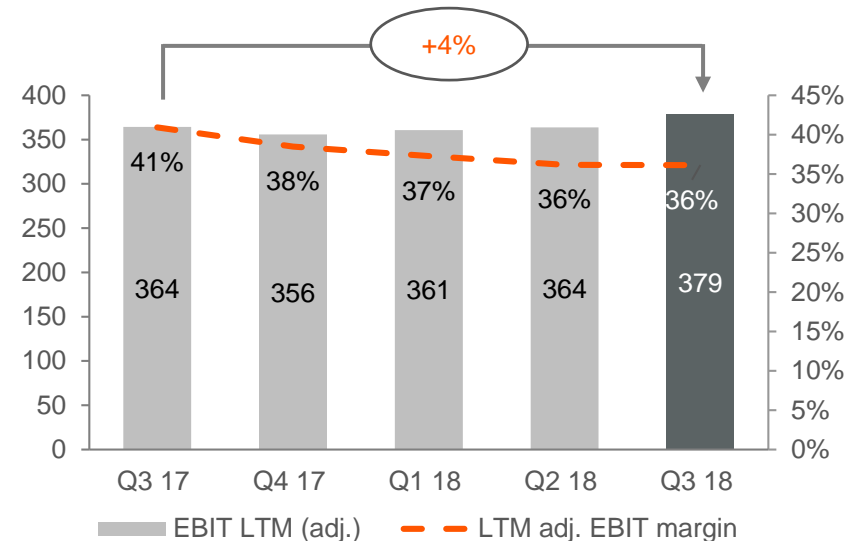
1) New Growth Initiatives figures are excluded from the calculations, as high volumes with very low margins distorts the analysis

# Strong adj. EBIT performance

## Change in adj. EBIT (NOKm)



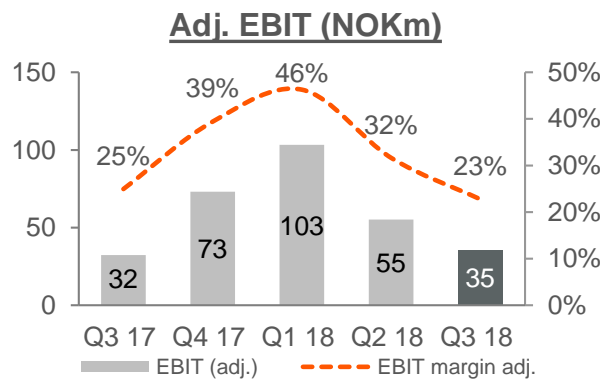
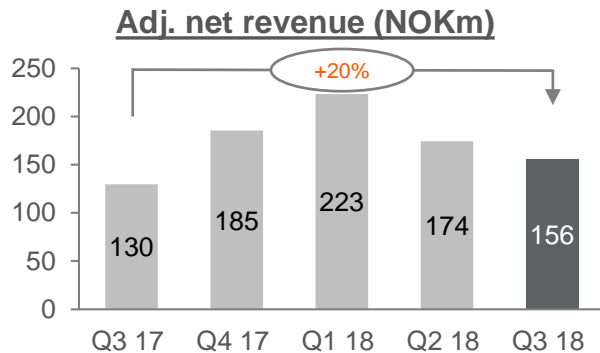
## Adj. EBIT LTM (NOKm)



- 34% increase in adjusted EBIT YoY, positive contribution from all segments
  - Relative improvement in Business and NGI segments particularly strong
- Adj. OPEX increase YoY mainly in the consumer segment, driven by sales and marketing costs, customer service costs and other variable costs
- All time high adj. EBIT LTM, with a YoY increase of 4%
  - Positive development in adj. LTM EBIT margin with a flat trend over the last quarters

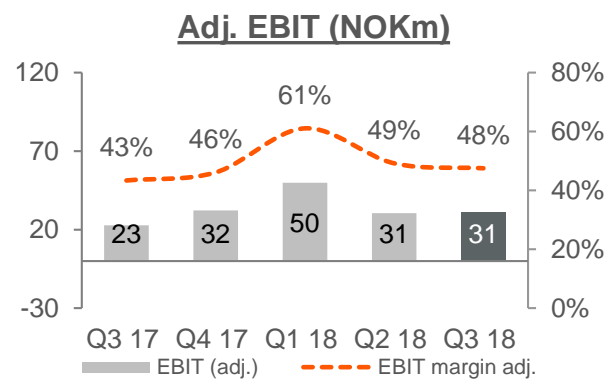
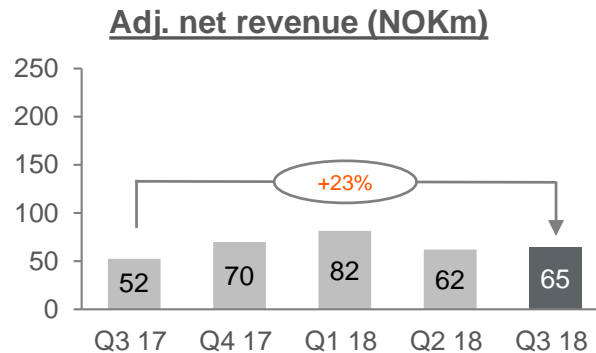
# Adj. net revenue and adj. EBIT by segment – quarterly

## Consumer segment



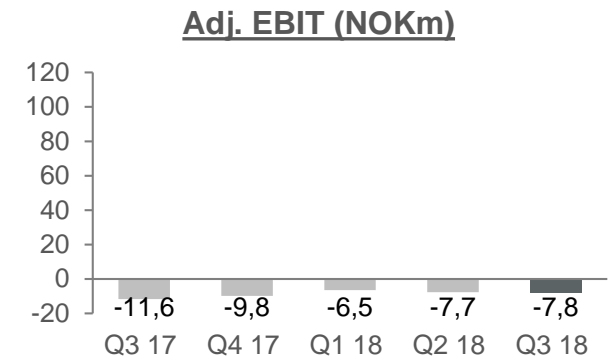
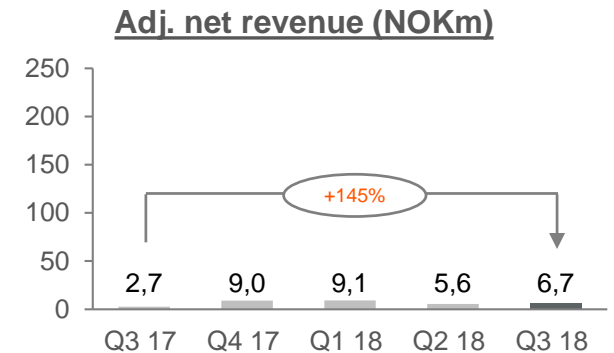
- Increase in adj. net revenue driven ~40/60 by improved margins and volume growth
- Variable products positively impacted by elspot price drop in September
- 2 pp adj. EBIT margin contraction YoY. Stronger than expected

## Business segment



- Succeeding in improving margins from both power sales and value added services
- Volume growth accounting for ~30% of the adj. net revenue improvement
- 5 pp adj. EBIT margin improvement YoY

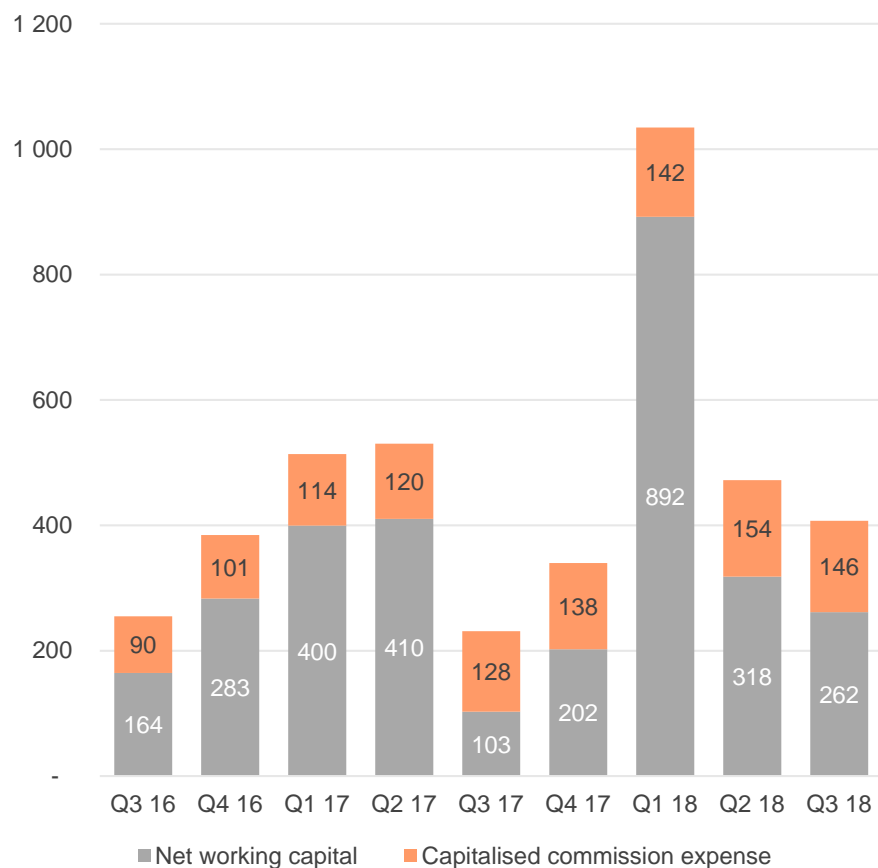
## New Growth Initiatives



- Adj. net revenue improvement split ~75/25 between Mobile and Alliance
- New product range and growth in # of subscribers driving the Mobile improvement
- YoY adj. EBIT improvement mainly driven by Mobile

# Net working capital reduced from last quarter due to seasonality

## Net working capital<sup>1</sup> (NOKm)



- Net working capital (NWC) reduced by 57 NOKm from last quarter, as volume is seasonally lower. Volume effect partly offset by 30% higher elspot prices in Q3 2018 vs Q2 2018
- NWC is increasing 159 NOKm YoY. Prices in Q3 2018 81% higher than Q3 2017 and volume growth (+13%<sup>2</sup>) are the main drivers
- The drop in capitalised commission expense is due to an adjustment of the TEM purchase price allocation
  - Underlying sales commissions spending is in line with amortisation in Q3 2018

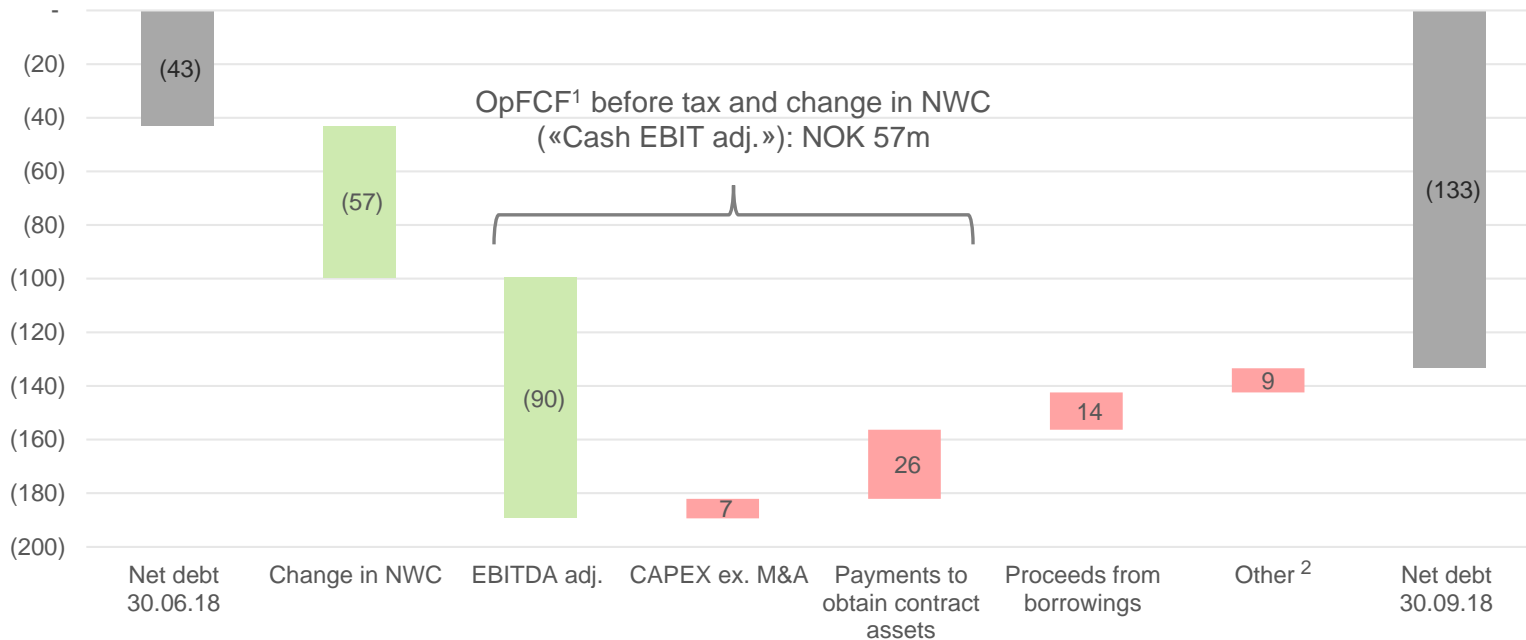
Sources: Company information

1) 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 (that is, all items under current liabilities, except proposed dividend (zero according to IFRS))

2) Incl. Alliance volume

# Improved net cash position

## Change in net debt Q-o-Q (NOKm)



- Net cash position of 133 NOKm at the end of Q3 18. Improved by 90 NOKm from end of Q2 18
- Long term debt from TEM acquisition amounting to 264 NOKm at the end of Q3 18
- Net working capital reduced by 57 NOKm
- Solid underlying cash generation

Sources: Company information

1) OpFCF defined as EBITDA adj. less CAPEX excl. M&A and payments to obtain contract assets

2) Other includes CAPEX related to M&A and customer portfolios, interest, tax and adjustments made on EBITDA





# OUTLOOK

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Rolf Barmen (CEO)

# Outlook

## Market development:

- Elspot prices are expected on a higher level than 2017 for the rest of the year<sup>1</sup>
- Elhub market freeze from 1 September 2018 to 1 May 2019
  - New Extended Alliance partners will not be implemented until after the freeze period

## Margin outlook:

- Maintaining 2018 targets for the Business and NGI segments
- Consumer expected stronger for 2018 than earlier indicated

## Financial targets and roadmap to growth for 2019 and onwards:

- Will be presented at the Capital Markets Day in February 2019

Sources:

1) Based on NASDAQ forward prices



# Q&A

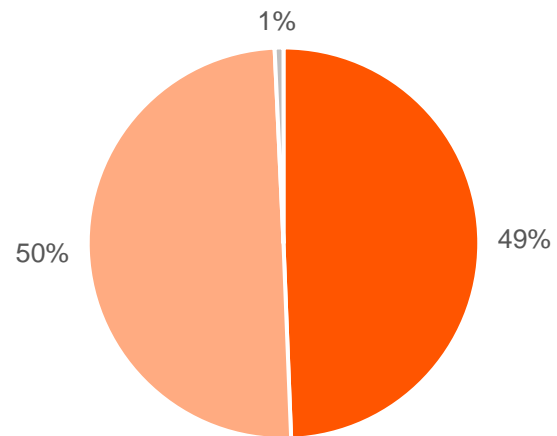
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# Appendix



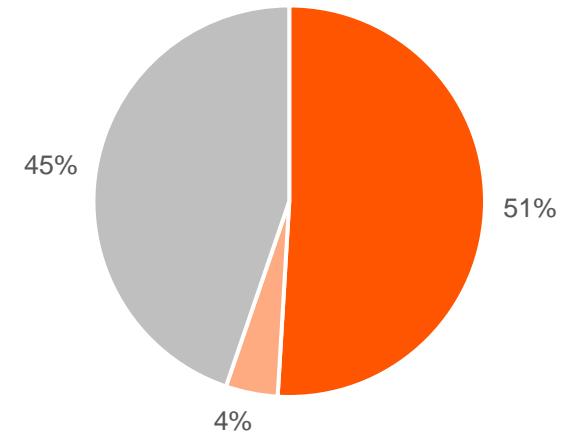
# Product mix

## Consumer segment<sup>1</sup>



■ Spot ■ Variable ■ Spot incl. financial element

## Business segment<sup>1</sup>



■ Spot ■ Variable ■ Spot incl. financial element

Sources: Company information

1) Based on number of deliveries at the end of Q3 2018

# PROFIT AND LOSS ACCOUNT

## Summary reported financials

NOK million	Q3 2018	Q3 2017	Δ YoY
Operating income	1 328,5	764,5	564,0
Cost of sales	-1 101,3	-579,7	-521,7
<b>Net revenues</b>	<b>227,2</b>	<b>184,9</b>	<b>42,3</b>
Personnel expenses	-58,5	-46,2	-12,3
Other operating expenses	-85,7	-68,4	-17,4
<b>Operating expenses</b>	<b>-144,2</b>	<b>-114,5</b>	<b>-29,7</b>
Other gains and losses, net	-4,8	0,5	-5,4
<b>EBITDA</b>	<b>78,1</b>	<b>70,9</b>	<b>7,2</b>
Depreciation & amortization	-43,6	-27,3	-16,2
<b>Operating profit (EBIT)</b>	<b>34,5</b>	<b>43,5</b>	<b>-9,0</b>
Net financials	1,9	2,3	-0,4
<b>Profit / loss before taxes</b>	<b>36,4</b>	<b>45,8</b>	<b>-9,5</b>
Taxes	-10,3	-11,0	0,7
<b>Profit / loss for the period</b>	<b>26,0</b>	<b>34,8</b>	<b>-8,8</b>
Basic earnings per share (in NOK)	0,25	0,33	-0,1
Diluted earnings per share (in NOK)	0,25	0,33	-0,1

# ADJUSTED EBIT reconciliation

<i>NOK in thousands</i>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>
<b>Adjusted operating profit (before unallocated and estimate deviations)</b>	<b>58 282</b>	<b>43 443</b>	<b>283 037</b>
Adjustment: (Positive)/negative estimate deviations previous year 1)	-	-	2 592
Other gains & losses 2)	-4 847	510	-7 896
Non-recurring 3)	-6 925	-	-19 522
Depreciation of acquisitions 4)	-12 022	-427	-23 043
<b>Operating profit</b>	<b>34 487</b>	<b>43 526</b>	<b>235 169</b>
Interest income	4 146	3 232	11 681
Interest expense	-1 669	-59	-3 329
Other financial items, net	-596	-868	-3 776
<b>Profit/(loss) before tax</b>	<b>36 368</b>	<b>45 832</b>	<b>239 744</b>

3) *Non-recurring items consists of one-time items as follows:*

<i>NOK in thousands</i>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>
Non-recurring items incurred specific to:			
- the process of listing the company on Oslo Stock Exchange	-300	-	-11 323
- acquisition related costs	-4 514	-	-9 708
- the launch of new products and services	-	-	-
- compensatory damages	-	-	4 080
- legal costs related to the compensatory damages above	-	-	-460
- strategic costs related to markets abroad	-2 111	-	-2 111
<b>Non-recurring</b>	<b>-6 925</b>	<b>-</b>	<b>-19 522</b>

# EBIT adjustments

The following adjustments are made to the reported EBIT, in order to give a better representation of underlying performance:

1) *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. 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.*

2) *Other gains and losses, net:*

*Consist of gains and losses on derivative financial instruments associated with the purchase and sale of electricity.*

3) *Non-recurring items:*

*Non-recurring one-time items. These are described in the table on the following page.*

4) *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, as this, in the Group's opinion, better represents underlying performance. In order to accommodate this, historically reported figures have been adjusted accordingly.*



# BALANCE SHEET

## Summary reported financials

NOK million	Q3 18	Q3 17	Δ
Intangible assets	186,6	74,9	111,7
PP&E	4,5	3,8	0,7
Goodwill	155,8	-	155,8
Financial assets	18,7	14,1	4,6
Other non-current assets	145,7	128,5	17,2
<b>Total non-current assets</b>	<b>511,3</b>	<b>221,2</b>	<b>290,1</b>
Trade receivables	1 206,4	658,4	548,0
Derivative financial instruments	297,0	100,4	196,6
Other current assets	73,2	78,6	(5,4)
Cash and cash equivalents	397,5	409,0	(11,5)
<b>Total current assets</b>	<b>1 974,0</b>	<b>1 246,4</b>	<b>727,7</b>
<b>Total assets</b>	<b>2 485,3</b>	<b>1 467,6</b>	<b>1 017,8</b>
<b>Total equity</b>	<b>810,3</b>	<b>668,3</b>	<b>142,0</b>
Net employee defined benefit liabilities	62,2	45,8	16,4
Interest-bearing long term debt	264,1	-	264,1
Deferred tax liabilities	32,9	18,9	13,9
Other provisions	1,0	-	1,0
<b>Total non-current liabilities</b>	<b>360,1</b>	<b>64,7</b>	<b>295,4</b>
Trade payables	620,1	314,6	305,5
Overdraft facilities	-	-	-
Current income tax liabilities	68,0	39,0	29,0
Derivative financial instruments	286,1	91,9	194,1
Social security and other taxes	14,5	23,1	(8,6)
Other current liabilities	326,3	265,9	60,4
<b>Total current liabilities</b>	<b>1 314,9</b>	<b>734,6</b>	<b>580,4</b>
<b>Equity and liabilities</b>	<b>2 485,3</b>	<b>1 467,6</b>	<b>1 017,8</b>

# CASH FLOW

## Summary reported financials

NOK million	Q3 2018	Q3 2017	Δ YoY
<b>EBITDA</b>	<b>78,1</b>	<b>70,9</b>	<b>7,2</b>
Other non-cash adjustments	4,8	3,2	1,6
Change in fair value of financial instruments	4,8	-0,5	5,4
Changes in working capital, etc.	35,3	297,4	-262,1
<b>Cash from operating activities</b>	<b>123,0</b>	<b>371,0</b>	<b>-248,0</b>
Interest paid	-1,7	-0,1	-1,6
Interest received	4,1	3,2	0,9
Income tax paid	-0,4	-	-0,4
<b>Net cash from operating activities</b>	<b>125,1</b>	<b>374,2</b>	<b>-249,0</b>
Purchases of property, plant and equipment	-0,5	-0,3	-0,2
Purchase of intangible assets	-7,1	-6,9	-0,1
Payments to obtain a contract (contract assets)	-25,7	-29,6	3,9
Net cash outflow on aquisition of subsidiaries	-	-	-
Proceeds from non-current receivables	-1,4	0,5	-2,0
<b>Net cash used in investing activities</b>	<b>-34,8</b>	<b>-36,3</b>	<b>1,6</b>
Proceeds from borrowings	-13,9	-	-13,9
Net (outflow)/proceeds from change in overdraft facilities	-	-	-
Dividends	-	-	-
<b>Net cash used in financing activities</b>	<b>-13,9</b>	<b>-</b>	<b>-13,9</b>
<b>Net change in cash and cash equivalentents</b>	<b>76,5</b>	<b>337,9</b>	<b>-261,4</b>
<b>Cash and cash equivalentents at beginning</b>	<b>321,0</b>	<b>71,2</b>	<b>249,8</b>
<b>Cash and cash equivalentents at end</b>	<b>397,5</b>	<b>409,0</b>	<b>-11,5</b>

# Depreciation profile of the TrønderEnergi Marked acquisition

<i>NOK in millions</i>	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Annual depreciation	30,8	32,8	20,7	12,0	7,3	4,9	3,4	2,3	1,6	1,1	0,7	0,5	0,3	0,2	0,2	0,1	0,1	0,1	0,0	0,0	0,0
Accumulated depreciation	30,8	63,5	84,2	96,3	103,6	108,5	111,9	114,2	115,8	116,9	117,6	118,1	118,5	118,7	118,9	119,0	119,0	119,1	119,1	119,2	119,2

# FORWARD-LOOKING STATEMENTS

This presentation contains, or may be deemed to contain, statements that are not historical facts but forward-looking statements with respect to Fjordkraft's expectations and plans, strategy, management's objectives, future performance, costs, revenue, earnings and other trend information. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Fjordkraft.

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