Fjordkraft Holding ASA and the Fjordkraft Group

Annual Report 2017

Fjordkraft

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Fjordkraft

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Contents

Annual Report Fjordkraft Holding ASA
and the Fjordkraft Group

Design:
Geelmuyden Kiese

Preface

0.1 2017 Highlights

- **Fjordkraft Netthandel was launched.** 150 online stores give Fjordkraft's electricity customers discounts. Because Fjordkraft has a large number of customers, we are an attractive partner for vendors and brands who would like to give our customers discounts.

- **Ladestasjoner.no was acquired in March.** Fjordkraft has upgraded the website and launched a new application that provides an overview of more than 2,200 charging stations across Norway with a total of more than 10,000 charging points. The application also displays the location and specification of charging stations in the Nordic region.

- **Digitization.** IT is no longer a staff function. The reorganization 1 April facilitates increased digitization as the IT and business operations were integrated in the Technology and Production division.

- **Fjordkraft Mobil was launched on 25 April.** We already had a well-known brand, a skilled customer service centre and expertise from the electricity market. For Fjordkraft, the path from being an electricity retailer to also becoming a mobile phone operator was short. Fjordkraft's electricity customers get more value for money with cheap mobile phone subscriptions.

- **New services for power plants.** The "Fjordkraft Factory" accepted its first external customers. The process and IT system for settling and billing which was developed by Fjordkraft, "Fjordkraft Factory," accepted external customers. There are four local grid companies and electricity suppliers who purchase their settlement and billing services from Fjordkraft.

- **Increased awareness.** More than 50 per cent of Norway's population mention Fjordkraft unaided when asked to mention an electricity supplier. 95 per cent of the adult population has heard of Fjordkraft.

- **Fjordkraft has been an advocate of consolidated billing.** We sell electricity all over Norway and in 114 grid areas. Fjordkraft has entered into an agreement with local grid companies on consolidated billing, and the vast majority of Fjordkraft's customers can now pay for electricity and the grid tariff at the same time.

- **Interest from the UN.** The United Nations Framework Convention on Climate Change (UNFCCC) commended Fjordkraft's Klimanjaro initiative. The goal is to contribute to reduced CO_2 emissions by creating a domino effect through imposing climate requirements on the company's suppliers and creating a market where climate-neutral becomes the new standard.

- **Increased market share:** 19% of electricity customers state that they are customers of Fjordkraft. This is the first time such a high market share has been reported for one electricity supplier in Norway (TNS Kantar Q3 2017).

- **New major customers.** Competition in the tender market is tough. Among the largest public new customers in 2017 was NTNU, whose buildings have an annual consumption of approximately 100 GWh. Tine is a customer with an annual consumption of 364 GWh, which renewed their contract in 2017.

- **Brand awards.** Google Global Partner Summit in New York presented Fjordkraft on the stage as Best Practice in digital customer insight and marketing. Fjordkraft was one of the five finalists at the Change Awards on Iceland, a forum that recognises the best energy brands in the world. Competitors included Energia, Enel, EON and EDP. EON won.

- **The wholesale market.** Electricity prices in 2017 were higher than in 2016. The average price on the Nordic power exchange in 2017 was 27.43 øre/kWh excl. VAT, compared to 24.97 øre/kWh excl. VAT in 2016.

- **Norsk Kundebarometer** showed that the electricity industry saw negative developments in 2017. Higher electricity prices, negative stories about new electricity meters and uncertainty related to consolidated billing (same invoice for electricity and grid tariff) may have had an impact on Norsk kundebarometer.

- **Customer satisfaction.** Fjordkraft achieved 72.6 points on Norsk Kundebarometer 2017, a decline of 4.5 points from the top score in 2016. This indicates that we have somewhat more satisfied customers than the survey average. The score must exceed 70 points in order for the customers to be characterized as satisfied.

- **Committed employees.** The employees' identification with the company and how they experience the management and work situation is measured twice yearly. The energy index for permanent employees is at 25.5 – which is an increase on the previous survey. The benchmark for good human capital index is 24.

- **The Solstrøm** electricity contract was introduced. Fjordkraft buys excess production and encourages renewable production by paying extra for solar power produced by private customers.

- **GDPR.** An internal audit project of the status for GDPR compliance was conducted in the latter half of the year. The results are used in the company's preparations for GDPR compliance.

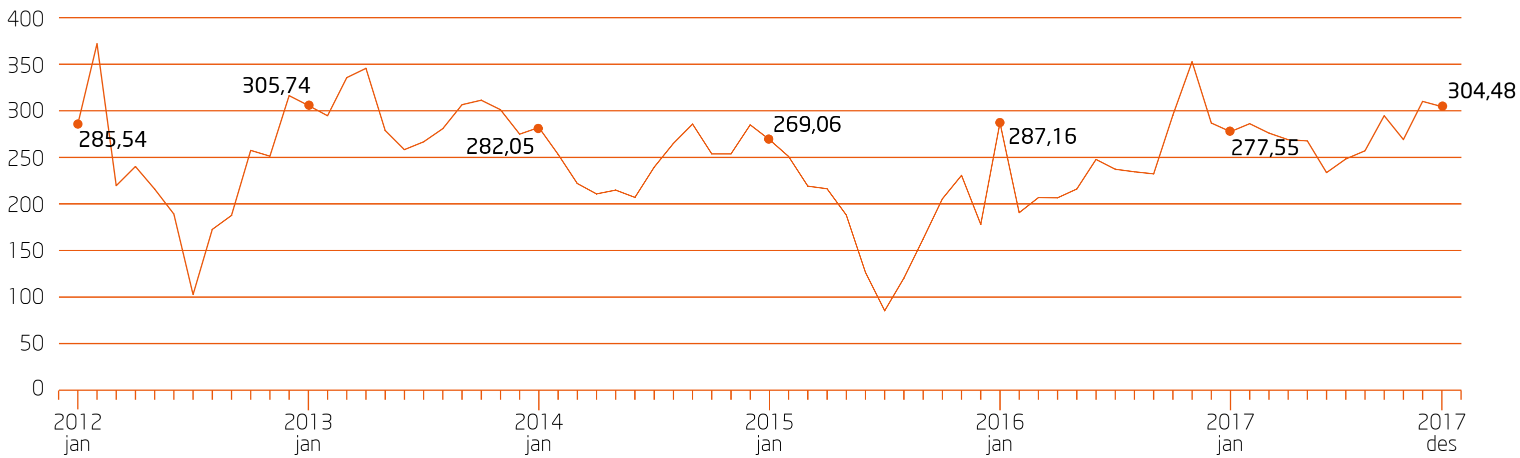
- **Stock exchange.** On 24 November it was announced that the company's owners are considering listing the company and that the process will be concluded in 2018.

Key figures 2017

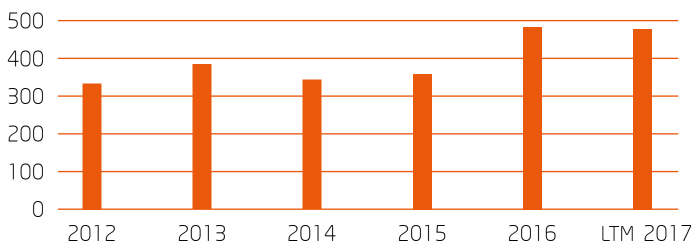
Key figures

NOK in millions	2017	2016
Revenue	4 453	3 925
Operating result (adjusted)	354	325
Profit for the year	252	257

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



Number of switches between elctricity providers in Norway per year (000')[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). LTM as of Q3 2017.

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0.2 Social responsibility

Fjordkraft believes that companies have responsibilities beyond maximising profits for the shareholders. Fjordkraft has addressed this responsibility in its climate Initiative "Klimanjaro", where we require our suppliers to be climate neutral by 2019. Fjordkraft has chosen to focus its corporate social responsibility work on the greatest challenge of our time – anthropogenic climate change.

Corporate social responsibility at Fjordkraft

"Klimanjaro" is a made-up portmanteau word, combining "climate" in Norwegian with the name of Africa's highest peak, Mount Kilimanjaro. This mountain is difficult to climb, but most people manage, with proper preparation. In the same way, "Klimanjaro" is ambitious, but fully feasible. In addition, Kilimanjaro's glaciers are shrinking as a result of anthropogenic climate change, making it a poster child for the challenges the world is facing.

There is broad consensus that climate change is accelerating, and the Paris Agreement states that we need to keep the global temperature from rising more than two degrees Celsius over preindustrial levels, or else climate change will spiral out of control.

In Norway, the Confederation of Norwegian Enterprise (NHO) and the Norwegian Confederation of Trade Unions (LO) actively urge the private sector to lead the way and introduce initiatives to combat climate change.

However, the changes that companies and policymakers are willing to implement are not in keeping with the seriousness of the impending crisis.

Results first

Fjordkraft has been climate neutral since 2007. Now we are requiring all our suppliers to become climate neutral too, multiplying this impact by 100.

In other words: internal measures are all well and good, but we need a green value chain to really make a difference. Fjordkraft urges both public and private companies alike to set the same requirements to their suppliers. We do this in the media, at conferences and by making our "recipe" available on our website. Our goal is a domino effect that will have a real impact on climate change.

To prevent "Klimanjaro" from grinding to a halt due to disagreement on methods or definitions of climate neutrality, we use the UN's recognised standards for measuring climate impact. The initiative has already been praised by the United Nations Framework Convention on Climate Change (UNFCCC).

Green shift with a green bottom line

According to NHO and LO, the actions of small and medium-sized businesses have an enormous impact on Norway's overall greenhouse gas emissions. Nevertheless, only one in ten small to medium-sized businesses currently measure their climate footprint, according to a survey conducted for NHO and LO in connection with the ITUC "Climate Action Week" campaign.

In the same survey, eight out of ten small and medium-sized businesses reported that they are extremely or very environmentally aware, but only four out of ten believe environmental initiatives can be profitable.

Fjordkraft is convinced that climate neutrality is a competitive advantage.

Climate neutrality is not about zero emissions, but about reducing one's own climate footprint, combined with purchasing approved climate quotas. Fjordkraft is working to create a market where climate neutrality is not only the ideal, but the new norm, and believes that the green shift will also yield a green bottom line.

Local action

Fjordkraft has started at the end that has the greatest impact, but the supplier requirements in "Klimanjaro" are also being followed up with local environmental initiatives at our various locations. In 2017, we had our three largest offices Eco-Lighthouse certified, and we work continuously to find new ways of improving our environmental performance.

At the same time, we are also looking into other ways of discharging our corporate social responsibility, parallel to "Klimanjaro".

Ethics at Fjordkraft

Fjordkraft operates with 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 and abide by the eight fundamental ILO conventions on:

- Freedom of association and protection of the right to organise (No. 87)
- The right to organise and to bargain collectively (No. 98)
- The prohibition and abolition of forced labour (No. 29 and No. 105)
- Equal remuneration for men and women for work of equal value and discrimination in respect of employment and occupation (No. 100 and No. 111)
- Minimum age for admission to employment and work (No. 138)
- Prohibition and immediate action for the elimination of the worst forms of child labour (No. 182)

In addition, our suppliers must 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.

To prevent corruption further down the supply chain, Fjordkraft requires that these regulations shall also apply to the supplier's employees and any sub-contractors.

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 that suppliers and any subcontractors have pay and working conditions in accordance with the applicable regulations.

Part 1

1.1 Letter from the CEO

2017 has been a good, busy year for Fjordkraft. We have strengthened our position in what we do best and established ourselves in new markets. Most importantly of all, we have gone further than ever to give our customers more for their money. This work has paid off and has brought us closer to our vision of Fjordkraft supplying electricity to two million people, at home and at work.

A word from the CEO

2017 has been a good, busy year for Fjordkraft. We have strengthened our position in what we do best and established ourselves in new markets. Most importantly of all, we have gone further than ever to give our customers more for their money. This work has paid off and has brought us closer to our vision of Fjordkraft supplying electricity to two million people, at home and at work.

Five years ago, Fjordkraft embarked on a journey to become the most attractive electricity retailer in Norway. I am pleased to be able to say that 2017 has been a milestone year on this journey.

We have been developing our sales channels and customer service for several years and have now cemented our position as Norway's strongest brand in the electricity supply industry. Our orange logo and mascot are easily recognisable, and an incredible 95 per cent of the population of Norway knows that Fjordkraft is a power supplier.

In 2017, our sales work has really borne fruit. Fjordkraft now supplies electricity to more than 1.2 million people, and in the third quarter we also became the first ever electricity retailer in Norway to achieve a 19 per cent market share.

This motivates us to continue – and to do

CEO Rolf Barmen
Photo: Hanne Solheim

more. It also provides us with an excellent starting point to branch out into new business areas and challenge existing players, in order to give our customers more for their money.

Challenging the mobile market

In the first half of 2017, we did just that and launched mobile telephony. We set out to compete with the established providers, by offering extra cheap subscriptions to our electricity customers, in line with our aim to provide power contracts and other benefits that give our customers more for their money.

This launch was an important milestone for Fjordkraft. We demonstrated that we can use our brand, customer service and distribution capacity in other markets to give our customers more for their money. In addition, it was very educational for us as a company, facing new competitors and other players than those we know from our original industry. The mobile telephony market is marked by high marketing pressure and rapid innovation. This is both challenging and inspiring. We were also impressed by the high level of internal commitment revealed in connection with the training and preparations for the launch in April. This new business area has been a great success so far, and we will apply the lessons we have learned when considering new areas and benefits for our customers in the future.

The customer is the boss

At Fjordkraft, we adhere to the philosophy that the customer is the boss. Our customer promise is to give you more for your money and help simplify your everyday life. This is the guiding principle for all our work. In 2017 our customer service centre helped more than 2,000 people every day. We also made it easier for our customers to contact us, be it by phone, chat or e-mail. In addition to building good customer relations, this also allows us to discover new needs and new opportunities for Fjordkraft.

In 2017 we experienced one of the biggest changes in the end-user market in many years. A change in the regulations means electricity customers can now pay for their electricity consumption and grid rental on a single invoice. Fjordkraft started billing consumers for grid rental on behalf of the grid companies. For our customers, this was a long-awaited improvement, eliminating 10 million bills a year. Consolidated billing also ensures identical competition conditions for all power suppliers, which is positive for the industry and the customers alike.

Changes in the electricity market

One of the goals in the National Transport Plan, published in summer 2017, was to reduce emissions from road traffic by 50 per cent by 2030. Electric vehicles are central to this solution. At the end of 2017, there were almost 140,000 electric cars in Norway. There are also some 70,000 chargeable hybrids. Roughly every tenth electric car in the world is registered in Norway. The number of motorists who need to charge their car at home is thus growing rapidly and looks set to continue increasing in the future. In February 2018 we launched simple, safe vehicle charging at home for our customers.

We are also seeing more households wanting to produce their own electricity. Prosumers, who produce electricity by means of solar panels or other ultralocal production, entail challenges for both the electricity grid and the power supply industry. Producing more renewable energy is a fantastic way to replace fossil energy, but it also places high demands on the grid. We need to work out how we can distribute the costs fairly and still have a well-developed, reliable power grid with high capacity in the future. In 2017 the Norwegian Water Resources and Energy Directorate (NVE) sent a controversial proposal on network tariffs out for consultation. Fjordkraft believes that prosumers and the public solutions must work together to help ensure a sustainable development.

No-one can do everything, but everyone can do something

As an electricity retailer, sustainability and climate neutrality are issues that are close to our heart. It is clear to us that more commercial players need to focus on their greenhouse emissions and how they can become climate neutral.

As a distributor of non-physical products, our own climate footprint is relatively small, but we want to contribute in a sustainable manner. In 2017 we therefore decided that Fjordkraft will require all its business partners to become climate neutral. We have called this initiative Klimanjaro, and you can read more about it in this report. To date, suppliers with a combined climate footprint 70 times larger than Fjordkraft's have signed a declaration of intent to be climate neutral by 2019. We are very proud of this achievement.

Our solution is not perfect, but if Norway is to comply with the two-degree goal from the Paris Agreement, businesses must do their part. Fjordkraft wants to create a domino effect, and we are therefore urging our suppliers to set the same requirements to their suppliers.

Further growth

2017 has been a good year, but our goals are ambitious. To succeed in the future, we must strike a balance between the interests of our customers, owners and employees. The excellent results we have achieved in 2017 reflect a concerted effort, and the entire organisation has done brilliant work. Everything we do is rooted in our values: Make it easier – Be friendly – Create value. We are thus also very well equipped to meet the targets and challenges of 2018 and continue on our way towards our vision: Fjordkraft supplies electricity to more than two million people – at home and at work.

Rolf Barmen
CEO

Part 2

2.1 Fjordkraft at a glance

Over 1.2 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

MISSION

Together we create the most attractive electricity retailer in Norway.

VISION

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 1.2 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 or have business activities in 114 different grid areas operated by local grid companies.

- Residential market. 19% of the electricity customers in the residential 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 24% of the population mention Fjordkraft first when asked to name an electricity supplier. A total of 95% of the adult population has heard of Fjordkraft.[1]

- Corporate market. Fjordkraft is a leading supplier to the corporate market and has been chosen by more than 25,000 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.

- Municipal customers. Fjordkraft has a large number of municipal authorities as customers. We are the largest supplier of electricity to buildings and facilities owned by Norwegian municipalities.[2]

- Electricity in Trøndelag. Fjordkraft owns 100% of the shares in the power supply company Trondheim Kraft. Trondheim Kraft is located at Sluppen in Trondheim and employs 28 people.

32 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 32 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.

- Fjordkraft's internal management and invoicing system "Fjordkraft Factory" has been developed for the sale of account settlement and invoicing services to other companies. The first external customers, grid operators and electricity suppliers, started using "Kube" in 2017.

Mobile

- Fjordkraft aims to offer its customers power contracts and other benefits that provide them with better value for money. On 25 April 2017, Fjordkraft became a provider of mobile telephony. With a well-known brand, a large customer service centre and broad experience with procurements and invoicing, the company quickly became a serious contender in a mobile telephony market dominated by two large operators. Fjordkraft offers its customers cheap mobile telephony using Telenor's network.

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.

Ownership

On 31 December 2017, ownership of Fjordkraft was as follows: BKK AS owns 48.85%, Skagerak Energi AS owns 48.00% and Statkraft Industrial Holding AS owns 3.15% of the shares.

1 – Kantar TNS Q3 2017

2 – The Municipal Report

2.2 Management

Organisation

CEO
Rolf Barmen

HR, Communications and Information Security
Jeanne K. Tjomsland

Economy and Finance
Birte Strander

Company Projects
Solfrid K. Aase

Strategy, Innovation, Framework and M&A
Arnstein Flaskerud

Electricity, Trading and Alliance
Torkel Rolfseng

Technology and Production
Alf-Kåre Hjartnes

Division Customers
Ingeborg C. Morken

Rolf Barmen
President and Chief Executive Officer (CEO)

Background: Rolf Barmen, born in 1964, is the President and Chief Executive Officer (CEO) of the Company. Mr Barmen has been the CEO of Fjordkraft since 2013 and became also the chairman of Trondheim Kraft AS at that time. He has extensive experience as a chief executive officer within the telecommunication industry including with Telering 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).

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).

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 HR, Communications and Information Security

Background: Jeanne Katralen Tjomsland, born in 1965, is the Company's Executive Vice-President (EVP) and Head of Human Resources, Communications and Information Security. 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).

Torkel Rolfseng

Executive Vice-President (EVP) and Head of Power Trading and Alliances

Background: Torkel Rolfseng, born in 1971, is the Company's Executive Vice-President (EVP) and Head of Power Trading and Alliances. Rolfseng is closing in on 20 years of experience in the electric power industry. He commenced employment with Fjordkraft in 2010 as the Manager of Products and Services and joined Trondheim Kraft AS, a subsidiary of the company as the Chief Executive Officer in 2011. Rolfseng has held several executive positions with Fjordkraft. He served as Business and Product Developer, Market Manager and Key Account Manager for Trondheim Energi Kraftsalg AS and worked as an energy consultant at Entro Energi AS.

Education: Mr Rolfseng holds a Master of Science in Electric Power Engineering from Norwegian University of Science and Technology (NTNU).

Ingeborg Cecilie Torvund Morken

Executive Vice-President (EVP)
and Chief Commercial Officer (CCO)

Background: Ingeborg Cecilie Torvund Morken, born in 1978, is the Company's Executive Vice-President (EVP) and Chief Commercial Officer. Ms Morken commenced employment with Fjordkraft as Key Account Manager in 2004, held several managerial positions in the company since 2004 and was Manager of Business Development from 2010 until 2012. She became the Director of Business Development and Deliveries in 2012, was appointed the Director of Customer Service in 2014 and became director of the Sales, Market and Product Management department in 2015. In addition to her managerial positions with Fjordkraft, Ms Morken was service manager at Radisson SAS Hotel Norway. In 2015, Morken was awarded the "Young Leader of 2015" by Assessit.

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

Solfrid Kongshaug Aase

Executive Vice-President (EVP)
and Head of Company Projects

Background: Solfrid Kongshaug Aase, born in 1969, is the Company's Executive Vice-President (EVP) and Head of Company Projects. 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.

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

Alf-Kåre Hjartnes

Executive Vice-President (EVP)
and Chief Operating Officer (COO)

Background: Alf-Kåre Hjartnes, born in 1974, is the Company's Executive Vice-President (EVP) and Chief Operating Officer (COO). 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).

2.3 Board of Directors

fjordkraft.no
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Left to right Rolf Barmen Peder Brustad Lindi Vinsand Robert Olsen Birthe I. Grotle Svein-Kåre Grønås Kristil Håland Helgerud Frank Økland Øystein Prestø.

Photo: Rebekka Davidsen.

Robert Olsen

Chairman

Chairman and Board member since 15 December 2017

Background: Robert Olsen was born in 1964 and lives in Holmestrand. He has served as chairman of Fjordkraft Holding ASA since 15 December 2017. He served as Board Member of Fjordkraft AS in the periods of 2013 until 2017 and from 2001 to 2004, and as alternate board member of Fjordkraft AS in the period from 2004 until 2011. Mr Olsen was appointed as Chief Investment Officer of Skagerak Energi AS in 2013, and has vast experience with business and finance. He served as Deputy Managing Director of Skagerak Energi from 2001 until 2013, as Chief Financial Officer of Vestfold Kraft from 1998 until 2001, as Finance Manager at Privat Investor from 1996 until 1998 and as Finance Manager at Wilhelmsen Terminal AS from 1992 to 1993.

Education: Mr Olsen holds two Master of Business Administration degrees, specialising in finance and a Bachelor of Science in Economics and Business Administration from the Norwegian Business School (BI). He is also a Certified European Financial Analyst (AFA/CEFA) from the Norwegian School of Economics (NHH).

Birthe Iren Grotle

Deputy Chairman and Board Member

Deputy Chairman and 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 retails 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).

Svein Kåre Grønås

Board Member

Member since 15 December 2017

Background: Svein Kåre Grønås was born in 1965 and lives in Bergen. He has been a board member of Fjordkraft Holding ASA since 15 December 2017 and has served as Board Member of Fjordkraft AS from September to December 2017. Mr Grønås has over 20 years' experience in the fields of business and technology. He has held various management positions at BKK AS, including Chief Executive Officer of BKK Fiber from 2010 until 2015, Director of BKK AS from 2015 until 2016 and Director of Customer Service and Chief Digital Officer from 2016 until August 2017. Mr Grønsås was appointed Executive Vice-President (EVP) of entrepreneurship and market and Chief Digital Officer of BKK AS from September 2017.

Education: Mr Grønås holds a Master of Science in Electric Engineering and Data Technology from the Norwegian University of Science and Technology (NTNU) and an Executive Master of Management degree in Strategic Management from the Norwegian School of Economics (NHH).

Kristil Marie Håland Helgerud

Board Member

Member since 15 December 2017

Background: Kristil Marie Håland Helgerud was born in 1978 and lives in Skien. She has served as Board Member of Fjordkraft Holding ASA since 15 December 2017. Ms Helgerud has since 2016 held the position of Department Manager of Accounts and Control at Skagerak Kraft AS and has held several positions with Skagerak Energi AS, including Controller from 2006 until 2008, Business Director from 2008 until 2010 and Analytical Strategist from 2010 until 2016. She was a Senior Auditor at Deloitte AS for four years prior to this.

Education: Ms Helgerud holds a Master of Science in Economics and Business Administration (siviløkonom) from Handelshøyskolen BI and has a course certificate in governance.

Peder Brustad

Board Member
Member since 15 December 2017

Background: Peder Brustad was born in 1971 and lives in Lommedalen. He has served as Board Member of Fjordkraft ASA since 15 December 2017, and as Board Member of Fjordkraft AS from 2016 until 2017. Mr Brustad is Senior Vice President (SVP) Strategy of Statkraft. He has more than 20 years' experience in corporate development within the power- and telecom sector. He has held various management positions in his career, including several at Statkraft, such as Acting Head of Corporate Strategy from 2016 until 2017, Head of Corporate Portfolio from 2015 until 2016, Head Advisor from 2010 until 2015, as well as Head of Strategy and Business Development from 2008 until 2010. Furthermore, Brustad has exhibited strong analytical capabilities and commercial understanding from his time at Telenor, Netcom and KPMG. He has participated in Statkraft's leadership programme "NEXT".

Education: Peder Bustad holds a Master of Science in Economics and Business Administration (Siviløkonom) from the Norwegian Business School (BI), in addition to an Executive Master of Management degree in Strategic Management from the Norwegian School of Economics (NHH).

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.

Øistein Prestø

Board Member (employee representative)
Member since 15 December 2017

Background: Øistein Prestø was born in 1954 and lives in Bergen. He has served as Board Member of Fjordkraft Holding ASA since 15 December 2017 and as Board Member of Fjordkraft AS from 2011 to 2017. Mr Prestø has 45 years' experience in the power industry. He has been the Senior Marketing Advisor of Fjordkraft since 2001 and Senior Marketing advisor of BKK Kraftsalg AS from 1999 until 2001. Prior to these positions, Mr Prestø was Advisor and Controller at Bergen Lysverker AS.

Education: Mr Prestø holds a diploma in heavy currents from the Bergen Technical College in addition to a diploma in marketing from Bergen Language School.

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 company 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 company's strategy work.

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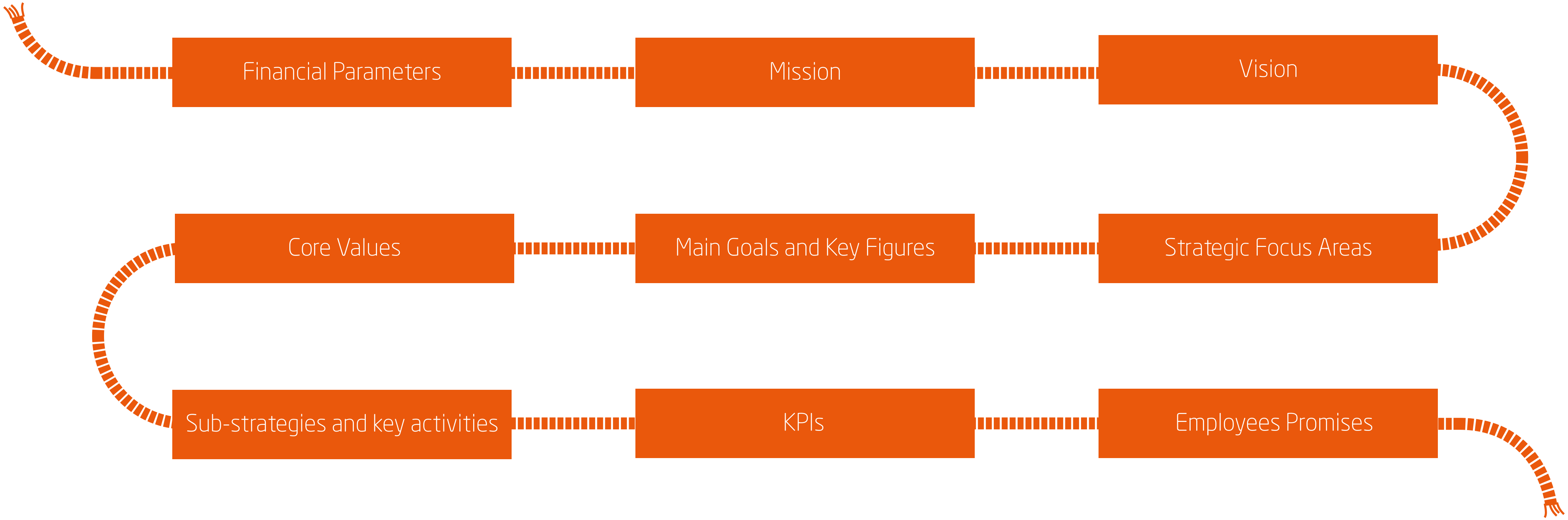

Fjordkraft's strategy process is closely related to its management philosophy, ensuring that the strategy work is broad-based and not the exclusive province of the senior management. A high degree of involvement ensures continuity from our overarching strategic choices right down to the individual employees' 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.

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 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 a long-term perspective. Rapid changes as a result of digitalisation and changing parameters mean all managers have to be strategists for their area. They must be familiar with the best practices and always be looking ahead. Development of sub-strategies and key activities ensures 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 to continue the positive development in our profitability.

In our industry, wealth creation has traditionally been unevenly distributed in the value chain, with low margins downstream and high margins upstream. The regulatory framework has ensured that regional end-user companies have been favoured, through the monopoly on premium rate services. The new customer-oriented market model, the digitalisation of the industry and expectations of low wholesale prices are paving the way for fairer competition, new business opportunities and changes in the distribution of wealth creation throughout the entire value chain. This development is leading to the owners in the electricity industry demanding higher margins from our part of the value chain. We will optimise our business operations to ensure we are at all times 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 active owners, Fjordkraft is extremely well positioned to take a leading position in the future market.

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.

   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 consulting – Control over power consumption and costs using the "Min Bedrift" portal, offering analysis of power and grid leasing expenses and recommended measures to reduce expenses.

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 digitise and simplify the company's account settlement, invoicing, and payment collection processes. In addition to gains due to improved efficiency for the company, in 2017 the Fjordkraft Factory gained its first external customers among other energy companies.

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 nominal contribution margin
   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 – Portfolio optimisation and product development

   - Customer service and loyalty programmes – Customer loyalty, attraction, reduced sensitivity to price pressure

2. Increased efficiency to maintain EBIT
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, continuous development of smart, innovative solutions shall make it easier to be a Fjordkraft customer.

- Automation – Improving processes
- Consolidation – Accelerated capitalisation of process improvements requires acquisitions
- Cost leadership formatting – Low-cost company using the LEAN methodology

3. New business and globalisation
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 as a 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 areas – New income from existing customers will offset the effects of squeezed margins
- New countries – Traditional revenues from new countries will offset the effects of squeezed margins when the time is ripe to export national competitive advantages
- Full transformation – New wave in which the bulk of the revenue comes from new areas

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.

Scenario planning

Working on the 2025 scenario has imbued the organisation with greater confidence and ability to follow through. This is because we now have a better understanding of which factors we cannot control and which factors we can. In addition, thinking about how we will act in different scenarios means adaptation to new realities can be implemented quickly.

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 reported on a quarterly basis.

Part 4

4.1 Annual Report 2017

Fjordkraft Holding ASA and the Fjordkraft Group

Fjordkraft is pleased that 2017 has entered the history books as another year of customer growth and good financial results. The Group achieved a profit before tax of NOK 331 million in 2017.
A new challenger in the mobile phone market saw the light of day in April when Fjordkraft also became a provider of mobile telephony.

The consolidated financial statements for 2017 were prepared in accordance with the IFRS accounting standard, unlike previous years when NGAAP was used. This means that the accounting figures in the annual report for 2017 are not comparable with previous annual reports. Adaptation of IFRS 9 and IFRS 15, which is initially applicable from 1.1.2018 has also been taken into account.

Board of Director's report

Fjordkraft is a national electricity retailer and provider of related services to the consumer, public sector and business markets. The electricity retailer industry has many players and low entry barriers. However, the barriers for achieving growth and profitability are high. Managing customer portfolios in the business market and for public companies requires expertise in electricity in particular, and the power 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 has a broadly composed distribution system so it can reach out to customers nationwide. The company also makes use of numerous marketing channels. Fjordkraft talks or meets with nearly two million customers and potential customers a year. This provides good opportunities for customer dialogue and represents enormous potential as regards being able to offer customers relevant services and products.

Fjordkraft's head office is in Bergen. The Group also has offices in Sandefjord, Oslo and Stavanger, as well as in Trondheim via its subsidiary Trondheim Kraft AS. The company's customer service centres are located in Bergen, Sandefjord and Trondheim. Fjordkraft strengthened its operations at its Oslo office in 2017 to increase its availability to customers in the Eastern Norway region. In December, a decision was made to move the Oslo office from Skøyen to Lilleaker.

Fjordkraft wants its customers to feel that, in addition to good electricity contracts and leading customer service in Norway, they are getting more for their money. Its visibility and large customer base makes Fjordkraft an attractive partner for other recognised brands. The goal is for customers to view Fjordkraft as so attractive that they will recommend the company to their friends.

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 management of the power portfolio for its members. This involves everything from developing the products and marketing materials to securing contract prices, analysis and offering expert advice in a number of areas. Fjordkraft had 32 customers in its alliance concept in 2017. Fjordkraft's services were expanded during the year to include billing and payment services.

Market

Business and public sector markets

Fjordkraft is the largest retailer of electricity to municipalities in Norway and manages licensed power for a number of power producing municipalities. The company 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 and good management results. The Norwegian University of Science and Technology (NTNU) was the largest public sector customer Fjordkraft gained in 2017 with annual consumption of 100 million kWh. The extension of the Tine Group's contract was the largest corporate contract signed in 2017.

The business market ranges from major groups and energy-intensive operations to local production and service companies. Customer satisfaction in the business market has been an important focus area for the company. Fjordkraft is thus pleased that, according to a market survey of the business segment conducted by TNS Kantar in December 2017, it is regarded as the most attractive retailer to switch to.

Strong brand

No less than 95% of the adult population has heard of Fjordkraft and more than 50% of Norway's population mentions Fjordkraft unaided when asked to name an electricity retailer. A total of 19% of electricity customers in the consumer market state they are a customer of Fjordkraft. According to TNS Kantar, this is the highest market share measured for an electricity retailer in Norway.

Fjordkraft was one of the five finalists at the Change Awards in Iceland, a forum that recognises the best energy brands in the world. The eventual winner was EON.

Fjordkraft substantially increased its sold volumes and customer base in 2017. The plug sockets of more than 1,200,000 Norwegians are powered by Fjordkraft. Measurements in 2016 and 2017 show that the company is viewed as the most attractive electricity retailer to switch to in both the consumer and the business market. Its partnerships with Power, SAS Eurobonus, Shell and the sporting goods chain XXL have given the company access to new distribution channels and are included in a benefits programme for existing customers. The benefits programme was expanded further in 2017 and Fjordkraft Netthandel was launched. This involves a partnership with 150 online shops in which Fjordkraft's customers get discounts and cash back via their electricity bills.

Ladestasjoner.no was acquired in March. Fjordkraft has upgraded the website and launched a new app that provides an overview of more than 2,200 charging stations across Norway. In February 2018, a partnership will be launched with DEFA in which Fjordkraft's customers will be offered good contracts for the purchase and installation of home chargers for electric cars and where payment will be made via their electricity bill.

Mobile phones

Fjordkraft Mobil was launched on 25 April. The interest from customers far exceeded expectations and the budget. This resulted in long hold times for calls to the customer service centres in the summer and early autumn. The target of 30,000 customers in 2017 was achieved after the summer and the budget for the year was thus increased. Customer satisfaction among mobile phone customers has been very good according to surveys conducted by EPSI in autumn 2017.

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 and 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 company currently does not sell mobile telephony to the business market or physical phones or other equipment.

Consolidated billing strengthening competition

NVE's Regulation concerning consolidated billing came into force on 1 September 2016 and in practice was generally implemented by players in 2017. Electricity customers prefer to pay for electricity and grid rental 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 both promotes competition and is customer friendly.

The company has noted that competition has intensified in the local areas where Fjordkraft previously was the only company that could offer personal customers consolidated billing for electricity and grid rental. At the same time, in 2017, the company entered into consolidated billing agreements with power grid owners nationwide. No less than 93% of Fjordkraft's personal customers had the option of paying for their electricity and grid rental together in 2017. This has strengthened the company's competitiveness.

Organisation

Equal opportunities

At the beginning of 2017, the Group had a total of 172 full-time employees accounting for 169.2 FTEs. At the end of the year, the figures were 215 employees and 212.4 FTEs. The increase in employees was due to customer growth, higher levels of activity, contracted FTEs who have been converted to permanent positions, and the insourcing of customer service tasks that were previously performed externally.

Of the total number of employees, six have part-time positions in the company; equivalent to 2.8% of the workforce. All of the part-time positions are due to the employees' own wishes. The proportion of women with part-time positions is 5.7% while the equivalent figure for men is 0.8%.

In Fjordkraft, men and women enjoy equal rights, opportunities and pay conditions for the same type of position. At the end of 2017, women accounted for 41% of employees and 37.5% of board members. Overall, 31% of managerial positions with personnel responsibilities were held by women. The company's executive management team is split 50/50 between men and women.

The average annual salary in the company in 2017, exclusive of the executive management group, was NOK 572,624. The average salary for men was NOK 590,048, while for women it was NOK 547,223. 57% of the men earned less than the average annual salary, while 68.7% of the women earned less than the average annual salary. The average age in the company was 38.

The purpose of the Anti-Discrimination Act is to promote equality, ensure equal opportunities and rights, and prevent discrimination. The company actively and systematically promotes the purposes of the Act. The activities encompass recruitment, pay and working conditions, promotion, development opportunities and protection against harassment.

Total sick leave amounted to 4.6% in 2017, compared with 4.4% in 2016. The target for sick leave is lower than 4.5%. Fjordkraft has signed up to the "Inclusive Working Life" scheme. Employee surveys are conducted twice a year to learn their feelings about their work situation and how they identify with the company's goals and values. Satisfaction among our employees is very high and the employees have a strong commitment to their workplace.

Organisation

Fjordkraft's owners are among the company's service providers. BKK AS delivers services such as accounting, payroll and IT operations to Fjordkraft. Statkraft Energi AS's trading section in Trondheim delivers services within physical and financial power 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 company's management philosophy states how it expects managers to motivate and create results through employees. Fjordkraft introduced LEAN as a working method in 2014 and in 2017 it again focused on improving processes with the aid of the LEAN method. This forms an important part of the company's work on continuous improvement.

Fjordkraft's strategy plan is used by large parts of the organisation and 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 focus area from the strategy plan which it subjects to particular scrutiny as far as the validity of its assumptions are concerned. In 2017, the management took a close look at the company's promises and value proposition for the customer. It used the models produced by Osterwalder for value proposition design to do so. The results are being used in the work on developing future products and business areas, as well as market communications.

Integrated IT and business operations

The company carried out a major reorganisation that came into effect on 1 April. The main change involved IT transitioning from being a corporate function to integrating into services production and now constituting one of the company's divisions. This was done due to the need to ensure digitalisation forms a natural part of business operations. A good understanding of the business and close collaboration between IT and the employees in day-to-day service production are vital with respect to digitalisation resulting in more efficient operations. This is how concrete improvements are created for the customers.

Board changes

Robert Olsen took over from Wenche Teigland as the Chair of the Board at the extraordinary General Meeting on 28 September 2017. Teigland stepped down due to accepting the position of Chief Executive of BKK Nett AS. According to the Energy Act this is not compatible with holding a seat on the board of an electricity retailer. Kristil Håland Helgerud succeeded Thor-Erik Vartdal as Board Member on 18 December 2017.

GDPR

The General Data Protection Regulation will be implemented with effect for Norwegian companies from 25 May 2018. The new data protection Regulation being implemented in Norway emphasises accountability and internal control at companies rather than advance control by the Norwegian Data Protection Authority. The new Regulation tightens the requirements for handling non-conformities, notifying affected parties and continuously working on information security. The company will organise it operations such that it complies with the requirements. There is room for interpretation with respect to whether Fjordkraft is required to have a data protection officer. However, Fjordkraft has decided that the company will have a data protection officer.

Environment

CSR - climate neutral

The company has been climate neutral since 2007. Fjordkraft believes the company can help make a positive difference in the work on reducing climate emissions and thus fulfil its corporate social responsibilities in this area. Fjordkraft has also started the "Klimanjaro" project. This involves stipulating a requirement that contractual partners of the company must comply with the UN's programme for climate neutral companies when it comes to purchasing goods and services. Contractual partners must issue a declaration of intention concerning becoming climate neutral by 1 January 2019.

The company is also systematically working to ensure other businesses have similar ambitions, including through purchasing organisations and Energy Norway. The invitation to speak at Bergen Chamber of Commerce's annual conference in November provided an opportunity to encourage more companies to follow our example by stipulating requirements for their suppliers. The aim is to create a domino effect with the aid of the company's suppliers. This is how the company can create the greatest possible effect and positive results for the environment.

The fact that the United Nations Framework Convention on Climate Change (UNFCCC) has mentioned Fjordkraft's Klimanjaro project on its website has provided inspiration for the company's future work.

The Fjordkraft Group's total CO_2 emissions from energy consumption in offices and employees' business travel was calculated at 460 tonnes CO_2 equivalents (CO_2e) in 2017, compared with 430 tonnes CO_2e in 2016. The increase was due to a rise in the number of employees since 2016. Office space increased during the year in Trondheim and Oslo. 262 tonnes CO_2e of the emissions came from energy consumption in the company's offices, compared with 257 tonnes CO_2e in 2016. This is covered by buying guarantees of origin. Business travel by road and air amounted to emissions of 198 tonnes CO_2, compared with 173 tonnes in 2016. Climate quotas equivalent to these emissions have been purchased. The company's sites in Bergen, Sandefjord and Trondheim have been Eco-Lighthouse certified.

The company is noting increasing interest and demand from companies for electricity with a guarantee of origin (GOOs). There are international indications of a revitalisation of the CO_2 quota system and the company is adjusting its products in line with these.

Development activities and investments

The Fjordkraft Group is a labour-intensive group with few fixed assets. In recent years the Group has made significant investments in digital solutions for rationalization purposes. The objective is to further develop cost-effective and customer-friendly processes for internal operations and for business purposes. In 2017 the Group invested a total of NOK 36 million in intangible assets. A total of NOK 28 million is related to projects, including the mobile telephony initiative and software solutions, while the remainder is related to the acquisition of BKK Energitjenester's customer portfolio and the acquisition of the rights to Ladestasjoner.no. Corresponding investments related to projects in 2016 were NOK 27 million. In addition, investments of NOK 118 million have been made in connection with sales commissions, compared to NOK 87 million in 2016.

Finances

The 2017 consolidated accounts for Fjordkraft include the operations of Fjordkraft Holding ASA (established 15 December 2017), the subsidiary Fjordkraft AS and second tier subsidiary Trondheim Kraft AS. Due to a potential stock market launch in 2018, the Group has converted its consolidated accounts from Norwegian accounting rules (NGAAP) to international accounting rules (IFRS) in compliance with the requirements of the Securities Trading Act Section 5-5.

The going concern assumption is the basis for the statement, and it is confirmed that this assumption is present. The Board of Directors is of the opinion that the financial statements provide a true and fair view of the Fjordkraft Group's assets and liabilities, financial position and result.

When the financial statements are presented, part of electricity deliveries for the fiscal year remain unsettled. These deliveries are estimated, and deviations to estimated electricity sale revenues are posted as corrections the subsequent year. The statements therefore ordinarily include correction amounts from previous years' contribution margin. In 2016 the item showed a revenue recognition of NOK 13 million, while in 2017 it is an expense of NOK 12 million.

Power prices in 2017 were higher than in 2016. The average price on the Nordic power exchange in 2017 was 27.43 øre/kWh excl. VAT, compared to 24.97 øre/kWh excl. VAT in 2016. This affects the company's sales figures. Total revenues in 2017 amounted to NOK 4,453 million compared to NOK 3,925 million in 2016. Total operating costs amounted to NOK 597 million, compared to NOK 442 million the previous year. The increase in costs is due to increased sales, marketing, the mobile initiative and higher costs for enterprise management and project costs in connection with a possible stock exchange launch. The number of man-years has increased from 169 at the end of 2016 to 212 at the end of 2017.

Profit before tax was NOK 331 million. The tax expense is estimated at NOK 80 million. Profit after tax for 2017 was thus NOK 252 million. The corresponding figures for 2016 are NOK 343 million before tax and NOK 257 million after tax. Underlying earnings are better than the 2016 result when corrections related to estimate deviations for earlier years and non-recurring effects triggered by a possible IPO are taken into account.

Disposal of the year's profit

According to IFRS accounting rules, no provisions are made for dividends before it is approved by the general meeting. The IFRS financial statements thus show no provisions for dividends as at 31 December 2017.

Balance

The Fjordkraft Group has few fixed assets. Assets consist mainly of current assets in the form of accounts receivable and bank deposits. The size of these items often vary significantly throughout the year as a result of variations in price and consumption. Accounts receivable are financed via debt to our suppliers and overdraft facilities, if necessary.

Fixed assets amount to around 11 per cent of the Group's balance sheet value. The greatest increase from 2016 is related to sales provisions, which grew from NOK 101 million to NOK 137 million as a result of high new sales in 2017. Current assets amount to 89 per cent of the balance sheet value, and have increased by NOK 349 million from 2016. Accounts receivable have increased by NOK 160 million due to consolidated invoicing of the network tariff, more customers and higher market prices. At the same time bank deposits have increased by NOK 170 million. In addition, the derivatives have increased by more than NOK 16 million from NOK 97 million to NOK 113 million.

Equity has increased by NOK 112 million from NOK 605 million to NOK 716 million as a result of retained earnings. Other factors that affect equity are that, as a result of the IFRS accounting rules, no dividend is paid as at 31.12.17, but equity is reduced with the dividend at a later date. Additionally there is the estimate deviation for pensions charged against equity, also discussed below. Despite increased equity, an increase in the balance sheet value means that the Group's equity ratio is reduced from 35 per cent as at 31.12.2016 to 34 per cent as at 31.12.2017.

Total current liabilities have increased by NOK 260 million from 2016. This is largely related to increased supplier debt.

The Group did not have long-term liabilities as at 31.12.2017.

Provisions for liabilities

Provisions for liabilities consist of net pension obligations amounting to NOK 74 million and deferred tax amounting to NOK 13 million. Updating financial and demographic assumptions for calculating the pension obligation in 2017 led to the pension obligation increasing by NOK 26 million from 2016. The updated actuary calculation has used company-specific assumptions for curved wage growth and employee turnover rate. Beyond this, the mortality table has changed from GAP07 to K2013BE. The estimate deviation related to pensions has led to NOK 20 million after tax being charged to equity and has reduced this accordingly as at 31.12.2017.

Key figures

The Fjordkraft Group operates in a cyclical industry where both price and volume ordinarily are highest in the winter and lowest in the summer. Variations in market prices and volume have direct consequences for certain key figures, and they should therefore be used with caution.

Based on the income statement and balance sheet, the key figures have been calculated:

Liquidity ratio 1 (current assets/current liabilities) is unchanged from the previous year at 1.4 and is considered satisfactory. The equity ratio is affected by changes to market prices and usually varies throughout the year. At the end of 2017 the Group's equity ratio was 34 per cent, and is thus 1 percentage point lower than in 2016. The increased balance sheet value of NOK 399 million from the previous year will in isolation lead to a weakening of equity. However, the fact that financial strength changes little is because no provision is made for dividends in accordance with IFRS.

Cash flow analysis

The Fjordkraft Group can experience major fluctuations in price and consumption both between years and within a year. This entails that a cash flow analysis can vary significantly from a traditional performance statement. This becomes clear when comparing the cash flows from operating activities, which can vary significantly depending on the balance sheet date the cash flow is prepared. The greatest difference between the 2016 and 2017 cash flow is related to outstanding accounts receivable which saw a large increase in 2016 as a result of consolidated billing. Accounts receivable have also increased from 2016 to 2017 for the same reason, but the increase is lower than for the previous year.

Net cash flow from investment and financing activities shows smaller differences between the two years. There have been reduced payments to dividends in 2017 in order to strengthen the company's equity, while payments for investment activity have increased in 2017. The latter is related to greater activity in investment projects in 2017.

Risk and risk management

Risk management in general

The entire organization is involved in risk management and internal control, which is an integrated part of corporate governance. The organization shall identify, assess, manage and monitor risks in a structured manner through established activities and procedures. Annual independent internal audits of selected risk areas have been introduced as a key instrument in the Group's risk management.

Market risk

The Group's main business is the sale of electricity to end-users. Both greatly fluctuating purchasing prices and tough competition in the end-user market constitute a significant business risk. The product range includes spot-related products and products with varying degrees of financial hedges.

Market risk is governed in accordance with exposure limits adopted by the board. These are complied with through the use of the NASDAQ OMX derivatives market.

Counterparty risk

Counterparty risk related to trade in external financial markets is limited by the choice of solid power companies as counterparties. Other counterparty risk is managed through credit rating, credit monitoring and contractual options for guarantees and deposits. Guidelines have been adopted through a dedicated credit policy document.

Operational risk

Operational risk is managed through good corporate governance. Key elements in this are requirements for good management, clear and involving target processes, relevant reporting, effective processes and ethical guidelines. An authority matrix has been established and will be presented for approval by the board at least once yearly. Policy documents for important areas have been prepared.

Liquidity risk

Liquidity risk is managed by entering into running or long-term agreements that secure the basic financing of the capital requirement. Additional capital is covered as required through ongoing dialogue with the Group's banking partner and owners. Ongoing working capital requirements are monitored through the preparation of short-term and long-term liquidity forecasts.

Outlook

The company's strategy plan for 2018-2020 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 company. In 2017, the strategy work focused on evaluating the company's customer promises and how customer experiences and services are being affected by digitalisation.

Framework conditions

Fjordkraft has long experience of working with framework conditions based on principles that facilitate an attractive market place, as well as customer-friendly, future-oriented solutions. The relationship with the company's 32 alliance partners, comprised of local power producers, electricity retailers and power grid companies, provides insights that enable Fjordkraft to present a comprehensive picture of the contact with industry organisations and the authorities.

Elhub and AMS

In 2013, NVE commissioned Statnett to establish a data hub that would encompass all measurement data for electricity in Norway. The planned start date for Elhub in 2017 was postponed from October 2017 to February 2019. So far, the Elhub work has contributed to simpler, better processes in the exchange of information between the companies.

By the end of 2019, digital electricity meters will have been installed in all Norwegian households. In 2017, it was noticeable that very many power grid companies have come a long way with respect to installing such meters. As a consequence of this, personal customers have gained electricity contracts with prices broken down by the hour, like business customers have already had for many years.

ENOVA and NVE want the new meters to be followed by smart solutions that can motivate consumers to save electricity. As one of seven companies, Fjordkraft has received support from ENOVA to develop a pilot project. Over a five-year period, the company will receive NOK 6.3 million to develop smart energy-saving solutions for private homes. The pilot project was implemented at a group of test users in 2017 after some delays. The aim is for the company to learn how it can develop services that reduce energy consumption on the customer's terms. The company has also commenced the next phase, which aims to develop commercial solutions for the consumer market.

Customer perspective

The industry's general reputation has improved over a number of years, but it experienced a setback in customer satisfaction in 2017. Fjordkraft experienced the same effect in surveys in early 2017, although the results improved towards the end of the year. The reason for this is thought to be that consolidated billing, where both the electricity and grid rental charges are paid in to the electricity retailer, was new to the customers. In the beginning, some customers misunderstood and thought that the power grid company's bill had to be paid on top of this and that thus prices had increased.

Consolidated billing is one step in the process of introducing a single billing model. The division of roles between electricity retailers and power grid companies must be clarified. The changes require some reorganisation and Fjordkraft believes it is well prepared to meet them.

Fjordkraft is closely monitoring the trend of households and companies as "prosumers" of, among other things, solar energy and electrifying the transport industry and other industries. The company has a large proportion of electric motorists as electricity customers and will launch new products and market solutions for this segment in 2018.

Stock exchange listing under consideration

On 24 November, the company's owners announced they are considering listing the company and that the process will be concluded in 2018. Listing the company would help to position it for new opportunities in the energy and electricity market. The owners also want Fjordkraft to play a key role in consolidation in the industry. BKK and Skagerak Energi sell electricity as a strategic part of their businesses and will continue to be significant owners of Fjordkraft after any listing.

The company has engaged ABG Sundal Collier as its main adviser and SpareBank1 Markets as a co-adviser in evaluating a listing. The owners have chosen to establish Fjordkraft Holding ASA and place its assets in Fjordkraft in this company.

With its brand, customer base, distribution network, organisation and process factory, Fjordkraft is well-equipped to meet this development. 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 in 2017.

The Board of Fjordkraft Holding ASA, Bergen, 13 February 2018.

Robert Olsen
Chairman

Birthe Irene Grotle
Deputy Chairman

Frank Økland
Board member

Øistein Prestø
Board member

Kristil Håland Helgerud
Board member

Peder Brustad
Board member

Svein-Kåre Grønås
Board member

Lindi Vinsand
Board member

Rolf Barmen
CEO

4.2 Financial statement Fjordkraft Group

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Consolidated statement of profit or loss

NOK in thousands	Note	2017	2016
Continuing operations			
Revenue	4, 5	4 452 510	3 925 007
Direct cost of sales	5, 21	(3 540 521)	(3 144 538)
Revenue less direct cost of sales		**911 989**	**780 469**
Personnel expenses	5, 8, 15, 19	(178 751)	(135 636)
Other operating expenses	5, 9	(312 923)	(238 227)
Depreciation and amortisation	4, 12, 13	(105 578)	(68 511)
Total operating expenses		**(597 252)**	**(442 374)**
Other gains and losses, net	6	7 884	(888)
Operating profit		**322 620**	**337 207**
Interest income	6	11 801	8 118
Interest expense	6	(175)	(467)
Other financial items, net	9	(2 779)	(2 164)
Net financial income/(cost)		**8 847**	**5 488**
Profit/(loss) before tax		**331 467**	**342 695**
Income tax (expense)/income	10	(79 527)	(85 644)
Profit/(loss) for the year		**251 941**	**257 051**
Basic earnings per share (in NOK)*	11	2.41	2.46
Diluted earnings per share (in NOK)*	11	2.41	2.46

* Based on 104 496 216 shares outstanding. Reference is made to note 11 and 14 regarding incorporation of Fjordkraft Holding ASA as the new parent company in the Group.

Consolidated statement of comprehensive income (loss)

NOK in thousands	Note	2017	2016
Profit/(loss) for the year		251 941	257 051
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on pension obligations (net of tax)	10, 15	(20 008)	2 299
Total		(20 008)	2 299
Total other comprehensive (loss)/income for the year, net of tax		**(20 008)**	**2 299**
Total comprehensive income/(loss) for the year		**231 932**	**259 350**

Consolidated statement of financial position

NOK in thousands	Note	31 December 2017	31 December 2016	1 January 2016
Assets				
Non-current assets				
Property, plant and equipment	12	3 568	3 127	2 478
Intangible assets	13	82 096	69 795	60 706
Other non-current assets	4	137 536	101 149	63 817
Other non-current financial assets	6	14 198	13 859	15 489
Total non-current assets		**237 398**	**187 930**	**142 490**
Current assets				
Intangible assets	13	2 569	5 424	11 139
Inventories		1 394	-	-
Trade receivables	6, 18	1 364 519	1 204 894	654 560
Derivative financial instruments	6, 7	113 435	96 867	178 423
Other current assets		40 083	35 433	64 919
Cash and cash equivalents	6	363 212	193 226	333 448
Total current assets		**1 885 211**	**1 535 845**	**1 242 490**
Total assets		**2 122 609**	**1 723 774**	**1 384 980**
Equity and liabilities				
Equity				
Share capital	14	31 349	31 352	31 352
Share premium	14	125 035	125 032	125 032
Retained earnings		559 916	448 268	345 370
Total equity		**716 299**	**604 651**	**501 754**
Non-current liabilities				
Net employee defined benefit plan liabilities	15	73 720	47 420	54 695
Deferred tax liabilities	10	12 944	12 368	2 657
Total non-current liabilities		**86 664**	**59 788**	**57 352**

Consolidated statement of financial position

NOK in thousands	Note	31 December 2017	31 December 2016	1 January 2016
Trade and other payables	6, 18	726 631	475 867	183 442
Current income tax liabilities	10	71 198	70 403	84 980
Derivative financial instruments	6, 7	95 428	86 744	167 412
Social security and other taxes		50 085	47 544	22 830
Other current liabilities	16	376 304	378 777	367 210
Total current liabilities		1 319 646	1 059 335	825 874
Total liabilities		**1 406 310**	**1 119 123**	**883 226**
Total equity and liabilities		**2 122 609**	**1 723 774**	**1 384 980**

The Board of Fjordkraft Holding ASA, Bergen, 13 February 2018.

Robert Olsen
Chairman

Birthe Irene Grotle
Deputy Chairman

Frank Økland
Board member

Øistein Prestø
Board member

Kristil Håland Helgerud
Board member

Peder Brustad
Board member

Svein-Kåre Grønås
Board member

Lindi Vinsand
Board member

Rolf Barmen
CEO

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Consolidated statement of changes in equity

NOK in thousands	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2016	31 352	125 032	345 370	501 754
Profit/(loss) for the period	-	-	257 051	257 051
Other comprehensive income for the year, net of tax	-	-	2 299	2 299
Total comprehensive income for the year	-	-	259 350	259 350
Dividends paid (note 11)	-	-	(156 453)	(156 453)
Transactions with owners	-	-	(156 453)	(156 453)
Balance at 31 December 2016	**31 352**	**125 032**	**448 268**	**604 651**
Balance at 1 January 2017	31 352	125 032	448 268	604 651
Profit/(loss) for the period	-	-	251 941	251 941
Other comprehensive loss for the year, net of tax	-	-	(20 008)	(20 008)
Total comprehensive income for the year	-	-	231 932	231 932
Dividends paid (note 11)	-	-	(120 084)	(120 084)
Transactions with owners	-	-	(120 084)	(120 084)
Incorporation of Fjordkraft Holding ASA*	(3)	3	(200)	(200)
Balance at 31 December 2017	**31 349**	**125 035**	**559 916**	**716 299**

* Incorporation expenses of NOK 200 thousands were recognised against equity with the incorporation of Fjordkraft Holding ASA as the new parent company. Please refer to note 11 and 14 for further information.

Consolidated statement of cash flows

NOK in thousands	Note	2017	2016
Operating activities			
Profit/(loss) before tax		331 467	342 695
Adjustments for:			
Depreciation	12, 13	24 372	18 378
Interest expense	6	175	467
Interest income	6	(11 801)	(8 118)
Change in fair value of derivative financial instruments	6, 7	(7 884)	888
Change in post-employment liabilities	15	(27)	(4 209)
Amortisation of contract assets	4	81 206	50 133
Impairment loss recognised in trade receivables	6	11 920	4 087
Changes in working capital:			
Inventories		(1 394)	-
Trade receivables	6, 18	(171 544)	(554 421)
Purchase of el-certificates	13	(210 908)	(150 321)
Non-cash effect from cancelling el-certificates	13	216 322	156 036
Purchase of guarantees of origination	13	(2 558)	-
Other current assets		(4 649)	29 487
Trade and other payables	6, 18	250 764	292 425
Other current liabilities	16	(170)	34 985
Cash generated from operations		505 292	212 511
Interest paid		(175)	(467)
Interest received		11 801	8 118
Income tax paid	10	(71 799)	(89 981)
Net cash from operating activities		**445 119**	**130 181**
Investing activities			
Purchases of property, plant and equipment	12	(1 309)	(1 533)
Purchase of intangible assets	13	(35 807)	(26 583)
Payments to obtain a contract (contract assets)	4	(117 594)	(87 465)
Net (outflow)/proceeds from non-current receivables	6	(339)	1 630
Net cash used in investing activities		**(155 048)**	**(113 951)**

Consolidated statement of cash flows

NOK in thousands	Note	2017	2016
Financing activities			
Dividends paid	11	(120 084)	(156 453)
Net cash used in financing activities		**(120 084)**	**(156 453)**
Net change in cash and cash equivalents		**169 987**	**(140 223)**
Cash and cash equivalents at 1 January		193 226	333 448
Cash and cash equivalents at 31 December		**363 212**	**193 226**

4.3 Notes Fjordkraft Group

Note 1 Accounting policies

General information

Fjordkraft Holding ASA and its subsidiaries (together 'the Group' or "Fjordkraft") is a supplier of electrical power in Norway. Statkraft AS is the ultimate parent company and controls the Group. 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.

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 preparation

For all periods up to and including the year ended 31 December 2016, the Group prepared its consolidated financial statements in accordance with generally accepted accounting principles in Norway (NGAAP). These consolidated financial statements of the Group for the year ended 31 December 2017, will be the first annual consolidated financial statements that comply with IFRS. In these consolidated financial statements, the term "Norwegian GAAP" or "NGAAP" refers to Norwegian GAAP in use before the adoption of IFRS.

Subject to certain transition elections and exceptions disclosed in note 2, the Group has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at 1 January 2016 throughout all periods presented, as if these policies had always been in effect.

Note 2 discloses the impact of the transition to IFRS on the Group's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Group's consolidated financial statements for the year ended 31 December 2016 prepared under Norwegian GAAP.

Basis of consolidation

These consolidated financial statements include the accounts of Fjordkraft Holding ASA and its subsidiaries (note 22).

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

New standards, amendments and interpretations issued but not effective for the financial year ended 31 December 2017 and not early adopted by the Group.

Certain new accounting standards, amendments and interpretations have been published. The Group's assessment of the impact of these new standards and interpretations is set out below:

- IFRS 16 - Leases
- Amendments to IFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between and Investor and its Associate or Joint Venture
- Amendment to IAS 40 - Transfers of Investment Property
- Amendment to IFRSs - Annual Improvements to IFRS Standards 2014 - 2016 Cycle
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration

IFRS 16 Leases

IFRS 16 was issued in January 2016. It will result in almost all leases being recognised in the statement of financial position as it distinguishes leases and service contracts on the basis of whether an identifiable asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change. The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments with an annual lease expense specified in note 17. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

The standard is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date and are currently assessing the potential impact and it is not practicable to provide a reasonable estimate until such assessment is complete.

With respect to the amendments and IFRIC 22 the Group has evaluated that they will not have a material impact on the consolidated 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.

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 applied the following five step method outlined in IFRS15 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 customer. 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 2, "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 attaches to the volume apportioned to the various price segments that requires judgment by management when assessing.

Please refer to note 5 - 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

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. All other leases are classified as operating leases. The Group do currently not have any financing leases.

Payments made under operating leases (net of any incentives received from the lessor which are recognised as liability) are charged to profit or loss on a straight-line basis over the period of the lease.

Cash and cash equivalents

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 6 and 7 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 6 and 7 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 6 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 6 and 7 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 12.

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 (note 12).

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 with the corresponding obligation to purchase el-certificates. As a result, the Group's contracts to purchase and sell electricity, and obligation to purchase related el-certificates that will be delivered in quantities that will be used or sold in the Groups' normal course of business, have 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 - Customer Portfolios & el- certificates

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 amortisation. Amortisation is calculated on a straight-line basis over the expected period the customers are expected to remain customers.

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 13 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 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 1st April each year (the certificates are effectively cancelled by the government at 1st 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 it 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-certifcates that are required to be purchased. (applicable when level of el-certificates acquired directly of 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 pension plans.

Pension obligations

The Group has a pension scheme covering a total of 210 active members and 23 pensioners. The scheme entitles staff to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company (funded). The Group's defined benefit plan includes retirement, disability and dependents pension.

The Group also has a contractual pension agreement (CPA) covering 209 persons. 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 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 AFP, while companies cover 2/3. The Groups 2/3 portion is funded through operation and do not have any plan assets.

The liability or asset recognised in the consolidated statement of financial position in respect of defined benefit pension plans 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.

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 11)

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 First-time adoption of IFRS

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies set out in note 1 have been applied in preparing the financial statements for the period ended 31 December 2017, the comparative information presented in these financial statements for the year ended 31 December 2016 and in the preparation of an opening IFRS statement of financial position at 1 January 2016 (the Group's date of transition).

In preparing its opening IFRS statement of financial position, the Group has adjusted the amounts reported previously in the financial statements prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP). An explanation of how the transition from NGAAP to IFRS has affected the Group's financial position and financial performance and cash flows is set out in the tables below and the notes that accompany these tables.

Exemptions applied

- IFRS 1 - First Time Adoption of International Financial Reporting Standards, allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemption:

- IFRS 3 - Business combinations, has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occurred before 1 January 2016. Use of this exemption means that the NGAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

Estimates

The various types of estimates in accordance with the NGAAP financial statements as at 1 January 2016 and 31 December 2016, are equally applicable under IFRS. However, the transition to IFRS increases the level of derivative financial instruments recognised in the statement of financial position as well as introducing amortisation of assets recognised as costs to obtain customer contracts. Refer to note 3 for significant accounting judgement, estimates and assumptions.

The estimates used by the Group to present these amounts in accordance with IFRS reflect conditions at 1 January 2016, the date of transition to IFRS and as at 31 December 2016. In accordance with IFRS 1, any information received subsequent to the date of transition to IFRSs about estimates made under previous GAAP has been treated in the same way as non-adjusting events after the reporting period in accordance with IAS 10 Events after the Reporting Period.

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Note 2
First-time adoption of IFRS

Group reconciliation of statement of financial position as at 1 January 2016 (date of transition to IFRS)

NOK in thousands		1 January 2016		
Assets	**Note**	**NGAAP**	**Adjustments**	**IFRS**
Non current assets				
Deferred tax assets	I	16 050	(16 050)	-
Property, plant and equipment	H	3 263	(785)	2 478
Goodwill	C	387	(387)	-
Intangible assets	C, H, L	70 673	(9 968)	60 706
Other non-current assets	A	-	63 817	63 817
Other non-current financial assets		15 489	-	15 489
Total non-current assets		105 862	36 628	142 490
Current assets				
Intangible assets	L	-	11 139	11 139
Trade receivables		633 478	21 083	654 560
Derivative financial instruments	D	-	178 423	178 423
Other current assets		64 919	-	64 919
Cash and cash equivalents		333 448	-	333 448
Total current assets		1 031 845	210 645	1 242 490
Total assets		**1 137 707**	**247 273**	**1 384 980**

Note 2
First-time adoption of IFRS

Group reconciliation of statement of financial position as at 1 January 2016 (date of transition to IFRS)

NOK in thousands		1 january 2016		
	Note	NGAAP	Adjustments	IFRS
Equity and liabilities				
Equity				
Share capital		31 352	-	31 352
Share premium		125 032	-	125 032
Retained earnings		132 796	212 574	345 370
Total equity		**289 179**	**212 574**	**501 754**
Non-current liabilities				
Net employee defined benefit plan liabilities		54 695	-	54 695
Deferred tax liabilities	I	-	2 657	2 657
Total non-current liabilities		**54 695**	**2 657**	**57 352**
Current liabilities				
Trade and other payables		183 442	-	183 442
Current income tax liabilities		84 980	-	84 980
Derivative financial instruments	D	-	167 412	167 412
Social security and other taxes		22 830	-	22 830
Dividend payable	B	156 453	(156 453)	-
Other current liabilities	N	346 127	21 083	367 210
Total current liabilities		**793 832**	**32 042**	**825 874**
Total liabilities		**848 527**	**34 699**	**883 226**
Total equity and liabilities		**1 137 707**	**247 273**	**1 384 980**

Note 2
First-time adoption of IFRS

Group reconciliation of statement of financial position as at 31 December 2016

NOK in thousands		31 December 2016		
	Note	NGAAP	Adjustments	IFRS
Assets				
Non current assets				
Deferred tax assets	I	14 337	(14 337)	-
Property, plant and equipment	H	14 101	(10 974)	3 127
Goodwill	C	130	(130)	-
Intangible assets	C, H, L	64 116	5 679	69 795
Other non-current assets	A	-	101 149	101 149
Other non-current financial assets		13 859	-	13 859
Total non-current assets		106 543	81 387	187 930
Current assets				
Intangible assets	L	-	5 424	5 424
Trade receivables	N	1 197 505	7 389	1 204 894
Derivative financial instruments	D	3 312	93 555	96 867
Other current assets		35 433	-	35 433
Cash and cash equivalents		193 226	-	193 226
Total current assets		1 429 477	106 368	1 535 845
Total assets		**1 536 019**	**187 755**	**1 723 774**

Note 2
First-time adoption of IFRS

Group reconciliation of statement of financial position as at 31 December 2016

NOK in thousands		31 December 2016		
	Note	NGAAP	Adjustments	IFRS
Equity and liabilities				
Equity				
Share capital		31 352	-	31 352
Share premium		125 032	-	125 032
Retained earnings		243 616	204 651	448 268
Total equity		**400 000**	**204 651**	**604 651**
Non-current liabilities				
Net employee defined benefit plan liabilities		47 420	-	47 420
Deferred tax liabilities	I	-	12 368	12 368
Total non-current liabilities		**47 420**	**12 368**	**59 788**
Current liabilities				
Trade and other payables	D	479 179	(3 312)	475 867
Current income tax liabilities		70 403	-	70 403
Derivative financial instruments	D	-	86 744	86 744
Social security and other taxes		47 544	-	47 544
Dividend payable	B	120 084	(120 084)	-
Other current liabilities	N	371 388	7 389	378 777
Total current liabilities		**1 088 599**	**(29 264)**	**1 059 335**
Total liabilities		**1 136 019**	**(16 896)**	**1 119 123**
Total equity and liabilities		**1 536 019**	**187 755**	**1 723 774**

Note 2
First-time adoption of IFRS

Group reconciliation of total comprehensive income for the year ended 31 December 2016

NOK in thousands		2016		
	Note	NGAAP	Adjustments	IFRS
Revenue	A, E, G, J	4 663 808	(738 801)	3 925 007
Other income	G	88 999	(88 999)	-
Direct cost of sales	E, K	(3 948 111)	803 574	(3 144 538)
Cost of value added services	F	(18 990)	18 990	-
Revenue less direct cost of sales		**785 706**	**(5 236)**	**780 469**
Personnel expenses		(135 636)	-	(135 636)
Other operating expenses		(328 329)	90 101	(238 227)
Depreciation and amortisation	A	(18 378)	(50 133)	(68 511)
Total operating expenses		**(482 343)**	**39 969**	**(442 374)**
Other gains and losses, net	D	-	(888)	(888)
Operating profit		**303 363**	**33 844**	**337 207**
Interest income		8 118	-	8 118
Interest expense	K	(5 018)	4 551	(467)
Other financial items, net	J	(212)	(1 952)	(2 164)
Net financial income / (cost)		**2 888**	**2 599**	**5 488**
Profit/(loss) before tax		**306 251**	**36 444**	**342 695**
Income tax (expense) / income	I	(77 646)	(7 998)	(85 644)
Profit/(loss) for the year		**228 605**	**28 446**	**257 051**
Other comprehensive income:				
Actuarial (loss)/gain on pension obligations (net of tax)	M	-	2 299	2 299
Total other comprehensive income for the year - net of tax		**-**	**2 299**	**2 299**
Total comprehensive income for the year		**228 605**	**30 745**	**259 350**

Note 2
First-time adoption of IFRS

Group reconciliation of cash flow for the year ended 31 December 2016

NOK in thousands		2016		
	Note	NGAAP	Adjustments	IFRS
Operating activities				
Profit/(loss) before tax		306 251	36 444	342 695
Adjustments for:				
Depreciation		18 378	-	18 378
Interest expense		467	-	467
Interest income		(8 118)	-	(8 118)
Change in fair value of derivative financial instruments	D	-	888	888
Non-cash post-employment benefit expense		(4 209)	-	(4 209)
Amortisation of contract assets	A	-	50 133	50 133
Impairment loss recognised in trade receivables		4 087	-	4 087
Changes in working capital:				
Trade receivables	N	(568 115)	13 694	(554 421)
Purchase of el-certificates		(150 321)	-	(150 321)
Non-cash effect from cancelling el-certificates		156 036	-	156 036
Other current assets	D	26 174	3 312	29 487
Trade and other payables	D	295 737	(3 312)	292 425
Other current liabilities		48 679	(13 694)	34 985
Cash generated from operations		**125 046**	**87 465**	**212 511**
Interest paid		(467)	-	(467)
Interest received		8 118	-	8 118
Income tax paid		(89 981)	-	(89 981)
Net cash from operating activities		**42 716**	**87 465**	**130 181**

Note 2
First-time adoption of IFRS

Group reconciliation of cash flow for the year ended 31 December 2016

NOK in thousands		2016		
	Note	NGAAP	Adjustments	IFRS
Investing activities				
Purchases of property, plant and equipment		(1 533)	-	(1 533)
Purchase of intangible assets		(26 583)	-	(26 583)
Payments to obtain a contract (contract assets)	A	-	(87 465)	(87 465)
Net (outflow) / proceeds from non-current receivables		1 630	-	1 630
Net cash used in investing activities		**(26 486)**	**(87 465)**	**(113 951)**
Financing activities				
Dividends paid		(156 453)	-	(156 453)
Net cash used in financing activities		**(156 453)**	**-**	**(156 453)**
Net change in cash and cash equivalents		**(140 223)**	**-**	**(140 223)**
Cash and cash equivalents at 1 January		333 448	-	333 448
Cash and cash equivalents at 31 December		**193 226**	**-**	**193 226**

Note 2
First-time adoption of IFRS

Notes to the reconciliation of equity as at 1 January 2016 and 31 December 2016 and total comprehensive income for the year ended 31 December 2016

Adjustment A

The Group has in the NGAAP financial statements expensed costs related to sales commissions programs through profit and loss. The sales commissions are considered to be incremental costs of obtaining a contract which the Group expect to recover. IFRS 15 requires such costs to be recognised as an asset and amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates (refer to accounting principles in note 1).

The assets are amortised by using a rate derived from historical customer turnover on a portfolio basis (refer to note 3 for significant accounting judgements, estimates and assumptions).

Reconciliation of net adjustment in statement of financial position:

NOK in thousands	
Assets recognised as costs to obtain a contract in prevoius periods	105 742
Amortisation related to previous periods	(41 925)
Opening balance 1 January 2016	**63 817**
Additions of costs recognised as costs to obtain a contract	87 465
Amortisation during the period	(50 133)
Net adjustment other current assets 31 December 2016	**101 149**

Adjustment B

Under NGAAP, dividend proposed and declared by the Board of Directors in the Board meeting in which the consolidated financial statements for the year is being approved, can be reflected as dividend liability in the consolidated statement of financial position as at the year end date. Under IFRS dividends must be formally approved before being recognised in the consolidated statement of financial postition. As a result, dividend liabilities are recognised in the period when the dividend is formally approved.

Adjustment C

The goodwill recognised in the NGAAP financial statement is related to purchased customer portfolios. Under IFRS, the customer portfolios are considered to meet the definition- and recogniton criterias of an intagable asset in IAS 38 - Intangible Assets. The group has found the applied excpected lifetime of the goodwill in the NGAAP financial statement to be appropriate under IAS 38 as well.

Adjustment D

In the NGAAP financial statement, back-to-back financial derivatives except for paid option premiums of NOK 3 312 thousands at 31 December 2016 (zero as per 1 January 2016), were treated as off balance sheet items. Under IFRS 9, derivatives classified as held for trading are recognised at fair value through profit or loss. Thus, fair value of derivatives have been recognised in the balance sheet at fair value, and unrealised gains and losses recognised through profit or loss.

Adjustment E

The Group sells power to several alliance partners that again sell the same power to the end users. In the NGAAP financial statement, the group recognised this revenue on a gross basis. Under IFRS 15 the Group is deemed to operate as an agent in this arrangement, as such the revenue is recognised on a net basis in the IFRS financial statements.

Adjustment F

The Group sells insurance to its customers through an insurance company. In the NGAAP financial statement, the Group recognised this revenue on a gross basis. Under IFRS 15 the Group is deemed to operate as an agent in this arrangement, as such the revenue is recognised on a net basis in the IFRS financial statements, refer to details in note 1 Accounting Principles.

Adjustment G

In the NGAAP financial statements, the Group split their revenue between power sales and other income. With the transition to IFRS, all revenue is considered to be related to sales revenue, hence other income has been reclassified to sales revenue.

Adjustment H

In the NGAAP financial statements, cost related to development projects was recognised as property, plant and equipment. Under IFRS development costs are considered to meet the definition- and recognition criteria of an intangible asset in IAS 38. The Group has determined that the applied expected lifetime for the recognised development cost in the NGAAP financial statement would be the same under IAS 38.

Adjustment I

The IFRS adjustments result in differences between accounting values and tax values. All tax adjustments related to IFRS-adoption is recognised as deferred tax.

Note 2
First-time adoption of IFRS

Notes to the reconciliation of equity as at 1 January 2016 and 31 December 2016 and total comprehensive income for the year ended 31 December 2016

Reconciliation of adjustements in deferred taxes:

NOK in thousands	31 December 2016	1 January 2016
Recognition of financial derivatives	10 123	11 011
Net adjustments related to costs to obtain a contract	101 149	63 817
Temporary differences related to adoption of IFRS	111 272	74 828
Basis for calculation of deferred tax/(tax assets)	111 272	74 828
Adjustment in net deferred tax position (25 % 1 January 2016 and 24 % 31 December 2016)	26 705	18 707
Deferred tax liability/(asset) position under NGAAP	(14 337)	(16 050)
Deferred tax liability/(asset) position under IFRS	**12 368**	**2 657**

Note 2
First-time adoption of IFRS

Notes to the reconciliation of equity as at 1 January 2016 and 31 December 2016 and total comprehensive income for the year ended 31 December 2016

Reconciliation of adjustements to tax expense:

NOK in thousands	2016
Profit and loss before tax, impact of IFRS conversion	36 444
Tax effect of IFRS conversion adjustments	(7 998)
Income tax (expense) / income as per NGAAP	(77 646)
Income tax (expense) / income IFRS	**(85 644)**

Adjustment J
Additional fees related to extended credit periods to customers has been reclassified to revenue, from other financial items, as it is considered to be a part of revenue from customers.

Adjustment K
Compensation related to extended credit periods from the Group's supplier of electricity, Statkraft Energi AS, has been reclassified from interest expense to direct cost of sales as it is considered to be direct costs related to purchase of electrical power and should therefore be part of the Group's operating profit.

Adjustment L
El-certificates are reclassified to current assets as these are expected to be realised within twelwe months after the end of the reporting period.

Adjustment M
NGAAP do not have the concept of Other Comprehensive Income. The actuarial gains and losses under NGAAP was recorded directly to equity and not included in consolidated statement of profit or loss.

Adjustment N
The liability towards customers related to the electricity product "Full Kontroll" that was classified net in "Trade receivables" under NGAAP is reclassified to "Other current liabilities" as this is considered not to fulfill the requirements in IAS 32 - Financial Instruments: Presentation, to be presented on a net basis.

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 plans

The cost of the defined benefit pension plan 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 of 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 of 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 to determine what portion of the sales commissions that in fact represents an incremental cost to obtain the contract. A determining factor is to what extent a new contract in fact is 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.

Note 4
Revenue recognition

The following table summarises revenue from contracts with customers:

Revenue

NOK in thousands	2017	2016
Revenue - Consumer segment (1)	2 518 778	2 129 719
Revenue - Business segment (2)	1 872 997	1 767 101
Revenue - New growth initiatives (3)	60 735	28 188
Total revenue	**4 452 510**	**3 925 007**

Timing of revenue recognition

NOK in thousands	2017	2016
Over time:		
Revenue - Consumer segment	2 448 620	2 061 875
Revenue - Business segment	1 855 984	1 756 268
Revenue - New growth initiatives	60 198	28 188
Total revenue recognised over time	4 364 802	3 846 331
At a point in time:		
Revenue - Consumer segment	70 158	67 844
Revenue - Business segment	17 013	10 833
Revenue - New growth initiatives	537	-
Total revenue recognised at a point in time	87 708	78 677
Total revenue	**4 452 510**	**3 925 007**

(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 – referred to as New Growth Initiatives)

Note 4
Revenue recognition

Sale of electricity

The Group supplies electricity to both private and corporate end-user customers pursuant to agreed upon rates. These contracts for supply of electricity are a month-to-month contract and either party can terminate the contract (without penalty) pursuant to a '14 days' notice period provided to the other party. Services are billed on a rate/KWh for the total volume (KWh) 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 (ultimate parent of the Group 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 in the name 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 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, bookkeeping, collection and closely related services for 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 carried over to the next month only that is any carried over data at the end of the following month is forfeited. 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. Customers that also have a contract for delivery of electricity with the Group, are provided a discount on their mobile phone subscription.

The phone subscriptions include multiple deliverables; text messaging, call and data services. With the exception of data, where the customer can transfer unused data to the next month, accordingly 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. For customers who have both an electricity contract and a mobile phone subscription, the monthly discount is allocated to both the electricity and mobile phone services on a standalone selling price 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 transaction 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.

Costs to Obtain a Contract

The Company capitalizes commission expenses paid to external sales personnel that are incremental to obtaining customer contracts. These costs are deferred in "other non-current assets". 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 as sales and marketing expense on a declining basis 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	2017	2016
Balance as at 1 January	101 149	63 817
Additions	117 594	87 465
Amortisation during the year	(81 206)	(50 133)
Impairment losses recognised	-	-
Balance as at 31 December	**137 536**	**101 149**

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. 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, 2016 and 2017:

NOK in thousands	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
31 December 2016:				
Contract assets				
Accrued revenue (delivered not invoiced)	542 957	3 851 239	(3 684 246)	709 949
Contract liabilities				
Deferred revenue (invoiced not delivered)	21 083			7 389
31 December 2017:				
Contract assets				
Accrued revenue (delivered not invoiced)	709 949	4 393 791	(4 306 818)	796 922
Contract liabilities				
Deferred revenue (invoiced not delivered)	7 389			20 472

During the year ended 31 December, 2016 and 2017, 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	2017	2016
Amounts included in the contract liability at the beginning of the period	7 389	21 083
Performance obligations satisfied in previous periods	7 389	21 083

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, 2017 and 31 December 2016. The guidance provides certain practical expedients that limit this requirement. Majority of the Groups contracts meet either of the following practical expedients provided by IFRS15 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 IFRS15.

Concentrations of Credit Risk

The Group do not have any customers that comprised more than 10% of the Group's revenue for year ended December 31, 2017 and Decemver 31, 2016.

As of December 31, 2017 and December 31, 2016 the Group do not have significant customers that comprises more than 10% of accounts receivable.

Note 5 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 focussed 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 customer 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 certain operating expenses, adjustments for estimate deviations previous year, 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 described in note 1.

All of the Group's revenue is from external parties and are 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.

As described in note 1, 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. 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, thus the table below also presents the Group's operating profit before such estimate deviations in the line "Operating profit (before unallocated and estimate deviation)".

Note 5
Segment information

Year ended 31 December 2017 NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue	2 518 778	1 872 997	60 735	4 452 510
Total external segment revenue	**2 518 778**	**1 872 997**	**60 735**	**4 452 510**
Direct cost of sales	(1 863 383)	(1 641 077)	(36 061)	(3 540 521)
Revenue less direct cost of sales	**655 394**	**231 920**	**24 674**	**911 989**
Expenses				
Personnel and other operating expenses	(300 425)	(112 814)	(51 434)	(464 673)
Depreciation and amortisation	(94 245)	(9 321)	(2 012)	(105 578)
Adjusted Operating profit (before unallocated)	**260 725**	**109 785**	**(28 772)**	**341 738**
Adjustment: (Positive)/negative estimate deviations previous year**	4 463	9 298	(1 605)	12 156
Adjusted Operating profit (before unallocated and estimate deviations)	**265 188**	**119 083**	**(30 377)**	**353 894**

Year ended 31 December 2016 NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue	2 129 719	1 767 101	28 188	3 925 007
Total external segment revenue	**2 129 719**	**1 767 101**	**28 188**	**3 925 007**
Direct cost of sales	(1 574 517)	(1 569 631)	(390)	(3 144 538)
Revenue less direct cost of sales	**555 202**	**197 470**	**27 798**	**780 469**
Expenses				
Personnel and other operating expenses	(255 153)	(98 455)	(20 254)	(373 862)
Depreciation and amortisation	(63 554)	(5 380)	423	(68 511)
Adjusted Operating profit (before unallocated)	**236 495**	**93 635**	**7 967**	**338 096**
Adjustment: (Positive)/negative estimate deviations previous year**	(7 344)	(884)	(4 803)	(13 031)
Adjusted Operating profit (before unallocated and estimate deviations)	**229 151**	**92 751**	**3 163**	**325 065**

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

** These adjustments relates to information received subsequent to the date of transition to IFRSs about estimates made under previous GAAP and has been treated in the same way as non-adjusting events after the reporting period in accordance with IAS 10 Events after the Reporting Period.

Note 5
Segment information

Reconciliation to statement of profit and loss for the period

NOK in thousands	2017	2016
Adjusted Operating profit (before unallocated and estimate deviations)	**353 894**	**325 065**
Adjustment: (Positive)/negative estimate deviations previous year	(12 156)	13 031
Personnel expenses 1)	(6 582)	-
Other operating expenses 2)	(20 420)	-
Other gains and losses, net 3)	7 884	(888)
Operating profit	**322 620**	**337 207**
Interest income	11 801	8 118
Interest expense	(175)	(467)
Other financial items, net 4)	(2 779)	(2 164)
Profit/(loss) before tax	**331 467**	**342 695**

1) Personnel expenses consist of costs incurred specific to the process of preparing the company for listing on the Oslo Stock Exchange in the form of bonuses to management and employees for their extra work specific to this process.

2) Other operating expenses consist of costs incurred specific to the process of preparing the company for listing on the Oslo Stock Exchange in the form of fees to third party service providers and non-recurring marketing expenses not directly associated with/allocated to segments.

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

4) Other financial items, net consist of other financial expenses such as bank charges, realized foreign currency gains and losses.

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Note 6 Financial assets and financial liabilities

The Group holds the following financial instruments:

Financial assets

NOK in thousands	Notes	31 December 2017	31 December 2016	1 January 2016
Financial assets at amortised cost				
Trade receivables (1)	6(a)	1 364 519	1 204 894	654 560
Other non-current financial assets (1)	6(a)	14 198	13 859	15 489
Cash and cash equivalents (1)	6(d)	363 212	193 226	333 448
Financial asset at fair value through profit or loss				
Derivative financial instruments (2)	7	113 435	96 867	178 423
Total financial assets		**1 855 363**	**1 508 846**	**1 181 921**

Financial liabilities

NOK in thousands	Notes	31 December 2017	31 December 2016	1 January 2016
Liabilities at amortised cost				
Trade and other payables (1)	6(b)	726 631	475 867	183 442
Financial liabilities at fair value through profit or loss				
Derivative financial instruments (2)	7	95 428	86 744	167 412
Total financial liabilities		**822 059**	**562 611**	**350 854**

(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. There were no transfers between level 1, 2 or 3 for recurring fair value measurements during the year. 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.

Note 6
Financial assets and financial liabilities

Financial instruments that are recognised and measured at fair value the Group has classified these, financial instruments into a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. These levels are defined below:

Level 1: The fair value of financial instruments is determined by reference to quoted prices in active markets for identical assets and liabilities. The quoted market price used for financial instruments held by the Group is the current bid price at the end of the reporting period.

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; and

Level 3: Fair value of financial instruments that are determined using a valuation techniques and if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

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 0.90 per cent (2016: 0.90 per cent) that reflects the Group's current borrowing rate at the end of the reporting period. Valuation method 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.

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	2017	2016
Interest from assets held at amortised cost		11 801	8 118
Interest expense from liabilites at amortised cost		(175)	(467)
Net impairment expense recognised on trade receivables	6(a)	12 402	6 154
Fair value gains(losses) on derivatives	7	7 884	(888)
Total net foreign exchange (losses) recognised in other financial items	9	(75)	(372)
Total financial income and expense		**31 837**	**12 546**

6(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.

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 experience 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 good 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.

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 years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

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

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

2017	Days past due						
NOK in thousands	Current	31-60 days	61-90 days	91-120 days	121-180 days	More than 180 days	Total
Active engagements (1)							
Consumer							
Expected loss rate	0.1 %	8.9 %	23.8 %	29.9 %	36.7 %	49.8 %	0.7 %
Gross carrying amount	549 630	18 177	1 854	1 576	1 338	1 490	574 066
Loss allowance provision	456	1 620	442	471	491	742	4 222
Business							
Expected loss rate	0.0 %	3.9 %	22.9 %	37.6 %	73.9 %	91.0 %	0.1 %
Gross carrying amount	760 620	2 456	1 055	53	-	-	764 184
Loss allowance provision	343	97	242	20	-	-	702
New growth initiatives							
Expected loss rate	0.2 %	8.9 %	23.8 %	29.9 %	36.7 %	49.8 %	0.0 %
Gross carrying amount	-	-	-	-	-	-	-
Loss allowance provision	-	-	-	-	-	-	-
Ceased engagements (2)							
Consumer							
Expected loss rate	0.5 %	11.6 %	27.1 %	31.2 %	39.1 %	50.3 %	34.2 %
Gross carrying amount	8 386	2 746	1 347	1 811	3 295	21 372	38 958
Loss allowance provision	39	320	365	565	1 287	10 751	13 327
Business							
Expected loss rate	0.2 %	4.0 %	23.2 %	36.5 %	73.9 %	91.0 %	47.3 %
Gross carrying amount	4 151	424	257	261	938	4 525	10 555
Loss allowance provision	10	17	60	95	693	4 118	4 992
New growth initiatives							
Expected loss rate	0.5 %	11.6 %	27.1 %	31.2 %	39.1 %	50.3 %	n.a.
Gross carrying amount	-	-	-	-	-	-	-
Loss allowance provision	-	-	-	-	-	-	-
Total Loss allowance provision	**848**	**2 053**	**1 108**	**1 151**	**2 471**	**15 611**	**23 243**

(1) Active engagements represents accounts receivable for which the customer is still a customer for which the Group deliveres 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.

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

2016	Days past due						
NOK thousands	Current	31-60 days	61-90 days	91-120 days	121-180 days	More than 180 days	Total
Active engagements (1)							
Consumer							
Expected loss rate	0.2 %	6.1 %	28.3 %	51.1 %	73.4 %	73.2 %	0.7 %
Gross carrying amount	432 676	13 456	944	625	466	753	448 921
Loss allowance provision	913	817	267	319	342	551	3 209
Business							
Expected loss rate	0.2 %	4.9 %	22.3 %	41.4 %	75.0 %	95.0 %	0.3 %
Gross carrying amount	743 595	3 757	300	26	-	-	747 678
Loss allowance provision	1 743	186	67	11	-	-	2 007
New growth initiatives							
Expected loss rate	0.2 %	8.9 %	23.8 %	29.9 %	36.7 %	49.8 %	0.0 %
Gross carrying amount	-	-	-	-	-	-	-
Loss allowance provision	-	-	-	-	-	-	-
Ceased engagements (2)							
Consumer							
Expected loss rate	0.2 %	30.8 %	47.7 %	55.1 %	65.3 %	92.6 %	34.4 %
Gross carrying amount	8 537	1 869	634	810	1 242	4 045	17 138
Loss allowance provision	19	576	302	446	811	3 746	5 901
Business							
Expected loss rate	15.1 %	18.9 %	26.2 %	77.0 %	90.0 %	95.0 %	26.2 %
Gross carrying amount	2 072	537	82	-	-	390	3 081
Loss allowance provision	314	101	22	-	-	370	807
New growth initiatives							
Expected loss rate	0.5 %	11.6 %	27.1 %	31.2 %	39.1 %	50.3 %	n.a.
Gross carrying amount	-	-	-	-	-	-	-
Loss allowance provision	-	-	-	-	-	-	-
Total Loss allowance provision	**2 989**	**1 681**	**658**	**776**	**1 153**	**4 667**	**11 924**

(1) Active engagements represents accounts receivable for which the customer is still a customer for which the Group deliveres 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.

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

The gross carrying amount of trade receivables reflects the maximum exposure to credit risk from customers. 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	2017	2016
Opening balance, 1 January	11 924	7 836
Loss allowance recognised in profit or loss for the period	11 320	4 087
Other loss allowance provisions recognised in profit or loss for the period	600	-
At 31 December	**23 843**	**11 924**

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

NOK in thousands	2017	2016
Receivables written off	1 616	3 226
Movement in provision for impairment	11 920	4 087
Received payment on previously written off receiavbles	(1 133)	(1 159)
Net impairment expense recognised on trade receivables	**12 402**	**6 154**

6(b) Trade and other payables

Current liabilities

NOK in thousands	31 December 2017	31 December 2016	1 January 2016
Trade and other payables	726 631	475 867	183 442

Trade and other payables are unsecured and are usually paid within 30 days of recognition.

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.

6(c) Borrowings

Credit facility
Fjordkraft AS has a credit facility from DNB Bank ASA with a limit of NOK 1 000 000 000. The group has not drawn down on this facility at 31 December 2017 or 31 December 2016. Trade receivables with a carrying value not to exceed NOK 1.765 000 000 has been pledged as collateral for the credit facility to the extent drawn down.

NOK in thousands	31 December 2017	31 December 2016	1 January 2016
Book value of assets pledged as security			
Trade receivables	1 364 519	1 204 894	654 560

6(d) Cash and cash equivalents

Current assets

NOK in thousands	31 December 2017	31 December 2016	1 January 2016
Cash at bank and in hand	363 212	193 226	333 448
Total	**363 212**	**193 226**	**333 448**

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 2017 or 31 December 2016. Please refer to note 20 for information about bank guarantees.

Note 7 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.

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-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.

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 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 and is temporary in nature. 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 15.

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.

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. The group has the following derivative financial instruments:

Note 7
Financial Risk Management Objectives

NOK in thousands	31 December 2017	31 December 2016	1 January 2016
Current assets			
Forwards with SEAS*	13 494	34 707	-
Options with SEAS*	(8 011)	(1 115)	-
Forwards with customers	97 779	61 573	161 562
Options with customers	10 015	1 689	16 861
Other derivatives	157	13	-
Total current derivative assets	**113 435**	**96 867**	**178 423**
Current liabilities			
Forwards with SEAS*	-	-	91 656
Options with SEAS*	-	-	16 944
Forwards with customers	95 270	84 181	58 813
Options with customers	-	2 550	-
Other derivatives	157	13	-
Total current derivative liabilities	**95 428**	**86 744**	**167 412**

* 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 2017, 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 6 for concentration of credit risk related to trade receivables.

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 the Group's ultimate parent company, Statkrat AS (refer to note 18). The Group manage the risks related to these contracts wiht SEAS, and other derivative fincial contracts with customers, by entering into back-to-back contracts with the customers on similar terms and conditions.

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 6(c), Borrowings .

Liquidity risk table

The following tables detail the Group's remaining contractual maturity for its non-derivatives 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 7
Financial Risk Management Objectives

31 December 2017

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	172 669	-	-	-	-	172 669	172 669
Variable interest rate instruments	553 962	-	-	-	-	553 962	553 962
Fixed interest rate instruments	-	-	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-	-
Total	726 631	-	-	-	-	726 631	726 631

31 December 2016

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	64 296	-	-	-	-	64 296	64 296
Variable interest rate instruments	411 571	-	-	-	-	411 571	411 571
Fixed interest rate instruments	-	-	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-	-
Total	475 867	-	-	-	-	475 867	475 867

1 January 2016

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	35 997	-	-	-	-	35 997	35 997
Variable interest rate instruments	147 445	-	-	-	-	147 445	147 445
Fixed interest rate instruments	-	-	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-	-
Total	183 442	-	-	-	-	183 442	183 442

Note 7
Financial Risk Management Objectives

The table below presents the maturities on the Group's derivative financial liabilities in nominal values:

31 December 2017

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*	6 957	8 171	6 077	41 868	1 846	64 919	-
Options with SEAS*	1 829	3 148	2 814	7 812	-	15 603	-
Forwards with customers	17 026	21 536	35 704	50 842	1 034	126 142	95 270
Options with customers	-	-	-	-	-	-	-
Other derivatives	-	-	-	-	-	-	157
Total	**25 812**	**32 855**	**44 595**	**100 523**	**2 880**	**206 665**	**95 428**

31 December 2016

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*	8 068	11 818	4 859	43 302	-	68 046	-
Options with SEAS*	-	1 063	3 722	-	-	4 785	-
Forwards with customers	21 053	24 221	19 105	32 413	-	96 792	84 181
Options with customers	4 499	2 101	-	2	-	6 603	2 550
Other derivatives	-	-	-	-	-	-	13
Total	**33 621**	**39 203**	**27 686**	**75 717**	**-**	**176 226**	**86 744**

1 January 2016

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*	-	-	-	2 752	-	2 752	91 656
Options with SEAS*	2 571	4 522	7 871	-	-	14 964	16 944
Forwards with customers	2 762	9 240	34 355	16 836	-	63 192	58 813
Options with customers	142	263	851	14	-	1 270	-
Other derivatives	-	-	-	-	-	-	-
Total	**5 333**	**14 024**	**43 077**	**19 602**	**-**	**82 177**	**167 412**

* Note that derivatives with SEAS as counterpart is presented net in the balance sheet and gross in the maturity table, thus the total gross amount is not comparable to the carrying amount that is presented net.

Note 8
Personnel expenses

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 plans. Please refer to note 15 for further information regarding pensions.

For information regarding remuneration to executive management and Board of Directors please refer to note 19.

NOK in thousands	2017	2016
Salaries	135 053	104 531
Social security	18 850	15 060
Pension expenses	12 857	12 746
Other benefits	8 530	8 345
Bonus related to listing process	6 582	-
Gross personnel expenses	181 873	140 682
Capitalised R&D costs	(3 121)	(5 046)
Total personnel expenses	**178 751**	**135 636**
Number of full-time equivalents (FTEs)	212	169

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 preformance indicators. The Group's preformance is measured by profit before tax, customer satisfaction, distribution of electricity to the private market, and invoicing process.

Bonus related to listing process
This is a bonus to management and employees for their extra work related to the process of preparing the company for listing on the Oslo Stock Exchange.

Note 9
Other operating expenses and Other financial items, net

This note provides a breakdown of the items included in other operating expenses and other net financial items.

Other operating expenses

NOK in thousands	2017	2016
Purchase of various services	95 948	72 198
Marketing, telecommunication, postage and information	115 511	67 447
External consultants	38 320	32 501
External customer services	2 133	26 903
Rent and other property related costs	11 473	10 321
IT software, annual maintenance	14 118	9 009
Travel expenses	8 606	7 503
Other expenses	21 220	12 346
Non-recurring costs related to listing process	5 594	-
Total other operating expenses	**312 923**	**238 227**

Other financial items, net

NOK in thousands	2017	2016
Foreign exchange gain/(losses)	(75)	(372)
Other financial expenses	(2 704)	(1 792)
Total other financial items, net	**(2 779)**	**(2 164)**

Note 10
Income tax

Specification of tax expense recognised in statement of profit or loss

NOK in thousands	2017	2016
Tax payable on profit for the year	72 575	72 990
Adjustments to prior years tax payable	(1 377)	(1 291)
Adjustments to prior years deferred tax expense (income)	1 434	5 001
Change in deferred tax/(tax asset) from origination and reversal of temporary differences	7 743	9 655
Change in deferred tax/(tax asset) from changes in tax rates or the imposition of new taxes	(849)	(710)
Tax expense recognised in statement of profit or loss	79 527	85 644

Specification of current income tax liabilities

NOK in thousands	2017	2016
Tax payable on profit for the year	72 575	72 990
Provision government grants (SkatteFUNN)	-	(1 296)
Adjustments prior years tax	(1 377)	(1 291)
Current income tax liabilities recognised in balance sheet	71 198	70 403

Reconciliation of statutory tax rate to effective tax rate:

NOK in thousands	2017	2016
Profit before tax	331 467	342 695
Income tax at statutory tax rate (24% - 2017 and 25% - 2016)	79 552	85 674
Tax expense recognised in statement of profit or loss	79 527	85 644
Difference	26	29
Deferred tax expense (income) relating to changes in tax rates	(563)	(515)
Permanent differences	702	421
Adjusted deferred tax (SkatteFUNN)	(222)	(38)
Group contribution	-	-
Adjustments prior years tax payable	57	103
Difference	(26)	(30)

Note 10
Income tax

Specification of basis for deferred tax

NOK in thousands	31 December 2017	31 December 2016	1 January 2016
Fixed assets	(2 797)	(3 354)	(3 984)
Receivables	(22 498)	(8 965)	(5 521)
Pension liabilities	(73 720)	(47 420)	(54 695)
Contract assets	137 538	101 149	63 817
Derivative financial instruments	18 007	10 123	11 011
Tax losses carried forward	-252	-	-
Temporary differences	56 279	51 532	10 628
Basis for calculation of deferred tax/(tax assets)	56 279	51 532	10 628
Deferred tax/(tax asset)	12 944	12 368	2 657
Deferred tax asset recognised in statement of financial position	-	-	-
Deferred tax recognised in statement of financial position	12 944	12 368	2 657
Net position	12 944	12 368	2 657

Changes in deferred tax balances

2016 NOK in thousands	1 January 2016	Changes recognised in statement of profit or loss	Changes recognised in other comprehensive income	31 December 2016
Fixed assets	(996)	191		(805)
Receivables	(1 380)	(771)		(2 152)
Pension liabilities	(13 674)	1 526	766	(11 381)
Contract assets	15 954	8 321		24 276
Derivative financial instruments	2 753	(323)		2 430
Tax losses carried forward	-	-		-
Total	**2 657**	**8 944**	**766**	**12 368**

2017 NOK in thousands	1 January 2017	Changes recognised in statement of profit or loss	Changes recognised in other comprehensive income	31 December 2017
Fixed assets	(805)	162		(643)
Receivables	(2 152)	(3 023)		(5 174)
Pension liabilities	(11 381)	744	(6 318)	(16 956)
Contract assets	24 276	7 357		31 633
Derivative financial instruments	2 430	1 712		4 142
Tax losses carried forward	-	(58)		(58)
Total	**12 368**	**6 894**	**(6 318)**	**12 944**

Note 11 Earnings per share

The basic and diluted earnings per share are the same, as there are no dilutive instruments. Earnings per share is calculated as profit/loss allocated to shareholders for the year divided by the weighted average number of outstanding shares.

The parent company in the Group, Fjordkraft Holding ASA, a public limited liability company, was incorporated on 15 December 2017. The company was incorporated through a contribution in kind of the three owners' shares in Fjordkraft AS, and there were no changes in the Group's ownership. The total number of shares in the parent company of the Group as at 31 December 2017 was 104 496 216, while the total number of shares in the parent company of the Group as at 31 December 2016 was 31 352. The number of shares as at 31 December 2017 is used when calculating earnings per share in 2017 and 2016.

Basic earnings per share

	2017	2016
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	251 941	257 051
Weighted average number of ordinary shares in issue	104 496 216	104 496 216
Earnings per share in NOK	2,41	2,46
Dividend per share in NOK	1,15	1,50

Note 12 Property, plant and equipment

2017

NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2017	6 902	25 554	331	32 787
Additions	1 309	-	-	1 309
Transferred from construction in progress	664	(333)	(331)	-
Disposals	-	-	-	-
Cost 31 December 2017	**8 875**	**25 221**	**-**	**34 095**
Accumulated depreciation 1 January 2017	(5 525)	(24 135)	-	(29 660)
Depreciation for the year	(565)	(302)	-	(867)
Disposals	-	-	-	-
Accumulated depreciation 31 December 2017	**(6 090)**	**(24 437)**	**-**	**(30 527)**
Carrying amount 31 December 2017	**2 785**	**783**	**-**	**3 568**

2016

NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2016	6 731	24 167	356	31 254
Additions	-	1 387	146	1 533
Transferred from construction in progress	171	-	(171)	-
Disposals	-	-	-	-
Cost 31 December 2016	**6 902**	**25 554**	**331**	**32 787**
Accumulated depreciation 1 January 2016	(4 810)	(23 966)	-	(28 776)
Depreciation for the year	(715)	(169)	-	(884)
Disposals	-	-	-	-
Accumulated depreciation 31 December 2016	**(5 525)**	**(24 135)**	**-**	**(29 660)**
Carrying amount 31 December 2016	**1 377**	**1 419**	**331**	**3 127**

Useful life	8 years (or lease term if shorter)	3 years
Depreciation method	Straight line	Straight line

Note 13
Intangible assets

Non-current intangible assets

2017

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets
Cost price 1 January 2017	87 169	36 511	12 378	-	136 059
Additions - Purchase	5 559	18 795	7 763	568	32 685
Additions - Internally generated	1 612	1 509	-	-	3 121
Transferred from construction in progress	28 538	(28 538)	-	-	-
Government grants (SkatteFUNN)	(933)	933	-	-	-
Disposals	-	-	-	-	-
Cost 31 December 2017	**121 946**	**29 211**	**20 141**	**568**	**171 865**
Accumulated depreciation 1 January 2017	(60 086)	-	(6 178)	-	(66 264)
Depreciation for the year	(21 529)	-	(1 834)	(142)	(23 505)
Disposals	-	-	-	-	-
Accumulated depreciation 31 December 2017	**(81 615)**	**-**	**(8 012)**	**(142)**	**(89 769)**
Carrying amount 31 December 2017	**40 331**	**29 211**	**12 129**	**426**	**82 096**

2016

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets
Cost price 1 January 2016	70 513	26 585	12 378	-	109 475
Additions - Purchase	1 808	20 636	-	-	22 445
Additions - Internally generated	302	4 744	-	-	5 046
Transferred from construction in progress	14 547	(14 547)	-	-	-
Government grants (SkatteFUNN)	-	(907)	-	-	(907)
Disposals	-	-	-	-	-
Cost price 31 December 2016	**87 169**	**36 511**	**12 378**	**-**	**136 059**
Accumulated depreciation 1 January 2016	(44 553)	-	(4 217)	-	(48 770)
Depreciation for the year	(15 533)	-	(1 961)	-	(17 494)
Disposals	-	-	-	-	-
Accumulated depreciation 31 December 2016	**(60 086)**	**-**	**(6 178)**	**-**	**(66 264)**
Carrying amount 31 December 2016	**27 083**	**36 511**	**6 200**	**-**	**69 795**
Useful life	3 years		5-12 years	3 years	
Depreciation method	Straight line		Straight line	Straight line	

Note 13
Intangible assets

Current intangible assets

2017

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2017	5 424	-	5 424
Additions - Purchase	210 908	2 558	213 467
Disposals*	(216 322)	-	(216 322)
Cost 31 December 2017	**11**	**2 558**	**2 569**
Accumulated depreciation 1 January 2017	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 December 2017	**-**	**-**	**-**
Carrying amount 31 December 2017	**11**	**2 558**	**2 569**

* 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 16.

2016

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2016	11 139	-	11 139
Additions - Purchase	150 321	-	150 321
Disposals*	(156 036)	-	(156 036)
Cost price 31 December 2016	**5 424**	**-**	**5 424**
Accumulated depreciation 1 January 2016	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 December 2016	**-**	**-**	**-**
Carrying amount 31 December 2016	**5 424**	**-**	**5 424**

* 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 16.

Depreciation of intangible assets are included in the line 'Depreciation and amortisation' in the consolidated statement of profit and loss.

Note 14 Share capital

Shareholders at 31 December 2017

	Number of shares	Nominal	Nominal value	Voting rights	Ownership
BKK AS	51 044 895	0.30	15 313 469	48.85%	48.85%
Skagerak Energi AS	50 154 984	0.30	15 046 495	48.00%	48.00%
Statkraft Industrial Holding AS	3 296 337	0.30	988 901	3.15%	3.15%
Total	**104 496 216**		**31 348 865**	**100.00%**	**100.00%**

There have been no changes in shareholders during 2017.

Share capital and share premium

NOK in thousands	Ordinary shares	Share premium	Total
1 January 2016	31 352	125 032	156 384
31 December 2016	31 352	125 032	156 384
31 December 2017	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. There are no share options or other dilutive instruments outstanding for the periods presented.

Movements in ordinary shares

Fjordkraft Holding ASA, a public limited liability company, was incorporated on 15 December 2017. The company was incorporated through a contribution in kind by the three owners' (as listed in the shareholders' table above), whereby the three direct owners of Fjordkraft AS exchanged the shares held in Fjordkraft AS with shares in Fjordkraft Holding ASA, with the same ownership percentage as before. On completion of the incorporation, Fjordkraft Holding ASA holds 100% of the shares in Fjordraft AS, becoming the new immediate holding company of Fjordkraft AS. As a result, the incorporation of Fjordkraft Holding AS did not result in any changes in the ownership of Fjordkraft AS.

In accordance with IAS 27 – Separate Financial Statements, the new parent, Fjordkraft Holding ASA, measured the cost at the carrying amount of its share of the equity items shown in the separate financial statements for Fjordkraft AS at the date of the reorganisation. The share for share exchange; however, has been reflected in the year ended 31 December 2017 at the date occurred and the share capital in the prior periods is reflective of the previous capital structure.

The total number of shares in the parent company of the Group as at 31 December 2017 and 2016 was 104 496 216 .

Reference is made to note 23 regarding the process of listing on Oslo Stock Exchange.

Note 15 Pension liabilities

The Group has a collective defined benefit pension plan in BKK Pensjonskasse. All pension schemes are in accordance with the requiremens in the Norwegian Mandatory Company Pensions Act.

Pension obligations

The Group operates a defined benefit pension plan. The plan is final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The Norwegian companies in the group are subject to, and complies with, the requirements of the Norwegian Mandatory Company Pensions Act.

Typically defined benefit plans define an amount of pension benefit that an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans 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 government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in consolidated statement of Profit and Loss

Defined benefit pension plans

The Group has a pension scheme covering a total of 210 active members and 23 pensioners. The scheme entitles staff to defined future benefits. These are mainly dependent on the number of years of service, the salary level at pensionable age and the size of benefits paid by the national insurance. The liabilities are covered through an insurance company (funded). The Group's defined benefit plan includes retirement, disability and dependents pension.

The Group also has a contractual pension agreement (CPA) covering 209 persons. 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 based on a three-party partnership between the employers' organizations, the labor organization and the state. The state covers 1/3 of the expenses of AFP, while companies cover 2/3. The Groups 2/3 portion is funded through operation and do not have any plan assets (non-funded).

The Group also has a contractual pension agreement (CPA) covering 209 persons. 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 plan's pension expenses and liabilities are presented according to IAS 19 (revised).

Risk exposure

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which 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, there is a table showing sensitivity analysis of the most significant assumptions.

Note 15
Pension liabilities

Amounts recognised in statement of financial position:

NOK in thousands	31 December 2017	31 December 2016	1 January 2016
Present value of funded obligations	209 417	158 921	149 027
Fair value of plan assets	148 489	124 716	105 884
Deficit of funded plans	60 928	34 205	43 142
Present value of unfunded obligations	12 792	13 215	11 552
Total deficit of defined benefit pension plans	**73 720**	**47 420**	**54 695**

2017

NOK in thousands	Funded obligations	Non-funded obligations	Total
Accrued pension entitlement for the year	10 862	1 180	12 042
Payroll tax (PT)	1 532	166	1 698
Net interest expense / (income)	3 634	304	3 938
Expected return on plan assets	(3 043)	-	(3 043)
Members' contribution	(1 779)	-	(1 779)
Total amount recognised in profit or loss	**11 206**	**1 651**	**12 857**

2016

NOK in thousands	Funded obligations	Non-funded obligations	Total
Accrued pension entitlement for the year	10 331	1 080	11 411
Payroll tax (PT)	1 457	152	1 609
Net interest expense / (income)	3 703	289	3 992
Expected return on plan assets	(2 729)	-	(2 729)
Members' contribution	(1 538)	-	(1 538)
Total amount recognised in profit or loss	**11 225**	**1 521**	**12 746**

Note 15
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 2017	158 921	124 716	34 205	13 215	47 420
Accrued pension entitlement for the year	10 862	-	10 862	1 180	12 042
Payroll tax (PT)	1 532	-	1 532	166	1 698
Interest expense (income)	3 634	-	3 634	304	3 938
Return on plan assets	-	3 043	(3 043)	-	(3 043)
Actuarial gains and losses (demographic assumptions)	13 540	-	13 540	(2 079)	11 461
Actuarial gains and losses (financial assumptions)	24 367	9 507	14 860	6	14 866
Benefits paid	(1 846)	(1 846)	-	-	-
Contribution	-	12 884	(12 884)	-	(12 884)
Members' contribution	-	1 779	(1 779)	-	(1 779)
Payroll tax of contribution	(1 592)	(1 592)	-	-	-
At 31 December 2017	**209 417**	**148 489**	**60 928**	**12 792**	**73 720**

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 2016	149 027	105 884	43 142	11 552	54 695
Accrued pension entitlement for the year	10 331	-	10 331	1 080	11 411
Payroll tax (PT)	1 457	-	1 457	152	1 609
Interest Expense (income)	3 703	-	3 703	289	3 992
Return on plan assets	-	2 729	(2 729)	-	(2 729)
Actuarial gains and losses (demographic assumptions)	-	-	-	-	-
Actuarial gains and losses (financial assumptions)	(1 687)	1 521	(3 207)	142	(3 066)
Benefits paid	(1 815)	(1 815)	-	-	-
Contribution	-	16 955	(16 955)	-	(16 955)
Members' contribution	-	1 538	(1 538)	-	(1 538)
Payroll tax of contribution	(2 095)	(2 095)	-	-	-
At 31 December 2016	**158 921**	**124 716**	**34 205**	**13 215**	**47 420**

Note 15
Pension liabilities

Actuarial gains and losses recognised directly in Other comprehensive income (OCI)

NOK in thousands	2017	2016
Net actuarial gains/(losses) recognised in OCI during the year	(20 008)	2 299
Tax effects of actuarial gains/(losses) recognised in OCI	(6 318)	766

Significant actuarial assumptions	2017	2016
Discount rate	2.35 %	2.30 %
Salary growth rate	2.50 %	2.25 %
Expected growth in base social security amount (G)	2.25 %	2.00 %
Estimated return on plan assets	2.35 %	2.30 %
Pension growth rate	1.50 %	1.25 %
AFP withdrawal	25 % when 62 yrs	25 % when 62 yrs
Demographic assumptions	K2013BE	Gap07/K63
Voluntary retirement	Before 45 yrs - 4.5 %	Before 45 yrs - 4.5 %
	45 yr - 60 yr - 2.0 %	45 yr - 60 yr - 2.0 %
	After 60 yrs - 0 %	After 60 yrs - 0 %

* K2013BE is Gabler's present best estimate based on The Financial Supervisory Authority of Norway's mortality table K2013 and Statistics Norway's present population projection. Gap07 is the former denomination for Gabler's dynamic mortality table which was based on Statistics Norway's former population projection and K2013.

Sensitivity of pension liabilities to changes in the weighted financial assumptions are:

	Change in pension cost		Change in employee defined benefit liabilities	
NOK in thousands	1.00 %	-1.00 %	1.00 %	-1.00 %
Discount rate	(4 975)	7 503	(47 658)	67 702
Salary growth rate	3 292	(2 584)	21 285	(18 738)
Expected growth in base social security amount (G)	3 727	(2 701)	41 265	(32 571)
Voluntary retirement	(64)	83	712	(455)

Note 15
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
2017	2 290	5 119	9 823	1 162 201	1 179 433
2016	2 318	4 870	8 746	671 143	687 077

The contribution for next annual reporting period is expected to be NOK 13 270 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 2017 the plan's contributions were invested as follows:

	Level 1	Level 2	Level 3		
NOK in thousands	Exchange listed prices	Observable prices	Non-observable prices	Total	%-share
Equity instruments	15 518	39 009	8 760	63 287	43%
Interest bearing instruments	934	84 268		85 202	57%
Total investments	**16 452**	**123 277**	**8 760**	**148 489**	**100%**

Note 16 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 2017	31 December 2016	1 January 2016
El-certificate cancellation liability	182 141	223 977	161 121

The Group is required to provide el-certificates to Statnett to cover a certain percentage of its sale of electricity. El-certificate liabilities are due 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. As such, the part of the liability covered by el-certificates in hand is measured at cost for the acquired el-certificates, while the part covered by forward contracts is measured at the agreed contractual price of the el-certificates. On 1 April 2017 the Group cancelled an el-certificate liability with Statnett at the amount NOK 221 247 thousands. As of 31 December 2017, 31 December 2016 and 1 January 2016 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 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 17 Commitments

Non-cancellable operating leases
The Group leases office properties and cars from external suppliers. The leases are operating leases and have varying maturities, priceregulating clauses and prolongation rights.

Lease expenses recognised in the period

NOK in thousands	2017	2016
Property rental agreements	9 898	7 180
Leasing of cars	908	573
Leasing of office equipment	219	106
Total	**11 025**	**7 859**

Future minimum lease payments for non-cancellable operating leases

Year ended 31 December 2017

NOK in thousands	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Property rental agreements	9 214	18 045	3 438	30 697
Leasing of cars	524	904	-	1 428
Leasing of office equipment	108	-	-	108
Total	**9 846**	**18 949**	**3 438**	**32 233**

Year ended 31 December 2016

NOK in thousands	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Property rental agreements	9 887	27 055	5 273	42 215
Leasing of cars	1 248	-	-	1 248
Leasing of office equipment	108	108	-	216
Total	**11 243**	**27 163**	**5 273**	**43 679**

Note 18 Related party transactions

As at 31 December 2017, BKK AS is the owner of 48.85 % of the shares in Fjordkraft Holding ASA, while Skagerak Energi AS owns 48.00 % and Statkraft Industrial Holding AS owns 3.15 %. Subsidiaries of owner comprise subsidiaries of BKK AS, Skagerak Energi AS or Statkraft Industrial Holding AS. Subsidiaries of ultimate parent comprise subsidiaries of Statkraft AS.

The Board of Directors and the management, is also considered to be related parties. Transactions related to these groups are disclosed in note 19. 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	2017	2016
BKK AS	Owner	Sale of electrical power	10 058	97
BKK Energitjenester AS	Subsidiary of owner	Sale of electrical power	3 755	-
BKK Nett AS	Subsidiary of owner	Sale of electrical power	4 197	-
BKK Varme AS	Subsidiary of owner	Sale of electrical power	8 436	253
Skagerak Energi AS	Owner	Sale of electrical power	3 558	892
Skagerak Nett AS	Subsidiary of owner	Sale of electrical power	2 861	482
Skagerak Varme AS	Subsidiary of owner	Sale of electrical power	6 252	1 723
Statkraft AS	Ultimate parent	Sale of electrical power	2 078	2 176
Statkraft Varme AS	Subsidiary of ultimate parent	Sale of electrical power	37 276	34 850
BKK Energitjenester AS	Subsidiary of owner	Sale of other services	1 633	-
Other	Related party	Other	4 315	1 423

Sale of electrial power includes in some cases reinvoiced grid rent.

Expenses to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2017	2016
BKK AS	Owner	Purchase of electrical power	1 377	916
BKK Produksjon AS	Subsidiary of owner	Purchase of electrical power	12 750	917
Skagerak Nett AS	Subsidiary of owner	Purchase of electrical power	1 680	12 404
Statkraft Energi AS	Subsidiary of ultimate parent	Purchase of electrical power	3 067 577	2 589 314
BKK AS	Owner	Purchase of other services	28 854	21 291
BKK Energitjenester AS	Subsidiary of owner	Purchase of other services	9 066	-
BKK Kundetjenester AS	Subsidiary of owner	Purchase of other services	679	12 744
Skagerak Nett AS	Subsidiary of owner	Purchase of other services	135	12 317
Statkraft Energi AS	Subsidiary of ultimate parent	Purchase of other services	12 150	11 425
Other	Related party	Other	1 933	1 899

Other services consists of payroll expenses, IT, office expenses and customer service.

Note 18
Related party transactions

Purchase of assets (NOK in thousands)

Related party	Relation	Purpose of transactions	2017	2016
BKK AS	Owner	Research and development	800	1 892
Statkraft Energi AS	Subsidiary of ultimate parent	Purchase of el-certificates	210 908	150 321

Distributions to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2017	2016
BKK AS	Owner	Dividend	58 659	76 425
Skagerak Energi AS	Owner	Dividend	57 637	75 093
Statkraft Industrial Holding AS	Owner	Dividend	3 788	4 935

Current receivables from related parties (NOK in thousands)

Related party	Relation		31 December 2017	31 December 2016
Statkraft Varme AS	Subsidiary of ultimate parent	Sale of electrical power	1 774	2 904
Other	Related party	Sale of electrical power	2 406	1 936

Current liabilities to related parties (NOK in thousands)

Related party	Relation	31 December 2017	31 December 2016
BKK AS	Owner	1 976	-
BKK Energitjenester AS	Subsidiary of owner	3 969	-
BKK Kundetjenester AS	Subsidiary of owner	-	1 097
BKK Nett AS	Subsidiary of owner	71 712	-
Skagerak Nett AS	Subsidiary of owner	622	-
Statkraft AS	Ultimate parent	152	-
Statkraft Energi AS	Subsidiary of ultimate parent	553 962	411 571

Payables to Statkraft Energi AS (SEAS) mainly relates to purchase of electricity. The Group purchases electriciy 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 post-pone the payments by 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 19 Remuneration

Executive management 2017:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 334	1 267	120	262	3 983	805
Birte Strander (Chief Financial Officer)	1 350	707	120	191	2 368	-
Jeanne K. Tjomsland (Head of HR & Communications)	1 250	553	120	227	2 150	601
Arnstein Flaskerud (Head of Strategy and M&A)	1 300	574	120	166	2 160	-
Solfrid K. Aase (Head of Company Projects)	1 150	415	100	167	1 832	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 200	432	100	224	1 956	-
Alf-Kåre Hjartnes (Chief Operating Officer)	1 250	449	120	155	1 974	56
Ingeborg C. Morken (Chief Commercial Officer)	1 350	595	120	196	2 261	595
Total remuneration executive management 2017	**11 184**	**4 992**	**920**	**1 587**	**18 683**	**2 057**

Board of directors 2017:

NOK in thousands	Total remuneration
Robert Olsen (Chairman)	-
Birthe Iren Grotle (Deputy Chairman)	-
Peder Brustad (Member)	-
Svein Kåre Grønås (Member)	-
Kristil Håland Helgerud (Member)	-
Lindi Bucher Vinsand (Member, Employee representative)	28
Øistein Prestø (Member, Employee representative)	55
Frank Økland (Member, Employee representative)	55
Per-Otto Svendsen (Member until 30 May 2017)	23
Bettina Bergesen (Deputy in board meetings)	3
Lindi Vinsand (Board obeserver from 30 May 2017)	5
Total remuneration Board of directors 2017	**168**

Note 19
Remuneration

Executive management 2016:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 331	-	133	262	2 725	815
Birte Strander (Chief Financial Officer)	1 250	32	100	189	1 571	-
Jeanne K. Tjomsland (Head of HR & Communications)	1 150	32	100	206	1 488	606
Arnstein Flaskerud (Head of Strategy and M&A)	1 200	32	100	155	1 487	-
Solfrid K. Aase (Head of Company Projects)	1 100	32	50	117	1 299	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 150	32	50	232	1 464	-
Alf-Kåre Hjartnes (Chief Operating Officer)	1 150	32	100	145	1 427	58
Ingeborg C. Morken (Chief Commercial Officer)	1 250	32	100	191	1 573	599
Total remuneration executive management 2016	**10 581**	**224**	**733**	**1 497**	**13 034**	**2 078**

Board of directors 2016:

NOK in thousands	Total remuneration
Wenche Teigland (Chairman)	-
Robert Olsen (Deputy Chairman)	-
Birthe Iren Grotle (Member)	-
Thor-Erik Vartdal (Member)	-
Peder Brustad (Member)	-
Øistein Prestø (Member, Employee representative)	55
Frank Økland (Member, Employee representative)	55
Total remuneration Board of directors 2016	**110**

There are no current bonus agreements or agreement of similar profit sharing with the CEO or Chairman of the board. The rest of the executive management is included in the Group's performance bonus scheme. Note that an extra bonus payment was made to the executive management (including the CEO) in 2017 related to the listing process.

There has not been paid remuneration to board members that are under employment of the shareholding companies, BKK AS, Skagerak Energi AS and Statkraft Industrial Holding 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.

Note 19
Remuneration

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 1 percentage point. Current limit for taxation of benefits is 2.2 %.

The CEO and Group management is included in the current pension plan for the Group.

Auditor's remuneration (all related to services provided by Deloitte)

NOK in thousands	2017	2016
Statutory audit*	1 770	684
Tax advisory services	22	19
Other assurance services	27	56
Other non-audit related services	29	256
Total	**1 848**	**1 015**

*Statutory audit in 2017 includes auditor's work related to the listing process.

Note 20 Guarantees

The company purchases bank guarantees to secure certain liabilities as per the table below.

NOK in thousands	31 December 2017	31 December 2016	1 January 2016
Bank guarantees related to re-invoicing	699 470	593 120	129 000
Bank guarantees related to tax deductions and property rent	14 198	11 198	11 198
Total	**713 668**	**604 318**	**140 198**

The Group provides re-invoicing to customers related to grid rent to the grid owners (consolidated billing). 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 21 Direct cost of sales

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

NOK in thousands	2017	2016
Purchase of electrical power and el certificates	3 485 418	3 137 814
Other direct cost of sales	49 024	2 172
Interest compensation for extended credit days electricity purchase	6 079	4 551
Total direct cost of sales	**3 540 521**	**3 144 538**

* Refer to note 4 Revenue recognition

Other indirect cost related to generating revenue are not included within direct costs of sales for 2017 and 2016 as they are not material and is included within other operating expenses in the consolidated statemens of gains and losses. 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 oustanding balance is interest-bearing from day 1. As at 31 December 2017, the interest bearing balance with Statkraft Energi AS was NOK 553 962 thousands (31 December 2016 was NOK 411 571 thousands).

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

Refer to Note 18 for a complete overview of transactions and positions with related parties.

Note 22 Ownership interests in other entities

The Group's principal subsidiaries at 31 December 2017 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group.

Name of entity	Place of business	Ownership interest held by the Group	Principal activities
Trondheim Kraft AS	Trondheim, Norway	100%	Purchase, sales and portfolio management of electrical power
Fjordkraft AS	Bergen, Norway	100%	Purchase, sales and portfolio management of electrical power

Note 23 Events after the reporting period

Listing process

With reference to the press release on the Group's webpages on 24 November 2017 regarding a possible listing of Fjordkraft at Oslo Stock Exchange.

The three owners incorporated a public limited liability company ("ASA"), Fjordkraft Holding ASA, on 15 December 2017 to comply with the requirements to be admitted as a listed company. At the date when these financial statements were authorised for issue, the Group, together with the owners and their advisors, were still in a process of considering a potential listing. The Group still expects to conclude on this process during 2018.

Dividend

The Board of Directors has in the board meeting on 13 February 2018 proposed a dividend to the shareholders of total NOK 100 000 000 (NOK 0.96 per share).

There are no other significant events after the reporting period that has not been reflected in the consolidated financial statements.

Directors responsibilty 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, 2017 (Annual report 2017).

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 2017 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, 2017 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, 13 February 2018.

Robert Olsen
Chairman

Birthe Irene Grotle
Deputy Chairman

Frank Økland
Board member

Øistein Prestø
Board member

Kristil Håland Helgerud
Board member

Peder Brustad
Board member

Svein-Kåre Grønås
Board member

Lindi Vinsand
Board member

Rolf Barmen
CEO

4.4 Financial statement Fjordkraft Holding ASA

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Statement of comprehensive income (loss)

NOK in thousands	Note	15 Dec - 31 Dec 2017
Operating expenses	3	(190)
Operating profit		**(190)**
Financial income	7	231 689
Net financial income/(cost)		**231 689**
Profit/(loss) before tax		**231 499**
Income tax (expense)/income	8	58
Profit/(loss) for the year		**231 557**
Other comprehensive income		
Total other comprehensive income for the year, net of tax		**-**
Total comprehensive income/(loss) for the year		**231 557**

Statement of financial position

NOK in thousands	Note	31 December 2017	15 December 2017
Assets			
Non current assets			
Deferred tax assets	8	58	-
Investments in subsidiaries	4	734 231	734 231
Total non-current assets		**734 290**	**734 231**
Current receivables from Group companies	7	231 689	
Cash and cash equivalents	-	-	-
Total current assets		**231 689**	**-**
Total assets		**965 979**	**734 231**

Statement of financial position

NOK in thousands	Note	31 December 2017	15 December 2017
Equity and liabilities			
Equity			
Share capital	5	31 349	31 349
Share premium	5	702 683	702 683
Retained earnings	5	131 557	-
Total equity		865 588	734 031
Current liabilities			
Trade and other payables		121	-
Divident Payable	7	100 000	-
Other current liabilities	6	269	200
Total current liabilities		100 390	200
Total liabilities		100 390	200
Total equity and liabilities		965 979	734 231

The Board of Fjordkraft Holding ASA, Bergen, 13 February 2018.

Robert Olsen
Chairman

Birthe Irene Grotle
Deputy Chairman

Frank Økland
Board member

Øistein Prestø
Board member

Kristil Håland Helgerud
Board member

Peder Brustad
Board member

Svein-Kåre Grønås
Board member

Lindi Vinsand
Board member

Rolf Barmen
CEO

Statement of changes in equity

NOK in thousands	Share capital	Share premium	Retained earnings	Total equity
Opening balance at 15 December 2017	31 349	702 683	-	734 031
Profit/(loss) for the period	-	-	231 557	231 557
Other comprehensive income	-	-	-	-
Dividends	-	-	(100 000)	(100 000)
Closing balance 31 December 2017	**31 349**	**702 683**	**131 557**	**865 588**

Statement of cash flows

NOK in thousands	Note	15 Dec - 31 Dec 2017
Profit/(loss) before tax		231 499
Adjustments for: Financial income		(231 689)
Changes in working capital:		
Trade and other payables		121
Other current liabilities	6	69
Net cash from operative activities		-
Net cash used in investing activities		-
Net cash used in financing activities		-
Net change in cash and cash equivalents		-
Cash and cash equivalents at 15 December		-
Cash and cash equivalents at 31 December		-

4.5 Notes Fjordkraft Holding ASA

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 principles

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 IAS 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.

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.

Dividend/group contribution from subsidiaries are reflected in the same year as the amount is approved.

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 mangement 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 per cent. 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.

Dividends

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 for the reporting period for which the dividend is proposed based on.

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 Operating expenses

NOK in thousands	15 Dec - 31 Dec 2017
Audit fee	75
Legal services	56
External consultants	59
Toal operating expenses	**190**

Specification of auditor's remuneration (all related to services provided by Deloitte)

NOK in thousands	15 Dec - 31 Dec 2017
Statutory audit	75
Other assurance services*	45
Total auditor's remuneration	**120**

* These costs are related to the incorporation and is recognised directly towards equity at the date of incorporation, thus not recognised in statement of profit or loss.

There has been no remuneration for the Board of Directors or management during the period covered by these financial statements. The company has not had any employees in the period. Hence there is no requirements for the company to comply with the law on compulsory occupational pension.

Note 4 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%	711 161	224 383	734 231
Book value at 31 December 2017					**734 231**

Note 5 Share capital and shareholder information

List of shareholders at 31 December	Number of shares	Ownership
BKK AS	51 044 895	48.85 %
Skagerak Energi AS	50 154 984	48.00 %
Statkraft Industrial Holding AS	3 296 337	3.15 %
Total	**104 496 216**	**100.00 %**

Fjordkraft Holding ASA was incorporated 15 December 2017. The company was incorporated through a contribution in kind of the three owners' shares in Fjordkraft AS. The contribution of shares amounted to NOK 734 031 494, of which NOK 31 348 865 was share capital and NOK 702 682 630 was share premium. The Company's ultimate parent company is Statkraft AS, a company located in Lilleakerveien 6, 0283 Oslo, Norway.

The Company is included in the consolidated financial statements of Statkraft AS. The consolidated financial statements are available at www.statkraft.no.

Note 6 Other current liabilities

NOK in thousands	31 December 2017	15 December 2017
Provision for incorporation costs	138	200
Accrued expenses	131	-
Total other current liabilities	**269**	**200**

Note 7 Related party transactions

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	2017
Fjordkraft AS	Subsidiary	Dividend	231 689

Distributions to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2017
BKK AS	Owner	Dividend	48 849
Skagerak Energi AS	Owner	Dividend	47 997
Statkraft Industrial Holding AS	Owner	Dividend	3 155

Current receivables from related parties (NOK in thousands)

Related party	Relation		31 December 2017	15 December 2017
Fjordkraft AS	Subsidiary		231 689	-

Current liabilities to related parties (NOK in thousands)

Related party	Relation		31 December 2017	15 December 2017
BKK AS	Owner		48 849	-
Skagerak Energi AS	Owner		47 997	-
Statkraft Industrial Holding AS	Owner		3 155	-

Note 8
Tax

NOK in thousands	2017
Tax payable on profit for the year	-
Change in deferred tax/(tax asset)	(58)
Tax expense/(income) recognised in statement of profit or loss	**(58)**
Tax expense recognised in other comprehensive income	**-**
Profit/(Loss) before tax	231 499
Income tax at statutory tax rate (24%)	55 560
Tax effect of following conditions:	
Non-deductible costs	(15)
Tax exemption method dividends	(55 605)
Deferred tax expense (income) relating to changes in tax rates	3
Tax expense/(income)	**(58)**

Specification of basis for deferred tax:

NOK in thousands	31 December 2017	15 December 2017
Tax losses carried forward	(252)	-
Basis for calculation of deferred tax/(tax assets)	(252)	-
Total deferred tax liability (23 %)/(tax assets)	**(58)**	**-**

Note 9 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 has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2017:

Executive management 2017:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 334	1 267	120	262	3 983	805
Birte Strander (Chief Financial Officer)	1 350	707	120	191	2 368	-
Jeanne K. Tjomsland (Head of HR & Communications)	1 250	553	120	227	2 150	601
Arnstein Flaskerud (Head of Strategy and M&A)	1 300	574	120	166	2 160	-
Solfrid K. Aase (Head of Company Projects)	1 150	415	100	167	1 832	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 200	432	100	224	1 956	-
Alf-Kåre Hjartnes (Chief Operating Officer)	1 250	449	120	155	1 974	56
Ingeborg C. Morken (Chief Commercial Officer)	1 350	595	120	196	2 261	595
Total remuneration executive management 2017	11 184	4 992	920	1 587	18 683	2 057

The Board of Directors has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2017:

Board of directors 2017:

NOK in thousands	Total remuneration
Robert Olsen (Chairman)	-
Birthe Iren Grotle (Deputy Chairman)	-
Peder Brustad (Member)	-
Svein Kåre Grønås (Member)	-
Kristil Håland Helgerud (Member)	-
Lindi Bucher Vinsand (Member, Employee representative)	28
Øistein Prestø (Member, Employee representative)	55
Frank Økland (Member, Employee representative)	55
Per-Otto Svendsen (Member until 30 May 2017)	23
Bettina Bergesen (Deputy in board meetings)	3
Lindi Vinsand (Board obeserver from 30 May 2017)	5
Total remuneration Board of directors 2017	168

Note 9
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 2016:

Executive management 2016:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 331	-	133	262	2 725	815
Birte Strander (Chief Financial Officer)	1 250	32	100	189	1 571	-
Jeanne K. Tjomsland (Head of HR & Communications)	1 150	32	100	206	1 488	606
Arnstein Flaskerud (Head of Strategy and M&A)	1 200	32	100	155	1 487	-
Solfrid K. Aase (Head of Company Projects)	1 100	32	50	117	1 299	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 150	32	50	232	1 464	-
Alf-Kåre Hjartnes (Chief Operating Officer)	1 150	32	100	145	1 427	58
Ingeborg C. Morken (Chief Commercial Officer)	1 250	32	100	191	1 573	599
Total remuneration executive management 2016	10 581	224	733	1 497	13 034	2 078

The Board of Directors has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2017:

Board of directors 2016:

NOK in thousands	Total remuneration
Wenche Teigland (Chairman)	-
Robert Olsen (Deputy Chairman)	-
Birthe Iren Grotle (Member)	-
Thor-Erik Vartdal (Member)	-
Peder Brustad (Member)	-
Øistein Prestø (Member, Employee representative)	55
Frank Økland (Member, Employee representative)	55
Total remuneration Board of directors 2016	110

There are no bonus agreements or agreements of similar proft sharing with The CEO or Chairman of the board. The rest of the executive management is included in The Groups preformance bonus scheme. Note that an extra bonus payment was made to the executive management (including the CEO) in 2017 related to the listing process. There has not been paid remuneration to board members employed at the shareholding companies: BKK AS, Skagerak Energi AS and Statkraft Industrial Holding 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 emplyment 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, pluss 1 percentage point. Current limit for taxation of benefits is 2.2 %. The CEO and Group management is included in the current pension plan for the Group.

Note 10 Events after the reporting period

Listing process

With reference to the press release on the Group's webpages on 24 November 2017 regarding a possible listing of Fjordkraft at Oslo Stock Exchange.

The three owners incorporated a public limited liability company ("ASA"), Fjordkraft Holding ASA, on 15 December 2017 to comply with the requirements to be admitted as a listed company. At the date when these financial statements were authorised for issue, the Group, together with the owners and their advisors, were still in a process of considering a potential listing. The Group still expects to conclude on this process during 2018.

There are no other significant events after the reporting period that has not been reflected in the financial statements.

4.6 Auditor's report

Deloitte.

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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 (the "Group"). The financial statements comprise:

- The financial statements of the parent company, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The financial statements of the group, which comprise the balance sheet as at 31 December 2017, and income statement, statement of comprehensive income, statement of changes in equity, 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 parent company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to § 3-9 of the Norwegian Accounting Act.
- The accompanying financial statements give a true and fair view of the financial position of the group as at 31 December 2017, 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, included 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 Bank 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.

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Accounting for estimated revenues

Key audit matters	How the matter was addressed in the audit
The Group's revenues from physical sales of power in the retail market is based on estimates, as actual sales of power per customer are not known at period end. Estimated accrued revenue as at 31 December, 2017 is NOK 797 millions and of which a majority relates to physical sales of power delivered in the retail market. Associated invoiced revenue amounts to NOK 4.307 millions in 2017. To estimate revenues for the power delivered, not invoiced, the Group applies a model where supplied volume of power is allocated, by pricing areas, to the various customer segments and products based on historical transactions. Prices reflects current market- and product prices in the period. Although the estimate is based on historical information, estimation uncertainty exists. We refer to information in Notes 1, 3 and 4 to the consolidated financial statements. Key areas of uncertainty: • the model's characteristics and ability to reflect best estimates for the period, • the completeness and accuracy of the historical information used in the model, and • management's judgement related to the allocation of supplied power volumes to customer segments and products. Due to the degree of management's judgment involved, this is considered a key audit matter.	We have assessed the Group's process for estimating revenue and tested the design and implementation of key controls. We have tested the estimate and the model used as follows: • evaluated the models ability to reflect actual revenues from sale of power through use of retrospective analyses and analyses of the variation between revenue per the model and actual revenues, • tested that the model is mathematically accurate, • tested the completeness and accuracy of the historical information used in the model through reconciling selected data as follows: ○ delivered power per pricing area has been reconciled against power purchased, and ○ prices, variables and fixed mark-ups have been reconciled against product prices, • the allocation of supplied volumes to customer segments and products has been compared to actual allocations being made during the year. We have utilized statistical regression software to prepare independent revenue expectations, compared these with the Group's own estimates, as well as obtaining and evaluating explanations for any significant deviation. We have assessed the adequacy of the information presented in note 1 (accounting principles), 3 and 4 to the consolidated financial statements.

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Early adoption of IFRS 9 and IFRS 15

Key audit matters	How the matter was addressed in the audit

In 2017, the Group converted its accounting principles from NGAAP (Norwegian Generally Accepted Accounting Standards) to IFRS (International Financial Reporting Standards).
 	
In parallel with the conversion to IFRS, the company early adopted IFRS 9 - Financial Instruments and IFRS 15 - Revenue from Contracts with Customers, effective from 1 January, 2017, with full retrospective application.
 	
The impact on the profit/(loss) for the year ended 31 December, 2016, was NOK 28.4 millions. We refer to note 2 in the consolidated financial statements, where the effects of the transition to IFRS have been described in more detail.
 	
The key areas of focus specific to the early implementation of IFRS 9 and IFRS 15 have been:
• analysis of the company's contracts with customers against the criteria for income recognition under IFRS 15,
• agent / principal assessments under IFRS 15, including among others, management assessments related to its performance obligations and risks associated with the various contracts with customers,
• accounting for sales commissions and loyalty programs under IFRS 15 as well as management judgment with respect to which amortization period to be used, and
• the recognition of and the fair value estimates of financial derivatives under IFRS 9, previously not recorded in the statement of financial positions under NGAAP.
 	
The Group have utilized external experts to assist with the implementation of IFRS.
 	
Due to the scope and complexity of the implementation process, this has been identified as a key audit matter.
	We have assessed the process established by the Group to ensure complete and accurate conversion from NGAAP to IFRS, including the early implementation of IFRS 9 and IFRS 15.
	
	In testing the Group's early implementation we performed the following:
	• analyzed previous years' NGAAP financial statements to identify items where we would expect to see differences between IFRS 9, IFRS 15 and NGAAP, and compared with the differences identified by the Group,
	• identified and analyzed the company's contracts with customers against the criteria for revenue recognition under IFRS 15,
	• utilized our internal IFRS experts as part of our evaluation of the differences in order to,
	  ○ challenge the company's assessment of agent / principal considerations against the requirements of IFRS 15,
	  ○ evaluate the company's accounting principles with respect to accounting for sales commissions and loyalty programs in accordance with IFRS 15 including challenging the Group's method and model for amortization, and
	  ○ evaluated the Group's accounting policy for the financial derivatives in accordance with the requirements of IFRS 9.
	• where differences where identified we have obtained and tested the underlying supporting documentation.
	
	We have also evaluated the competencies of the external expert used by the Group.
	
	We have assessed the adequacy of the information provided in Note 1 (Accounting Principles) and Note 2 to the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include 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.

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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 and fair presentation of the financial statements of the parent 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 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.

In preparing the financial statements, management is responsible for assessing the Bank'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, included International Standards on Auditing (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 Bank'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 Bank'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 Bank to cease to continue as a going concern.

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- 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.

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 statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit 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 Bank's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 13 February 2018
Deloitte AS

Bjørn Lyse Opdal

Bjørn Lyse Opdal
State Authorised Public Accountant