

# Fjordkraft Holding ASA and the Fjordkraft Group

Quarterly report - Q3 2019



## Q3 Highlights

- 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 figures Q3\*

NOK in thousands	Q3 2019	Q3 2018	YTD 2019
Gross revenue	1 101 634	1 328 508	5 076 019
Net revenue	259 327	227 160	920 882
Net revenue adjusted	259 327	227 160	911 517
EBIT reported	42 482	34 487	308 128
EBIT adjusted	62 968	58 282	343 344
Net income	33 932	26 043	244 490
Basic earnings per share (in NOK)	0,32	0,25	2,34
EBIT margin	16 %	15 %	33 %
EBIT margin adjusted	24 %	26 %	38 %
Net interest bearing debt (cash)	-492 623	-133 395	-492 623
Capex excl. M&A	9 782	7 293	37 010
Volume sold (GWh)	2 307	2 244	9 405
# of deliveries ('000) excl. Extended Alliance	619	596	619

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

## Continued growth in net revenue and EBIT

The third quarter of 2019 has been another quarter with growth in both net revenue and EBIT. Adjusted net revenue is increasing 14% YoY, while adjusted EBIT is increasing 8% YoY. Both volume growth and margin improvements have a positive impact on this quarter's result. The mobile segment is showing a strong growth, with the highest quarterly growth since the launch in Q2 2017, and Fjordkraft's mobile subscribers are also on top when it comes to customer satisfaction in the consumer market. It has been a good quarter.

Temperatures in the quarter have been warmer than normal\* in three out of three months. However, two out of three months have been colder than in Q3 2018, which is part of the reason for the volume growth YoY. The growth of ~22k deliveries YoY in the Consumer and Business segments is also contributing positively to the volume growth.

Building upon the "Klimanjaro" initiative that was awarded the United Nations' Climate Action Award, Fjordkraft is now launching "Klimahub". This is a nation-wide database with information about a firm's climate actions and focus. It includes an easy-to-use solution for businesses to calculate and register their CO2 emissions and climate actions, and Fjordkraft offers counselling and CO2 quotas to help businesses become climate neutral. Companies should use their purchasing power to ensure climate neutrality, and we hope "Klimahub" can make this easier.

### Consumer

The Consumer segment shows a positive trend driven by both organic growth and acquisition. The Consumer segment comprised 542 thousand electricity deliveries at the end of Q3 2019, which

represents a total growth of 9,973 deliveries from second quarter 2019, of which 2,274 organically. The volume sold in third quarter 2019 was 1,232 GWh, which is a 9% increase from the third quarter 2018. The increase in average volume per delivery of 6% is the main driver for the increase.

Adjusted net revenue in the Consumer segment amounts to 180 NOKm, a YoY growth of 15%. About 60% of the increase is driven by volume growth.

Adjusted OPEX amounts to 142 NOKm in the third quarter of 2019, compared to 121 NOKm in the third quarter of 2018. Increased sales and marketing costs, customer service costs and administrative costs are the main drivers for the increase.

EBIT adjusted amounts to 38 NOKm in the quarter, which is an increase of 3 NOKm compared to the third quarter of 2018. This corresponds to an adjusted EBIT margin of 21%. The YoY decrease of 2 percentage points is driven by the increase in OPEX.

### Business

At the end of third quarter 2019, the Business segment comprised 78 thousand electricity deliveries, which represents an increase of 1,919 deliveries from second quarter 2019, of which 213 organically. The volume sold in third quarter 2019 was 1,075 GWh, a decrease of 4% compared to third quarter 2018. The decrease is driven by a 4% decrease in average volume per delivery.

Adjusted net revenue in the Business segment amounts to 70 NOKm, a YoY growth of 9%. The growth is driven by improved margins, primarily from value added services.

Adjusted OPEX amounts to 37 NOKm in the quarter, compared to 34 NOKm in the third quarter

of 2018. The main reason for the OPEX growth is increased sales and marketing costs.

EBIT adjusted amounts to 33 NOKm in the quarter, an increase of 2 NOKm from the third quarter of 2018. Adjusted EBIT margin in the quarter was 47%, a 1 percentage point decrease YoY, driven by sales and marketing costs and a decrease in average volume per delivery.

### New Growth Initiatives

At the end of third quarter 2019, the number of mobile subscribers was 92 thousand, which represents an organic growth of 11,177 subscribers from second quarter 2019. This is the highest quarterly growth since the launch in Q2 2017 and is further strengthening the Company's position as the largest mobile supplier without its own network.

Alliance volume in third quarter 2019 was 677 GWh, which is a 5% YoY decrease as Vesterålskraft is now included in the Consumer and Business segments, following the recent acquisition.

Adjusted net revenue in the New Growth Initiatives segment amounts to 9 NOKm, a YoY growth of 35%. The growth is split about 60/40 between Mobile and Alliance.

OPEX adjusted amounted to 18 NOKm, an increase from 15 NOKm in third quarter 2018, due to increased sales and marketing costs and variable costs.

EBIT adjusted amounted to -9 NOKm, a decrease of 1 NOKm from third quarter 2018, driven by the loss of revenue following the Vesterålskraft acquisition.

\* The normal is based on the average temperature in the period from 1961 to 1990.

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## Financials

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

**Gross revenue** revenue amounted to 1,102 NOKm (1,329 NOKm), a decrease of 17%, due to lower elspot prices.

**Adjusted net revenue** amounted to 259 NOKm (227 NOKm), an increase of 14%. The increase is driven by both margin improvements and volume growth.

**Adjusted operating expenses** amounted to 196 NOKm (169 NOKm), an increase of 16%, driven by sales and marketing costs, customer service costs and administrative costs.

**Adjusted EBIT** amounted to 63 NOKm (58 NOKm), a growth of 8% YoY due to the factors described above.

**Net financial income** amounted to 1.4 NOKm (1.9 NOKm).

**Profit for the period** amounted to 34 NOKm (26 NOKm) in the third quarter due to the factors described above.

### Consolidated cash flow

Cash generated from operating activities was 236 NOKm (99 NOKm), mainly driven by a reduction in net working capital. Net cash used in investing activities was -33 NOKm (-9 NOKm) driven by the acquisition of Vesterålskraft Strøm. Net cash used in financing activities was NOK -16 NOKm (-14 NOKm), primarily consisting of instalments related to long term debt.

### Financial position

The total capital as of 30.09.2019 was 2,368 NOKm (2,485 NOKm), a decrease of 117 NOKm from Q3 2018. The main driver for the decrease is lower current assets.

### Events after the reporting period

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

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## 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.

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## 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. In the third quarter presentation, the net revenue growth targets for 2019 are revised, following strong performance in the Consumer segment.

# Condensed interim financial statements



## Condensed consolidated statement of profit or loss

NOK in thousands	Note	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full Year 2018
<b>Continuing operations</b>							
Revenue	2,9	1 428 751	1 101 634	1 328 508	5 076 019	4 541 858	6 720 948
Direct cost of sales	2	(1 145 557)	(842 307)	(1 101 348)	(4 155 137)	(3 751 928)	(5 623 526)
<b>Revenue less direct cost of sales</b>		<b>283 194</b>	<b>259 327</b>	<b>227 160</b>	<b>920 882</b>	<b>789 930</b>	<b>1 097 422</b>
Personnel expenses	2	(47 910)	(74 557)	(58 514)	(186 893)	(152 856)	(217 514)
Other operating expenses	2	(92 517)	(84 887)	(85 721)	(275 312)	(274 880)	(378 382)
Depreciation right-of-use assets		(2 213)	(2 422)	-	(6 848)	-	-
Depreciation and amortisation	2,5,6	(45 758)	(46 551)	(43 590)	(135 189)	(119 130)	(164 065)
<b>Total operating expenses</b>		<b>(188 398)</b>	<b>(208 418)</b>	<b>(187 826)</b>	<b>(604 242)</b>	<b>(546 866)</b>	<b>(759 961)</b>
Other gains and losses, net	7	(92)	(8 427)	(4 847)	(8 511)	(7 896)	(10 578)
<b>Operating profit</b>		<b>94 705</b>	<b>42 482</b>	<b>34 487</b>	<b>308 128</b>	<b>235 168</b>	<b>326 883</b>
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)
<b>Net financial income/(cost)</b>		<b>3 307</b>	<b>1 353</b>	<b>1 881</b>	<b>6 687</b>	<b>4 576</b>	<b>4 974</b>
<b>Profit/ (loss) before tax</b>		<b>98 012</b>	<b>43 835</b>	<b>36 368</b>	<b>314 816</b>	<b>239 744</b>	<b>331 858</b>
Income tax (expense)/ income	3	(21 879)	(9 904)	(10 325)	(70 325)	(57 548)	(78 289)
<b>Profit/ (loss) for the period</b>		<b>76 133</b>	<b>33 932</b>	<b>26 043</b>	<b>244 490</b>	<b>182 196</b>	<b>253 569</b>
Basic earnings per share (in NOK)*	4	0,73	0,32	0,25	2,34	1,74	2,43
Diluted earnings per share (in NOK)*	4	0,72	0,32	0,25	2,32	1,74	2,41

\* Based on 104 496 216 shares outstanding. It is issued 930 000 share options to employees.

## Condensed consolidated statement of comprehensive income

NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
<b>Profit/ (loss) for the period</b>	76 133	33 932	26 043	244 490	182 196	253 569
<b>Other comprehensive income/ (loss):</b>						
<b>Items that will not be reclassified to profit or loss:</b>						
Actuarial gain/ (loss) on pension obligations, net of tax	-	-	11 795	-	-	1 167
<b>Total</b>	-	-	11 795	-	-	1 167
<b>Total other comprehensive income/ (loss) for the period, net of tax</b>	-	-	11 795	-	-	1 167
<b>Total comprehensive income/ (loss) for the period</b>	76 133	33 932	37 837	244 490	182 196	254 736

## Condensed consolidated statement of financial position

NOK in thousands	Note	30 June 2019	30 September 2019	30 September 2018	31 December 2018
<b>Assets</b>					
<b>Non-current assets</b>					
Right-of-use assets property, plant and equipment		26 835	49 218	-	-
Property, plant and equipment	5	4 685	6 463	4 471	4 139
Goodwill	6, 11	155 849	166 696	155 849	155 849
Intangible assets	6, 11	190 531	193 813	186 594	199 957
Cost to obtain contracts		151 768	158 838	145 746	149 912
Other non-current financial assets		22 629	23 577	18 665	20 090
<b>Total non-current assets</b>		<b>552 298</b>	<b>598 605</b>	<b>511 326</b>	<b>529 947</b>
<b>Current assets</b>					
Intangible assets	6	19 311	20 810	4 886	33 595
Inventories		1 217	705	1 050	533
Trade receivables	1,8,11	1 074 816	916 230	1 206 371	2 006 328
Derivative financial instruments	7,11	115 362	91 893	296 963	463 626
Other current assets	11	36 907	38 274	67 253	32 741
Cash and cash equivalents	11	514 649	701 123	397 495	381 409
<b>Total current assets</b>		<b>1 762 262</b>	<b>1 769 034</b>	<b>1 974 018</b>	<b>2 918 231</b>
<b>Total assets</b>		<b>2 314 560</b>	<b>2 367 640</b>	<b>2 485 344</b>	<b>3 448 178</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital		31 349	31 349	31 349	31 349
Share premium		125 035	125 035	125 035	125 035
Retained earnings		696 845	731 510	653 907	714 651
<b>Total equity</b>		<b>853 228</b>	<b>887 893</b>	<b>810 291</b>	<b>871 035</b>



**Condensed consolidated statement  
of financial position**

NOK in thousands	Note	30 June 2019	30 September 2019	30 September 2018	31 December 2018
<b>Non-current liabilities</b>					
Net employee defined benefit plan liabilities	11	77 793	84 377	62 218	79 308
Interest-bearing long term debt	10	166 800	152 900	264 100	194 600
Deferred tax liabilities	3, 11	17 116	14 930	32 853	20 837
Lease liability - long term	11	18 323	38 802	-	-
Other provisions for liabilities		732	732	964	805
<b>Total non-current liabilities</b>		<b>280 763</b>	<b>291 741</b>	<b>360 135</b>	<b>295 550</b>
<b>Current liabilities</b>					
Trade and other payables	8, 11	563 751	472 712	620 091	1 100 186
Current income tax liabilities	3	84 450	98 599	67 971	94 213
Derivative financial instruments	7, 11	107 249	93 744	286 084	455 429
Social security and other taxes	11	40 812	47 019	14 473	57 523
Lease liability - short term	11	8 715	10 856	-	-
Other current liabilities	11	375 592	465 076	326 298	574 243
<b>Total current liabilities</b>		<b>1 180 568</b>	<b>1 188 006</b>	<b>1 314 918</b>	<b>2 281 593</b>
<b>Total liabilities</b>		<b>1 461 332</b>	<b>1 479 746</b>	<b>1 675 053</b>	<b>2 577 143</b>
<b>Total equity and liabilities</b>		<b>2 314 560</b>	<b>2 367 640</b>	<b>2 485 344</b>	<b>3 448 178</b>

The Board of Fjordkraft Holding ASA, Bergen, 13 November 2019



Per Axel Koch  
Chairman



Birthe Iren Grotle  
Board member



Frank Økland  
Board member



Elisabeth M. Norberg  
Board member



Heidi Theresa Ose  
Board member



Live Bertha Haukvik  
Board member



Steinar Sønsteby  
Board member



Lindi Bucher Vinsand  
Board member



Rolf Jørgen Barmen  
CEO

## Condensed consolidated statement of changes in equity

NOK in thousands	Share capital	Share premium	Treasury shares	Retained earnings	Total
<b>Balance at 1 January 2018</b>	<b>31 349</b>	<b>125 035</b>	-	<b>559 916</b>	<b>716 299</b>
Profit/ (loss) for the year	-	-	-	253 569	253 569
Other comprehensive income/ (loss) for the year, net of tax	-	-	-	1 167	1 167
<b>Total comprehensive income/ (loss) for the year</b>	-	-	-	<b>254 736</b>	<b>254 736</b>
Purchase of Treasury shares	-	-	(2 889)	-	(2 889)
Sale of Treasury shares	-	-	2 889	-	2 889
Dividends paid (note 4)	-	-	-	(100 000)	(100 000)
<b>Transactions with owners</b>	-	-	-	<b>(100 000)</b>	<b>(100 000)</b>
<b>Balance at 31 December 2018</b>	<b>31 349</b>	<b>125 035</b>	-	<b>714 651</b>	<b>871 035</b>
<b>Balance at 1 January 2019</b>	<b>31 349</b>	<b>125 035</b>	-	<b>714 651</b>	<b>871 035</b>
Profit/ (loss) for the period	-	-	-	244 490	244 490
Other paid-in equity	-	-	-	2 260	2 260
Other comprehensive income/ (loss) for the period, net of tax	-	-	-	-	-
<b>Total comprehensive income/ (loss) for the period</b>	-	-	-	<b>246 751</b>	<b>246 751</b>
Dividends paid (note 4)	-	-	-	(229 892)	(229 892)
<b>Transactions with owners</b>	-	-	-	<b>(229 892)</b>	<b>(229 892)</b>
<b>Balance at 30 September 2019</b>	<b>31 349</b>	<b>125 035</b>	-	<b>731 510</b>	<b>887 893</b>

## Condensed consolidated statement of cash flows

NOK in thousands	Note	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
<b>Operating activities</b>							
Profit/ (loss) before tax		98 012	43 835	36 368	314 816	239 744	331 858
<b>Adjustments for</b>							
Depreciation	5, 6	18 769	18 734	19 516	55 560	44 828	65 532
Depreciation right-of-use assets		2 213	2 422	-	6 848	-	-
Amortisation of contract assets		26 989	27 817	24 074	79 629	74 302	98 533
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
Change in long-term receivables		(309)	30	-	(2 725)	-	(5 062)
Share based payment expense		659	733	-	2 260	-	-
Change in post-employment liabilities		(7 864)	6 492	4 800	4 978	1 862	4 402
Payments to obtain a contract		(28 198)	(34 887)	(25 743)	(88 555)	(82 410)	(110 646)
<b>Changes in working capital (non-cash effect)</b>							
Impairment loss recognised in trade receivables		5 722	4 195	4 347	22 483	19 850	22 848
Change in fair value of derivative financial instruments		92	8 427	4 847	8 511	7 896	10 578
<b>Changes in working capital</b>							
Inventories		(956)	512	227	(172)	344	861
Trade receivables	8	889 995	168 392	(156 007)	1 081 615	296 890	(506 065)
Purchase of el-certificates	6	(1 732)	(370)	-	(242 966)	(174 008)	(191 420)
Non-cash effect from cancelling el-certificates	6	11 273	-	-	246 569	169 330	169 330
Purchase of guarantees of origination	6	(14)	(854)	92	(7 063)	2 361	(30 208)
Non-cash effect from disposal of guarantees of origination	6	2 961	1 303	-	17 823	-	21 272
Other current assets		76 821	5 107	46 604	941	19 963	54 589
Trade and other payables	8	(501 280)	(106 050)	92 572	(642 485)	(107 922)	372 173
Other current liabilities		(33 701)	89 835	48 079	(125 454)	(283 467)	(49 229)
<b>Cash generated from operations</b>		<b>555 728</b>	<b>233 262</b>	<b>97 299</b>	<b>723 367</b>	<b>221 211</b>	<b>249 094</b>
Interest paid		(1 717)	(1 557)	(1 669)	(4 859)	(3 329)	(3 678)
Interest received		5 553	4 444	4 146	14 879	11 681	15 178
Income tax paid	3	-	(288)	(371)	(74 194)	(70 578)	(73 569)
<b>Net cash from operating activities</b>		<b>559 563</b>	<b>235 862</b>	<b>99 405</b>	<b>659 193</b>	<b>158 985</b>	<b>187 026</b>

**Condensed consolidated statement  
of cash flows**

NOK in thousands	Note	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
<b>Investing activities</b>							
Purchase of property, plant and equipment	5	(973)	(1 766)	(506)	(2 852)	(877)	(1 376)
Purchase of intangible assets	6	(1 1 503)	(8 093)	(7 075)	(34 953)	(29 425)	(62 583)
Net cash outflow on aquisition of subsidiaries	11	-	(22 066)	-	(22 066)	(254 102)	(254 102)
Net (outflow)/proceeds from non-current receivables		636	(977)	(1 438)	(763)	(4 397)	(759)
Net (outflow)/proceeds from other long-term liabilities		-	-	-	(74)	-	(209)
<b>Net cash used in investing activities</b>		<b>(11 840)</b>	<b>(32 903)</b>	<b>(9 019)</b>	<b>(60 707)</b>	<b>(288 801)</b>	<b>(319 028)</b>
<b>Financing activities</b>							
Dividends paid	4	(229 892)	-	-	(229 892)	(1 00 000)	(1 00 000)
Proceeds from interest-bearing long term debt		-	-	-	-	264 100	278 000
Instalments long term debt		(13 900)	(13 900)	(13 900)	(41 700)	-	(27 800)
Payment of lease liability		(2 310)	(2 586)	-	(7 180)	-	-
<b>Net cash used in financing activities</b>		<b>(246 102)</b>	<b>(16 486)</b>	<b>(13 900)</b>	<b>(278 772)</b>	<b>164 100</b>	<b>150 200</b>
<b>Net change in cash and cash equivalents</b>		<b>301 621</b>	<b>186 473</b>	<b>76 486</b>	<b>319 714</b>	<b>34 283</b>	<b>18 197</b>
Cash and cash equivalents at start of period		213 027	514 649	321 009	381 409	363 212	363 212
<b>Cash and cash equivalents at end of period</b>		<b>514 649</b>	<b>701 123</b>	<b>397 495</b>	<b>701 123</b>	<b>397 495</b>	<b>381 409</b>

# 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 November 2019.

#### Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". These interim financial statements do not provide the same scope of information as the annual financial statements and should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with IFRS.

#### Going concern

The Group has adopted the going concern basis in preparing its consolidated financial statements. When assessing this assumption, management has assessed all available information about the future. This comprises information about net cash flows from existing customer contracts and other service contracts, debt service and obligations. After making such assessments, management has a reasonable expectation that the Group has

adequate resources to continue its operational existence for the foreseeable future.

#### Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that income tax expense is recognised in each interim period using the expected weighted average annual income tax rate for the full financial year. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

#### Use of estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2018, except for income taxes and post-employment benefits.

Income tax expense and deferred income tax liability is calculated by applying a weighted average of tax rates across jurisdictions, while in annual financial statements income tax expense and deferred income tax liability is calculated by applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction.

Present value of defined benefit obligations and the fair value of plan assets at the end of each interim reporting period is estimated by extrapo-

lation of the latest actuarial valuation, while in the annual financial statements this estimate is based on an updated actuarial valuation.

The Group provides re-invoicing to its customers related to grid rent. This means that the trade receivables, as shown in the consolidated statement of financial position, in addition to power sales also includes grid rent. This makes the amount of trade receivables relatively high in comparison with the amount of gross revenue as shown in the consolidated statement of profit and loss.

#### Share-based compensation

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

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

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**Note 1**  
**Accounting policies****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.

**Business combinations and goodwill**

In order to consider an acquisition as a business combination, the acquired asset or groups of assets must constitute a business (an integrated set of operations and assets conducted and managed for the purpose of providing a return to the investors). The combination consists of inputs and processes applied to these inputs that have the ability to create output.

Acquired businesses are included in the financial statements from the transaction date. The transaction date is defined as the date on which the company achieves control over the financial and operating assets. This date may differ from the actual date on which the assets are transferred.

Comparative figures are not adjusted for acquired, sold or liquidated businesses. For accounting purposes, the acquisition method is used in connection with the purchase of businesses.

Acquisition cost equals the fair value of the assets used as consideration, including contingent consideration, equity instruments issued and liabilities assumed in connection with the transfer of control. Acquisition cost is measured against the fair value of the acquired assets and liabilities. Identifiable intangible assets are included in connection with acquisitions if they can be separated from other assets or meet the legal contractual criteria. If the acquisition cost at the time of the acquisition exceeds the fair value of the acquired net assets (when the acquiring entity achieves control of the transferring entity), goodwill arises.

If the fair value of the net identifiable assets acquired exceeds the acquisition cost on the acquisition date, the excess amount is taken to the Income statement immediately.

Goodwill is not depreciated, but is tested at least annually for impairment. In connection with this, goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from synergy effects of the acquisition.

The allocation of goodwill may vary depending on the basis for its initial recognition.

The estimation of fair value and goodwill may be adjusted up to 12 months after the takeover date if new information has emerged about facts and circumstances that existed at the time of the takeover and which, had they been known, would have affected the calculation of the amounts that were included from that date.

Acquisition-related costs, except costs to issue debt or equity securities, are expensed as incurred.

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## Note 2 Segment information

### Disaggregation of revenue from contracts with customers

Operating segments are reported in a manner consistent with the internal financial reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board. The Board examines the Group's performance from a type of services perspective. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

The Group's reportable segments under IFRS 8 - "Operating Segments" are therefore as follows:

- Consumer segment - Sale of electrical power and related services to private consumers
- Business segment - Sale of electrical power and related services to business consumers

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance is focused on the category of customer for each type of activity. No operating segments have been aggregated in arriving at the reportable segments of the Group. The principal categories of customers

are direct sales to private consumers, business consumers and alliance partners.

The segment profit measure is adjusted operating profit which is defined as profit before tax earned by each segment without the allocation of non-recurring expenses, depreciation of acquisitions, other gains and losses, interest income, interest expense, and other financial items, net. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance. The accounting policies of the reportable segments are the same as the Group's accounting policies.

All of the Group's revenue is from external parties and is from activities currently carried out in Norway. There are no customers representing more than 10% of revenue.

The tables below is an analysis of the Group's revenue and results by reportable segment. New growth initiatives comprise of other business activities (sale of mobile service to private customers and power sale, included related services, to Alliance partners – referred to as New Growth Initiatives) which are not considered separate operating segments.



**Note 2**  
**Segment information**

	Q2 2019			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
<b>Revenue</b>				
Revenue adjusted	747 141	575 338	51 302	1 373 782
<b>Total external segment revenue adjusted</b>	<b>747 141</b>	<b>575 338</b>	<b>51 302</b>	<b>1 373 782</b>
Direct cost of sales adjusted	(556 285)	(502 798)	(40 870)	(1 099 954)
<b>Revenue less direct cost of sales adjusted</b>	<b>190 856</b>	<b>72 540</b>	<b>10 432</b>	<b>273 828</b>
<b>Expenses</b>				
Personnel and other operating expenses	(96 784)	(28 646)	(12 999)	(138 429)
Depreciation and amortisation	(30 899)	(3 919)	(2 144)	(36 962)
<b>Total operating expenses adjusted</b>	<b>(127 683)</b>	<b>(32 565)</b>	<b>(15 143)</b>	<b>(175 392)</b>
<b>Operating profit adjusted</b>	<b>63 173</b>	<b>39 975</b>	<b>(4 711)</b>	<b>98 436</b>

	Q3 2019			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
<b>Revenue</b>				
Revenue adjusted	609 350	434 762	57 522	1 101 634
<b>Total external segment revenue adjusted</b>	<b>609 350</b>	<b>434 762</b>	<b>57 522</b>	<b>1 101 634</b>
Direct cost of sales adjusted	(429 544)	(364 315)	(48 450)	(842 307)
<b>Revenue less direct cost of sales adjusted</b>	<b>179 806</b>	<b>70 447</b>	<b>9 072</b>	<b>259 327</b>
<b>Expenses</b>				
Personnel and other operating expenses	(110 291)	(33 567)	(15 302)	(159 159)
Depreciation and amortisation	(31 129)	(3 746)	(2 323)	(37 199)
<b>Total operating expenses adjusted</b>	<b>(141 420)</b>	<b>(37 313)</b>	<b>(17 625)</b>	<b>(196 359)</b>
<b>Operating profit adjusted</b>	<b>38 386</b>	<b>33 134</b>	<b>(8 553)</b>	<b>62 968</b>

**Note 2**  
**Segment information**

NOK in thousands	Q3 2018			
	Consumer	Business	New growth initiatives*	Total segments
<b>Revenue</b>				
Revenue adjusted	743 298	544 292	40 918	1 328 508
<b>Total external segment revenue adjusted</b>	<b>743 298</b>	<b>544 292</b>	<b>40 918</b>	<b>1 328 508</b>
Direct cost of sales adjusted	(587 460)	(479 674)	(34 214)	(1 101 348)
<b>Revenue less direct cost of sales adjusted</b>	<b>155 838</b>	<b>64 618</b>	<b>6 704</b>	<b>227 160</b>
<b>Expenses</b>				
Personnel and other operating expenses	(93 321)	(31 106)	(12 884)	(137 311)
Depreciation and amortisation	(27 100)	(2 815)	(1 652)	(31 567)
<b>Total operating expenses adjusted</b>	<b>(120 421)</b>	<b>(33 921)</b>	<b>(14 536)</b>	<b>(168 878)</b>
<b>Operating profit adjusted</b>	<b>35 417</b>	<b>30 697</b>	<b>(7 832)</b>	<b>58 282</b>

NOK in thousands	YTD 2019			
	Consumer	Business	New growth initiatives*	Total segments
<b>Revenue</b>				
Revenue adjusted	2 791 407	2 072 814	156 829	5 021 050
<b>Total external segment revenue adjusted</b>	<b>2 791 407</b>	<b>2 072 814</b>	<b>156 829</b>	<b>5 021 050</b>
Direct cost of sales adjusted	(2 154 128)	(1 832 364)	(123 042)	(4 109 533)
<b>Revenue less direct cost of sales adjusted</b>	<b>637 279</b>	<b>240 450</b>	<b>33 787</b>	<b>911 517</b>
<b>Expenses</b>				
Personnel and other operating expenses	(319 324)	(97 257)	(43 342)	(459 922)
Depreciation and amortisation	(90 499)	(11 186)	(6 565)	(108 251)
<b>Total operating expenses adjusted</b>	<b>(409 823)</b>	<b>(108 443)</b>	<b>(49 907)</b>	<b>(568 173)</b>
<b>Operating profit adjusted</b>	<b>227 456</b>	<b>132 007</b>	<b>(16 120)</b>	<b>343 344</b>

**Note 2**  
**Segment information**

	YTD 2018			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
<b>Revenue</b>				
Revenue adjusted	2 549 471	1 870 344	109 164	4 528 979
<b>Total external segment revenue adjusted</b>	<b>2 549 471</b>	<b>1 870 344</b>	<b>109 164</b>	<b>4 528 979</b>
Direct cost of sales adjusted	(1 995 894)	(1 662 057)	(87 771)	(3 745 722)
<b>Revenue less direct cost of sales adjusted</b>	<b>553 577</b>	<b>208 287</b>	<b>21 393</b>	<b>783 257</b>
<b>Expenses</b>				
Personnel and other operating expenses	(276 807)	(88 920)	(38 405)	(404 132)
Depreciation and amortisation	(82 860)	(8 287)	(4 941)	(96 088)
<b>Total operating expenses adjusted</b>	<b>(359 667)</b>	<b>(97 207)</b>	<b>(43 346)</b>	<b>(500 220)</b>
<b>Operating profit adjusted</b>	<b>193 911</b>	<b>111 080</b>	<b>(21 954)</b>	<b>283 037</b>
<b>Full Year 2018</b>				
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
<b>Revenue</b>				
Revenue adjusted	3 786 193	2 776 216	149 882	6 712 291
<b>Total external segment revenue adjusted</b>	<b>3 786 193</b>	<b>2 776 216</b>	<b>149 882</b>	<b>6 712 291</b>
Direct cost of sales adjusted	(3 019 933)	(2 484 071)	(120 396)	(5 624 399)
<b>Revenue less direct cost of sales adjusted</b>	<b>766 260</b>	<b>292 146</b>	<b>29 486</b>	<b>1 087 893</b>
<b>Expenses</b>				
Personnel and other operating expenses	(390 753)	(125 934)	(53 374)	(570 061)
Depreciation and amortisation	(110 101)	(10 992)	(6 597)	(127 690)
<b>Total operating expenses adjusted</b>	<b>(500 855)</b>	<b>(136 926)</b>	<b>(59 971)</b>	<b>(697 751)</b>
<b>Operating profit adjusted</b>	<b>265 405</b>	<b>155 220</b>	<b>(30 485)</b>	<b>390 142</b>

\*Comprise of other business activities (sale of mobile services to private customers and power sale, included related services, to Alliance partners- referred to as New Growth Initiatives) which are not considered separate operating segments.

**Note 2**  
**Segment information**

<b>Reconciliation to statement of profit and loss for the period</b>						
NOK in thousands	<b>Q2 2019</b>	<b>Q3 2019</b>	<b>Q3 2018</b>	<b>YTD 2019</b>	<b>YTD 2018</b>	<b>Full year 2018</b>
<b>Revenue adjusted</b>	<b>1 373 782</b>	<b>1 101 634</b>	<b>1 328 508</b>	<b>5 021 050</b>	<b>4 528 979</b>	<b>6 712 291</b>
Corporate 1)	54 969	-	-	54 969	12 879	8 657
<b>Revenue</b>	<b>1 428 751</b>	<b>1 101 634</b>	<b>1 328 508</b>	<b>5 076 019</b>	<b>4 541 858</b>	<b>6 720 948</b>
<b>Direct cost of sales adjusted</b>	<b>(1 099 954)</b>	<b>(842 307)</b>	<b>(1 101 348)</b>	<b>(4 109 533)</b>	<b>(3 745 722)</b>	<b>(5 624 399)</b>
Corporate 1)	(45 603)	-	-	(45 603)	(6 206)	873
<b>Direct cost of sales</b>	<b>(1 145 557)</b>	<b>(842 307)</b>	<b>(1 101 348)</b>	<b>(4 155 137)</b>	<b>(3 751 928)</b>	<b>(5 623 526)</b>
<b>Revenue less direct cost of sales adjusted</b>	<b>273 828</b>	<b>259 327</b>	<b>227 160</b>	<b>911 517</b>	<b>783 257</b>	<b>1 087 893</b>
Corporate 1)	9 366	-	-	9 366	6 673	9 529
<b>Revenue less direct cost of sales</b>	<b>283 194</b>	<b>259 327</b>	<b>227 160</b>	<b>920 882</b>	<b>789 930</b>	<b>1 097 422</b>
<b>Total operating expenses adjusted</b>	<b>(175 392)</b>	<b>(196 359)</b>	<b>(168 878)</b>	<b>(568 173)</b>	<b>(500 220)</b>	<b>(697 751)</b>
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)
<b>Total operating expenses</b>	<b>(188 398)</b>	<b>(208 418)</b>	<b>(187 826)</b>	<b>(604 242)</b>	<b>(546 866)</b>	<b>(759 961)</b>
Other gains and losses 4)	(92)	(8 427)	(4 847)	(8 511)	(7 896)	(10 578)
<b>Operating profit</b>	<b>94 705</b>	<b>42 482</b>	<b>34 487</b>	<b>308 128</b>	<b>235 168</b>	<b>326 883</b>
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)
<b>Profit/(loss) before tax</b>	<b>98 012</b>	<b>43 835</b>	<b>36 367</b>	<b>314 816</b>	<b>239 744</b>	<b>331 858</b>

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

## Note 2

### Segment information

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

NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 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)
<b>Special items</b>	<b>(1 997)</b>	<b>(287)</b>	<b>(6 925)</b>	<b>(2 284)</b>	<b>(23 602)</b>	<b>(25 835)</b>

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	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 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)
<b>Depreciation of acquisitions</b>	<b>(11 009)</b>	<b>(11 774)</b>	<b>(12 023)</b>	<b>(33 785)</b>	<b>(23 043)</b>	<b>(36 375)</b>

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

## Note 3

### Income tax

Interim income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Profit before tax	98 012	43 835	36 368	314 816	239 744	331 858
Tax expense	(21 879)	(9 904)	(10 325)	(70 325)	(57 548)	(78 289)
<i>Average tax rate</i>	22,3 %	22,6 %	28,4 %	22,3 %	24,0 %	23,6 %
Tax payable	21 976	14 634	18 205	78 777	67 037	94 073
Adjustments to prior years tax payable	-	-	370	-	370	370
Change in deferred tax	(97)	(4 731)	(8 250)	(8 452)	(9 859)	(16 154)
<b>Tax expense recognised in statement of profit or loss</b>	<b>21 879</b>	<b>9 904</b>	<b>10 325</b>	<b>70 325</b>	<b>57 548</b>	<b>78 289</b>

## 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

	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Profit/ (loss) attributable to equity holders of the company *	76 133	33 932	26 043	244 490	182 196	253 569
Total comprehensive income attributable to equity holders of the company*	76 133	33 932	26 043	244 490	182 196	254 736
Weighted average number of ordinary shares in issue	104 496 216	104 496 216	104 496 216	104 496 216	104 496 216	104 496 216
<b>Earnings per share in NOK</b>	<b>0,73</b>	<b>0,32</b>	<b>0,25</b>	<b>2,34</b>	<b>1,74</b>	<b>2,43</b>
<b>Total comprehensive income per share in NOK</b>	<b>0,73</b>	<b>0,32</b>	<b>0,25</b>	<b>2,34</b>	<b>1,74</b>	<b>2,44</b>
Share options	930 000	930 000	-	930 000	-	870 000
<b>Diluted earnings per share in NOK</b>	<b>0,72</b>	<b>0,32</b>	<b>0,25</b>	<b>2,32</b>	<b>1,74</b>	<b>2,41</b>
<b>Dividend per share in NOK</b>	<b>2,20</b>	<b>-</b>	<b>-</b>	<b>2,20</b>	<b>0,96</b>	<b>0,96</b>

\*NOK in thousands

*In addition to outstanding shares, there has been issued 870 000 share options to employees during 2018, and 90 000 in January 2019. Due to change in management, there has been a reduction of shares options in Q2 2019. The total number of share options is 930 000. These are included in the calculation.*

## Note 5

### Property, plant and equipment

<b>Q2 2019</b>				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 April 2019	9 639	25 279	1 489	36 407
Additions	-	-	973	973
Additions from business combinations	-	-	-	-
Transferred from construction in progress	1 376	-	(1 376)	-
Disposals	-	-	-	-
<b>Cost price 31 June 2019</b>	<b>11 015</b>	<b>25 279</b>	<b>1 086</b>	<b>37 381</b>
Accumulated depreciation 1 April 2019	(7 598)	(24 758)	-	(32 357)
Depreciation for the period	(286)	(53)	-	(339)
Disposals	-	-	-	-
<b>Accumulated depreciation 30 June 2019</b>	<b>(7 884)</b>	<b>(24 811)</b>	<b>-</b>	<b>(32 695)</b>
<b>Carrying amount 30 June 2019</b>	<b>3 131</b>	<b>468</b>	<b>1 086</b>	<b>4 685</b>

<b>Q3 2019</b>				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 July 2019	11 015	25 279	1 086	37 381
Additions	-	-	1 766	1 766
Additions from business combinations (see note 11)	302	-	-	302
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
<b>Cost price 30 September 2019</b>	<b>11 317</b>	<b>25 279</b>	<b>2 852</b>	<b>39 448</b>
Accumulated depreciation 1 July 2019	(7 884)	(24 811)	-	(32 695)
Depreciation for the period	(237)	(53)	-	(290)
Disposals	-	-	-	-
<b>Accumulated depreciation 30 September 2019</b>	<b>(8 121)</b>	<b>(24 864)</b>	<b>-</b>	<b>(32 985)</b>
<b>Carrying amount 30 September 2019</b>	<b>3 196</b>	<b>416</b>	<b>2 852</b>	<b>6 463</b>

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**Note 5**
**Property, plant and equipment**

<b>Q3 2018</b>				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 July 2018	9 569	25 279	371	35 219
Additions	-	-	497	497
Additions from business combinations	-	-	-	-
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
<b>Cost price 30 September 2018</b>	<b>9 569</b>	<b>25 279</b>	<b>868</b>	<b>35 716</b>
Accumulated depreciation 1 July 2018	(6 434)	(24 548)	-	(30 982)
Depreciation for the period	(203)	(59)	-	(262)
Disposals	-	-	-	-
<b>Accumulated depreciation 30 September 2018</b>	<b>(6 637)</b>	<b>(24 607)</b>	<b>-</b>	<b>(31 244)</b>
<b>Carrying amount 30 September 2018</b>	<b>2 932</b>	<b>673</b>	<b>868</b>	<b>4 471</b>

<b>YTD 2019</b>				
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	-	-	2 852	2 852
Additions from business combinations (see note 11)	302	-	-	302
Transferred from construction in progress	1 376	-	(1 376)	-
Disposals	-	-	-	-
<b>Cost price 30 September 2019</b>	<b>11 317</b>	<b>25 279</b>	<b>2 852</b>	<b>39 448</b>
Accumulated depreciation 1 January 2019	(7 449)	(24 706)	-	(32 155)
Depreciation for the period	(672)	(158)	-	(830)
Disposals	-	-	-	-
<b>Accumulated depreciation 30 September 2019</b>	<b>(8 121)</b>	<b>(24 864)</b>	<b>-</b>	<b>(32 985)</b>
<b>Carrying amount 30 September 2019</b>	<b>3 196</b>	<b>416</b>	<b>2 852</b>	<b>6 463</b>



## Note 5

## Property, plant and equipment

<b>YTD 2018</b>				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2018	8 875	25 221	-	34 097
Additions	10	-	868	878
Additions from business combinations	683	58	-	741
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
<b>Cost price 30 September 2018</b>	<b>9 569</b>	<b>25 279</b>	<b>868</b>	<b>35 716</b>
Accumulated depreciation 1 January 2018	(6 090)	(24 437)	-	(30 527)
Depreciation for the period	(547)	(170)	-	(716)
Disposals	-	-	-	-
<b>Accumulated depreciation 30 September 2018</b>	<b>(6 637)</b>	<b>(24 607)</b>	<b>-</b>	<b>(31 244)</b>
<b>Accumulated depreciation 30 September 2018</b>	<b>2 930</b>	<b>673</b>	<b>868</b>	<b>4 471</b>

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

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

#### Q2 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 April 2019	156 153	42 522	157 679	12 633	368 987	155 849	524 836
Additions - Purchase	-	10 792	474	-	11 266	-	11 266
Additions - Internally generated	34	203	-	-	237	-	237
Additions from business combinations	-	-	-	-	-	-	-
Transferred from construction in progress	8 986	(8 986)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>Cost price 30 June 2019</b>	<b>165 173</b>	<b>44 530</b>	<b>158 153</b>	<b>12 633</b>	<b>380 490</b>	<b>155 849</b>	<b>536 339</b>
Accumulated depreciation 1 April 2019	(115 761)	-	(50 175)	(5 593)	(171 530)	-	(171 530)
Depreciation for the period	(7 374)	-	(9 990)	(1 067)	(18 431)	-	(18 431)
Disposals	-	-	-	-	-	-	-
<b>Accumulated depreciation 30 June 2019</b>	<b>(123 135)</b>	<b>-</b>	<b>(60 165)</b>	<b>(6 660)</b>	<b>(189 959)</b>	<b>-</b>	<b>(189 959)</b>
<b>Carrying amount 30 June 2019</b>	<b>42 038</b>	<b>44 530</b>	<b>97 988</b>	<b>5 973</b>	<b>190 529</b>	<b>155 849</b>	<b>346 380</b>

#### Q3 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 July 2019	165 173	44 530	158 153	12 633	380 490	155 849	536 339
Additions - Purchase	-	7 790	77	-	7 867	-	7 867
Additions - Internally generated	29	197	-	-	226	-	226
Additions from business combinations (see note 11)	-	-	12 362	1 270	13 632	10 847	24 479
Transferred from construction in progress	6 493	(6 493)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>Cost price 30 September 2019</b>	<b>171 694</b>	<b>46 025</b>	<b>170 592</b>	<b>13 903</b>	<b>402 215</b>	<b>166 696</b>	<b>568 911</b>
Accumulated depreciation 1 July 2019	(123 135)	-	(60 165)	(6 660)	(189 961)	-	(189 961)
Depreciation for the period	(6 622)	-	(10 557)	(1 264)	(18 443)	-	(18 443)
Disposals	-	-	-	-	-	-	-
<b>Accumulated depreciation YTD 2019</b>	<b>(129 757)</b>	<b>-</b>	<b>(70 722)</b>	<b>(7 924)</b>	<b>(208 404)</b>	<b>-</b>	<b>(208 404)</b>
<b>Carrying amount YTD 2019</b>	<b>41 937</b>	<b>46 025</b>	<b>99 870</b>	<b>5 979</b>	<b>193 811</b>	<b>166 696</b>	<b>360 509</b>

**Note 6**  
**Intangible assets**

**Non-current intangible assets**

**Q3 2018**

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost Price 1 July 2018	139 930	27 528	133 307	12 633	313 399	150 898	464 297
Additions - Purchase	-	6 490	288	-	6 777	-	6 777
Additions - Internally generated	-	301	-	-	301	-	301
Additions from business combinations	-	-	-	-	-	-	150 898
Transferred from construction in progress	297	(297)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Adjustment PPA*	-	-	-	-	-	4 951	4 951
<b>Cost price 30 September 2018</b>	<b>140 227</b>	<b>34 020</b>	<b>133 595</b>	<b>12 633</b>	<b>320 477</b>	<b>155 849</b>	<b>476 325</b>
Accumulated depreciation 1 July 2018	(95 359)	-	(17 827)	(1 442)	(114 628)	-	(114 628)
Depreciation for the period	(7 184)	-	(13 229)	1 158	(19 255)	-	(19 255)
Disposals	-	-	-	-	-	-	-
<b>Accumulated depreciation 30 September 2018</b>	<b>(102 543)</b>	<b>-</b>	<b>(31 055)</b>	<b>(284)</b>	<b>(133 883)</b>	<b>-</b>	<b>(133 882)</b>
<b>Carrying amount 30 September 2018</b>	<b>37 684</b>	<b>34 021</b>	<b>102 539</b>	<b>12 350</b>	<b>186 595</b>	<b>155 849</b>	<b>342 443</b>

**YTD 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	0	33 251	795	-	34 047	-	34 047
Additions - Internally generated	223	684	-	-	907	-	907
Additions from business combinations (see note 11)	-	-	12 362	1 270	13 632	10 847	24 479
Transferred from construction in progress	30 779	(30 779)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
<b>Cost price 30 September 2019</b>	<b>171 694</b>	<b>46 025</b>	<b>170 592</b>	<b>13 903</b>	<b>402 215</b>	<b>166 696</b>	<b>568 911</b>
Accumulated depreciation 1 January 2019	(108 955)	-	(40 193)	(4 527)	(153 675)	-	(153 675)
Depreciation for the period	(20 803)	-	(30 530)	(3 398)	(54 730)	-	(54 730)
Disposals	-	-	-	-	-	-	-
<b>Accumulated depreciation 30 September 2019</b>	<b>(129 757)</b>	<b>-</b>	<b>(70 722)</b>	<b>(7 924)</b>	<b>(208 404)</b>	<b>-</b>	<b>(208 404)</b>
<b>Carrying amount 30 September 2019</b>	<b>41 937</b>	<b>46 025</b>	<b>99 870</b>	<b>5 979</b>	<b>193 811</b>	<b>166 696</b>	<b>360 509</b>

## Note 6 Intangible assets

Non-current intangible assets							
YTD 2018							
NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	171 865	-	171 865
Additions - Purchase	544	21 666	6 337	-	28 547	-	28 547
Additions - Internally generated	17	864	-	-	881	-	881
Additions from business combinations	-	-	107 118	12 066	119 184	150 898	270 082
Transferred from construction in progress	17 720	(17 720)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Adjustment PPA	-	-	-	-	-	4 951	4 951
<b>Cost price 30 September 2018</b>	<b>140 227</b>	<b>34 020</b>	<b>133 595</b>	<b>12 633</b>	<b>320 477</b>	<b>155 849</b>	<b>476 325</b>
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	(89 769)	-	(89 769)
Depreciation for the period	(20 928)	-	(23 043)	(142)	(44 113)	-	(44 113)
Disposals	-	-	-	-	-	-	-
<b>Accumulated depreciation 30 September 2018</b>	<b>(102 543)</b>	<b>-</b>	<b>(31 057)</b>	<b>(284)</b>	<b>(133 883)</b>	<b>-</b>	<b>(133 882)</b>
<b>Carrying amount 30 September 2018</b>	<b>37 684</b>	<b>34 020</b>	<b>102 539</b>	<b>12 350</b>	<b>186 595</b>	<b>155 849</b>	<b>342 443</b>
Full year 2018							
NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	171 865	-	171 865
Additions - Purchase	990	30 457	30 176	-	61 623	-	61 623
Additions - Internally generated	17	1 125	-	-	1 142	-	1 142
Additions from business combinations	-	-	107 118	12 066	119 184	155 849	275 033
Transferred from construction in progress	17 740	(17 740)	-	-	-	-	-
Government grants (SkatteFUNN)	-	(185)	-	-	(185)	-	(185)
Disposals	-	-	-	-	-	-	-
<b>Cost price 31 December 2018</b>	<b>140 693</b>	<b>42 869</b>	<b>157 435</b>	<b>12 634</b>	<b>353 630</b>	<b>155 849</b>	<b>509 479</b>
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	(89 769)	-	(89 769)
Depreciation for the year	(27 340)	-	(32 180)	(4 384)	(63 904)	-	(63 904)
Disposals	-	-	-	-	-	-	-
<b>Accumulated depreciation 31 December 2018</b>	<b>(108 955)</b>	<b>-</b>	<b>(40 192)</b>	<b>(4 526)</b>	<b>(153 673)</b>	<b>-</b>	<b>(153 673)</b>
<b>Carrying amount 31 December 2018</b>	<b>31 738</b>	<b>42 869</b>	<b>117 243</b>	<b>8 108</b>	<b>199 957</b>	<b>155 849</b>	<b>355 806</b>
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 portfolios.

**Note 6**  
**Intangible assets**

<b>Current intangible assets</b>			
<b>Q2 2019</b>			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 April 2019	27 669	4 129	31 799
Additions - Purchase	1 732	14	1 746
Additions from business combinations	-	-	-
Disposals*	(11 273)	(2 961)	(14 234)
<b>Cost price 30 June 2019</b>	<b>18 128</b>	<b>1 183</b>	<b>19 311</b>
Accumulated depreciation 1 April 2019	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
<b>Accumulated depreciation 30 June 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount 30 June 2019</b>	<b>18 128</b>	<b>1 183</b>	<b>19 311</b>
<b>Q3 2019</b>			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 July 2019	18 128	1 183	19 311
Additions - Purchase	370	854	1 224
Additions from business combinations (see note 11)	1 578	-	1 578
Disposals*	-	(1 303)	(1 303)
<b>Cost price 30 September 2019</b>	<b>20 076</b>	<b>733</b>	<b>20 809</b>
Accumulated depreciation 1 July 2019	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
<b>Accumulated depreciation 30 September 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount 30 September 2019</b>	<b>20 076</b>	<b>733</b>	<b>20 809</b>

**Note 6**  
**Intangible assets**

<b>Current intangible assets</b>			
<b>Q3 2018</b>			
NOK in thousands	<b>El-certificates</b>	<b>Guarantees of origination</b>	<b>Total current intangible assets</b>
Cost price 1 July 2018	4 689	289	4 978
Additions - Purchase	-	(92)	(92)
Additions from business combinations	-	-	-
Disposals*	-	-	-
<b>Cost price 30 September 2018</b>	<b>4 689</b>	<b>197</b>	<b>4 886</b>
Accumulated depreciation 1 July 2018	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
<b>Accumulated depreciation 30 September 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount 30 September 2018</b>	<b>4 689</b>	<b>197</b>	<b>4 886</b>
<b>YTD 2019</b>			
NOK in thousands	<b>El-certificates</b>	<b>Guarantees of origination</b>	<b>Total current intangible assets</b>
Cost price 1 January 2019	22 101	11 494	33 595
Additions - Purchase	242 966	7 063	250 029
Additions from business combinations (see note 11)	1 578	-	1 578
Disposals*	(246 569)	(17 823)	(264 392)
<b>Cost price 30 September 2019</b>	<b>20 076</b>	<b>733</b>	<b>20 809</b>
Accumulated depreciation 1 January 2019	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
<b>Accumulated depreciation 30 September 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount 30 September 2019</b>	<b>20 076</b>	<b>733</b>	<b>20 809</b>

**Note 6**  
**Intangible assets**

<b>Current intangible assets</b>			
<b>YTD 2018</b>			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	174 008	(2 361)	171 647
Disposals*	(169 330)	-	(169 330)
<b>Cost price 30 September 2018</b>	<b>4 689</b>	<b>197</b>	<b>4 886</b>
Accumulated depreciation 1 January 2018	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
<b>Accumulated depreciation 30 September 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount 30 September 2018</b>	<b>4 689</b>	<b>197</b>	<b>4 886</b>
<b>Full year 2018</b>			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	191 160	30 208	221 368
Additions from business combinations	260	-	260
Disposals*	(169 330)	(21 272)	(190 602)
<b>Cost price 31 December 2018</b>	<b>22 101</b>	<b>11 494</b>	<b>33 595</b>
Accumulated depreciation 1 January 2018	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
<b>Accumulated depreciation 31 December 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Carrying amount 31 December 2018</b>	<b>22 101</b>	<b>11 494</b>	<b>33 595</b>

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

Depreciation of intangible assets are included in the line 'Depreciation and amortisation' in the consolidated statement of profit and loss.

## Note 7

### Fair value measurement of financial instruments

This note explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. Changes in fair value are recognised through other gains and losses, net in the consolidated statement of profit or loss. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
<b>At 30 June 2019</b>				
NOK in thousands				
<b>Financial assets</b>				
Derivative financial instruments	-	115 362	-	115 362
<b>Total financial assets at fair value</b>	-	<b>115 362</b>	-	<b>115 362</b>

<b>Financial liabilities</b>				
Derivative financial instruments	-	107 249	-	107 249
<b>Total financial liabilities at fair value</b>	-	<b>107 249</b>	-	<b>107 249</b>

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
<b>At 30 September 2019</b>				
NOK in thousands				
<b>Financial assets</b>				
Derivative financial instruments	-	91 893	-	91 893
<b>Total financial assets at fair value</b>	-	<b>91 893</b>	-	<b>91 893</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	93 744	-	93 744
<b>Total financial liabilities at fair value</b>	-	<b>93 744</b>	-	<b>93 744</b>

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
<b>At 30 September 2018</b>				
NOK in thousands				
<b>Financial assets</b>				
Derivative financial instruments	-	296 963	-	296 963
<b>Total financial assets at fair value</b>	-	<b>296 963</b>	-	<b>296 963</b>

<b>Financial liabilities</b>				
Derivative financial instruments	-	286 084	-	286 084
<b>Total financial liabilities at fair value</b>	-	<b>286 084</b>	-	<b>286 084</b>



**Note 7**  
**Fair value**  
**measurement of**  
**financial instruments**

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
<b>At 31 December 2018</b>				
NOK in thousands				
<b>Financial assets</b>				
Derivative financial instruments	-	463 626	-	463 626
<b>Total financial assets at fair value</b>	<b>-</b>	<b>463 626</b>	<b>-</b>	<b>463 626</b>
<b>Financial liabilities</b>				
Derivative financial instruments	-	455 429	-	455 429
<b>Total financial liabilities at fair value</b>	<b>-</b>	<b>455 429</b>	<b>-</b>	<b>455 429</b>

There were no transfers between level 1 and 2 for recurring fair value measurements during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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

cant inputs required to fair value an instrument are observable, the instrument is included in level 2.

**Level 3:** If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

**Valuation techniques used to determine fair values**

Specific valuation techniques used to value derivative financial instruments include present value of future cash flows, based on forward prices from Nasdaq OMX Commodities at the balance sheet date. In the case of material long-term contracts, the cash flows are discounted at a discount rate of 1,3 per cent (2018: 0,9 per cent). Valuation method is used for forward contracts and option contracts associated with purchase and sale of electricity. Key inputs to the valuation are discount rates, contract- and market prices.

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

**Fair values of other financial instruments not recognised in the financial statements**

The Group also has financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. There has not been identified any significant difference between fair value and carrying amount at 30 September 2019.

## Note 8

### Related party transactions

Per 30 September 2019, the Group's related parties include Board of Directors and key management. There has been no significant transactions conducted with related parties in third quarter 2019.

In 2019 two major shareholders, BKK AS and Skagerak Energi AS, have sold shares in Fjordkraft Holding ASA. As a result of this BKK AS, Skagerak Energi AS, their parent company Statkraft AS, and the companies in BKK Group, Skagerak Energi Group and Statkraft Group are no longer considered to be related parties per third quarter 2019. The year to date - figures in 2019 are based on transactions as per first quarter 2019.

The following transactions were carried out with related parties (NOK in thousands):

#### Income from related parties

Related party	Relation	Purpose of transactions	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
BKK AS	Major shareholder	Sale of electrical power	-	-	2 402	3 776	9 455	12 207
BKK Energitjenester AS	Subsidiary of major shareholder	Sale of electrical power	-	-	-	-	-	-
BKK Nett AS	Subsidiary of major shareholder	Sale of electrical power	-	-	878	1 561	3 949	4 956
BKK Varme AS	Subsidiary of major shareholder	Sale of electrical power	-	-	-	-	-	-
Skagerak Energi AS	Major shareholder	Sale of electrical power	-	-	1 086	1 699	3 603	4 857
Skagerak Nett AS	Subsidiary of major shareholder	Sale of electrical power	-	-	753	1 748	3 267	4 370
Skagerak Varme AS	Subsidiary of major shareholder	Sale of electrical power	-	-	1 383	4 494	6 497	8 999
Statkraft AS	Parent company of major shareholder	Sale of electrical power	-	-	1 031	1 795	3 049	4 222
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	-	-	6 621	27 381	45 204	61 936
Other	Related party	Other	-	-	760	2 079	2 731	4 926

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

#### Expenses to related parties

Related party	Relation	Purpose of transactions	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
BKK AS	Major shareholder	Purchase of electrical power	-	-	399	428	960	1 493
BKK Produksjon AS	Subsidiary of major shareholder	Purchase of electrical power	-	-	2 399	4 268	10 444	14 085
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	-	-	894 739	1 055 212	3 082 923	4 211 917
BKK AS	Major shareholder	Purchase of other services	-	-	6 514	6 896	18 397	24 567
BKK Regnskapsservice AS	Subsidiary of major shareholder	Purchase of other services	-	-	4 141	2 181	6 809	5 225
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	-	-	(2 144)	-	(175)	4 096
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of other services	-	-	1 132	2 029	5 093	15 923
Other	Related party	Other	-	-	(16)	66	982	1 342

Other services consists of payroll expenses, IT-expenses, office expenses and customer service.

## Note 8

### Related party transactions

#### Purchase of assets

Related party	Relation	Purpose of transactions	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
BKK AS	Major shareholder	Research and development	-	-	82	50	897	897
BKK AS	Major shareholder	Purchase of customer portfolio	-	-	-	-	-	5 130
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of customer portfolio	-	-	-	244	-	6 755
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of el-certificates	-	-	-	240 864	174 008	191 420
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of guarantees of origination	-	-	-	6 195	-	30 208

#### Distributions to related parties

Related party	Relation	Purpose of transactions	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
BKK AS	Major shareholder	Dividend	-	-	-	-	48 849	48 849
Skagerak Energi AS	Major shareholder	Dividend	-	-	-	-	47 997	47 997
Statkraft Industrial Holding AS	Owner at the time of distribution	Dividend	-	-	-	-	3 155	3 155

#### Current receivables from related parties

Related party	Relation	Purpose of transactions	30 Jun 2019	30 Sep 2019	30 Sep 2018	31 Dec 2018
Statkraft Varme AS	Subsidiary of parent company of major shareholder	Sale of electrical power	-	-	4 309	9 315
Other	Related party	Sale of electrical power	-	-	4 342	2 906

#### Current liabilities to related parties

Related party	Relation	Purpose of transactions	30 Jun 2019	30 Sep 2019	30 Sep 2018	31 Dec 2018
BKK AS	Major shareholder	Other	-	-	595	917
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	-	-	109	131
BKK Nett AS	Subsidiary of major shareholder	Other	-	-	-	-
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	-	-	158	942 934
Other	Related party	Other	-	-	1 678	487

Payables to Statkraft Energi AS (SEAS) mainly relates to purchase of electricity. The Group purchases electricity at Nord Pool through Statkraft Energi AS. The daily transactions and payments with Nord Pool is completed by SEAS, while Fjordkraft AS settles their liabilities towards Statkraft Energi AS monthly. Payables are normally settled in 30 days, but Fjordkraft has the right to postpone the payments by 30 days if their current cash in hand does not cover the liability.

As compensation for the time difference between Fjordkraft's payments and Statkraft Energi AS' settlements towards Nord Pool, Fjordkraft is charged with interests. Interest rate is based on 1M NIBOR plus a margin based on current market terms.

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

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

## Note 9

### Revenue recognition

The following table summarises revenue from contracts with customers:

<b>Revenue</b>						
NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Revenue - Consumer segment (1)	747 141	609 350	743 298	2 791 407	2 549 471	3 786 193
Revenue - Business segment (2)	575 338	434 762	544 292	2 072 814	1 870 344	2 776 216
Revenue - New growth Initiatives (3)	51 302	57 522	40 918	156 829	109 164	149 882
Revenue - Corporate	54 969	-	-	54 969	12 879	8 657
<b>Total revenue</b>	<b>1 428 751</b>	<b>1 101 634</b>	<b>1 328 508</b>	<b>5 076 019</b>	<b>4 541 858</b>	<b>6 720 948</b>

#### Timing of revenue recognition

##### Over time:

NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Revenue - Consumer segment	733 668	598 926	723 693	2 751 869	2 489 924	3 707 156
Revenue - Business segment	569 378	428 269	539 145	2 054 638	1 855 240	2 756 033
Revenue - New growth Initiatives	50 969	57 201	40 527	155 809	108 093	148 428
Revenue - Corporate	54 969	-	-	54 969	12 879	8 657
<b>Total revenue recognised over time</b>	<b>1 408 984</b>	<b>1 084 396</b>	<b>1 303 365</b>	<b>5 017 285</b>	<b>4 466 135</b>	<b>6 620 274</b>

##### At a point in time:

NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Revenue - Consumer segment	13 473	10 424	19 605	39 538	59 547	79 037
Revenue - Business segment	5 960	6 493	5 147	18 176	15 104	20 183
Revenue - New growth Initiatives	333	321	391	1 020	1 071	1 454
<b>Total revenue recognised at a point in time</b>	<b>19 766</b>	<b>17 238</b>	<b>25 143</b>	<b>58 734</b>	<b>75 722</b>	<b>100 674</b>
<b>Total revenue</b>	<b>1 428 751</b>	<b>1 101 634</b>	<b>1 328 508</b>	<b>5 076 019</b>	<b>4 541 858</b>	<b>6 720 948</b>

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

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

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

## Note 10

### Long term debt

<b>Long term debt</b>					
NOK in thousands	Effective interest rate	30 Jun 2019	30 Sep 2019	30 Sep 2018	31 Dec 2018
Long term debt DNB	NIBOR 3 months + 1,35 %	222 400	208 500	264 100	250 200
<b>Total</b>		<b>222 400</b>	<b>208 500</b>	<b>264 100</b>	<b>250 200</b>

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

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

## Note 11

### Business combination

On 1 July 2019 Fjordkraft AS acquired 100.0% of the issued shares in Vesterålskraft Strøm AS, an electricity retailer in the Northern region, for consideration of NOKt 28 589. The acquisition is expected to increase the group's market share in the northern part of Norway. The new regional office enables market share gains, and the company will use this momentum to further invest in sales activities in the northern region.

There is no contingent consideration included in this acquisition.

As of 1 July 2019 the assets and liabilities recognised as a result of the acquisition are as follows:

#### Purchase consideration

NOK in thousands	
Purchase price shares, paid in cash	28 055
Interest, paid cash	534
<b>Total purchase consideration</b>	<b>28 589</b>

NOK in thousands	Fair value
Customer relationships (note 6)	12 362
Other intangible assets (note 6)	2 848
Right-of-use assets property, plant and equipment	1 590
Other tangible assets (note 5)	302
<b>Total non-current assets</b>	<b>17 102</b>
Trade receivables	14 000
Derivative financial instruments	1
Other current assets	6 474
Cash and cash equivalents	6 523
<b>Total current assets</b>	<b>26 999</b>
<b>Total assets</b>	<b>44 100</b>

Net employee defined benefit plan liabilities	91
Deferred tax liabilities (note 3)	2 347
Lease liabilities	1 590
<b>Total non-current liabilities</b>	<b>4 029</b>
Trade and other payables	15 011
Derivative financial instruments	1 538
Social security and other taxes	64
Other current liabilities	5 717
<b>Total current liabilities</b>	<b>22 330</b>
<b>Total liabilities</b>	<b>26 358</b>

Net identifiable assets acquired	17 742
Add: Goodwill	10 847
<b>In total</b>	<b>28 589</b>

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**Note 11****Business combination**

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The goodwill is attributable to Vesterålskraft Strøm AS's strong position and profitability in the electricity retailer market and synergies expected to arise after the company's acquisition of the new subsidiary. None of the goodwill is expected to be deductible for tax purposes. See note 6 above for the changes in goodwill as a result of the acquisition.

Deferred tax of NOKt 2 999 is related to the fair value adjustments of customer relationships and other intangible assets.

**Acquisition-related costs**

Acquisition-related costs and implementation cost of NOKt 2 284 are included in administrative expenses in profit or loss.

**Acquired receivables**

The fair value of trade receivables is NOKt 14 000. The gross contractual amount for trade receivables due is NOKt 16 000, of which NOKt 2 000 is expected to be uncollectable. The fair value of other receivables recognised is considered to be equal to the gross contractual amount.

**Revenue and profit contribution**

If the acquisition had occurred on 1 January 2019, consolidated revenue and consolidated profit after tax for the period ended 30 September 2019 would have been NOKt 5 083 857 and NOKt 241 808 respectively.

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## Note 12

### Events after the reporting period

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

# Appendix





## Alternative performance measures

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

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

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

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

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

### EBIT adjusted

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

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

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

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

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

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

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

### EBITDA adjusted

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

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

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

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

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## 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	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Operating income	1 428 751	1 101 634	1 328 508	5 076 019	4 541 858	6 720 948
Cost of sales	(1 145 557)	(842 307)	(1 101 348)	(4 155 137)	(3 751 928)	(5 623 526)
<b>Net revenue</b>	<b>283 194</b>	<b>259 327</b>	<b>227 160</b>	<b>920 882</b>	<b>789 930</b>	<b>1 097 422</b>
Personnel expenses	(47 910)	(74 557)	(58 514)	(186 893)	(152 856)	(217 514)
Other operating expenses	(92 517)	(84 887)	(85 721)	(275 312)	(274 880)	(378 382)
<b>Operating expenses</b>	<b>(140 427)</b>	<b>(159 446)</b>	<b>(144 236)</b>	<b>(462 206)</b>	<b>(427 736)</b>	<b>(595 896)</b>
Other gains and losses, net	(92)	(8 427)	(4 847)	(8 511)	(7 896)	(10 578)
<b>EBITDA</b>	<b>142 675</b>	<b>91 454</b>	<b>78 077</b>	<b>450 164</b>	<b>354 298</b>	<b>490 947</b>
Depreciation & amortisation	(47 971)	(48 973)	(43 590)	(142 037)	(119 130)	(164 065)
<b>EBIT reported (Operating profit)</b>	<b>94 705</b>	<b>42 482</b>	<b>34 487</b>	<b>308 128</b>	<b>235 168</b>	<b>326 883</b>
Net financials	3 307	1 353	1 881	6 687	4 576	4 974
<b>Profit/ (loss) before taxes</b>	<b>98 012</b>	<b>43 835</b>	<b>36 367</b>	<b>314 816</b>	<b>239 744</b>	<b>331 858</b>
Taxes	(21 879)	(9 904)	(10 325)	(70 325)	(57 548)	(78 289)
<b>Profit/ (loss) for the period</b>	<b>76 133</b>	<b>33 932</b>	<b>26 043</b>	<b>244 490</b>	<b>182 196</b>	<b>253 569</b>
<b>EBIT reported margin</b>	<b>33%</b>	<b>16%</b>	<b>15%</b>	<b>33%</b>	<b>30%</b>	<b>30%</b>

## Alternative performance measures

### Adjusted amounts:

NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
<b>Net revenue</b>	<b>283 194</b>	<b>259 327</b>	<b>227 160</b>	<b>920 882</b>	<b>789 930</b>	<b>1 097 422</b>
Adjustment: (Positive/ negative estimate deviations previous year)	(9 366)	-	-	(9 366)	(6 673)	(5 449)
Special items* (Compensatory damages)	-	-	-	-	-	(4 080)
<b>Net revenue adjusted</b>	<b>273 828</b>	<b>259 327</b>	<b>227 160</b>	<b>911 517</b>	<b>783 257</b>	<b>1 087 893</b>
<b>EBITDA</b>	<b>142 675</b>	<b>91 454</b>	<b>78 077</b>	<b>450 164</b>	<b>354 298</b>	<b>490 947</b>
Adjustment: (Positive/ negative estimate deviations previous year)	(9 366)	-	-	(9 366)	(6 673)	(5 449)
Other gains and losses	92	8 427	4 847	8 511	7 896	10 578
Special items*	1 997	287	6 925	2 284	23 602	21 755
<b>EBITDA adjusted (before unallocated and estimate deviations)</b>	<b>135 398</b>	<b>100 168</b>	<b>89 849</b>	<b>451 593</b>	<b>379 123</b>	<b>517 831</b>
<b>EBIT reported (Operating profit)</b>	<b>94 705</b>	<b>42 482</b>	<b>34 487</b>	<b>308 128</b>	<b>235 168</b>	<b>326 883</b>
Adjustment: (Positive/ negative estimate deviations previous year)	(9 366)	-	-	(9 366)	(6 673)	(5 449)
Other gains and losses	92	8 427	4 847	8 511	7 896	10 578
Special items*	1 997	287	6 925	2 284	23 602	21 755
Part of depreciation related to acquisitions	11 009	11 774	12 023	33 785	23 043	36 375
<b>EBIT adjusted (before unallocated and estimate deviations)</b>	<b>98 436</b>	<b>62 968</b>	<b>58 282</b>	<b>343 344</b>	<b>283 036</b>	<b>390 142</b>
<b>EBIT margin adjusted</b>	<b>36%</b>	<b>24%</b>	<b>26%</b>	<b>38%</b>	<b>36%</b>	<b>36%</b>

\* Special items consists of the following:

NOK in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
The process of listing the company on Oslo Stock Exchange	-	-	(300)	-	(11 323)	(11 323)
Acquisition related costs	(1 997)	(287)	(4 514)	(2 284)	(9 708)	(11 643)
Compensatory damages	-	-	-	-	-	4 080
Legal costs related to the compensatory damages	-	-	-	-	(460)	(460)
Strategic costs related to markets abroad	-	-	(2 111)	-	(2 111)	(2 409)
<b>Special items</b>	<b>(1 997)</b>	<b>(287)</b>	<b>(6 925)</b>	<b>(2 284)</b>	<b>(23 602)</b>	<b>(21 755)</b>

## Alternative performance measures

### Other financial APM's

#### Net interest bearing debt (cash)

NOK thousands	30 Jun 2019	30 Sep 2019	30 Sep 2018	31 Dec 2018
Interest-bearing long term debt	166 800	152 900	264 100	194 600
Reclassification of first year installments long term debt	55 600	55 600	-	55 600
Overdraft facilities	-	-	-	-
Cash and cash equivalents	(514 649)	(701 123)	(397 495)	(381 409)
<b>Net interest bearing debt (cash)</b>	<b>(292 249)</b>	<b>(492 623)</b>	<b>(133 395)</b>	<b>(131 209)</b>

#### Financial position related APM's

NOK thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Net working capital	122 644	(64 494)	(98 530)	(64 494)	(98 530)	310 828
OpFCF before tax and change in NWC	95 198	55 499	56 814	326 028	272 748	373 401
Capex excl. M&A	12 002	9 782	7 293	37 010	23 965	33 783

### Non-financial APM's

#### Deliveries

Numbers in thousands	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Electrical deliveries Consumer segment	532	542	520	542	520	529
Electrical deliveries Business segment	76	78	76	78	76	76
<b>Total number of electrical deliveries *</b>	<b>608</b>	<b>619</b>	<b>596</b>	<b>619</b>	<b>596</b>	<b>605</b>
Number of mobile subscriptions	81	92	61	92	61	66

\* Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 642 thousand in YTD 2019.

Volume in GWh	Q2 2019	Q3 2019	Q3 2018	YTD 2019	YTD 2018	Full year 2018
Consumer segment	1 381	1 232	1 126	4 912	4 822	6 899
Business segment	1 316	1 075	1 118	4 494	4 414	6 298
<b>Total volume</b>	<b>2 697</b>	<b>2 307</b>	<b>2 244</b>	<b>9 405</b>	<b>9 236</b>	<b>13 197</b>