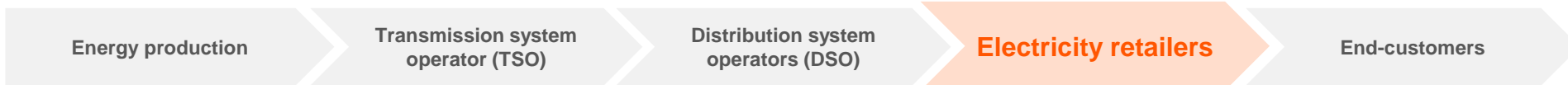




# COMPANY PRESENTATION

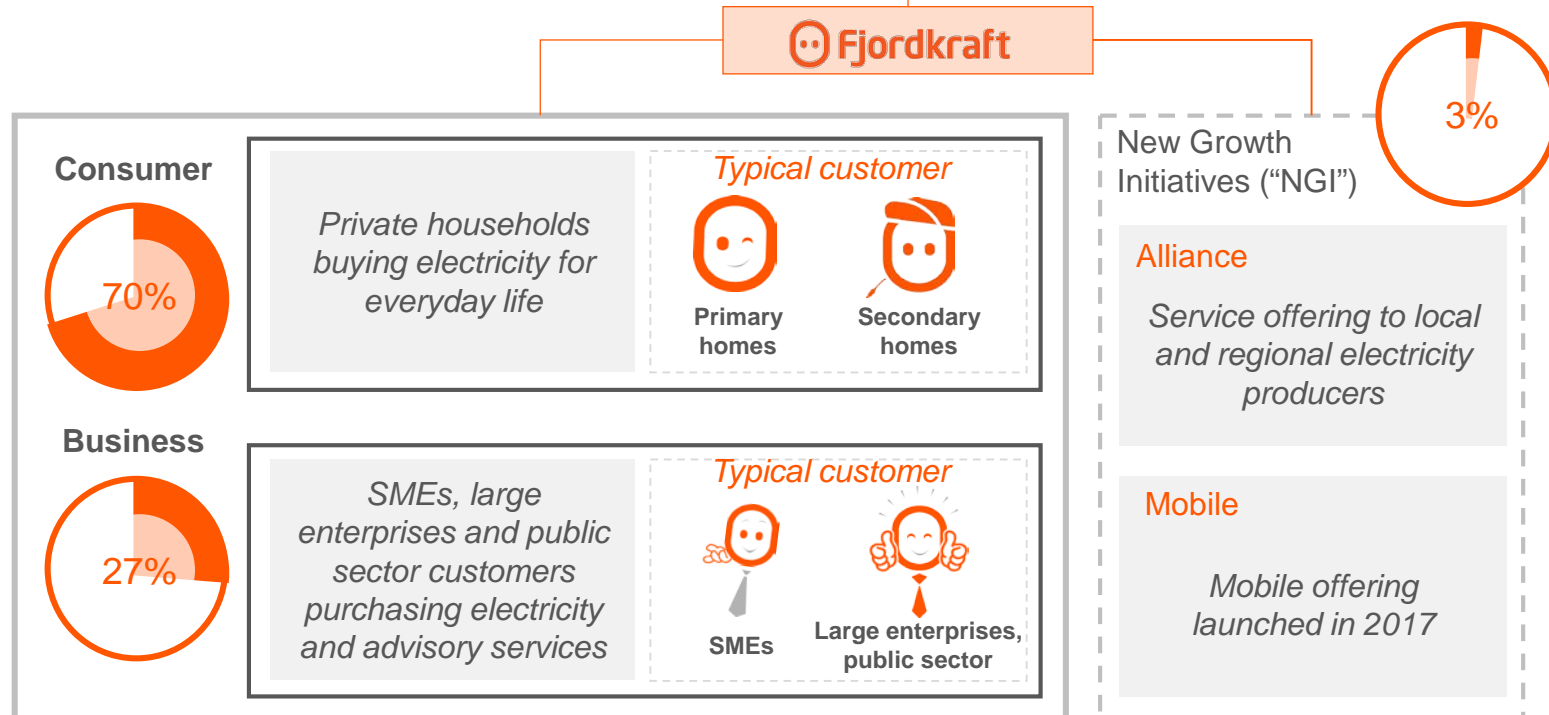
# Fjordkraft at a glance – a leading Norwegian electricity retailer for both consumer and business customers

Deregulated:



## 2018 financials

Gross revenue NOK 6,721m
Net revenue adj. NOK 1,088m
EBIT adj. NOK 390m
# of electricity deliveries <sup>1</sup> ~605,000
# of mobile subscriptions <sup>1</sup> ~66,000



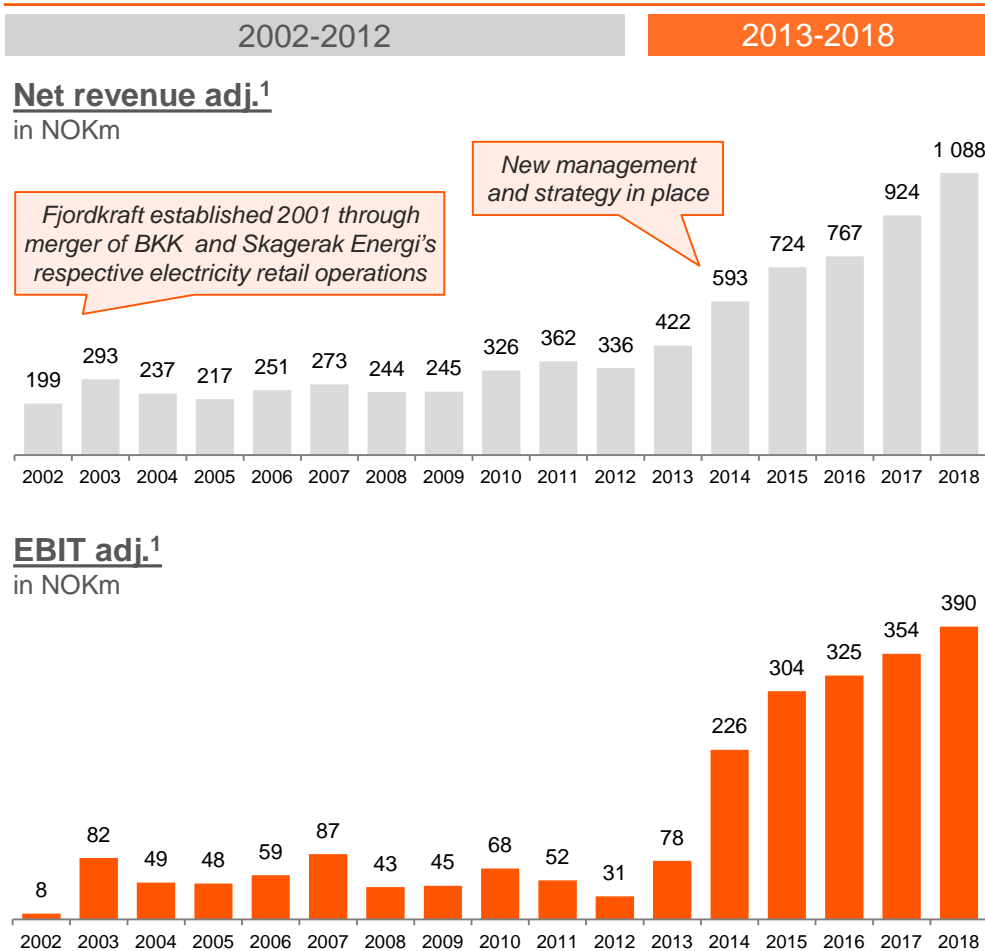
1.4 million people are supplied with electricity from Fjordkraft!

 = Share of 2018 net revenues (adj.)

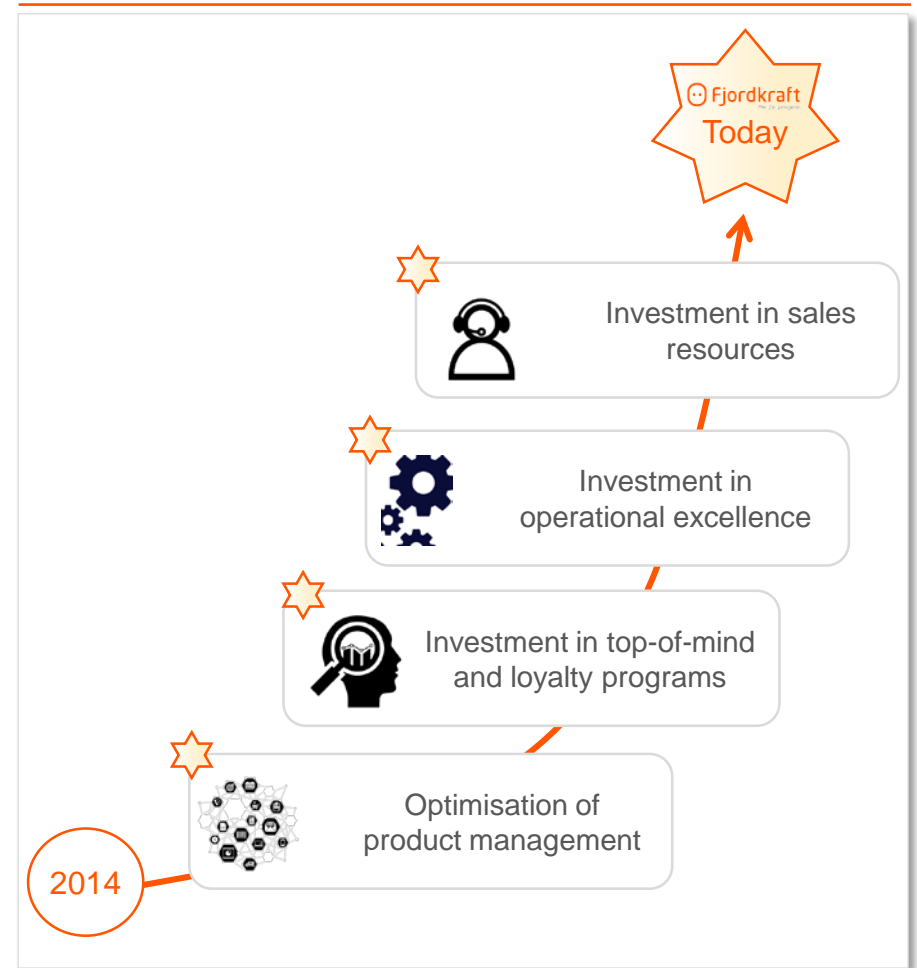
Source: Company information  
1) Number of deliveries and subscribers at the end of 2018

# A highly successful strategy execution has resulted in an impressive profitability shift and net revenue growth

## Impressive net revenue and EBIT development...



## ...enabled through optimisation & focused investment

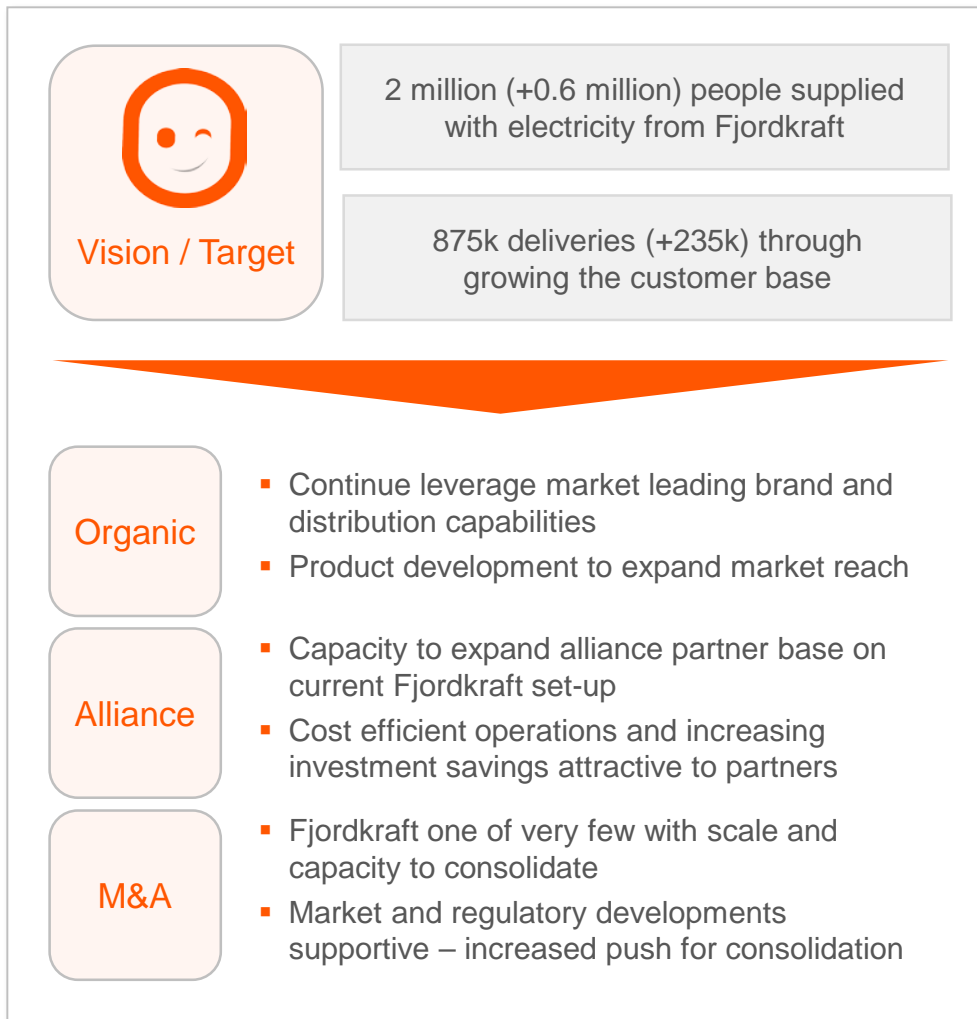


Source: Company information

1) NGAAP until 2015, IFRS for 2016 and 2017. 2016, 2017 and 2018 excluding estimate deviations, other gains & losses, special items and depreciation of acquisitions

# Ambitions & opportunities

## Roadmap to growth 2019-2020



## Drivers for consolidation

- Regulatory changes
- Merging of grid companies
- Merging of counties and municipalities
- Intensified competition
- Technology development
- Complexity and scale

**The market is evolving in a direction of increased complexity in every part of the value chain - growing the need for scale**

**The M&A target is now 150k deliveries within the end of 2020**

# Fjordkraft – Summary investment highlights

1 Operating in the attractive Norwegian electricity retailing market with an unparalleled demand profile and a level playing field favouring strong national brands such as Fjordkraft

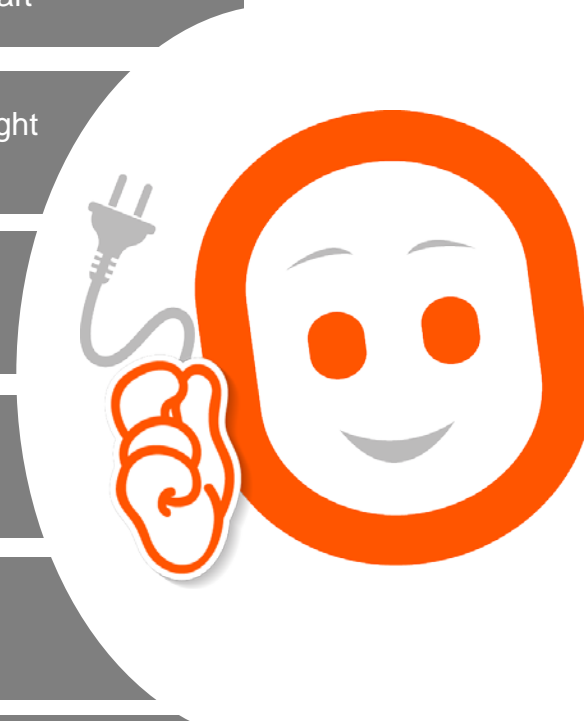
2 A proven business model providing 'need to have' electricity combined with sought after value-added services - supporting differentiation and margin robustness

3 The leading and most recognized electricity retail brand in Norway

4 Unmatched platform for distribution of best in class service offering to consumer and business customers across Norway

5 Strong competitive advantages and a robust platform for further organic and bolt-on acquisition driven growth

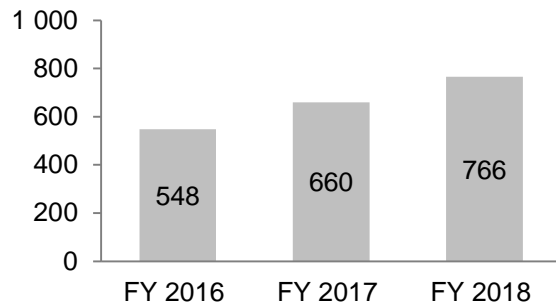
6 Attractive financial profile based on a robust business model with limited capital expenditure requirements resulting in solid add-on acquisition- and dividend capacity



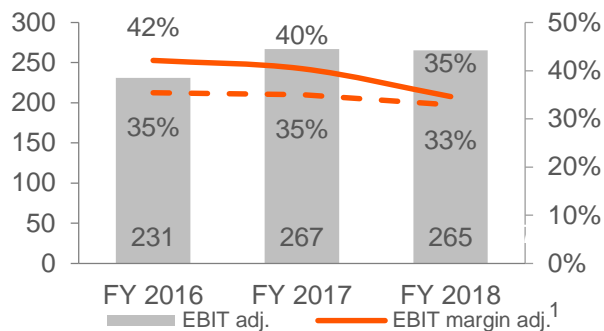
# Impressive results driven by accelerating growth and strong product management

## Consumer segment

Adj. net revenue (NOKm)



Adj. EBIT (NOKm)



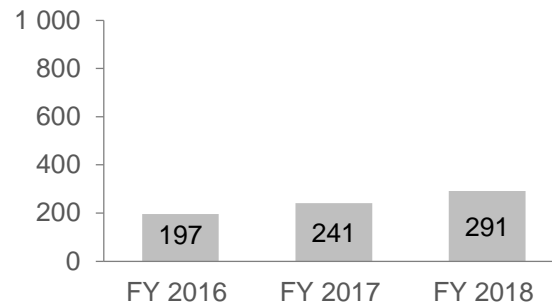
- Net revenue improvement driven by growth in # of deliveries and product optimisation
- Fairly stable development in adj. EBIT margin<sup>1</sup>, with a slight decrease due to increased competition

Sources: Company information

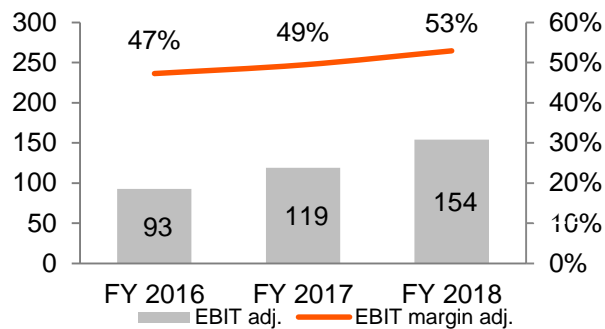
1) The dotted line is adjusted for differences between amortisation of contract assets and payments to obtain contract assets

## Business segment

Adj. net revenue (NOKm)



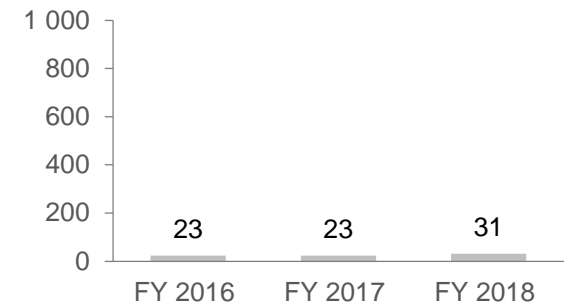
Adj. EBIT (NOKm)



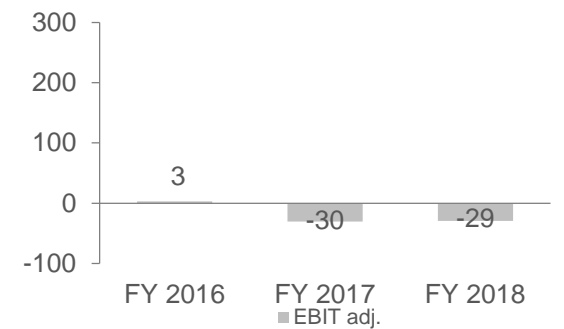
- Net revenue improvement driven by growth in # of deliveries and launch of new products and services
- Increasing adj. EBIT margin, driven by net revenue performance and economies of scale

## New Growth Initiatives

Adj. net revenue (NOKm)



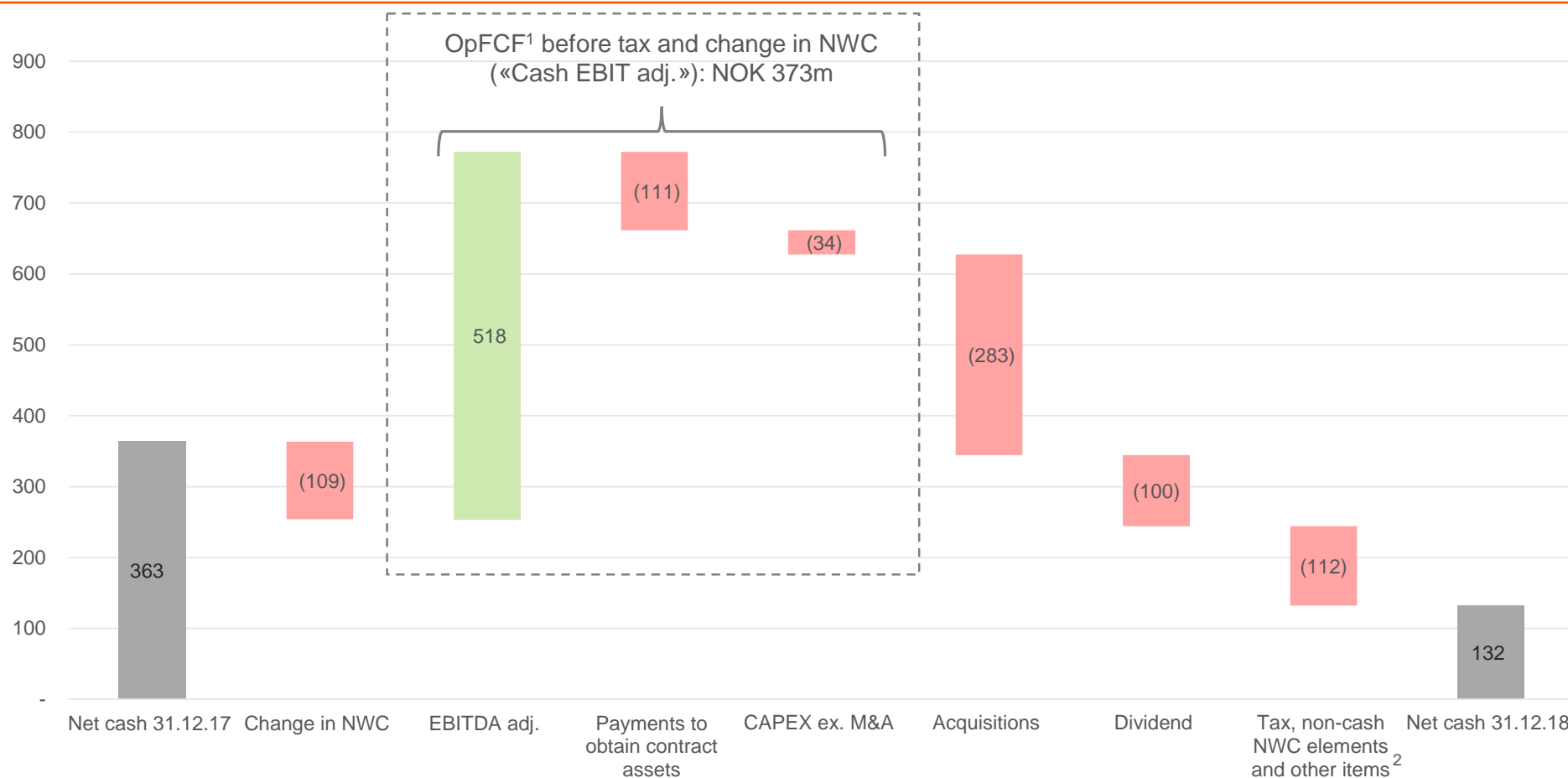
Adj. EBIT (NOKm)



- Launch of Mobile in April 2017 – rapid growth, now ~75k mobile subscribers
  - Significant loyalty effect from the bundling
  - Expected EBIT positive 2<sup>nd</sup> half 2020
- Ext. Alliance concept launched late 2017

# Strong underlying cash generation with low investment needs, supporting attractive dividends and acquisitions

## Change in net cash Y-o-Y (NOKm)



Sources: Company information

1) OpFCF defined as EBITDA adj. less CAPEX excl. M&A and payments to obtain contract assets

2) Non-cash NWC relates to items included in "change in NWC" that are not affecting net cash position. Other includes interest, tax, change in long-term receivables, proceeds from non-current receivables, proceeds from other long-term liabilities, share based payment expense, change in post-employment liabilities, payment of lease liability and adjustments made on EBITDA.

# Financial targets for the next two years<sup>1</sup>

<b>Group</b>		<ul style="list-style-type: none"> <li>▪ Targeting high-single digit net revenue growth on an organic basis</li> <li>▪ Targeting a stable EBIT margin on an organic basis</li> <li>▪ Ambition to act as a consolidator in a fragmented market</li> </ul>	
<b>Consumer</b>	<b>Growth</b>	<ul style="list-style-type: none"> <li>▪ Targeting mid-single digit net revenue growth on an organic basis</li> </ul>	Revised after Q1 2019: Expected to be somewhat higher than targeted for 2019
	<b>EBIT margin</b>	<ul style="list-style-type: none"> <li>▪ Targeted to gradually go down towards a sustainable level of slightly above 30% on an organic basis, driven by increased competition</li> </ul>	
<b>Business</b>	<b>Growth</b>	<ul style="list-style-type: none"> <li>▪ Targeting around double digit net revenue growth on an organic basis</li> </ul>	
	<b>EBIT margin</b>	<ul style="list-style-type: none"> <li>▪ Targeted to increase to above 55% on an organic basis, driven by scale effects</li> </ul>	
<b>New growth initiatives</b>		<ul style="list-style-type: none"> <li>▪ Targeting substantial growth in number of customers in both Extended Alliance and Mobile</li> <li>▪ EBIT loss in 2019 targeted lower than 2018. Positive run rate EBIT expected from second half of 2020</li> </ul>	Clarified in Q1 2019: Expecting ~25% improvement in nominal EBIT from 2018 to 2019
<b>Cap.ex.</b>		<ul style="list-style-type: none"> <li>▪ Targeted to be in the area of NOK 40m annually on an organic basis</li> </ul>	Revised in Q2 2019: Targeted in the area of 50 NOKm annually on an organic basis
<b>Leverage</b>		<ul style="list-style-type: none"> <li>▪ Moderate leverage with variations intra-year due to seasonality in net working capital</li> <li>▪ Current balance sheet enabling substantial capacity to finance acquisitions</li> </ul>	
<b>Dividend</b>		<ul style="list-style-type: none"> <li>▪ Attractive and increasing dividend</li> <li>▪ Target pay-out ratio of at least 80% of net income, adjusted for certain cash and non-cash items<sup>2</sup></li> </ul>	

1) Base line for the financial targets is adjusted 2018 financials. All targets are adjusted figures

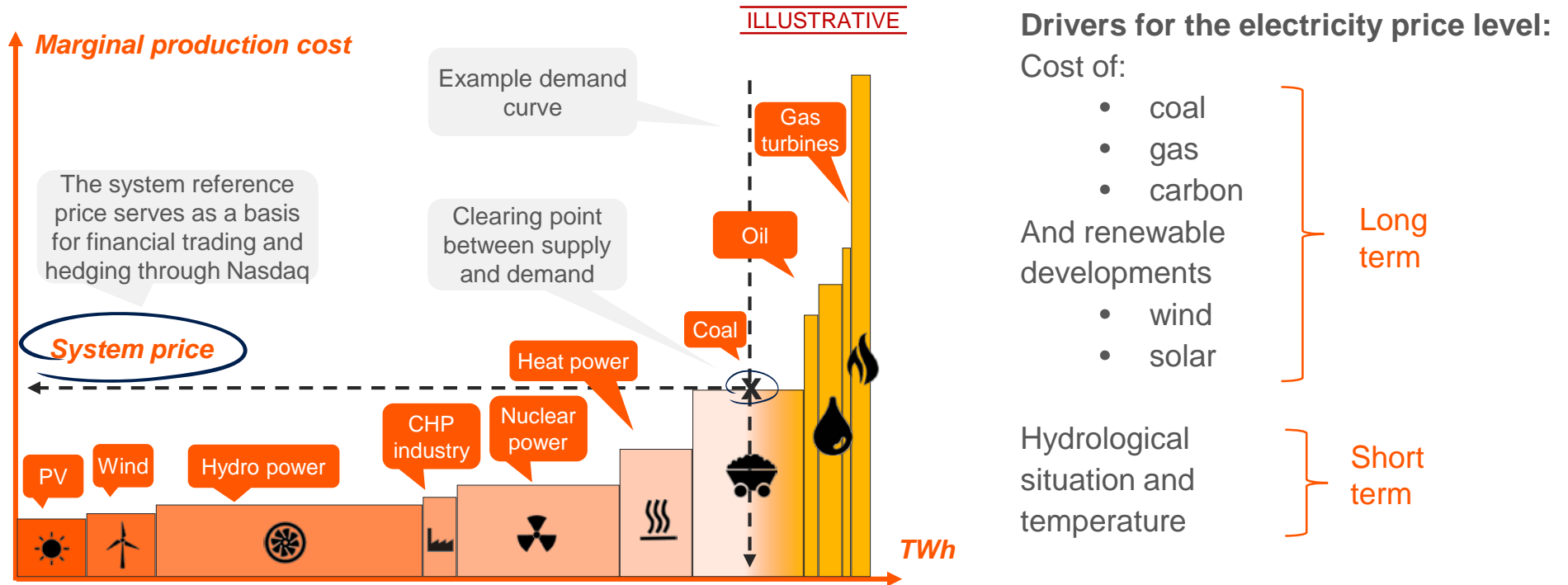
2) Adjusted EBIT + net finance – estimated tax – amortisation of acquisition debt



# Appendix



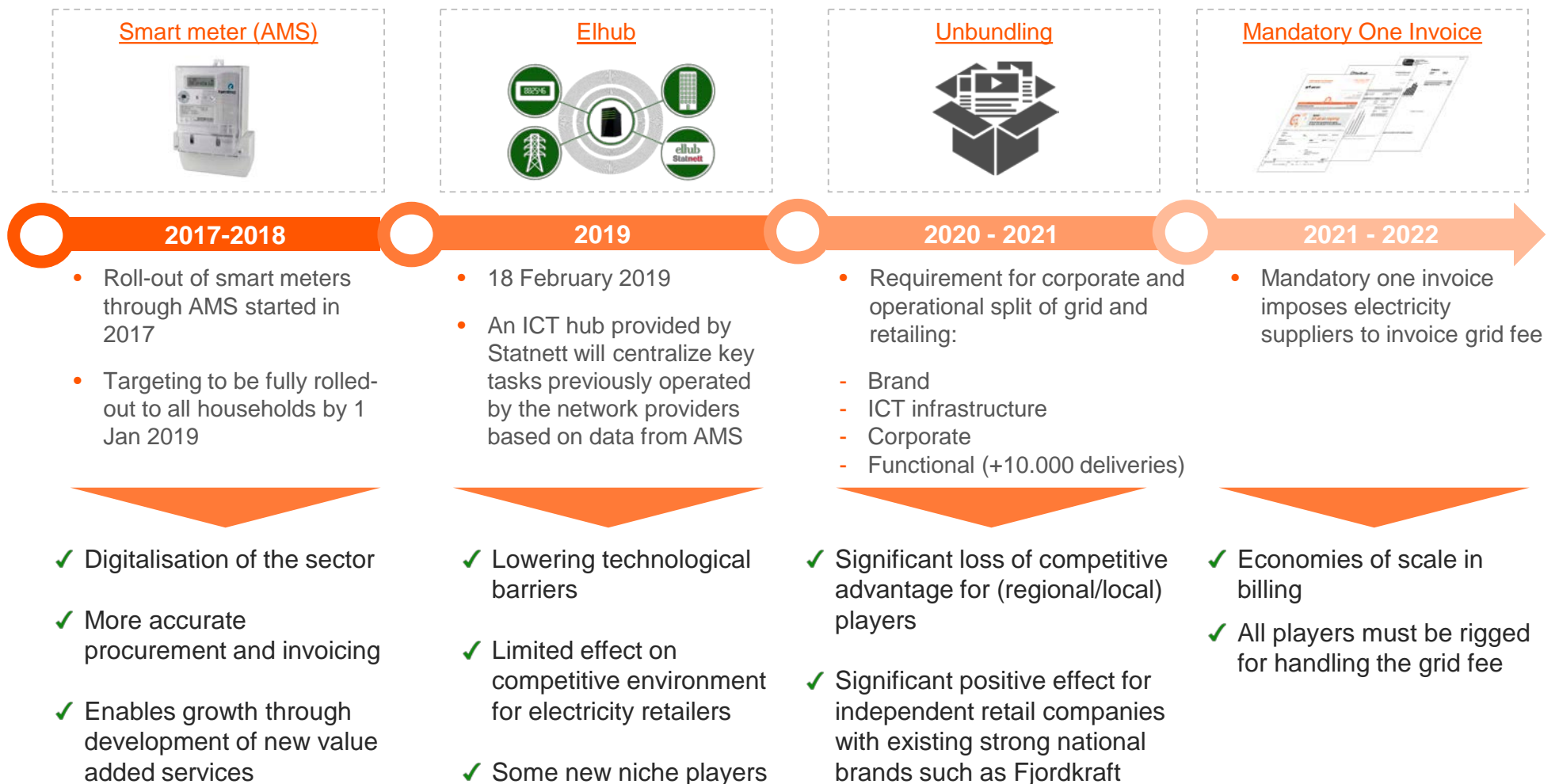
# System price in the day-ahead market



Price determination is based on bids and offers from all market participants

# Regulatory developments providing significant opportunities for large independent electricity retailers

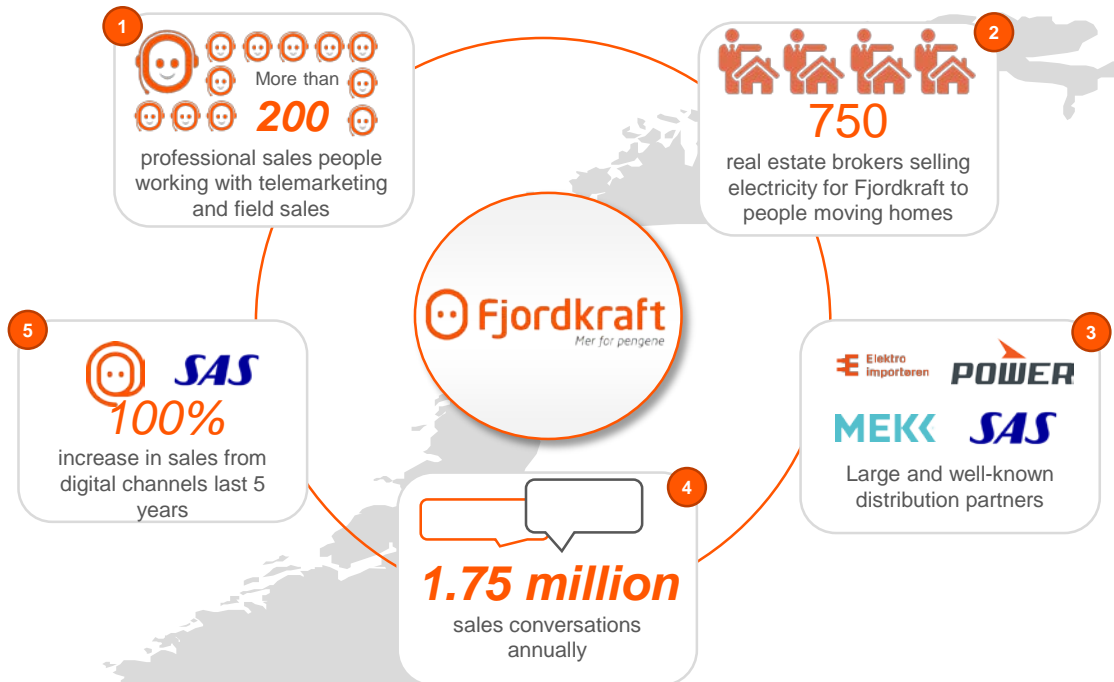
## Regulatory milestones in Norway



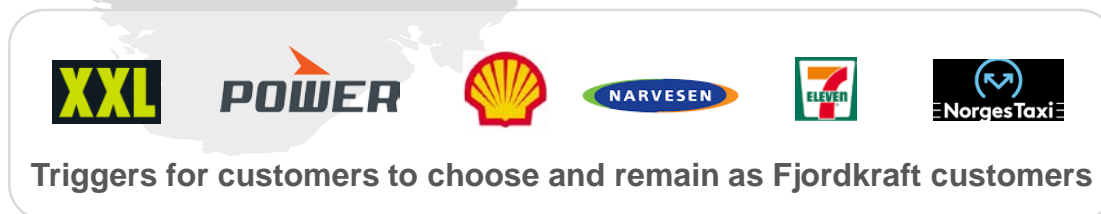
Sources: Company information

# Unmatched platform for distribution of best in class service offering to consumer and business customers

## Unmatched distribution platform

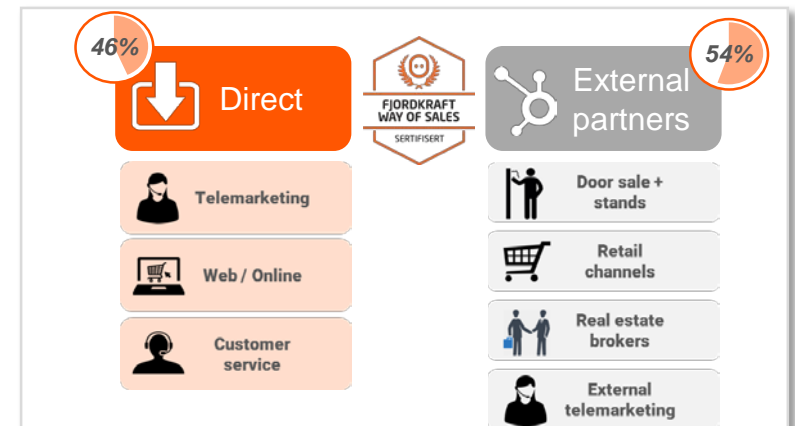


## Attractive partner-based benefit programmes



Source: Company information

## Consumer - balanced distribution mix



Share of new customers added in 2017

## Business – focus on direct sales

- ✓ Large in-house sales force with nationwide coverage dedicated to business customers
- ✓ The only electricity retailer focusing on all business customer segments
- ✓ High-quality advisory services offered to business customers

# PROFIT AND LOSS ACCOUNT

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

# ADJUSTED EBIT reconciliation cont.

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

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 one-time items as follows:

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

4) Depreciation of acquisitions consists of depreciation related to customer portfolios and acquisitions of companies accounted for in intangible assets in the consolidated statement of financial position. 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:

# BALANCE SHEET

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

# BALANCE SHEET cont.

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



# CASH FLOW

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

# CASH FLOW cont.

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



For more information:  
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