

Q4 2018 PRESENTATION

Rolf Barmen (CEO)
Birte Strander (CFO)

Oslo, 14th February



Q4 2018 HIGHLIGHTS

Rolf Barmen (CEO)



Highlights fourth quarter 2018

Strong performance in a competitive quarter

- Adjusted net revenue was NOK 304.6m, +15% YoY
- Adjusted EBIT increased +12% YoY and was NOK 107.1m
- +14% YoY growth in deliveries, of which 2% organic
 - Quarter over quarter growth:
 - Consumer & Business: +8,687
 - Extended Alliance: -59
 - Mobile Subscriptions: +4,763
- The Oppdal and Etne acquisitions successfully implemented during Q4 2018
- Gross revenue increasing +55% YoY, reflecting volume growth (+9%) and significantly higher elspot prices than last year (+56%)¹

Key Highlights

# of deliveries (end of period)²	Net change in # of deliveries
604 973	8 687
Increase of 14 % YoY	Of which org. growth 2 108
Volume sold³	Gross revenue
3 961 GWh	NOK 2 179,1m
Increase of 9 % YoY	Increase of 55 % YoY
Net revenue (adj.)⁴	EBIT (adj.)⁴
NOK 304,6m	NOK 107,1m
Increase of 15 % YoY	35 % Adj. EBIT margin (this q.)
EPS (reported)	NIBD (cash)
NOK 0,68	(NOK 131,2m)
Increase of 5 % YoY	NIBD/LTM EBITDA: -0,27

Sources: Company information

1) Arithmetic average difference in Nordpool's daily system prices in NOK between Q4 2018 and Q4 2017

2) Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 638,437

3) Not including Alliance volume. Volume turnover for alliance partners Q4 2018: 1,358 GWh

4) Adj. Net revenue and EBIT are reported figures adjusted for any estimate deviations on sales and distribution of electricity related to previous reporting periods and unallocated items (incl. unrealised gains and losses on financial derivatives, depreciations from acquisitions and non-recurring cost/revenue)



BUSINESS REVIEW

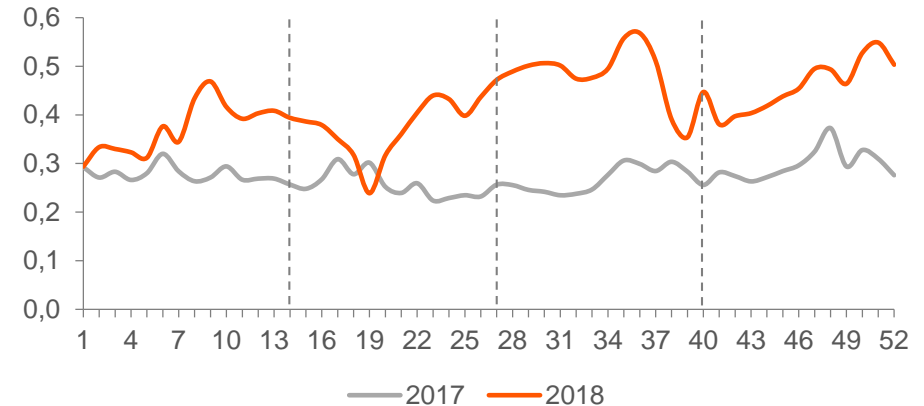
Rolf Barmen (CEO)

Market development

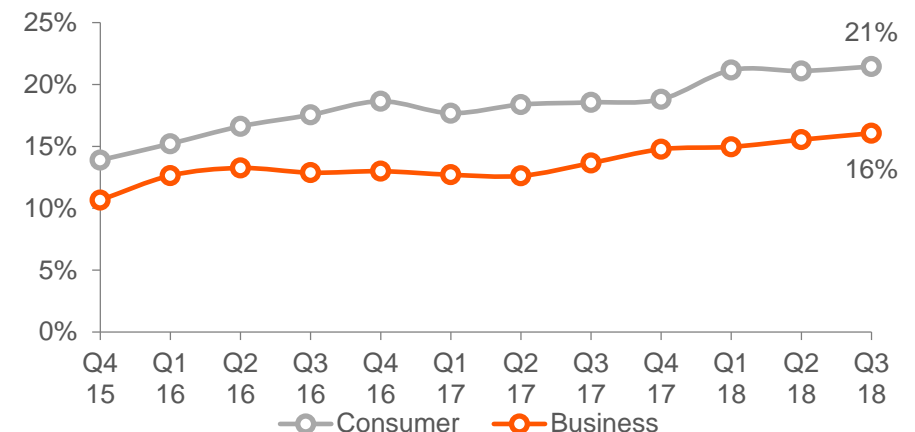
Key highlights in Q4 2018

- Increasing prices throughout the fourth quarter
 - Q4 2018 elspot prices 56% higher than in Q4 2017¹
- Warmer than normal weather in three out of three months²
 - October: +0.5°C above normal
 - November: +3.7°C above normal
 - December: +2.2°C above normal
- NVE figures for Q3 shows an increasing churn in both the Consumer and Business segment

Weekly elspot prices (NOK/kWh)³



Market churn (LTM)⁴



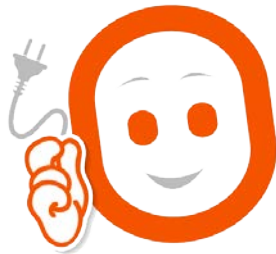
Sources:

- 1) Arithmetic average difference in Nordpool's daily system prices in NOK between Q4 2018 and Q4 2017
- 2) Temperature figures from met.no's monthly reports
- 3) Weekly system prices in NOK from Nordpool
- 4) Figures from the Norwegian Water Resources and Energy directorate

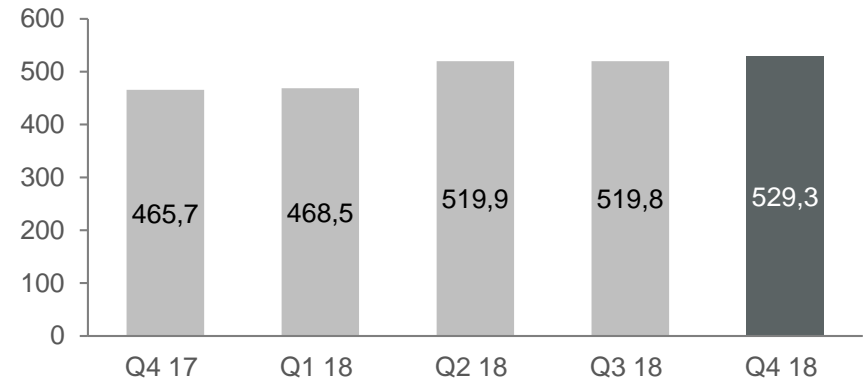
Segment development - Consumer

Key highlights in Q4 2018

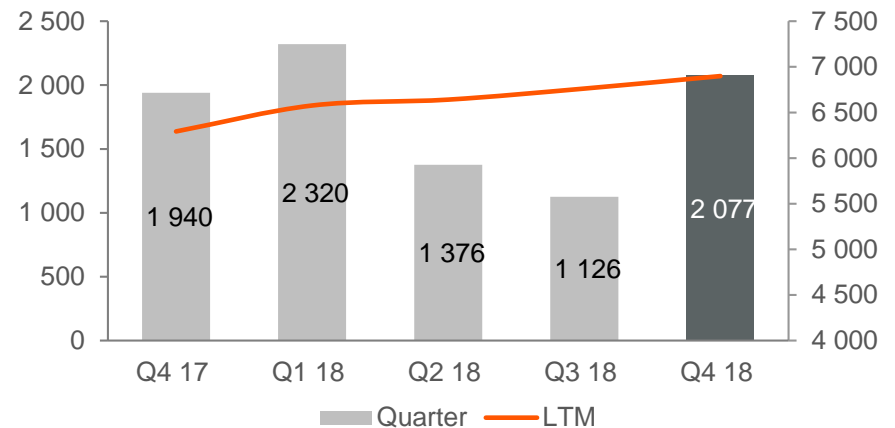
- Strong organic development quarter over quarter
 - Net additions in Q4 2018 were 9.460, of which 3.698 organic
 - The deliveries from Oppdal and Etne acquisitions included as of Q4 2018, amounting to 5,762 deliveries
- Volume growth of 7% YoY driven by growth in # of deliveries
 - Avg. volume per delivery decreasing -5% YoY
3,959 kWh in Q4 2018 vs. 4,184 kWh in Q4 2017



of electricity deliveries¹ ('000)



Volume (GWh)



Sources: Company information

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

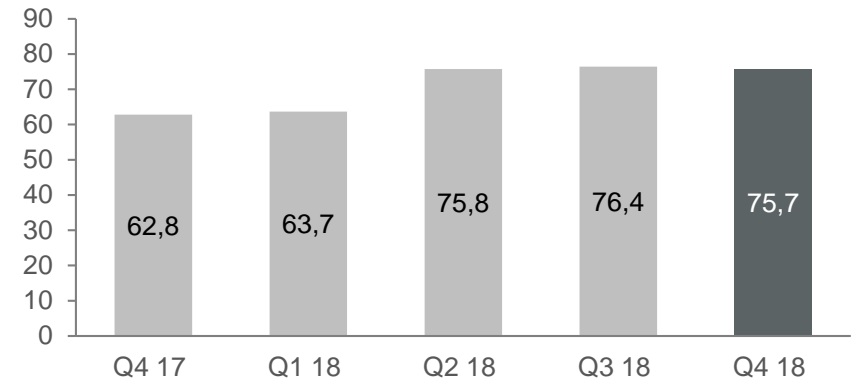
Segment development - Business

Key highlights in Q4 2018

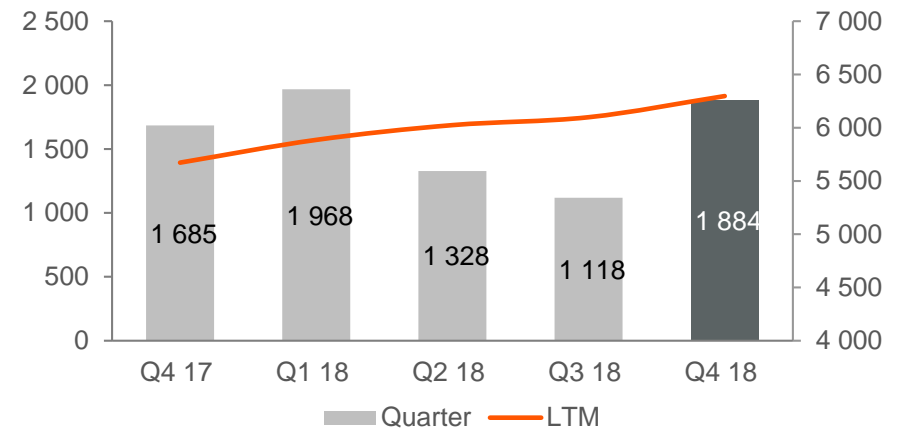
- Decrease in deliveries driven by loss of tender contract - limited financial impact
 - Net additions in Q4 2018 were -773
 - The deliveries from Oppdal and Etne acquisitions included as of Q4 2018, amounting to 817 deliveries
- Volume growth of 12% YoY driven by growth in # of deliveries
 - Avg. volume per delivery decreasing -9% YoY
24,771 kWh in Q4 2018 vs. 27,250 kWh in Q4 2017



of electricity deliveries¹ ('000)



Volume (GWh)



Sources: Company information

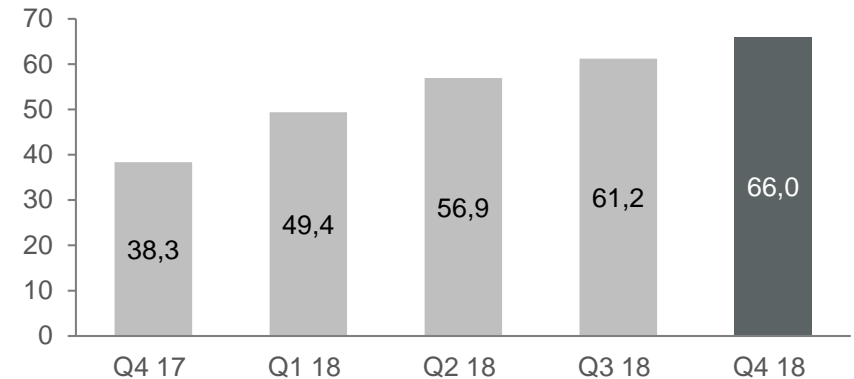
1) Number of electricity deliveries at the end of the period

New Growth Initiatives

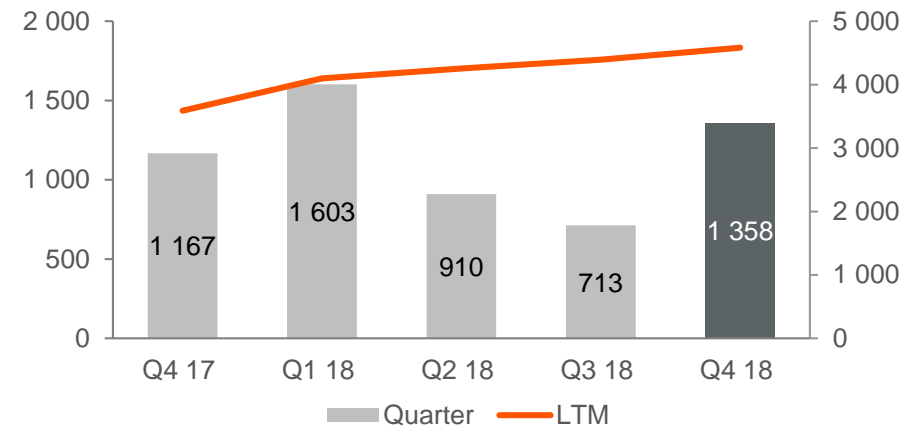
Key highlights in Q4 2018

- The organic growth in mobile subscribers continues
 - Growth of 4,763 subscribers in Q4 2018
- Continued positive development in mobile margins
- 16% YoY Alliance volume growth
- Flat development in Extended Alliance (-59 deliveries), as Statnett's Elhub project prevents implementation of new partners until 1 May 2019

of Mobile subscribers¹ ('000)



Volume Alliance (GWh)



Sources: Company information

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

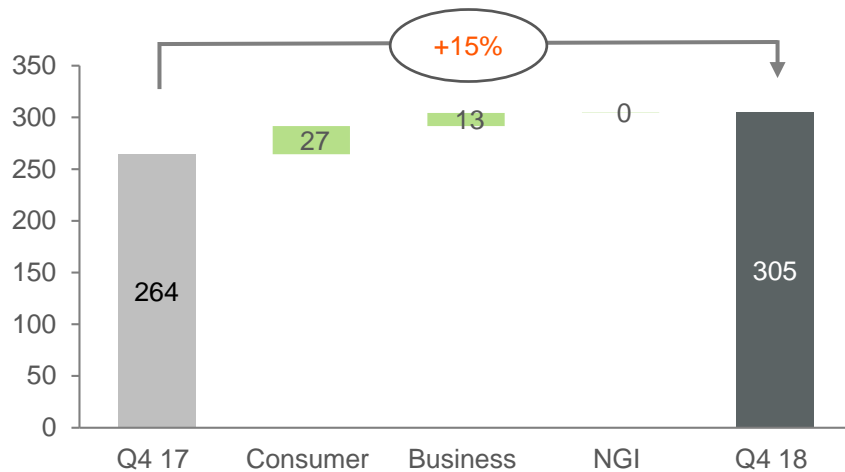


FINANCIAL REVIEW

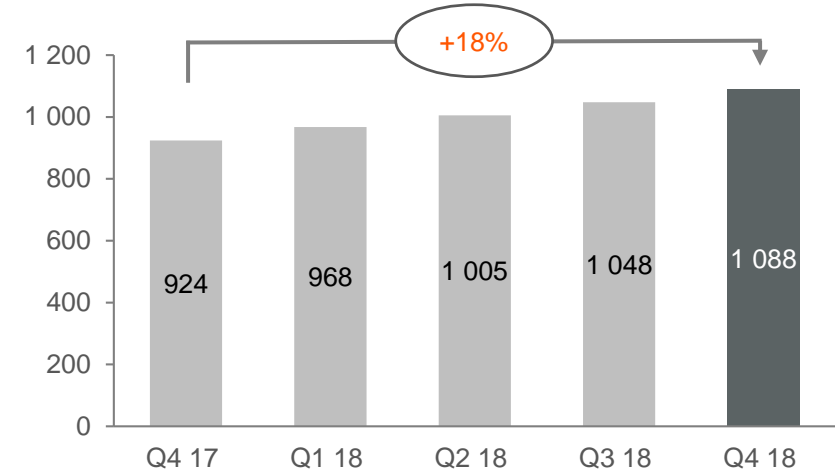
Birte Strander (CFO)

Continued growth in adj. net revenue

Change in adj. net revenue (NOKm)



Adj. net revenue LTM (NOKm)



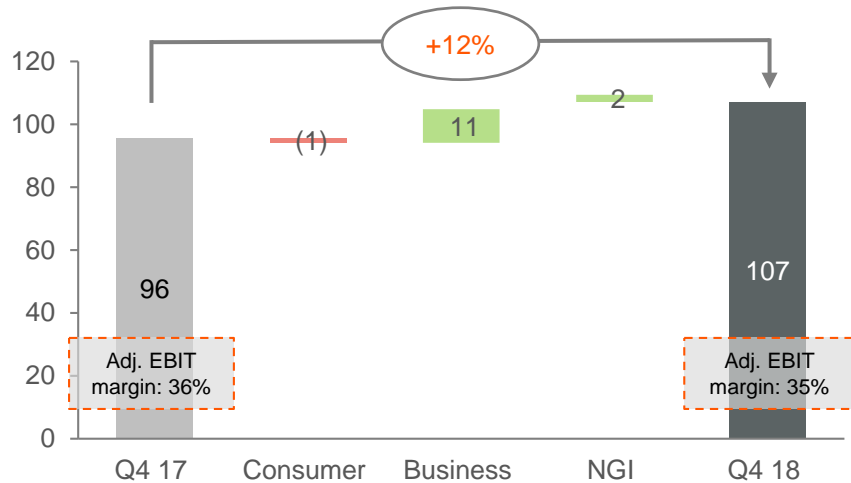
- Adjusted net revenue increased +15% YoY
 - Net revenue growth driven by the Consumer and Business segments
 - ~ 40/60 split between improved margins and volume growth¹
 - Variable products positively affected in Q4 by the price drop at the end of Q3, however partly offset by increasing prices throughout Q4
- LTM adjusted net revenue increasing with +18% YoY
 - ~ 40/60 split between improved margins and volume growth¹
 - 1 pp of the increase is related to New Growth Initiatives

Sources: Company information

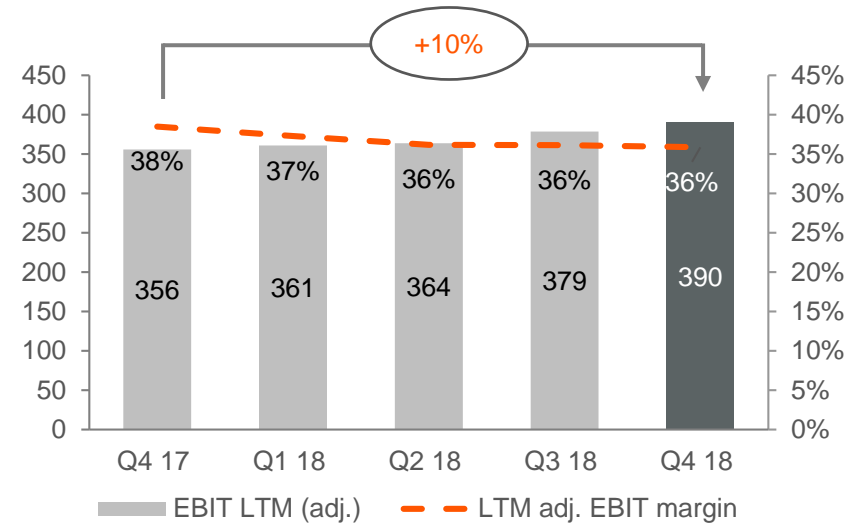
¹⁾ New Growth Initiatives figures are excluded from the calculations, as high volumes with very low margins distorts the analysis

Solid adj. EBIT performance

Change in adj. EBIT (NOKm)



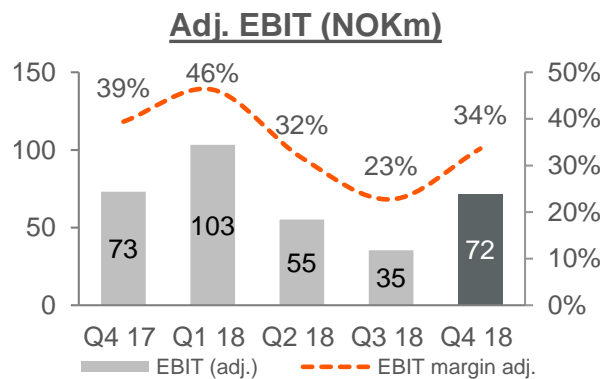
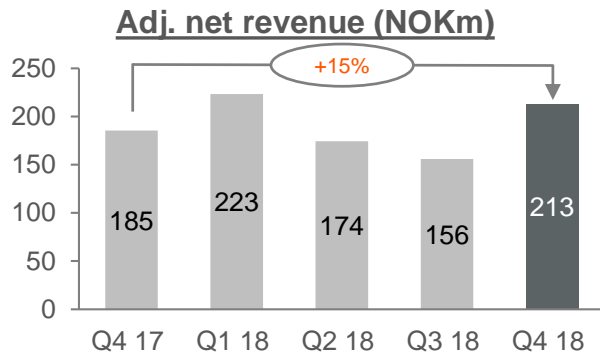
Adj. EBIT LTM (NOKm)



- 12% increase in adjusted EBIT YoY
 - EBIT adj. improvement mainly driven by the Business segment
- Adj. OPEX increase YoY mainly in the consumer segment, driven by sales and marketing costs, customer service costs and other variable costs
- All time high adj. EBIT LTM, with a YoY increase of 10%
 - Positive development in adj. LTM EBIT margin with a flat trend over the last three quarters

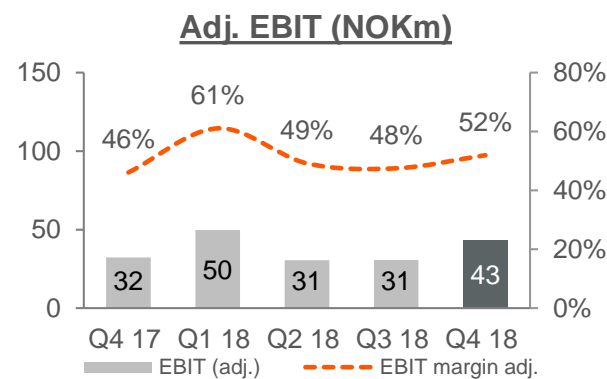
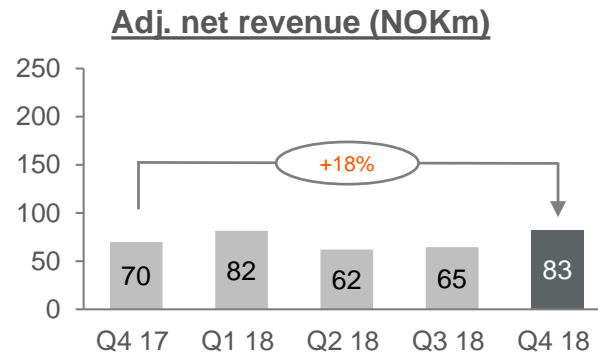
Adj. net revenue and adj. EBIT by segment – quarterly

Consumer segment



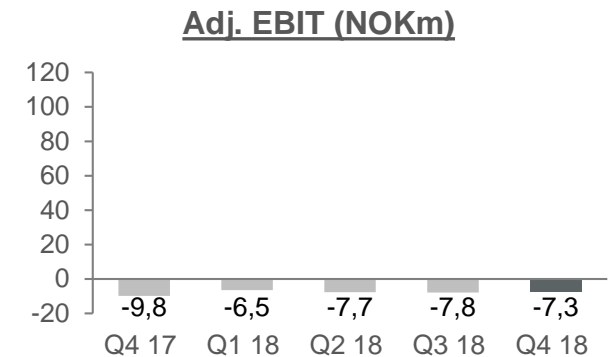
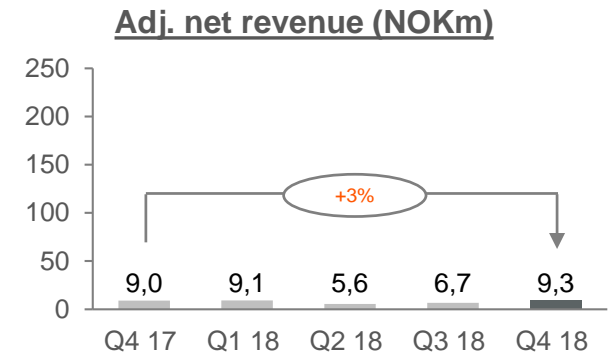
- Increase in adj. net revenue driven ~50/50 by improved margins and volume growth
- 5 pp adj. EBIT margin contraction YoY

Business segment



- Volume growth accounting for ~60% of the adj. net revenue improvement
- 6 pp adj. EBIT margin improvement YoY, driven by scale and net revenue growth

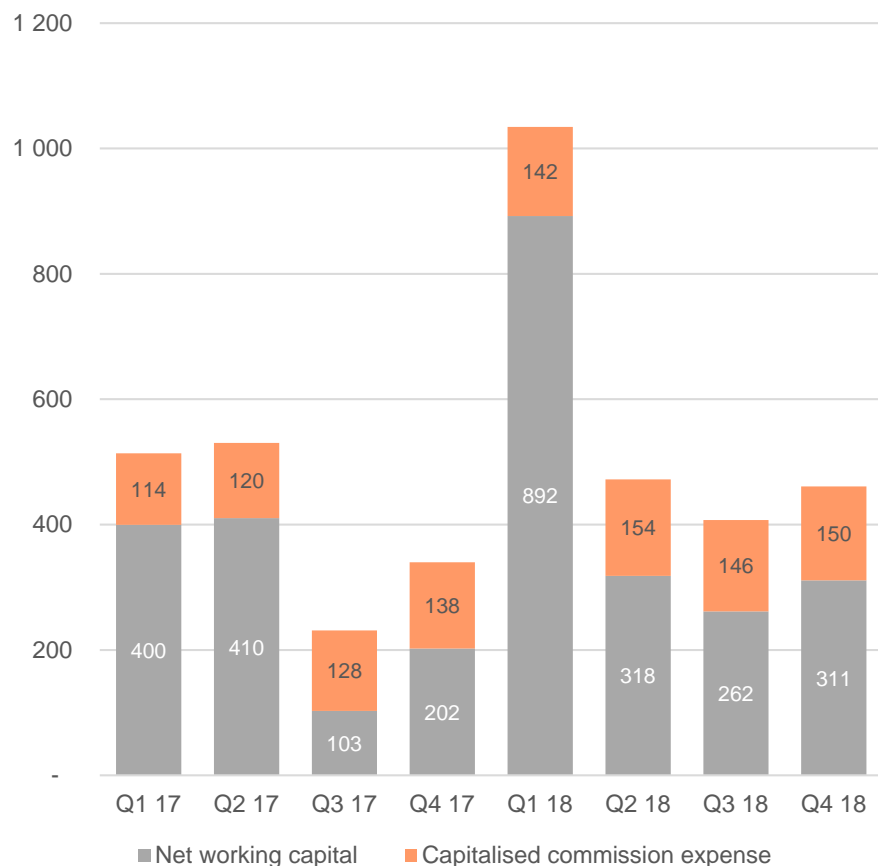
New Growth Initiatives



- Adj. net revenue growth driven by Mobile
- Continued positive development in mobile margins - reduced data cost from Telenor with a positive impact
- YoY adj. EBIT improvement driven by Mobile

Net working capital increasing from last quarter

Net working capital¹ (NOKm)



- Net working capital (NWC) increased by 49 NOKm from last quarter due to seasonally higher volume. Prices decrease 5%² from Q3 to Q4
- NWC is increasing 109 NOKm YoY, driven by volume growth (+9%)³ and higher prices (+56%)²
- Capitalised sales commissions increasing 4 NOKm from last quarter, driven by increased sales activity in Q4

Sources: Company information

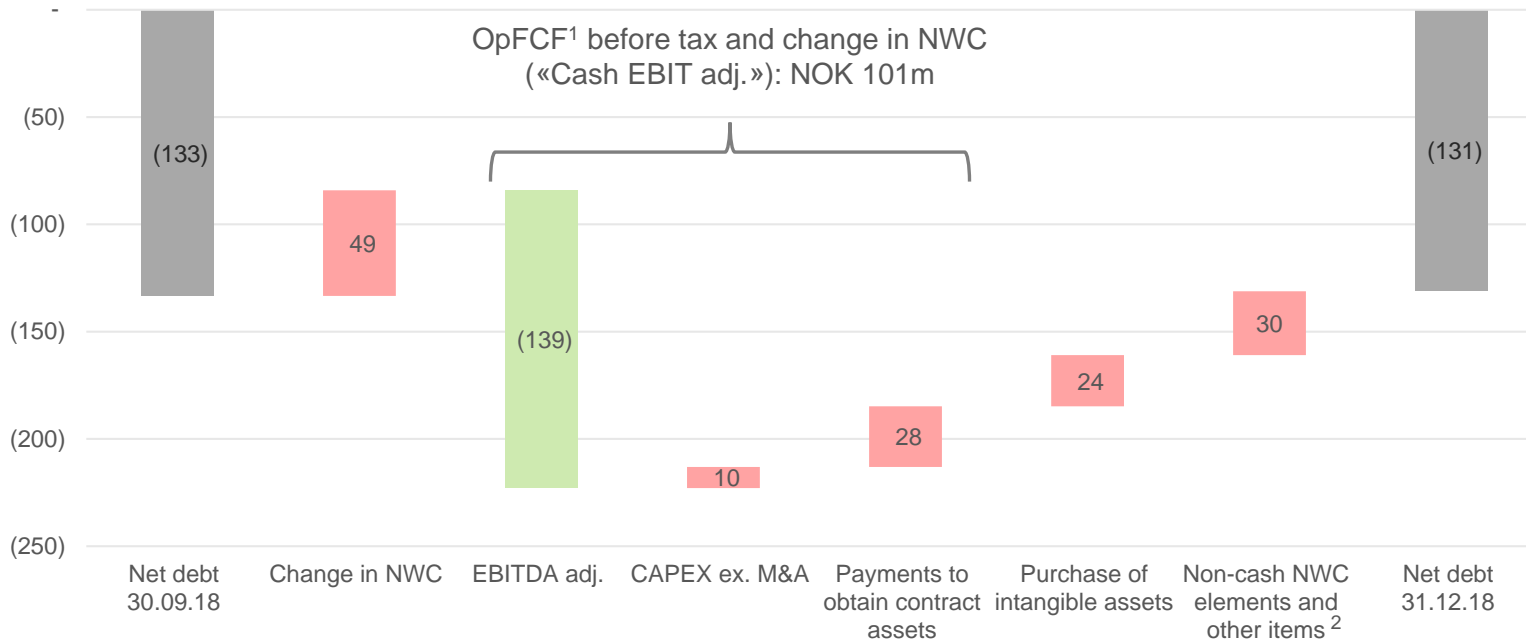
1) NWC includes the following items from current assets: Inventories, intangible assets, trade receivables, derivative financial instruments and other current assets (that is, all current assets in the balance sheet except cash and cash equivalents); and the following items from current liabilities: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

2) Average of daily system prices in NOK

3) Volume sold in the Consumer and Business segments

Flat development in net cash position

Change in net debt Q-o-Q (NOKm)



- Net cash position of 131 NOKm at the end of Q4 18. A change of 2 NOKm from Q3 18
- Net working capital increased by 49 NOKm
- Strong underlying cash generation
- Purchase of 24 NOKm related to Oppdal and Etne acquisitions financed through available cash
- “Non-cash NWC elements and other items” primarily related to change in tax liability

Sources: Company information

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

2) Non-cash NWC relates to items included in “change in NWC” that are not affecting NIBD. Other includes interest, tax, change in long-term receivables, proceeds from non-current receivables, proceeds from other long-term liabilities and adjustments made on EBITDA.

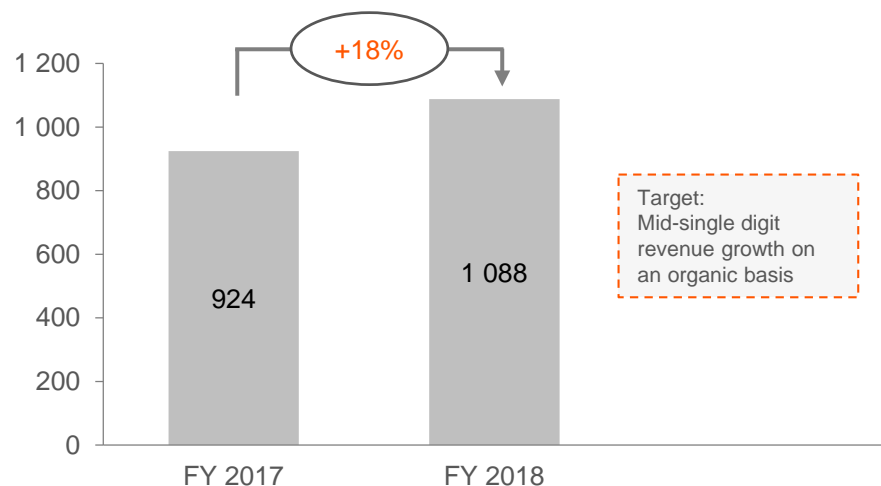


FULL YEAR 2018

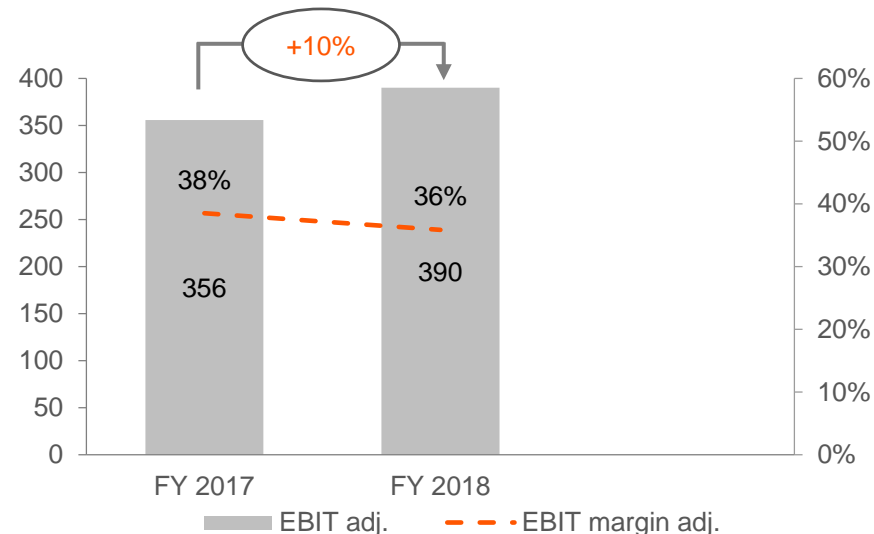
Birte Strander (CFO)

Group performance stronger than expected

Adj. net revenue¹ (NOKm)



Adj. EBIT¹ (NOKm)



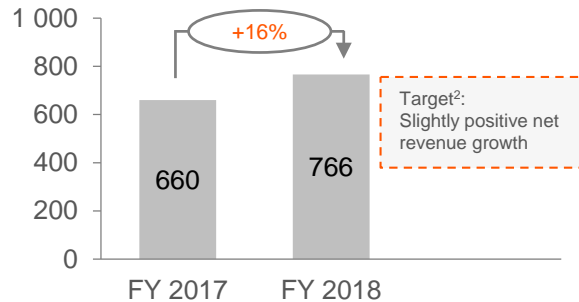
- Both successful M&A transactions and product margin improvement contributing to 18% growth in adj. net revenue
 - Well above targeted, also adjusted for positive M&A effects
 - 1 pp of the increase is related to New Growth Initiatives
 - ~50/50 contribution from Alliance and Mobile, driven by customer growth and margin improvements in the Mobile offering
- All time high adj. EBIT - improvement driven by the Business segment
 - Adj. EBIT margin better than expected, reaching a sustainable level of 36%

Sources: Company information
 1) 2018 figures are not audited

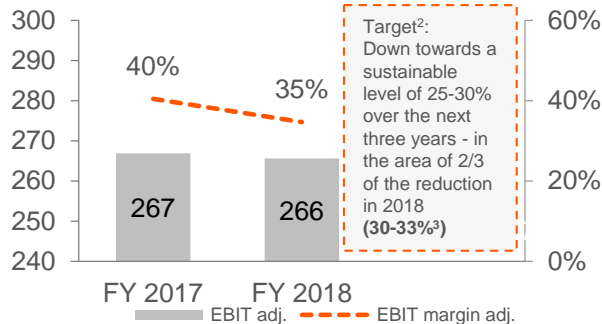
Adj. net revenue and adj. EBIT by segment – Full Year

Consumer segment

Adj. net revenue¹ (NOKm)



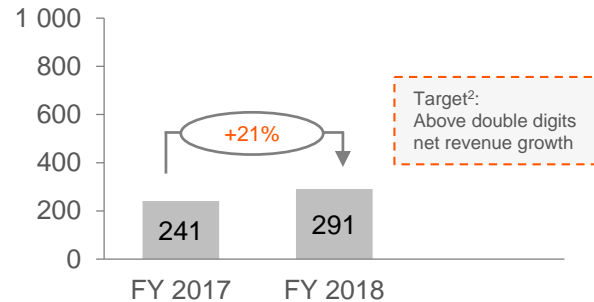
Adj. EBIT¹ (NOKm)



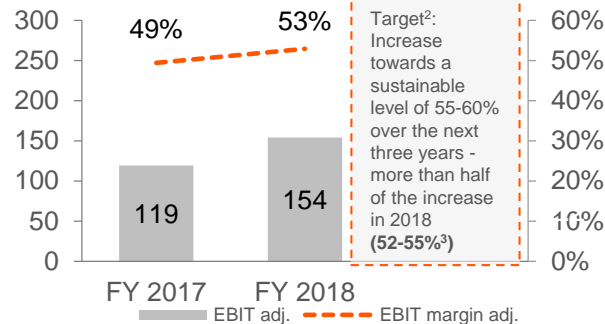
- Net revenue growth well above target
- Partly due to successful M&A, but also due to ability to maintain product margins at a higher level than expected in a competitive market
- EBIT margin stronger than targeted, driven by net revenue performance

Business segment

Adj. net revenue¹ (NOKm)



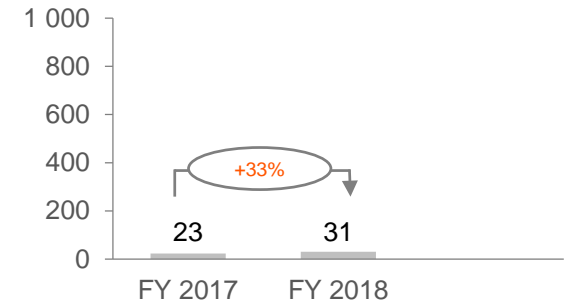
Adj. EBIT¹ (NOKm)



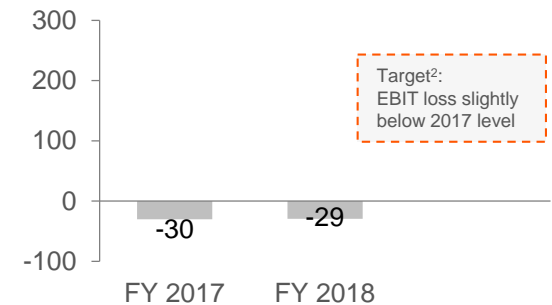
- Net revenue growth well above target, positively affected by M&A
- EBIT margin in line with target

New Growth Initiatives

Adj. net revenue¹ (NOKm)



Adj. EBIT¹ (NOKm)



- Net revenue growth split ~50/50 between Mobile and Alliance
- EBIT performance in line with targets

Sources: Company information

- 1) 2018 figures are not audited
- 2) All targets are on an organic basis
- 3) Implies an EBIT margin within the specified range, depending on interpretation

Performance vs financial targets¹

Targets

Status

Group	Targets				Status
Group	<ul style="list-style-type: none"> Ambition to act as a consolidator in a fragmented market 				<ul style="list-style-type: none"> Three acquisitions in 2018
Acquisition	# of deliveries	Purchase price	Expected annual synergies 2018	Expected annual synergies 2019	Status
TrønderEnergi Marked	~61,200	278 NOKm	>5 NOKm	>15 NOKm	<ul style="list-style-type: none"> Synergies realized as expected in 2018 Well on track in 2019
Oppdal Everk	~5,200	18 NOKm	–	~1 NOKm	
Etne Kraftlag	~1,600	Confidential (at seller's request)	–	~0,5 NOKm	
Cap.ex.	<ul style="list-style-type: none"> Targeted to be in the area of NOK 35 – 40m annually on an organic basis over the next three years 				<ul style="list-style-type: none"> In line with targets (34 NOKm)
Dividend	<ul style="list-style-type: none"> Attractive and increasing dividend Target pay-out ratio of at least 80% (based on adjusted net income) 				<ul style="list-style-type: none"> Proposed dividend of 2.2 NOK per share^{2,3}

1) Base line for the financial targets is adjusted 2017 financials

2) Subject to approval at the annual general meeting

3) How the dividend is calculated:

$$\frac{[(\text{Adjusted EBIT} + \text{net finance}) \cdot (1 - \text{average tax rate}) - \text{amortisation of acquisition debt}] \cdot \text{pay-out ratio}}{[(390 \text{ NOKm} + 5 \text{ NOKm}) \cdot (1 - 23.6\%) - 27.8 \text{ NOKm}] \cdot 83.9\% = 229.9 \text{ NOKm, equivalent of a DPS of 2.2 NOK}}$$



Q&A

Appendix



PROFIT AND LOSS ACCOUNT

Summary reported financials

NOK million	Q4 2018	Q4 2017
Gross revenue	2 179,1	1 409,9
Cost of sales	-1 871,6	-1 151,7
Net revenue	307,5	258,2
Personnel expenses	-64,7	-60,6
Other operating expenses	-103,5	-92,5
Operating expenses	-168,2	-153,1
Other gains and losses, net	-2,7	9,6
EBITDA	136,6	114,7
Depreciation & amortization	-44,9	-28,4
Operating profit (EBIT)	91,7	86,3
Net financials	0,4	2,9
Profit / loss before taxes	92,1	89,2
Taxes	-20,7	-21,0
Profit / loss for the period	71,4	68,2
Basic earnings per share (in NOK)	0,68	0,65
Diluted earnings per share (in NOK)	0,68	0,65

ADJUSTED EBIT reconciliation

<i>NOK in thousands</i>	Q4 2018	Q4 2017	FY 2018	FY 2017
Adjusted operating profit (before unallocated and estimate deviations)	107 106	95 507	390 142	355 730
Adjustment: (Positive)/negative estimate deviations previous year 1)	2 857	-6 171	5 449	-12 156
Other gains & losses 2)	-2 682	9 571	-10 578	7 884
Special items 3)	-2 233	-12 176	-21 755	-27 002
Depreciation of acquisitions 4)	-13 333	-426	-36 375	-1 834
Operating profit	91 714	86 305	326 883	322 620
Interest income	3 497	2 631	15 178	11 801
Interest expense	-1 598	-13	-4 927	-175
Other financial items, net	-1 501	274	-5 277	-2 779
Profit/(loss) before tax	92 112	89 197	331 858	331 467

3) *Special items consists of one-time items as follows:*

<i>NOK in thousands</i>	Q4 2018	Q4 2017	FY 2018	FY 2017
Special items incurred specific to:				
- the process of listing the company on Oslo Stock Exchange	-	-12 176	-11 323	-12 176
- acquisition related costs	-1 935	-	-11 643	-
- the launch of new products and services	-	-	-	-14 826
- compensatory damages	-	-	4 080	-
- legal costs related to the compensatory damages above	-	-	-460	-
- strategic costs related to markets abroad	-298	-	-2 409	-
Non-recurring	-2 233	-12 176	-21 755	-27 002

EBIT adjustments

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

1) *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. 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.

2) *Other gains and losses, net:*

Consist of gains and losses on derivative financial instruments associated with the purchase and sale of electricity.

3) *Non-recurring items:*

Non-recurring one-time items. These are described in the table on the following page.

4) *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, as this, in the Group's opinion, better represents underlying performance. In order to accommodate this, historically reported figures have been adjusted accordingly.

BALANCE SHEET

Summary reported financials

NOK million	Q3 18	Q4 17	Δ
Intangible assets	200,0	82,1	117,9
PP&E	4,1	3,6	0,6
Goodwill	155,8	-	155,8
Financial assets	20,1	14,2	5,9
Other non-current assets	149,9	137,5	12,4
Total non-current assets	529,9	237,4	292,5
Trade receivables	2 006,3	1 364,5	641,8
Derivative financial instruments	463,6	113,4	350,2
Other current assets	66,9	44,0	22,8
Cash and cash equivalents	381,4	363,2	18,2
Total current assets	2 918,2	1 885,2	1 033,0
Total assets	3 448,2	2 122,6	1 325,6
Total equity	871,0	716,3	154,7
Net employee defined benefit liabilities	79,3	73,7	5,6
Interest-bearing long term debt	194,6	-	194,6
Deferred tax liabilities	20,8	12,9	7,9
Other provisions	0,8	-	0,8
Total non-current liabilities	295,6	86,7	208,9
Trade payables	1 100,2	726,6	373,6
Overdraft facilities	-	-	-
Current income tax liabilities	94,2	71,2	23,0
Derivative financial instruments	455,4	95,4	360,0
Social security and other taxes	57,5	50,1	7,4
Other current liabilities	574,2	376,3	197,9
Total current liabilities	2 281,6	1 319,6	961,9
Equity and liabilities	3 448,2	2 122,6	1 325,6

CASH FLOW

Summary reported financials

NOK million	Q4 2018	Q4 2017	Δ YoY
EBITDA	136,6	114,7	22,0
Other non-cash adjustments	2,5	1,6	0,9
Change in fair value of financial instruments	2,7	-9,6	12,3
Changes in working capital, etc.	-85,8	-122,2	36,4
Cash from operating activities	56,1	-15,4	71,5
Interest paid	-0,3	-0,0	-0,3
Interest received	3,5	2,6	0,9
Income tax paid	-3,0	11,6	-14,6
Net cash from operating activities	56,3	-1,2	57,5
Purchases of property, plant and equipment	-0,5	-	-0,5
Purchase of intangible assets	-33,2	-13,7	-19,5
Payments to obtain a contract (contract assets)	-28,2	-30,8	2,5
Net cash outflow on aquisition of subsidiaries	3,6	-	3,6
Proceeds from non-current receivables	-0,2	-0,1	-0,1
Net cash used in investing activities	-58,5	-44,6	-13,9
Proceeds from borrowings	-13,9	-	-13,9
Net (outflow)/proceeds from change in overdraft facilities	-	-	-
Dividends	-	-	-
Net cash used in financing activities	-13,9	-	-13,9
Net change in cash and cash equivalents	-16,1	-45,8	29,7
Cash and cash equivalents at beginning	397,5	409,0	-11,5
Cash and cash equivalents at end	381,4	363,2	18,2

FORWARD-LOOKING STATEMENTS

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

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