

Fjordkraft Holding ASA and the Fjordkraft Group

Quarterly report - Q1 2018



Q1 Highlights

- Adjusted net revenue of 314 NOKm, representing a 16% YoY growth.
- 13% YoY increase in volume sold due to growth in number of deliveries and colder than normal weather.
- Adjusted EBIT of 146 NOKm, up 3% YoY.
- Positive organic growth in all segments.
- The acquisition of TrønderEnergi Marked was completed 18th April.

Key figures Q1

NOK in thousands	Q1 2018	Q1 2017	Full year 2017
Gross revenue	1 916 005	1 385 656	4 452 510
Net revenue	314 061	264 622	911 989
Net revenue adjusted	314 061	270 608	924 144
EBIT reported	129 613	135 048	322 620
EBIT adjusted	145 639	141 172	353 894
Net income	132 187	136 496	331 467
Earnings per share (in NOK)	0,97	0,99	2,41
EBIT margin	41 %	51 %	35 %
EBIT margin adjusted	46 %	52 %	39 %
Net interest bearing debt (cash)	330 623	(1 70 855)	(363 212)
Capex excl. M&A	6 189	7 692	29 351
Volume sold (GWh)	4 288	3 790	11 965
# of deliveries ('000)	532	491	528
# of deliveries incl. Extended Alliance ('000)	554	498	550

An important high-volume quarter - a good start to the year

Fjordkraft's revenues are affected by the seasonal temperature variation during the year, and the first and fourth quarter are therefore important to Fjordkraft's financial results, since a relatively large share of the Group's net revenue is earned during the cold winter months when electricity consumption is higher than the rest of the year, while OPEX is fairly stable.

The first quarter of 2018 has been characterised by elspot prices higher than in first quarter 2017 and colder than normal weather in two out of three months. Elspot prices have also been rising throughout the quarter, and these market conditions make it harder to deliver a strong net revenue. However, despite the challenging market conditions, Fjordkraft delivers an adjusted net revenue of 314 NOKm, which represents a 16% growth YoY. The primary reason for the net revenue growth is the 13% YoY increase in volume sold in the first quarter of 2018. This is partly related to the colder than normal weather, which has increased average consumption per delivery by 4% in the Consumer segment and 5% in the Business segment compared to Q1 2017, but primarily because of growth in number of deliveries. Adjusted EBIT amounted to 146 NOKm, which is a 3% growth from Q1 2017. Adjusted OPEX amounted to 168 NOKm, an increase of 30%. The increase in OPEX is in line with expectations and is driven by growth in sales and marketing costs and increased variable operating costs related to a larger customer base.

The Group's reporting structure comprises three operational segments: Consumer, Business and New Growth Initiatives.

Consumer

At the end of first quarter 2018, the Consumer segment comprises 468.5 thousand electricity deliveries, which represents an organic growth of 2.8 thousand deliveries from fourth quarter 2017. The volume sold in first quarter 2018 was 2,320 GWh, an increase of 14% compared to first quarter 2017. Average volume per delivery ended at 4,967 kWh in first quarter 2018, a 4% increase from the 4,783 kWh in first quarter 2017.

Despite cold weather and increasing elspot prices, Fjordkraft's customer satisfaction has increased from 2017 to 2018. In NKB's annual survey, Fjordkraft scores 74.1 points in 2018 versus 72.6 points in 2017. This places Fjordkraft among the top three performers in the industry.

During the first quarter 2018, Fjordkraft started selling home chargers for electrical vehicles, offering our customers a three-year repayment plan with a monthly payment of 499 NOK. Customers buying this product are expected to be less prone to churning, as doing so will involve a buy-out.

Adjusted net revenue in the Consumer segment amounts to 223 NOKm in the first quarter 2018, which is a 12% increase YoY, mainly attributed to growth in number of deliveries and hence higher volume sold.

Adjusted OPEX amounts to 121 NOKm in the first quarter of 2018, compared to 96 NOKm first quarter 2017. An increase in sales and marketing costs and variable costs related to a larger customer base are the main drivers for the increase.

EBIT adjusted amounts to 102 NOKm in first quarter 2018, which is in line with a strong first quarter of 2017.

Business

At the end of first quarter 2018, the Business segment comprises 63.7 thousand electricity deliveries, which represents an organic growth of 0.9 thousand deliveries from fourth quarter 2017. The volume sold in first quarter 2018 was 1,968 GWh, an increase of 12% compared to first quarter 2017. Average volume per delivery ended at 31,121 kWh in first quarter 2018, a 5% increase from the 29,778 kWh in first quarter 2017.

The web reporting service "Min Bedrift" has been improved with new functionality during the first quarter 2018, now also including a carbon footprint calculator and the possibility to buy CO2 quotas.

Adjusted net revenue in the Business segment amounts to 82 NOKm, a YoY increase of 26% driven by volume growth and improved product margins/VAS in equal parts.

Adjusted OPEX amounts to 32 NOKm compared to 28 NOKm first quarter last year. The increase primarily relates to increased sales and marketing costs.

EBIT adjusted amounts to 50 NOKm, which is a 39% YoY growth.

An important high-volume quarter - a good start to the year

Financials

New Growth Initiatives

At the end of first quarter 2018, we had 49.4 thousand mobile subscribers, which represents an organic growth of 11.1 thousand from fourth quarter 2017.

Alliance volume in first quarter 2018 was 1,603 GWh, which is a 47% increase from the 1,093 GWh in first quarter 2017. The great increase in volume relates to the signing of new alliance partners.

Figures from the corresponding period the previous year are in brackets, unless otherwise specified.

Gross revenue amounted to 1,916 NOKm (1,386 NOKm), an increase of 38%, due to higher elspot prices and increased volume sold.

Adjusted net revenue amounted to 314 NOKm (271 NOKm), an increase of 16%, primarily because of the 13% increase in volume sold.

Adjusted operating expenses amounted to 168 NOKm (129 NOKm), an increase of 30 %. The increase in operating expenses is in line with expectations and is driven by growth in sales and marketing costs.

Adjusted EBIT amounted to 146 NOKm (141 NOKm) in the first quarter due to the factors described above.

Net financial income amounted to 2.6 NOKm (1.4 NOKm), an increase of 86 % due

Adjusted net revenue amounts to 9 NOKm, which is a 29% YoY growth, driven by higher volumes and growth in number of Extended Alliance deliveries.

OPEX adjusted amounts to 16 NOKm, an increase from the 6 NOKm in the first quarter 2017. The launch of mobile and Extended Alliance are the main reasons for the increased costs in the segment. None of the two existed in Q1-17.

to increased income from interests.

Profit for the period amounted to 102 NOKm (104 NOKm) in the first quarter due to the factors described above.

Consolidated cash flow

Cash provided by operating activities was -553 NOKm (17 NOKm). The main reason for the negative cash development from operating activities is an increase in working capital in the period. Trade receivables increased by 931 NOKm (107 NOKm) in the first quarter. Net cash used in investing activities was 41 NOKm (40 NOKm) and is at the same level as last year. Net cash used in financing activities is NOK 231 NOKm (0 NOKm), consisting of overdraft facilities of 331 NOKm and dividends paid of -100 NOKm.

Financial position

The total capital as of 31.03.2018 was 2,759 NOKm (1,792 NOKm), an increase of 997 NOKm from Q1 2017. This is mainly because trade receivables have increased

EBIT amounts to -6 NOKm, negatively affected by the launch of mobile, but has shown a positive development from Q4 2017.

due to high volumes and high elspot prices in the period. Assets are financed by increased trade payables and overdraft facilities. Equity was reduced by 100 NOKm in Q1 2018 due to the distribution of dividends to the owners.

Events after the reporting period

As described in the prospectus for its initial public offering dated 9 March 2018, Fjordkraft Holding ASA (through a subsidiary, Fjordkraft AS) on 23 February 2018 entered into an agreement to acquire all of the issued shares of TrønderEnergi Marked AS ("TEM"), a leading electricity retailer in the Trøndelag area with 61,700 electricity deliveries (figures as at year end 2017). The acquisition of TEM completed 18 April 2018 and TEM will be consolidated in the Group accounts from this date.

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

Condensed interim financial statements



Condensed consolidated statement of profit or loss

NOK in thousands	Note	Q1 2018	Q1 2017	Full year 2017
Continuing operations				
Revenue	2	1 916 005	1 385 656	4 452 510
Direct cost of sales	2	(1 601 944)	(1 121 033)	(3 540 521)
Revenue less direct cost of sales		314 061	264 622	911 989
Personnel expenses	2	(53 667)	(40 881)	(178 751)
Other operating expenses	2	(93 747)	(63 932)	(312 923)
Depreciation and amortisation	2, 5, 6	(31 973)	(24 623)	(105 578)
Total operating expenses		(179 388)	(129 437)	(597 252)
Other gains and losses, net	7	(5 060)	(137)	7 884
Operating profit		129 613	135 048	322 620
Interest income		3 941	2 693	11 801
Interest expense		(54)	(38)	(175)
Other financial items, net		(1 314)	(1 207)	(2 779)
Net financial income/(cost)		2 573	1 448	8 847
Profit/(loss) before tax		132 187	136 496	331 467
Income tax (expense)/income	3	(30 497)	(32 958)	(79 527)
Profit/(loss) for the year		101 689	103 538	251 941
Basic earnings per share (in NOK)*	4	0,97	0,99	2,41
Diluted earnings per share (in NOK)*	4	0,97	0,99	2,41

* Based on 104 496 216 shares outstanding. Reference is made to note 4 regarding incorporation of Fjordkraft Holding ASA as the new parent company in the Group.

Condensed consolidated statement of comprehensive income (loss)

NOK in thousands	Q1 2018	Q1 2017	Full year 2017
Profit/(loss) for the period	101 689	103 538	251 941
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Actuarial (loss)/gain on pension obligations (net of tax)	-	-	(20 008)
Total	-	-	(20 008)
Total other comprehensive (loss)/income for the period, net of tax	-	-	(20 008)
Total comprehensive income/(loss) for the period	101 689	103 538	231 932

Condensed consolidated statement of financial position

NOK in thousands	Note	31 March 2018	31 March 2017	31 December 2017
Assets				
Non-current assets				
Property, plant and equipment	5	3 537	2 850	3 568
Intangible assets	6	85 150	72 002	82 096
Other non-current assets		142 294	114 018	137 536
Other non-current financial assets		15 098	14 087	14 198
Total non-current assets		246 079	202 958	237 398
Current assets				
Intangible assets	6	1 713	5 424	2 569
Inventories		1 113	1 362	1 394
Trade receivables	1,8	2 287 674	1 312 061	1 364 519
Derivative financial instruments	7	164 244	39 855	113 435
Other current assets		57 970	59 488	40 083
Cash and cash equivalents		-	170 855	363 212
Total current assets		2 512 714	1 589 046	1 885 212
Total assets		2 758 793	1 792 004	2 122 610
Equity and liabilities				
Equity				
Share capital		31 349	31 352	31 349
Share premium		125 035	125 032	125 035
Retained earnings		561 606	551 805	559 916
Total equity		717 989	708 189	716 300
Non-current liabilities				
Net employee defined benefit plan liabilities		78 884	50 635	73 720
Deferred tax liabilities	3	10 787	14 652	12 944
Total non-current liabilities		89 672	65 287	86 664

 Condensed consolidated statement
of financial position

NOK in thousands	Note	31 March 2018	31 March 2017	31 December 2017
Current liabilities				
Trade and other payables	8	1 132 373	690 879	726 631
Overdraft facilities		330 623	-	-
Current income tax liabilities	3	68 748	59 392	71 198
Derivative financial instruments	7	151 297	29 869	95 428
Social security and other taxes		39 408	17 231	50 085
Other current liabilities		228 684	221 157	376 304
Total current liabilities		1 951 133	1 018 528	1 319 646
Total liabilities		2 040 804	1 083 815	1 406 310
Total equity and liabilities		2 758 793	1 792 004	2 122 610

The Board of Fjordkraft Holding ASA, Oslo, 7. May 2018



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

Condensed statement of changes in equity

NOK in thousands	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2017	31 352	125 032	448 268	604 652
Profit/(loss) for the year	-	-	251 941	251 941
Other comprehensive loss for the year, net of tax	-	-	(20 008)	(20 008)
Total comprehensive income for the year			231 932	231 932
Dividends paid	-	-	(120 084)	(120 084)
Transactions with owners			(120 084)	(120 084)
Incorporation of Fjordkraft Holding ASA*	(3)	3	(200)	(200)
Balance at 31 December 2017	31 349	125 035	559 916	716 300
Balance at 1 January 2018	31 349	125 035	559 916	716 300
Profit/(loss) for the period	-	-	101 689	101 689
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period			101 689	101 689
Dividends paid	-	-	(100 000)	(100 000)
Transactions with owners			(100 000)	(100 000)
Balance at 31 March 2018	31 349	125 035	561 606	717 989

* Incorporation expenses of NOK 200 thousands were recognised against equity with the incorporation of Fjordkraft Holding ASA as the new parent company. Please refer to note 4 for further information.

Condensed consolidated statement of cash flows

NOK in thousands	Note	Q1 2018	Q1 2017	Full year 2017
Operating activities				
Profit/(loss) before tax		132 187	136 496	331 467
Adjustments for:				
Depreciation	5, 6	7 985	5 761	24 372
Interest expense		54	38	175
Interest income		(3 941)	(2 693)	(11 801)
Change in fair value of derivative financial instruments	7	5 060	137	(7 884)
Change in post-employment liabilities		5 164	3 214	(27)
Amortisation of contract assets		23 988	18 862	81 206
Impairment loss recognised in trade receivables		8 124	(184)	11 920
Changes in working capital:				
Inventories		281	(1 362)	(1 394)
Trade receivables	1, 8	(931 279)	(106 983)	(171 544)
Purchase of el-certificates	6	(179 602)	(210 296)	(210 908)
Non-cash effect from cancelling el-certificates	6	179 602	210 296	216 322
Purchase of guarantees of origination	6	856	-	(2 558)
Other current assets		(17 887)	(24 055)	(4 649)
Trade and other payables	8	405 742	215 012	250 764
Other current liabilities		(158 297)	(187 933)	(170)
Cash generated from operations		(521 964)	56 311	505 292
Interest paid		(54)	(38)	(175)
Interest received		3 941	2 693	11 801
Income tax paid	3	(35 104)	(41 685)	(71 799)
Net cash from operating activities		(553 181)	17 281	445 119
Investing activities				
Purchase of property, plant and equipment	5	(170)	-	(1 309)
Purchase of intangible assets	6	(10 838)	(7 692)	(35 807)
Payments to obtain a contract (contract assets)		(28 746)	(31 731)	(117 594)
Net (outflow)/proceeds from non-current receivables		(900)	(228)	(339)
Net cash used in investing activities		(40 654)	(39 652)	(155 048)

**Condensed consolidated statement
of cash flows**

NOK in thousands	Note	Q1 2018	Q1 2017	Full year 2017
Financing activities				
Overdraft facilities		330 623	-	-
Dividends paid	4	(100 000)	-	(120 084)
Net cash used in financing activities		230 623	-	(120 084)
Net change in cash and cash equivalents		(363 212)	(22 371)	169 987
Cash and cash equivalents at start of period		363 212	193 226	193 226
Cash and cash equivalents at end of period		0	170 855	363 212

Notes to the condensed consolidated financial statements

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Note 1 Accounting policies

General information

Fjordkraft Holding ASA and its subsidiaries (together 'the Group') is a supplier of electrical power in Norway. The Group's core business is concentrated at purchase, sales 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.

These interim financial statements were approved by the Board of Directors for issue on 7 May 2018.

These interim financial statements have not been audited.

Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". These interim financial statements do not provide the same scope of information as the annual financial statements and should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with IFRS.

Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. 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.

Accounting principles

The accounting policies adopted are consistent with those of the previous financial year except that income tax expense is recognised in each interim period using the expected weighted average annual income tax rate for the full financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

Use of estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2017, except for income taxes and post-employment benefits.

Income tax expense and deferred income tax liability is calculated by applying a weighted average of tax rates across jurisdictions, while in annual financial statements income tax expense and deferred income tax liability is calculated by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction.

Present value of defined benefit obligations and the fair value of plan assets at the end of each interim reporting period is estimated by extrapolation of the latest actuarial valuation, while in the annual financial statements this estimate is based on an updated actuarial valuation.

The Group provides re-invoicing to its customers related to grid rent. This means that the trade receivables, as shown in the consolidated statement of financial position, in addition to power sales also includes grid rent. This makes trade receivables relatively high in comparison with gross revenue as shown in the consolidated statement of profit or loss.

Note 2 Segment information

Disaggregation of revenue from contracts with customers

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

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

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

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focussed on the category of customer for each type of activity. No operating segments have been aggregated in arriving at the reportable segments of the Group. The principal categories of customers

are direct sales to private consumers, business consumers and alliance partners.

The segment profit measure is adjusted operating profit which is defined as profit before tax earned by each segment without the allocation of non recurring expenses, 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 segments.

A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group

recognises electricity revenue and the associated cost of sales based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period. Management is of the opinion that the underlying operating profit in the reporting period should be adjusted for such estimate deviations related to previous reporting periods, thus the table below also presents the Group's operating profit before such estimate deviations in the line "Operating profit (before unallocated and estimate deviations)".

Note 2

Segment information

NOK in thousands	First quarter 2018			
	Consumer	Business	New growth initiatives*	Total segments
Revenue	1 101 556	781 693	32 757	1 916 005
Total external segment revenue	1 101 556	781 693	32 757	1 916 005
Direct cost of sales	(878 218)	(700 106)	(23 620)	(1 601 944)
Revenue less direct cost of sales	223 338	81 587	9 137	314 061
Expenses				
Personnel and other operating expenses	(93 499)	(28 995)	(13 956)	(136 450)
Depreciation and amortisation	(27 545)	(2 782)	(1 646)	(31 973)
Operating profit (before unallocated)	102 294	49 810	(6 465)	145 639
<i>Adjustment: (Positive)/negative estimate deviations previous year**</i>	-	-	-	-
Operating profit (before unallocated and estimate deviations)	102 294	49 810	(6 465)	145 639

NOK in thousands	First quarter 2017			
	Consumer	Business	New growth initiatives*	Total segments
Revenue	803 180	575 384	7 092	1 385 656
Total external segment revenue	803 180	575 384	7 092	1 385 656
Direct cost of sales	(604 347)	(516 672)	(14)	(1 121 033)
Revenue less direct cost of sales	198 833	58 712	7 078	264 622
Expenses				
Personnel and other operating expenses	(72 907)	(26 245)	(5 663)	(104 815)
Depreciation and amortisation	(22 613)	(2 020)	11	(24 623)
Operating profit (before unallocated)	103 313	30 447	1 426	135 187
<i>Adjustment: (Positive)/negative estimate deviations previous year**</i>	-	5 985	-	5 985
Operating profit (before unallocated and estimate deviations)	103 313	36 432	1 426	141 172

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

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

Note 2
Segment information

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

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

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

Note 2
Segment information

Reconciliation to statement of profit and loss for the period

NOK in thousands	Q1 2018	Q1 2017	Full year 2017
Adjusted Operating profit (before unallocated and estimate deviations)	145 639	141 172	353 894
Adjustment: (Positive)/negative estimate deviations previous year	-	(5 985)	(12 156)
Personnel expenses 1)	(368)	-	(6 582)
Other operating expenses 2)	(10 599)	-	(20 420)
Other gains and losses, net 3)	(5 060)	(137)	7 884
Operating profit	129 613	135 048	322 620
Interest income	3 941	2 693	11 801
Interest expense	(54)	(38)	(175)
Other financial items, net 4)	(1 314)	(1 207)	(2 779)
Profit/(loss) before tax	132 187	136 496	331 467

1) Personnel expenses in Q1 2018 consist of employee discounts for share subscriptions in the initial public offering.

2) Other operating expenses in 2018 consist of costs incurred specific to the process of preparing the company for listing on the Oslo Stock Exchange in the form of fees to third party service providers.

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

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

Note 3

Income tax

Interim income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

NOK in thousands	Q1 2018	Q1 2017	Full year 2017
Profit before tax	132 187	136 496	331 467
Tax expense	(30 497)	(32 958)	(79 527)
<i>Average tax rate</i>	<i>23,1 %</i>	<i>24,1 %</i>	<i>24,0 %</i>
Tax payable	32 654	30 674	72 575
Adjustments to prior years tax payable	-	-	(1 377)
Change in deferred tax	(2 156)	2 284	8 328
Tax expense in recognised statement of profit or loss	30 497	32 958	79 527

Note 4

Earnings per share

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

The parent company in the Group, Fjordkraft Holding ASA, a public limited liability company, was incorporated on 15 December 2017. The company was incorporated through a contribution in kind of the three owners' shares in Fjordkraft AS, and there were no changes in the Group's ownership.

The total number of shares in the parent company of the Group as at 31 March 2018 was 104 496 216, while the total number of shares in the parent company of the Group as at 31 March 2017 was 31 352. The number of shares as at 31 March 2018 is used when calculating earnings per share.

Basic earnings per share

	Q1 2018	Q1 2017	Full year 2017
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	101 689	103 538	251 941
Weighted average number of ordinary shares in issue	104 496 216	104 496 216	104 496 216
Earnings per share in NOK	0,97	0,99	2,41
Dividend per share in NOK	0,96	-	1,15

Note 5

Property, plant and equipment

Q1 2018				
NOK in thousands	Fixtures and equipment	Computers	Construction in progress	Total
Cost price 1 January 2018	8 875	25 221	-	34 096
Additions	-	-	170	170
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 31 March 2018	8 875	25 221	170	34 266
Accumulated depreciation 1 January 2018	(6 090)	(24 437)	-	(30 527)
Depreciation for the period	(149)	(53)	-	(201)
Disposals	-	-	-	-
Accumulated depreciation 31 March 2018	(6 239)	(24 490)	-	(30 729)
Carrying amount 31 March 2018	2 636	731	170	3 537

Q1 2017				
NOK in thousands	Fixtures and equipment	Computers	Construction in progress	Total
Cost price 1 January 2017	6 902	25 554	331	32 787
Additions	-	-	-	-
Transferred from construction in progress	664	(333)	(331)	0
Disposals	-	-	-	-
Cost price 31 March 2017	7 566	25 221	0	32 787
Accumulated depreciation 1 January 2017	(5 525)	(24 135)	-	(29 660)
Depreciation for the period	(197)	(80)	-	(277)
Disposals	-	-	-	-
Accumulated depreciation 31 March 2017	(5 721)	(24 215)	-	(29 937)
Carrying amount 31 March 2017	1 845	1 005	0	2 850

Note 5
Property, plant and equipment

Full year 2017				
NOK in thousands	Fixtures and equipment	Computers	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)	0
Disposals	-	-	-	-
Cost price 31 December 2017	8 875	25 221	-	34 096
Accumulated depreciation 1 January 2017	(5 525)	(24 135)	-	(29 660)
Depreciation for the year	(565)	(302)	-	(867)
Disposals	-	-	-	-
Accumulated depreciation 31 December 2017	(6 090)	(24 437)	-	(30 527)
Carrying amount 31 December 2017	2 785	784	-	3 568
Useful life	8 years (or lease term if shorter)		3 years	
Depreciation method	Straight line		Straight line	

Note 6

Intangible assets

Non-current intangible assets

Q1 2018

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	171 865
Additions - Purchase	526	5 002	4 819	-	10 347
Additions - Internally generated	-	490	-	-	490
Transferred from construction in progress	14 327	(14 327)	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-
Disposals	-	-	-	-	-
Cost price 31 March 2018	136 799	20 377	24 960	568	182 703
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	(89 769)
Depreciation for the period	(6 664)	-	(1 072)	(47)	(7 784)
Disposals	-	-	-	-	-
Accumulated depreciation 31 March 2018	(88 279)	-	(9 084)	(189)	(97 553)
Carrying amount 31 March 2018	48 519	20 377	15 876	379	85 150

Q1 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	54	6 508	-	-	6 561
Additions - Internally generated	-	1 131	-	-	1 131
Transferred from construction in progress	14 127	(14 127)	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-
Disposals	-	-	-	-	-
Cost price 31 March 2017	101 350	30 023	12 378	-	143 751
Accumulated depreciation 1 January 2017	(60 086)	-	(6 178)	-	(66 264)
Depreciation for the period	(4 994)	-	(490)	-	(5 485)
Disposals	-	-	-	-	-
Accumulated depreciation 31 March 2017	(65 080)	-	(6 668)	-	(71 749)
Carrying amount 31 March 2017	36 270	30 023	5 710	-	72 002

Note 6
Intangible assets
Non-current intangible assets
Full year 2017

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

Current intangible assets
Q1 2018

NOK in thousands	EI-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	179 602	(856)	178 746
Disposals*	(179 602)	-	(179 602)
Cost price 31 March 2018	11	1 702	1 713
Accumulated depreciation 1 January 2018	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 March 2018	-	-	-
Carrying amount 31 March 2018	11	1 702	1 713

* Disposals of EI-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability.

Note 6
Intangible assets
Current intangible assets
Q1 2017

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2017	5 424	-	5 424
Additions - Purchase	210 296	-	210 296
Disposals*	(210 296)	-	(210 296)
Cost price 31 March 2017	5 424	-	5 424
Accumulated depreciation 1 January 2017	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 March 2017	-	-	-
Carrying amount 31 March 2017	5 424	-	5 424

* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability.

Full year 2017

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

* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability.

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

Note 7 Fair value measurement of financial instruments

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

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 31 March 2018				
NOK in thousands				
Financial assets				
Derivative financial instruments	-	164 244	-	164 244
Total financial assets at fair value	-	164 244	-	164 244
Financial liabilities				
Derivative financial instruments	-	151 297	-	151 297
Total financial liabilities at fair value	-	151 297	-	151 297
At 31 March 2017				
NOK in thousands				
Financial assets				
Derivative financial instruments	-	39 855	-	39 855
Total financial assets at fair value	-	39 855	-	39 855
Financial liabilities				
Derivative financial instruments	-	29 869	-	29 869
Total financial liabilities at fair value	-	29 869	-	29 869
At 31 December 2017				
NOK in thousands				
Financial assets				
Derivative financial instruments	-	113 435	-	113 435
Total financial assets at fair value	-	113 435	-	113 435
Financial liabilities				
Derivative financial instruments	-	95 428	-	95 428
Total financial liabilities at fair value	-	95 428	-	95 428

Note 7**Fair value measurement of financial instruments**

There were no transfers between level 1 and 2 for recurring fair value measurements during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

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

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the

use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Valuation techniques used to determine fair values

Specific valuation techniques used to value derivative financial instruments include present value of future cash flows, based on forward prices from Nasdaq OMX Commodities at the balance sheet date. In the case of material long-term contracts, the cash flows are discounted at a discount rate of 0.90 per cent (2017: 0.90 per cent).

Valuation method are 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.

Fair values of other financial instruments not recognised in the financial statements

The Group also has financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. There has not been identified any significant difference between fair value and carrying amount at 31 March 2018.

Note 8

Related party transactions

As at 31 March 2018, BKK AS is the owner of 28.69 % of the shares in Fjordkraft Holding ASA, while Skagerak Energi AS owns 28.19 %. Related parties with owners comprise companies in BKK Group, Skagerak Energi Group and Statkraft Group. The Board of Directors and the management, is also considered to be related parties.

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

Income from related parties

Related party	Relation	Purpose of transactions	Q1 2018	Q1 2017	Full year 2017
BKK AS	Owner	Sale of electrical power	3 915	2 361	10 058
BKK Energitjenester AS	Subsidiary of owner	Sale of electrical power	112	1 430	3 755
BKK Nett AS	Subsidiary of owner	Sale of electrical power	1 694	937	4 197
BKK Varne AS	Subsidiary of owner	Sale of electrical power	-	3 266	8 436
Skagerak Energi AS	Owner	Sale of electrical power	1 341	1 189	3 558
Skagerak Nett AS	Subsidiary of owner	Sale of electrical power	1 335	1 047	2 861
Skagerak Varne AS	Subsidiary of owner	Sale of electrical power	2 773	2 106	6 252
Statkraft AS	Parent company of owner	Sale of electrical power	953	481	2 078
Statkraft Varne AS	Subsidiary of parent company of owner	Sale of electrical power	24 284	13 857	37 276
Other	Related party	Other	846	356	5 948

Sale of electrical power includes in some cases re invoiced grid rent.

Expenses to related parties

Related party	Relation	Purpose of transactions	Q1 2018	Q1 2017	Full year 2017
BKK AS	Owner	Purchase of electrical power	241	321	1 377
BKK Produksjon AS	Subsidiary of owner	Purchase of electrical power	4 593	3 136	12 750
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of electrical power	1 986 609	1 210 602	3 067 577
BKK AS	Owner	Purchase of other services	6 626	5 976	28 854
BKK Energitjenester AS	Subsidiary of owner	Purchase of other services	826	-	9 066
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of other services	1 984	3 212	12 150
Other	Related party	Other	514	1 228	4 426

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

Note 8

Related party transactions

Purchase of assets

Related party	Relation	Purpose of transactions	Q1 2018	Q1 2017	Full year 2017
BKK AS	Owner	Research and development	36	-	800
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of el-certificates	179 602	210 296	210 908

Distributions to related parties

Related party	Relation	Purpose of transactions	Q1 2018	Q1 2017	Full year 2017
BKK AS	Owner	Dividend	48 849	-	58 659
Skagerak Energi AS	Owner	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

Related party	Relation	Purpose of transactions	Q1 2018	Q1 2017	31. des. 2017
Statkraft Varme AS	Subsidiary of parent company of owner	Sale of electrical power	8 744	8 580	1 774
Other	Related party	Sale of electrical power	4 868	1 141	2 406

Current liabilities to related parties

Related party	Relation	Purpose of transactions	Q1 2018	Q1 2017	31. des. 2017
BKK AS	Owner	Other	724	26 424	1 976
BKK Energitjenester AS	Subsidiary of owner	Purchase of other services	3 237	-	3 969
BKK Nett AS	Subsidiary of owner	Other	-	61	71 712
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of electrical power	765 477	390 001	553 962
Other	Related party	Other	-	-	774

Payables to Statkraft Energi AS mainly relates to purchase of electricity. The Group purchases electricity at Nord Pool through Statkraft Energi AS (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 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 interests. Interest rate is based on 1M NIBOR plus a margin based on current market terms.

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

Note 9 Events after the reporting period

As described in the prospectus for its initial public offering dated 9 March 2018, Fjordkraft Holding ASA (through a subsidiary, Fjordkraft AS) on 23 February 2018 entered into an agreement to acquire all of the issued shares of Trønder Energi Marked AS, a leading electricity retailer in the Trøndelag area with 61,700 electricity deliveries (figures as at year end 2017). The acquisition of TEM completed 18 April 2018 and TEM will be consolidated in the Group accounts from this date.

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