

Fjordkraft Holding ASA and the Fjordkraft Group

Quarterly report - Q1 2020



Q1 Highlights

- Strong financial performance with a 27% YoY increase in net revenue and 31% YoY growth in EBIT adj.
- Favourable market dynamics with historically low elspot prices and positive effects on COGS are driving the improvement
- The solid growth in the Mobile segment continues, with more than 10k net adds in the quarter
- Outlook slightly revised based on first quarter results

Key figures Q1

NOK in thousands	Q1 2020	Q1 2019	Full Year 2019
Gross revenue	1 310 256	2 545 634	7 122 528
Net revenue	481 402	378 361	1 295 134
Net revenue adjusted	481 402	378 361	1 283 721
EBIT reported	231 371	170 942	482 738
EBIT adjusted	237 642	181 937	491 053
Net income	183 670	134 425	370 171
Basic earnings per share (in NOK)	1,76	1,29	3,54
Diluted earnings per share (in NOK)	1,74	1,27	3,51
EBIT margin	48 %	45 %	37 %
EBIT margin adjusted	49 %	48 %	38 %
Net interest bearing debt (cash)	-511 035	23 273	-580 936
Capex excl. M&A	13 998	15 226	50 372
Volume sold (GWh)	4 154	4 402	13 407
# of deliveries ('000) excl. Extended Alliance	621	607	622

Strong profitability growth in an extraordinary situation

The first quarter of 2020 has been another quarter with strong financial results. Adjusted net revenue increase 27% YoY and adjusted EBIT increase 31% YoY. The price development in the quarter has been favourable, with elspot prices reaching a historically low level at the end of the quarter. There are also positive effects on COGS YoY, further driving the profitability growth. The solid growth within the Mobile segment continues, and with more than 10 thousand net adds in the quarter, the segment is well on the way towards the targeted 125 thousand subscribers at the end of 2020. Volume in the Consumer and Business segment is decreasing 6% YoY driven by mild weather, fewer tender customers and Covid-19 restrictions. All of the months in the quarter were warmer than both normal and last year, and especially so in January. The segments' outlook is revised slightly based on first quarter results, however Group outlook remains unchanged.

Consumer

Number of electricity deliveries in the Consumer segment decreased by 1,717 deliveries in the quarter, driven by strong competition. At the end of Q1 2020 the segment comprised 542 thousand deliveries, which represents a growth of 12 thousand deliveries YoY. The volume sold in first quarter 2020 was 2,328 GWh, which is a 1% increase from the first quarter 2019. The increase in number of deliveries is the driver for the increase, and more than offsets the effect of warmer weather.

Adjusted net revenue in the Consumer segment amounts to 362 NOKm, a YoY growth of 36%. The increase is mainly driven by margin improvement.

Adjusted OPEX amounts to 173 NOKm in the first quarter of 2020, compared to 141 NOKm in the first quarter of 2019. Increased sales and marketing costs and administrative costs are the main drivers for the increase.

EBIT adjusted amounts to 189 NOKm in the quarter, which is an increase of 63 NOKm compared to the first quarter of 2019. This corresponds to an adjusted EBIT margin of 52%, and a YoY increase of 5 percentage points.

Business

At the end of first quarter 2020, the Business segment comprised 79 thousand electricity deliveries, which represents an increase of 973 deliveries from fourth quarter 2019, all of which organically. The volume sold in first quarter 2020 was 1,826 GWh, a decrease of 13% compared to first quarter 2019. The decrease is driven by a 16% decrease in average volume per delivery due to mild weather, fewer tender customers and Covid-19 restrictions.

Adjusted net revenue in the Business segment amounts to 108 NOKm, a YoY growth of 11%. The growth is driven by improved margins, primarily from power sales.

Adjusted OPEX amounts to 49 NOKm in the quarter, compared to 39 NOKm in the first quarter of 2019. The main reason for the OPEX growth is increased sales and marketing costs and higher expected losses on receivables due to the Covid-19 situation.

EBIT adjusted amounts to 59 NOKm in the quarter, at the same level as in first quarter 2019. Adjusted EBIT margin in the quarter was 55%, a

decrease of 5 percentage points YoY driven by the higher expected losses due to Covid-19.

New Growth Initiatives

At the end of first quarter 2020, the number of mobile subscribers was 110 thousand, which represents an organic growth of 10,025 subscribers from fourth quarter 2019.

Alliance volume in first quarter 2020 was 1,320 GWh, which is a 13% YoY decrease as Vesterålskraft is now included in the Consumer and Business segments and because of mild weather. One new Extended Alliance partner was implemented in the quarter and the first ever broadband customers were handled in the Fjordkraft Factory on behalf of Alliance Partners.

Adjusted net revenue in the New Growth Initiatives segment amounts to 12 NOKm, a YoY decrease of 19%. The decrease in net revenue is driven by reduced margins within Mobile, which is negatively affected by increased voice activity due to Covid-19, increasing COGS.

OPEX adjusted amounted to 22 NOKm, an increase from 17 NOKm in first quarter 2019, due to increased sales and marketing costs and variable costs.

EBIT adjusted amounted to -10 NOKm, a decrease of 8 NOKm from first quarter 2019, primarily driven by reduced margins within mobile and increased costs due to customer growth within the segment.

Financials

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

Gross revenue amounted to 1,310 NOKm (2,546 NOKm), a decrease of 49%, due to lower elspot prices.

Adjusted net revenue amounted to 481 NOKm (378 NOKm), an increase of 27%. The increase is mainly driven by margin improvement.

Adjusted operating expenses amounted to 244 NOKm (196 NOKm), an increase of 24%, driven by sales and marketing costs, administrative costs and increased expected losses on receivables.

Adjusted EBIT amounted to 238 NOKm (182 NOKm), a growth of 31% YoY due to the factors described above.

Net financial income amounted to 4.4 NOKm (2.0 NOKm).

Profit for the period amounted to 184 NOKm (134 NOKm) in the first quarter due to the factors described above.

Consolidated cash flow

Cash generated from operating activities was -54 NOKm (-136 NOKm), driven by a seasonal increase in NWC. Net cash used in investing activities was -15 NOKm (-16 NOKm) driven by various R&D initiatives. Net cash used in financing activities was

NOK -14 NOKm (-16 NOKm), primarily consisting of instalments related to long term debt.

Financial position

The total capital as of 31.03.2020 was 2,635 NOKm (3,067 NOKm), a decrease of 432 NOKm from Q1 2019. The main driver for the decrease is lower current assets.

Events after the reporting period

The annual general meeting of Fjordkraft Holding ASA was held at 22 April 2020. The proposed dividend of NOK 3.00 per share, corresponding to NOK 313,716,648, was approved. There are no other significant events after the reporting period that has not been reflected in the consolidated financial statements.

Risks and uncertainties

The demand for electricity, electricity prices, customer churn and competition are the main uncertainties in a short-term perspective. The demand for electricity varies with i.a. weather conditions and temperature. Electricity prices are determined by supply and demand through Nordpool, the marketplace for electricity in the Nordics. Fjordkraft seeks to reduce market risk to a low level and does not take speculative positions in the electricity market.

Outlook

The Group has an ambition to grow organically in all segments, as well as acting as a consolidator in a fragmented market. The Group's financial targets are presented in the quarterly presentation.

Condensed interim financial statements



Condensed consolidated statement of profit or loss

NOK in thousands	Note	Q1 2020	Q1 2019	Full year 2019
Continuing operations				
Revenue	2,9	1 310 256	2 545 634	7 122 528
Direct cost of sales	2	(828 855)	(2 167 273)	(5 827 394)
Revenue less direct cost of sales		481 402	378 361	1 295 134
Personnel expenses	2	(78 596)	(64 426)	(236 106)
Other operating expenses	2	(124 593)	(97 908)	(379 973)
Depreciation right-of-use assets		(3 100)	(2 213)	(10 404)
Depreciation and amortisation	2,5,6	(45 647)	(42 880)	(190 528)
Total operating expenses		(251 936)	(207 426)	(817 011)
Other gains and losses, net	7	1 906	8	4 615
Operating profit		231 371	170 942	482 738
Income (loss) from investments in associates and joint ventures	12	(153)	-	-
Interest income		6 381	4 882	20 071
Interest expense lease liability		(429)	(193)	(1 677)
Interest expense		(1 658)	(1 578)	(6 956)
Other financial items, net		240	(1 086)	(3 737)
Net financial income/(cost)		4 382	2 026	7 701
Profit/ (loss) before tax		235 754	172 968	490 440
Income tax (expense)/income	3	(52 084)	(38 543)	(120 269)
Profit/ (loss) for the period		183 670	134 425	370 171
Basic earnings per share (in NOK)*	4	1,76	1,29	3,54
Diluted earnings per share (in NOK)*	4	1,74	1,27	3,51

* Based on a weighted average of 104 532 527 shares outstanding. It is issued 1 164 000 share options to employees.

Condensed consolidated statement of comprehensive income

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Profit/ (loss) for the period	183 670	134 425	370 171
Other comprehensive income/ (loss):			
Items that will not be reclassified to profit or loss:			
Actuarial gain/ (loss) on pension obligations (net of tax)	(26 024)	-	(11 091)
Total	(26 024)	-	(11 091)
Total other comprehensive income/(loss) for the period, net of tax	(26 024)	-	(11 091)
Total comprehensive income/ (loss) for the period	157 646	134 425	359 080

Condensed consolidated statement of financial position

NOK in thousands	Note	31 March 2020	31 March 2019	31 December 2019
Assets:				
Non-current assets				
Right-of-use assets property, plant and equipment		62 255	29 048	65 976
Property, plant and equipment	5	6 656	4 050	7 108
Goodwill	6	166 696	155 849	166 696
Intangible assets	6	166 816	197 459	178 542
Cost to obtain contracts		154 149	150 559	159 235
Investments in associates and joint ventures	12	9 847	-	-
Other non-current financial assets		39 510	22 957	25 365
Total non-current assets		605 929	559 923	602 923
Current assets				
Intangible assets	6	4 730	31 799	23 760
Inventories		452	261	794
Trade receivables	8	867 893	1 970 534	1 507 467
Derivative financial instruments	7	350 901	177 539	79 274
Other current assets		113 324	113 727	18 466
Cash and cash equivalents		691 735	213 027	775 536
Total current assets		2 029 035	2 506 886	2 405 297
Total assets		2 634 964	3 066 809	3 008 220
Equity and liabilities:				
Equity				
Share capital		31 372	31 349	31 349
Share premium		127 353	125 035	125 035
Retained earnings		1 005 256	849 945	846 833
Total equity		1 163 980	1 006 328	1 003 216

Condensed consolidated statement
of financial position

NOK in thousands	Note	31 March 2020	31 March 2019	31 December 2019
Non-current liabilities				
Net employee defined benefit plan liabilities		100 008	85 658	64 062
Interest-bearing long term debt	10	125 100	180 700	139 000
Deferred tax liabilities	3	17 667	17 213	27 451
Lease liability - long term		52 848	20 510	56 515
Other provisions for liabilities		-	732	-
Total non-current liabilities		295 623	304 812	287 027
Current liabilities				
Trade and other payables	8	388 040	1 065 031	818 143
Current income tax liabilities	3	76 160	62 474	111 656
Derivative financial instruments	7	337 719	169 334	67 999
Social security and other taxes		105 678	97 987	142 620
Lease liability - short term		11 951	8 659	11 428
Other current liabilities		255 812	352 185	566 129
Total current liabilities		1 175 360	1 755 668	1 717 976
Total liabilities		1 470 983	2 060 480	2 005 004
Total equity and liabilities		2 634 964	3 066 809	3 008 220

The Board of Fjordkraft Holding ASA, Bergen, 13 May 2020



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 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 2019	31 349	125 035	-	714 651	871 035
Profit/(loss) for the year	-	-	-	370 171	370 171
Other paid-in equity	-	-	-	2 994	2 994
Other comprehensive income/(loss) for the year, net of tax	-	-	-	(11 091)	(11 091)
Total comprehensive income/(loss) for the year	-	-	-	362 074	362 074
Dividends paid (note 4)	-	-	-	(229 892)	(229 892)
Transactions with owners	-	-	-	(229 892)	(229 892)
Balance at 31 December 2019	31 349	125 035	-	846 833	1 003 216
Balance at 1 January 2020	31 349	125 035	-	846 833	1 003 216
Profit/(loss) for the year	-	-	-	183 670	183 670
Other paid-in equity	-	-	-	777	777
Other comprehensive income/(loss) for the year, net of tax	-	-	-	(26 024)	(26 024)
Total comprehensive income for the year	-	-	-	158 423	158 423
Share capital increase (note 4)	23	2 318	-	-	2 341
Dividends paid (note 4)	-	-	-	-	-
Transactions with owners	23	2 318	-	-	2 341
Balance at 31 March 2020	31 372	127 353	-	1 005 256	1 163 980

Condensed consolidated statement of cash flows

NOK in thousands	Note	Q1 2020	Q1 2019	Full year 2019
Operating activities				
Profit/(loss) before tax		235 754	172 968	490 440
Adjustments for				
Depreciation	5, 6	17 257	18 057	82 158
Depreciation right-of-use assets		3 100	2 213	10 404
Amortisation of contract assets		28 391	24 823	108 370
Interest income		(6 381)	(4 882)	(20 071)
Interest expense lease liability		429	193	1 677
Interest expense		1 658	1 578	6 956
(Income) /loss from investments in associates and joint ventures		153	-	-
Change in long-term receivables		(13 820)	(2 446)	(2 879)
Share based payment expense		777	868	2 994
Change in post-employment liabilities		2 582	6 350	(29 556)
Payments to obtain a contract		(23 304)	(25 470)	(117 693)
Changes in working capital (non-cash effect)				
Impairment loss recognised in trade receivables		16 736	12 566	23 502
Change in fair value of derivative financial instruments		(1 906)	(8)	(4 615)
Changes in working capital				
Inventories		342	272	(262)
Trade receivables	8	622 838	23 228	489 360
Purchase of el-certificates	6	(245 712)	(240 864)	(242 596)
Non-cash effect from cancelling el-certificates	6	263 782	235 295	246 569
Purchase of guarantees of origination	6	(1 397)	(6 195)	(12 975)
Non-cash effect from disposal of guarantees of origination	6	2 357	13 559	18 837
Other current assets		(94 858)	(80 986)	20 715
Trade and other payables	8	(430 103)	(35 155)	(297 054)
Other current liabilities		(347 136)	(181 588)	72 774
Cash generated from operations		31 536	(65 623)	847 054
Interest paid		(2 209)	(1 585)	(8 627)
Interest received		6 381	4 882	20 071
Income tax paid	3	(90 024)	(73 906)	(93 793)
Net cash from operating activities		(54 316)	(136 232)	764 704

**Condensed consolidated statement
of cash flows**

NOK in thousands	Note	Q1 2020	Q1 2019	Full year 2019
Investing activities				
Purchase of property, plant and equipment	5	-	(113)	(3 791)
Purchase of intangible assets	6	(15 079)	(15 357)	(47 589)
Sale of intangible assets	6	10 000	-	-
Net cash outflow on aquisition of subsidiaries		-	-	(22 066)
Net cash outflow on aquisition of shares in associates	12	(10 000)	-	-
Net (outflow)/proceeds from non-current receivables		(325)	(422)	(2 396)
Net (outflow)/proceeds from other long-term liabilities		-	(74)	(805)
Net cash used in investing activities		(15 404)	(15 965)	(76 648)
Financing activities				
Proceeds from issuance of shares	4	2 341	-	-
Dividends paid	4	-	-	(229 892)
Proceeds from interest-bearing long term debt		-	-	-
Instalments long term debt		(13 900)	(13 900)	(55 600)
Payment of lease liability		(2 522)	(2 284)	(8 438)
Net cash used in financing activities		(14 081)	(16 184)	(293 930)
Net change in cash and cash equivalents		(83 801)	(168 382)	394 126
Cash and cash equivalents at start of period		775 536	381 409	381 409
Cash and cash equivalents at end of period		691 735	213 027	775 536

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 13 May 2020.

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 2019, 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.

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 2019, except for income taxes, post-employment benefits and judgements regarding the estimated effects of the COVID-19 pandemic.

The judgements regarding estimated effects of the COVID-19 pandemic are outlined in note 11.

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.

Impairment of tangible and intangible assets

At each balance sheet date the Group reviews whether there are indication that the carrying amount of the Group's tangible and intangible assets have suffered an impairment loss.

Tangible and intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Note 1
Accounting policies

The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use (the net present value of a cash flow or other benefits that the asset is expected to contribute to the generation of, through its use by the group). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or 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.

Incremental costs of obtaining a contract

IFRS 15 requires capitalisation of incremental costs of obtaining a contract which the entity expects to recover, if the amortisation period is more than one year, such as for sales commissions. Incremental costs of obtaining a contract were under the previous accounting policy expensed as incurred. Amortisation of the capitalised costs of obtaining a contract is recognised as part of Operating profit.

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.

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) which are not considered separate operating segments.

Note 2
Segment information

	Q1 2020			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
Revenue				
Revenue adjusted	739 990	504 478	65 788	1 310 256
Total external segment revenue adjusted	739 990	504 478	65 788	1 310 256
Direct cost of sales adjusted	(378 241)	(396 359)	(54 254)	(828 855)
Revenue less direct cost of sales adjusted	361 749	108 119	11 534	481 402
Expenses				
Personnel and other operating expenses adjusted	(139 593)	(44 125)	(19 471)	(203 189)
Depreciation and amortisation adjusted	(33 460)	(4 659)	(2 452)	(40 571)
Total operating expenses adjusted	(173 053)	(48 784)	(21 923)	(243 760)
Operating profit adjusted	188 696	59 335	(10 389)	237 642
	Q1 2019			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
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

Note 2
Segment information

	Full Year 2019			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
Revenue				
Revenue adjusted	3 948 175	2 899 333	218 924	7 066 432
Total external segment revenue adjusted	3 948 175	2 899 333	218 924	7 066 432
Direct cost of sales adjusted	(3 046 521)	(2 563 430)	(172 760)	(5 782 711)
Revenue less direct cost of sales adjusted	901 654	335 903	46 164	1 283 721
Expenses				
Personnel and other operating expenses	(444 956)	(137 511)	(59 454)	(641 921)
Depreciation and amortisation	(125 305)	(16 531)	(8 911)	(150 748)
Total operating expenses adjusted	(570 261)	(154 042)	(68 365)	(792 668)
Operating profit adjusted	331 393	181 861	(22 201)	491 053

*Comprise of other business activities (sale of mobile services to private customers and power sale, included related services, to Alliance partners) 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 2020	Q1 2019	Full year 2019
Revenue adjusted	1 310 256	2 545 634	7 066 432
Corporate 1)	-	-	56 096
Revenue	1 310 256	2 545 634	7 122 528
Direct cost of sales adjusted	(828 855)	(2 167 273)	(5 782 711)
Corporate 1)	-	-	(44 681)
Direct cost of sales	(828 855)	(2 167 273)	(5 827 394)
Revenue less direct cost of sales adjusted	481 402	378 361	1 283 721
Corporate 1)	-	-	11 414
Revenue less direct cost of sales	481 402	378 361	1 295 134
Total operating expenses adjusted	(243 760)	(196 424)	(792 668)
Special items 2)	-	-	21 218
Depreciation of acquisitions 3)	(8 177)	(11 002)	(45 560)
Total operating expenses	(251 936)	(207 426)	(817 011)
Other gains and losses 4)	1 906	8	4 615
Operating profit	231 371	170 942	482 738
Income/loss from investments in associates and joint ventures	(153)	-	-
Interest income	6 381	4 882	20 071
Interest expense lease liability	(429)	(193)	(1 677)
Interest expense	(1 658)	(1 578)	(6 956)
Other financial items, net	240	(1 086)	(3 737)
Profit/(loss) before tax	235 754	172 968	490 440

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.

Note 2

Segment information

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

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Special items incurred specific to:			
- acquisition related costs and implementation costs	-	-	(3 145)
- change in pension plan	-	-	28 969
- Impairment charge	-	-	(4 606)
Special items	-	-	21 218

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 2020	Q1 2019	Full year 2019
TrønderEnergi Marked acquisition	(5 180)	(7 788)	(32 753)
Oppdal Everk Kraftomsetning acquisition	(787)	(1 085)	(4 342)
Vesterålskraft Strøm acquisition	(565)	-	(1 516)
Other customer acquisitions	(1 645)	(2 129)	(6 949)
Depreciation of acquisitions	(8 177)	(11 002)	(45 560)

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

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Profit before tax	235 754	172 968	490 440
Tax expense	(52 084)	(38 543)	(120 269)
<i>Average tax rate</i>	22,1 %	22,3 %	24,5 %
Tax payable	54 528	42 167	112 790
Adjustments to prior years tax payable	-	-	33
Change in deferred tax	(2 444)	(3 624)	7 446
Tax expense recognised in statement of profit or loss	52 084	38 543	120 269

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 2020	Q1 2019	Full year 2019
Profit/(loss) attributable to equity holders of the company *	183 670	134 425	370 171
Total comprehensive income attributable to equity holders of the company *	157 646	134 425	359 080
Total number of ordinary shares in issue	104 572 216	104 496 216	104 496 216
Weighted average number of ordinary shares in issue	104 532 527	104 496 216	104 496 216
Earnings per share in NOK	1,76	1,29	3,54
Total comprehensive income per share in NOK	1,51	1,29	3,44
Share options	1 164 000	960 000	930 000
Diluted earnings per share in NOK	1,74	1,27	3,51
Dividend per share in NOK	-	-	2,20

*NOK in thousands

The change in share options is due to extension of the share option program with one extra year (a total of 310 000 new share options) and first vesting periode where 76 000 share options were exercised.

Note 5

Property, plant and equipment

Q1 2020				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2020	14 113	26 274	-	40 387
Additions	-	-	-	-
Additions from business combinations	-	-	-	-
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 31 March 2020	14 113	26 274	-	40 387
Accumulated depreciation 1 January 2020	(8 362)	(24 917)	-	(33 279)
Depreciation for the year	(349)	(102)	-	(451)
Disposals	-	-	-	-
Accumulated depreciation 31 March 2020	(8 712)	(25 019)	-	(33 731)
Carrying amount 31 March 2020	5 401	1 255	-	6 656

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
Additions from business combinations	-	-	-	-
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 year	(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

Note 5
Property, plant and equipment

Full year 2019				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2019	9 639	25 279	1 376	36 293
Additions	-	-	3 791	3 791
Additions from business combinations	302	-	-	302
Transferred from construction in progress	4 172	995	(5 167)	-
Disposals	-	-	-	-
Cost price 31 December 2019	14 113	26 274	-	40 387
Accumulated depreciation 1 January 2019	(7 449)	(24 706)	-	(32 155)
Depreciation for the year	(912)	(211)	-	(1 123)
Disposals	-	-	-	-
Accumulated depreciation 31 December 2019	(8 362)	(24 917)	-	(33 279)
Carrying amount 31 December 2019	5 751	1 357	-	7 108
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 2020

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 2020	213 393	15 147	170 805	13 903	413 249	166 696	579 945
Additions - Purchase	-	13 240	1 081	-	14 321	-	14 321
Additions - Internally generated	454	304	-	-	758	-	758
Additions from business combinations (see note 11)	-	-	-	-	-	-	-
Transferred from construction in progress	4 761	(4 761)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals *	-	(10 000)	-	-	(10 000)	-	(10 000)
Cost price 31 March 2020	218 609	13 929	171 886	13 903	418 328	166 696	585 024
Accumulated depreciation 1 January 2020	(144 240)	-	(81 281)	(9 189)	(234 710)	-	(234 710)
Depreciation for the year	(8 581)	-	(7 351)	(873)	(16 805)	-	(16 805)
Impairment for the year	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 March 2020	(152 821)	-	(88 632)	(10 062)	(251 515)	-	(251 515)
Carrying amount 31 March 2020	65 787	13 929	83 258	3 842	166 816	166 696	333 512

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 year	(6 806)	-	(9 983)	(1 067)	(17 856)	-	(17 856)
Impairment for the year	-	-	-	-	-	-	-
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

Note 6

Intangible assets

Non-current intangible assets

Full year 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	12 633	353 630	155 849	509 479
Additions - Purchase	-	45 314	1 008	-	46 322	-	46 322
Additions - Internally generated	1 094	173	-	-	1 267	-	1 267
Additions from business combinations	-	-	12 362	1 270	13 632	10 847	24 479
Transferred from construction in progress	71 606	(71 606)	-	-	-	-	-
Government grants (SkatteFUNN)	-	(1 602)	-	-	(1 602)	-	(1 602)
Disposals	-	-	-	-	-	-	-
Cost price 31 December 2019	213 393	15 147	170 805	13 903	413 249	166 696	579 945
Accumulated depreciation 1 January 2019	(108 955)	-	(40 193)	(4 527)	(153 675)	-	(153 675)
Depreciation for the year	(29 492)	-	(41 087)	(4 662)	(75 241)	-	(75 241)
Impairment for the year	(5 794)	-	-	-	(5 794)	-	(5 794)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 December 2019	(144 240)	-	(81 281)	(9 189)	(234 710)	-	(234 710)
Carrying amount 31 December 2019	69 155	15 147	89 526	4 715	178 542	166 696	345 238

* Disposal of NOKt 10 000 relates to sale of asset to the associated company Metzum AS. See note 12 for more information regarding the investment in Metzum AS.

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 2020

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2020	18 128	5 632	23 760
Additions - Purchase	245 712	1 397	247 109
Disposals*	(263 782)	(2 357)	(266 139)
Cost price 31 March 2020	58	4 672	4 730
Accumulated depreciation 1 January 2020	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 March 2020	-	-	-
Carrying amount 31 March 2020	58	4 672	4 730

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

Note 6

Intangible assets

Current intangible assets			
Full year 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	242 596	12 975	255 571
Disposals*	(246 569)	(18 837)	(265 405)
Cost price 31 December 2019	18 128	5 632	23 760
Accumulated depreciation 1 January 2019	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 December 2019	-	-	-
Carrying amount 31 December 2019	18 128	5 632	23 760

* 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 and impairment 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 2020				
NOK in thousands				
Financial assets				
Derivative financial instruments	-	227 964	122 937	350 901
Total financial assets at fair value	-	227 964	122 937	350 901
Financial liabilities				
Derivative financial instruments	-	220 554	117 166	337 719
Total financial liabilities at fair value	-	220 554	117 166	337 719
At 31 March 2019				
NOK in thousands				
Financial assets				
Derivative financial instruments	-	102 495	75 044	177 539
Total financial assets at fair value	-	102 495	75 044	177 539
Financial liabilities				
Derivative financial instruments	-	101 899	67 435	169 334
Total financial liabilities at fair value	-	101 899	67 435	169 334
At 31 December 2019				
NOK in thousands				
Financial assets				
Derivative financial instruments	-	50 875	28 399	79 274
Total financial assets at fair value	-	50 875	28 399	79 274
Financial liabilities				
Derivative financial instruments	-	43 779	24 220	67 999
Total financial liabilities at fair value	-	43 779	24 220	67 999

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.

After an updated assessment of the classification of derivative financial instruments the Group have chosen to reclassify the fair value of some instruments from level 2 to level 3, due to inputs not being directly observable. Comparable figures from 2019 has been reclassified accordingly. Total amounts remain unchanged as there has not been any change in the value of the inputs.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market

price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities. Changes in assets and liabilities measured at fair value based on level 3 during the year are presented in the tables below.

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 1,4 per cent (2019: 1,3 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. Level 3 input consists of area prices from Bergen and Kristiansand as these do not have observable market data.

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

Note 7
Fair value
measurement of
financial instruments

Assets and liabilities measured at fair value based on level 3

At 31 March 2020

NOK in thousands	Assets	Liabilities	Total, net
Opening balance 1 January 2020	28 399	24 220	4 179
Additions or derecognitions	(231)	(1 296)	1 065
Unrealised changes in value recognised in profit and loss	94 768	94 242	527
Closing balance 31 March 2020	122 937	117 166	5 771
Net realised gain (+) / loss (-) recognised in profit and loss Q1 2020			2 161

At 31 March 2019

NOK in thousands	Assets	Liabilities	Total, net
Opening balance 1 January 2019	189 363	166 104	23 259
Additions or derecognitions	22 357	35 173	(12 816)
Unrealised changes in value recognised in profit and loss	(136 677)	(133 842)	(2 835)
Closing balance 31 March 2019	75 044	67 435	7 609
Net realised gain (+) / loss (-) recognised in profit and loss Q1 2019			3 565

At 31 December 2019

NOK in thousands	Assets	Liabilities	Total, net
Opening balance 1 January 2019	189 363	166 104	23 259
Additions or derecognitions	(164 550)	(145 556)	(18 994)
Unrealised changes in value recognised in profit and loss	3 586	3 672	(86)
Closing balance 31 December 2019	28 399	24 220	4 179
Net realised gain (+) / loss (-) recognised in profit and loss 2019			2 810

Sensitivity analysis of factors classified to level 3

NOK in thousands	10 % reduction	10 % increase
Net effect from power prices	3 643	(3 643)

Fair value of other financial instruments

The Group also has financial instruments which are not measured at fair value in the statement of financial position. 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 2020.

Note 8

Related party transactions

Per 31 March 2020, the Group's related parties include major shareholders, Board of Directors and key management. In 2019 two major shareholders, BKK AS and Skagerak Energi AS, sold shares in Fjordkraft Holding ASA. As a result of this Skagerak Energi AS, their parent company Statkraft AS, Skagerak Energi Group and Statkraft Group are no longer considered to be related parties. The Board of Directors include a representative from BKK AS. BKK AS and subsidiaries are therefore 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 2020	Q1 2019	Full year 2019
BKK AS	Major shareholder	Sale of electrical power	578	3 776	10 509
BKK Energitjenester AS	Subsidiary of major shareholder	Sale of electrical power	893	-	1 046
BKK Nett AS	Subsidiary of major shareholder	Sale of electrical power	1 351	1 561	4 879
BKK Varme AS	Subsidiary of major shareholder	Sale of electrical power	3 067	-	-
Skagerak Energi AS	Major shareholder	Sale of electrical power	-	1 699	1 699
Skagerak Nett AS	Subsidiary of major shareholder	Sale of electrical power	-	1 748	1 748
Skagerak Varme AS	Subsidiary of major shareholder	Sale of electrical power	-	4 494	4 494
Statkraft AS	Parent company of major shareholder	Sale of electrical power	-	1 795	1 795
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	-	27 381	27 381
Other	Related party	Other	481	2 079	3 484

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

Expenses to related parties

Related party	Relation	Purpose of transactions	Q1 2020	Q1 2019	Full year 2019
BKK AS	Major shareholder	Purchase of electrical power	-	428	1 545
BKK Produksjon AS	Subsidiary of major shareholder	Purchase of electrical power	2 569	4 268	12 689
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	-	1 055 212	1 055 212
BKK AS	Major shareholder	Purchase of other services	6 130	6 896	27 211
BKK Regnskapsservice AS	Subsidiary of major shareholder	Purchase of other services	89	2 181	1 875
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	408	-	1 829
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of other services	-	2 029	2 029
Other	Related party	Other	-	66	264

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 2020	Q1 2019	Full year 2019
BKK AS	Major shareholder	Research and development	-	50	(86)
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of customer portfolio	73	244	1 008
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of el-certificates	-	240 864	240 864
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of guarantees of origination	-	6 195	6 195

Distributions to related parties

Related party	Relation	Purpose of transactions	Q1 2020	Q1 2019	Full year 2019
BKK AS	Major shareholder	Dividend	-	-	35 053

Current receivables from related parties

Related party	Relation	Purpose of transactions	31 March 2020	31 March 2019	Full year 2019
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	-	11 798	-
Other	Related party	Sale of electrical power	483	1 799	1 010

Current liabilities to related parties

Related party	Relation	Purpose of transactions	31 March 2020	31 March 2019	Full year 2019
BKK AS	Major shareholder	Other	206	232	195
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	169	-	-
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	-	714 378	-

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 2020	Q1 2019	Full year 2019
NOK in thousands			
Revenue - Consumer segment (1)	739 990	1 434 916	3 948 175
Revenue - Business segment (2)	504 478	1 062 714	2 899 333
Revenue - New growth initiatives (3)	65 788	48 005	218 924
Revenue - Corporate	-	-	56 096
Total revenue	1 310 256	2 545 634	7 122 528

Timing of revenue recognition

Over time:

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Revenue - Consumer segment	728 506	1 419 275	3 896 620
Revenue - Business segment	497 780	1 056 991	2 874 572
Revenue - New growth initiatives	65 372	47 639	217 523
Revenue - Corporate	-	-	56 096
Total revenue recognised over time	1 291 658	2 523 905	7 044 811

At a point in time:

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Revenue - Consumer segment	11 484	15 641	51 556
Revenue - Business segment	6 698	5 723	24 761
Revenue - New growth initiatives	416	366	1 401
Total revenue recognised at a point in time	18 598	21 730	77 717
Total revenue	1 310 256	2 545 634	7 122 528

(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)

Note 10

Long term debt

Long term debt				
NOK in thousands	Effective interest rate	31 Mar 2020	31 Mar 2019	31 Dec 2019
Long term debt DNB	NIBOR 3 months + 1,35 %	180 700	236 300	194 600
Total		180 700	236 300	194 600

Fjordkraft AS has long term debt to DNB related to the purchase of TrønderEnergi Marked AS in 2018.

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 (NOKt 55 600) that are due the next twelve months have been reclassified from interest-bearing long term debt to other non-current liabilities.

Note 11

Special events - Covid-19 Pandemic

This note is provided as a summary of the judgements and estimates made in determining the effects of the ongoing Covid-19 pandemic on the Group's financial statements.

All judgements and estimates are made with a high degree of uncertainty as the economic impact of the pandemic and the Government's response to the pandemic are still in the early stages.

Financial Risk Management

The Group classifies the following categories of financial risks:

- Market risk
- Credit risk
- Liquidity risk

Market risk

The global financial markets are focused on predicting the consequences of COVID-19. To counter the outbreak, strong measures have been taken in Norway, and it is already clear that the event will have a major impact on the economy. COVID-19 significantly weighs on economic activity in the short term and the uncertainty about the impact is high. Regardless of this the Group's core business – sale of electricity, is to a very large extent shielded from macroeconomic conditions, and enjoys a robust demand.

The variation in outdoor temperatures is the factor that affects consumption the most from year to year. Many employees in Norway are working from their homes due to the COVID-19 outbreak. Therefore, demand in the consumer segment is expected to be relatively stable. In the Business segment slight reduction in demand is expected

due to temporary closed offices and facilities. Though, at this time it is too early to predict how large this impact will be.

Market risk related to commodity prices is not considered to be significantly affected by the current situation as electricity prices is mostly dependent on weather conditions in the short term.

Interest rate risk is expected to be lower in the current situation as part of the Government's response to the economic consequences of the pandemic has been to lower the policy rate which in turn affects the interest rate on the Group's bank loans and credit facility.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Many industries are negatively affected by the strong measures taken by the Norwegian Government to counter the COVID-19 outbreak and there has already been an increase in bankruptcies, especially in the small business segment. The Norwegian Government has responded to these effects by, among other things, offering companies a Compensation scheme for unavoidable business expenses and by offering loans, funds and grants to secure liquidity. These measures are expected to mitigate the negative effects, but the Group is still expecting an increase in credit losses in the Business segment.

The increase in bankruptcies and struggling companies has led to a large increase in lay offs, which is expected to have an effect on credit losses in the Consumer segment. The effect of lay offs is mitigated by Government responses

which includes extended unemployment benefit period and lowering the policy rate which in turn affects interest rates on bank loans. Banks has also mitigated the effect of the income loss in the short term by offering installment-free periods to all customers. As mortgage is the largest cost for most households, this is expected to have a good effect on the household economy. Despite the measures in place, the Group is still expecting an increase in credit losses in the Consumer segment

The Covid-19 pandemic and the Government responses are still in the early stages and at the current time the economic consequences are nearly impossible to predict. The uncertainty about future development makes it hard to estimate expected credit losses (ECL). Actual bankruptcies are already accounted for in the model for calculating ECL, but not expected bankruptcies and expected effects from layoffs of customers in the consumer segment. To account for these effects, the Group has increased the provision for losses by NOKt 5 600 in the first quarter.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, bank facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Overall sales and activity is expected to be relatively stable, but an increase in credit losses will have a negative effect on the cash flow. In addition, the Group has offered payment plans and deferred payment to customers negatively affected by the current situation, which is also expected to have a negative effect on the cash flow in the short run.

Note 11
Special events -
Covid-19 Pandemic

The Group has good liquidity reserves with cash and cash equivalent amounting to NOKt 691 735 at 31 March 2020 and additional undrawn facilities of NOKt 1 000 000 through a credit facility from DNB Bank ASA. The increased liquidity risk due to the current situation is therefore considered to be sufficiently covered.

Impairment of intangible assets (including Goodwill)

Sale of electricity enjoys a robust demand and the Group does not expect a significant change in overall activity due to the ongoing pandemic. The effect of a potential increase in losses on trade receivables is not considered to materially change the impairment test performed at 31 December 2019.

For the impairment test of Goodwill, a sensitivity analysis was performed at 31 December 2019. It did not result in impairment even when reducing operating income by 10 percent, which is considered an unlikely scenario even in the current circumstances.

Overall, the Group does not consider the current circumstances to be an indication that intangible assets (including Goodwill) may be impaired and has not performed an updated impairment test.

Fair value of derivatives

Fair value of the Group's derivative financial instruments is not considered to be materially affected by the COVID-19 Pandemic. The inputs used for calculating fair value consists mainly of electricity prices which in the short term is highly depend-

ent on weather conditions and less dependent on macroeconomic conditions.

Present value of defined benefit obligations and the fair value of plan assets

Government responses to the economic consequences of the COVID-19 pandemic include a significant reduction of the policy rate, which in turn affects market interest rates. This change affects both present value of defined benefit obligations and the fair value of plan assets.

A significant share of the Group's plan assets is invested in bonds and money-market placements (approximately 65 % of total investments at 31 December 2019). The fair value of these investments is highly dependent on current market interest rates and reduced market rates has led to a reduction of the fair value of approximately NOKt 9 555.

Reduced market rates also affects the discount rate used to calculate present value of defined benefit obligations and an updated discount rate has led to an increase in the present value of approximately NOKt 32 268.

The current situation also affects expected growth in base social security amount (G) which is an input in calculating present value of defined benefit obligations. A lower growth rate is expected which has led to a reduction in the present value of approximately NOKt 8 460.

In total, the current market conditions has led to actuarial losses on pension obligations of NOKt 33 363 in the first quarter. The change has been recognised through other comprehensive income (NOKt 26 024 net of tax).

Due to the long term nature and significant amounts involved, relatively small changes in one or more of the inputs used in calculating present value of defined benefit obligations and the fair value of plan assets can lead to significant gains or losses on pension obligations. The loss recognised in the first quarter is significant, but is a direct effect of government measures which is expected to be relatively short term in nature. In the longer term, these effects are expected to even out.

The loss on pension obligations recognised in the first quarter is significant, but the Group also recognised a significant gain on pension obligations related to the change in pension schemes at the end of 2019, as described in the annual statements. Overall, the net effect on booked equity of changes in pension obligations over the last months is still considered significant, but not material for the financial statements. The group still has a strong equity ratio.

Note 12 Investments in associates and joint ventures

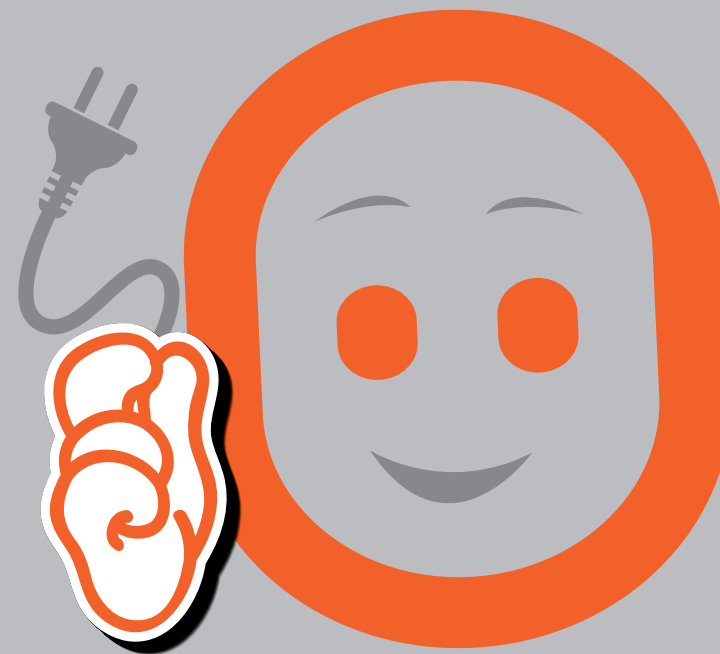
On the 6th of January 2020 Fjordkraft AS and Rieber & Søn AS bought shares in Metzsum AS. Each company bought 40% of the shares, the remaining 20% is owned by employees in Metzsum.

The purchase price for Fjordkraft AS' shares was NOKt 10 000. The share of profit and loss and financial position from investments in associates and joint ventures are recognised based on the equity method in the interim financial statements.

Note 13 Events after the reporting period

The annual general meeting of Fjordkraft Holding ASA was held at 22 April 2020. The proposed dividend of NOK 3.00 per share, corresponding to NOK 313,716,648, was approved. There are no other 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 2020	Q1 2019	Full year 2019
Operating income	1 310 256	2 545 634	7 122 528
Cost of sales	(828 855)	(2 167 273)	(5 827 394)
Net revenue	481 402	378 361	1 295 134
Personnel expenses	(78 596)	(64 426)	(236 106)
Other operating expenses	(124 593)	(97 908)	(379 973)
Operating expenses	(203 189)	(162 334)	(616 079)
Other gains and losses, net	1 906	8	4 615
EBITDA	280 119	216 035	683 670
Depreciation & amortisation	(48 748)	(45 093)	(200 932)
EBIT reported (Operating profit)	231 371	170 942	482 738
Net financials	4 382	2 026	7 701
Profit/ (loss) before taxes	235 754	172 968	490 440
Taxes	(52 084)	(38 543)	(120 269)
Profit/ (loss) for the period	183 670	134 425	370 171
EBIT reported margin	48%	45%	37%

Alternative performance measures

Adjusted amounts:

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Net revenue	481 402	378 361	1 295 134
Adjustment: (Positive/ negative estimate deviations previous year)	-	-	(11 414)
Net revenue adjusted	481 402	378 361	1 283 721
EBITDA	280 119	216 035	683 670
Adjustment: (Positive/ negative estimate deviations previous year)	-	-	(11 414)
Other gains and losses	(1 906)	(8)	(4 615)
Special items*	-	-	(21 218)
EBITDA adjusted (before unallocated and estimate deviations)	278 213	216 027	646 422
EBIT reported (Operating profit)	231 371	170 942	482 738
Adjustment: (Positive/ negative estimate deviations previous year)	-	-	(11 414)
Other gains and losses	(1 906)	(8)	(4 615)
Special items*	-	-	(21 218)
Part of depreciation related to acquisitions	8 177	11 002	45 560
EBIT adjusted (before unallocated and estimate deviations)	237 642	181 937	491 053
EBIT margin adjusted	49%	48%	38%

* Special items consists of the following:

NOK in thousands	Q1 2020	Q1 2019	Full year 2019
Acquisition related costs	-	-	(3 145)
Change in pension plan	-	-	28 969
Impairment R&D (P&I project)	-	-	(4 606)
Special items	-	-	21 218

Alternative performance measures

Other financial APM's

Net interest bearing debt (cash)

NOK thousands	31 Mar 2020	31 Mar 2019	31 Dec 2019
Interest-bearing long term debt	125 100	180 700	139 000
Reclassification of first year installments long term debt	55 600	55 600	55 600
Overdraft facilities	-	-	-
Cash and cash equivalents	(691 735)	(213 027)	(775 536)
Net interest bearing debt (cash)	(511 035)	23 273	(580 936)

Financial position related APM's

NOK thousands	Q1 2020	Q1 2019	Full year 2019
Net working capital	217 540	598 845	(32 615)
OpFCF before tax and change in NwC	240 911	175 087	478 358
Capex excl. M&A	13 998	15 226	50 372

Non-financial APM's

Deliveries

Numbers in thousands	Q1 2020	Q1 2019	Full year 2019
Electrical deliveries Consumer segment	542	530	544
Electrical deliveries Business segment	79	76	78
Total number of electrical deliveries *	621	607	622
Number of mobile subscriptions	110	72	100

* Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 658 thousand in 2020.

Volume in GWh	Q1 2020	Q1 2019	Full year 2019
Consumer segment	2 328	2 299	7 070
Business segment	1 826	2 103	6 338
Total volume	4 154	4 402	13 407

Market churn- LTM*

	Full year 2019
Consumer	20,8 %
Business	13,8 %

* Market churn is based on the latest available data from the Norwegian Water Resources and Energy Directorate. The latest available data is from 2019.