

# Fjordkraft Holding ASA and the Fjordkraft Group

Annual Report 2018



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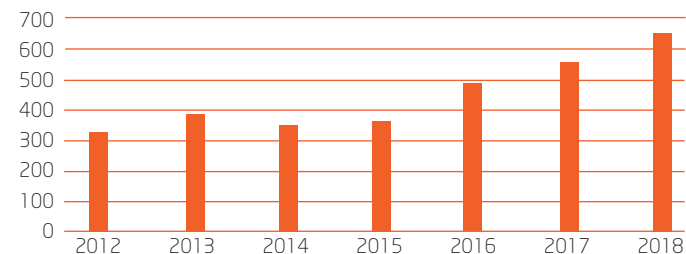
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## Key figures

### Key figures

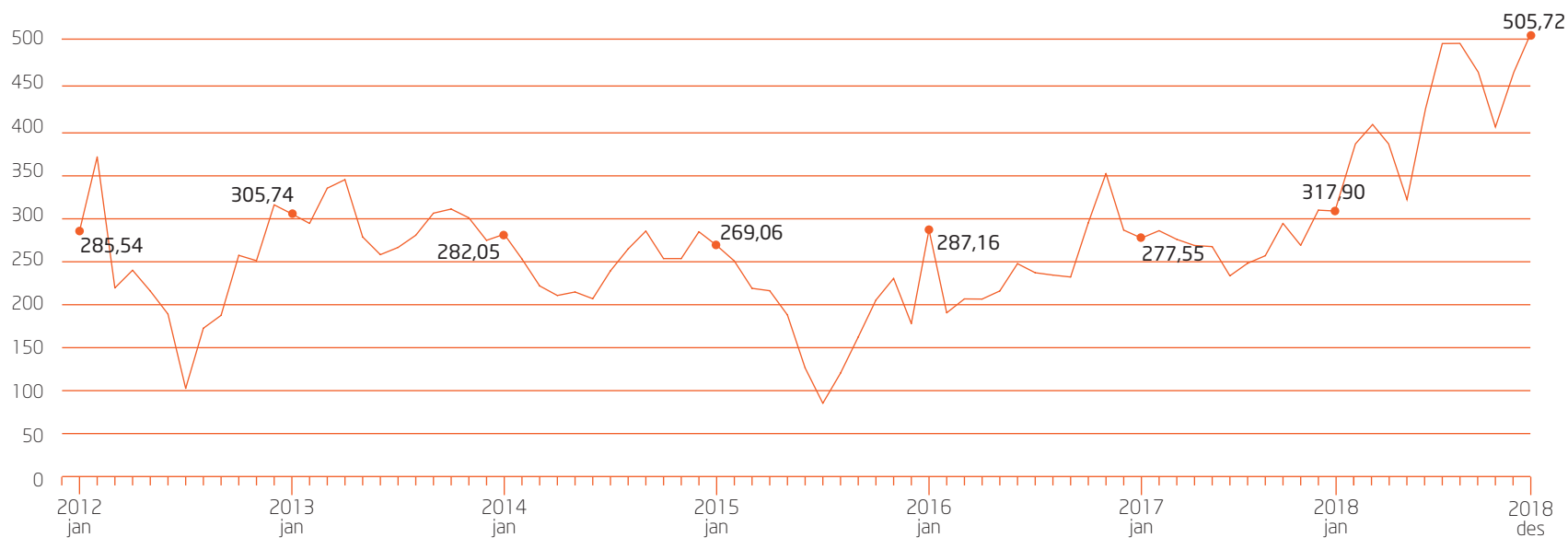
NOK in millions	2018	2017
Gross revenue	6 720 948	4 452 510
Net revenue	1 097 422	911 989
Net revenue adjusted	1 087 893	924 145
EBIT reported	326 883	322 620
EBIT adjusted	390 142	355 730
Net income	253 569	251 941
Earnings per share (in NOK)	2,43	2,41
EBIT margin	30 %	35 %
EBIT margin adjusted	36 %	38 %
Net interest bearing debt (cash)	-131 209	-363 212
Capex excl. M&A	33 783	29 352
Volume sold (GWh)	13 197	11 965
Number of deliveries ('000)	605	528

### Number of switches between electricity providers in Norway per year



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).

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



# Part 1

## 1.1

### Letter from the CEO

The first year as a listed company has been completed, and good results from the previous year have been reproduced. Demand for electricity is rising steadily. Greater complexity in market conditions are paving the way for consolidation in the industry and for Fjordkraft to exploit its process efficiency, brand and distribution capacity.

## Letter from the CEO

Fjordkraft became listed on 21 March 2018 and has seen its first fiscal year as a listed company on the Oslo Stock Exchange. Fjordkraft had the honour of becoming the first Norwegian consumer company in the electricity industry to be publicly traded. Finding directly comparable companies internationally has proven to be difficult.

The process up to listing and the time afterwards has been an interesting and evolving period for the board, executives and employees of the company. We went from having three owners to having almost 2,200 owners in Norway and internationally.

The transition to quarterly presentation of the results to the market has been great, while at the same time challenging and interesting. In February 2019 we had the pleasure of hosting our first ever capital markets day. In Oslo we presented a "deep delve" into the company for analysts and investors.

The company became listed in a year which turned out to be characterised by major international events and movements related to macro-economic conditions. Whether we like it or not, we have now become a part of an international financial market. At the same time, we are fortunate that Fjordkraft's core operations to a very great extent are protected from the consequences of macro-economic movements.



CEO Rolf Barmen  
Photo: Hanne Solheim

## Stable and increasing demand

Norwegian consumers and the country's industry are large consumers of electricity. The average electricity consumption in a Norwegian home is approximately 17,000 kilowatt hours per year, and consumption is to a very minor extent impacted by other external factors than the outdoor temperature. In comparison, the average electricity consumption of a Danish home is approximately 4,500 kilowatt hours per year. Norway and the Arab gulf states are among the countries in the world that use the most electricity per person in homes. The majority of consumption in homes is for heating. Electricity in Norway is produced from renewable energy and mainly from hydroelectric power. In a number of areas in Norwegian society, measures are being implemented to replace carbon-based energy sources with electricity from renewable production. Norway is already established as a world leader in the prevalence of electric vehicles in relation to population, and a transition to electrification is ongoing in a number of areas, including goods transport and ferries. Fjordkraft is thus in the fortunate position of operating in a market with stable and rising demand.

## Three acquisitions

The barriers for starting up as an electricity retailer are relatively low, and the Norwegian market currently comprises more than 100 electricity retailers. Our consolidation strategy is known, and we believe we are capable of fruitful discussions with most of the electricity retailers in the industry. We believe very many vertically integrated energy companies can benefit from being exposed through Fjordkraft, rather than operating their own electricity retail business. This year we have suc-

ceeded in acquiring three customer portfolios. Our observation is that the complexity in this industry is on the increase, and that in the years ahead it will become even more difficult to be a small player.

The proportion of volatile production capacity such as sun and wind will increase and lead to greater price variations in the spot prices for electricity. In combination with increased transmission capacity as a consequence of more international cables, this will lead to greater volatility in the wholesale market. The Norwegian Water Resources and Energy Directorate's (NVE) planned introduction of a new model for power pricing of the grid tariff for households, where the customers are charged for power withdrawal, will become challenging for consumer companies to manage.

How the producer-consumer trend will develop depends on both technical and regulatory assumptions. It is however certain that this will impact our operations, and that Fjordkraft will take a strong position in the producer-consumer segment related to solar panels in 2019.

Competition for customers is intense, and according to NVE's statistics, switching between suppliers has increased. As a company with a large sales force, numerous distribution arenas and extensive marketing, we are a part of driving these switching statistics. In this regard we, and other companies that are amongst the most active in the market, are an assumption for tough and well-functioning competition for customers in the electricity market. Electricity must be actively sold, and Fjordkraft is the player most people switch to, according to a survey from TNS Kantar.

At times of high electricity prices, electricity transforms from a low-interest product into something far more interesting to the customer.

It becomes even more difficult to compete, marketing requires great resources and margins come under pressure. These are good arguments for consolidation, which in turn results in economies of scale and diversification opportunities. I am therefore of the opinion that we should exploit the increasing complexity and volatility for our benefit.

## Sustainable development

Work on the "Klimanjaro initiative" has been important to us in 2018, and it was a great inspiration for us to accept a climate action award from the UN's "Momentum for Change" in Katowice in December 2018.

The UN climate panel has in all sincerity shown that developments are headed in the wrong direction. Since 2016 we have therefore devoted special attention to The UN's sustainability goal number 13, and Fjordkraft shall contribute to stopping climate change. It goes without saying that an accelerating problem also requires an accelerating solution. Fjordkraft's response is "Klimanjaro"; the requirement that our suppliers must be climate neutral from 2019.

By imposing requirements on our suppliers, in 2019 we will achieve an impact that is 100 times greater than what Fjordkraft could manage alone. If other business impose the same requirements on their suppliers, we will see a domino effect that exceeds the impact of all other climate actions. "Klimanjaro" can be reproduced by any business in any market all over the world. All it takes is a decision. If we are to have any hope of limiting the global rise in temperature to a degree and a half, that decision has to be made now.

## Good result

Last but not least, it is very satisfying to ascertain that in 2018 the company succeeded in reproducing and improving on the good financial result from the previous year. A good strategy that is known, understood and implemented at all levels in the business is the most important reason for our success.

I am particularly grateful to have a team of committed and competent associates who do their utmost every day to help customers, win new customers and resolve small and large issues for the future.



Rolf Barmen  
CEO

# Part 2

## 2.1

### Fjordkraft at a glance

Over 1.3 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

### National electricity supplier

- Throughout the whole of Norway, over 1.3 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. 21% 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.<sup>1</sup>
- Corporate market. Fjordkraft is a leading supplier to the corporate market and has been chosen by more than 30,000 companies. Products range from straightforward power contracts to advanced power portfolio

### PURPOSE

Together we create the most attractive electricity retailer in Norway.



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.<sup>2</sup>
- Electricity in Trøndelag. Fjordkraft owns 100% of the shares in the power supply company TrøndelagKraft. TrøndelagKraft is located at Sluppen in Trondheim and employs approx. 80 people.

### 30 alliance partners

- The Alliance concept is Fjordkraft's collaboration model for power producers and electricity suppliers in rural areas. Fjordkraft provides services related to power trading, invoicing,

### GOAL

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



settlement and market support to 30 energy companies all over Norway. These are electricity suppliers, grid companies and power producers. This provides us with good insight into the conditions and situation for a wide range of different players and allows us to present a comprehensive picture in our communication with industrial associations and government authorities.

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

### Mobile

- Fjordkraft aims to offer its customers power contracts and other benefits that provide them with better value for money. In April 2017, Fjordkraft became a provider of mobile telephony. 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.

### CORE VALUES

- Be friendly
- Create value
- Make it easier



- Fjordkraft offers its customers low-cost 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.

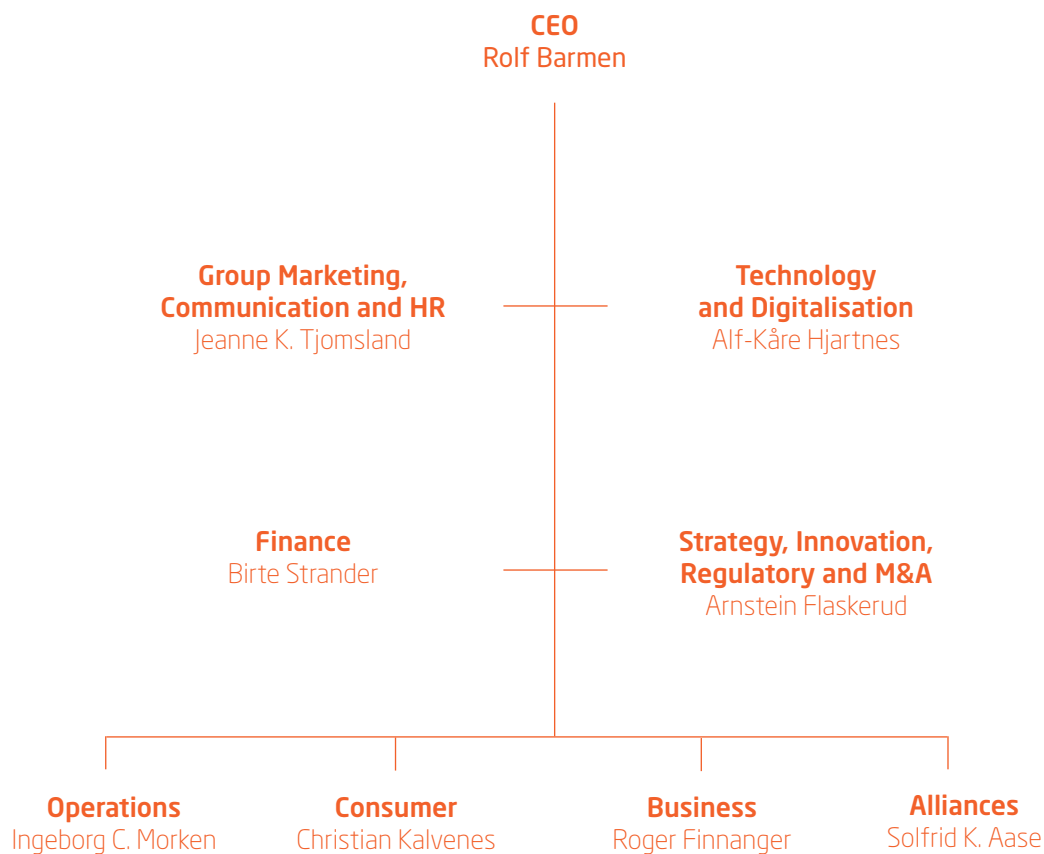
### Ownership

Fjordkraft Holding ASA was listed on the Oslo Stock Exchange's main list on 21 March. This resulted in the company's number of shareholders increasing from three to 2,160. Following the listing, the previous owners, BKK AS and Skagerak Energi AS, own stakes of 30.25% and 29.72%, respectively.



# 2.2 Management

## Organisation



**Rolf Barmen**  
President and Chief Executive Officer (CEO)

*Background:* Rolf Barmen, born in 1964, is the President and Chief Executive Officer (CEO) of the 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 Teling AS from 1999 until 2008, Chess Communication from 2008 until 2011 and NextGenTel from 2011 until 2013. Furthermore, he has experience as regional director at Telenor Telehus and operations manager at IKEA Bergen, as well as the Chairman of Sportsklubben Brann.

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



### **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 Group Marketing, Communications and HR

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

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

**Alf-Kåre Hjartnes**

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

*Background:* Alf-Kåre Hjartnes, born in 1969, is the Company's Executive Vice-President (EVP) and Head of Technology and Digitalisation. Mr Hjartnes has almost 20 years' experience from the electric power industry. He joined Fjordkraft in 1999 and has had several managerial positions with the company, particularly within the IT department. Mr Hjartnes was a senior IT advisor in 2004, joined the Business Development department in 2007 as senior advisor, became Senior Advisor in the Innovation and Projects department in 2008, was appointed IT Manager in 2010 and the Director of IT in 2012.

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

**Ingeborg Cecilie Torvund Morken**

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

*Background:* Ingeborg Cecilie Torvund Morken, born in 1978, is the Company's Executive Vice-President (EVP) and Head of Operations. 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 Alliances

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

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



**Christian Kalvenes**  
Executive Vice-President (EVP) and head of  
Consumer

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

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



**Roger Finnanger**  
Executive Vice-President (EVP) and Head of  
Business

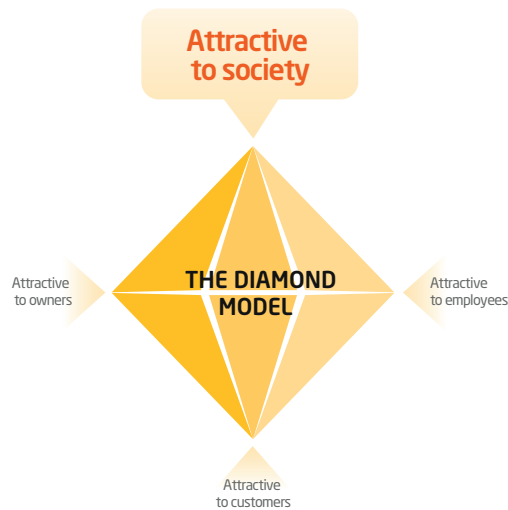
*Background:* Roger Finnanger, born in 1981, joined Fjordkraft in 2011 as a key account manager. In 2012, Mr Finnanger became the Sales Manager SME. He has headed the business market venture in the position of Director Business since 2014. In February 2019, Fjordkraft established a separate division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

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

## 2.3

# Corporate Social Responsibility

## The right balance



To be the most attractive electricity supplier in Norway, Fjordkraft must balance the needs of its customers, employees, owners, and society at large. At certain periods, we can concentrate on one group, but over time our efforts must be distributed. The optimal approach therefore is to take measures that are favourable to several stakeholder groups. Our social responsibility is largely founded on idealism, but there is a limit to how much can be done purely as charity. In order to make the largest possible contribution to sustainable development, we must identify the measures that are socially beneficial and can support our business operations.

## Fjordkraft makes it more expensive to pollute

Strategy Director Arnstein Flaskerud is the man behind “Klimanjaro”, the requirement for Fjordkraft’s suppliers to be climate-neutral. Here he explains why market-based solutions are the way forward to fulfilling the Paris Agreement and the UN sustainable development goals.

The Paris Agreement obliges all countries to limit the global temperature rise to well below two degrees, and the world must become climate-neutral by the second half of this century. No more greenhouse gases must be emitted than the earth can absorb. If we are to reach these goals, immediate action is required from both the private and public sectors.

Fjordkraft’s response is to change the rules for procurement. We use our market leverage to require our suppliers to be climate-neutral. Those who do not take responsibility for the climate are not going to trade with Fjordkraft. This gives our suppliers a strong incentive to become climate-neutral, and it gets results quickly. Three years after we decided on this supplier requirement, our suppliers are cutting and compensating for 60,000 tonnes of CO2 equivalents. This equates to almost 7% of Norway’s total reduction in greenhouse gas emissions from 2016 to 2017.

Climate neutrality is currently a competitive advantage, but in a few years’ time it will be a pure hygiene factor in the same way that climate

account is for publicly traded companies in Norway today. It therefore pays to be early. Now that climate risk is also becoming part of the credit rating for more and more banks, unsustainable companies will be compelled to adapt.

To be climate-neutral, you must be conscious of your own climate footprint and compensate for emissions when purchasing quotas. The principle of purchasing quotas is that it is the polluter who has to pay. Because compensation for the purchase of climate quotas requires measurable quantities, you have to map out and quantify your own climate footprint. This makes it easier to set specific targets for cuts in emissions and to make your own climate work visible.

The quota system is the mainstay of the common European climate policy, and in a quota market like the EU’s, increased demand for quotas will drive the price up. If the polluter has to pay, this ensures that the emission reductions in Europe are made where it is cheapest and where there are stronger incentives to adopt climate-friendly technology. It is only when the cost of pollution exceeds the cost of sustainability that we can achieve the objectives of the Paris Agreement and Sustainable Development Goal 13.

Fjordkraft has been climate-neutral since 2007. By using simple market mechanisms, we can now multiply our climate impact by over 100 as

measured in emissions cuts and compensation of tonnes of CO2 equivalents. Our objective is to create a market where climate neutrality is not only the ideal, but the new standard. If several businesses set a requirement for climate neutrality for their own suppliers, we will achieve a domino effect that exceeds the effect of all other climate measures.

*The price of CO2 quotas increased sharply in 2018, from 7.78 euros per tonne at the start of the year to 24.73 euros. We would need to return to 2008 to find a year with higher CO2 rates.*



Arnstein Flaskerud.  
Photo: Rebekka Davidsen





## Why does Fjordkraft use the UN sustainable development goals?

The UN sustainable development goals are the world’s common work plan to eradicate poverty, combat inequality, and halt climate change by 2030.

The sustainable development goals were adopted by the United Nations General Assembly in September 2015 and follow on from the UN Millennium Development Goals (2000–2015). Whereas the Millennium Development Goals concentrated on developing countries, the new targets are global. All of the UN’s 193 member states now agree on a total of 17 main goals and 169 interim goals. Now the business world must take responsibility, too.

Fjordkraft is concerned that our sustainability efforts should have the greatest possible impact. We achieve this by using market mechanisms and recognised international standards as a starting point for our initiatives. The 17 sustainable development goals have proven to have a mobilising effect and are now the standard for the green shift for companies, organisations, and governments around the world.

In 2018 Fjordkraft placed special emphasis on the achievement of Goal 13, to stop climate change. This is where Fjordkraft can make a contribution that really pays off, with actions that are closely related to our operations as a power supplier.



## Climate action in Fjordkraft



Fjordkraft has been climate-neutral since 2007 and will remain a climate-neutral company by reducing its own greenhouse gas emissions, purchasing power with a guarantee of origin, and compensating for residual emissions through the purchase of certified climate quotas.

Fjordkraft will promote awareness of its own climate footprint and will actively influence other businesses to do the same. As of 2019, we also require our suppliers to be climate-neutral through a climate initiative called “Klimanjaro”.

Each year, we publish Fjordkraft’s climate accounting in Climate Partners Hordaland’s overall emission report.

Fjordkraft has experienced considerable growth in recent years, and our climate footprint is affected by this. We are therefore implementing several internal climate and environmental initiatives.

We use technology to streamline the communication between our five locations and to reduce the need for travel. In 2018 we updated 19 meeting rooms with new video conferencing equipment.

- We encourage carpooling and the use of public transport by limiting the number of parking spaces for our employees. Those who choose to leave their car at home receive a financial compensation.
- We provide employees with the opportunity to recharge their electric cars at work.
- We encourage employees to keep fit by cycling, jogging, or walking to work.
- We sort our waste for recycling.
- We have reduced the use of disposable cups and beakers.
- We have reduced the use of non-biodegradable material in giveaways.

Fjordkraft’s residual emissions are compensated for by the purchase of approved climate quotas. For 2018 we purchased both CER (Certified Emission Reduction) and EUA (European Emission Allowance) quotas equivalent to our entire residual emissions.

## Partners and certifications

### Eco-Lighthouse

The Fjordkraft Group's offices in Bergen, Trondheim, and Sandefjord were Eco-Lighthouse certified in the second half of 2017. Being an Eco-Lighthouse means you have to work systematically on actions to secure a more environmentally friendly operation and a good working environment. Each year Fjordkraft must produce a climate and environment report in which the effects of actions are measured and new targets are set. Eco-Lighthouse is recognised by the EU.

### Climate Partners Hordaland

Fjordkraft is a member of the regional network project Climate Partners Hordaland, which works to reduce greenhouse gas emissions and to stimulate green communities and business development in the county. In 2018 the network consisted of 30 public and private businesses. Climate Partners Hordaland publishes an annual report on its members' total emissions.

### Climate Neutral Now

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

## Products and services for the low-emission community

### Fjordkraft Pulse

In 2018 we invited 1,000 pilot customers to test Fjordkraft Pulse, an app that retrieves data from the new smart meters (AMS) and gives customers the opportunity to monitor their own power consumption. Fjordkraft Pulse follows a simple pulse meter that plugs into the AMS meter and a receiver that plugs into the customer's WiFi router.

Fjordkraft Pulse is one of seven pilot projects that have been selected to receive support through Enova's AMS projects. The results of the projects will be analysed to determine which systems for real-time communication and associated solutions provide the best results for different customer groups.

### Home charger for electric cars

In February 2018 Fjordkraft launched home chargers for electric cars for private customers. The charging stations are repaid through electricity billing. The Directorate for Civil Protection and Emergency Preparedness (DSB) recommends that owners of electric cars or chargeable hybrids acquire an approved wall charger for charging at home. It is not permissible to use a regular wall socket for regular charging because

these are prone to overload and earthing faults. Nevertheless, surveys show that 60%–70% of electric and hybrid car owners regularly charge their car in a normal wall outlet. In addition to facilitating the use of chargeable vehicles, Fjordkraft wants to make it easier for customers to recharge safely.

### Ladestasjoner.no

Fjordkraft provides the service ladestasjoner.no, which is available online and as a separate app. Using our charging map, which retrieves data from NOBIL, you can easily find charging stations nearby and get an overview of which charging points are suitable for different types of cars. The charging map provides a list of more than 10,000 charging points in Norway and the Nordic countries. At ladestasjoner.no you will also find tips and advice on rapid charging and everything else you need to know about charging your electric car.

### Other products and services

In addition to power supply contracts, Fjordkraft provides consultancy and energy management tools for the overview of energy consumption, cost savings, and environmental impact.

Business customers are offered energy labelling and energy mapping services. All buildings over 1,000 m<sup>2</sup> must have energy labelling every ten years and must hold a valid energy certificate. This is mandatory for anyone selling or renting commercial buildings. Energy mapping is a more comprehensive analysis of the building's energy usage and of how to reduce such use.

All business customers also have access to climate accounting that follows the standard for the Greenhouse Gas Protocol.

As an electricity supplier, Fjordkraft is obliged to purchase electricity certificates. Fjordkraft also provides guarantees of origin, giving the customer the opportunity to purchase 100% guaranteed clean power on the road to becoming climate-neutral.

Private customers with solar panels can sell their surplus power to Fjordkraft. Through the TrøndelagKraft brand, the Fjordkraft Group also sells solar panels to end users.



## “Klimanjaro” - a climate-neutral value chain



### This is “Klimanjaro”

“Klimanjaro” is a climate initiative whereby Fjordkraft requires the company’s suppliers to be climate-neutral as of 2019. The objective is to create a market where climate neutrality is not only the ideal in question, but the new standard.

In order to communicate the climate effort to Fjordkraft’s private customers, “Klimanjaro” was formulated in autumn 2018 as the following pledge: “We promise that our suppliers will be climate-neutral. Together, we are creating a climate-friendly value chain.”

### What are we fighting for?

We must stop climate change. Researchers on the UN Climate Panel believe that a two-degree temperature increase is the limit of what nature can withstand. If the temperature rises more than that, climate change will become impossible to control. In line with the Paris Agreement, Fjordkraft is working to ensure that the increase in temperature does not exceed 1.5 degrees.

The Climate Panel’s special report on the 1.5-degree target from October 2018 emphasises the need for immediate action from all sectors of the global community. Fjordkraft believes the business world must press ahead and use market mechanisms to achieve rapid and substantial emission cuts.

### About the name “Klimanjaro”

*[On the English translation: The name, Klimanjaro combines klima, the Norwegian word for climate, with the name of Africa’s highest peak, Mount Kilimanjaro.]*

“Klimanjaro” is a made-up portmanteau word combining “climate” in Norwegian with the name of Africa’s highest peak, Mount Kilimanjaro.

Climbing Kilimanjaro is an ambitious task, but with the right preparations and sufficient time for acclimatisation, it can be achieved. Likewise, Klimanjaro is an ambitious, but perfectly feasible, climate initiative for all companies and organisations willing to make a difference and to take responsibility for the climate.

Researchers are concerned that the glaciers on Kilimanjaro are melting, and the global rise in temperature is accelerating this development. The situation on Kilimanjaro is thus a good picture of the challenges the world is now facing. By taking inspiration from an African mountain, we are making the point that this is a global challenge.

### Recognised by the UN

In 2018, “Klimanjaro” attracted international attention. During the Climate Week in New York in September 2018, it became apparent that “Kilimanjaro” was one of fifteen climate initiatives that would receive the UN Climate Action



Photo: Image of  
Alexander A. Svanøe



Award. There were a total of 560 candidates for the award.

At the time, it was just over a year since Fjordkraft's requirement for a climate-neutral value chain was discussed on the UN's websites for the first time, under the heading "Norway Electric Company Cleans Up Its Supply Chain."

Fjordkraft was one of four winners in the "Climate Neutral Now" category and was the first Norwegian company to receive this award. The award ceremony took place during the climate summit in Katowice, Poland, where Chief Executive Rolf Barmen also gave a lecture on "Klimanjaro".

The winning initiatives are entitled "Momentum for Change Lighthouse Activities" and are recognised by the UN as innovative, scalable, and practical examples of how climate change can be combated.

## Method

Climate neutrality is not about zero emissions, but about mapping out and reducing your own climate footprint combined with the purchase of approved climate quotas. To prevent Fjordkraft from being part of a discussion on methodology, "Klimanjaro" builds on the UN's proven methodology and definition of climate-neutral businesses.

Businesses should reduce their own climate footprint by taking the following three simple steps:

- mapping out their own greenhouse gas emissions
- cutting greenhouse gas emissions as much as possible
- compensating for any residual emissions when purchasing approved climate quotas

These three steps must be repeated annually for businesses to remain climate-neutral.

## Quota purchase

In the UN's three-step method, residual emissions are compensated through the purchase of UN-certified climate quotas (CERs). Fjordkraft has also committed itself to buying a certain proportion of CERs through participation in the UN Climate Neutral Now Initiative.

Because there is no cap on the number of CER quotas issued, Fjordkraft also acquired EU quotas (EUA: European Emission Allowance) for 2018 corresponding to the entire company's residual emissions. By purchasing EUAs in the EU quota market, there are fewer quotas available for industrial and power plants, which need quotas to fulfil their emission commitments. This increases the price per quota, making it more expensive to pollute. This, in turn, will strengthen the incentives for technological development and the development of renewable energy.

Fjordkraft does not as yet specify requirements as to which of the above quotas the company's suppliers will use. Nor are there any requirement that suppliers should trade in guarantees of origin or Fjordkraft's climate quotas.

## An example to follow

Fjordkraft has a stated goal that companies outside the company's value chain should also require climate neutrality from their suppliers. In this way, we can achieve a domino effect that surpasses the effects of all other climate measures, creating a market where climate neutrality is the standard.

Fjordkraft has therefore published all the information and templates used in dialogue with their

own suppliers on the company's website. In 2018, this information was made more readily available at [www.klimanjaro.no](http://www.klimanjaro.no).

Fjordkraft has also shared experiences from "Klimanjaro" in a large number of lectures with special-interest organisations, customers, suppliers, partners, and others and has held working meetings with businesses seeking to impose stricter climate requirements on their suppliers

## Results

The requirement for climate neutrality has been well received by our suppliers. As expected, there was a marked increase in suppliers who signed declarations of intent in 2018 as the deadline of 1 January 2019 approached.

By the end of 2018, 127 suppliers had committed themselves to becoming climate-neutral by 2019. Three suppliers had not accepted the requirement and therefore risk having their contracts terminated.

The requirement on climate neutrality was set in 2016 and was targeted to fixed-contract partners with contracts worth over NOK 100,000 a year. This limitation was made to enable us to monitor the requirement. All new suppliers, including those with contracts under NOK 100,000, must be climate-neutral.

"Klimanjaro" means that there will be cuts of or compensation for 60,000 tonnes of CO<sub>2</sub> equivalents in 2019. This equates to almost 7% of Norway's total emission reductions from 2016 to 2017 and is more than 100 times what Fjordkraft would have managed to cut or compensate for without imposing the requirement on its suppliers.

By the end of 2017, 52 suppliers with estimated emissions of 46,972 tonnes of CO<sub>2</sub> equiv-

alents had committed themselves to becoming climate-neutral.

By the end of 2018, we had 127 suppliers with estimated emissions of 59,880 tonnes of CO<sub>2</sub> equivalents who had committed themselves to becoming climate-neutral.



## The road ahead

In 2019 we will

- terminate contracts with suppliers who are not willing to become climate-neutral
- carry out spot checks to ensure that the suppliers are complying with their obligations
- facilitate the same requirement specification for multiple companies outside of Fjordkraft's value chain through information sharing, lectures, and work meetings
- communicate "Klimanjaro" to our private customers
- make it easier for business customers to become climate-neutral by providing counselling and the sale of guarantees of origin and climate quotas

## Fjordkraft is #plastsmart

Elisabeth Skage works on a daily basis as a project manager with Fjordkraft. She is currently on secondment to the Progressio think tank to guide the project #plastsmart.

### What is #plastsmart ?

"#plastsmart is an initiative of the senior management think tank Progressio, which was established by the Bergen Chamber of Commerce and Industry and has participants from business, research, academia, and the municipality. We want to take responsibility and take action that can help to reduce the extent of plastic pollution in the environment. We have a great deal of competence and have undertaken extensive research on plastics in the ocean in the region, and our value creation is largely related to resources in the sea. It is quite natural, therefore, to cooperate to find methods and solutions that limit the amount of plastic that ends up in the sea."

### What is the goal of #plastsmart ?

"The overall goal of #plastsmart is to reduce plastic consumption and the extent of plastic waste. #plastsmart aims to help individual businesses to identify actions they can take in different parts of the value chain and improvements they can

make in their activities. We will introduce measures, methods, and systems that reduce plastic pollution locally and regionally, but that can also be conveyed nationally and globally. We will be international leaders in knowledge and the dissemination of knowledge regarding plastic pollution."

### When was #plastsmart established?

"#plastsmart was established in the second half of 2018. At that time, the senior management think tank met and decided that this is something we need to take responsibility for and must help to resolve. Since then, the project organisation has been established and the tasks have been concretised. All the businesses in the think tank will contribute in different ways, and pilot projects are now under way in the very first sub-project."

### What is Fjordkraft's role in #plastsmart ?

"The project will be implemented with a high degree of input from each of the companies in the think tank. Everyone will be contributing in different ways. I am on secondment from Fjordkraft to manage the project. Fjordkraft has been developing and improving its project methodology for

many years, and this is a methodology that is well suited for these types of projects." In addition, Fjordkraft's Strategy Director is part of the Steering Group. It is natural for Fjordkraft to take a project manager role in the project. Fjordkraft, with its Klimanjaro Initiative, has shown that a single player can make a difference, and the method has an escalating effect. The experience of working with Klimanjaro can be reused in #plastsmart. Fjordkraft has also decided to participate as a pilot in the first part of the project – #plastsmart business.

### What is #plastsmart business?

"In #plastsmart business, we will map out our own material flows and identify where plastic is consumed or disposed of in the value chain. Consumption will be documented and recorded, and this information will be used for implementing actions and solutions that will help to reduce the extent of waste plastic. The method used will provide increased competence on plastics and alternative solutions. The knowledge and experiences we acquire will be conveyed to others who want to take action that has an impact. It is important for us to have a research-based approach to this so that we are confident that we are choosing the measures that have the best effect."

### How does #plastsmart contribute to the attainment of sustainability Goal 13?

"According to the Norwegian Climate Foundation, greenhouse gas emissions from plastic's value chain are at the same level overall as emissions from all aviation in the world. And in the same way that the aviation industry is planning and investing in growth, the plastics industry is also planning for increased use of plastics. If the annual plastics consumption continues to increase as it does now, the relative proportion of oil that goes into plastics might be around 20% in 2050. Cuts in plastic use and plastic production can thus lead to substantial cuts in emissions.

#plastsmart also contributes to the achievement of Sustainable Development Goal 14: Conserve and sustainably use the oceans, seas, and marine resources. This cannot be achieved without sustainable consumption and production patterns – Goal 12 – and in #plastsmart we will work together to achieve these goals – Goal 17. I could also have included Goals 9 and 11, which deal with innovation and infrastructure and sustainable societies. The point is that good, sustainable, and innovative measures against plastic production and pollution will have a positive impact in a number of areas."



**In December 2018**, Elisabeth Skage teamed up with the Green Warriors of Norway and helped clean up a small cove on Ulvøy in Øygarden. Eleven volunteers collected 75 full bags of plastic rubbish, and these were later picked up by boat by the Green Warriors of Norway.

“There are already many people who do a good job of organising beach cleaning, so #plastsmart will not arrange for beach cleaning. We want to take measures to prevent plastic from going to waste. But it’s still quite an experience to be involved with the clean up, to feel how plastic crumbles between your fingers and to see how the plastic piles up and changes the landscape. It gives me a strong motivation to do my bit to solve this,” says Skage.



Image of: Elisabeth Skage.  
Photo: Rune Gåsø

## Ethics at Fjordkraft

Climate neutrality is only one of the requirements that Fjordkraft sets for its suppliers. 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 collective bargaining (No. 98)
- prohibition of forced labour (No. 29 and No. 105)
- prohibition of discrimination relating to the workplace and pay (No. 100 and No. 111)
- minimum age for starting employment (No. 138)

- prohibition of the worst forms of child labour (No. 182)

In addition, our suppliers must ensure that any sub-contractors they use to fulfil their 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 subcontractors.

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

Fjordkraft also requires that all suppliers and sub-contractors have pay and working conditions that comply with applicable regulations.

### Local community initiatives throughout Norway

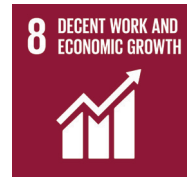
Each quarter, the Fjordkraft Group allocates sponsorship funding for local community initiatives organised by teams and associations throughout Norway. Initiatives that benefit many are prioritised, and each applicant can receive up to NOK 20,000 as a one-off support payment.

In 2018, a total of one million NOK was handed out through this sponsorship scheme. Of this, NOK 400,000 was allocated to the brand TrøndelagKraft (or Trondheim Kraft in the first two quarters of the year). In addition, TrøndelagKraft allocated NOK 200,000 to Kvikne-Rennebu and Selbu in a support scheme, following Fjordkraft's acquisition of TrønderEnergi Marked.

### Charitable Christmas calendar

Each year Fjordkraft has a Christmas calendar in which we combine prize drawings of NOK 5,000 for lucky customers with donations of similar amounts to charitable organisation. The winning names are drawn every day, including Christmas Eve. On Christmas Eve, we draw a grand prize of NOK 50,000 for one of these organisations.

The corresponding Christmas calendar is arranged, with the same amount, in the Trøndelag Kraft brand. In 2018, it was Doctors Without Borders (Fjordkraft) and the Norwegian Air Ambulance (TrøndelagKraft) that received the grand prize. In the Fjordkraft brand, we also arranged "påskesnøtter" (a Norwegian quiz game for Easter) in 2018 following the same model, but without the main prize.



## Strategic collaborator – The Church City Mission



In 2018 Fjordkraft entered into an agreement to become a strategic partner with the Church City Mission and signed a multi-year agreement to start up on 1 January 2019. The purpose of the cooperation is to strengthen the beneficial and humanitarian measures that the Church City Mission is implementing in the cities of Oslo, Bergen, and Sandefjord.

For Fjordkraft, cooperation is included in the company's corporate social responsibility strategy, with an internal goal of creating pride and employee engagement. Kindness is one of Fjordkraft's core values, and we want to see how we can link our commitment to the work the Church City Mission is doing to secure a warmer society with less loneliness.

The intention is for Fjordkraft's employees themselves to be able to contribute to the work of the Church City Mission in the local area.

In autumn 2018, a group of Fjordkraft employees took part in their own initiative in the Church City Mission, the #oransjeskerf campaign. Thirty scarves were supplied to the Church City Mission in Bergen.



Photo: Maja Huse, Fjordkraft

## Other projects

In 2018 Fjordkraft continued its support for **Fyllingsdalen Theatre**, located next to the company's headquarters. The theatre is an important cultural institution for children and young people in Bergen, but despite full houses and good reviews, it has been balancing on the edge of a cliff financially for several years.

Fjordkraft signed a two-year contract with **Rein By**, which lost important sponsorship money after Telia established the mobile brand Chess in Bergen. Rein By is a not-for-profit organisation founded to give drug addicts and others who have lost their job a second chance. As the name implies ("Clean City"), they perform an important service in keeping Bergen nice and clean.

In Bergen, the **Beffen** passenger ferry has been an important part of the cityscape, with its daily trips across Vågen Bay. Because expensive repairs threatened further operations, Fjordkraft contributed to fundraising from the business community. In Sandefjord we supported the **Bench Project**, in which various community groups decorate benches that create a splash of colour in the city centre. **The Salvation Army** and **the Church City Mission** received a lump sum for their important work during the pre-Christmas period, and we also provided support for various environmental organisations and for plastic clean up in the archipelago.



## 2.4

# Corporate Governance Report

## Corporate governance report

### Implementation and reporting on corporate governance

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

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

### Business

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

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

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

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

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

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

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

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

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

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

*Deviations from the Code of Practice: None*

### Equity and dividends

#### Shareholders' equity

At the general meeting in 2018, the Board was granted the following authorities:

- The authority to increase the Company's share capital by up to NOK 3,134,867 by issuing up to 10,449,622 new shares with a nominal value of NOK 0.30 per share. The capital will be used for the Company's M&A activities. The authority is valid until the next general meeting, although until no later than 30 June 2019.
- The authority to purchase shares in the Company up to a total nominal value for the shares of NOK 3,134,886. The authority can only be used to purchase shares for use in the Company's incentive and remuneration schemes for the Group's employees. The authority is valid until the next general meeting, although until no later than 30 June 2019.
- The authority to purchase shares in the Company up to a total nominal value of NOK 1,567,443 in order to enable employees to purchase the Company's shares in the IPO process.

The authority is valid until the next general meeting, although until no later than 30 June 2019. The Company bought a total of 93,191 shares in the IPO in March 2018, which were immediately transferred to employees following their purchases.

#### Capital structure

As at 31 December 2018, the Company's total non-current assets amounted to NOK 530 million and total current assets to NOK 2,918 million. The Company's total non-current liabilities amounted to NOK 296 million, total current liabilities to NOK 2,282 million and shareholders' equity to NOK 871 million. The management and the Board regularly evaluate whether the Group's capital structure is appropriate for its objectives, strategy and risk profile. The Board considers this to be satisfactory in relation to its expressed goals, strategy and risk profile.

#### Dividend policy

The Board's ambition is for shareholders of Fjordkraft to receive a competitive return on their investment over time, through dividends and appreciation of the market value of the shares.

The Group has adopted a dynamic dividend policy with the aim of returning surplus capital to its shareholders. The Group's target is to distribute at least 80 per cent of its net income, adjusted for certain cash and non-cash items. In determining the annual dividend level, the Board will take into consideration, among other things, expected cash flow, capital expenditure plans, covenant restric-

tions in its financial loan agreements, financing requirements (including for any M&A activity) and appropriate financial flexibility.

*Deviations from the Code of Practice: None*

#### Equal treatment of shareholders and transactions with close associates

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

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

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

*Deviations from the Code of Practice: None*

#### Shares and negotiability

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

Fjordkraft's articles of association do not contain

any restrictions on the negotiability of its shares.

*Deviations from the Code of Practice: None*

#### General meetings

Fjordkraft Holding ASA was listed on the stock exchange on 21 March 2018 and the Company's first annual general meeting after the stock exchange listing will take place on 14 May 2019.

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

The Board has taken the following steps to facilitate this:

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

- Shareholders who are unable to attend the general meeting in person may vote by proxy.

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

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

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

Articles of association: [investor.fjordkraft.no/](http://investor.fjordkraft.no/)

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

### Nomination committee

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

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

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

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

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

*Deviations from the Code of Practice: None*

### Corporate assembly and board of directors: composition and independence

#### Corporate assembly

As of today Fjordkraft has no corporate assembly. An agreement has been reached between the Company and a majority of the employees that the Company will not have a corporate assembly in accordance with the Section 6-35(2) of the Public Limited Liability Companies.

#### Composition of the Board

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

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

#### Independence of the Board

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

#### The general meeting elects the Chairman of the Board.

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

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

*Deviations from the Code of Practice: None*

### The work of the board of directors

The Board is responsible of determining the instructions for their work and instructions for

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

Fjordkraft has prepared guidelines ensuring that board members and executive management personnel notify the Board in the event that they, directly or indirectly, have a significant interest in any agreement entered into by the Company.

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

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

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

The Board evaluates its own performance on annual basis and assures itself that its mix of board members possesses the competence and expertise necessary to govern the Company in a profes-

sional and appropriate matter. Details of any board committees appointed and/or newly appointed board members is presented in the annual report. No board committees were appointed during the year to consider particular matters other than the Audit Committee and Remuneration Committee.

*Deviations from the Code of Practice: None*

### Risk management and internal control

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

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

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

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

- The first line consists of line managers who are risk owners. Division and staff managers own the risk in their division/staff and are responsible for

risk assessment and measures being taken in their division/staff. It is the risk owner's responsibility to ensure adequate risk management and internal control within his or her area of responsibility.

- The second line consists of roles that have professional and methodological responsibility, but no responsibility for any profits. The Company's second line is responsible for facilitating and reporting the Company's processes for risk management and internal control. The risk management function is part of the second line and consists of the Risk Manager, Finance Manager, Head of Security and Head of Power Trading.

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

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

The purpose of the instructions is to develop and maintain a framework for overall risk management, to set principles for risk reporting in the business, to create predictability about measures taken to deal with risk, and to ensure an appropriate and effective internal control system. The framework shall ensure uniform processes for identifying, measuring, managing and reporting significant risks. The instructions shall describe

the limits for the different risks that Fjordkraft can and will assume to achieve its goals, and what roles the various functions have in relation to risk management. Furthermore, the instructions shall contribute to ensuring that adequate internal control has been established.

Fjordkraft shall focus on building a strong risk and internal control culture where employees are aware of their responsibility to ensure good risk management and internal control. As a result, internal control shall primarily be targeted at areas where risks are identified. For the same reason, the follow-up of key employees' compliance with the Company's code of conduct will involve self-declarations rather than regular audits.

Guidelines for risk management and internal control

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

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

A risk management strategy that supports the achievement of Fjordkraft's overall strategy is

developed as an integrated part of the strategic plan and is included as part of this.

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

#### Risk willingness and limits

Risk willingness describes how much risk Fjordkraft is willing to assume to achieve goals within different categories of risk. A higher risk willingness within a category indicates that the Company shall exploit the risks actively, but at the same time is willing to assume exposure to these risks. Lower risk willingness indicates that the Company seeks to limit exposure to these risks. Risk willingness will not necessarily remain constant and may change over time.

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

#### Risk-based internal control

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

#### Risk and internal control reporting

A risk report shall be submitted to the executive management at least quarterly. The report shall clearly indicate the Company's most significant

risks, as well as the proposed measures for managing them. For those risk categories where specific exposure limits have been set, the report shall also include how these limits has been utilised.

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

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

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

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

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

Financial reporting

The Board and the executive management are responsible for establishing and maintaining adequate internal control for financial reporting. The

internal control of financial reporting is supervised by the CFO. The process is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Group's financial statements.

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

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

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

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

*Deviations from the Code of Practice: None*

### Remuneration of the board of directors

The remuneration paid to board members is decided annually at the general meeting, based on a proposal from the Nomination Committee. The remuneration shall reflect the Board's responsibilities, expertise, time commitment and the com-

plexity of the Company's activities. The fee paid to board members are fixed for the year and dependent on the role the member has on the Board, and is not linked to the Company's performance. The remuneration paid to each board member is disclosed in the notes to the financial statements in the annual report.

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

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

*Deviations from the Code of Practice: None*

### Remuneration of executive personnel

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

The CEO and the other members of the executive management may terminate their employ-

ment with the Company with 6 months' written notice. The CEO is entitled to severance payment for a period of 12 months following termination of employment.

In accordance with the Public Limited Liability Companies Act, the Accounting Act and the NCCB Code of Practice, the details of the remuneration is disclosed in the notes to the financial statements. The remuneration to be paid shall be understandable and receive the general acceptance of relevant stakeholders.

*Deviations from the Code of Practice: None*

### Information and communications

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

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

*Deviations from the Code of Practice: None*

## Take-overs

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

In the event of a take-over bid, the Board will issue a statement to the shareholders in which they will make a recommendation as to whether shareholders should or should not accept the bid. This statement will include a valuation from an independent expert, including detailed explanations.

*Deviations from the Code of Practice: None*

## Auditor

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

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

The auditor is invited to participate in meetings held by the Board when annual financial statements are being discussed, and attends every meeting held by the Audit Committee. At these meetings the auditor will report on any material changes to the Company's accounting policies and material accounting estimates. The auditor will also report on any material matters in which there

has been disagreement between Fjordkraft's executive management and the auditor. The auditor must be present and present the auditor's report when the annual report is approved by the general meeting.

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

Guidelines have been established by the Board regarding the use by the Company of the auditor for non-auditing services. These are intended to make the Company's executive management more aware of the auditor's independence.

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

*Deviations from the Code of Practice: None*

## 2.5

## Board of Directors





### Per Axel Koch

#### Chairman

Chairman and Board member since  
21 March 2018

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

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

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



### Birthe Iren Grotle

#### Board Member

Board Member since  
15 December 2017

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

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



### Robert Olsen

#### Board Member

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).



### Live Haukvik

#### Board Member

Member since 21 March 2018

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

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

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



### Steinar Sønsteby

Board Member

Member since 21 March 2018

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

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

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



### Frank Økland

Board Member (employee representative)

Member since 15 December 2017

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

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



**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.



## 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.

### 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 to take a long-term perspective. Rapid changes due to digitalisation and changing parameters mean all managers must be strategists for their area. They must be familiar with the best practices and always be looking ahead. The development of sub-strategies and key activities ensures there is a clear focus on strategic challenges and opportunities within all key areas. Our proprietary strategic planning process is a hybrid model where strategy and tactics are merged throughout the organisation.

Fjordkraft wants to continuously adapt to ensure we stay ahead of developments. We firmly

believe that creating economies of scale will be a critical success factor in continuing the positive development in our profitability.

### 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 and climate consulting – Our proprietary reporting solution is offered to all customers and reports on consumption, cost, price forecast and comparison of consumption and temperature. We differentiate in the market by offering Energy Mapping, Energy Labelling and a climate reporting tool.

#### 3. Alliance

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

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

### A good attack is built on good lines of defence

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

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

#### 1. Maintain and develop net revenue

We have initially focused on high sales activity

and expansion of the service spectrum to ensure increased loyalty among existing customers and uphold the existing revenue streams.

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

#### 2. Cost efficiency to maintain and develop EBITDA

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

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

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

3. Developing new business

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

- New business– New income from existing customers

- New countries – Exporting existing activities to new geographical markets

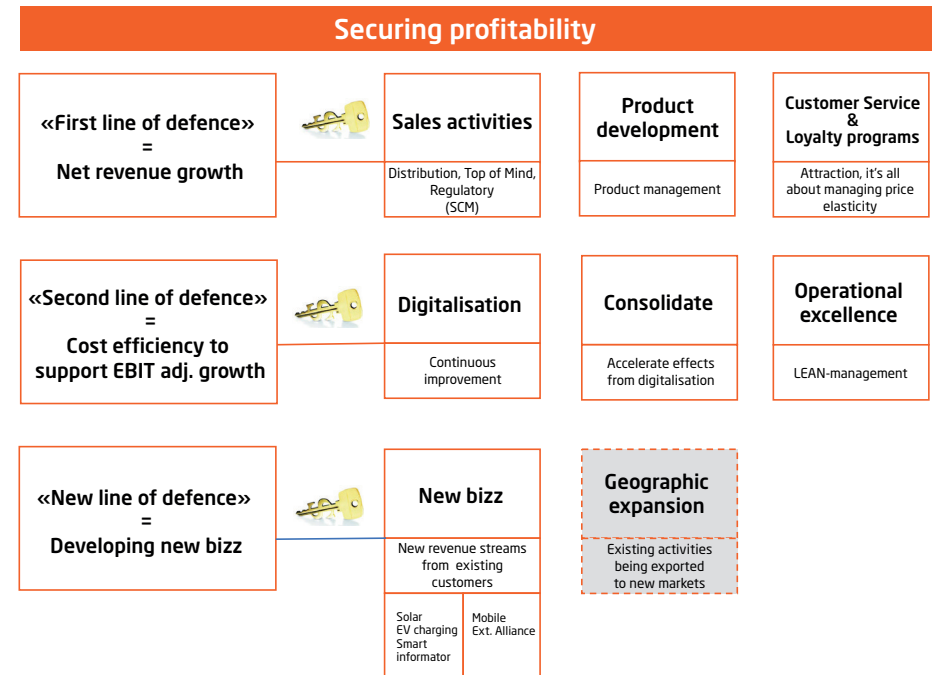
The entire future sustainability system must be maintained in parallel to ensure satisfactory returns and dividend capacity. This means that we must work on all three lines of defence at the same time.

**Scenario planning**

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

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

Securing profitability through the three <defensive lines>





# Part 4

## 4.1

### Board of Directors' Report

#### **Fjordkraft Holding ASA and the Fjordkraft Group**

Fjordkraft Holding ASA has completed its first full year as a listed company. In 2018, the company successfully matched and surpassed its good performance in 2017. The Group achieved an adjusted operating result (EBIT adjusted) of NOK 390 million for 2018, compared with NOK 356 million for 2017.



The financial statements for 2018 were prepared in accordance with the IFRS accounting standard.

Fjordkraft has taken account of the implementation of IFRS 9 and IFRS 15 since the 2017 financial year. These came into effect on 1 January 2018. The NGAAP accounting standard was applied up to and including the 2016 financial year.

### Stock exchange listing

In 2017, the company's owners engaged ABG Sundal Collier as their main adviser and SpareBank 1 Markets as a co-adviser to evaluate listing Fjordkraft AS in 2018. Fjordkraft Holding ASA was listed on the Oslo Stock Exchange's main list on 21 March. This resulted in the company's number of shareholders increasing from three to 2,160. Following the listing, the previous owners, BKK AS and Skagerak Energi AS, own stakes of 30.25% and 29.72%, respectively.

### The company's operations

Fjordkraft is Norway's leading brand for electricity sales in the consumer market and the second largest in the business market. The company is a national electricity retailer and provider of related services to the consumer, public sector and business markets.

The Group accounted for a total of 604,973 electricity deliveries at the end of the fourth quarter of 2018 in the Consumer and Business segments. This represents year-on-year growth of 76,500 deliveries compared with the end of the fourth quarter of 2017.

The Group sold a total volume of 17.8 TWh of electricity in 2018 (13.2 TWh excl. Alliance) compared with 15.5 TWh in 2017. This volume does not include production and licensed power

management. This 14.8% year-on-year growth is attributable to an increase in customer numbers and slightly higher average customer consumption.

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

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 efficient processes, the financial strength necessary to build up a recognised brand and breadth in sales and distribution channels.

Fjordkraft's head office is in Bergen. The company also has offices in Sandefjord, Oslo and Stavanger, as well as in Trondheim via its subsidiary TrøndelagKraft AS. The company's customer service centres are located in Bergen, Sandefjord and Trondheim.

### Fundamental conditions

Total Norwegian electricity consumption has never been higher than it was in 2018 when it amounted to 135.4 TWh, up from 134.1 TWh in 2017. Electricity demand increased due to the cold weather in the spring, greater electrification and higher consumption in energy-intensive industries.

A cold winter and spring were followed by a hotter and drier summer than normal. The average temperature for the whole country in May was 4.4 degrees higher than normal for the month. A dry summer was followed by an autumn with unusually high rainfall in parts of the country. However, the year as a whole produced 13 TWh less precipitation than normal.

The year was characterised by generally high prices and relatively large price fluctuations. The average system price on the Nordic power exchange was 42.3 øre/kWh for 2018, compared with 27.4 øre/kWh for 2017. This represents an increase of 54%. December 2018 was the most expensive month, with an average price on the Nordic power exchange of 50.6 øre/kWh. The last 15 years have seen only one month, in 2010, with a higher monthly price.

## Market

### Strong brand with high digital maturity

No less than 95% of the adult population has brand awareness of Fjordkraft and 47% of Norway's population mentions Fjordkraft unaided when asked to name an electricity retailer, according to TNS Kantar. A total of 21% of electricity customers in the consumer market state they are a customer of Fjordkraft, a year-on-year increase of 1 percentage point.

The Norwegian Customer Satisfaction Barometer survey is conducted every year and published in May. The electricity industry generally scored lower, but Fjordkraft saw an improvement and scored 74.1 points. A points score of 70 or more indicates satisfied customers.

General customer satisfaction with the electricity industry was under pressure for large parts of 2018. This was due to higher electricity prices than the year before, as well as customers experiencing changes and having many questions in connection with the power grid companies' introduction of smart electricity meters. The price paid by the customer remains the top factor that determines consumers' impressions of the electricity industry. When electricity prices rise, the players' reputations suffer. Customer satisfaction was at lower levels in 2018 than in previous years (TNS Kantar, Energibarometer, Q4 2018).

Partnerships with Power, SAS Eurobonus, Shell and the sporting goods chain XXL give the company access to new distribution channels and are included in a loyalty programme for existing

customers. Fjordkraft is constantly working to improve its loyalty programme and raise customers' awareness of its benefits. Fjordkraft Netthandel involves a partnership with 150 online shops where Fjordkraft's customers get discounts and cash back via their electricity bills when they shop in the online shops.

A partnership was signed with DEFA in February 2018 as part of Fjordkraft's loyalty building work. In 2018, a comprehensive test of charging stations for electric cars carried out by the German automobile club, ADAC, named DEFA's home charging stations the winners based on their high level of safety and user-friendliness. Fjordkraft's customers are offered electricity contracts for electric cars and interest-free repayments via their electricity bills when they purchase and install a home charger for their car.

In November, for the third year in a row, the consultancy firm BearingPoint presented its report analysing the digital maturity of 70 Norwegian enterprises. Fjordkraft was this year's winner in the "Energy" sector. The report states that Fjordkraft is making its mark in digital marketing and stands out in relation to other players in the energy industry. Fjordkraft ranked fifth overall of all the companies, irrespective of industry, included in the survey. Digital marketing is cost-effective and represents an important sales channel for the company.

### Consumer market - electricity

Most Norwegian consumers usually have little interest in electricity as a product. This changes when market prices for electricity are high or customers are moving home. This means electricity has to be actively sold to most consumers. Therefore, having a broadly composed distribution

system consisting of both internal and external partners, as well as sales channels across the country, is very important. The combination of internal and external sales channels reduces risk and provides opportunities for flexibility and benchmarking between channels. The company 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 wants its customers to feel that, in addition to good electricity contracts and leading customer service in Norway, they are simplifying their lives getting more for their money. Its visibility and large customer base make 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.

### Business market - electricity

Fjordkraft accounts for more than 75,000 electricity deliveries to 30,000 business customers supplied with electricity by the company. Like the consumer market, the business market is fragmented with numerous retailers. Fjordkraft's business customers range in size from major groups and energy-intensive operations to medium-sized and small local production and service companies. Fjordkraft has a broad electricity distribution system due to its presence and sales offices in Bergen, Trondheim, Oslo, Sandefjord and Stavanger.

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.

In recent years, the company has increased its visibility in the business market and now enjoys 95% brand awareness in this market. This was achieved by raising its profile where decision-makers travel for business and through digital channels.

Customer satisfaction in the business market has been an important focus area for the company. Fjordkraft is thus pleased that it is regarded as the most attractive retailer to switch to, according to a market survey in this segment conducted by TNS Kantar in December 2017. The next survey will be conducted in 2019.

### Consolidation and more acquisitions

Fjordkraft has stated it intends to pursue a consolidation strategy. The following companies and portfolios were acquired and integrated into Fjordkraft's customer service and operations environment in 2018:

In February, an agreement was signed to acquire the shares in TrønderEnergi Marked AS, an electricity retailer in the Trøndelag region with 62,000 electricity deliveries. The customer base was transferred and integrated into Fjordkraft's operating environment on 1 July.

Trondheim Kraft AS was the name of a subsidiary of Fjordkraft and a local brand in the Trøndelag region. Trondheim Kraft and TrønderEnergi Marked

were, prior to the acquisition, competitors in the region's end-user market. As a result of the acquisition of TrønderEnergi Marked, a decision was made to change the name of the merged company from Trondheim Kraft to TrøndelagKraft.

A further transaction was concluded with the TrønderEnergi Group in August. An agreement was signed to take over the end-user activities of Oppdal Everk by acquiring all of the shares in Oppdal Everk Kraftomsetning AS. The activities included around 5,200 electricity deliveries. The transaction was completed on 1 October 2018 and the customers were integrated into Fjordkraft from October.

Also in October, the company completed a transaction with BKK AS to take over the customer portfolio of Etne Elektrisitetslag. The customer portfolio amounted to around 1,600 electricity deliveries and was integrated into Fjordkraft's operating environment on 30 October.

### Alliance – services for other electricity companies

The alliance concept is Fjordkraft's partnership model for small-scale power producers, power grid companies and electricity retailers in the districts. Fjordkraft is responsible for purchases and managing the power portfolio for its members. This includes developing products and marketing materials, securing contract prices, analysis and offering expert advice in a number of areas. At the end of 2018, Fjordkraft had 30 companies as customers in its alliance concept. The year-on-year change was due to company mergers. The expanded Alliance business area includes the alliance partners who make use of billing services through the 'Fjordkraft Factory' in addition to

the services mentioned above. This amounted to 33,464 power deliveries at the end of 2018.

### The Fjordkraft Factory

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

The Factory also provides the basis for sales of settlement, billing and debt recovery services for alliance partners. This improves cost-effectiveness and also adds transaction volume beyond what Fjordkraft and TrøndelagKraft generate.

### Mobile telephony

Fjordkraft Mobil was launched on 25 April 2017. Fjordkraft's mobile telephony subscribers numbered 65,981 at the end of the fourth quarter of 2018. Customer growth in 2018 amounted to 27,612 subscribers. The company's mobile subscribers have the highest customer satisfaction of any mobile customers in the country, according to a survey conducted by EPSI in autumn 2018.

The target is to have 125,000 mobile subscribers by the end of 2020. The consumer market for mobile telephony in Norway amounts to around 4.3 million subscribers.

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. The main reason for establishing the mobile service was to increase loyalty, and after a year and a half as a provider of mobile telephony, analyses show increased loyalty through longer relationships with customers who purchase both electricity and mobile telephony from Fjordkraft.

## Organisation

### Equal opportunities

At the beginning of 2018, the Group had a total of 215 full-time employees accounting for 212.4 FTEs. At the end of the year, the figures were 252 full-time employees and 248.7 FTEs. The rise in employee numbers is due to customer growth, higher levels of activity and contracted FTEs being converted into full-time positions.

Of the total number of employees, 11 have part-time positions in the company, equivalent to 4.4% of the workforce. All of the part-time positions are due to the employees' own wishes.

In Fjordkraft, men and women enjoy equal rights, opportunities and pay conditions for the same type of position. At the end of 2018, women accounted for 43% of employees. 40% of the shareholder-elected board members are women. Overall, 36.8% of managerial positions with personnel responsibilities were held by women. The company's executive management team was split 50/50 between men and women in 2018.

The average annual full-time salary in the company in 2018, exclusive of the executive management group, was NOK 573,088. The average salary for men was NOK 593,086, while for women it was NOK 546,293. 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, promo-

tion, development opportunities and protection against harassment.

### Absence

Total sick leave amounted to 4.7% in 2018, compared with 4.6% in 2017. The target for sick leave is lower than 4.5%. Long-term absences were not work-related. Fjordkraft AS has signed up to the "Inclusive Working Life" scheme. A survey is conducted twice a year to learn how employees feel about their work situation and the degree to which they identify with the company's goals and values. Satisfaction among our employees is extremely high and the employees have a strong commitment to their workplace.

### Organisation

Fjordkraft's owners are among the company's service providers. BKK AS delivered services within accounting, payroll and IT operations to Fjordkraft in 2018. Preparations were made throughout 2018 for insourcing of accounting and payroll tasks from 1 January 2019 and the agreement with BKK AS for these supplies ending. Statkraft was the direct owner until the listing, but now has only indirect ownership through BKK and Skagerak Energi. Statkraft Energi AS's trading section in Trondheim delivers services within physical and financial energy trading.

Promise-based management has been an important element of Fjordkraft's culture and work methods since 2004 and aims to ensure that its strategy is converted into action in the individual's everyday lives. The company's management philosophy expresses how it expects managers to motivate and create results through employees. The company carried out a four-module manage-

ment development programme during the year, focusing on sales, personal leadership and personnel management.

Fjordkraft introduced LEAN as a working method in 2014 and in 2018 it again focused on improving processes with the aid of the LEAN method. A training programme for continuous improvement was developed during the year and in 2019 the company's LEAN knowledge will be further reinforced and included as a separate module in the company's management development programme.

### Board changes

Per Axel Koch succeeded Robert Olsen as Chair of the Board on the date of the stock exchange listing, 21 March 2018. Per Axel Koch, Live Haukvik and Steinar Sønsteby became board members from that moment, replacing Svein Kåre Grønås, Kristil Håland Helgerud and Peder Brustad. Board members Robert Olsen and Birthe Iren Grotle have served as board members in Fjordkraft for a long time and continue to sit on the board after the listing. The board members elected from among the employees, Øistein Prestø, Lindi Vinsand and Frank Økland, have long experience of working for the company and as board members in Fjordkraft.

The Board held 15 meetings during the year. The number of meetings in 2018 was higher than the norm for previous years due to preparations and decisions in connection with the stock exchange listing. No board committees in which only a selection of board members participated were used during the year beyond what the law requires in relation to an audit committee and a remuneration committee. The Board has discussed and evaluated its work.

The company's board members own shares in

the company. An overview of the distribution of shares is provided in note 14 in the financial statements for 2018.

### Strategy

The company's strategy plan for 2019-2021 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. Strategic assessments and discussions regularly form part of the Board's work and meetings.

Fjordkraft's strategy plan plays an important role in the managers' and employees' planning and normal workday. Managers at several levels help to shape the strategy for their areas of responsibility. Every year, as part of its evaluation and audit process, Fjordkraft chooses one focus area from the strategy plan which it subjects to particular scrutiny as far as the validity of its assumptions are concerned. 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.

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. Over time, the company has developed a good process for involving the company's middle management and other employees in the strategy plan and generating commitment to it.

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 an important tool in the company's strategy work.

### GDPR

The General Data Protection Regulation was implemented with effect for Norwegian companies from 20 July 2018. The new data protection rules emphasise accountability and internal control in companies. The new Regulation tightens the requirements for handling non-conformities, notifying affected parties and continuously working on information security.

An internal audit project was started in autumn 2017 to analyse Fjordkraft's status in relation to the requirements of the new data protection legislation. This was followed up by a project, which ran until June 2018, tasked with implementing the necessary organisational and technical changes.

Fjordkraft is not required by law to have a data protection ombudsman, but has nevertheless had one since 1 July 2018. The company regards this position as an important resource for an enterprise of Fjordkraft's scale. The data protection ombudsman provides advice and training, organises in-house awareness campaigns, and also acts as the contact point for the Norwegian Data Protection Authority and employees in matters to do with data protection.

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## Environment

### Corporate social responsibility - UN climate action award

Fjordkraft has been climate neutral since 2007. The company believes it can help make a positive difference in the work on reducing climate emissions and thus fulfil its corporate social responsibilities in this area.

At the UN climate conference in Katowice on 13 December, Fjordkraft's "Klimanjaro" climate initiative was named one of the winners of the UN's "Momentum for Change" climate action award for 2018. Fjordkraft is the first Norwegian company to receive this award. Klimanjaro won its award in the "Climate Neutral Now" category. With Klimanjaro the company is using its purchasing power and requiring all of its contractual partners to become climate neutral in order to deliver goods and services to Fjordkraft. The UN highlighted Klimanjaro as innovative, scalable and transferrable to all companies and industries, anywhere in the world.

The award has encouraged the company to inspire other companies to do the same with respect to their suppliers. The emission reductions Fjordkraft achieves through the company's suppliers are 100 times greater than the company's own emissions. Suppliers must produce climate accounts, take action and compensate for their residual emissions. A dialogue has also been established with other large companies and industry and procurement organisations. The goal is to achieve a domino effect where other companies stipulate the same requirements for their suppliers and for climate neutrality to become the

standard. Representatives from Fjordkraft have held a series of talks on Klimanjaro and also help organise workshops for companies that want to establish their own Klimanjaro initiative.

The Fjordkraft Group's total CO<sub>2</sub> emissions from energy consumption in offices and employees' business travel was calculated at 484 tonnes CO<sub>2</sub>e in 2018, compared with 460 tonnes CO<sub>2</sub>e in 2017. The increase from 2017 is due to adjusted figures from landlords regarding consumption at the company's offices and more employees. 295 tonnes CO<sub>2</sub>e of the emissions came from energy consumption in the company's offices, compared with 262 tonnes CO<sub>2</sub>e in 2017. Guarantees of origin (GoOs) were purchased for this volume. Office space in Oslo increased during the year. Business travel by road and air amounted to emissions of 189 tonnes CO<sub>2</sub>, compared with 198 tonnes in 2017. 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 has noted that the interest in, and demand from companies for, electricity with GoOs is slowly growing. There are international indications of a revitalisation of the CO<sub>2</sub> quota system and the company is adjusting its products in line with these.

## Finances

### Development activities and investments

The Fjordkraft Group is a labour-intensive group with few non-current assets. In recent years the Group has made investments in digital solutions for rationalisation purposes. The objective is to further develop cost-effective and customer-friendly processes for internal operations and for business purposes.

Organic CAPEX in 2018 amounted to NOK 34 million and mainly relates to further development and streamlining of IT systems. M&A Investments account for NOK 306 million, while NOK 111 million was spent on sales commissions in 2018.

In February, an agreement was signed to acquire the shares in TrønderEnergi Marked AS, an electricity retailer in the Trøndelag region with 62,000 electricity deliveries. The purchase price was NOK 278 million plus NOK 2 million in interest. The acquisition contributes to increased market share, and is expected to provide annual synergies of at least NOK 15 million from 2019.

Based on the purchase price allocation, NOK 107 million has been allocated to the customer portfolio and NOK 156 million to goodwill.

### Financial statements

The 2018 consolidated financial statements for Fjordkraft include the operations of Fjordkraft Holding ASA, the subsidiary Fjordkraft AS and second tier subsidiary TrøndelagKraft AS.

The consolidated financial statements have been prepared in accordance with International

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

The going concern assumption is the basis for the statements, and 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 of operations.

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 estimate deviations the subsequent year. The statements therefore ordinarily include correction amounts from previous years' contribution margin. In 2017 the item showed an expense recognition of NOK 12 million, while in 2018 it is an income of NOK 5 million.

Electricity prices in 2018 were higher than in 2017. The average system price on the Nordic Power Exchange was 42.3 øre/kWh for 2018, compared with 27.4 øre/kWh for 2017. This affects the company's sales figures. Total revenues in 2018 amounted to NOK 6,721 million, compared to NOK 4,453 million in 2017 and direct cost of sales amounted to NOK 5,624 million in 2018 compared to NOK 3,541 million in 2017. Total operating costs amounted to NOK 760 million, compared to NOK 597 million the previous year. The increase in costs is due to increased sales and marketing expenses, customer service costs and

other variable operating costs.

Profit before tax was NOK 332 million. Tax costs are estimated at NOK 78 million. Profit after tax for 2018 was thus NOK 254 million. The corresponding figures for 2017 are NOK 331 million before tax and NOK 252 million after tax.

### 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 2018. The board has proposed a dividend of NOK 2.20 per share, totalling NOK 229,891,675, to be approved by the General Meeting.

### Statement of financial position

The Fjordkraft Group has few non-current assets. Assets consist mainly of current assets in the form of trade receivables and cash and cash equivalents. The size of these items varies significantly throughout the year as a result of variations in price and consumption. Trade receivables are financed via debt to our suppliers and overdraft facilities, if necessary.

Non-current assets amount to around 15 per cent of the Group's financial position value. The largest increase from 2017 relates to the purchase of customer portfolios from Oppdal, Etne and BKK Energitjenester, as well as the operations of TrønderEnergi Marked.

Current assets amount to 85 per cent of the financial position value, and have increased by NOK 1,033 million from 2017. Trade receivables have increased by NOK 642 million due to more electricity deliveries (+ 14 per cent year on year in

the Consumer and Business segments) and higher market prices (54 per cent higher in 2018 than in 2017). At the same time cash and cash equivalents have increased by NOK 18 million. In addition, derivative financial instruments have increased by more than NOK 350 million from NOK 113 million to NOK 464 million. This is due to increased hedging, the fact that prices in the spot market and price expectations for the future have increased steadily throughout the year, and the fact that Fjordkraft has taken on more customers with risk management products.

Equity has increased by NOK 155 million from NOK 716 million to NOK 871 million as a result of retained earnings minus dividends paid. Among other matters affecting equity, the estimate difference for pensions is recognised against equity. Despite increased equity, an increase in the balance sheet value means that the Group's equity ratio is reduced from 34 per cent as at 31 December 2017 to 25 per cent as at 31 December 2018.

Total current liabilities have increased by NOK 962 million from 2017. This is largely related to increased supplier debt and derivative financial instruments, as discussed above. Other short-term liabilities also increased as a result of higher commitments related to electrical certificates.

In connection with the purchase of TrønderEnergi Marked AS in 2018, the group has taken a long-term loan from DNB of NOK 278 million. The residual balance at 31 December 2018 is NOK 250 million, where next year's instalment (NOK 56 million) is classified as a current liability in the statement of financial position.

Provisions for liabilities consist of net pension obligations amounting to NOK 79 million and

deferred tax of NOK 21 million. The increase in deferred tax of approximately NOK 8 million from 2017 was mainly due to increased temporary differences related to tangible non-current assets and capitalised sales commissions, while the increase in net pension commitments of approximately NOK 6 million is due mainly to an increase in the number of employees.

### Key figures

The number of power deliveries in the Consumer and Business segments amounted to 604,973 at the end of 2018, a growth of 14 per cent year on year. Including the Extended Alliance, the number of power deliveries was 638,437 at the end of 2018. The number of mobile subscribers was 65,981 at the end of 2018, a growth of 72 per cent year on year.

The volume delivered to the Consumer and Business segments amounted to 13.2 TWh in 2018, an increase of 10.3 per cent from 2017.

At the end of 2018, the group had a net cash position of NOK 131 million. Interest-bearing debt related to the acquisition of TrønderEnergi Marked amounted to NOK 250 million at 31 December 2018.

ROE (Return on equity) was 32 per cent in 2018, compared to 38 per cent in 2017.

### Cash flow analysis

The Fjordkraft Group can experience major fluctuations in price and consumption both between years and within a year. This means 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 2017 and 2018 cash flows is related to outstanding trade receivables, which saw a large increase in 2018 as a result of more customers and higher market prices.

Net cash flow from investing and financing activities shows smaller differences between the two years overall. The acquisition of TrønderEnergi Marked AS in 2018 was largely loan-financed, so the negative cash flow effect related to investing activities of NOK -254 million is offset by a positive cash flow related to financing activities of NOK 278 million related to borrowing.

Aside from the effect of the acquisition, there were larger payments for investing activities in 2018 due to increased investment in intangible assets, while payments for financing activities were lower due to lower paid dividends.

Underlying cash generation in the group is very good. Of an adjusted EBITDA of NOK 518 million in 2018, the company generated an Operating Free Cash Flow (OpFCF) before tax and changes in working capital of NOK 373 million. Organic CAPEX accounts for NOK 34 million and sales commissions accounts for NOK 111 million of the difference between adjusted EBITDA and OpFCF. The high cash generation and high equity returns enable an attractive dividend policy in combination with structural growth plans.

## Outlook

Fjordkraft acquired customer portfolios and companies in 2018. The company's ambition going forward is to continue pursuing its consolidation strategy. Fjordkraft's infrastructure is scalable with low marginal costs and ready for acquisitions of customer portfolios thanks to the Fjordkraft Factory.

### Market regulations for electricity and the mobile phone market

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

Norway has 124 power grid companies and more than a hundred electricity retailers. There are currently 91 grid companies with similar logos identifying them as integrated power suppliers or as power suppliers in the same group. This creates unequal competitive conditions between market-players. Fjordkraft is looking forward to the work on the regulatory amendment which will require power grid companies and power companies to trade under different brands. As a national retailer, Fjordkraft is used to seeing the current situation confuse customers, favour players with the same brand as the power grid company and inhibit competition in the market on a daily basis. NVE will

submit the proposed amendment to the regulations for consultation in the first half of 2019.

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

### Consolidated billing strengthening competition

NVE's Regulation regarding consolidated billing was introduced in September 2016, but the breakthrough for a large number of power grid companies and electricity retailers generally came in 2018. 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 and 2018, the company entered into consolidated billing agreements with power grid owners nationwide. This has opened up the market through equal competitive conditions and increased potential sales for a company with Fjordkraft's distribution strength. No less than 93% of Fjordkraft's consumer market customers can pay for their electric-

ity and grid rental together. This has strengthened the company's competitiveness.

### Digitalisation

Elhub will be launched for the power industry on 18 February 2019 as a result of NVE, in 2013, commissioning Statnett to establish a data hub that encompasses all electricity meter data in Norway. The planned start date for Elhub in 2017 was postponed from October 2017 to February 2019. Elhub will result in simpler and better processes and improve the quality of data transfers between players in the industry. As far as electricity customers are concerned, Elhub means better quality information transfers, equal treatment and less risk of mistakes being made. Elhub is also an important prerequisite for managing the huge volumes of data that will result from the introduction of digital electricity meters (AMS).

The power grid companies' installation of digital electricity meters in homes proceeded at full speed in 2018. The government set a deadline of 1 January 2019 by which all homes should have smart electricity meters installed.

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, which started in 2017, the company will receive a total of NOK 6.3 million to develop smart energy-saving solutions for private homes. The pilot project is based on data from digital electricity meters. In 2018, the project collected data via an app installed by a group of test users. The plan is to launch this commercially on a large-scale in customers' homes towards the end of 2019.

### Customer perspective

The industry's general reputation has improved over a number of years, but it experienced a setback in customer satisfaction in 2018. Electricity prices were generally higher in 2018 than in recent years. This, combined with the fact that most households had a new smart electricity meter installed in 2018, resulted in an unusually high number of enquiries to both power grid companies and electricity retailers. The new electricity meters and people who are sceptical about them have also gained a lot of attention in the media.

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.

### Prosumers

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 car owners as electricity customers.

In connection with the acquisition of TrønderEnergi Marked, Fjordkraft has stepped into and enhanced a partnership with a company called Solcellespesialisten AS. Solcellespesialisten supplies fully installed solar cell systems. Fjordkraft will market and sell the solutions together with electricity contracts and associated subscription services to customers who produce their own solar electricity. This will initially be open to Consumer customers only in 2019.



## Robust demand

The company is in the enviable position of electricity demand being largely unaffected by economic cycles or impacted by the international trade situation. Greater electrification, aimed at reducing greenhouse gas emissions, is an ambition in many areas of Norwegian society.

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

With its brand, customer base, distribution network, organisation and Factory, Fjordkraft is well-equipped to meet this trend. The Board would like to take this opportunity to say a big thank you to our employees and everyone who works for Fjordkraft for their efforts and contribution to our good results in 2018.

The Board of Fjordkraft Holding ASA, Bergen, 28 March 2019.



**Per Axel Koch**  
Chairman



**Birthe Iren Grotle**  
Board member



**Frank Økland**  
Board member



**Øistein Prestø**  
Board member



**Robert Olsen**  
Board member



**Live Bertha Haukvik**  
Board member



**Steinar Sønsteby**  
Board member



**Lindi Bucher Vinsand**  
Board member



**Rolf Jørgen Barmen**  
CEO

## 4.2

# Financial statements Fjordkraft Group

## Consolidated statement of profit or loss

NOK in thousands	Note	2018	2017
<b>Continuing operations</b>			
Revenue	3, 5	6 720 948	4 452 510
Direct cost of sales	4, 5	(5 623 526)	(3 540 521)
<b>Revenue less direct cost of sales</b>		<b>1 097 422</b>	<b>911 989</b>
Personnel expenses	5, 8, 15, 19	(217 514)	(178 751)
Other operating expenses	5, 9, 23, 25	(378 382)	(312 923)
Depreciation and amortisation	3, 5, 12, 13	(164 065)	(105 578)
<b>Total operating expenses</b>		<b>(759 961)</b>	<b>(597 252)</b>
Other gains and losses, net	6	(10 578)	7 884
<b>Operating profit</b>		<b>326 883</b>	<b>322 620</b>
Interest income	6	15 178	11 801
Interest expense	6	(4 927)	(175)
Other financial items, net	9	(5 277)	(2 779)
<b>Net financial income/(cost)</b>		<b>4 974</b>	<b>8 847</b>
<b>Profit/(loss) before tax</b>		<b>331 858</b>	<b>331 467</b>
Income tax (expense)/income	10	(78 289)	(79 527)
<b>Profit/(loss) for the year</b>		<b>253 569</b>	<b>251 941</b>
Basic earnings per share (in NOK)	11	2,43	2,41
Diluted earnings per share (in NOK)	11	2,41	2,41

Consolidated statement of  
comprehensive income (loss)

NOK in thousands	Note	2018	2017
<b>Profit/(loss) for the year</b>		<b>253 569</b>	<b>251 941</b>
Other comprehensive income:			
<b>Items that will not be reclassified to profit or loss:</b>			
Actuarial gain/(loss) on pension obligations (net of tax)	10, 15	1 167	(20 008)
<b>Total</b>		<b>1 167</b>	<b>(20 008)</b>
<b>Total other comprehensive income/(loss) for the year, net of tax</b>		<b>1 167</b>	<b>(20 008)</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>254 736</b>	<b>231 932</b>

## Consolidated statement of financial position

NOK in thousands	Note	2018	2017
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	12, 23	4 139	3 568
Goodwill	13, 23	155 849	-
Intangible assets	13, 23	199 957	82 096
Cost to obtain contracts	3	149 912	137 536
Other non-current financial assets	6	20 090	14 198
<b>Total non-current assets</b>		<b>529 947</b>	<b>237 398</b>
<b>Current assets</b>			
Intangible assets	13	33 595	2 569
Inventories		533	1 394
Trade receivables	6, 18, 23	2 006 328	1 364 519
Derivative financial instruments	6, 7, 23	463 626	113 435
Other current assets	17	32 741	40 083
Cash and cash equivalents	6, 23	381 409	363 212
<b>Total current assets</b>		<b>2 918 231</b>	<b>1 885 211</b>
<b>Total assets</b>		<b>3 448 178</b>	<b>2 122 609</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	14	31 349	31 349
Share premium	14	125 035	125 035
Retained earnings		714 651	559 916
<b>Total equity</b>		<b>871 035</b>	<b>716 299</b>
<b>Non-current liabilities</b>			
Net employee defined benefit plan liabilities	15	79 308	73 720
Interest-bearing long term debt	6	194 600	-
Deferred tax liabilities	10, 23	20 837	12 944
Other provisions for liabilities	23	805	-
<b>Total non-current liabilities</b>		<b>295 550</b>	<b>86 664</b>

## Consolidated statement of financial position

NOK in thousands	Note	2018	2017
<b>Current liabilities</b>			
Trade and other payables	6, 18, 23	1 100 186	726 631
Current income tax liabilities	10	94 213	71 198
Derivative financial instruments	6, 7, 23	455 429	95 428
Social security and other taxes	23	57 523	50 085
Other current liabilities	6, 16, 26	574 243	376 304
<b>Total current liabilities</b>		<b>2 281 593</b>	<b>1 319 646</b>
<b>Total liabilities</b>		<b>2 577 143</b>	<b>1 406 310</b>
<b>Total equity and liabilities</b>		<b>3 448 178</b>	<b>2 122 609</b>

The Board of Fjordkraft Holding ASA, Bergen, 28 March 2019.



Per Axel Koch  
Chairman



Birthe Iren Grotle  
Board member



Frank Økland  
Board member




Øistein Prestø  
Board member



Robert Olsen  
Board member



Live Bertha Haukvik  
Board member



Steinar Sønsteby  
Board member



Lindi Bucher Vinsand  
Board member



Rolf Jørgen Barmen  
CEO

## Consolidated statement of changes in equity

NOK in thousands	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance at 1 January 2017	31 352	125 032	-	448 268	604 651
Profit/(loss) for the year	-	-	-	251 941	251 941
Other comprehensive income/(loss) for the year, net of tax	-	-	-	(20 008)	(20 008)
<b>Total comprehensive income for the year</b>			-	<b>231 932</b>	<b>231 932</b>
Dividends paid (note 11)	-	-	-	(120 084)	(120 084)
<b>Transactions with owners</b>	-	-	-	<b>(120 084)</b>	<b>(120 084)</b>
Incorporation of Fjordkraft Holding ASA*	(3)	3	-	(200)	(200)
<b>Balance at 31 December 2017</b>	<b>31 349</b>	<b>125 035</b>	-	<b>559 916</b>	<b>716 299</b>
Balance at 1 January 2018	31 349	125 035	-	559 916	716 299
Profit/(loss) for the year	-	-	-	253 569	253 569
Other comprehensive income/(loss) for the year, net of tax	-	-	-	1 167	1 167
<b>Total comprehensive income for the year</b>			-	<b>254 736</b>	<b>254 736</b>
Purchase of treasury shares	-	-	(2 889)	-	(2 889)
Sale of treasury shares	-	-	2 889	-	2 889
Dividends paid (note 11)	-	-	-	(100 000)	(100 000)
<b>Transactions with owners</b>	-	-	-	<b>(100 000)</b>	<b>(100 000)</b>
<b>Balance at 31 December 2018</b>	<b>31 349</b>	<b>125 035</b>	-	<b>714 651</b>	<b>871 035</b>

\* Incorporation expenses of NOKt 200 were recognised against equity with the incorporation of Fjordkraft Holding ASA as the new parent company.

## Consolidated statement of cash flows

NOK in thousands	Note	2018	2017
<b>Operating activities</b>			
Profit/(loss) before tax		331 858	331 467
<b>Adjustments for:</b>			
Depreciation	12, 13	65 532	24 372
Interest expense	6	4 927	175
Interest income	6	(15 178)	(11 801)
Change in fair value of derivative financial instruments	6	10 578	(7 884)
Change in post-employment liabilities	15	4 402	(27)
Amortisation of contract assets	3	98 533	81 206
Impairment loss recognised in trade receivables	6	22 848	11 920
Change in long-term receivables		(5 062)	-
<b>Changes in working capital:</b>			
Inventories		861	(1 394)
Trade receivables	6, 18	(506 065)	(171 544)
Purchase of el-certificates	13	(191 420)	(210 908)
Non-cash effect from cancelling el-certificates	13	169 330	216 322
Purchase of guarantees of origination	13	(30 208)	(2 558)
Non-cash effect from disposal of guarantees of origination	13	21 272	-
Other current assets	17	54 589	(4 649)
Trade and other payables	6, 18	372 173	250 764
Other current liabilities	23,26	(49 229)	(170)
<b>Cash generated from operations</b>		<b>359 740</b>	<b>505 292</b>
Interest paid		(3 678)	(175)
Interest received		15 178	11 801
Income tax paid	10	(73 569)	(71 799)
<b>Net cash from operating activities</b>		<b>297 672</b>	<b>445 119</b>



## Consolidated statement of cash flows

NOK in thousands	Note	2018	2017
<b>Investing activities</b>			
Purchases of property, plant and equipment	12	(1 376)	(1 309)
Purchase of intangible assets	13	(62 583)	(35 807)
Payments to obtain a contract (contract assets)	3	(110 646)	(117 594)
Net cash outflow from acquisition of subsidiaries	23	(254 102)	-
Net (outflow)/proceeds from non-current receivables	6	(759)	(339)
Net (outflow)/proceeds from other long-term liabilities		(209)	-
<b>Net cash used in investing activities</b>		<b>(429 675)</b>	<b>(155 048)</b>
<b>Financing activities</b>			
Dividends paid	11	(100 000)	(120 084)
Proceeds from interest-bearing long term debt	6	278 000	-
Instalments long term debt	6	(27 800)	-
<b>Net cash used in financing activities</b>		<b>150 200</b>	<b>(120 084)</b>
<b>Net change in cash and cash equivalents</b>		<b>18 197</b>	<b>169 987</b>
Cash and cash equivalents at 1 January		363 212	193 226
<b>Cash and cash equivalents at 31 December</b>		<b>381 409</b>	<b>363 212</b>

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## Note 1

# Accounting policies

### General information

These consolidated financial statements for Fjordkraft Holding ASA for the year ended 31 December 2018, was approved by the Board of Directors on 28 March 2019.

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

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

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

### Basis of preparation

These consolidated financial statements have been prepared in accordance with International

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

### Basis of consolidation

These consolidated financial statements include the accounts of Fjordkraft Holding ASA and its subsidiaries (note 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 manage-

ment 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 2018 and not early adopted by the Group

Certain new accounting standards and interpretations have been published that are not mandatory as per December 31, 2018. These new standards have not been adopted. The Group's assessment of the impacts of these new standards and interpretations is set out below.

### 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. Some of the commitments are covered by the exception for short-term and

low-value leases.

The standard is mandatory for financial years commencing on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date. Note 21 sets out the assessment of the impact.

### Principles of consolidation

#### Subsidiaries

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

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

#### Changes in ownership interests

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

subsequently accounting for the retained interest as an associate, joint venture or financial asset.

### Business combinations and goodwill

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of inputs and processes applied to these inputs that have the ability to create output.

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

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

If the fair value of the net identifiable assets acquired exceeds the acquisition cost on the

acquisition date, the excess amount is taken to the Income statement immediately.

Goodwill is not depreciated, but is tested at least annually for impairment. In connection with this, goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis for its initial recognition.

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

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

### Foreign currency translation

#### *Functional and presentation currency*

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

#### *Transactions and balances*

Transactions in currencies other than the entity's functional currency (foreign currency) are translated into the functional currency using the exchange rates at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other financial items.

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

### Revenue recognition

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

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

1. Identify the contract(s) with a customer;
2. Identify the performance obligations in the contract;
3. Determine the transaction price;
4. Allocate the transaction price to the performance obligations in the contract; and

5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group only applies the five-step model to contracts when it is probable that the Group will collect the consideration it is entitled to in exchange for the goods or services it transfers to the 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 3, "Revenue Recognition".

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

Please refer to note 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 does 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 and 7 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.

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

## Own use contracts

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

## Intangible assets

### 1) Intangible assets acquired separately - 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 EI-certificate cancellation liability').

## 2. Software

Costs associated with maintaining software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets if, and only if all of the following conditions have been demonstrated:

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

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

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

## 3. Customer portfolios

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

## 4. Goodwill

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

## 2) Internally generated intangible assets - Software

### Research and development

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

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

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

## Provision for EI-certificate cancellation liability

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

government at 1 April) based on the total MWh of electricity sold to consumers during the preceding year.

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

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

The cancellation liability is presented within other current liabilities and any el-certificates acquired are presented as part of Intangible assets. The corresponding cost is recorded as

part of Direct cost of sales as it is considered an incremental cost of power purchased.

### Other provisions

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

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

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

### Employee benefits

The Group operates with both funded and unfunded defined benefit pension plans.

### Pension obligations

The Group has a pension scheme covering a total of 234 active members and 29 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 232 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 CPA, 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.

### Share-based compensation

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

The fair value of the employee services received in exchange for the allotment of options is recognised as an expense over the vesting period based on the fair value of the options. On each balance date, the Group revises its estimates of the number of options that are expected to be exercisable. Any adjustments will be recognised in the income statement and corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium when the options are exercised.

### Dividends

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



## Earnings per share

### 1. Basic earnings per share:

Basic earnings per share is calculated by dividing:

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

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

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

Following the detailed evaluation of these criteria,

management is satisfied that the classification and presentation of revenue from sale of our various products and services are appropriate.

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

In determining which sales commissions represents incremental costs to obtain a contract, management evaluates the various types 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.

#### 4. Impairment of Goodwill

All intangible assets with indefinite useful lives are tested for impairment at least once every year. Single assets can be tested more often in case there are indications of impairment. The recoverable amounts of the cash-generating units have

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

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

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

## Note 3

### Revenue recognition

The following table summarises revenue from contracts with customers:

#### Revenue

NOK in thousands	2018	2017
Revenue - Consumer segment (1)	3 792 936	2 518 778
Revenue - Business segment (2)	2 778 130	1 872 997
Revenue - New growth initiatives (3)	149 882	60 735
<b>Total revenue</b>	<b>6 720 948</b>	<b>4 452 510</b>

#### Timing of revenue recognition

NOK in thousands	2018	2017
<b>Over time:</b>		
Revenue - Consumer segment	3 713 899	2 448 620
Revenue - Business segment	2 757 947	1 855 984
Revenue - New growth initiatives	148 428	60 198
<b>Total revenue recognised over time</b>	<b>6 620 274</b>	<b>4 364 802</b>
<b>At a point in time:</b>		
Revenue - Consumer segment	79 037	70 158
Revenue - Business segment	20 183	17 013
Revenue - New growth initiatives	1 454	537
<b>Total revenue recognised at a point in time</b>	<b>100 674</b>	<b>87 708</b>
<b>Total revenue</b>	<b>6 720 948</b>	<b>4 452 510</b>

(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 electricity procurement services, included related services, to Alliance partners – referred to as New Growth Initiatives)

### Note 3

#### Revenue recognition

#### Sale of electricity

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

#### Electricity Procurement Services

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

In addition, the Group provides certain additional

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

The Group also provides invoicing, 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

rolled over to the next month. The data that is rolled over can not exceed the total data amount indicated in the customers subscriptions. The customer is invoiced monthly in advance for the fixed amount, while any consumption not included in the fixed monthly price is invoiced in arrears. Data usage is accounted for as a separate performance obligation and fixed monthly fee is allocated to data services based on estimated expected cost plus margin.

Customers that also have a contract for delivery of electricity with the Group, are provided a discount on their mobile phone subscription. The monthly discount is allocated to both the electricity and mobile phone services on a stand-alone 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 3

#### Revenue recognition

### Contracts with Multiple Performance Obligations

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

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

### Cost to Obtain Contracts

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

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

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

NOK in thousands	2018	2017
Balance as at 1 January	137 536	101 149
Additions	110 909	117 594
Amortisation during the year	(98 533)	(81 206)
Impairment losses recognised	-	-
<b>Balance as at 31 December</b>	<b>149 912</b>	<b>137 536</b>

### 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 trade receivables when the Company's right to consideration is unconditional (when the customer obtains control of promised goods or services).

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

### Note 3

#### Revenue recognition

The following table presents changes in the Company's contract assets and liabilities during the year ended 31 December, 2017 and 2018:

NOK in thousands	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
<b>31 December 2017:</b>				
<b>Contract assets</b>				
Accrued revenue (delivered not invoiced)	709 949	4 393 791	(4 306 818)	796 922
<b>Contract liabilities</b>				
Deferred revenue (invoiced not delivered)	7 389			20 472
<b>31 December 2018:</b>				
<b>Contract assets</b>				
Accrued revenue (delivered not invoiced)	796 922	6 438 179	(6 031 083)	1 204 017
<b>Contract liabilities</b>				
Deferred revenue (invoiced not delivered)	20 472			65 766

During the year ended 31 December, 2017 and 2018, 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	2018	2017
Amounts included in the contract liability at the beginning of the period	20 472	7 389
Performance obligations satisfied in previous periods	20 472	7 389

#### 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 2018 and 31 December 2017. The guidance provides certain practical expedients that limit this requirement. Majority of the Groups contracts meet either of the following practical expedients provided by

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

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

#### Concentrations of Credit Risk

The Group do not have any customers that comprised more than 10% of the Group's revenue for year ended 31 December 2018 and 31 December 2017.

As of 31 December 2018 and 31 December 2017 the Group do not have significant customers that comprises more than 10% of trade receivables.

## Note 4 Direct cost of sales

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

NOK in thousands	2018	2017
Purchase of electrical power and el certificates	5 457 010	3 485 418
Other direct cost of sales	151 861	49 024
Interest compensation for extended credit days electricity purchase	14 655	6 079
<b>Total direct cost of sales</b>	<b>5 623 526</b>	<b>3 540 521</b>

Other indirect cost related to generating revenue are not included within direct costs of sales for 2018 and 2017 as they are not material and is included in other operating expenses in the consolidated statements 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 outstanding balance is interest-bearing from day 1. Fjordkraft also has the right to postpone the payments by an additional 30 days if their current cash in hand does not cover the liability.

As at 31 December 2018, the interest bearing balance with Statkraft Energi AS was NOKt 942 934 (31 December 2017 NOKt 553 962).

The Group presents this interest expense as part

of direct cost of sales as it consider this a cost directly related to the purchase of electrical power.

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

## 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 focused on the category of customer for each type of activity. No operating segments have been aggregated in arriving at the reportable segments of the Group. The principal categories of customers are direct sales to private consumers, business consumers and alliance partners.

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

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

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



Note 5  
Segment information

Year ended 31 December 2018				
NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue	3 792 936	2 778 130	149 882	6 720 948
<b>Total external segment revenue</b>	<b>3 792 936</b>	<b>2 778 130</b>	<b>149 882</b>	<b>6 720 948</b>
Direct cost of sales	(3 018 887)	(2 484 504)	(120 136)	(5 623 526)
<b>Revenue less direct cost of sales</b>	<b>774 049</b>	<b>293 627</b>	<b>29 746</b>	<b>1 097 422</b>
<b>Expenses</b>				
Personnel and other operating expenses	(390 753)	(125 934)	(53 374)	(570 061)
Depreciation and amortisation	(110 101)	(10 992)	(6 597)	(127 690)
<b>Adjusted Operating profit (before unallocated)</b>	<b>273 194</b>	<b>156 701</b>	<b>(30 225)</b>	<b>399 671</b>
Adjustment: (Positive)/negative estimate deviations previous year 1)	(3 707)	(2 664)	922	(5 449)
Adjustment: Other non-recurring revenue adjustments	(4 080)	-	-	(4 080)
<b>Adjusted Operating profit (before unallocated and estimate deviations)</b>	<b>265 407</b>	<b>154 037</b>	<b>(29 303)</b>	<b>390 142</b>
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
<b>Total external segment revenue</b>	<b>2 518 778</b>	<b>1 872 997</b>	<b>60 735</b>	<b>4 452 510</b>
Direct cost of sales	(1 863 383)	(1 641 077)	(36 061)	(3 540 521)
<b>Revenue less direct cost of sales</b>	<b>655 394</b>	<b>231 920</b>	<b>24 674</b>	<b>911 989</b>
<b>Expenses</b>				
Personnel and other operating expenses	(300 425)	(112 814)	(51 434)	(464 673)
Depreciation and amortisation	(92 558)	(9 171)	(2 012)	(103 741)
<b>Adjusted Operating profit (before unallocated)</b>	<b>262 411</b>	<b>109 935</b>	<b>(28 772)</b>	<b>343 574</b>
Adjustment: (Positive)/negative estimate deviations previous year 1)	4 463	9 298	(1 605)	12 156
Adjustment: Other non-recurring revenue adjustments	-	-	-	-
<b>Adjusted Operating profit (before unallocated and estimate deviations)</b>	<b>266 874</b>	<b>119 233</b>	<b>(30 377)</b>	<b>355 730</b>

\* 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.

Note 5  
Segment information

**Reconciliation to statement of profit and loss for the period**

NOK in thousands	2018	2017
<b>Adjusted Operating profit (before unallocated and estimate deviations)</b>	390 142	355 730
Adjustment: (Positive)/negative estimate deviations previous year 1)	5 449	(12 156)
Other gains and losses 2)	(10 578)	7 884
Special items 3)	(21 755)	(27 002)
Depreciation of acquisitions 4)	(36 375)	(1 834)
<b>Operating profit</b>	<b>326 883</b>	<b>322 620</b>
Interest income	15 178	11 801
Interest expense	(4 927)	(175)
Other financial items, net	(5 277)	(2 779)
<b>Profit/(loss) before tax</b>	<b>331 858</b>	<b>331 467</b>

1) A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period. This presentation correspond with management reporting and monitoring of the segments financial performance throughout the period.

2) Other gains and losses consist of change in unrealised gains and losses on derivative financial instruments associated with the purchase and sale of electricity.

3) Special items consists of:

NOK in thousands	2018	2017
Special items incurred specific to:		
- the process of listing the company on Oslo Stock Exchange	(11 323)	(12 176)
- acquisition related costs	(11 643)	-
- the launch of new products and services	-	(14 826)
- compensatory damages	4 080	-
- legal costs related to the compensatory damages above	(460)	-
- strategic costs related to markets abroad	(2 409)	-
<b>Special items</b>	<b>(21 755)</b>	<b>(27 002)</b>

4) Depreciation of acquisitions consists of depreciation related to customer portfolios and acquisitions of companies accounted for in intangible assets in the consolidated statement of financial position. Reference is made to note 13 regarding carrying amount. The Group has decided to report the operating profit of the segments adjusted for depreciation of acquisitions. In order to accommodate this, historically reported figures have been adjusted accordingly:

NOK in thousands	2018	2017
TrønderEnergi Marked acquisition	(30 777)	-
Oppdal Everk Kraftomsetning acquisition	(1 306)	-
Other customer acquisitions	(4 292)	(1 834)
<b>Depreciation of acquisitions</b>	<b>(36 375)</b>	<b>(1 834)</b>

## Note 6

### Financial assets and financial liabilities

The Group holds the following financial instruments:

#### Financial assets

NOK in thousands	Notes	2018	2017
<b>Financial assets at amortised cost</b>			
Trade receivables (1)	6(a)	2 006 328	1 364 519
Other non-current financial assets (1)	6(a)	20 090	14 198
Cash and cash equivalents (1)	6(d)	381 409	363 212
<b>Financial asset at fair value through profit or loss</b>			
Derivative financial instruments (2)	7	463 626	113 435
<b>Total financial assets</b>		<b>2 871 453</b>	<b>1 855 363</b>

#### Financial liabilities

NOK in thousands	Notes	2018	2017
<b>Liabilities at amortised cost</b>			
Trade and other payables (1)	6(b)	1 100 186	726 631
Interest-bearing long term debt	6(c)	250 200	-
<b>Financial liabilities at fair value through profit or loss</b>			
Derivative financial instruments (2)	7	455 429	95 428
<b>Total financial liabilities</b>		<b>1 805 815</b>	<b>822 059</b>

(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 are recognised and measured at fair value. The Group has classified 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 determine fair value of an instrument are observable, the instrument is included in level 2; and

Level 3: Fair value of financial instruments that are determined using valuation techniques of which one or more of the significant inputs is not based on observable market data, 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

1.20 per cent (2017: 0.90 per cent) that reflects the Group's current borrowing rate at the end of the reporting period. The valuation method is used for forward contracts and option contracts associated with purchase and sale of electricity. Key inputs to the valuation are discount rates, contract- and market prices.

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	2018	2017
Interest from assets held at amortised cost		15 178	11 801
Interest expense from liabilities at amortised cost		(4 927)	(1 75)
Net impairment expense recognised on trade receivables	6(a)	(23 075)	(12 402)
Fair value gains(losses) on derivatives	7	(10 578)	7 884
Total net foreign exchange (losses) recognised in other financial items	9	68	(75)
<b>Total financial income and expense</b>		<b>(23 334)</b>	<b>7 032</b>

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## 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, unless it is past due date.

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

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

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

the current and prior reporting periods.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over one year past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

## 6(a)

## Trade receivables and Other non-current financial assets

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

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

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

(2) Ceased engagements represents trade receivables 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

2017	Days past due						Total
	Current	31-60 days	61-90 days	91-120 days	121-180 days	More than 180 days	
NOK in thousands							
<b>Active engagements (1)</b>							
<b>Consumer</b>							
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
<b>Loss allowance provision</b>	<b>456</b>	<b>1 620</b>	<b>442</b>	<b>471</b>	<b>491</b>	<b>742</b>	<b>4 222</b>
<b>Business</b>							
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
<b>Loss allowance provision</b>	<b>343</b>	<b>97</b>	<b>242</b>	<b>20</b>	<b>-</b>	<b>-</b>	<b>702</b>
<b>New growth initiatives</b>							
Expected loss rate	0,2 %	8,9 %	23,8 %	29,9 %	36,7 %	49,8 %	0,0 %
Gross carrying amount	-	-	-	-	-	-	-
<b>Loss allowance provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ceased engagements (2)</b>							
<b>Consumer</b>							
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
<b>Loss allowance provision</b>	<b>39</b>	<b>320</b>	<b>365</b>	<b>565</b>	<b>1 287</b>	<b>10 751</b>	<b>13 327</b>
<b>Business</b>							
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
<b>Loss allowance provision</b>	<b>10</b>	<b>17</b>	<b>60</b>	<b>95</b>	<b>693</b>	<b>4 118</b>	<b>4 992</b>
<b>New growth initiatives</b>							
Expected loss rate	0,5 %	11,6 %	27,1 %	31,2 %	39,1 %	50,3 %	n.a.
Gross carrying amount	-	-	-	-	-	-	-
<b>Loss allowance provision</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Loss allowance provision</b>	<b>848</b>	<b>2 053</b>	<b>1 108</b>	<b>1 151</b>	<b>2 471</b>	<b>15 611</b>	<b>23 243</b>

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

(2) Ceased engagements represents trade receivables 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 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	2018	2017
Opening balance, 1 January	23 843	11 924
Additions from business combinations (see note 23)	3 792	
Loss allowance recognised in profit or loss for the period	22 848	11 320
Other loss allowance provisions recognised in profit or loss for the period	-	600
<b>At 31 December</b>	<b>50 483</b>	<b>23 843</b>

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

NOK in thousands	2018	2017
Receivables written off	784	1 616
Movement in provision for impairment	22 848	11 920
Received payment on previously written off receivables	(557)	(1 133)
<b>Net impairment expense recognised on trade receivables</b>	<b>23 075</b>	<b>12 402</b>

**Other non-current financial assets**

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

NOK in thousands	2018	2017
Loan to employees*	14 813	14 198
Other long term receivables from customers**	5 062	-
Other non-current financial assets	215	-
<b>Total</b>	<b>20 090</b>	<b>14 198</b>

\* Loans to employees include next year's installments. Installments in 2019 amount to NOKt 2 306.

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



## 6(b) Trade and other payables

### Current liabilities

NOK in thousands	2018	2017
Trade and other payables	1 100 186	726 631

Trade and other payables are unsecured and are usually paid within 30 days of recognition. The Group's agreement with Statkraft Energi AS allows for payment terms of 30 days, of which the outstanding balance is interest-bearing from day 1. Fjordkraft also has the right to postpone the payments by an additional 30 days if their current cash in hand does not cover the liability. Please refer to note 18 for more details.

### Fair value of trade and other payables

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

## 6(c) Borrowings

### Long term loan

NOK in thousands	Effective interest rate	2018	2017
Bank loan DnB	2,45%	250 200	-
<b>Total</b>		<b>250 200</b>	<b>-</b>

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

The rate of interest is a calculated weighted average. The referanse interest rate is NIBOR. Repayment profile is five years with quarterly installments. The loan installments (55 600 NOKt) that are due in 2019 has been reclassified from interest-bearing long term debt to other non-current liabilities.

### Credit facility

Fjordkraft AS has a credit facility from DNB Bank ASA with a limit of NOKt 1 000 000. The group has not drawn down on this facility at 31 December 2018 or 31 December 2017.

### Collateral and covenants

Trade receivables with a carrying value not to exceed NOKt 2 118 000 has been pledged as collateral for all engagements with DNB, including long term loan, credit facility to the extent drawn down and guarantees (described in note 20).

NOK in thousands	2018	2017
Book value of assets pledged as security		
<b>Trade receivables</b>	<b>2 006 328</b>	<b>1 364 519</b>

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

As of 31 December 2018, booked equity amounts to NOKt 870 035 (NOKt 641 143 net of proposed dividends).

The Group is in compliance with covenants as of 31 December 2018, and do not consider there to be a significant risk of a breach of the covenants over the next 12 months.

## 6(d) Cash and cash equivalents

### Current assets

NOK in thousands

	2018	2017
Cash at bank and in hand	381 409	363 212
<b>Total</b>	<b>381 409</b>	<b>363 212</b>

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 2018 or 31 December 2017. 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 and, to a limited degree, forward contracts on Guarantees of origination to manage risk exposure towards fluctuations in prices of these Guarantees.

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

the Group has not made a provision for losses on these contracts.

### Market risk - volume

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

### Market risk - interest rates

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

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**Note 7**
**Financial Risk Management Objectives**

The group has the following derivative financial instruments:

NOK in thousands	2018	2017
<b>Current assets</b>		
Forwards with SEAS*	197 948	13 494
Options with SEAS*	(10 054)	(8 011)
Forwards with customers	266 266	97 779
Options with customers	5 686	10 015
Other derivatives	3 780	157
<b>Total current derivative assets</b>	<b>463 626</b>	<b>113 435</b>
<b>Current liabilities</b>		
Forwards with SEAS*	-	-
Options with SEAS*	-	-
Forwards with customers	451 560	95 270
Options with customers	89	-
Other derivatives	3 780	157
<b>Total current derivative liabilities</b>	<b>455 429</b>	<b>95 428</b>

\* 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 2018, 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 cor-

porate 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.

In addition to invoicing electricity and other services provided to customers, the Group provides re-invoicing to customers related to grid rent on behalf of the grid owners ("gjennomfakturering"). This contributes to an increase in credit risk as the amount of trade receivables increases. The Group is also required from the grid owners to provide bank guarantees for the settlement of grid rent, as described in note 20.

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

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. Derivative financial contracts are entered into with Statkraft Energi AS (SEAS), the Group's counterparty and a subsidiary of one of the Group's major shareholders, Statkraft AS (refer to note 18). The Group manage the risks related to these contracts with SEAS, and other derivative

financial contracts with customers, by entering into back-to-back contracts with the customers on similar terms and conditions.

**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.

### Note 7

#### Financial Risk Management Objectives

#### Liquidity risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities. 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.

The table below presents the maturities on the Group's non-derivative financial liabilities with agreed repayment periods.

#### 31 December 2018

NOK in thousands	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Non-interest bearing	157 252	-	-	-	-	157 252	157 252
Variable interest rate instruments	958 387	-	41 700	194 600	-	1 194 687	1 194 687
Fixed interest rate instruments	-	-	-	-	-	-	-
Financial guarantee contracts	-	-	-	-	-	-	-
<b>Total</b>	<b>1 115 640</b>	<b>-</b>	<b>41 700</b>	<b>194 600</b>	<b>-</b>	<b>1 351 940</b>	<b>1 351 940</b>

#### 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	-	-	-	-	-	-	-
<b>Total</b>	<b>726 631</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>726 631</b>	<b>726 631</b>

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

#### 31 December 2018

NOK in thousands	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total	Carrying amount
Forwards with SEAS*	-	-	-	-	506	506	-
Options with SEAS*	1 572	2 713	5 803	-	-	10 088	-
Forwards with customers	56 238	101 648	218 863	91 092	-	467 840	451 560
Options with customers	109	-	-	-	-	109	89
Other derivatives	-	-	-	-	-	-	3 780
<b>Total</b>	<b>57 920</b>	<b>104 361</b>	<b>224 665</b>	<b>91 092</b>	<b>506</b>	<b>478 543</b>	<b>455 429</b>

#### 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
<b>Total</b>	<b>25 812</b>	<b>32 855</b>	<b>44 595</b>	<b>100 523</b>	<b>2 880</b>	<b>206 665</b>	<b>95 428</b>

\* 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

NOK in thousands	2018	2017
Salaries	165 035	135 053
Social security	24 368	18 850
Pension expenses	20 444	12 857
Other benefits	8 810	8 530
Bonus related to listing process	-	6 582
<b>Gross personnel expenses</b>	<b>218 657</b>	<b>181 873</b>
Capitalised R&D costs	(1 143)	(3 121)
<b>Total personnel expenses</b>	<b>217 514</b>	<b>178 751</b>
Number of full-time equivalents (FTEs)	249	212

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.

#### Group performance bonus

All of the Group's employees except from the CEO, are included in the Group's performance bonus scheme. The bonus is based on financial and operational performance indicators. The Group's performance is measured by profit before tax, customer satisfaction, distribution of number of electrical deliveries to the private market, and quality of invoicing process.

#### Bonus related to listing process

This was 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 financial items, net.

#### Other operating expenses

NOK in thousands	2018	2017
Sales and marketing costs	103 379	97 887
IT cost	20 651	16 542
Purchase of third- party services and external personnel	107 760	87 698
Losses	23 104	12 402
Professional fees *	63 460	47 322
Other operating costs	60 027	51 072
<b>Total other operating expenses</b>	<b>378 382</b>	<b>312 923</b>

\* Includes legal fees, auditors remuneration, consultant fees

#### Other financial items, net

NOK in thousands	2018	2017
Foreign exchange gain/(losses)	68	(75)
Other financial expenses	(5 345)	(2 704)
<b>Total other financial items, net</b>	<b>(5 277)</b>	<b>(2 779)</b>

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

NOK in thousands	2018	2017
Statutory audit*	4 097	1 770
Tax advisory services	12	22
Other assurance services	14	27
Other non-audit related services	-	29
<b>Total</b>	<b>4 124</b>	<b>1 848</b>

\*Includes auditor's remuneration related to listing on Oslo Stock Exchange

## Note 10

### Income tax

#### Specification of tax expense recognised in statement of profit or loss

NOK in thousands	2018	2017
Tax payable on profit for the year	94 073	72 575
Adjustments to prior years tax payable	370	(1 377)
Adjustments to prior years deferred tax expense (income)	-	1 434
Change in deferred tax/(tax asset) from origination and reversal of temporary differences	(15 191)	7 743
Change in deferred tax/(tax asset) from changes in tax rates or the imposition of new taxes	(963)	(849)
<b>Tax expense recognised in statement of profit or loss</b>	<b>78 289</b>	<b>79 527</b>

#### Specification of current income tax liabilities

NOK in thousands	2018	2017
Tax payable on profit for the year	96 564	72 575
Provision government grants (SkatteFUNN)	(350)	-
Adjustments prior years tax	(2 001)	(1 377)
<b>Current income tax liabilities recognised in statement of financial position</b>	<b>94 213</b>	<b>71 198</b>

#### Reconciliation of statutory tax rate to effective tax rate:

NOK in thousands	2018	2017
Profit before tax	331 858	331 467
<b>Income tax at statutory tax rate (23% - 2018 and 24% - 2017)</b>	<b>76 327</b>	<b>79 552</b>
Tax expense recognised in statement of profit or loss	78 289	79 527
<b>Difference</b>	<b>(1 962)</b>	<b>26</b>
Deferred tax expense (income) relating to changes in tax rates	(963)	(563)
Permanent differences	3 118	702
Adjusted deferred tax (SkatteFUNN)	(34)	(222)
Other changes	(529)	-
Adjustments prior years tax payable	370	57
<b>Difference</b>	<b>1 962</b>	<b>(26)</b>



Note 10  
Income tax

Specification of basis for deferred tax

NOK in thousands	31 December 2018	31 December 2017
Fixed assets/intangible assets	66 482	(2 797)
Receivables	(49 764)	(22 498)
Pension liabilities	(79 308)	(73 720)
Contract assets	149 912	137 538
Provisions for liabilities	(805)	-
Derivative financial instruments	8 197	18 007
Tax losses carried forward	-	(252)
<b>Temporary differences</b>	<b>94 714</b>	<b>56 279</b>
Basis for calculation of deferred tax/(tax assets)	94 714	56 279
Deferred tax/(tax asset) (22% - 2018 and 23% - 2017)	20 837	12 944
<b>Deferred tax asset recognised in statement of financial position</b>	<b>-</b>	<b>-</b>
<b>Deferred tax recognised in statement of financial position</b>	<b>20 837</b>	<b>12 944</b>
Net position deferred tax/(tax asset)	20 837	12 944

Changes in deferred tax balances

2017	1 January 2017	Changes recognised in statement of profit or loss	Changes recognised in other comprehensive income	31 December 2017
NOK in thousands				
Fixed assets/intangible 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)
<b>Total</b>	<b>12 368</b>	<b>6 894</b>	<b>(6 318)</b>	<b>12 944</b>

2018	1 January 2018	Changes recognised in statement of profit or loss	Changes recognised in other comprehensive income	31 December 2018
NOK in thousands				
Fixed assets/intangible assets	(643)	15 269		14 626
Receivables	(5 174)	(5 774)		(10 948)
Pension liabilities	(16 956)	(841)	349	(17 448)
Contract assets	31 633	1 347		32 981
Derivative financial instruments	4 142	(2 338)		1 803
Provisions for liabilities	-	(177)		(177)
Tax losses carried forward	(58)	58		-
<b>Total</b>	<b>12 944</b>	<b>7 544</b>	<b>349</b>	<b>20 837</b>

## Note 11

### Earnings per share

Earnings per share is calculated as profit/loss allocated to shareholders for the year divided by the weighted average number of outstanding shares.

#### Basic earnings per share

	2018	2017
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	253 569	251 941
Total comprehensive income attributable to equity holders of the company (NOK in thousands)	254 736	231 932
Weighted average number of ordinary shares in issue	104 496 216	104 496 216
<b>Earnings per share in NOK</b>	<b>2,43</b>	<b>2,41</b>
<b>Total comprehensive income per share in NOK</b>	<b>2,44</b>	<b>2,22</b>
Share options (see note 24)	870 000	-
<b>Diluted earnings per share in NOK</b>	<b>2,41</b>	<b>2,41</b>
<b>Dividend per share in NOK</b>	<b>0,96</b>	<b>1,15</b>

In addition to outstanding shares, there has been issued 870 000 share options to employees during 2018. These are included in the calculation of diluted earnings per share. For more information, refer to note 24.

## Note 12

### Property, plant and equipment

<b>2018</b>				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2018	8 875	25 221	-	34 095
Additions	81	-	1 376	1 457
Additions from business combinations (see note 23)	683	58	-	741
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
<b>Cost 31 December 2018</b>	<b>9 639</b>	<b>25 279</b>	<b>1 376</b>	<b>36 293</b>
Accumulated depreciation 1 January 2018	(6 090)	(24 437)	-	(30 527)
Depreciation for the year	(1 359)	(269)	-	(1 628)
Disposals	-	-	-	-
<b>Accumulated depreciation 31 December 2018</b>	<b>(7 449)</b>	<b>(24 706)</b>	<b>-</b>	<b>(32 155)</b>
<b>Carrying amount 31 December 2018</b>	<b>2 190</b>	<b>573</b>	<b>1 376</b>	<b>4 139</b>
<b>2017</b>				
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	-	-	-	-
<b>Cost 31 December 2017</b>	<b>8 875</b>	<b>25 221</b>	<b>-</b>	<b>34 095</b>
Accumulated depreciation 1 January 2017	(5 525)	(24 135)	-	(29 660)
Depreciation for the year	(565)	(302)	-	(867)
Disposals	-	-	-	-
<b>Accumulated depreciation 31 December 2017</b>	<b>(6 090)</b>	<b>(24 437)</b>	<b>-</b>	<b>(30 527)</b>
<b>Carrying amount 31 December 2017</b>	<b>2 785</b>	<b>783</b>	<b>-</b>	<b>3 568</b>
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

##### 2018

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios*	Other intangible assets	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	-	171 866
Additions - Purchase	990	30 457	30 176	-	-	61 623
Additions - Internally generated	17	1 125	-	-	-	1 142
Additions from business combinations (see note 23)	-	-	107 118	12 066	155 849	275 032
Transferred from construction in progress	17 740	(17 740)	-	-	-	-
Government grants (SkatteFUNN)	-	(185)	-	-	-	(185)
<b>Cost 31 December 2018</b>	<b>140 692</b>	<b>42 869</b>	<b>157 435</b>	<b>12 634</b>	<b>155 849</b>	<b>509 478</b>
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	-	(89 769)
Depreciation for the year	(27 340)	-	(36 375)	(189)	-	(63 904)
Disposals	-	-	-	-	-	-
<b>Accumulated depreciation 31 December 2018</b>	<b>(108 955)</b>	<b>-</b>	<b>(44 387)</b>	<b>(331)</b>	<b>-</b>	<b>(153 673)</b>
<b>Carrying amount 31 December 2018</b>	<b>31 738</b>	<b>42 869</b>	<b>113 048</b>	<b>12 303</b>	<b>155 849</b>	<b>355 806</b>

\*On 1 October 2018 Fjordkraft Holding ASA (through the subsidiary Fjordkraft AS) acquired 100.0% of the issued shares in Oppdal Everk Kraftomsetning AS. This acquisition is not considered as a business combination according to IFRS 3, hence NOKt 18 375 is accounted for as Additions - Purchase in Customer portfolios.

Useful life	3 years	2-12 years	3 years
Depreciation method	Straight line	Straight line/other**	Straight line

\*\*The majority of customer portfolios is calculated on basis of expected churn-profile of the customer portfolio.

##### 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	-	-	-
<b>Cost 31 December 2017</b>	<b>121 946</b>	<b>29 211</b>	<b>20 141</b>	<b>568</b>	<b>171 865</b>
Accumulated depreciation 1 January 2017	(60 086)	-	(6 178)	-	(66 264)
Depreciation for the year	(21 529)	-	(1 834)	(142)	(23 505)
Disposals	-	-	-	-	-
<b>Accumulated depreciation 31 December 2017</b>	<b>(81 615)</b>	<b>-</b>	<b>(8 012)</b>	<b>(142)</b>	<b>(89 769)</b>
<b>Carrying amount 31 December 2017</b>	<b>40 331</b>	<b>29 211</b>	<b>12 129</b>	<b>426</b>	<b>82 096</b>
Useful life	3 years		5-12 years	3 years	
Depreciation method	Straight line		Straight line	Straight line	

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

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**Note 13**
**Intangible assets****Impairment of Goodwill**

The Group has performed an impairment test of Goodwill as of 31 December 2018 in accordance with IAS 36, using the methods outlined in note 2. Goodwill as at December 31 2018, has a total carrying value of NOK 1 55 849 thousand. The allocation, for impairment-testing purposes, on cash-generating units of the significant amounts is shown in the table below:

NOK in thousands	Godwill
Consumer segment	102 760
Business segment	53 089
<b>Total</b>	<b>155 849</b>

When calculating value in use the weighted average cost of capital used were 8,1 % for both segments.

Estimated growth rate in the terminal year was set at 0,5 % for both segments, which is considered conservative.

Sensitivity analyses have been carried out based on a reduction of the budgeted operating income of 10 percent and by an increase in the cost of capital by one percentage point respectively.

None of the sensitivity analyses lead to a reduction of the recoverable amount below the carrying amount for any of the cash generating units, i.e. the hypothetical changes in key assumptions would not lead to any impairment. The calculations are based on management's assessment of reasonably possible adverse changes in two key assumptions (operating margin and cost of capital), yet they are hypothetical and should not be viewed as an indication that these factors are likely to change. The sensitivity analyses should therefore be interpreted with caution.

**Research and development**

Development projects focus on preparing the company for future changes in the framework conditions, streamlining processes and future growth. The work mainly concerns customer-related system projects. Of total R&D expenditure of NOKt 36 558, NOKt 4 599 has been expensed as other operating expenses and NOKt 31 959 has been recognized as R&D assets.

It is expected that future earnings of ongoing R&D will correspond to expenses incurred.

**Government grants**

The Group has been awarded a government grant (SkatteFUNN) in 2018 for a project regarding power consumption analysis for smart home services.

Of a total grant of NOKt 367, NOKt 182 has been booked as reduction of R&D costs incurred in 2018, while the remaining NOKt 185 has been booked as a reduction of the cost price of the related asset.

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**Note 13**  
**Intangible assets**


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**Current intangible assets**


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**2018**

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	191 160	30 208	221 368
Additions from business combinations (see noe 10)	260	-	260
Disposals*	(169 330)	(21 272)	(190 602)
<b>Cost 31 December 2018</b>	<b>22 101</b>	<b>11 494</b>	<b>33 595</b>
<b>Carrying amount 31 December 2018</b>	<b>22 101</b>	<b>11 494</b>	<b>33 595</b>

**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)
<b>Cost 31 December 2017</b>	<b>11</b>	<b>2 558</b>	<b>2 569</b>
<b>Carrying amount 31 December 2017</b>	<b>11</b>	<b>2 558</b>	<b>2 569</b>

\* 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.

Disposals of Guarantees of origination (GoO) refers to amount of certificates redeemed as evidence of the origin of electricity generated from renewable energy sources.

## Note 14

### Share capital

Shareholders at 31 December 2018					
	Number of shares	Nominal value per share	Nominal value	Voting rights	Ownership
BKK AS	31 607 498	0,30	9 482 249	30,25 %	30,25 %
Skagerak Energi AS	31 056 456	0,30	9 316 937	29,72 %	29,72 %
Verdipapirfondet Dnb Norge (lv)	4 930 137	0,30	1 479 041	4,72 %	4,72 %
Geveran Trading Co Ltd	3 000 000	0,30	900 000	2,87 %	2,87 %
Morgan Stanley & Co. Int. Plc.	2 742 664	0,30	822 799	2,62 %	2,62 %
Norron Sicav - Target	1 710 017	0,30	513 005	1,64 %	1,64 %
Verdipapirfondet Alfred Berg Gamba	1 414 000	0,30	424 200	1,35 %	1,35 %
Hsbc Ttee Marl European Trust	1 280 993	0,30	384 298	1,23 %	1,23 %
Handelsbank Nordiska Smabolagsfond	1 252 771	0,30	375 831	1,20 %	1,20 %
Tr European Growth Trust Plc	1 013 903	0,30	304 171	0,97 %	0,97 %
Landkreditt Utbytte	900 000	0,30	270 000	0,86 %	0,86 %
Vpf Nordea Norge Verdi	861 000	0,30	258 300	0,82 %	0,82 %
Holberg Norge	800 000	0,30	240 000	0,77 %	0,77 %
Verdipapirfondet Dnb Smb	689 579	0,30	206 874	0,66 %	0,66 %
Fidelity Pur.Trust:Fidelity Series	650 000	0,30	195 000	0,62 %	0,62 %
Norron Sicav - Select	595 000	0,30	178 500	0,57 %	0,57 %
Verdipapirfondet Alfred Berg Norge	579 554	0,30	173 866	0,55 %	0,55 %
Danske Bank A/S	561 009	0,30	168 303	0,54 %	0,54 %
Fondsfinans Norge	550 000	0,30	165 000	0,53 %	0,53 %
Skandinaviska Enskilda Banken S.A.	545 657	0,30	163 697	0,52 %	0,52 %
Others	17 755 978	0,30	5 326 793	16,99 %	16,99 %
<b>Total</b>	<b>104 496 216</b>		<b>31 348 865</b>	<b>100 %</b>	<b>100 %</b>

Due to the listing on Oslo Stock Exchange, on 21 March 2018, there has been an increase in the number of shareholders in 2018.

#### Share capital and share premium

NOK in thousands	Ordinary shares	Share premium	Total
31 December 2017	31 349	125 035	156 384
31 December 2018	31 349	125 035	156 384

Fully paid ordinary shares which have a par value of NOK 0.30 carry one vote per share and carry a right to dividends.

All issued shares have equal voting rights and the right to receive dividend.  
For computation of earnings per share and diluted earnings per share see Note 11.

Note 14  
Share capital

Shares owned/controlled by members of the Board of Directors, CEO and other members of the Executive Management (including related parties):

Number of shares	2018	2017
Rolf Barmen (Chief Executive Officer)	41 052	-
Birte Strander (Chief Financial Officer)	28 613	-
Jeanne K. Tjomsland (Head of HR & Communications)	18 678	-
Arnstein Flaskerud (Head of Strategy and M&A)	22 260	-
Solfrid K. Aase (Head of Company Projects)	7 456	-
Torkel Rolfseng (Head of Power Trading and Alliances)	8 548	-
Alf-Kåre Hjartnes (Chief Operating Officer)	8 833	-
Ingeborg C. Morken (Chief Commercial Officer)	10 197	-
Per Axel Koch (Chairman of the Board)	32 258	-
Birthe Iren Grotle (Boardmember)	2 900	-
Robert Olsen (Boardmember)	16 150	-
Live Bertha Haukvik (Boardmember)	-	-
Steinar Sønsteby (Boardmember)	16 129	-
Lindi Bucher Vinsand (Boardmember, Employee representative)	1 612	-
Østein Prestø (Boardmember, Employee representative)	1 290	-
Frank Økland (Boardmember, Employee representative)	645	-
Bettina Bergesen (Deputy in board meetings)	3 225	-
Lisbeth Nærø (Chairman of the Nomination committee)	-	-
<b>Total</b>	<b>219 846</b>	<b>-</b>

In addition to owned shares, members of Executive Management also owns options acquired through the new management option program, as outlined in note 24.

Options owned by members of the Executive Management:

Number of options	2018	2017
Rolf Barmen (Chief Executive Officer)	120 000	-
Birte Strander (Chief Financial Officer)	60 000	-
Jeanne K. Tjomsland (Head of HR & Communications)	60 000	-
Arnstein Flaskerud (Head of Strategy and M&A)	60 000	-
Solfrid K. Aase (Head of Company Projects)	60 000	-
Torkel Rolfseng (Head of Power Trading and Alliances)	30 000	-
Alf-Kåre Hjartnes (Chief Operating Officer)	60 000	-
Ingeborg C. Morken (Chief Commercial Officer)	60 000	-
<b>Total</b>	<b>510 000</b>	<b>-</b>



## Note 15

### Pension liabilities

The Group has a collective defined benefit pension plan in BKK Pensjonskasse and Kommunal Landspensjonskasse. The defined pension plan in Kommunal Landspensjonskasse is a closed pension plan, and were added in 2018, through the acquisition of TrønderEnergi Marked AS. Please refer to note 23, regarding the business combination. All pension schemes are in accordance with the requirements 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 companies in the group are subject to, and complies with, the requirements of the Norwegian Mandatory Company Pensions Act.

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's funded pension schemes covers a total of 234 active members and 29 pensioners. Of these, 3 pensioners are covered by the pension plan that was added through the business combination. The schemes 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 the insurance companies BKK Pensjonskasse and Kommunal Landspensjonskasse. The Group's defined benefit plan includes retirement, disability and dependents pension.

The Group also has a contractual pension agreement (CPA) covering 232 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 CPA, while companies cover 2/3. 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).

#### Defined contribution plan

In addition to the above mentioned defined benefit pension plans, senior management are entitled to additional annual contribution for salary exceeding 12 times the base amount (the average National Insurance base amount (G) for 2018 was NOK 95,800). Contributions are expenses on an ongoing basis.

#### 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.

#### New pension arrangement

The Group's defined benefit pension plan will be affected by the agreement on new pension arrangement for the public sector. The new scheme will take effect from 1 January 2020 and the Group is currently analysing how this will affect its pension plan.

## Note 15

## Pension liabilities

**Amounts recognised in statement of financial position:**

NOK in thousands	31 December 2018	31 December 2017
Present value of funded obligations	242 332	209 417
Fair value of plan assets	178 000	148 489
Deficit of funded plans	64 331	60 928
Present value of unfunded obligations	14 990	12 792
<b>Total deficit of defined benefit pension plans</b>	<b>79 308</b>	<b>73 720</b>

**2018**

NOK in thousands	Funded obligations	Non-funded obligations	Total
Accrued pension entitlement for the year	16 942	1 306	18 248
Payroll tax (PT)	2 395	184	2 579
Net interest expense / (income)	5 044	301	5 345
Expected return on plan assets	(3 727)	-	(3 727)
Members' contribution	(2 001)	-	(2 001)
<b>Total amount recognised in profit or loss</b>	<b>18 653</b>	<b>1 791</b>	<b>20 444</b>

**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)
<b>Total amount recognised in profit or loss</b>	<b>11 206</b>	<b>1 651</b>	<b>12 857</b>

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
<b>At 1 January 2018</b>	209 417	148 489	60 928	12 793	73 720
Additions from business combinations (see note 23)	9 157	6 456	2 701	-	2 701
Accrued pension entitlement for the year	16 942	-	16 942	1 306	18 248
Payroll tax (PT)	2 395	-	2 395	184	2 579
Interest expense (income)	5 044	-	5 044	301	5 345
Return on plan assets	-	3 727	(3 727)	-	(3 727)
Actuarial gains and losses (demographic assumptions)	-	-	-	-	-
Actuarial gains and losses (financial assumptions)	3 628	5 550	(1 922)	406	(1 515)
Benefits paid	(2 297)	(2 297)	-	-	-
Contribution	-	16 029	(16 029)	-	(16 029)
Members' contribution	-	2 001	(2 001)	-	(2 001)
Payroll tax of contribution	(1 955)	(1 955)	-	-	-
<b>At 31 December 2018</b>	<b>242 332</b>	<b>178 000</b>	<b>64 332</b>	<b>14 990</b>	<b>79 308</b>

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
<b>At 1 January 2017</b>	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)	-	-	-
<b>At 31 December 2017</b>	<b>209 417</b>	<b>148 489</b>	<b>60 928</b>	<b>12 793</b>	<b>73 720</b>

Note 15  
Pension liabilities

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

NOK in thousands	2018	2017
Net actuarial gains/(losses) recognised in OCI during the year	1 167	(20 008)
Tax effects of actuarial gains/(losses) recognised in OCI	349	(6 319)

**Significant actuarial assumptions**

	2018	2017
Discount rate	2,60 %	2,35 %
Salary growth rate	2,75 %	2,50 %
Expected growth in base social security amount (G)	2,50 %	2,25 %
Estimated return on plan assets	2,60 %	2,35 %
Pension growth rate	1,73-1,75%	1,50 %
CPA withdrawal	25% when 62 yrs	25% when 62 yrs
Demographic assumptions	K2013BE	K2013BE
Voluntary retirement	Before 45 yrs - 4.5 % 45 yr - 60 yr - 2.0 % After 60 yrs - 0 %	Before 45 yrs - 4.5 % 45 yr - 60 yr - 2.0 % After 60 yrs - 0 %

\* K2013BE is the insurance companies present best estimate based on The Financial Supervisory Authority of Norway's mortality table K2013 and Statistics Norway's present population projection.

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

NOK in thousands	Change in pension cost		Change in employee defined benefit liabilities	
	1.00 %	-1.00 %	1.00 %	-1.00 %
Discount rate	(5 522)	8 293	(54 697)	77 255
Salary growth rate	3 690	(2 763)	23 864	(18 809)
Expected growth in base social security amount (G)	4 256	(2 963)	47 751	(34 823)
Voluntary retirement	(65)	89	779	(468)

## 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
2018	2 529	5 656	11 050	1 089 797	<b>1 109 032</b>
2017	2 290	5 119	9 823	1 162 201	<b>1 179 433</b>

The contribution for next annual reporting period is expected to be NOK 14 610 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 2018 the plan's contributions were invested as follows:**

NOK in thousands	Level 1	Level 2	Level 3	Total	%share
	Exchange listed prices	Observable prices	Non-observable prices		
Equity instruments (BKK Pensjonskasse)	17 900	44 997	10 105	73 002	41%
Interest bearing instruments (BKK Pensjonskasse)	1 077	97 205	-	98 282	55%
Plan assets portfolio (Kommunal Landspensjonskasse)	5 144	1 148	423	6 716	4%
<b>Total investments</b>	<b>24 121</b>	<b>143 350</b>	<b>10 528</b>	<b>178 000</b>	<b>100%</b>

## 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 2018	31 December 2017
El-certificate cancellation liability	246 716	182 141

The Group is required to provide el-certificates to Statnett to cover a certain percentage of its sale of electricity. El-certificate liabilities are disposed by 1 April the following year. Statnett is the system operator in the Norwegian energy system and is a state enterprise, established under the Act relating to state-owned enterprises and owned by the Norwegian state through the Ministry of Petroleum and Energy.

As liabilities are a result of electricity sold for the period, the liability at 31 December contains uncertainty due to the estimation of the final settlement of electricity sales. The Group acquires either el-certificates or forward contracts to cover its accrued and estimated future commitment. The Group's holdings of el-certificates is measured at the cost of acquired el-certificates, the part covered by forward contracts is measured at contractual price of el-certificates, while any liability in excess of those amounts is recognised at fair value of the el-certificates that are required to be purchased (applicable when level of el-certificates acquired directly or through forward contracts are not sufficient to offset estimated number of certificates to be handed over to the government).

On 1 April 2018 the Group cancelled an el-certificate liability with Statnett at the amount NOKt 169 330. As of 31 December 2018 and 31 December 2017 the total el-certificate liability as specified in the table above is either covered through forward contracts or el-certificates in hand.

Forward purchase of el-certificates are considered to be non-financial contracts entered into and held for the purpose of the receipt or delivery of a non-financial item in accordance with the entity's expected purchase, sale or usage requirements, and as a consequence not in the scope of IFRS 9 - Financial Instruments (IFRS 9.2.4). Therefore, El-certificates forwards (Gross nominal amounts: 2019 - NOKt 1 23 709, 2020 - NOKt 23 354, 2021 and later - NOKt 5 267) 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

### Other current assets

Other current assets consists of the following:

NOK in thousands	2018	2017
VAT claims	25 329	-
Prepaid costs	7 412	40 083
<b>Total other current assets</b>	<b>32 741</b>	<b>40 083</b>

## Note 18

### Related party transactions

As at 31 December 2018, BKK AS is the owner of 30.25 % of the shares in Fjordkraft Holding ASA, while Skagerak Energi AS owns 29.72 %. Related parties with owners comprises of companies in BKK Group, Skagerak Energi Group and Statkraft Group. Statkraft is a parent company of a major shareholder.

The Board of Directors and the management, is also considered to be related parties. Transactions related to these groups are disclosed in note 19.

Pricing of services and transactions between related parties are set on an arm's length basis in a manner similar to transactions with unrelated third parties.

The following transactions were carried out with related parties (NOK in thousands):

#### Income from related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2018	2017
BKK AS	Major shareholder	Sale of electrical power	12 207	10 058
BKK Nett AS	Subsidiary of major shareholder	Sale of electrical power	4 956	4 197
BKK Varme AS	Subsidiary of major shareholder	Sale of electrical power	-	8 436
Skagerak Energi AS	Major shareholder	Sale of electrical power	4 857	3 558
Skagerak Nett AS	Subsidiary of major shareholder	Sale of electrical power	4 370	2 861
Skagerak Varme AS	Subsidiary of major shareholder	Sale of electrical power	8 999	6 252
Statkraft AS	Parent company of major shareholder	Sale of electrical power	4 222	2 078
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	61 936	37 276
Other	Related party	Sale of other services	4 926	9 703

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

#### Expenses to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2018	2017
BKK AS	Major shareholder	Purchase of electrical power	1 493	1 377
BKK Produksjon AS	Subsidiary of major shareholder	Purchase of electrical power	14 085	12 750
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	4 211 917	3 067 577
BKK AS	Major shareholder	Purchase of other services	24 567	28 854
BKK Regnskapsservice AS	Subsidiary of major shareholder	Purchase of other services	5 225	-
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	4 096	9 066
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of other services	15 923	12 150
Other	Related party	Other	1 342	4 426

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	2018	2017
BKK AS	Major shareholder	Research and development	897	800
BKK AS	Major shareholder	Purchase of customer portfolio	5 130	-
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of customer portfolio	6 755	7 763
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of el-certificates	191 420	210 908
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of guarantees of origination	30 208	2 558

## Distributions to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2018	2017
BKK AS	Major shareholder	Dividend	48 849	58 659
Skagerak Energi AS	Major shareholder	Dividend	47 997	57 637
Statkraft Industrial Holding AS	Owner at the time of distribution	Dividend	3 155	3 788

## Current receivables from related parties (NOK in thousands)

Related party	Relation		31 December 2018	31 December 2017
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	9 315	1 774
Other	Related party	Sale of electrical power	2 906	2 406

## Current liabilities to related parties (NOK in thousands)

Related party	Relation		31 December 2018	31 December 2017
BKK AS	Major shareholder	Other	917	1 976
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	131	3 969
BKK Nett AS	Subsidiary of major shareholder	Other	-	71 712
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	942 934	553 962
Other	Related party	Other	487	774

Payables to Statkraft Energi AS (SEAS) mainly relates to purchase of electricity. The Group purchases electricity at Nord Pool through SEAS. The daily transactions and payments is completed by SEAS, while Fjordkraft AS settles their liabilities towards Statkraft Energi AS monthly. Payables are normally settled in 30 days, but Fjordkraft has the right to postpone the payments by an additional 30 days if their current cash in hand does not cover the liability.

As compensation for the time difference between Fjordkraft's payments and Statkraft Energi AS settlements towards Nord Pool, Fjordkraft is charged with interest. Interest rate is based on 1 month NIBOR pluss a margin based on current market terms.

Payables to related parties are unsecured and are expected to be settled in cash.



## Note 19 Remuneration

The Executive management and Board of Directors has received the following remuneration during the year ended 31 December 2018:

### Executive management 2018:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 920	150	143	444	3 656	692
Birte Strander (Chief Financial Officer)	1 636	41	120	274	2 071	-
Jeanne K. Tjomsland (Head of HR & Communications)	1 504	41	120	315	1 980	549
Arnstein Flaskerud (Head of Strategy and M&A)	1 622	41	120	252	2 035	-
Solfrid K. Aase (Head of Company Projects)	1 371	41	100	242	1 754	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 421	41	100	304	1 867	-
Alf-Kåre Hjartnes (Chief Operating Officer)	1 510	41	120	234	1 905	29
Ingeborg C. Morken (Chief Commercial Officer)	1 639	41	120	279	2 079	543
<b>Total remuneration executive management 2018</b>	<b>13 622</b>	<b>438</b>	<b>943</b>	<b>2 344</b>	<b>17 347</b>	<b>1 814</b>

### Board of Directors 2018:

NOK in thousands	Total remuneration
Per Axel Koch (Chairman)	395
Birthe Iren Grotle (Member)	-
Robert Olsen (Member)	-
Live Bertha Haukvik (Member)	271
Steinar Sønsteby (Member)	225
Lindi Bucher Vinsand (Member, Employee representative)	90
Øistein Prestø (Member, Employee representative)	90
Frank Økland (Member, Employee representative)	90
Bettina Bergesen (Deputy in board meetings)	3
Lisbeth Nærø (Chairman of the Nomination committee)	39
<b>Total remuneration Board of Directors 2018</b>	<b>1202</b>

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
<b>Total remuneration executive management 2017</b>	<b>11 184</b>	<b>4 992</b>	<b>920</b>	<b>1 587</b>	<b>18 683</b>	<b>2 057</b>

**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 observer from 30 May 2017)	5
<b>Total remuneration Board of Directors 2017</b>	<b>168</b>

In 2018 a new option incentive program has been implemented for executive management in the Group, as outlined in note 24. There are no additional bonus agreements or agreement of similar profit sharing with The CEO or Chairman of the board. The rest of the executive management is also included in the Group's performance bonus scheme. Note that an extra bonus payment was made to the executive management (including the CEO) in 2017 related to the listing process. In 2018 the CEO received a discretionary bonus based on the performance by the company.

There has not been paid remuneration to board members that are under employment at the shareholding companies, BKK AS and Skagerak Energi AS, or at Statkraft Industrial Holding AS (subsidiary of parent company of major shareholder).

Mutual period for termination of employment is 6 months from the first of the month following notice of termination. The CEO is entitled to 12 months salary including other benefits, if the company chooses to terminate the employment before retirement.

The Group's executive management has the right to apply for loans on the same grounds as all the employees in the company. Maximum duration for loans to employees are 15 years. The interest rate for loans to employees is approximately equal to the current limit regarding taxation of benefits for such loans, plus 1 percentage point. Current limit for taxation of benefits is 2.1 %.

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

## Note 19

### Remuneration

#### The Board of Director's declaration and guidelines in accordance with Section 6-16a of the Norwegian Public Limited Liability Companies Act

Pursuant to Section 5-6 of the Norwegian Public Limited Liability Companies Act, the General Meeting shall consider the Board of Directors' declaration regarding salaries and remuneration to the executive management.

The General Meeting shall conduct a vote on the Board of Directors' proposal for guidelines for salaries and remuneration to the executive management. The vote of the General Meeting is consultative to the Board, with the exception of benefits mentioned in Section 6-16a, first paragraph, item 3 of the Norwegian Public Limited Liability Companies Act (including grant of equity-linked incentives). For these benefits, the vote is binding for the Board of Directors.

The Board of Directors has given the following declaration:

#### Summary of executive compensation policies

The main principle in the Company's policy for executive compensation is that the executive team shall be offered competitive salary terms, with performance-based compensation tied to business results and shareholder value (from January 1st 2019), in order to achieve the desired competence and incentives within the executive management team.

The Company has a separate Compensation Committee that provides the Board of Directors with recommendations regarding salary and other

benefits to the company's executive management. Based on the input from the Compensation Committee, guidelines for executive compensation are established by the Board for the coming year and presented to the General Meeting. According to these guidelines, the salary and other remuneration payable to the CEO is determined by the Board of Directors, while compensation payable to other members of the executive management is determined by the CEO in consultation with the Board Chairman and the Compensation Committee.

The above policy for determining executive compensation is valid for 2019 and the upcoming financial year. A more detailed description of the executive compensation paid in 2018 is provided above.

#### Guidelines for salaries and other remuneration to the executive management in the coming financial year

##### 1. Fixed salary and cash bonus

Remuneration to the executive management team will from January 1st, 2019 consists of a fixed salary and performance-based compensation which is the same for all employees except the CEO. The CEO might receive a discretionary bonus based on the performance by the company.

##### 2. Equity-linked incentives

Secondly, performance-based compensation is provided through equity-linked incentives in the company. Equity-linked incentives, which can be offered for instance in the form of shares and stock options, provide management with an inter-

est in the ownership of the company and create additional incentives toward building long-term shareholder value.

Stock options are granted to the executive team and some other key employees (approx. 5% of the total employees). The following specific limitations apply with respect to grant of stock options in the company: (i) As a general rule, the stock options vest during a period of three years. The maximum number of options vesting in any given year will not exceed one percent of the shares outstanding in the company. (ii) The strike price of the stock options will be set at the market price at the time of grant. The strike price will be adjusted for any dividends paid before exercise. (iii) Stock option grants have a cap of 3 times the market price at the date of grant. If the share price exceeds the cap price, the options may be settled by the company in cash based on the gain calculated at the cap price, providing an absolute limit to the possible gain.

##### 3. Pension, benefits in kind and severance pay

Finally, members of the executive management team participate in the pension scheme of Fjordkraft Holding ASA and Fjordkraft AS in which they are employed. In addition, members of the executive management may receive certain limited benefits in kind, including a company car, telephone/internet access, and subscription to journals/newspapers. The terms of employment for the executive management vary regarding their entitlement to severance or termination payments. Details regarding individual severance terms are provided above.

## Note 20 Guarantees

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

NOK in thousands	31 December 2018	31 December 2017
Bank guarantees related to re-invoicing	881 970	699 470
Bank guarantees related to tax deductions and property rent	19 198	14 198
<b>Total</b>	<b>901 168</b>	<b>713 668</b>

The Group provides re-invoicing to customers related to grid rent to the grid owners. The Group is required by 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

### IFRS 16 Leases

IFRS 16 "Leases" was issued in January 2016, and is mandatory from 1 January 2019. Fjordkraft Holding ASA has decided to apply IFRS 16 for its reporting period starting 1 January 2019. According to IFRS 16 "Leases" lessees no longer distinguish between a finance lease and an operating lease. For most lease contracts the lessee recognizes a lease liability reflecting future lease payments and a "right-of-use" asset.

The Fjordkraft Group has a number of operating leases, mainly office-leases and car-leases, which

will be recognised in Consolidated statement of financial position when IFRS 16 is implemented. An interest expense on the lease liability and a depreciation charge on the "right-of-use" asset is recognised by the lessee. Straight-line depreciation of the "right-of-use" asset and application of the effective interest rate method to the lease liability will result in higher total charge to Consolidated statement of profit or loss in the initial periods, and decreasing total charge during the latter part of the lease term. For the Fjordkraft Group the net impact of IFRS 16 "Leases" on the Consolidated

statement of financial position is insignificant.

The estimated impact on Consolidated statement of financial position of the new accounting standard IFRS 16 "Leases" as if implemented 31 December, 2018 is illustrated below. "Right-of-use assets" and the corresponding lease liability is calculated assuming the lease commencement date is January 1 2018.

NOK in thousands	31 December 2018 Actual figures	31 December 2018 IFRS 16 Impact	31 December 2018 Revised figures
<b>Consolidated statement of financial position</b>			
Total non-current assets	529 947	31 261	561 208
Total current assets	2 918 231		2 918 231
<b>Total assets</b>	<b>3 448 178</b>	<b>31 261</b>	<b>3 479 439</b>
<b>Total equity</b>	<b>871 035</b>		<b>871 035</b>
Total non-current liabilities	295 550	22 683	318 233
Total current liabilities	2 281 593	8 577	2 290 171
<b>Total liabilities</b>	<b>2 577 143</b>	<b>31 261</b>	<b>2 608 404</b>
<b>Total equity and liabilities</b>	<b>3 448 178</b>	<b>31 261</b>	<b>3 479 439</b>

The Fjordkraft Group has applied the practical solution in IFRS 16.C3.

According to IFRS 16.5 the Fjordkraft Group as a lessee has elected not to apply the requirements in paragraphs B22-B49 to short term leases and leases for which the underlying asset is of low value.

For the reporting period ending 31 December 2018 the Group has no leases not yet commenced.

## Note 22

### List of subsidiaries

The following subsidiaries are fully consolidated in the financial statements as per 31 December 2018:

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

## Note 23

### Business combination

On 18 April 2018 Fjordkraft Holding ASA (through the subsidiary Fjordkraft AS) acquired 100.0% of the issued shares in TrønderEnergi Marked AS, a leading electricity retailer in the Trøndelag-area, for consideration of NOKt 280 351. On 15 September 2018 TrønderEnergi Marked AS merged into TrøndelagKraft AS (subsidiary of Fjordkraft AS). The acquisition is expected to increase the Group's market share and reduce costs through economies of scale.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

#### Purchase consideration:

NOK in thousands

Purchase price shares, paid cash	278 344
Interest, paid cash	2 007
<b>Total purchase consideration</b>	<b>280 351</b>

There is no contingent consideration included in this acquisition.

#### As of 18 April 2018 the assets and liabilities recognised as a result of the acquisition are as follows:

NOK in thousands	Fair value after adjustments
Property, plant and equipment (note 12)	741
Customer relationships (note 13)	107 118
Other intangible assets (note 13)	12 066
Cost to obtain contracts	-
Other non-current financial assets	70
<b>Total non-current assets</b>	<b>119 995</b>
Trade receivables	158 592
Derivative financial instruments	7 966
Other current assets	48 004
Cash and cash equivalents	26 240
<b>Total current assets</b>	<b>240 801</b>
<b>Total assets</b>	<b>360 796</b>

Note 23  
Business combination

NOK in thousands	Fair value after adjustments
Net employee defined benefit plan liabilities	2 701
Deferred tax liabilities (note 10)	26 607
Provisions for liabilities	1 014
<b>Total non-current liabilities</b>	<b>30 323</b>
Trade and other payables	1 382
Overdraft facilities	20 102
Derivative financial instruments	6 833
Social security and other taxes	32 198
Other current liabilities	145 457
<b>Total current liabilities</b>	<b>205 972</b>
<b>Total liabilities</b>	<b>236 294</b>
Net identifiable assets acquired	124 502
Add: Goodwill	155 849
<b>In total</b>	<b>280 351</b>

The goodwill is attributable to TrønderEnergi Marked AS's strong position and profitability in the electricity retailer market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. See note 13 above for the changes in goodwill as a result of the acquisition.

Deferred tax of NOKt 22 222 is related to the fair value adjustments of customer relationships and other intangible assets.

Other current liabilities contains dividends of 37 242 NOKt approved by the General Meeting of TrønderEnergi Marked AS prior to the acquisition. The dividend was paid after the acquisition.

**Acquisition-related costs**

Acquisition-related costs of NOKt 10 401 are included in administrative expenses in profit or loss.

**Acquired receivables**

The fair value of trade receivables is NOKt 158 592. The gross contractual amount for trade receivables due is NOKt 161 436, of which NOKt 2 844 is expected to be uncollectable. The fair value of other receivables recognised is considered to be equal to the gross contractual amount.

**Revenue and profit contribution**

If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax for the period ended 31 December 2018 would have been NOKt 6 943 204 and NOKt 250 378 respectively.

## Note 24

### Option program

Fjordkraft Holding ASA established a new management option program 10 December 2018.

The option program was established to align management's and shareholders' incentives and to reduce turnover for key employees.

There were issued 870 000 share options to employees during 2018. The share options are not approved by the annual general meeting (AGM) at reporting date.

2018 Option Plan	
Type	Options
Issue date	10 December 2018
Vesting conditions	One third of the options will vest 15 February 2020, the next third vests at 15 February 2021, and the last third vests at 15 February 2022 The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
Expiry date	15 February 2023
Exercise price	33,00
<b>Total number outstanding</b>	<b>870 000</b>

2018 Option Plan	
Type	Options
Issue date	10 December 2018
Measurement date	10 December 2018
Share price	33,10
Lifetime* (years)	2,19
Volatility	30,00 %
Risk-free interest rate*	1,07 %
Fair Value*	6,072

\*volume weighted average for options

The fair value of the options was calculated using the Black-Scholes model. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimates the likelihood of performance fulfillment and takes this into account in the valuation.

The expected volatility for options issued in 2018 is estimated at average of 30%, based on the volatility of comparable listed companies: XXL, KID, Arcus and Europris.

Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total carrying amount as per 31 December 2018 is NOK 157 110, not including social security.



Note 24  
Option Program

The following table shows the changes in outstanding options in 2018:

Period activity:

	1 January 2018 - 31 December 2018	
	Shares	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	-	-
Granted	870 000	33,00
Transferred in	-	-
Exercised	-	-
Released	-	-
Cancelled	-	-
Forfeited	-	-
Expired	-	-
Adjusted quantity	-	-
Modification / Dividends	-	-
Transferred out	-	-
Outstanding at the end of period	870 000	33,00
Vested outstanding	-	-
Vested and expected to vest	870 000	33,00
	<b>Quantity</b>	<b>Intrinsic value</b>
Intrinsic value outstanding at the end of the period	870 000	870 000
Intrinsic value vested outstanding at the end of the period	-	-

At 31 December 2018, the range of exercise prices and weighted average remaining contractual life of the options were as follows :

Exercise price	Outstanding instruments			Vested outstanding	
	Outstanding options per 31 December 2018	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options per 31 December 2018	Weighted Average Exercise Price
33,00	870 000	4,13	33,00	-	-
<b>Total</b>	<b>870 000</b>	<b>4,13</b>	<b>33,00</b>	<b>-</b>	<b>-</b>

## Note 25

### 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	2018	2017
Property rental agreements	9 535	9 898
Leasing of cars	1 025	908
Leasing of office equipment	61	219
<b>Total</b>	<b>10 621</b>	<b>11 025</b>

#### Future minimum lease payments for non-cancellable operating leases

##### Year ended 31 December 2018

NOK in thousands	Within 1 year	Between 1 and 5 years	More than 5 years	Total
Property rental agreements	8 788	22 241	1 141	32 170
Leasing of cars	477	343	-	820
Leasing of office equipment	61	-	-	61
<b>Total</b>	<b>9 326</b>	<b>22 584</b>	<b>1 141</b>	<b>33 051</b>

##### 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
<b>Total</b>	<b>9 846</b>	<b>18 949</b>	<b>3 438</b>	<b>32 233</b>

## Note 26

### Other current liabilities

Other Current Liabilities consist of the following:

NOK in thousands	2018	2017
El-certificate cancellation liability	246 716	182 141
Accrued costs power purchase	140 443	81 372
Prepayments from customers	71 086	19 681
Installments on long term debt, due within 12 months	55 600	-
Payroll liabilities	34 572	39 695
Other current liabilities	25 826	53 416
<b>Total other current liabilities</b>	<b>574 243</b>	<b>376 304</b>

## Note 27

### Events after the reporting period

#### Dividend

The Board of Directors has in the board meeting on 13 February 2019 proposed a dividend to the shareholders of total NOK 229,891,675 (NOK 2,20 per share). The proposed dividend is subject to approval by the general meeting.

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

## Directors responsibility statement

Today, the Board of Directors and the Chief Executive Officer reviewed and approved the Board of Director's report and the consolidated and separate annual financial statements for Fjordkraft Holding ASA, for the year ended 31 December, 2018 (Annual report 2018).

Fjordkraft Holding ASA's consolidated financial statements have been prepared in accordance with IFRS's and IFRIC's 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 2018 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, 2018 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, 28 March 2019.



Per Axel Koch  
Chairman



Birthe Iren Grotle  
Board member



Frank Økland  
Board member



Øistein Prestø  
Board member



Robert Olsen  
Board member



Live Bertha Haukvik  
Board member



Steinar Sønsteby  
Board member



Lindi Bucher Vinsand  
Board member



Rolf Jørgen Barmen  
CEO

## Alternative performance measures

The alternative performance measures (abbreviated 'APMs') that hereby are provided by the Group are a supplement to the financial statements prepared in accordance with IFRS. The APMs are based on the guidelines for APM published by the European Securities and Markets Authority (ESMA) on or after 3rd of July 2016. As indicated in the guidelines an APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined or specified in the applicable financial reporting framework. The performance measures are commonly used by analysts and investors.

The Group uses the following APMs (in bold). The words written in italics are included in the list of definitions or in the statement of profit or loss.

**Cash EBIT** is equivalent to *Operating free cash flow before tax and change in Net working capital*. This APM is used to illustrate the Group's underlying cash generation in the period.

**Capex excl. M&A** is used to present the capital expenditures excluding mergers and acquisitions to illustrate the group's organic maintenance capex.

**EBIT reported** is equivalent to *Operating profit* and is used to measure performance from operational activities. EBIT reported is an indicator of the company's profitability.

### EBIT adjusted

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

- *Estimate deviations from previous years:* A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales, based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period
- *Other gains and losses, net:* Consist of gains and losses on derivative financial instruments associated with the purchase and sale of electricity
- *Special items:* Items that are not part of the

ordinary business, such as acquisition related costs and launch of new services

- *Depreciation of acquisitions:* Depreciation related to customer portfolios and acquisitions of companies. The Group has decided to report the operating profit of the segments adjusted for depreciation of acquisitions

**EBIT reported margin** is EBIT divided by *Net revenue*. This APM is a measure of the profitability and is an indicator of the earnings ability.

**EBIT margin adjusted** is calculated as *EBIT adjusted* divided by *Net revenue adjusted*. This APM is a measure of the profitability and is an indicator of the earnings ability.

**EBITDA** is defined as operational profit/loss before depreciation and amortisation. This APM is used to measure performance from operating activities.

### EBITDA adjusted

In order to give a better representation of underlying performance, the following adjustments are made to EBITDA:

- *Estimate deviations from previous years:* A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period
- *Other gains and losses, net:* Consist of gains and losses on derivative financial instruments associated with the purchase and sale of electricity
- *Special items:* items that are not part of the ordinary business, such as acquisition related costs and launch of new services

**Gross revenue** is equivalent to *Revenue* as stated in the statement of profit or loss.

**Market churn** represents the annual supplier switching rate presented by the Norwegian Water Resources and Energy Directorate. This can be an indicator of the degree of competition in the electricity market.

## Alternative performance measures

**Net income** is equivalent to *Profit/(loss) for the period* as stated in the statement of profit or loss.

**Net income adjusted for certain cash and non-cash items** is used in the dividend calculation, and is defined as the following: [(Adjusted EBIT + net finance)\*(1-average tax rate) – amortisation of acquisition debt].”

**Net interest-bearing debt (NIBD)** shows the net cash position and how much cash would remain if all interest-bearing debt was paid. The calculation is total interest-bearing liabilities deducted cash and cash equivalents.

**Net revenue** is equivalent to *Revenue less direct cost of sales* as stated in the statement of profit or loss.

### Net revenue adjusted

This APM presents *Net revenue* adjusted for:

- *Estimate deviations from previous years:* A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the

Group recognises electricity revenue and the associated cost of sales based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period

- *Other special revenue adjustments:* which represents non-recurring income which is recognised in the profit or loss for the period

**Net working capital (NWC)** is used to measure short-term liquidity and the ability to utilise assets in an efficient matter. NWC includes the following items from current assets: Inventories, intangible assets, trade receivables, derivative financial instruments and other current assets (that is, all current assets in the balance sheet except cash and cash equivalents); and the following items from current liabilities: trade payables, current income tax liabilities, derivative financial instruments, social security and other taxes and other current liabilities.

**Non-cash NWC elements and other items** is used when analysing the development in NIBD. Non-cash NWC relates to items included in “change in NWC” that are not affecting *Net interest-bearing*

*debt* while other items include interest, tax, change in long-term receivables, proceeds from non-current receivables, proceeds from other long-term liabilities and adjustments made on EBITDA.

**Number of deliveries** is used to present the number of electrical meters supplied with electricity. One customer may have one or more electricity deliveries.

**OpFCF before tax and change in NWC** is *Operating free cash flow and change in working capital*, and is defined as *EBITDA adjusted less Capex excl. M&A* and payments to obtain contract assets.

**Volume sold** is used to present the underlying volume generating income in the period.

Alternative performance  
measures

## Financial statements with APMs

### Reported amounts:

NOK in thousands	2018	2017
Operating income	6 720 948	4 452 510
Cost of sales	(5 623 526)	(3 540 521)
<b>Net revenue</b>	<b>1 097 422</b>	<b>911 989</b>
Personnel expenses	(217 514)	(178 751)
Other operating expenses	(378 382)	(312 923)
<b>Operating expenses</b>	<b>(595 896)</b>	<b>(491 674)</b>
Other gains and losses, net	(10 578)	7 884
<b>EBITDA</b>	<b>490 947</b>	<b>428 198</b>
Depreciation & amortisation	(164 065)	(105 578)
<b>EBIT reported (Operating profit)</b>	<b>326 883</b>	<b>322 620</b>
Net financials	4 974	8 847
<b>Profit/ (loss) before taxes</b>	<b>331 858</b>	<b>331 467</b>
Taxes	(78 289)	(79 527)
<b>Profit/ (loss) for the year</b>	<b>253 569</b>	<b>251 941</b>
<b>EBIT reported margin</b>	<b>30%</b>	<b>35%</b>

### Alternative performance measures

#### Adjusted amounts:

NOK in thousands	2018	2017
<b>Net revenue</b>	<b>1 097 422</b>	<b>911 989</b>
Adjustment: (Positive/ negative estimate deviations previous year)	(5 449)	12 156
Special items* (Compensatory damages)	(4 080)	-
<b>Net revenue adjusted</b>	<b>1 087 893</b>	<b>924 144</b>
<b>EBITDA</b>	<b>490 947</b>	<b>428 198</b>
Adjustment: (Positive/ negative estimate deviations previous year)	(5 449)	12 156
Other gains and losses	10 578	(7 884)
Special items*	21 755	27 002
<b>EBITDA adjusted (before unallocated and estimate deviations)</b>	<b>517 831</b>	<b>459 472</b>
<b>EBIT reported (Operating profit)</b>	<b>326 883</b>	<b>322 620</b>
Adjustment: (Positive/ negative estimate deviations previous year)	(5 449)	12 156
Other gains and losses	10 578	(7 884)
Special items*	21 755	27 002
Part of depreciation related to acquisitions	36 375	1 834
<b>EBIT adjusted (before unallocated and estimate deviations)</b>	<b>390 142</b>	<b>355 730</b>
<b>EBIT margin adjusted</b>	<b>36%</b>	<b>38%</b>

\* Special items consists of the following:

NOK in thousands	2018	2017
The process of listing the company on Oslo Stock Exchange	(11 323)	(12 176)
Acquisition related costs	(11 643)	-
The launch of new products and services	-	(14 826)
Compensatory damages	4 080	-
Legal costs related to the compensatory damages	(460)	-
Strategic costs related to markets abroad	(2 409)	-
<b>Special items</b>	<b>(21 755)</b>	<b>(27 002)</b>



### Alternative performance measures

## Other financial APMs

### Net interest bearing debt (cash)

NOK thousands	2018	2017
Interest-bearing long term debt	194 600	-
Reclassification of first year's installments of long term debt	55 600	-
Cash and cash equivalents	(381 409)	(363 212)
<b>Net interest bearing debt (cash)</b>	<b>(131 209)</b>	<b>(363 212)</b>

### Financial position related APMs

NOK thousands	2018	2017
Net working capital	310 828	202 353
OpFCF before tax and change in NWC	373 401	312 524
Capex excl. M&A	33 783	29 351

## Non-financial APMs

### Deliveries

Numbers in thousands	2018	2017
Electrical deliveries Consumer segment	529	466
Electrical deliveries Business segment	76	63
<b>Total number of electrical deliveries *</b>	<b>605</b>	<b>528</b>
Number of mobile subscriptions**	66	38

\* Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 638 thousand

\*\* Fjordkraft mobil was launched on 25 April 2017.

Volume in GWh	2018	2017
Consumer segment	6 899	6 293
Business segment	6 298	5 672
<b>Total volume</b>	<b>13 197</b>	<b>11 965</b>

Market churn- LTM*	2018	2017
Consumer	21%	19%
Business	16%	14%

\* Market churn is based on the latest available data from the Norwegian Water Resources and Energy Directorate. At the time of approval of the annual financial statements the latest available data is from Q3 2018. To ensure comparability the Group has used Q3-numbers for 2017 as well.

## 4.4

# Financial statements Fjordkraft Holding ASA

## Statement of comprehensive income (loss)

NOK in thousands	Note	2018	2017
Personell expenses	3	(6 255)	-
Operating expenses	4	(17 413)	(190)
Depreciation and amortisation	8	(99)	-
<b>Operating profit</b>		<b>(23 766)</b>	<b>(190)</b>
Financial income	11	302 695	231 689
<b>Net financial income/(cost)</b>		<b>302 695</b>	<b>231 689</b>
<b>Profit/(loss) before tax</b>		<b>278 929</b>	<b>231 499</b>
Income tax (expense)/income	5	333	58
<b>Profit/(loss) for the year</b>		<b>279 262</b>	<b>231 557</b>
Other comprehensive income:			
<b>Total other comprehensive income for the year, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>279 262</b>	<b>231 557</b>

## Statement of financial position

NOK in thousands	Note	2018	2017
<b>Assets</b>			
<b>Non current assets</b>			
Deferred tax assets	5	391	58
Intangible assets	8	347	-
Investments in subsidiaries	6	734 231	734 231
<b>Total non-current assets</b>		<b>734 970</b>	<b>734 290</b>
Current receivables from Group companies	11	423 772	231 689
Cash and cash equivalents		-	-
<b>Total current assets</b>		<b>423 772</b>	<b>231 689</b>
<b>Total assets</b>		<b>1 158 742</b>	<b>965 979</b>

## Statement of financial position

NOK in thousands	Note	2018	2017
<b>Equity</b>			
Share capital	7	31 349	31 349
Share premium	7	702 550	702 683
Retained earnings		181 059	131 557
<b>Total equity</b>		<b>914 958</b>	<b>865 588</b>
<b>Non-current liabilities</b>			
Net employee defined benefit liabilities	9	1 778	-
<b>Total non-current liabilities</b>		<b>1 778</b>	<b>-</b>
<b>Current liabilities</b>			
Trade and other payables	11	11 047	121
Dividend payable	11	229 892	100 000
Social security and other taxes		682	-
Other current liabilities	10	385	269
<b>Total current liabilities</b>		<b>242 005</b>	<b>100 390</b>
<b>Total liabilities</b>		<b>243 784</b>	<b>100 390</b>
<b>Total equity and liabilities</b>		<b>1 158 742</b>	<b>965 979</b>

The Board of Fjordkraft Holding ASA, Bergen, 28 March 2019.



Per Axel Koch  
Chairman



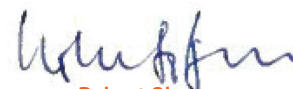
Birthe Iren Grotle  
Board member



Frank Økland  
Board member



Øistein Prestø  
Board member



Robert Olsen  
Board member



Live Bertha Haukvik  
Board member



Steinar Sørstebj  
Board member



Lindi Bucher Vinsand  
Board member



Rolf Jørgen Barmen  
CEO

## Statement of changes in equity

NOK in thousands	Share capital	Share premium	Treasury shares	Retained earnings	Total equity
Opening balance at 15 December 2017	31 349	702 683	-	-	734 031
Profit/(loss) for the year	-	-	-	231 557	231 557
Other comprehensive income	-	-	-	-	-
Dividends	-	-	-	(100 000)	(100 000)
<b>Closing balance 31 December 2017</b>	<b>31 349</b>	<b>702 683</b>	<b>-</b>	<b>131 557</b>	<b>865 588</b>
Opening balance at 1 January 2018	31 349	702 683	-	131 557	865 588
Profit/(loss) for the year	-	-	-	279 262	279 262
Other comprehensive income	-	-	-	-	-
Purchase of treasury shares	-	-	(2 889)	-	(2 889)
Sale of treasury shares	-	-	2 889	-	2 889
Reclassifications	-	(133)	-	133	-
Dividend	-	-	-	(229 892)	(229 892)
<b>Closing balance 31 December 2018</b>	<b>31 349</b>	<b>702 550</b>	<b>-</b>	<b>181 060</b>	<b>914 958</b>

## Statement of cash flows

NOK in thousands	Note	2018	2017
Profit/(loss) before tax		278 929	231 499
Adjustments for:			
Depreciation	8	99	-
Dividend recognised, not received	11	(302 746)	(231 689)
Change in post-employment liabilities, no cash effect	9	1 778	-
<b>Changes in working capital:</b>			
Other current assets		(121 026)	-
Trade and other payables		10 926	121
Other current liabilities		798	69
<b>Net cash from operating activities</b>		<b>(131 243)</b>	<b>-</b>
Purchase of intangible assets	8	(446)	-
Dividends received from subsidiary	11	231 689	-
<b>Net cash used in investing activities</b>		<b>231 243</b>	<b>-</b>
Dividends paid	11	(100 000)	-
<b>Net cash used in financing activities</b>		<b>(100 000)</b>	<b>-</b>
Net change in cash and cash equivalents			-
Cash and cash equivalents at 1 January		-	-
<b>Cash and cash equivalents at 31 December</b>		<b>-</b>	<b>-</b>

## 4.5

# Notes Fjordkraft Holding ASA

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## Note 1 General information

Fjordkraft Holding ASA, is a public limited liability company, and was incorporated on 15 December 2017. The company's core business is purchase, sales and portfolio management of electrical power to end users, as well as related activities, including investment in other companies.

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

## Note 2 Accounting policies

### Basis for preparation

The financial statements of the Company have been prepared in accordance with the Norwegian Accounting Act § 3-9 and Finance Ministry's prescribed regulations from 21 January 2008 on simplified IFRS. Principally this means that recognition and measurement comply with the International Accounting Standards (IFRS) and presentation and note disclosures are in accordance with the Norwegian Accounting Act and generally accepted accounting principles. Any exceptions from measurement and recognition according to IFRS is disclosed below.

### Use of estimates

The preparation of financial statements requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

### Classification of balance sheet items

Assets intended for long term ownership or use have been classified as non-current assets. Assets

relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities.

### Intangible assets

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets if, and only if, all of the following conditions have been demonstrated:

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

- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs 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.

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

### Investments in subsidiaries

Investments in subsidiaries are recognised as the carrying amount of equity in the subsidiaries at the time of incorporation.

The carrying amount is increased when funds are added through capital increases or when group contributions are made to subsidiaries. Dividends received are initially taken to income. Dividends



## Note 2

### Accounting policies

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 management best estimate, and recognised directly towards equity.

### Taxes

The tax expense for the period includes both payable taxes for the period and changes in deferred

tax. Tax expense is recognised in profit or loss, except when it relates to items in other comprehensive income or items directly attributable to equity.

Deferred tax is calculated in accordance with tax laws and regulations enacted or substantially adopted on the balance sheet date. Uncertain tax liabilities are recognised when the probability of payment exceeds 50 percent. Uncertain tax liabilities are assessed separately.

Deferred tax assets are capitalized to the extent that it is likely that future taxable profit will be available where future tax deductible can be utilized.

### Pension obligations

The Group has a pension scheme covering a total of one active member. 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 company's defined benefit plan includes retirement-, disability -and dependents-pension.

The company also has a contractual pension agreement (CPA) covering one person. 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 CPA, while companies cover 2/3. The company 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.

In addition, management has a Defined Contribution plan for the pension over 12 G that is expensed on an ongoing basis.

### Share-based compensation

Employee share options at Fjordkraft Holding ASA represents rights for employees to buy shares in the company at a future date at a predetermined exercise price. To exercise the right, the Employee

must remain an employee of the Company or an affiliated company at the end of the vesting period.

The fair value of the employee services received in exchange for the allotment of options is recognised as an expense over the vesting period based on the fair value of the options. On each balance date, the Group revises its estimates of the number of options that are expected to be exercisable. Any adjustments will be recognised in the income statement and corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium

### 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 Personnel expenses

NOK in thousands	2018	2017
Salaries	5 217	-
Social security	647	-
Pension expenses	390	-
Other benefits	1	-
<b>Total</b>	<b>6 255</b>	<b>-</b>

Salaries includes payments to Board of directors. See note 12.

The number of employees in the accounting year has been 1 (CEO). From 1.1.18- 31.03.18 he was employed in Fjordkraft AS, but after the listing on Oslo Stock Exchange he was employed in Fjordkraft Holding ASA.

Loan to the employee	2018	2017
Loan (NOK in thousands)	692	-

Loan has been given on the following terms:

Maximum duration for loans to employees are 15 years. The interest rate for loans to employees is approximately equal to the current limit regarding taxation of benefits for such loans, plus 1 percentage point. Current limit for taxation of benefits is 2.1 %.

Employee loans are handled by Fjordkraft AS.

## Note 4 Operating expenses

NOK in thousands	2018	2017
Sales and marketing costs	12	-
IT costs	46	-
Purchase of third-party services and external personnel	4 430	-
Professional fees*	9 877	190
Other operating costs	3 048	-
<b>Total operating expenses</b>	<b>17 413</b>	<b>190</b>

\* includes legal fees, auditor remuneration, consultant fees

### Specification of auditors remuneration (all related to services provided by Deloitte)

NOK in thousands	2018	2017
Statutory audit**	2 677	75
Other assurance services***	-	45
Tax advisory services	-	-
Other non-audit related services	-	-
<b>Total auditors remuneration</b>	<b>2 677</b>	<b>120</b>

\*\* Statutory audit in 2018 includes costs related to the listing on Oslo Stock Exchange.

\*\*\* Other assurance services in 2017 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.

## Note 5 Income Tax

NOK in thousands	2018	2017
Tax payable on profit for the year	-	-
Adjustments prior years tax payable	-	-
Change in deferred tax/(tax asset)	(333)	(58)
<b>Tax expense/(-income) recognised in statement of profit or loss</b>	<b>(333)</b>	<b>(58)</b>
<b>Tax expense/(-income) recognised in other comprehensive income</b>	<b>-</b>	<b>-</b>
Profit/(loss) before tax	278 929	231 499
Income tax at statutory tax rate (23%)	64 154	55 560
<b>Tax effect of following conditions:</b>		
Non-deductible costs	(164)	(15)
Tax exemption method dividends	(64 340)	(55 605)
Deferred tax expense (-income) relating to changes in tax rates	18	3
<b>Tax expense/(-income)</b>	<b>(333)</b>	<b>(58)</b>
<b>Specification of basis for deferred tax:</b>		
Pension obligation	(1 778)	-
Tax losses carried forward	-	(252)
Basis for calculation of deferred tax/(tax assets)	(1 778)	(252)
<b>Total deferred tax liability/(tax assets) (22 %)</b>	<b>(391)</b>	<b>(58)</b>

## Note 6 Investments in subsidiaries

NOK in thousands	Location	Ownership/ voting right	Equity last year (100%)	Profit last year (100%)	Book value
Fjordkraft AS	Bergen, Norway	100 %	506 001	296 543	734 231
<b>Book value at 31 December 2018</b>					<b>734 231</b>

## Note 7

### Share capital and shareholder information

List of shareholders at 31 December 2018	Number of shares	Nominal value per share	Nominal value	Voting rights	Ownership
BKK AS	31 607 498	0,30	9 482 249	30,25 %	30,25 %
Skagerak Energi AS	31 056 456	0,30	9 316 937	29,72 %	29,72 %
Verdipapirfondet Dnb Norge (Iv)	4 930 137	0,30	1 479 041	4,72 %	4,72 %
Geveran Trading Co Ltd	3 000 000	0,30	900 000	2,87 %	2,87 %
Morgan Stanley & Co. Int. Plc.	2 742 664	0,30	822 799	2,62 %	2,62 %
Norron Sicav - Target	1 710 017	0,30	513 005	1,64 %	1,64 %
Verdipapirfondet Alfred Berg Gamba	1 414 000	0,30	424 200	1,35 %	1,35 %
Hsbc Ttee Marl European Trust	1 280 993	0,30	384 298	1,23 %	1,23 %
Handelsbank Nordiska Smabolagsfond	1 252 771	0,30	375 831	1,20 %	1,20 %
Tr European Growth Trust Plc	1 013 903	0,30	304 171	0,97 %	0,97 %
Landkreditt Utbytte	900 000	0,30	270 000	0,86 %	0,86 %
Vpf Nordea Norge Verdi	861 000	0,30	258 300	0,82 %	0,82 %
Holberg Norge	800 000	0,30	240 000	0,77 %	0,77 %
Verdipapirfondet Dnb Smb	689 579	0,30	206 874	0,66 %	0,66 %
Fidelity Pur.Trust:Fidelity Series	650 000	0,30	195 000	0,62 %	0,62 %
Norron Sicav - Select	595 000	0,30	178 500	0,57 %	0,57 %
Verdipapirfondet Alfred Berg Norge	579 554	0,30	173 866	0,55 %	0,55 %
Danske Bank A/S	561 009	0,30	168 303	0,54 %	0,54 %
Fondsfinans Norge	550 000	0,30	165 000	0,53 %	0,53 %
Skandinaviska Enskilda Banken S.A.	545 657	0,30	163 697	0,52 %	0,52 %
Others	17 755 978	0,30	5 326 793	16,99 %	16,99 %
<b>Total</b>	<b>104 496 216</b>		<b>31 348 865</b>	<b>100 %</b>	<b>100 %</b>

Due to the listing on Oslo Stock Exchange, on 21 March 2018, there has been an increase in the number of shareholders in 2018.

## Note 7

Share capital  
and shareholder information

(NOK in thousands)	Ordinary shares	Share premium	Total
<b>Share capital and share premium</b>			
31 December 2017	31 349	702 683	734 031
31 December 2018	31 349	702 550	733 898

Fully paid ordinary shares which have a par value of NOK 0.30 carry one vote per share and carry a right to dividends. All issued shares have equal voting rights and the right to receive dividend.

**Earnings per share**

Earnings per share is calculated as profit/loss allocated to shareholders for the year divided by the weighted average number of outstanding shares.

Basic earnings per share	2018	2017
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	279 262	231 557
Weighted average number of ordinary shares in issue	104 496 216	104 496 216
<b>Earnings per share in NOK</b>	<b>2,67</b>	<b>2,22</b>
Stock options (see note 13)	870 000	-
<b>Diluted earnings per share in NOK</b>	<b>2,65</b>	<b>2,22</b>
<b>Dividend per share in NOK</b>	<b>2,20</b>	<b>0,96</b>

In addition to outstanding shares, there has been issued 870 000 share options to employees during 2018. These are included in the calculation of diluted earnings per share. For more information, refer to note 13.

## Note 8 Intangible assets

NOK in thousands	Software and development projects	Total
Cost price 1 January 2018	-	-
Additions - Purchase	446	446
<b>Cost price 31 December 2018</b>	<b>446</b>	<b>446</b>
Accumulated depreciation 1. January 2018	-	-
Depreciation for the year	(99)	(99)
<b>Accumulated depreciation 31. December 2018</b>	<b>(99)</b>	<b>(99)</b>
<b>Carrying amount 31. December 2018</b>	<b>347</b>	<b>347</b>

Useful life  
Depreciation method

3 years  
Straight line

## Note 9

# Pension Liabilities

### General information

The CEO (only employee) was employed at Fjordkraft AS until 23 March 2018. Pension liabilities for the CEO is still included in Fjordkraft AS' pension plan. When transferring the employment of the CEO from Fjordkraft AS to Fjordkraft ASA, accrued pension liability as of 23 March 2018 was invoiced from Fjordkraft AS to Fjordkraft ASA. Pension costs for the rest of 2018 and the coming years is calculated in Fjordkraft AS, but invoiced to Fjordkraft ASA on a yearly basis through the management agreement. The following information is retrieved from the calculation of pension liabilities in Fjordkraft AS:

### Pension obligations

Fjordkraft AS operates a defined benefit pension plan in BKK Pensjonskasse. 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.

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 pension 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 the insurance companies BKK Pensjonskasse. Fjordkrafts defined benefit plan includes retirement, disability and dependents pension.

Fjordkraft AS also has a contractual pension agreement (CPA). The CPA 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 CPA, while companies cover 2/3. Fjordkrafts 2/3 portion is funded through operation and do not have any plan assets.

The defined benefit plan's pension expenses and liabilities are presented according to IAS 19 (revised), and actuarial calculations are performed by Gabler Pension Services AS.

### Defined contribution plan

In addition to the above mentioned defined benefit pension plans, the CEO is entitled to additional annual contribution for salary exceeding 12 times the base amount (the average National

Insurance base amount (G) for 2018 was NOK 95,800). Contributions are expenses on an ongoing basis.

### New pension arrangement

The Company's defined benefit pension plan will be affected by the agreement on new pension arrangement for the public sector. The new scheme will take effect from 1 January 2020 and the Group is currently analysing how this will affect its pension plan.

Note 9  
Pension Liabilities

NOK in thousands	Funded obligations	Non-funded obligations	Total
<b>Amounts recognised in statement of financial position:</b>			
Pension expenses	203	21	224
<b>Total amount recognised in profit or loss</b>	<b>203</b>	<b>21</b>	<b>224</b>
NOK in thousands	Present value of funded obligations	Present value of non-funded obligations	Total
<b>Change in defined benefit obligation:</b>			
At 1 January 2018	-	-	-
Pension liability transferred from Fjordkraft AS	1 406	149	1 555
Accrued pension expenses for the year	203	21	224
<b>At 31 December 2018</b>	<b>1 609</b>	<b>170</b>	<b>1 778</b>

Note 10  
Other current liabilities

Other Current Liabilities consist of the following:

NOK in thousands	2018	2017
Provision for incorporation costs	-	138
Accrued expenses	385	131
<b>Total other current liabilities</b>	<b>385</b>	<b>269</b>

## Note 11

### 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	2018	2017
Fjordkraft AS	Subsidiary	Dividend	279 740	231 689
Fjordkraft AS	Subsidiary	Group contribution	23 006	-

#### Distributions to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2018	2017
BKK Regnskapservice AS	Subsidiary of major shareholder	Purchase of other services	94	-
Fjordkraft AS	Subsidiary	Purchase of other services	15 812	-

#### Distributions to related parties (NOK in thousands)

Related party	Relation	Purpose of transactions	2018	2017
BKK AS	Major shareholder	Dividend	48 849	58 659
Skagerak Energi AS	Major shareholder	Dividend	47 997	57 637
Statkraft Industrial Holding AS	Owner at the time of distribution	Dividend	3 155	3 788

#### Current receivables from related parties (NOK in thousands)

Related party	Relation	2018	2017
Fjordkraft AS*	Subsidiary	423 772	231 689

\* Includes intercompany cashpool

#### Current liabilities to related parties (NOK in thousands)

Related party	Relation	2018	2017
BKK AS	Major shareholder	-	48 849
Skagerak Energi AS	Major shareholder	-	47 997
Statkraft Industrial Holding AS	Owner at the time of distribution	-	3 155
Fjordkraft AS	Subsidiary	10 844	-



## Note 12

### Remuneration to the Executive management and Board of Directors

Pursuant to the Norwegian Accounting Act §7-31b, the Company is required to disclose remuneration to the Executive management and the Board of Directors received from other companies in the Group. Intercompany remuneration costs are regulated through a management agreement.

The Executive management, except for CEO, has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2018. CEO received remuneration from Fjordkraft AS from 1.1.18 until 31.03.18, after 31.03.18 from Fjordkraft Holding ASA.

#### Executive management 2018:

NOK in thousands	Salary	Bonus	Other benefits	Pension costs	Total remuneration	Loans outstanding 31 December
Rolf Barmen (Chief Executive Officer)	2 920	150	143	444	3 656	692
Birte Strander (Chief Financial Officer)	1 636	41	120	274	2 071	-
Jeanne K. Tjomsland (Head of HR & Communications)	1 504	41	120	315	1 980	549
Arnstein Flaskerud (Head of Strategy and M&A)	1 622	41	120	252	2 035	-
Solfrid K. Aase (Head of Company Projects)	1 371	41	100	242	1 754	-
Torkel Rolfseng (Head of Power Trading and Alliances)	1 421	41	100	304	1 867	-
Alf-Kåre Hjartnes (Chief Operating Officer)	1 510	41	120	234	1 905	29
Ingeborg C. Morken (Chief Commercial Officer)	1 639	41	120	279	2 079	543
<b>Total remuneration executive management 2018</b>	<b>13 622</b>	<b>438</b>	<b>943</b>	<b>2 344</b>	<b>17 347</b>	<b>1 814</b>

The Board of Directors has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 2018:

#### Board of Directors 2018:

NOK in thousands	Total remuneration
Per Axel Koch (Chairman)	395
Birthe Iren Grotle (Member)	-
Robert Olsen (Member)	-
Live Bertha Haukvik (Member)	271
Steinar Sønsteby (Member)	225
Lindi Bucher Vinsand (Member, Employee representative)	90
Øistein Prestø (Member, Employee representative)	90
Frank Økland (Member, Employee representative)	90
Bettina Bergesen (Deputy in board meetings)	3
Lisbeth Nærø (Chairman of the Nomination committee)	39
<b>Total remuneration Board of Directors 2018</b>	<b>1 202</b>

## Note 12

### Remuneration to the Executive management and Board of Directors

The Executive management has received the following remuneration from the Company's subsidiary, Fjordkraft AS, during the year ended 31 December 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
<b>Total remuneration executive management</b>	<b>11 184</b>	<b>4 992</b>	<b>920</b>	<b>1 587</b>	<b>18 683</b>	<b>2 057</b>

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 observer from 30 May 2017)	5
<b>Total remuneration Board of Directors 2017</b>	<b>168</b>

In 2018 a new option incentive program has been implemented for executive management in the Group, as outlined in note 13. There are no additional bonus agreements or agreement of similar profit sharing with The CEO or Chairman of the board. The rest of the executive management is also included in the Groups performance bonus scheme. An extra bonus payment was made to the executive management (including the CEO) in 2017 related to the listing process. In 2018 the CEO received a discretionary bonus based on the performance of the company.

There has not been paid remuneration to board members that are under employment at the shareholding companies, BKK AS and Skagerak Energi AS, or at Statkraft Industrial Holding AS (subsidiary of parent company of major shareholder).

Mutual period for termination of employment is 6 months from the first of the month following notice of termination. The CEO is entitled to 12 months salary including other benefits, if the company chooses to terminate the employment before retirement. The Group's executive management has the right to apply for loans on the same grounds as all the employees in the company. Maximum duration for loans to employees are 15 years. The interest rate for loans to employees is approximately equal to the current limit regarding taxation of benefits for such loans, plus 1 percentage point. Current limit for taxation of benefits is 2.1 %. The CEO and Group management is included in the current pension plan for the Group.

## Note 13

### Option program

Fjordkraft Holding ASA established a new management option program 10 December 2018.

The option program was established to align management's and shareholders' incentives and to reduce turnover for key employees.

There were issued 870 000 share options to employees during 2018. The share options are not approved by the annual general meeting (AGM) at reporting date.

2018 Option Plan	
Type	Options
Issue date	10 December 2018
Vesting conditions	One third of the options will vest 15 February 2020, the next third vests at 15 February 2021, and the last third vests at 15 February 2022 The Employee must remain an employee of the Company or an affiliated company at the end of the vesting period.
Expiry date	15 February 2023
Exercise price	33,00
<b>Total number outstanding</b>	<b>870 000</b>

2018 Option Plan	
Type	Options
Issue date	10 December 2018
Measurement date	10 December 2018
Share price	33,10
Lifetime* (years)	2,19
Volatility	30,00 %
Risk-free interest rate*	1,07 %
Fair Value*	6,072

\*volume weighted average for options

The fair value of the options was calculated using the Black-Scholes model. The model utilizes certain information, such as the interest rate on a risk-free security maturing generally at the same time as the option being valued, and requires certain assumptions, such as the expected amount of time an option will be outstanding until it is exercised or it expires and the volatility associated with the price of the underlying shares of common stock, to calculate the fair value of stock options granted. The model also estimates the likelihood of performance fulfillment and takes this into account in the valuation.

The expected volatility for options issued in 2018 is estimated at average of 30%, based on the volatility of comparable listed companies: XXL, KID, Arcus and Europris.

Interest rates used are quoted Norwegian government bonds and bills retrieved from Norges Bank.

The total carrying amount as per 31 December 2018 is NOK 157 110, not including social security.

Note 13  
Option Program

The following table shows the changes in outstanding options in 2018:

Period activity:

	1 January 2018 - 31 December 2018	
	Shares	Weighted Average Exercise Price (NOK)
Outstanding at the beginning of period	-	-
Granted	870 000	33,00
Transferred in	-	-
Exercised	-	-
Released	-	-
Cancelled	-	-
Forfeited	-	-
Expired	-	-
Adjusted quantity	-	-
Modification / Dividends	-	-
Transferred out	-	-
Outstanding at the end of period	870 000	33,00
Vested outstanding	-	-
Vested and expected to vest	870 000	33,00
	<b>Quantity</b>	<b>Intrinsic value</b>
Intrinsic value outstanding at the end of the period	870 000	870 000
Intrinsic value vested outstanding at the end of the period	-	-

At 31 December 2018, the range of exercise prices and weighted average remaining contractual life of the options were as follows :

Exercise price	Outstanding instruments			Vested outstanding	
	Outstanding options per 31 December 2018	Weighted average remaining Contractual Life	Weighted Average Exercise Price	Vested options per 31 December 2018	Weighted Average Exercise Price
33,00	870 000	4,13	33,00	-	-
<b>Total</b>	<b>870 000</b>	<b>4,13</b>	<b>33,00</b>	<b>-</b>	<b>-</b>

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## Note 14

# Events after the reporting period

### Dividend

The Board of Directors has in the board meeting on 13 February 2019 proposed a dividend to the shareholders of total NOK 229,891,675 (NOK 2,20 per share).

The proposed dividend is subject to approval by the general meeting.

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

## 4.6

## Auditor's report



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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, which comprise:

- The financial statements of the parent company Fjordkraft Holding ASA (the Company), which comprise the statement of financial position as at 31 December 2018, statement of comprehensive income (loss), statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Fjordkraft Holding ASA and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2018, consolidated statement of profit or loss, consolidated statement of comprehensive income (loss), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2018, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Fjordkraft Holding ASA

### Revenue recognition – electrical power delivered not invoiced

Key audit matters	How the matter was addressed in the audit
<p>A large portion of the final settlement of the Group's sale of electrical power is made after the Group has finalised its annual financial statements.</p> <p>Electrical power that has been delivered but not yet invoiced as of 31 December 2018, amounts to NOK 1 204 millions, of which a majority relates to physical sales of power delivered in the retail market. Revenue from sale of power recognised for the year amounts to NOK 6 472 millions in 2018. We refer to information in notes 1 and 3 to the consolidated financial statements.</p> <p>The revenue from electrical power delivered, but not invoiced is based on estimated delivery by product and price plans. Estimated volume is based on actual deliveries in prior periods, and there is judgment involved related to volumes and allocation of volumes to price plans.</p> <p>Due to the level of management's judgment involved, this is considered a key audit matter.</p>	<p>We have assessed the Group's process for estimating delivered not invoiced revenue, and the design and implementation of key controls.</p> <p>We have tested the estimated revenue from sale of electrical power by comparing the revenue recognised, by product type, to an expected revenue based on;</p> <ul style="list-style-type: none"> <li>• historical cost of power,</li> <li>• the historical correlation between cost of power and revenue, and</li> <li>• average product prices.</li> </ul> <p>Where the estimated revenue by product was significantly higher or lower than expected, we obtained further explanations and supporting documentations.</p> <p>In addition, we reviewed subsequent information on actual power supply and received true-up power settlements, and evaluated the impact of the subsequent information on revenue.</p> <p>We have assessed the adequacy of the Group's disclosures presented in note 1 (accounting principles) and 3 to the consolidated financial statements.</p>



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#### Accounting for Business Combinations

Key audit matters	How the matter was addressed in the audit
<p>As disclosed in note 23, the acquisition of TrønderEnergi Marked AS ("TEM") was closed on 18 April 2018 for a consideration of NOK 280 millions.</p> <p>Identifiable assets and liabilities acquired in the business combination are recognised at fair values on the acquisition date. Judgment is required when valuing the assets and liabilities acquired, in particular valuing the intangible assets.</p> <p>Intangible assets relating to customer relationships have been valued at NOK 107 millions. The key judgments in determining the fair value were customer's churn rates and growth rates for existing customer revenues.</p> <p>We assess the purchase price allocation to be a key audit matter due to the significant judgment required related to identification and valuation of intangible assets acquired.</p>	<p>We evaluated the process used by management to identify and value the assets and liabilities acquired.</p> <p>We obtained the purchase agreement and assessed whether the transaction has been accounted for in accordance with IFRS 3 Business Combinations.</p> <p>We obtained and assessed the work performed on the purchase price allocation by management's external expert, focusing on the valuation of intangible assets as follows;</p> <ul style="list-style-type: none"> <li>we assessed the fair value adjustments and reconciled back to the purchase price allocation,</li> <li>we used internal valuation specialists in assessing the valuation methodology and assumptions used, and</li> <li>we recalculated the value provided by the external expert utilizing our internal valuation models.</li> </ul> <p>We have also reviewed the disclosures included in note 1 and 23 of the consolidated financial statements.</p>

#### Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on Other Legal and Regulatory Requirements***Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Bergen, 28 March 2019  
Deloitte AS**Helge-Roald Johnsen**  
State Authorised Public Accountant (Norway)