Fjordkraft Holding ASA and the Fjordkraft Group

Quarterly report - Q4 2018

Fjordkraft

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Q4 Highlights

- **Adjusted net revenue of 305 NOKm, representing 15% YoY growth**
- **Adjusted EBIT of 107 NOKm, up 12% YoY**
- **14% YoY growth in number of electricity deliveries, of which 2 % organic**
- **Gross revenue increasing +55% YoY, reflecting volume growth and significantly higher elspot prices than last year (+56%)**
- **The Oppdal and Etne acquisitions successfully implemented during Q4 2018**

Key figures Q4

NOK in thousands	Q4 2018	Q4 2017	Full Year 2018
Gross revenue	2 179 090	1 409 869	6 720 948
Net revenue	307 492	258 202	1 097 422
Net revenue adjusted	304 635	264 373	1 087 893
EBIT reported	91 714	86 305	326 883
EBIT adjusted	107 106	95 507	390 142
Net income	71 371	68 190	253 569
Earnings per share (in NOK)	0,68	0,65	2,43
EBIT margin	30 %	33 %	30 %
EBIT margin adjusted	35 %	37 %	36 %
Net interest bearing debt (cash)	(131 209)	(363 212)	(131 209)
Capex excl. M&A	9 818	5 900	33 783
Volume sold excl. Alliance (GWh)	3 961	3 625	13 197
# of deliveries excl. Extended Alliance ('000)	605	528	605

Strong performance in a competitive quarter

The fourth quarter of 2018 was another quarter affected by extreme weather conditions. In October, several locations in the Western part of Norway experienced from 200-250% of normal precipitation levels. This resulted in temporary local area prices as low as 0.06 NOK/kWh in the middle of October. Throughout the rest of the quarter, electricity prices have been increasing, reaching a maximum system price of 0.64 NOK/kWh in the middle of December. The temperature has been higher than normal in three out of three months, having a slightly negative impact on volume sold in the quarter.

It has also been a quarter with intense competition. A lot of electricity suppliers have been active through the holiday season, offering special deals and discounts to win customers. We are therefore very satisfied with reaching an organic growth in the quarter of 2,108 electricity deliveries in the Consumer and Business segments. YoY growth in number of deliveries in the Consumer and Business segments amounts to 14%, of which 2% organic, and the number of mobile subscriptions grew by 4,763 QoQ. Due to Statnett's Elhub project, which aims to streamline information flow between the different players in the industry, the roll-out of the Extended Alliance concept is at a temporary halt until the 1 May 2019. This has a limited impact on the Group's financial results.

The Group's adjusted net revenue increased 15% YoY, and all segments show a positive development YoY. The Group's EBIT adjusted increased 12% YoY and is driven by the Business and NGI segments.

Consumer

At the end of fourth quarter 2018, the Consumer segment comprised 529.3 thousand electricity deliveries, which represents a total growth of 9,460 deliveries from third quarter 2018, of which 3,698 organically. The volume sold in fourth quarter 2018 was 2,077 GWh, an increase of 7% compared to fourth quarter 2017. Average volume per delivery was 3,959 kWh in fourth quarter 2018, a 5% decrease from the 4,184 kWh in fourth quarter 2017.

Adjusted net revenue in the Consumer segment amounts to 213 NOKm, a YoY growth of 15%. Margin improvement and volume growth each explains about 50% of the increase.

Adjusted OPEX amounts to 141 NOKm in the fourth quarter of 2018, compared to 112 NOKm in the fourth quarter of 2017. Increased sales and marketing costs, customer service costs and variable costs are the main drivers for the increase.

EBIT adjusted amounts to 72 NOKm in the quar-ter, which is a decrease of 1 NOKm compared to the fourth quarter of 2017.

Business

At the end of fourth quarter 2018, the Business segment comprised 75.7 thousand electricity deliveries, which represents a decrease of 773 deliveries from third quarter 2018. This is driven by the loss of a tender contract, but the financial impact is limited. The volume sold in fourth quarter 2018 was 1,884 GWh, an increase of 12% com-pared to fourth quarter 2017. Average volume per delivery was 24,771 kWh in fourth quarter 2018, a 9% decrease from the 27,250 kWh in fourth quarter 2017.

Adjusted net revenue in the Business segment amounts to 83 NOKm, a YoY growth of 18%. About 60% of the growth is due to volume growth. Adjusted OPEX amounts to 40 NOKm in the quarter, compared to 38 NOKm in the fourth quarter of 2017. The main reason for the OPEX growth is increased sales and marketing costs.

EBIT adjusted amounts to 43 NOKm in the quarter, an increase of 11 NOKm from the fourth quarter of 2017, representing a YoY growth of 33%.

New Growth Initiatives

At the end of fourth quarter 2018, the number of mobile subscribers was 66.0 thousand, which represents an organic growth of 4,763 subscribers from third quarter 2018.

Alliance volume in fourth quarter 2018 was 1,358 GWh, which is a 16% YoY increase. Extended Alliance deliveries decreased by 59 deliveries in the fourth quarter of 2018, due to the Elhub project aforementioned.

OPEX adjusted amounted to 17 NOKm, a decrease from 19 NOKm in fourth quarter 2017, mainly due to reduced sales and marketing costs.

EBIT adjusted amounted to -7 NOKm, an improvement from the -10 NOKm in fourth quarter 2017. The improved EBIT adjusted is driven by improved profitability for Mobile.

Financials

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

Gross revenue amounted to 2,179 NOKm (1,410 NOKm), an increase of 55%, due to higher elspot prices and increased volume sold.

Adjusted net revenue amounted to 305 NOKm (264 NOKm), an increase of 15%. The increase is driven by both improved margins and volume growth.

Adjusted operating expenses amounted to 198 NOKm (169 NOKm), an increase of 17 %, driven by sales and marketing costs, customer service costs and other variable costs.

Adjusted EBIT amounted to 107 NOKm (96 NOKm) in the fourth quarter due to the factors described above.

Net financial income amounted to 0.4 NOKm (2.9 NOKm).

Profit for the period amounted to 71 NOKm (68 NOKm) in the fourth quarter due to the factors described above.

Consolidated cash flow

Cash provided by operating activities was 56 NOKm (-1.2 NOKm). Net cash used in investing activities was -58 NOKm (-45 NOKm) driven by purchase of Etne and Oppdal portfolios and payments to obtain contract assets. Net cash used in financing activities was NOK -14 NOKm (0 NOKm), consisting of instalments related to long term debt.

Financial position

The total capital as of 31.12.2018 was 3,448 NOKm (2,123 NOKm), an increase of 1,326 NOKm from Q4 2017. The main drivers for the increase are the acquisition of TrønderEnergi Marked AS, increased value of derivative financial instruments and increased trade receivables, driven by volume growth and higher elspot prices. Assets are financed by increased trade payables, derivative financial instruments and long-term debt.

Events after the reporting period

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.

Condensed interim financial statements

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Condensed consolidated statement of profit or loss

NOK in thousands	Note	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Continuing operations					
Revenue	2,9	2 179 090	1 409 869	6 720 948	4 452 510
Direct cost of sales	2	(1 871 598)	(1 151 667)	(5 623 526)	(3 540 521)
Revenue less direct cost of sales		**307 492**	**258 202**	**1 097 422**	**911 989**
Personnel expenses	2	(64 658)	(60 624)	(217 514)	(178 751)
Other operating expenses	2, 10	(103 503)	(92 459)	(378 382)	(312 923)
Depreciation and amortisation	2,5,6	(44 935)	(28 385)	(164 065)	(105 578)
Total operating expenses		**(213 096)**	**(181 468)**	**(759 961)**	**(597 252)**
Other gains and losses, net	7	(2 683)	9 571	(10 578)	7 884
Operating profit		**91 714**	**86 305**	**326 883**	**322 620**
Interest income		3 497	2 631	15 178	11 801
Interest expense		(1 598)	(13)	(4 927)	(175)
Other financial items, net		(1 501)	274	(5 277)	(2 779)
Net financial income/(cost)		**398**	**2 892**	**4 974**	**8 847**
Profit/(loss) before tax		**92 112**	**89 197**	**331 858**	**331 467**
Income tax (expense)/income	3	(20 742)	(21 007)	(78 289)	(79 527)
Profit/(loss) for the period		**71 371**	**68 190**	**253 569**	**251 941**
Basic earnings per share (in NOK)*	4	0,68	0,65	2,43	2,41
Diluted earnings per share (in NOK)*	4	0,68	0,65	2,43	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.

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Condensed consolidated statement of comprehensive income (loss)

NOK in thousands	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Profit/(loss) for the period	**71 371**	**68 190**	**253 569**	**251 941**
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Actuarial (loss)/gain on pension obligations (net of tax)	(10 628)	(20 008)	1 167	(20 008)
Total	**(10 628)**	**(20 008)**	**1 167**	**(20 008)**
Total other comprehensive (loss)/income for the period, net of tax	**(10 628)**	**(20 008)**	**1 167**	**(20 008)**
Total comprehensive income/(loss) for the period	**60 742**	**48 182**	**254 736**	**231 932**

Condensed consolidated statement of financial position

NOK in thousands	Note	31 December 2018	31 December 2017
Assets			
Non-current assets			
Property, plant and equipment	5,10	4 139	3 568
Goodwill	6,10	155 849	-
Intangible assets	6,10	199 957	82 096
Other non-current assets	10	149 912	137 536
Other non-current financial assets		20 090	14 198
Total non-current assets		**529 947**	**237 398**
Current assets			
Intangible assets	6	33 595	2 569
Inventories		533	1 394
Trade receivables	1,8,10	2 006 328	1 364 519
Derivative financial instruments	7,10	463 626	113 435
Other current assets	10	32 741	40 083
Cash and cash equivalents	10	381 409	363 212
Total current assets		**2 918 231**	**1 885 211**
Total assets		**3 448 178**	**2 122 609**
Equity and liabilities			
Equity			
Share capital		31 349	31 349
Share premium		125 035	125 035
Retained earnings		714 651	559 916
Total equity		**871 035**	**716 299**

Condensed consolidated statement of financial position

NOK in thousands	Note	31 December 2018	31 December 2017
Non-current liabilities			
Net employee defined benefit plan liabilities	10	79 308	73 720
Interest-bearing long term debt		194 600	-
Deferred tax liabilities	3,10	20 837	12 944
Other provisions	10	805	-
Total non-current liabilities		**295 550**	**86 664**
Current liabilities			
Trade and other payables	8,10	1 100 186	726 631
Current income tax liabilities	3	94 213	71 198
Derivative financial instruments	7,10	455 429	95 428
Social security and other taxes	10	57 523	50 085
Other current liabilities	10	574 243	376 304
Total current liabilities		**2 281 593**	**1 319 646**
Total liabilities		**2 577 143**	**1 406 310**
Total equity and liabilities		**3 448 178**	**2 122 609**

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

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**	**604 651**
Profit/(loss) for the year	-	-	251 941	251 941
Other comprehensive income/(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**	**716 299**
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
Total comprehensive income for the year	-	-	**254 736**	**254 736**
Dividends paid	-	-	(100 000)	(100 000)
Transactions with owners	**-**	**-**	**(100 000)**	**(100 000)**
Balance at 31 December 2018	**31 349**	**125 035**	**714 651**	**871 035**

* 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	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Operating activities					
Profit/(loss) before tax		92 112	89 197	331 858	331 467
Adjustments for:					
Depreciation	5, 6	20 704	6 641	65 532	24 372
Interest expense		1 598	13	4 927	175
Interest income		(3 497)	(2 631)	(15 178)	(11 801)
Change in fair value of derivative financial instruments		2 682	(9 571)	10 578	(7 884)
Change in post-employment liabilities		2 540	1 622	4 402	(27)
Amortisation of contract assets		24 231	21 744	98 533	81 206
Impairment loss recognised in trade receivables		2 998	4 397	22 848	11 920
Change in long-term receivables		(5 062)	-	(5 062)	-
Changes in working capital:					
Inventories		517	455	861	(1 394)
Trade receivables	8	(802 955)	(716 012)	(506 065)	(171 544)
Purchase of el-certificates	6	(17 412)	-	(191 420)	(210 908)
Non-cash effect from cancelling el-certificates	6	(0)	(7 533)	169 330	216 322
Purchase of guarantees of origination	6	(32 569)	(2 558)	(30 208)	(2 558)
Non-cash effect from disposal of guarantees of origination	6	21 272	-	21 272	-
Other current assets		34 626	36 622	54 589	(4 649)
Trade and other payables	8	480 095	412 057	372 173	250 764
Other current liabilities		234 238	150 135	(49 229)	(170)
Cash generated from operations		**56 119**	**(15 423)**	**359 740**	**505 292**
Interest paid		(348)	(13)	(3 677)	(175)
Interest received		3 497	2 631	15 178	11 801
Income tax paid	3	(2 991)	11 572	(73 569)	(71 799)
Net cash from operating activities		**56 277**	**(1 233)**	**297 672**	**445 119**

Condensed consolidated statement of cash flows

NOK in thousands	Note	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Investing activities					
Purchase of property, plant and equipment	5	(499)	-	(1 376)	(1 309)
Purchase of intangible assets	6	(33 158)	(13 663)	(62 583)	(35 807)
Payments to obtain a contract (contract assets)		(28 236)	(30 784)	(110 646)	(117 594)
Net cash outflow on aquisition of subsidiares	10	-	-	(254 102)	-
Net (outflow)/proceeds from non-current receivables		3 638	(129)	(759)	(339)
Net (outflow)/proceeds from other long-term liabilities		(209)	-	(209)	
Net cash used in investing activities		**(58 464)**	**(44 576)**	**(429 675)**	**(155 048)**
Financing activities					
Dividends paid	4	-	-	(100 000)	(120 084)
Proceeds from interest-bearing long term debt		-	-	278 000	-
Instalments long term debt		(13 900)	-	(27 800)	-
Net cash used in financing activities		**(13 900)**	**-**	**150 200**	**(120 084)**
Net change in cash and cash equivalents		**(16 087)**	**(45 809)**	**18 197**	**169 987**
Cash and cash equivalents at start of period		397 495	409 020	363 212	193 226
Cash and cash equivalents at end of period		**381 409**	**363 212**	**381 409**	**363 212**

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Notes to the condensed consolidated financial statements

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 13 February 2019.

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.

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.

Note 1
Accounting policies

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 the amount of trade receivables relatively high in comparision with the amount of gross revenue as shown in the consolidated statement of profit and loss.

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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 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 non-recurring expenses, 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 2
Segment information

NOK in thousands	Q4 2018 Consumer	Business	New growth initiatives	Total segments
Revenue	1 235 170	903 202	40 718	2 179 090
Total external segment revenue	**1 235 170**	**903 202**	**40 718**	**2 179 090**
Direct cost of sales	(1 020 438)	(818 536)	(32 624)	(1 871 598)
Revenue less direct cost of sales	**214 732**	**84 666**	**8 094**	**307 492**
Expenses				
Personnel and other operating expenses	(113 943)	(37 016)	(14 969)	(165 927)
Depreciation and amortisation	(27 241)	(2 705)	(1 656)	(31 602)
Operating profit (before unallocated)	**73 549**	**44 944**	**(8 531)**	**109 963**
Adjustment: (Positive)/negative estimate deviations previous year 1)	*(2 049)*	*(1 990)*	*1 182*	*(2 857)*
Adjustment: Other non-recurring revenue adjustments	-	-	-	-
Operating profit (before unallocated and estimate deviations)	***71 500***	***42 954***	***(7 349)***	***107 106***

NOK in thousands	Q4 2017 Consumer	Business	New growth initiatives	Total segments
Revenue	794 482	587 270	28 117	1 409 869
Total external segment revenue	**794 482**	**587 270**	**28 117**	**1 409 869**
Direct cost of sales	(613 512)	(520 636)	(17 519)	(1 151 667)
Revenue less direct cost of sales	**180 970**	**66 634**	**10 598**	**258 202**
Expenses				
Personnel and other operating expenses	(88 644)	(35 004)	(17 260)	(140 908)
Depreciation and amortisation	(23 713)	(2 694)	(1 551)	(27 958)
Operating profit (before unallocated)	**68 613**	**28 936**	**(8 213)**	**89 336**
Adjustment: (Positive)/negative estimate deviations previous year 1)	*4 464*	*3 312*	*(1 605)*	*6 171*
Adjustment: Other non-recurring revenue adjustments	-	-	-	-
Operating profit (before unallocated and estimate deviations)	***73 077***	***32 248***	***(9 818)***	***95 507***

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Note 2
Segment information

	Full Year 2018			
NOK in thousands	Consumer	Business	New growth initiatives	Total segments
Revenue	3 792 935	2 778 131	149 882	6 720 948
Total external segment revenue	**3 792 935**	**2 778 131**	**149 882**	**6 720 948**
Direct cost of sales	(3 018 887)	(2 484 504)	(120 136)	(5 623 526)
Revenue less direct cost of sales	**774 048**	**293 627**	**29 746**	**1 097 422**
Expenses				
Personnel and other operating expenses	(390 561)	(125 944)	(53 558)	(570 063)
Depreciation and amortisation	(110 101)	(10 992)	(6 597)	(127 690)
Operating profit (before unallocated)	**273 386**	**156 691**	**(30 409)**	**399 669**
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)*
Operating profit (before unallocated and estimate deviations)	***265 599***	***154 027***	***(29 487)***	***390 140***

	Full Year 2017			
NOK in thousands	Consumer	Business	New growth initiatives	Total segments
Revenue	2 518 778	1 872 997	60 735	4 452 510
Total external segment revenue	**2 518 778**	**1 872 997**	**60 735**	**4 452 510**
Direct cost of sales	(1 863 383)	(1 641 077)	(36 061)	(3 540 521)
Revenue less direct cost of sales	**655 394**	**231 920**	**24 674**	**911 989**
Expenses				
Personnel and other operating expenses	(300 425)	(112 814)	(51 434)	(464 673)
Depreciation and amortisation	(92 558)	(9 171)	(2 012)	(103 741)
Operating profit (before unallocated)	**262 411**	**109 935**	**(28 772)**	**343 574**
Adjustment: (Positive)/negative estimate deviations previous year 1)	*4 463*	*9 298*	*(1 605)*	*12 156*
Adjustment: Other non-recurring revenue adjustments	-	-	-	-
Operating profit (before unallocated and estimate deviations)	***266 874***	***119 233***	***(30 377)***	***355 730***

Note 2
Segment information

Reconciliation to statement of profit and loss for the period

NOK in thousands	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Adjusted Operating profit (before unallocated and estimate deviations)	**107 106**	**95 507**	**390 142**	**355 730**
Adjustment: (Positive)/negative estimate deviations previous year 1)	2 857	(6 171)	5 449	(12 156)
Other gains & losses 2)	(2 682)	9 571	(10 578)	7 884
Special items 3)	(2 233)	(12 176)	(21 755)	(27 002)
Depreciation of acquisitions 4)	(13 333)	(426)	(36 375)	(1 834)
Operating profit	**91 714**	**86 305**	**326 883**	**322 620**
Interest income	3 497	2 631	15 178	11 801
Interest expense	(1 598)	(13)	(4 927)	(175)
Other financial items, net	(1 501)	274	(5 277)	(2 779)
Profit/(loss) before tax	**92 112**	**89 197**	**331 858**	**331 467**

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. Management is of the opinion that the underlying operating profit in the reporting period should be adjusted for such esti-mate 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)".

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

3) Special items consists of::

NOK in thousands	Q4 2018	Q4 2017	Full Year 2018	Full year 2017
Special items incurred specific to:				
- the process of listing the company on Oslo Stock Exchange	-	(12 176)	(11 323)	(12 176)
- acquisition related costs	(1 935)	-	(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	(298)	-	(2 409)	-
Special items	**(2 233)**	**(12 176)**	**(21 755)**	**(27 002)**

4) Depreciation of acquisitions consists of 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. In order to accommodate this, historically reported figures have been adjusted accordingly.

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	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Profit before tax	92 112	89 197	331 858	331 467
Tax expense	(20 742)	(21 007)	(78 289)	(79 527)
Average tax rate	*22,5 %*	*23,6 %*	*23,6 %*	*24,0 %*
Tax payable	27 036	20 610	94 073	72 575
Adjustments to prior years tax payable	0	19	370	(1 377)
Change in deferred tax	(6 295)	378	(16 154)	8 328
Tax expense in recognised statement of profit or loss	**20 742**	**21 007**	**78 289**	**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 at 31 December 2017 and at 31 December 2018 was 104 496 216.

Basic earnings per share

	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	71 371	68 190	253 569	251 941
Weighted average number of ordinary shares in issue	104 496 216	104 496 216	104 496 216	104 496 216
Earnings per share in NOK	**0,68**	**0,65**	**2,43**	**2,41**
Dividend per share in NOK	**-**	**-**	**0,96**	**1,15**

Note 5 Property, plant and equipment

2018 Full year

NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2018	8 875	25 221	-	34 096
Additions	81	-	1 376	1 457
Additions from business combinations (see note 10)	683	58	-	741
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 31 December 2018	**9 639**	**25 279**	**1 376**	**36 293**
Accumulated depreciation 1 January 2018	(6 090)	(24 437)	-	(30 527)
Depreciation for the year	(1 359)	(269)	-	(1 628)
Disposals	-	-	-	-
Accumulated depreciation 31 December 2018	**(7 449)**	**(24 706)**	**-**	**(32 155)**
Carrying amount 31 December 2018	**2 190**	**573**	**1 376**	**4 139**

2017 Full year

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	1 973			1 973
Transferred from construction in progress		331	(331)	0
Disposals		(664)		(664)
Cost price 31 December 2017	**8 875**	**25 221**	**-**	**34 095**
Accumulated depreciation 1 January 2017	(5 525)	(24 135)	-	(29 660)
Depreciation for the year	(565)	(302)	-	(867)
Disposals				-
Accumulated depreciation 31 December 2017	**(6 090)**	**(24 437)**	**-**	**(30 527)**
Carrying amount 31 December 2017	**2 785**	**783**	**-**	**3 568**

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

2018 Full year

NOK in thousands	Software and development projects	Construction in progress	Assets from acquisitions*	Other intangible assets	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	-	171 865
Additions - Purchase	990	30 272	30 176	-	155 849	217 287
Additions - Internally generated	17	1 125	-	-	-	1 142
Additions from business combinations (see note 10)			119 183			119 183
Transferred from construction in progress	17 740	(17 740)	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost price 31 December 2018	**140 692**	**42 869**	**169 500**	**568**	**155 849**	**509 478**
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	-	(89 769)
Depreciation for the year	(27 340)	-	(36 375)	(189)	-	(63 904)
Disposals	-	-	-	-	-	-
Accumulated depreciation 31 December 2018	**(108 955)**	**-**	**(44 387)**	**(331)**	**-**	**(153 673)**
Carrying amount 31 December 2018	**31 738**	**42 869**	**125 114**	**237**	**155 849**	**355 806**

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

Useful life	*3 years*		5-12 years	3 years
Depreciation method	Straight line		Straight line/other*	Straight line

*For a part of the intangible assets from acquisitions the amortisation is calculated on a straight-line basis. For another part of the intangible assets from acquisitions the amortisation is calculated on basis of expected churn-profile of the customer portfolio.

Note 6
Intangible assets

Non-current intangible assets

2017 Full year

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 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	**42 921**	**26 676**	**4 793**	**473**	**-**	**74 862**
Useful life	*3 years*		5-12 years	3 years		
Depreciation method	Straight line		Straight line	Straight line		

Note 6
Intangible assets

Current intangible assets

2018 Full year

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)
Cost price 31 December 2018	**22 101**	**11 494**	**33 595**
Accumulated depreciation 1 January 2018	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 December 2018	**-**	**-**	**-**
Carrying amount 31 December 2018	**22 101**	**11 494**	**33 595**

* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability.
Disposals of Guarantees of origination (GoO) refers to amount of certificates redeemed as evidence of the origin of electricity generated from renewable energy sources.

2017 Full year

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

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 value 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 At 31 December 2018	Level 1	Level 2	Level 3	Total
NOK in thousands				
Financial assets				
Derivative financial instruments		463 626		463 626
Total financial assets at fair value	**-**	**463 626**	**-**	**463 626**
Financial liabilities				
Derivative financial instruments		455 429		455 429
Total financial liabilities at fair value	**-**	**455 429**	**-**	**455 429**

Recurring fair value measurements At 31 December 2017	Level 1	Level 2	Level 3	Total
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**

There were no transfers between level 1 and 2 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.

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 1.20 per cent (2017: 0.90 per cent). 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.

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 December 2018.

Note 8 Related party transactions

As of 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 major shareholders comprise 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 are 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	Q4 2018	Q4 2017	Full year 2018	Full year 2017
BKK AS	Major shareholder	Sale of electrical power	2 751	2 836	12 207	10 058
BKK Nett AS	Subsidiary of major shareholder	Sale of electrical power	1 007	1 060	4 956	4 197
BKK Varme AS	Subsidiary of major shareholder	Sale of electrical power	-	(24)	-	8 436
Skagerak Energi AS	Major shareholder	Sale of electrical power	1 255	713	4 857	3 558
Skagerak Nett AS	Subsidiary of major shareholder	Sale of electrical power	1 103	581	4 370	2 861
Skagerak Varme AS	Subsidiary of major shareholder	Sale of electrical power	2 503	1 436	8 999	6 252
Statkraft AS	Parent company of major shareholder	Sale of electrical power	1 174	755	4 222	2 078
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	16 732	8 877	61 936	37 276
Other	Related party	Other	2 194	7 646	4 926	9 703

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

Expenses to related parties

Related party	Relation	Purpose of transactions	Q4 2018	Q4 2017	Full year 2018	Full year 2017
BKK AS	Major shareholder	Purchase of electrical power	533	367	1 493	1 377
BKK Produksjon AS	Subsidiary of major shareholder	Purchase of electrical power	3 641	3 702	14 085	12 750
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	1 128 994	815 956	4 211 917	3 067 577
BKK AS	Major shareholder	Purchase of other services	6 170	8 497	24 567	28 854
BKK Regnskapsservice AS	Subsidiary of major shareholder	Purchase of other services	(1 585)	-	5 225	-
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	4 271	2 793	4 096	9 066
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of other services	10 830	6 063	15 923	12 150
Other	Related party	Other	360	(3 007)	1 342	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	Q4 2018	Q4 2017	Full year 2018	Full year 2017
BKK AS	Major shareholder	Research and development	-	363	897	800
BKK AS	Major shareholder	Purchase of customer portfolio	5 130	-	5 130	-
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of customer portfolio	418	7 087	6 755	7 763
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of el-certificates	-	-	191 420	210 908

Distributions to related parties

Related party	Relation	Purpose of transactions	Q4 2018	Q4 2017	Full year 2018	Full year 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

Related party	Relation	Purpose of transactions	31. Dec 2018	31. Dec 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

Related party	Relation	Purpose of transactions	31. Dec 2018	31. Dec 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	Purshase 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 Statkraft Energi AS. The daily transactions and payments with Nord Pool 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 1 M NIBOR plus a margin based on current market terms.

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

Note 9
Revenue recognition

The following table summarises revenue from contracts with customers:

Revenue

NOK in thousands	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue - Consumer segment (1)	1 235 171	794 482	3 792 936	2 518 778
Revenue - Business segment (2)	903 201	587 270	2 778 130	1 872 997
Revenue - New growth initiatives (3)	40 718	28 117	149 882	60 735
Total revenue	**2 179 090**	**1 409 869**	**6 720 948**	**4 452 510**

Timing of revenue recognition

Over time:

NOK in thousands	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue - Consumer segment	1 215 839	777 345	3 713 899	2 448 620
Revenue - Business segment	898 121	582 347	2 757 947	1 855 984
Revenue - New growth initiatives	40 336	27 866	148 428	60 198
Total revenue recognised over time	**2 154 296**	**1 387 558**	**6 620 274**	**4 364 802**

At a point in time:

NOK in thousands	Q4 2018	Q4 2017	Full year 2018	Full year 2017
Revenue - Consumer segment	19 332	17 137	79 037	70 158
Revenue - Business segment	5 080	4 923	20 183	17 013
Revenue - New growth initiatives	382	251	1 454	537
Total revenue recognised at a point in time	**24 794**	**22 311**	**100 674**	**87 708**
Total revenue	**2 179 090**	**1 409 869**	**6 720 948**	**4 452 510**

(1) Revenue in the consumer segment comprise sale of electrical power to private consumers
(2) Revenue in the business segment comprise sale of electrical power to businesses
(3) Comprise of other business activities (sale of mobile service to private customers and power sale, included related services, to Alliance partners – referred to as New growth initiatives)

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Note 10 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.
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
Total purchase consideration	**280 351**

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
Property, plant and equipment (note 5)	741
Customer relationships (note 6)	107 118
Other intangible assets (note 6)	12 066
Other non-current assets	-
Other non-current financial assets	70
Total non-current assets	**119 995**
Trade receivables	158 592
Derivative financial instruments	7 966
Other current assets	48 004
Cash and cash equivalents	26 240
Total current assets	**240 801**
Total assets	**360 796**
Net employee defined benefit plan liabilities	2 701
Deferred tax liabilities (note 3)	26 607
Provisions for liabilities	1 014
Total non-current liabilities	**30 323**
Trade and other payables	1 382
Overdraft facilities	20 102
Derivative financial instruments	6 833
Social secutiry and other taxes	32 198
Other current liabilities	145 457
Total current liabilities	**205 972**
Total liabilities	**236 294**

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Note 10
Business combination

NOK in thousands	Fair value
Net identifiable assets acquired	124 502
Add: Goodwill	155 849
In total	**280 351**

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 6 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 and is therefore included in other current liabilities in The Group's cash flow.

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.

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Note 11
Events after the reporting period

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.

Appendix

Fjordkraft

Alternative performance measures

The alternative performance measures (abbreviated 'APMs') that hereby are provided by Fjordkraft 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 Marked 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.

Fjordkraft uses the following APMs:

Cash EBIT is equivalent to Operating free cash flow before tax (OpFCF) and change in Net working capital (NWC).

Capex excl. M&A is used to present the capital expenditures excluding mergers and acquisitions.

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 margin is EBIT divided by Net revenue. This APM is a measure of a Group's profitability and gives an indicator on the earnings ability.

EBIT margin adjusted is calculated as EBIT adjusted divided by Net revenue. This APM a measure of a Group's profitability and gives an indicator on the earnings ability.

EBITDA is defined as operational profit/loss before depreciation and amortisation. This APM is used to measure performance from operations 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. This can be an indicator of the degree of competition in the electricity market.

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 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.

Alternative performance measures

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) 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 revenue in the period.