

Fjordkraft Holding ASA and the Fjordkraft Group

Quarterly report - Q1 2019



Q1 Highlights

- **Net revenue adj. and EBIT adj. performance better than expected, driven by strong price management and favourable market dynamics**
 - **3 % YoY growth in volume sold, driven by 14 % YoY growth in # of deliveries, partly offset by mild weather, negatively affecting average consumption per delivery**
- **Positive organic growth in all segments**
- **Fjordkraft is now the largest mobile service provider without its own mobile network**
- **Positive revision of targets following strong results**
- **Adjusted net revenue increasing 20% YoY**
- **Adjusted EBIT increasing 24% YoY**

Key figures Q1*

NOK in thousands	Q1 2019	Q1 2018	Full Year 2018
Gross revenue	2 545 634	1 916 005	6 720 948
Net revenue	378 361	314 061	1 097 422
Net revenue adjusted	378 361	314 061	1 087 893
EBIT reported	170 942	129 613	326 883
EBIT adjusted	181 937	146 710	390 142
Net income	134 425	101 689	253 569
Basic earnings per share (in NOK)	1,29	0,97	2,43
EBIT margin	45 %	41 %	30 %
EBIT margin adjusted	48 %	47 %	36 %
Net interest bearing debt (cash)	23 273	330 623	(131 209)
Capex excl. M&A	15 226	6 189	33 783
Volume sold (GWh)	4 402	4 288	13 197
# of deliveries ('000) excl. Extended Alliance	607	532	605

*Alternative Performance Measures (APM)- see separate chapter for definition and reconciliation

Strong price management in an important quarter

Every quarter is important. Still, the first quarter is perhaps the most important quarter for Fjordkraft. This is when the temperatures are at their lowest and electricity consumption is at its highest, and is usually the quarter with the greatest net revenue contribution throughout the year. Therefore, we are very satisfied with our strong performance in the first quarter of 2019. Adjusted net revenue is increasing 20% YoY, while adjusted EBIT is increasing 24% YoY.

The Norwegian winter has been mild, and temperatures have been warmer than normal in three out of three months in the quarter. February was especially warm, with 3.5 degrees Celsius above normal. The warm weather negatively affects electricity consumption per delivery, but volume sold is still increasing 3% YoY due to the 14% YoY growth in number of electricity deliveries. Organic growth in the quarter amounted to 1,679 electricity deliveries and 5,667 mobile subscribers. The warm weather has also affected elspot price development throughout the quarter. We saw increasing prices throughout January, but in February and March decreasing prices combined with strong price management have had a positive impact on product margins.

Consumer

At the end of first quarter 2019, the Consumer segment comprised 530 thousand electricity deliveries, which represents a total growth of 921 deliveries from fourth quarter 2018, all of which organic. The volume sold in first quarter 2019 was 2,299 GWh, a decrease of 1% compared to first quarter 2018. Growth in number of deliveries is

partly offsetting the decrease in average volume per delivery, which was 4,340 kWh in first quarter 2019, a 13% decrease from the 4,967 kWh in first quarter 2018.

Adjusted net revenue in the Consumer segment amounts to 267 NOKm, a YoY growth of 19%. The growth is driven by improved margins.

Adjusted OPEX amounts to 141 NOKm in the first quarter of 2019, compared to 120 NOKm in the first quarter of 2018. Increased sales and marketing costs, variable costs and administrative costs are the main drivers for the increase.

EBIT adjusted amounts to 126 NOKm in the quarter, which is an increase of 23 NOKm compared to the first quarter of 2018.

Business

At the end of first quarter 2019, the Business segment comprised 76 thousand electricity deliveries, which represents an increase of 758 deliveries from fourth quarter 2018. The volume sold in first quarter 2019 was 2,103 GWh, an increase of 7% compared to first quarter 2018. The increase is driven by growth in number of deliveries. Average volume per delivery was 27,653 kWh in first quarter 2019, an 11% decrease from the 31,121 kWh in first quarter 2018.

Adjusted net revenue in the Business segment amounts to 97 NOKm, a YoY growth of 19%. About 70% of the growth is due to margin improvement.

Adjusted OPEX amounts to 39 NOKm in the quarter, compared to 32 NOKm in the first quarter of 2018. The main reason for the OPEX growth is increased sales and marketing costs.

EBIT adjusted amounts to 59 NOKm in the quarter, an increase of 9 NOKm from the first quarter of 2018.

New Growth Initiatives

At the end of first quarter 2019, the number of mobile subscribers was 72 thousand, which represents an organic growth of 5,667 subscribers from fourth quarter 2018.

Alliance volume in first quarter 2019 was 1,511 GWh, which is a 6% YoY decrease driven by mild weather. Extended Alliance deliveries increased by 358 deliveries in the first quarter of 2019.

OPEX adjusted amounted to 17 NOKm, an increase from 16 NOKm in first quarter 2018, due to increased sales and marketing costs.

EBIT adjusted amounted to -3 NOKm, an improvement of 4 NOKm from first quarter 2018. 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 2,546 NOKm (1,916 NOKm), an increase of 33 %, mainly due to higher elspot prices. Volume sold is 3 % higher YoY.

Adjusted net revenue amounted to 378 NOKm (314 NOKm), an increase of 20 %. The increase is driven mainly by improved margins.

Adjusted operating expenses amounted to 196 NOKm (167 NOKm), an increase of 17 %, driven by sales and marketing costs, variable costs and administrative costs.

Adjusted EBIT amounted to 182 NOKm (147 NOKm), a growth of 24 %, in the first quarter due to the factors described above.

Net financial income amounted to 2.0 NOKm (2.6 NOKm).

Profit for the period amounted to 134 NOKm (102 NOKm) in the first quarter due to the factors described above.

Consolidated cash flow

Cash generated from operating activities was -136 NOKm (-582 NOKm). Net cash used in investing activities was -16 NOKm (-12 NOKm) driven by purchase of intangible assets. Net cash used in financing activities was NOK -16 NOKm (231 NOKm), consisting of instalments related to long term debt.

Financial position

The total capital as of 31.03.2019 was 3,067 NOKm (2,759 NOKm), an increase of 308 NOKm from Q1 2019. The main driver for the increase is the acquisition of TrønderEnergi Marked AS financed by increased long-term debt.

Events after the reporting period

There are no 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 2019	Q1 2018	Full year 2018
Continuing operations				
Revenue	2,9	2 545 634	1 916 005	6 720 948
Direct cost of sales	2	(2 167 273)	(1 601 944)	(5 623 526)
Revenue less direct cost of sales		378 361	314 061	1 097 422
Personnel expenses	2	(64 426)	(53 667)	(217 514)
Other operating expenses	2	(97 908)	(93 747)	(378 382)
Depreciation right-of-use assets		(2 213)	-	-
Depreciation and amortisation	2,5,6	(42 880)	(31 973)	(164 065)
Total operating expenses		(207 426)	(179 388)	(759 961)
Other gains and losses, net	7	8	(5 060)	(10 578)
Operating profit		170 942	129 613	326 883
Interest income		4 882	3 941	15 178
Interest expense lease liability		(193)	-	-
Interest expense		(1 578)	(54)	(4 927)
Other financial items, net		(1 086)	(1 314)	(5 277)
Net financial income/(cost)		2 026	2 573	4 974
Profit/ (loss) before tax		172 968	132 187	331 858
Income tax (expense)/income	3	(38 543)	(30 497)	(78 289)
Profit/ (loss) for the period		134 425	101 689	253 569
Basic earnings per share (in NOK)*	4	1,29	0,97	2,43
Diluted earnings per share (in NOK)*	4	1,27	0,97	2,41

* Based on 104 496 216 shares outstanding. There were issued 960 000 share options to employees. The share options are not approved by the annual general meeting (AGM) at reporting date.

Condensed consolidated statement of comprehensive income

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
Profit/ (loss) for the period	134 425	101 689	253 569
Other comprehensive income/ (loss):			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on pension obligations (net of tax)	-	-	1 167
Total	-	-	1 167
Total other comprehensive income/(loss) for the period, net of tax	-	-	1 167
Total comprehensive income/ (loss) for the period	134 425	101 689	254 736

Condensed consolidated statement of financial position

NOK in thousands	Note	31 March 2019	31 March 2018	31 December 2018
Assets				
Non-current assets				
Right-of-use assets property, plant and equipment		29 048	-	-
Property, plant and equipment	5	4 050	3 537	4 139
Goodwill	6	155 849	-	155 849
Intangible assets	6	197 459	85 150	199 957
Cost to obtain contracts		150 559	142 294	149 912
Other non-current financial assets		22 957	15 098	20 090
Total non-current assets		559 923	246 079	529 947
Current assets				
Intangible assets	6	31 799	1 713	33 595
Inventories		261	1 113	533
Trade receivables	1,8	1 970 534	2 287 674	2 006 328
Derivative financial instruments	7	177 539	164 244	463 626
Other current assets		113 727	57 970	32 741
Cash and cash equivalents		213 027	-	381 409
Total current assets		2 506 886	2 512 714	2 918 231
Total assets		3 066 809	2 758 793	3 448 178
Equity and liabilities				
Equity				
Share capital		31 349	31 349	31 349
Share premium		125 035	125 035	125 035
Retained earnings		849 945	561 606	714 651
Total equity		1 006 328	717 989	871 035

Condensed consolidated statement
of financial position

NOK in thousands	Note	31 March 2019	31 March 2018	31 December 2018
Non-current liabilities				
Net employee defined benefit plan liabilities		85 658	78 884	79 308
Interest-bearing long term debt	10	180 700	-	194 600
Deferred tax liabilities	3	17 213	10 787	20 837
Lease liability - long term		20 510	-	-
Other provisions for liabilities		732	-	805
Total non-current liabilities		304 812	89 672	295 550
Current liabilities				
Trade and other payables	8	1 065 031	1 132 373	1 100 186
Overdraft facilities		-	330 623	-
Current income tax liabilities	3	62 474	68 748	94 213
Derivative financial instruments	7	169 334	151 297	455 429
Social security and other taxes		97 987	39 408	57 523
Lease liability - short term		8 659	-	-
Other current liabilities		352 185	228 684	574 243
Total current liabilities		1 755 668	1 951 133	2 281 593
Total liabilities		2 060 480	2 040 804	2 577 143
Total equity and liabilities		3 066 809	2 758 793	3 448 178

The Board of Fjordkraft Holding ASA, Bergen, 14 May 2019



Per Axel Koch
Chairman



Birthe Iren Grotle
Board member



Frank Økland
Board member



Elisabeth M. Norberg
Board member



Heidi Theresa Ose
Board member



Live Bertha Haukvik
Board member



Steinar Sønsteby
Board member



Lindi Bucher Vinsand
Board member



Rolf Jørgen Barmen
CEO

Condensed consolidated statement of changes in equity

NOK in thousands	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance at 1 January 2018	31 349	125 035	-	559 916	716 299
Profit/ (loss) for the period	-	-	-	253 569	253 569
Other comprehensive income/ (loss) for the period, net of tax	-	-	-	1 167	1 167
Total comprehensive income/ (loss) for the period	-	-	-	254 736	254 736
Purchase of Treasury shares	-	-	(2 889)	-	(2 889)
Sale of Treasury shares	-	-	2 889	-	2 889
Dividends paid (note 4)	-	-	-	(100 000)	(100 000)
Transactions with owners	-	-	-	(100 000)	(100 000)
Balance at 31 december 2018	31 349	125 035	-	714 651	871 035
Balance at 1 January 2019	31 349	125 035	-	714 651	871 035
Profit/ (loss) for the period	-	-	-	134 425	134 425
Other paid- in equity	-	-	-	868	868
Other comprehensive income/ (loss) for the period	-	-	-	-	-
Total comprehensive income/ (loss) for the period	-	-	-	135 293	135 293
Dividends paid	-	-	-	-	-
Transactions with owners	-	-	-	-	-
Balance at 31 March 2019	31 349	125 035	-	849 943	1 006 328

Condensed consolidated statement of cash flows

NOK in thousands	Note	Q1 2019	Q1 2018	Full year 2018
Operating activities				
Profit/(loss) before tax		172 968	132 187	331 858
Adjustments for				
Depreciation	5, 6	18 057	7 985	65 532
Depreciation right-of-use assets		2 213	-	-
Amortisation of contract assets		24 823	23 988	98 533
Interest income		(4 882)	(3 941)	(15 178)
Interest expense lease liability		193	-	-
Interest expense		1 578	54	4 927
Change in long-term receivables		(2 446)	-	(5 062)
Share based payment expense		868	-	-
Change in post-employment liabilities		6 350	5 164	4 402
Payments to obtain a contract		(25 470)	(28 746)	(1 10 646)
Changes in working capital (non-cash effect)				
Impairment loss recognised in trade receivables		12 566	8 124	22 848
Change in fair value of derivative financial instruments		(8)	5 060	10 578
Changes in working capital				
Inventories		272	281	861
Trade receivables	8	23 228	(931 279)	(506 065)
Purchase of el-certificates	6	(240 864)	(179 602)	(191 420)
Non-cash effect from cancelling el-certificates	6	235 295	179 602	169 330
Purchase of guarantees of origination	6	(6 195)	856	(30 208)
Non-cash effect from disposal of guarantees of origination	6	13 559	-	21 272
Other current assets		(80 986)	(17 887)	54 589
Trade and other payables	8	(35 155)	405 742	372 173
Other current liabilities		(181 588)	(158 297)	(49 229)
Cash generated from operations		(65 623)	(550 710)	249 094
Interest paid		(1 585)	(54)	(3 678)
Interest received		4 882	3 941	15 178
Income tax paid	3	(73 906)	(35 104)	(73 569)
Net cash from operating activities		(136 232)	(581 927)	187 026

**Condensed consolidated statement
of cash flows**

NOK in thousands	Note	Q1 2019	Q1 2018	Full year 2018
Investing activities				
Purchase of property, plant and equipment	5	(113)	(170)	(1 376)
Purchase of intangible assets	6	(15 357)	(10 838)	(62 583)
Net cash outflow on aquisition of subsidiaries		-	-	(254 102)
Net (outflow)/proceeds from non-current receivables		(422)	(900)	(759)
Net (outflow)/proceeds from other long-term liabilities		(74)	-	(209)
Net cash used in investing activities		(15 965)	(11 908)	(319 028)
Financing activities				
Overdraft facilities		-	330 623	-
Dividends paid	4	-	(100 000)	(100 000)
Proceeds from interest-bearing long term debt		-	-	278 000
Instalments long term debt		(13 900)	-	(27 800)
Payment of lease liability		(2 284)	-	-
Net cash used in financing activities		(16 184)	230 623	150 200
Net change in cash and cash equivalents		(168 382)	(363 212)	18 197
Cash and cash equivalents at start of period		381 409	363 212	363 212
Cash and cash equivalents at end of period		213 027	0	381 409

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, 51 47 Bergen, Norway.

These interim financial statements were approved by the Board of Directors for issue on 14 May 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 2018, 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 policies

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.

Goodwill

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

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 2018, 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 comparison with the amount of gross revenue as shown in the consolidated statement of profit and loss.

Share-based compensation

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

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

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	Q1 2019			
	Consumer	Business	New growth initiatives*	Total segments
Revenue				
Revenue adjusted	1 434 916	1 062 714	48 005	2 545 634
Total external segment revenue adjusted	1 434 916	1 062 714	48 005	2 545 634
Direct cost of sales adjusted	(1 168 299)	(965 251)	(33 722)	(2 167 273)
Revenue less direct cost of sales adjusted	266 617	97 463	14 283	378 361
Expenses				
Personnel and other operating expenses	(112 249)	(35 044)	(15 041)	(162 334)
Depreciation and amortisation	(28 471)	(3 521)	(2 098)	(34 090)
Total operating expenses adjusted	(140 720)	(38 565)	(17 139)	(196 424)
Operating profit adjusted	125 897	58 898	(2 856)	181 937
Q1 2018				
NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue				
Revenue adjusted	1 101 556	781 693	32 757	1 916 005
Total external segment revenue adjusted	1 101 556	781 693	32 757	1 916 005
Direct cost of sales adjusted	(878 218)	(700 106)	(23 620)	(1 601 944)
Revenue less direct cost of sales adjusted	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	(26 507)	(2 748)	(1 646)	(30 901)
Total operating expenses adjusted	(120 006)	(31 743)	(15 602)	(167 351)
Operating profit adjusted	103 332	49 844	(6 465)	146 710

Note 2
Segment information

	Full Year 2018			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
Revenue				
Revenue adjusted	3 786 193	2 776 216	149 882	6 712 291
Total external segment revenue adjusted	3 786 193	2 776 216	149 882	6 712 291
Direct cost of sales adjusted	(3 019 933)	(2 484 071)	(120 396)	(5 624 399)
Revenue less direct cost of sales adjusted	766 260	292 146	29 486	1 087 893
Expenses				
Personnel and other operating expenses	(390 753)	(125 934)	(53 374)	(570 061)
Depreciation and amortisation	(110 101)	(10 992)	(6 597)	(127 690)
Total operating expenses adjusted	(500 855)	(136 926)	(59 971)	(697 751)
Operating profit adjusted	265 405	155 220	(30 485)	390 142

* 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.

Note 2
Segment information

Reconciliation to statement of profit and loss for the period			
NOK in thousands	Q1 2019	Q1 2018	Full year 2018
Revenue adjusted	2 545 634	1 916 005	6 712 291
Corporate 1)	-	-	8 657
Revenue	2 545 634	1 916 005	6 720 948
Direct cost of sales adjusted	(2 167 273)	(1 601 944)	(5 624 399)
Corporate 1)	-	-	873
Direct cost of sales	(2 167 273)	(1 601 944)	(5 623 526)
Revenue less direct cost of sales adjusted	378 361	314 061	1 087 893
Corporate 1)	-	-	9 529
Revenue less direct cost of sales	378 361	314 061	1 097 422
Total operating expenses adjusted	(196 424)	(167 351)	(697 751)
Special items 2)	-	(10 967)	(25 835)
Depreciation of acquisitions 3)	(11 002)	(1 070)	(36 375)
Total operating expenses	(207 426)	(179 388)	(759 961)
Other gains and losses 4)	8	(5 060)	(10 578)
Operating profit	170 942	129 613	326 883
Interest income	4 882	3 941	15 178
Interest expense lease liability	(193)	-	-
Interest expense	(1 578)	(54)	(4 927)
Other financial items, net	(1 086)	(1 314)	(5 277)
Profit/(loss) before tax	172 968	132 187	331 858

1) Corporate consists of estimate deviations previous year and special revenue items. A large proportion of the Group's final settlement of sales and distribution of electricity is made after the Group has finalised its financial statements. At the date of reporting, the Group recognises electricity revenue and the associated cost of sales based on a best estimate approach. Thus, any estimate deviation related to the previous reporting period is recognised in the following reporting period. Management is of the opinion that the underlying operating profit in the reporting period should be adjusted for such estimate deviations related to previous reporting periods, 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

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

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
Special items incurred specific to:			
- the process of listing the company on Oslo Stock Exchange	-	(10 967)	(11 323)
- acquisition related costs	-	-	(11 643)
- legal costs related to the compensatory damages	-	-	(460)
- strategic costs related to markets abroad	-	-	(2 409)
Special items	-	(10 967)	(25 835)

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

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
TrønderEnergi Marked acquisition	(7 788)	-	(30 777)
Oppdal Everk Kraftomsetning acquisition	(1 085)	-	(1 306)
Other customer acquisitions	(2 129)	(1 070)	(4 292)
Depreciation of acquisitions	(11 002)	(1 070)	(36 375)

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

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 2019	Q1 2018	Full year 2018
Profit before tax	172 968	132 187	331 858
Tax expense	(38 543)	(30 497)	(78 289)
<i>Average tax rate</i>	22,3 %	23,1 %	23,6 %
Tax payable	42 167	32 654	94 073
Adjustments to prior years tax payable	-	-	370
Change in deferred tax	(3 624)	(2 156)	(16 154)
Tax expense recognised in statement of profit or loss	38 543	30 497	78 289

Note 4

Earnings per share

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

Basic earnings per share

	Q1 2019	Q1 2018	Full year 2018
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	134 425	101 689	253 569
Total comprehensive income attributable to equity holders of the company (NOK in thousands)	134 425	101 689	254 736
Weighted average number of ordinary shares in issue	104 496 216	104 496 216	104 496 216
Earnings per share in NOK	1,29	0,97	2,43
Total comprehensive income per share in NOK	1,29	0,97	2,44
Share options	960 000	-	870 000
Diluted earnings per share in NOK	1,27	0,97	2,41
Dividend per share in NOK	-	0,96	0,96

In addition to outstanding shares, there has been issued 870 000 share options to employees during 2018, and 90 000 in January 2019. These are included in the calculation.

The share options are not approved by the annual general meeting (AGM) at reporting date.

Note 5

Property, plant and equipment

Q1 2019				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2019	9 639	25 279	1 376	36 294
Additions	-	-	113	113
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 31 March 2019	9 639	25 279	1 489	36 407
Accumulated depreciation 1 January 2019	(7 449)	(24 706)	-	(32 155)
Depreciation for the period	(149)	(53)	-	(201)
Disposals	-	-	-	-
Accumulated depreciation 31 March 2019	(7 598)	(24 758)	-	(32 357)
Carrying amount 31 March 2019	2 041	521	1 489	4 050

Q1 2018				
NOK in thousands	Fixtures and equipment	Computer equipment	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

Note 5
Property, plant and equipment

Full year 2018				
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	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
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 2019

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2019	140 692	42 869	157 435	12 634	353 630	155 849	509 478
Additions - Purchase	-	14 669	244	-	14 913	-	14 913
Additions - Internally generated	160	284	-	-	444	-	444
Transferred from construction in progress	15 300	(15 300)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Cost price 31 March 2019	156 153	42 522	157 679	12 634	368 988	155 849	524 837
Accumulated depreciation 1 January 2019	(108 955)	-	(40 192)	(4 526)	(153 673)	-	(153 673)
Depreciation for the period	(6 806)	-	(9 983)	(1 067)	(17 856)	-	(17 856)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 March 2019	(115 761)	-	(50 173)	(5 593)	(171 528)	-	(171 529)
Carrying amount 31 March 2019	40 392	42 522	107 506	7 040	197 459	155 849	353 308

Q1 2018

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	171 866	-	171 866
Additions - Purchase	-	5 529	4 819	-	10 347	-	10 347
Additions - Internally generated	-	490	-	-	490	-	490
Transferred from construction in progress	14 853	(14 853)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Cost price 31 March 2018	136 799	20 377	24 960	568	182 703	-	182 703
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	(89 769)	-	(89 769)
Depreciation for the period	(6 664)	-	(1 072)	(47)	(7 784)	-	(7 784)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 March 2018	(88 279)	-	(9 084)	(189)	(97 553)	-	(97 553)
Carrying amount 31 March 2018	48 519	20 377	15 876	379	85 150	-	85 150

Note 6
Intangible assets

Non-current intangible assets

Full year 2018

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	171 865	-	171 865
Additions - Purchase	990	30 457	30 176	-	61 623	-	61 623
Additions - Internally generated	17	1 125	-	-	1 142	-	1 142
Additions from business combinations			107 118	12 066	119 184	155 849	275 033
Transferred from construction in progress	17 740	(17 740)	-	-	-	-	-
Government grants (SkatteFUNN)	-	(185)	-	-	(185)	-	(185)
Disposals	-	-	-	-	-	-	-
Cost price 31 December 2018	140 693	42 869	157 435	12 634	353 630	155 849	509 479
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	(89 769)	-	(89 769)
Depreciation for the year	(27 340)	-	(32 180)	(4 384)	(63 904)	-	(63 904)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 December 2018	(108 955)	-	(40 192)	(4 526)	(153 673)	-	(153 673)
Carrying amount 31 December 2018	31 738	42 869	117 243	8 108	199 957	155 849	355 806

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

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

Note 6
Intangible assets

Current intangible assets			
Q1 2019			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2019	22 101	11 494	33 595
Additions - Purchase	240 864	6 195	247 059
Disposals*	(235 295)	(13 559)	(248 855)
Cost price 31 March 2019	27 669	4 129	31 799
Accumulated depreciation 1 January 2019	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 March 2019	-	-	-
Carrying amount 31 March 2019	27 669	4 129	31 799
Q1 2018			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	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

Note 6

Intangible assets

Current intangible assets			
Full year 2018			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	191 160	30 208	221 368
Additions from business combinations	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.

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	Level 1	Level 2	Level 3	Total
At 31 March 2019				
NOK in thousands				
Financial assets				
Derivative financial instruments		177 539		177 539
Total financial assets at fair value	-	177 539	-	177 539
Financial liabilities				
Derivative financial instruments		169 334		169 334
Total financial liabilities at fair value	-	169 334	-	169 334
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 December 2018				
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

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 signifi-

cant 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 1,3 per cent (2018: 1,2 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.

The fair value of cash and cash equivalents, trade receivables, other non-current financial assets and trade and other payables approximate their carrying value.

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 2019.

Note 8

Related party transactions

As of 31 March 2019, BKK AS is the owner of 30.25 % of the shares in Fjordkraft Holding ASA, while Skagerak Energi AS owns 14,86 %. Related parties with owners 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	Q1 2019	Q1 2018	Full year 2018
BKK AS	Major shareholder	Sale of electrical power	3 776	3 915	12 207
BKK Nett AS	Subsidiary of major shareholder	Sale of electrical power	1 561	1 694	4 956
Skagerak Energi AS	Major shareholder	Sale of electrical power	1 699	1 341	4 857
Skagerak Nett AS	Subsidiary of major shareholder	Sale of electrical power	1 748	1 335	4 370
Skagerak Varme AS	Subsidiary of major shareholder	Sale of electrical power	4 494	2 773	8 999
Statkraft AS	Parent company of major shareholder	Sale of electrical power	1 795	953	4 222
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	27 381	24 284	61 936
Other	Related party	Other	2 079	846	4 926

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

Expenses to related parties

Related party	Relation	Purpose of transactions	Q1 2019	Q1 2018	Full year 2018
BKK AS	Major shareholder	Purchase of electrical power	428	241	1 493
BKK Produksjon AS	Subsidiary of major shareholder	Purchase of electrical power	4 268	4 593	14 085
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	1 055 212	1 024 911	4 211 917
BKK AS	Major shareholder	Purchase of other services	6 896	6 626	24 567
BKK Regnskapsservice AS	Subsidiary of major shareholder	Purchase of other services	2 181	-	5 225
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	-	826	4 096
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of other services	2 029	1 984	15 923
Other	Related party	Other	66	514	1 342

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 2019	Q1 2018	Full year 2018
BKK AS	Major shareholder	Research and development	50	36	897
BKK AS	Major shareholder	Purchase of customer portfolio	-	-	5 130
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of customer portfolio	244	4 819	6 755
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of el-certificates	240 864	179 602	191 420
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of guarantees of origination	6 195	-	30 208

Distributions to related parties

Related party	Relation	Purpose of transactions	Q1 2019	Q1 2018	Full year 2018
BKK AS	Major shareholder	Dividend	-	48 849	48 849
Skagerak Energi AS	Major shareholder	Dividend	-	47 997	47 997
Statkraft Industrial Holding AS	Owner at the time of distribution	Dividend	-	3 155	3 155

Current receivables from related parties

Related party	Relation	Purpose of transactions	Q1 2019	Q1 2018	31 Dec 2018
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	11 798	8 744	9 315
Other	Related party	Sale of electrical power	1 799	4 868	2 906

Current liabilities to related parties

Related party	Relation	Purpose of transactions	Q1 2019	Q1 2018	31 Dec 2018
BKK AS	Major shareholder	Other	232	724	917
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	-	3 237	131
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	714 378	765 477	942 934
Other	Related party	Other	-	-	487

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 1M NIBOR plus a margin based on current market terms.

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

As SEAS handles the guarantees on Nord Pool, the Group has no direct exposure on Nord Pool.

Note 9

Revenue recognition

The following table summarises revenue from contracts with customers:

Revenue	Q1 2019	Q1 2018	Full year 2018
NOK in thousands			
Revenue - Consumer segment (1)	1 434 916	1 101 556	3 786 193
Revenue - Business segment (2)	1 062 714	781 693	2 776 216
Revenue - New growth initiatives (3)	48 005	32 757	149 882
Revenue - Corporate	-	-	8 657
Total revenue	2 545 634	1 916 005	6 720 948

Timing of revenue recognition

Over time:

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
Revenue - Consumer segment	1 419 275	1 081 566	3 713 899
Revenue - Business segment	1 056 991	776 618	2 757 947
Revenue - New growth initiatives	47 639	32 486	148 428
Revenue - Corporate	-	-	8 657
Total revenue recognised over time	2 523 905	1 890 669	6 620 274

At a point in time:

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
Revenue - Consumer segment	15 641	19 990	79 037
Revenue - Business segment	5 723	5 075	20 183
Revenue - New growth initiatives	366	271	1 454
Total revenue recognised at a point in time	21 730	25 336	100 674
Total revenue	2 545 634	1 916 005	6 720 948

(1) Revenue in the consumer segment comprise sale of electrical power to private consumers

(2) Revenue in the business segment comprise sale of electrical power to businesses

(3) Comprise of other business activities (sale of mobile service to private customers and power sale, included related services, to Alliance partners – referred to as New Growth Initiatives)

Note 10

Long term debt

Long term debt	Effective interest rate	Q1 2019	Q1 2018	Full year 2018
NOK in thousands				
Long term debt DNB	NIBOR 3 months + 1,35 %	236 300	-	250 200
Total		236 300	-	250 200

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

The interest rate is a calculated weighted average. The reference interest rate is NIBOR. Repayment profile is five years, with quarterly instalments. The loan instalments (55 600 tNOK) that are due the next twelve months have been reclassified from interest-bearing long term debt to other non-current liabilities.

Note 11 Events after the reporting period

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

Appendix



Alternative performance measures

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

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

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

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

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

EBIT adjusted

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

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

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

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

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

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

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

EBITDA adjusted

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

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

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

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

Alternative performance measures

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

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

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

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

Net revenue adjusted

This APM presents *Net revenue* adjusted for:

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

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

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

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

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

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

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

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

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

Alternative performance measures

Financial statements with APM's

Reported amounts:

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
Operating income	2 545 634	1 916 005	6 720 948
Cost of sales	(2 167 273)	(1 601 944)	(5 623 526)
Net revenue	378 361	314 061	1 097 422
Personnel expenses	(64 426)	(53 667)	(217 514)
Other operating expenses	(97 908)	(93 747)	(378 382)
Operating expenses	(162 334)	(147 415)	(595 896)
Other gains and losses, net	8	(5 060)	(10 578)
EBITDA	216 035	161 586	490 947
Depreciation & amortisation	(45 093)	(31 973)	(164 065)
EBIT reported (Operating profit)	170 942	129 613	326 883
Net financials	2 026	2 573	4 974
Profit/ (loss) before taxes	172 968	132 187	331 858
Taxes	(38 543)	(30 497)	(78 289)
Profit/ (loss) for the period	134 425	101 689	253 569
EBIT reported margin	45%	41%	30%

Alternative performance measures

Adjusted amounts:

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
Net revenue	378 361	314 061	1 097 422
Adjustment: (Positive/ negative estimate deviations previous year)	-	-	(5 449)
Special items* (Compensatory damages)	-	-	(4 080)
Net revenue adjusted	378 361	314 061	1 087 893
EBITDA	216 035	161 586	490 947
Adjustment: (Positive/ negative estimate deviations previous year)	-	-	(5 449)
Other gains and losses	(8)	5 060	10 578
Special items*	-	10 967	21 755
EBITDA adjusted (before unallocated and estimate deviations)	216 027	177 613	517 831
EBIT reported (Operating profit)	170 942	129 613	326 883
Adjustment: (Positive/ negative estimate deviations previous year)	-	-	(5 449)
Other gains and losses	(8)	5 060	10 578
Special items*	-	10 967	21 755
Part of depreciation related to acquisitions	11 002	1 070	36 375
EBIT adjusted (before unallocated and estimate deviations)	181 937	146 710	390 142
EBIT margin adjusted	48%	47%	36%

* Special items consists of the following:

NOK in thousands	Q1 2019	Q1 2018	Full year 2018
The process of listing the company on Oslo Stock Exchange	-	(10 967)	(11 323)
Acquisition related costs	-	-	(11 643)
Compensatory damages	-	-	4 080
Legal costs related to the compensatory damages	-	-	(460)
Strategic costs related to markets abroad	-	-	(2 409)
Special items	-	(10 967)	(21 755)

Alternative performance measures

Other financial APM's

Net interest bearing debt (cash)

NOK thousands	31 Mar 2019	31 Mar 2018	31 Dec 2018
Interest-bearing long term debt	180 700	-	194 600
Reclassification of first year installments long term debt	55 600	-	55 600
Overdraft facilities	-	330 623	-
Cash and cash equivalents	(213 027)	-	(381 409)
Net interest bearing debt (cash)	23 273	330 623	(131 209)

Financial position related APM's

NOK thousands	Q1 2019	Q1 2018	Full year 2018
Net working capital	598 845	892 205	310 828
OpFCF before tax and change in NwC	175 087	142 678	373 401
Capex excl. M&A	15 226	6 189	33 783

Non-financial APM's

Deliveries

Numbers in thousands	Q1 2019	Q1 2018	Full year 2018
Electrical deliveries Consumer segment	530	469	529
Electrical deliveries Business segment	76	64	76
Total number of electrical deliveries *	607	532	605
Number of mobile subscriptions	72	49	66

* Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 640 thousand in Q1 2019.

Volume in GWh

	Q1 2019	Q1 2018	Full year 2018
Consumer segment	2 299	2 320	6 899
Business segment	2 103	1 968	6 298
Total volume	4 402	4 288	13 197

Market churn- LTM*

	Full year 2018
Consumer	21%
Business	18%

* Market churn is based on the latest available data from the Norwegian Water Resources and Energy Directorate. The latest available data is from Q4 2018.