

Q3 2019 PRESENTATION

Rolf Barmen (CEO)
Birte Strander (CFO)

Oslo, 14th November



Q3 2019 HIGHLIGHTS

Rolf Barmen (CEO)



Highlights third quarter 2019

Continued growth in net revenue and EBIT

- Net revenue growth across all segments – driven by both margin improvements and volume growth
- Strong development with an accelerating growth in number of mobile subscribers (+51% YoY). Highest quarterly growth since the launch in Q2 2017
- Fjordkraft on top in EPSI's customer satisfaction survey for mobile subscribers in the consumer market in 2019
 - Also awarded for best call centre across all industries in September
- Successful acquisition of Vesterålskraft Strøm AS. Transaction completed 1 July 2019

Key Highlights

of deliveries (end of period)¹

619 455

Increase of 4 % YoY

Δ in # of deliveries (QoQ)

11 892

Of which org. growth 2 487

Volume sold²

2 307 GWh

Increase of 3 % YoY

Gross revenue

NOK 1 101.6m

Decrease of -17 % YoY

Net revenue (adj.)³

NOK 259.3m

Increase of 14 % YoY

EBIT (adj.)³

NOK 63.0m

Increase of 8 % YoY

Basic EPS (reported)

NOK 0.32

Increase of 30 % YoY

NIBD (cash)

(NOK 492.6m)

NIBD/LTM EBITDA: -0.84

Sources: Company information

1) Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 651,488

2) Not including Alliance volume. Volume turnover for alliance partners Q3 2019: 677 GWh

3) Adj. Net revenue and EBIT are reported figures adjusted for any estimate deviations on sales and distribution of electricity related to previous reporting periods, special items, unrealised gains and losses on financial derivatives and depreciations from acquisitions

Launch of “Klimahub” – a climate neutrality database for businesses

- A nation-wide database with information about a firm’s climate actions and focus
- Includes an easy-to-use solution for businesses to calculate and register their CO2 emissions and climate actions
- Fjordkraft offers counselling and CO2 quotas for businesses to become climate neutral
- Builds upon Fjordkraft’s “Klimanjaro” initiative that was awarded the UN Climate Action Award
- www.klimahub.no





BUSINESS REVIEW

Rolf Barmen (CEO)

Market development

Key highlights in Q3 2019

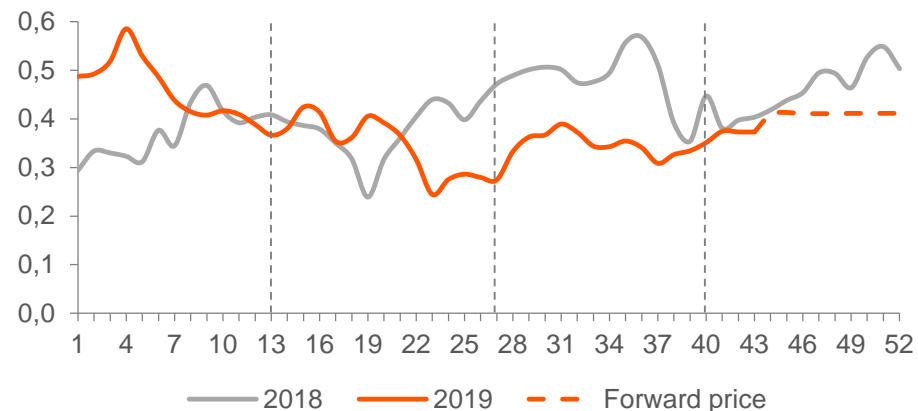
- Increase in elspot prices during the first part of the quarter, then fairly stable throughout August and September
- Temperatures warmer than normal in the quarter in three out of three months, while two out of three months were colder than last year¹
 - July: +1.3°C above normal (3.0°C colder than 2018)
 - August: +1.7°C above normal (1.1°C warmer than 2018)
 - September: +0.7°C above normal (0.8°C colder than 2018)
- NVE has stopped publishing their quarterly market churn reports following the implementation of Elhub. The next report is scheduled to H1 2020

Sources:

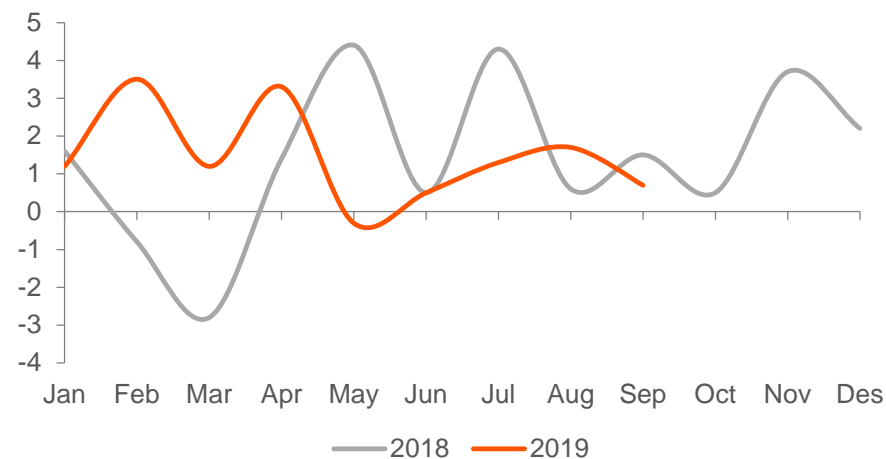
1) Temperature figures from met.no's monthly reports

2) Weekly system prices in NOK from Nordpool, forward prices from Montel

Weekly elspot prices (NOK/kWh)²



Temp – deviation from normal (°C)¹



Segment development - Consumer

Key highlights in Q3 2019

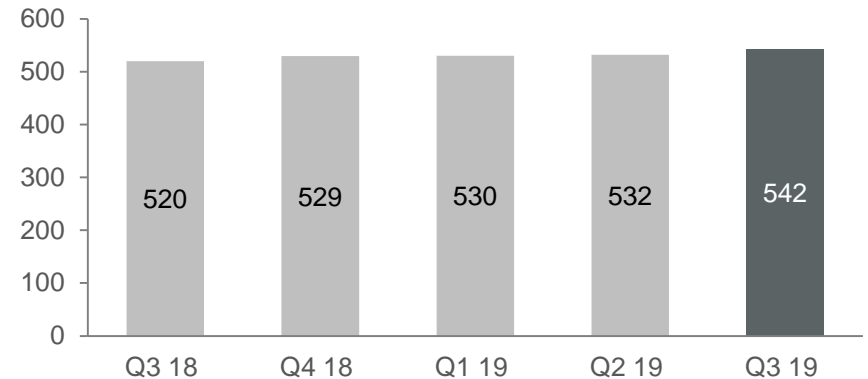
- Positive development driven by both acquisition and organic growth
 - Net additions in Q3 2019 were 9,973, of which 2,274 organically
 - Strong underlying organic growth in the quarter with 5,410 deliveries, while a downward adjustment of 3,136 deliveries stems from the revision of an externally operated customer portfolio
- Volume growth of 9% YoY, with increase in avg. consumption being the main driver for the growth
 - Avg. volume per delivery increasing 6% YoY 2,296 kWh in Q3 2019 vs. 2,166 kWh in Q3 2018
- Updated app with improved user interface and functionality



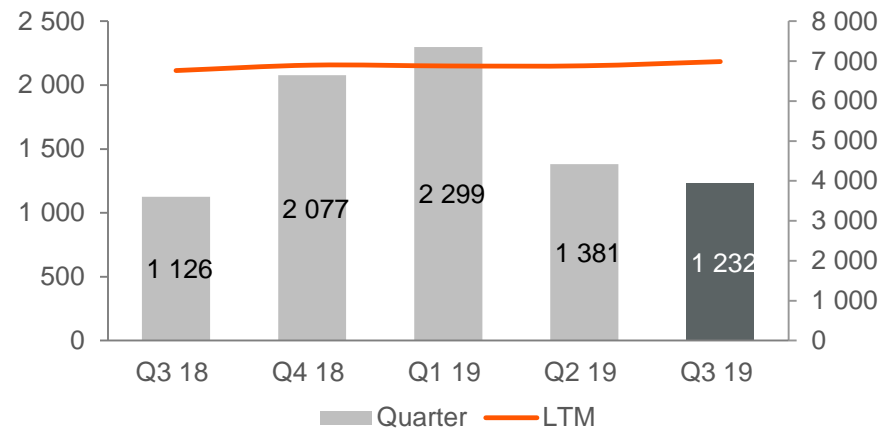
Sources: Company information

1) Number of electricity deliveries at the end of the period

of electricity deliveries¹ ('000)



Volume (GWh)

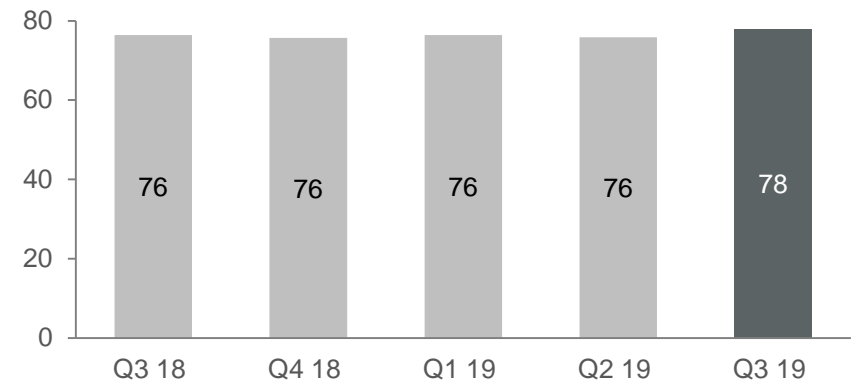


Segment development - Business

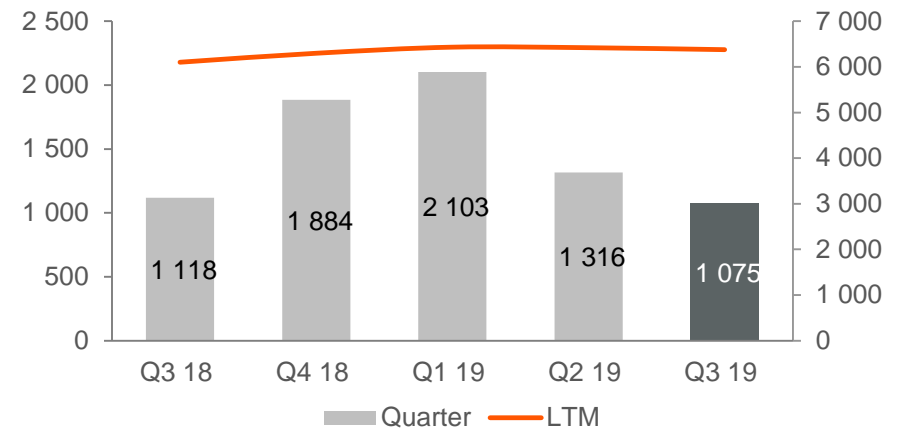
Key highlights in Q3 2019

- Positive development driven by both acquisition and organic growth
 - Net additions in Q3 2019 were 1,919, which of 213 organically
- Volume decrease 4% YoY driven by decrease in avg. consumption per delivery
 - Avg. volume per delivery decreasing -4% YoY
14,113 kWh in Q3 2019 vs. 14,693 kWh in Q3 2018

of electricity deliveries¹ ('000)



Volume (GWh)



Sources: Company information

1) Number of electricity deliveries at the end of the period

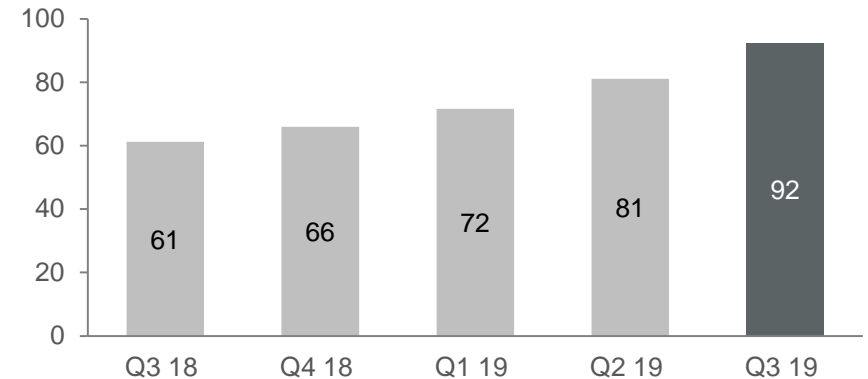
New Growth Initiatives

Key highlights in Q3 2019

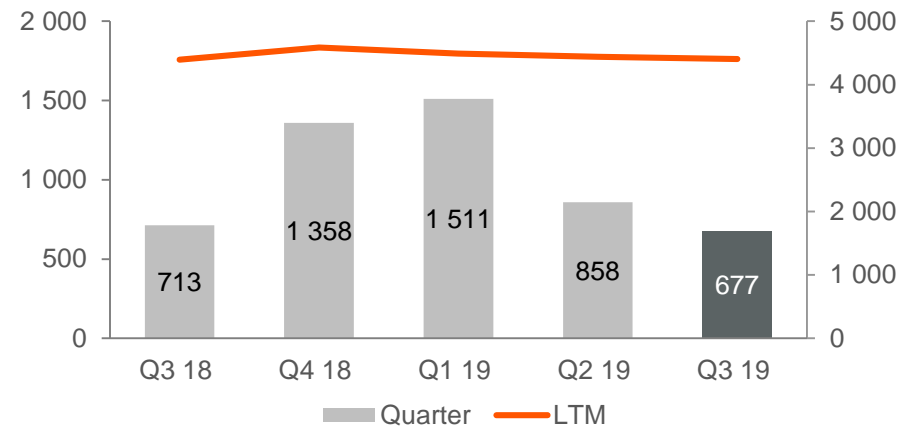
- Strong development with an accelerating growth in number of mobile subscribers (+51% YoY). Highest quarterly growth since the launch in Q2 2017
 - Growth of 11,177 subscribers in Q3 2019
- Fjordkraft on top in EPSI's customer satisfaction survey for mobile subscribers in the consumer market in 2019
- 5% YoY Alliance volume decrease YoY, as Vesterålskraft is now included in the Consumer and Business segments
- One new Extended Alliance partner implemented in the quarter, comprising ~6,200 deliveries
 - 10,000 electricity deliveries and 8,000 broadband deliveries signed this quarter, with expected start-up in 2020



of Mobile subscribers¹ ('000)



Volume Alliance (GWh)



Sources: Company information

¹⁾ Number of mobile subscribers at the end of the period

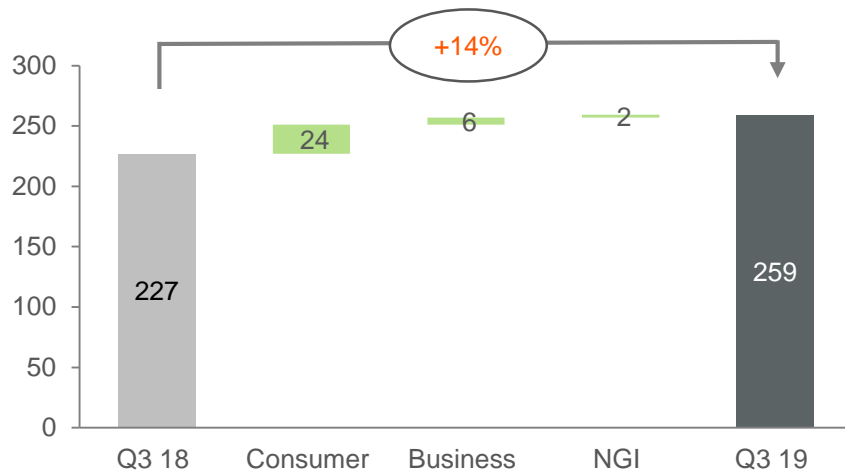


FINANCIAL REVIEW

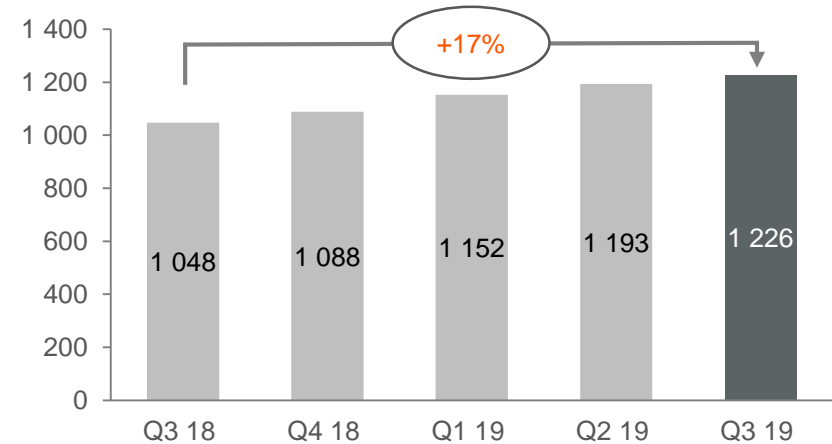
Birte Strander (CFO)

Net revenue improvement across all segments

Change in adj. net revenue (NOKm)



Adj. net revenue LTM (NOKm)



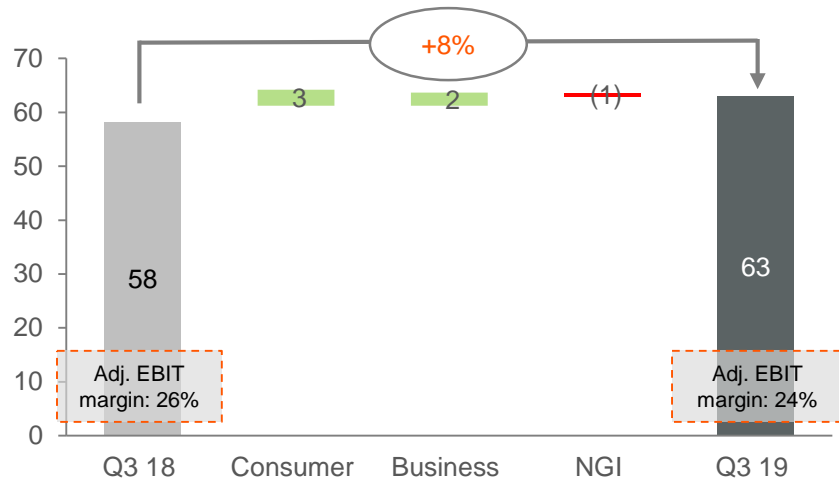
- Several different factors contributing to the adj. net revenue improvement – both margin improvements and volume growth affecting positively
- Last twelve months adj. net revenue improvement ~ 75/25 split between improved margins and volume growth¹ YoY

Sources: Company information

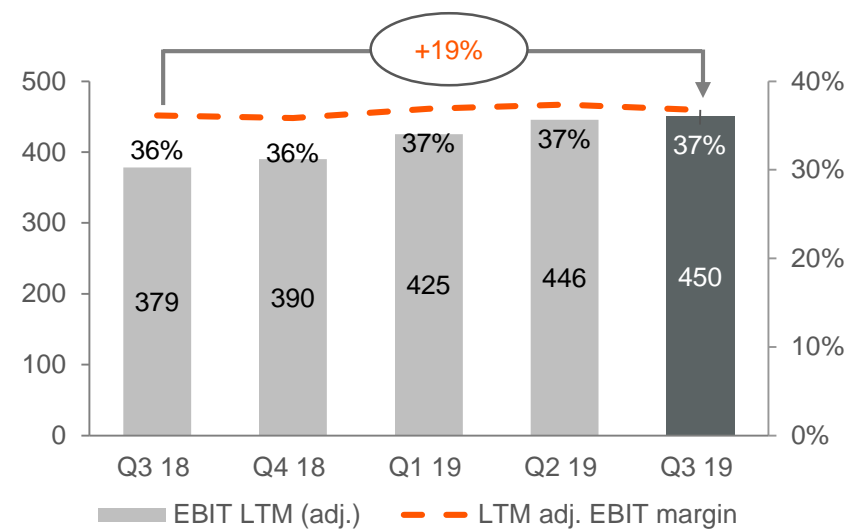
1) New Growth Initiatives figures are excluded from the calculations, as high volumes with very low margins distorts the analysis

Continued increase in EBIT adj.

Change in adj. EBIT (NOKm)



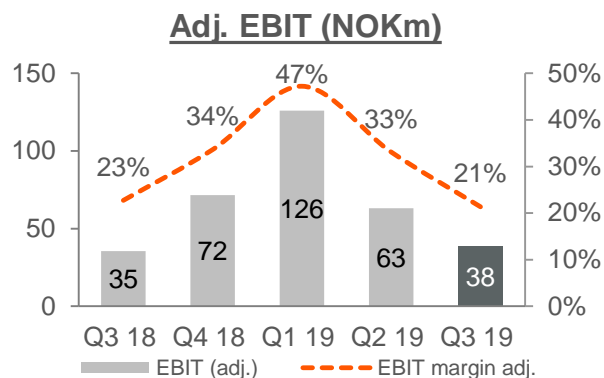
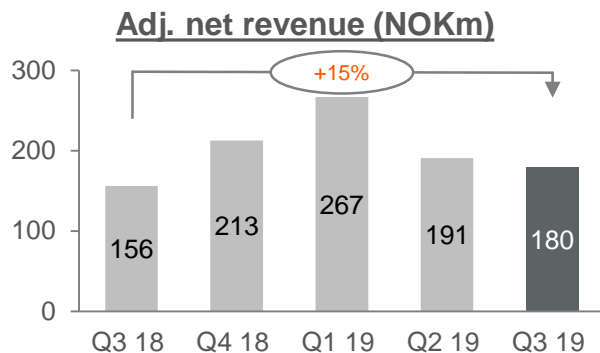
Adj. EBIT LTM (NOKm)



- EBIT improvement of 5 NOKm driven by the Consumer and Business segments
 - OPEX increase driven by sales and marketing costs, customer service costs and administrative costs
- Adj. EBIT margin decreasing 2 pp YoY, however adj. EBIT margin LTM is increasing YoY and is stable quarter over quarter

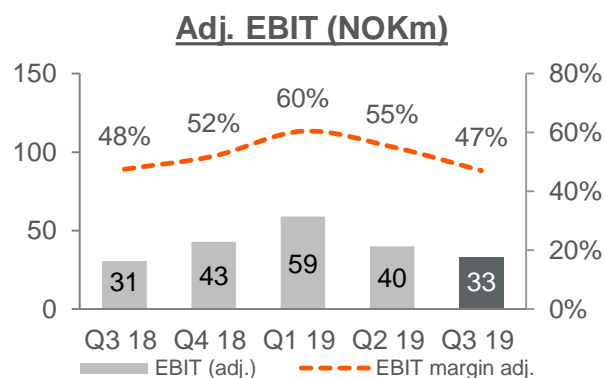
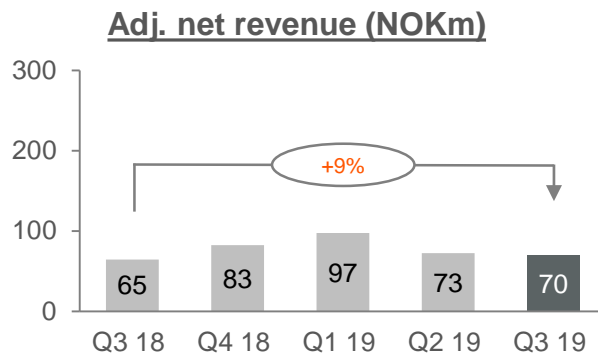
Segment overview

Consumer segment



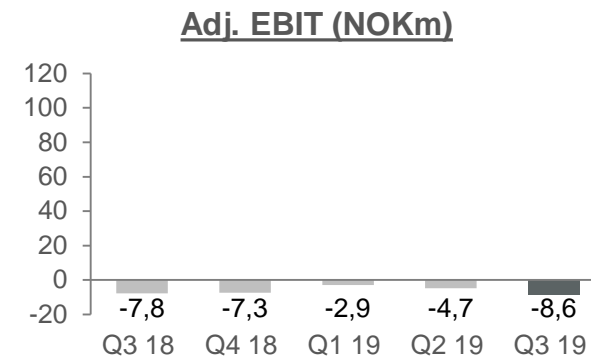
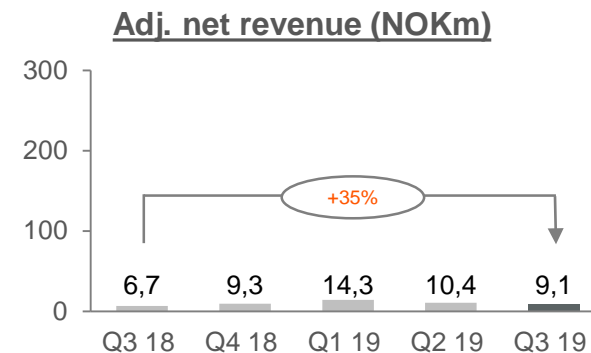
- Increase in adj. net revenue YoY – volume growth accounting for ~60% of the increase
- 2 pp margin contraction driven by sales and marketing, customer service and administrative costs

Business segment



- Increase in adj. net revenue is driven by improved margins, primarily from value added services
- 1 pp margin contraction driven by sales and marketing costs and decrease in avg. volume per delivery

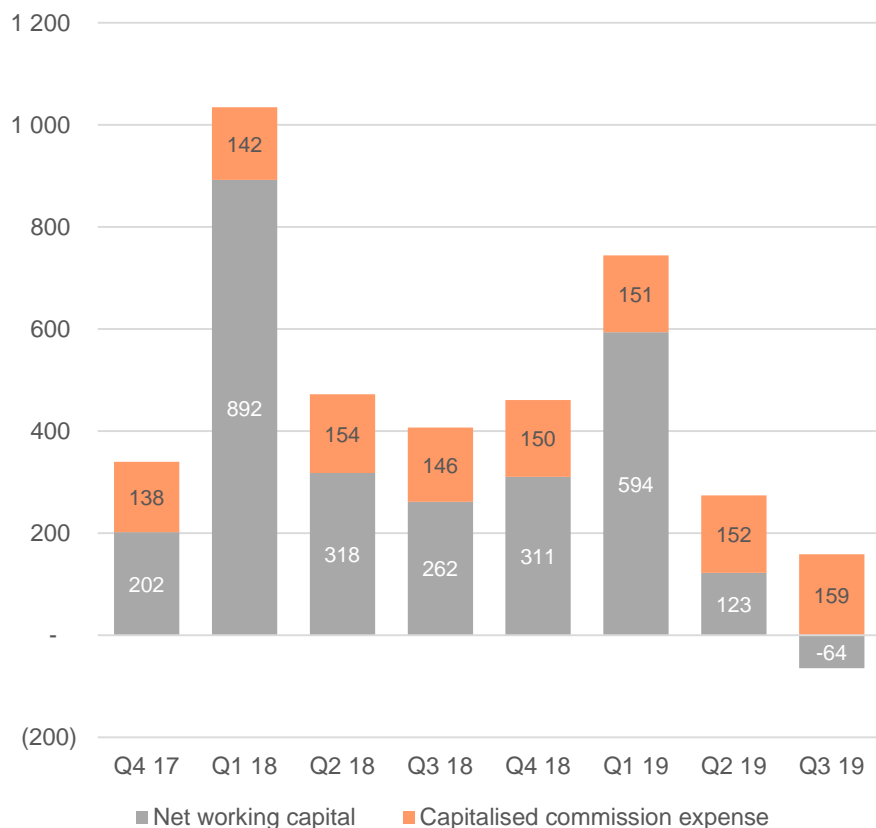
New Growth Initiatives



- Adj. net revenue improvement driven ~60/40 between Mobile and Alliance
- Loss of revenue following the VKS acquisition affecting the NGI segment
- FY expectations in line with guiding

Decreasing and negative NWC driven by seasonally lower volume, positive effect from el. cert and operational improvements

Net working capital¹ (NOKm)



- Net working capital (NWC) is decreasing by 187 NOKm from last quarter, driven by seasonally lower volumes and positive effect from el. certificates
 - Volume decrease 14% from last quarter²
 - Prices decrease 1%³ from Q2 2019 to Q3 2019
 - Positive effect from post-payment practice of el certificates throughout the year
 - Continuous improvements in the invoicing process is also contributing positively to the development
- The increase in capitalised commission expense is driven by increased sales activity across all segments

Sources: Company information

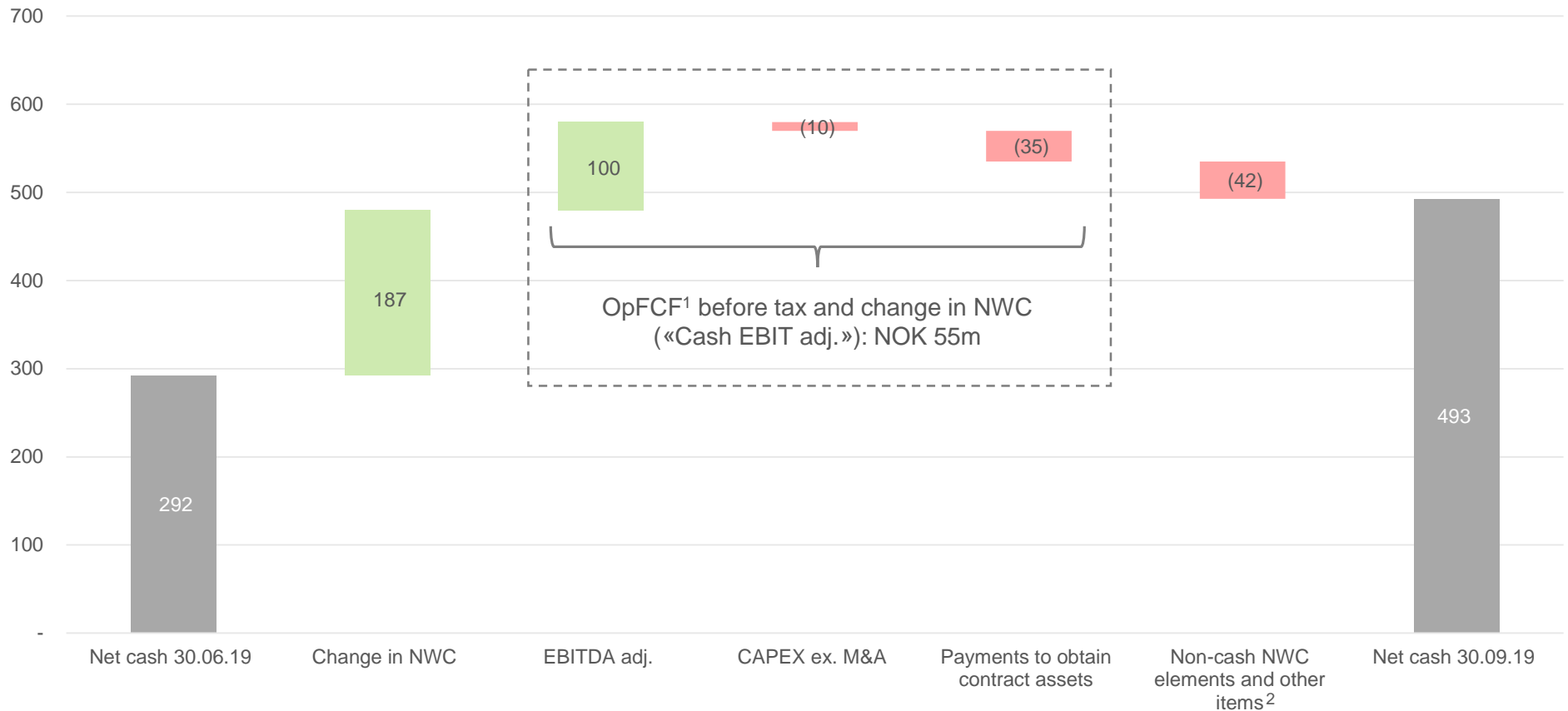
1) NWC includes the following items from current assets: Inventories, intangible assets, trade receivables, derivative financial instruments and other current assets (that is, all current assets in the balance sheet except cash and cash equivalents); and the following items from current liabilities: trade payables, current income tax liabilities, derivative financial instruments, social security and other taxes and other current liabilities excl. 55.6 NOKm in short-term interest bearing debt

2) Volume sold in the Consumer and Business segments

3) Average of daily system prices in NOK

Strong underlying cash generation – cash position positively affected by seasonality

Change in net cash Q-o-Q (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.

Outlook

Revised net revenue growth targets for Group and Consumer

Group	<ul style="list-style-type: none"> Targeting high-single digit net revenue growth on an organic basis Targeting a stable EBIT margin on an organic basis Ambition to act as a consolidator in a fragmented market 	Revised in Q3 2019: Net revenue growth expected to be somewhat higher than targeted for 2019
Consumer	<ul style="list-style-type: none"> Targeting mid-single digit net revenue growth on an organic basis 	Revised in Q3 2019: Expected to be higher than targeted for 2019
	<ul style="list-style-type: none"> Targeted to gradually go down towards a sustainable level of slightly above 30% on an organic basis, driven by increased competition 	
Business	<ul style="list-style-type: none"> Targeting around double digit net revenue growth on an organic basis 	
	<ul style="list-style-type: none"> Targeted to increase to above 55% on an organic basis, driven by scale effects 	
New growth initiatives	<ul style="list-style-type: none"> Targeting substantial growth in number of customers in both Extended Alliance and Mobile EBIT loss in 2019 targeted lower than 2018. Positive run rate EBIT expected from second half of 2020 	Clarified in Q1 2019: Expecting ~25% improvement in nominal EBIT from 2018 to 2019
Cap.ex.	<ul style="list-style-type: none"> Targeted to be in the area of NOK 40m annually on an organic basis 	Revised in Q2 2019: Targeted in the area of 50 NOKm annually on an organic basis
Leverage	<ul style="list-style-type: none"> Moderate leverage with variations intra-year due to seasonality in net working capital Current balance sheet enabling substantial capacity to finance acquisitions 	
Dividend	<ul style="list-style-type: none"> Attractive and increasing dividend Target pay-out ratio of at least 80% of net income, adjusted for certain cash and non-cash items¹ 	

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



Q&A

Appendix



PROFIT AND LOSS ACCOUNT

Summary reported financials

NOK million	Q3 2019	Q3 2018	Δ YoY
Gross revenue	1 101.6	1 328.5	-226.9
Cost of sales	-842.3	-1 101.3	259.0
Net revenue	259.3	227.2	32.2
Personnel expenses	-74.6	-58.5	-16.0
Other operating expenses	-84.9	-85.7	0.8
Operating expenses	-159.4	-144.2	-15.2
Other gains and losses, net	-8.4	-4.8	-3.6
EBITDA	91.5	78.1	13.4
Depreciation & amortization	-49.0	-43.6	-5.4
Operating profit (EBIT)	42.5	34.5	8.0
Net financials	1.4	1.9	-0.5
Profit / loss before taxes	43.8	36.4	7.5
Taxes	-9.9	-10.3	0.4
Profit / loss for the period	33.9	26.0	7.9
Basic earnings per share (in NOK)	0.32	0.25	0.08
Diluted earnings per share (in NOK)	0.32	0.25	0.08

ADJUSTED EBIT reconciliation

<i>NOK in thousands</i>	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Revenue adjusted	1 373 782	1 101 634	1 328 508	5 021 050	4 528 979	6 712 291
Corporate 1)	54 969	-	-	54 969	12 879	8 657
Revenue	1 428 751	1 101 634	1 328 508	5 076 019	4 541 858	6 720 948
Direct cost of sales adjusted	(1 099 954)	(842 307)	(1 101 348)	(4 109 533)	(3 745 722)	(5 624 399)
Corporate 1)	(45 603)	-	-	(45 603)	(6 206)	873
Direct cost of sales	-1 145 557	-842 307	-1 101 348	-4 155 137	-3 751 928	-5 623 526
Revenue less direct cost of sales adjusted	273 828	259 327	227 160	911 517	783 257	1 087 893
Corporate 1)	9 366	-	-	9 366	6 673	9 529
Revenue less direct cost of sales	283 194	259 327	227 160	920 882	789 930	1 097 422
Total operating expenses adjusted	(175 392)	(196 359)	(168 878)	(568 173)	(500 220)	(697 751)
Special items 2)	(1 997)	(287)	(6 925)	(2 284)	(23 602)	(25 835)
Depreciation of acquisitions 3)	(11 009)	(11 774)	(12 023)	(33 785)	(23 043)	(36 375)
Total operating expenses	-188 398	-208 418	-187 826	-604 242	-546 866	-759 961
Other gains and losses 4)	(92)	(8 427)	(4 847)	(8 511)	(7 896)	(10 578)
Operating profit	94 705	42 482	34 487	308 128	235 168	326 883
Interest income	5 553	4 444	4 146	14 879	11 681	15 178
Interest expense lease liability	(179)	(401)	-	(772)	-	-
Interest expense	(1 650)	(1 633)	(1 669)	(4 860)	(3 329)	(4 927)
Other financial items, net	(416)	(1 057)	(596)	(2 560)	(3 776)	(5 277)
Profit/(loss) before tax	98 012	43 835	36 367	314 816	239 744	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)".

ADJUSTED EBIT reconciliation cont.

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

<i>NOK in thousands</i>	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
Special items incurred specific to:						
- the process of listing the company on Oslo Stock Exchange	-	-	(300)	-	(11 323)	(11 323)
- acquisition related costs and implementation costs	(1 997)	(287)	(4 514)	(2 284)	(9 708)	(11 643)
- legal costs related to the compensatory damages	-	-	-	-	(460)	(460)
- strategic costs related to markets abroad	-	-	(2 111)	-	(2 111)	(2 409)
Special items	-1 997	-287	-6 925	-2 284	-23 602	-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:

<i>NOK in thousands</i>	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	FY 2018
TrønderEnergi Marked acquisition	(7 788)	(8 188)	(10 951)	(24 565)	(19 826)	(30 777)
Oppdal Everk Kraftomsetning acquisition	(1 085)	(1 085)	-	(3 256)	-	(1 306)
Vesterålskraft Strøm acquisition	-	(758)	-	(758)	-	-
Other customer acquisitions	(2 136)	(1 743)	(1 072)	(5 206)	(3 217)	(4 292)
Depreciation of acquisitions	-11 009	-11 774	-12 023	-33 785	-23 043	-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.

BALANCE SHEET

Summary reported financials

NOK million	Q3 2019	Q3 2018	Δ
Intangible assets	194.1	186.6	7.5
PP&E	55.4	4.5	50.9
Goodwill	166.7	155.8	10.8
Financial assets	23.6	18.7	4.9
Other non-current assets	158.8	145.7	13.1
Total non-current assets	598.6	511.3	87.3
Trade receivables	916.2	1 206.4	(290.1)
Derivative financial instruments	91.9	297.0	(205.1)
Other current assets	59.8	73.2	(13.4)
Cash and cash equivalents	701.1	397.5	303.6
Total current assets	1 769.0	1 974.0	(205.0)
Total assets	2 367.6	2 485.3	(117.7)
Total equity	887.5	810.3	77.2
Net employee defined benefit liabilities	84.4	62.2	22.2
Interest-bearing long term debt	152.9	264.1	(111.2)
Deferred tax liabilities	15.1	32.9	(17.8)
Other provisions	39.5	1.0	38.6
Total non-current liabilities	291.9	360.1	(68.2)
Trade payables	472.7	620.1	(147.4)
Overdraft facilities	-	-	-
Current income tax liabilities	98.8	68.0	30.8
Derivative financial instruments	93.7	286.1	(192.3)
Social security and other taxes	47.0	14.5	32.5
Other current liabilities	475.9	326.3	149.6
Total current liabilities	1 188.2	1 314.9	(126.7)
Equity and liabilities	2 367.6	2 485.3	(117.7)

CASH FLOW

Summary reported financials

NOK million	Q3 2019	Q3 2018	Δ YoY
EBITDA	91.5	78.1	13.4
Payments to obtain a contract (contract assets)	-34.9	-25.7	-9.1
Other non-cash adjustments	6.5	4.8	1.7
Change in fair value of financial instruments	8.4	4.8	3.6
Changes in working capital, etc.	161.8	35.3	126.5
Cash from operating activities	233.3	97.3	136.0
Interest paid	-1.6	-1.7	0.1
Interest received	4.4	4.1	0.3
Income tax paid	-0.3	-0.4	0.1
Net cash from operating activities	235.9	99.4	136.5
Purchases of property, plant and equipment	-1.8	-0.5	-1.3
Purchase of intangible assets	-8.1	-7.1	-1.0
Net cash outflow on acquisition of subsidiaries	-22.1	-	-22.1
Proceeds from non-current receivables	-1.0	-1.4	0.5
Net cash used in investing activities	-32.9	-9.0	-23.9
Proceeds from borrowings	-13.9	-13.9	-
Net (outflow)/proceeds from change in overdraft facilities	-	-	-
Dividends	-	-	-
Payment of lease liability	-2.6	-	-2.6
Net cash used in financing activities	-16.5	-13.9	-2.6
Net change in cash and cash equivalents	186.5	76.5	110.0
Cash and cash equivalents at beginning	514.6	321.0	193.6
Cash and cash equivalents at end	701.1	397.5	303.6

FORWARD-LOOKING STATEMENTS

This presentation contains, or may be deemed to contain, statements that are not historical facts but forward-looking statements with respect to Fjordkraft's expectations and plans, strategy, management's objectives, future performance, costs, revenue, earnings and other trend information. There can be no assurance that actual results will not differ materially from those expressed or implied by these forward-looking statements due to many factors, many of which are outside the control of Fjordkraft.

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