

Q1 2020 PRESENTATION

Rolf Barmen (CEO)

Ole Johan Langenes (Acting CFO)

14th May



Q1 2020 HIGHLIGHTS

Rolf Barmen (CEO)



Highlights first quarter 2020

Strong profitability growth in an extraordinary situation

- Strong financial performance with a 27% YoY increase in net revenue and 31% YoY growth in EBIT adj.
 - Favourable market dynamics with historically low elspot prices and positive effects on COGS are driving the improvement
- The solid growth in the Mobile segment continues, with more than 10k net adds in the quarter
- Outlook slightly revised based on first quarter results

Key Highlights

# of deliveries (end of period)¹ 621 348 Increase of 2 % YoY	Δ in # of deliveries (QoQ) -744 Of which org. growth -744
Volume sold² 4 154 GWh Decrease of -6 % YoY	Gross revenue NOK 1 310m Decrease of -49 % YoY
Net revenue (adj.)³ NOK 481m Increase of 27 % YoY	EBIT (adj.)³ NOK 238m Increase of 31 % YoY
Basic EPS (reported) NOK 1.76 Increase of 37 % YoY	NIBD (cash) (NOK 511m) NIBD/LTM EBITDA: -0.68

Sources: Company information

1) Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 658,175

2) Not including Alliance volume. Volume turnover for alliance partners Q1 2020: 1,320 GWh

3) Adj. Net revenue and EBIT are reported figures adjusted for any estimate deviations on sales and distribution of electricity related to previous reporting periods, special items, unrealised gains and losses on financial derivatives and depreciations from acquisitions



BUSINESS REVIEW

Rolf Barmen (CEO)

Operational and financial impact from Covid-19

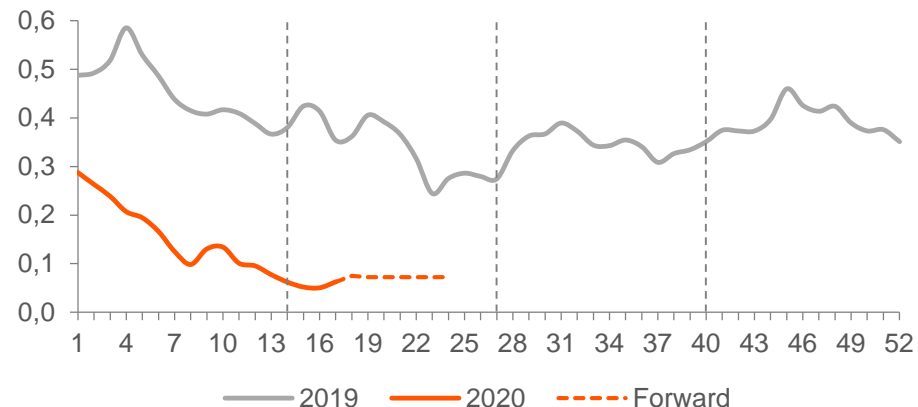
- Both M&A activities and sales and marketing activities are continuing at a high level despite the Covid-19 situation
- Every EVP monitor and report the risk situation in their division on a weekly basis
- Accounts receivables are monitored from day to day
- We ensure that our customers know they can contact us regarding delay of payment – our goal is to balance low losses with CSR
- We monitor our around 400 employees and consultants daily regarding their health and well-being, making sure operations resume as normal
- Slight decrease in consumption in the Business segment due to reduced activity
- Increased voice activity in the Mobile segment driving COGS and reduces margins

Market development

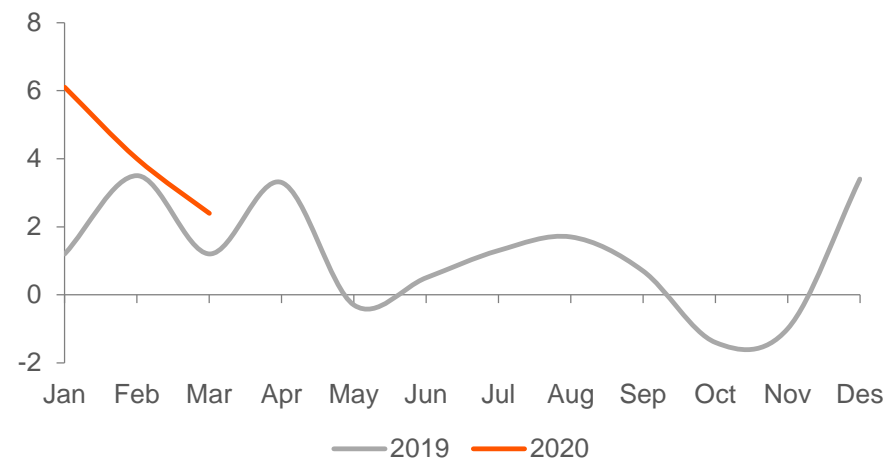
Key highlights in Q1 2020

- Elspot prices have decreased throughout the quarter, ending at a historically low level
- Temperatures warmer than both the normal and last year in three out of three months¹
 - Jan: +6.1°C above normal (4.9°C warmer than 2019)
 - Feb: +4.0°C above normal (0.5°C warmer than 2019)
 - Mar: +2.4°C above normal (1.2°C warmer than 2019)
- The regulator recently published the market churn figures for 2019, showing a 21% annual churn in the consumer segment and 14% in the business segment³

Weekly elspot prices (NOK/kWh)²



Temp – deviation from normal (°C)¹



Sources:

1) Temperature figures from met.no's monthly reports

2) Weekly system prices in NOK from Nordpool, forward prices from Montel

3) The Norwegian Water and Energy Directorate's supplier change statistics. The regulator also states that the 2019 figures are not comparable with previous years, as numbers from 2018 and earlier have been overreported

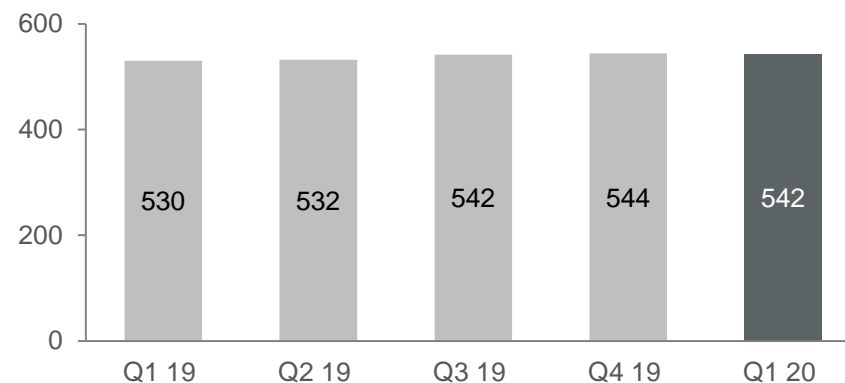
Segment development - Consumer

Key highlights in Q1 2020

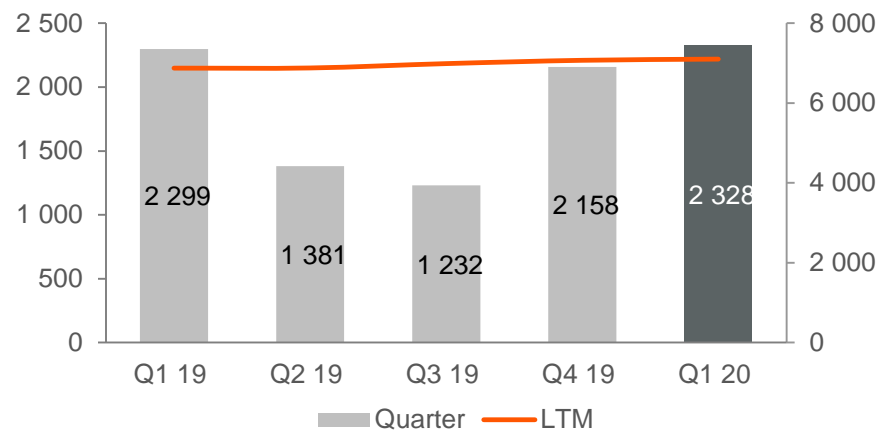
- Decrease of 1,717 deliveries in Q1 2020
- Volume growth of 1% YoY, driven by increase in # of deliveries
 - Avg. volume per delivery is down 1% YoY
4,287 kWh in Q1 2020 vs. 4,340 kWh in Q1 2019
- Mobile subscription overview now included in the Fjordkraft app and consumers with solar panels are able to virtually save excess production for later use



of electricity deliveries¹ ('000)



Volume (GWh)



Sources: Company information

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

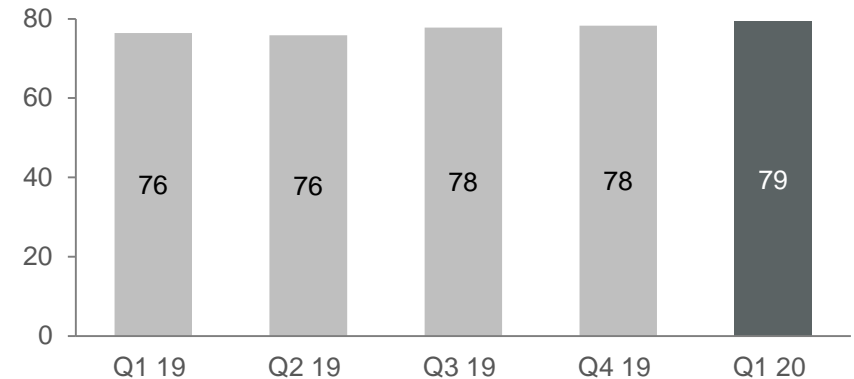
Segment development - Business

Key highlights in Q1 2020

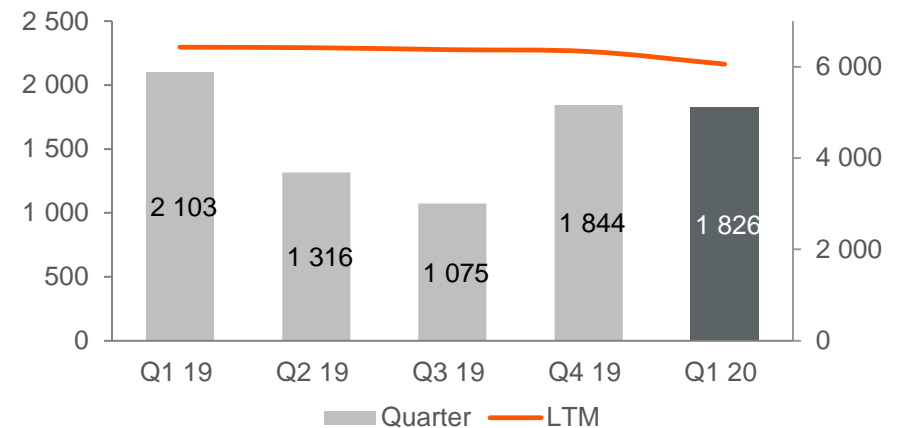
- Positive organic growth in the segment
 - Net additions in Q1 2020 were 973
- Volume decrease 13% YoY driven by decrease in avg. consumption per delivery from mild weather, fewer tender customers and Covid-19 restrictions
 - Avg. volume per delivery decreasing -16% YoY
23,189 kWh in Q1 2020 vs. 27,653 kWh in Q1 2019
- New and environmental oriented concept “Klimasmart”, including solar panels, heat pumps and monitoring services, has been well received by business customers



of electricity deliveries¹ ('000)



Volume (GWh)



Sources: Company information

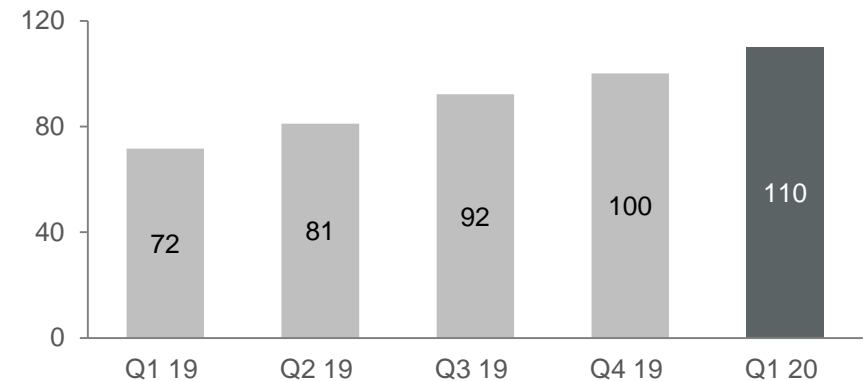
1) Number of electricity deliveries at the end of the period

New Growth Initiatives

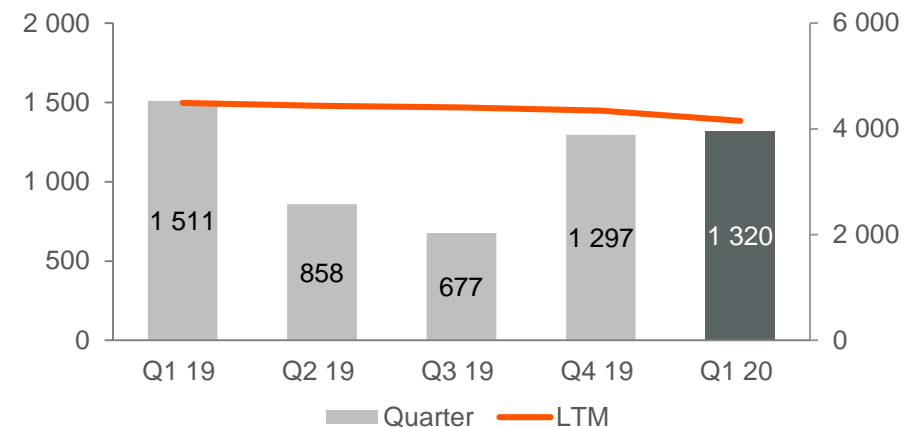
Key highlights in Q1 2020

- The strong growth in the number of Mobile subscribers continues. Well on the way towards the targeted 125 thousand subscribers at the end of 2020
 - Growth of 10,025 subscribers in Q1 2020
- 13% YoY Alliance volume decrease, as Vesterålskraft is now included in the Consumer and Business segments and due to mild weather
- One new Extended Alliance partner implemented and the first ever broadband customers handled in the Fjordkraft Factory on behalf of Alliance Partners this quarter

of Mobile subscribers¹ ('000)



Volume Alliance (GWh)



Sources: Company information

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

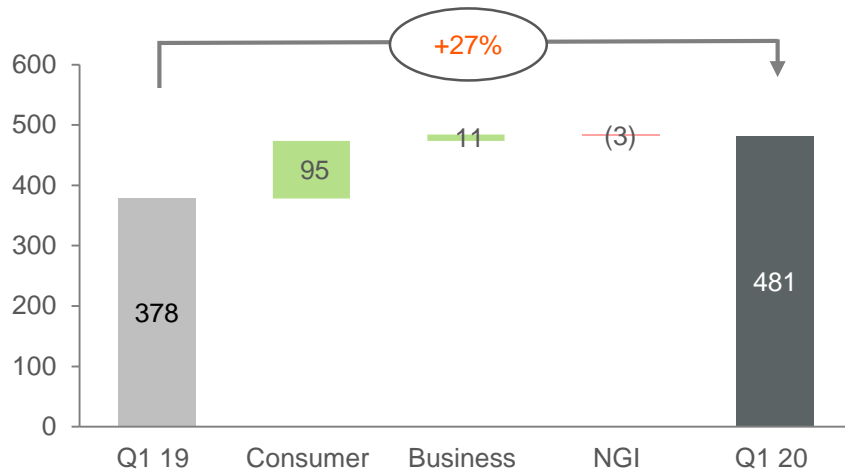


FINANCIAL REVIEW

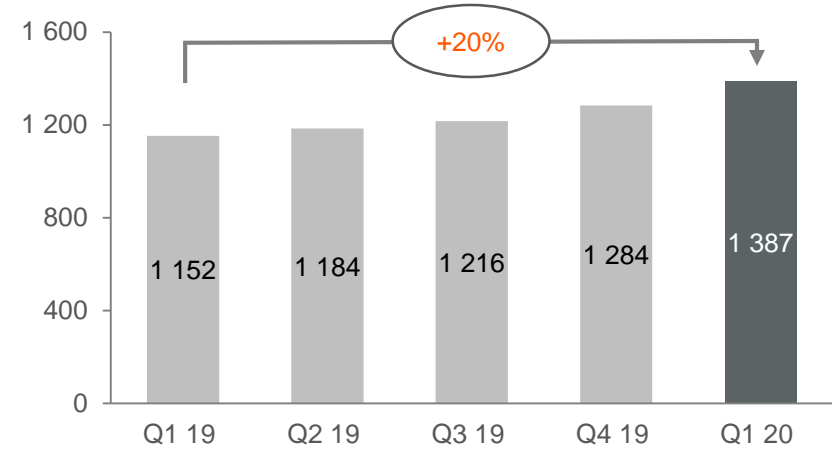
Ole Johan Langenes (Acting CFO)

Strong net revenue growth

Change in adj. net revenue (NOKm)



Adj. net revenue LTM (NOKm)



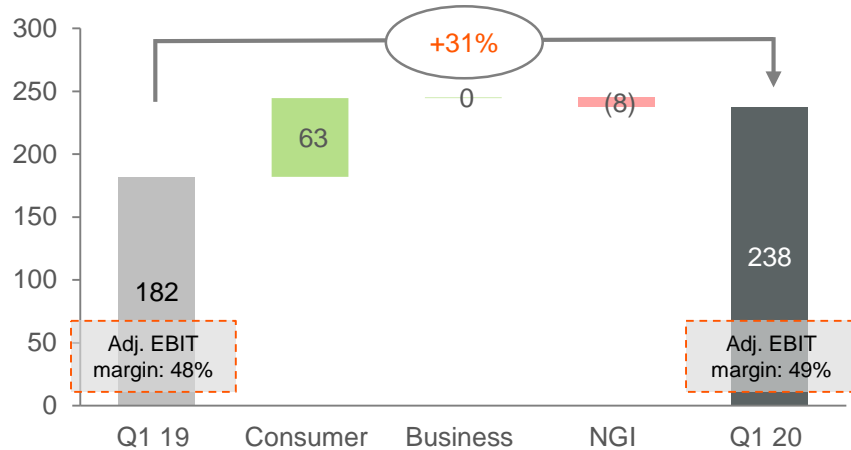
- Adj. net revenue growth driven by margin improvement – Consumer segment with the biggest impact
 - Favourable market dynamics with historically low elspot prices and positive effects on COGS are driving the improvement YoY
- Last twelve months adj. net revenue improvement driven by margin improvement¹ YoY

Sources: Company information

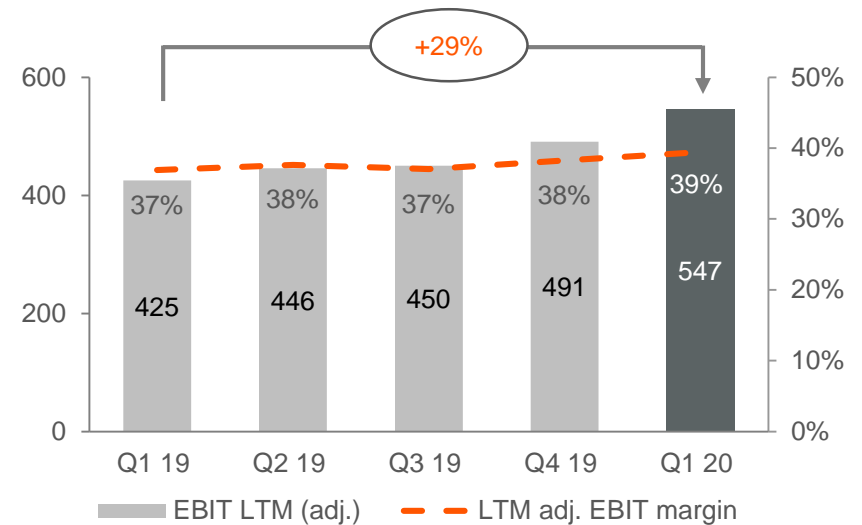
1) New Growth Initiatives figures are excluded from the calculations, as high volumes with very low margins distorts the analysis

Continued increase in EBIT adj.

Change in adj. EBIT (NOKm)



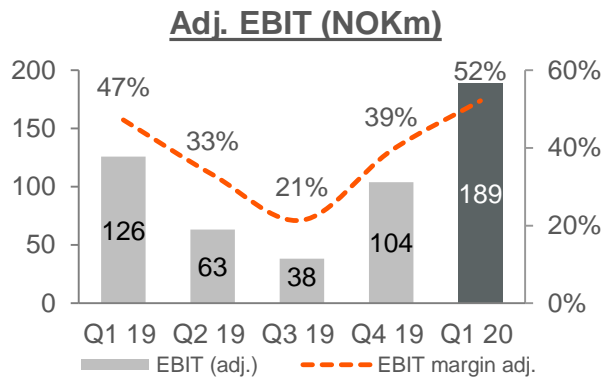
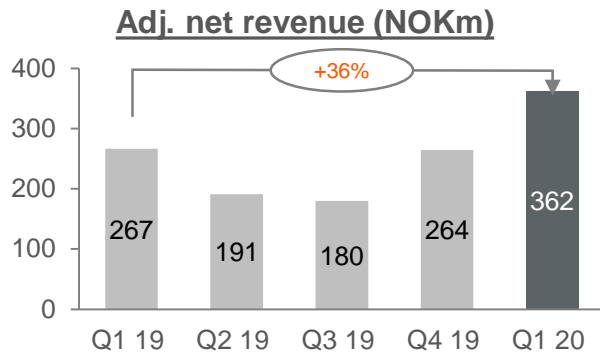
Adj. EBIT LTM (NOKm)



- EBIT improvement of 56 NOKm with the Consumer segment as the driver for the increase
 - The increase in OPEX primarily driven by sales and marketing cost, administrative costs and expected increase in losses on receivables due to Covid-19
- Adj. EBIT margin increasing 1 pp YoY. Adj. EBIT margin LTM is increasing 2 pp YoY and 1 pp quarter over quarter

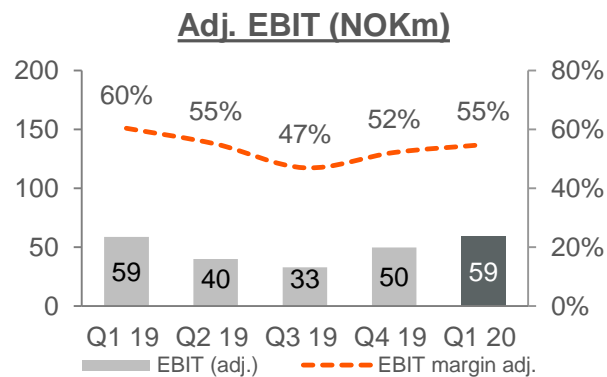
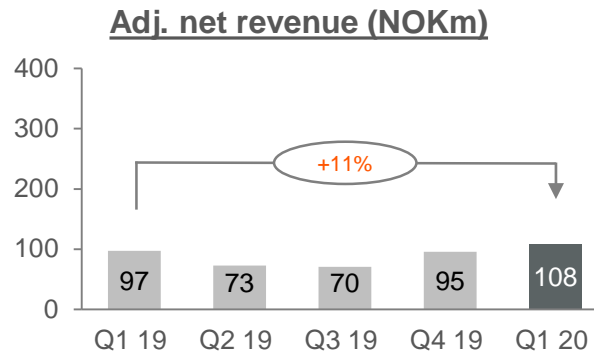
Segment overview

Consumer segment



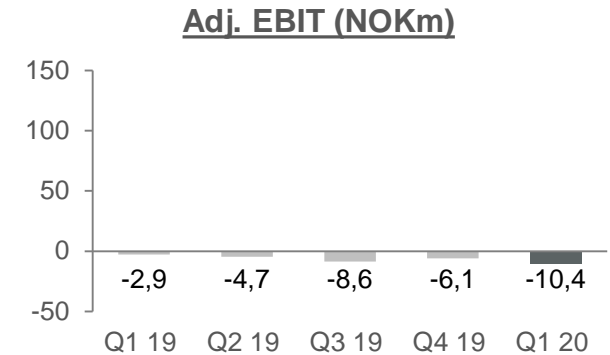
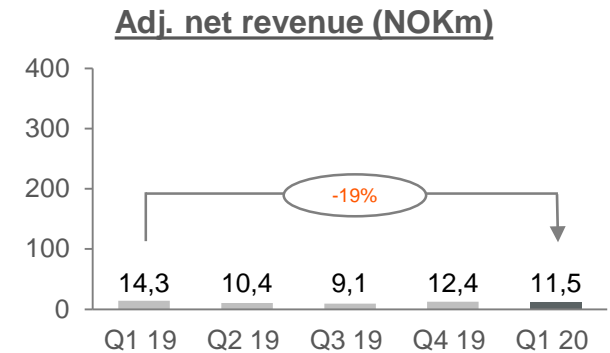
- Increase in adj. net revenue YoY. Margin improvement accounting for more than 95% of the increase. Favourable market dynamics driving the growth
- 5 pp margin expansion driven by net revenue growth

Business segment



- Increase in adj. net revenue is driven by improved margins, primarily from power sales
- 5 pp margin contraction driven by expected increased losses on receivables due to Covid-19

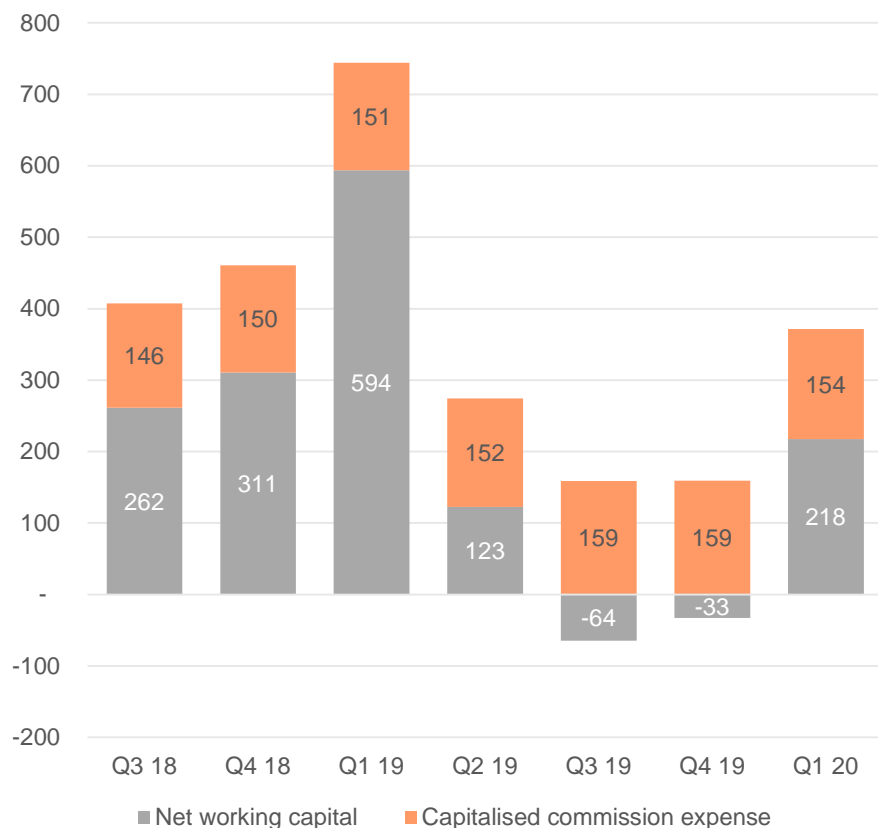
New Growth Initiatives



- Adj. net revenue and adj. EBIT decrease primarily from reduced margins within Mobile. Increased call activity from Covid-19 driving COGS
- Solid growth in # of Mobile subscribers

Seasonally increase in NWC as el.cert for 2019 is settled and volume increase

Net working capital¹ (NOKm)



- Net working capital (NWC) is increasing by 251 NOKm from last quarter, driven by settlement of el certificates and higher volumes
 - The settlement of el certificates from 2019 is increasing NWC in Q1 2020. However, this post-payment practice of el certificates has a positive effect on NWC throughout the year
 - Volume increase 4% from last quarter²
 - Elspot prices decrease 60%³ from Q4 2019 to Q1 2020
- Reduction of 376 NOKm from last year, driven by 65% lower prices³ and 6% lower volume
 - Continuous improvements in the invoicing process is also contributing positively to the development

Sources: Company information

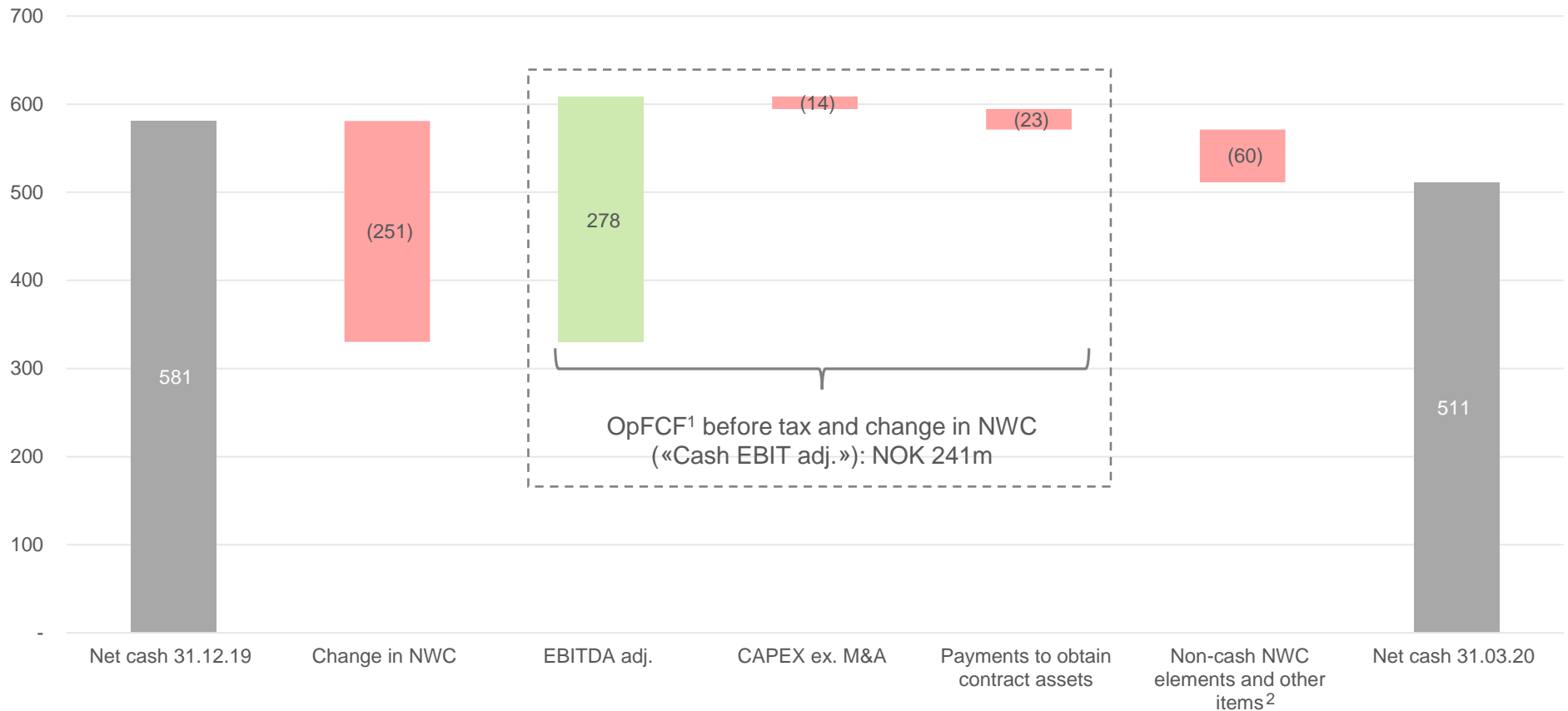
1) NWC includes the following items from current assets: Inventories, intangible assets, trade receivables, derivative financial instruments and other current assets (that is, all current assets in the balance sheet except cash and cash equivalents); and the following items from current liabilities; trade payables, current income tax liabilities, derivative financial instruments, social security and other taxes and other current liabilities excl. 55.6 NOKm in short-term interest bearing debt

2) Volume sold in the Consumer and Business segments

3) Average of daily system prices in NOK

Strong underlying cash generation

Change in net cash Q-o-Q (NOKm)



Sources: Company information

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

2) Non-cash NWC relates to items included in "change in NWC" that are not affecting net cash position. Other includes interest, tax, change in long-term receivables, proceeds from non-current receivables, proceeds from other long-term liabilities, share based payment expense, change in post-employment liabilities, payment of lease liability and adjustments made on EBITDA.

Outlook for 2020-2022¹

Group	<ul style="list-style-type: none"> Targeting high-single digit net revenue growth on an organic basis Targeting an EBIT margin of 36-38% Ambition to act as a consolidator in a fragmented market 		
Consumer	Growth	<ul style="list-style-type: none"> Targeting mid-single digit net revenue growth on an organic basis 	Revised in Q1: Expected somewhat higher than targeted for 2020
	EBIT margin	<ul style="list-style-type: none"> Targeting a sustainable level of 32-34% on an organic basis 	
Business	Growth	<ul style="list-style-type: none"> Targeting double digit net revenue growth in 2020, followed by a sustainable mid-single digit annual growth in 2021 and 2022 	Revised in Q1: Expecting mid-single digit growth in 2020 due to Covid-19
	EBIT margin	<ul style="list-style-type: none"> Targeting a sustainable level of 52-54% on an organic basis 	
New growth initiatives	<ul style="list-style-type: none"> Targeting a stable nominal EBIT from 2019 to 2020. Positive development in both Alliance and Mobile, while new spin offs negatively affect the segment EBIT in 2020 with in the area of -10 NOKm. NGI targeted to comprise up towards 5% of group EBIT in 2022 	Revised in Q1: 2020 EBIT expected weaker than targeted mainly due to Covid-19. Still expecting a slight positive development adjusted from impact of new spin offs	
Cap.ex.	<ul style="list-style-type: none"> Targeted to be in the area of NOK 50m annually on an organic basis 		
Tax rate	<ul style="list-style-type: none"> Prevailing corporate tax rate for Norway – 22% for 2020 		
Leverage	<ul style="list-style-type: none"> Moderate leverage with variations intra-year due to seasonality in net working capital Current balance sheet enabling substantial capacity to finance acquisitions 		
Dividend	<ul style="list-style-type: none"> Target pay-out ratio of at least 80% of net income, adjusted for certain cash and non-cash items² Attractive and increasing dividend 		

1) All targets are based on adjusted figures, further described under alternative performance measures in the quarterly report

2) Adjusted EBIT + net finance – estimated tax – amortisation of acquisition debt



Q&A

Appendix



PROFIT AND LOSS ACCOUNT

NOK in thousands	Note	Q1 2020	Q1 2019	Full year 2019
Continuing operations				
Revenue	2,9	1 310 256	2 545 634	7 122 528
Direct cost of sales	2	(828 855)	(2 167 273)	(5 827 394)
Revenue less direct cost of sales		481 402	378 361	1 295 134
Personnel expenses	2	(78 596)	(64 426)	(236 106)
Other operating expenses	2	(124 593)	(97 908)	(379 973)
Depreciation right-of-use assets		(3 100)	(2 213)	(10 404)
Depreciation and amortisation	2,5,6	(45 647)	(42 880)	(190 528)
Total operating expenses		(251 936)	(207 426)	(817 011)
Other gains and losses, net	7	1 906	8	4 615
Operating profit		231 371	170 942	482 738
Income (loss) from investments in associates and joint ventures	12	(153)	-	-
Interest income		6 381	4 882	20 071
Interest expense lease liability		(429)	(193)	(1 677)
Interest expense		(1 658)	(1 578)	(6 956)
Other financial items, net		240	(1 086)	(3 737)
Net financial income/(cost)		4 382	2 026	7 701
Profit/ (loss) before tax		235 754	172 968	490 440
Income tax (expense)/income	3	(52 084)	(38 543)	(120 269)
Profit/ (loss) for the period		183 670	134 425	370 171
Basic earnings per share (in NOK)*	4	1,76	1,29	3,54
Diluted earnings per share (in NOK)*	4	1,74	1,27	3,51

ADJUSTED EBIT reconciliation

Reconciliation to statement of profit and loss for the period

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Revenue adjusted	1 310 256	2 545 634	7 066 432
Corporate 1)	-	-	56 096
Revenue	1 310 256	2 545 634	7 122 528
Direct cost of sales adjusted	(828 855)	(2 167 273)	(5 782 711)
Corporate 1)	-	-	(44 681)
Direct cost of sales	(828 855)	(2 167 273)	(5 827 394)
Revenue less direct cost of sales adjusted	481 402	378 361	1 283 721
Corporate 1)	-	-	11 414
Revenue less direct cost of sales	481 402	378 361	1 295 134
Total operating expenses adjusted	(243 760)	(196 424)	(792 668)
Special items 2)	-	-	21 218
Depreciation of acquisitions 3)	(8 177)	(11 002)	(45 560)
Total operating expenses	(251 936)	(207 426)	(817 011)
Other gains and losses 4)	1 906	8	4 615
Operating profit	231 371	170 942	482 738
Income/loss from investments in associates and joint ventures	(153)	-	-
Interest income	6 381	4 882	20 071
Interest expense lease liability	(429)	(193)	(1 677)
Interest expense	(1 658)	(1 578)	(6 956)
Other financial items, net	240	(1 086)	(3 737)
Profit/(loss) before tax	235 754	172 968	490 440

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.

ADJUSTED EBIT reconciliation cont.

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

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Special items incurred specific to:			
- acquisition related costs and implementation costs	-	-	(3 145)
- change in pension plan	-	-	28 969
- Impairment charge	-	-	(4 606)
Special items	-	-	21 218

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	Q1 2020	Q1 2019	Full year 2019
TrønderEnergi Marked acquisition	(5 180)	(7 788)	(32 753)
Oppdal Everk Kraftomsetning acquisition	(787)	(1 085)	(4 342)
Vesterålskraft Strøm acquisition	(565)	-	(1 516)
Other customer acquisitions	(1 645)	(2 129)	(6 949)
Depreciation of acquisitions	(8 177)	(11 002)	(45 560)

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

BALANCE SHEET

NOK in thousands	Note	31 March 2020	31 March 2019	31 December 2019
Assets:				
Non-current assets				
Right-of-use assets property, plant and equipment		62 255	29 048	65 976
Property, plant and equipment	5	6 656	4 050	7 108
Goodwill	6	166 696	155 849	166 696
Intangible assets	6	166 816	197 459	178 542
Cost to obtain contracts		154 149	150 559	159 235
Investments in associates and joint ventures	12	9 847	-	-
Other non-current financial assets		39 510	22 957	25 365
Total non-current assets		605 929	559 923	602 923
Current assets				
Intangible assets	6	4 730	31 799	23 760
Inventories		452	261	794
Trade receivables	8	867 893	1 970 534	1 507 467
Derivative financial instruments	7	350 901	177 539	79 274
Other current assets		113 324	113 727	18 466
Cash and cash equivalents		691 735	213 027	775 536
Total current assets		2 029 035	2 506 886	2 405 297
Total assets		2 634 964	3 066 809	3 008 220
Equity and liabilities:				
Equity				
Share capital		31 372	31 349	31 349
Share premium		127 353	125 035	125 035
Retained earnings		1 005 256	849 945	846 833
Total equity		1 163 980	1 006 328	1 003 216

BALANCE SHEET

NOK in thousands	Note	31 March 2020	31 March 2019	31 December 2019
Non-current liabilities				
Net employee defined benefit plan liabilities		100 008	85 658	64 062
Interest-bearing long term debt	10	125 100	180 700	139 000
Deferred tax liabilities	3	17 667	17 213	27 451
Lease liability - long term		52 848	20 510	56 515
Other provisions for liabilities		-	732	-
Total non-current liabilities		295 623	304 812	287 027
Current liabilities				
Trade and other payables	8	388 040	1 065 031	818 143
Current income tax liabilities	3	76 160	62 474	111 656
Derivative financial instruments	7	337 719	169 334	67 999
Social security and other taxes		105 678	97 987	142 620
Lease liability - short term		11 951	8 659	11 428
Other current liabilities		255 812	352 185	566 129
Total current liabilities		1 175 360	1 755 668	1 717 976
Total liabilities		1 470 983	2 060 480	2 005 004
Total equity and liabilities		2 634 964	3 066 809	3 008 220

CASH FLOW

NOK in thousands	Note	Q1 2020	Q1 2019	Full year 2019
Operating activities				
Profit/(loss) before tax		235 754	172 968	490 440
Adjustments for				
Depreciation	5, 6	17 257	18 057	82 158
Depreciation right-of-use assets		3 100	2 213	10 404
Amortisation of contract assets		28 391	24 823	108 370
Interest income		(6 381)	(4 882)	(20 071)
Interest expense lease liability		429	193	1 677
Interest expense		1 658	1 578	6 956
(Income)/loss from investments in associates and joint ventures		153	-	-
Change in long-term receivables		(13 820)	(2 446)	(2 879)
Share based payment expense		777	868	2 994
Change in post-employment liabilities		2 582	6 350	(29 556)
Payments to obtain a contract		(23 304)	(25 470)	(117 693)
Changes in working capital (non-cash effect)				
Impairment loss recognised in trade receivables		16 736	12 566	23 502
Change in fair value of derivative financial instruments		(1 906)	(8)	(4 615)
Changes in working capital				
Inventories		342	272	(262)
Trade receivables	8	622 838	23 228	489 360
Purchase of el-certificates	6	(245 712)	(240 864)	(242 596)
Non-cash effect from cancelling el-certificates	6	263 782	235 295	246 569
Purchase of guarantees of origination	6	(1 397)	(6 195)	(12 975)
Non-cash effect from disposal of guarantees of origination	6	2 357	13 559	18 837
Other current assets		(94 858)	(80 986)	20 715
Trade and other payables	8	(430 103)	(35 155)	(297 054)
Other current liabilities		(347 136)	(181 588)	72 774
Cash generated from operations		31 536	(65 623)	847 054
Interest paid		(2 209)	(1 585)	(8 627)
Interest received		6 381	4 882	20 071
Income tax paid	3	(90 024)	(73 906)	(93 793)
Net cash from operating activities		(54 316)	(136 232)	764 704

CASH FLOW

NOK in thousands	Note	Q1 2020	Q1 2019	Full year 2019
Investing activities				
Purchase of property, plant and equipment	5	-	(113)	(3 791)
Purchase of intangible assets	6	(15 079)	(15 357)	(47 589)
Sale of intangible assets	6	10 000	-	-
Net cash outflow on aquisition of subsidiaries		-	-	(22 066)
Net cash outflow on aquisition of shares in associates	12	(10 000)	-	-
Net (outflow)/proceeds from non-current receivables		(325)	(422)	(2 396)
Net (outflow)/proceeds from other long-term liabilities		-	(74)	(805)
Net cash used in investing activities		(15 404)	(15 965)	(76 648)
Financing activities				
Proceeds from issuance of shares	4	2 341	-	-
Dividends paid	4	-	-	(229 892)
Proceeds from interest-bearing long term debt		-	-	-
Instalments long term debt		(13 900)	(13 900)	(55 600)
Payment of lease liability		(2 522)	(2 284)	(8 438)
Net cash used in financing activities		(14 081)	(16 184)	(293 930)
Net change in cash and cash equivalents		(83 801)	(168 382)	394 126
Cash and cash equivalents at start of period		775 536	381 409	381 409
Cash and cash equivalents at end of period		691 735	213 027	775 536

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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