

Fjordkraft Holding ASA and the Fjordkraft Group

Quarterly report - Q3 2020



Q3 Highlights

- Strong financial performance with a 10% YoY increase in net revenue and 25% YoY growth in EBIT adj.
- Solid growth, both organically and from M&A, as the deliveries from the Innlandskraft acquisition are included as of 30 September
- Kantar's Q3 survey shows that Norwegian consumers are satisfied with their electricity retailer. Fjordkraft is no.1 in Top of Mind and Brand Awareness
- Fjordkraft is in line with the industry average on customer satisfaction, well above peers like Fortum, NorgesEnergi and Hafslund
- Fjordkraft acquired SNG, a Nordic retailer, in October

Key figures Q3*

NOK in thousands	Q3 2020	Q3 2019	YTD 2020
Gross revenue	588 991	1 101 634	2 570 627
Net revenue	284 451	259 327	1 096 266
Net revenue adjusted	284 451	259 327	1 079 876
EBIT reported	56 604	42 482	420 057
EBIT adjusted	78 764	62 968	440 574
Net income	40 161	33 932	326 432
Basic earnings per share (in NOK)	0,38	0,32	3,11
Diluted earnings per share (in NOK)	0,38	0,32	3,08
EBIT margin	20 %	16 %	38 %
EBIT margin adjusted	28 %	24 %	41 %
Net interest bearing debt (cash)	(266 400)	(492 623)	(266 400)
Capex excl. M&A	13 349	9 782	49 245
Volume sold (GWh)	2 392	2 307	9 344
# of deliveries ('000) excl. Extended Alliance	866	619	866

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

Strong growth - both financially and in number of customers

Growth in number of customers has been a key pillar in Fjordkraft's strategy. In a fragmented industry with a high level of competition, the organic growth is a good metric for the retailer's attractiveness in the market. It is therefore pleasing to announce that Fjordkraft had an organic growth in Q3 of almost six thousand electricity deliveries in the Consumer and Business segments combined, and through the inclusion of the deliveries from the Innlandskraft acquisition, the total growth in the quarter was more than 240 thousand deliveries. In addition to this, Fjordkraft acquired Switch Nordic Green, a Nordic retailer with operations in both Sweden and Finland, in October. This positions Fjordkraft for further growth in the Nordics, as the markets become more and more similar, and competition becomes increasingly pan-Nordic.

The third quarter has also been a strong one financially. Net revenue increased 10% YoY and EBIT adjusted increased 25% YoY. Volume sold increased 4% YoY and was driven by growth in number of deliveries as well as increased average consumption per delivery in the Consumer segment. Elspot prices have been volatile in the quarter. In July, prices continued at a historically low level, but then increased through August and reached a spike in early September, before they fell again. The temperature was colder than last year in two out of three months in the quarter.

Consumer

Number of electricity deliveries in the Consumer segment increased by 217 thousand deliveries in the quarter, of which 5,225 organically. At the end of Q3 2020 the segment comprised 761 thousand deliveries, which represents a growth

of 219 thousand deliveries YoY. The volume sold in third quarter 2020 was 1,288 GWh, which is a 5% increase from the third quarter 2019. The increase is driven by both increase in number of deliveries and increased average consumption per delivery.

Adjusted net revenue in the Consumer segment amounts to 205 NOKm, a YoY growth of 14%. The increase is driven 70/30 by margin improvement and volume growth.

Adjusted OPEX amounts to 148 NOKm in the third quarter of 2020, compared to 142 NOKm in the third quarter of 2019. Increased sales and marketing costs and administrative costs are the main drivers for the increase.

EBIT adjusted amounts to 57 NOKm in the quarter, which is an increase of 19 NOKm compared to the third quarter of 2019. This corresponds to an adjusted EBIT margin of 28%, and a YoY increase of 7 percentage points.

Business

At the end of third quarter 2020, the Business segment comprised 104 thousand electricity deliveries, which represents an increase of 23 thousand deliveries in the quarter, of which 634 organically. The volume sold in third quarter 2020 was 1,104 GWh, an increase of 3% compared to third quarter 2019. The increase is driven by growth in number of deliveries.

Adjusted net revenue in the Business segment amounts to 72 NOKm, a YoY growth of 3%. The growth is driven by volume growth.

Adjusted OPEX amounts to 38 NOKm in the quarter, compared to 37 NOKm in the third quarter of 2019.

EBIT adjusted amounts to 34 NOKm in the quarter, which is a 1 NOKm increase from third quarter 2019. Adjusted EBIT margin in the quarter was 47%, which is the same as in Q3 2019.

New Growth Initiatives:

At the end of third quarter 2020, the number of mobile subscribers was 122 thousand, which represents an organic growth of 4,691 subscribers from second quarter 2020.

Alliance volume in third quarter 2020 was 689 GWh, which is a 2% YoY increase.

Adjusted net revenue in the New Growth Initiatives segment amounts to 7 NOKm, a YoY decrease of 18%. The decrease in net revenue is driven by reduced margins within Mobile, which is negatively affected by increased voice activity due to Covid-19 and increased prices from Telenor.

OPEX adjusted amounted to 19 NOKm, an increase from 18 NOKm in third quarter 2019.

EBIT adjusted amounted to -12 NOKm, a decrease of 3 NOKm from third quarter 2019, driven by reduced margins within mobile.

Financials

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

Gross revenue amounted to 589 NOKm (1,102 NOKm), a decrease of 47%, due to lower elspot prices.

Adjusted net revenue amounted to 284 NOKm (259 NOKm), an increase of 10%. The increase is driven ~2/3 by margin improvement and ~1/3 by volume growth.

Adjusted operating expenses amounted to 206 NOKm (196 NOKm), an increase of 5%, driven by sales and marketing costs and administrative costs.

Adjusted EBIT amounted to 79 NOKm (63 NOKm), a growth of 25% YoY due to the factors described above.

Net financial income amounted to -1.1 NOKm (1.4 NOKm).

Profit for the period amounted to 40 NOKm (34 NOKm) in the quarter due to the factors described above.

Consolidated cash flow

Net cash generated from operating activities was 231 NOKm (236 NOKm). Net cash used in investing activities was -545 NOKm (-33 NOKm) driven by the acquisition of Innlandskraft. Net cash used in financing activities was NOK 290 NOKm (-16 NOKm), primarily consisting of proceeds from interest-bearing long term debt.

Financial position

The total capital as of 30.09.2020 was 3,633 NOKm (2,368 NOKm), an increase of 1,265 NOKm from Q3 2019. The main driver for the increase in the inclusion of Innlandskraft.

Events after the reporting period

On the 28 of October 2020, Fjordkraft Holding ASA entered into an agreement for the acquisition of 100% of the shares in Troms Kraft Strøm AS and its subsidiary Switch Nordic Green AB, from the current owner Troms Kraft AS. The transaction was completed on the 10 of November 2020.

The purchase price is based on an enterprise value of NOK 375 million on a cash and debt free basis and assuming an agreed normalised level of working capital. The purchase price is paid in cash to Troms Kraft AS. The acquisition is financed by long-term debt through Fjordkraft's existing available facilities and available cash.

As the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue, it is impracticable to disclose further information required by IFRS 3.

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

Risks and uncertainties

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

Outlook

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

Condensed interim financial statements



Condensed consolidated statement of profit or loss

NOK in thousands	Note	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full Year 2019
Continuing operations							
Revenue	2,9	671 380	588 991	1 101 634	2 570 627	5 076 019	7 122 528
Direct cost of sales	2	(340 967)	(304 540)	(842 307)	(1 474 361)	(4 155 137)	(5 827 394)
Revenue less direct cost of sales		330 413	284 451	259 327	1 096 266	920 882	1 295 134
Personnel expenses	2	(54 648)	(78 494)	(74 557)	(211 737)	(186 893)	(236 106)
Other operating expenses	2	(97 758)	(97 001)	(84 887)	(319 353)	(275 312)	(379 973)
Depreciation right-of-use assets		(3 133)	(3 111)	(2 422)	(9 344)	(6 848)	(10 404)
Depreciation and amortisation	2,5,6	(45 360)	(47 877)	(46 551)	(138 884)	(135 189)	(190 528)
Total operating expenses		(200 899)	(226 483)	(208 418)	(679 318)	(604 242)	(817 011)
Other gains and losses, net	7	2 568	(1 365)	(8 427)	3 110	(8 511)	4 615
Operating profit		132 082	56 604	42 482	420 057	308 128	482 738
Income/(loss) from investments in associates and joint ventures	13	(198)	(915)	-	(1 266)	-	-
Interest income		4 067	3 170	4 444	13 617	14 879	20 071
Interest expense lease liability		(410)	(390)	(401)	(1 228)	(772)	(1 677)
Interest expense		(1 052)	(937)	(1 633)	(3 646)	(4 860)	(6 956)
Other financial items, net		(2 677)	(2 005)	(1 057)	(4 442)	(2 560)	(3 737)
Net financial income/(cost)		(270)	(1 077)	1 353	3 035	6 687	7 701
Profit/ (loss) before tax		131 812	55 527	43 835	423 092	314 816	490 440
Income tax (expense)/ income	3	(29 211)	(15 366)	(9 904)	(96 660)	(70 325)	(120 269)
Profit/ (loss) for the period		102 601	40 161	33 932	326 432	244 490	370 171
Basic earnings per share (in NOK)*	4	0,98	0,38	0,32	3,11	2,34	3,54
Diluted earnings per share (in NOK)*	4	0,97	0,38	0,32	3,08	2,32	3,51

* Based on a weighted average of 104 814 198 shares outstanding. It is issued 1 150 000 share options to employees.

Condensed consolidated statement of comprehensive income

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full Year 2019
Profit/ (loss) for the period	102 601	40 161	33 932	326 432	244 490	370 171
Other comprehensive income/ (loss):						
Items that will not be reclassified to profit or loss:						
Actuarial gain/ (loss) on pension obligations, net of tax	-	-	-	(26 024)	-	(11 091)
Total	-	-	-	(26 024)	-	(11 091)
Total other comprehensive income/ (loss) for the period, net of tax	-	-	-	(26 024)	-	(11 091)
Total comprehensive income/ (loss) for the period	102 601	40 161	33 932	300 408	244 490	359 080

Condensed consolidated statement of financial position

NOK in thousands	Note	30 June 2020	30 September 2020	30 September 2019	31 December 2019
Assets:					
Non-current assets					
Right-of-use assets property, plant and equipment	10	63 430	70 952	49 218	65 976
Property, plant and equipment	5, 10	6 205	8 500	6 463	7 108
Goodwill	6, 10	166 696	1 127 050	166 696	166 696
Intangible assets	6, 10	172 466	658 559	193 813	178 542
Cost to obtain contracts	10	152 559	161 366	158 838	159 235
Investments in associates and joint ventures	13	9 649	8 734	-	-
Other non-current financial assets	10	25 764	39 060	23 577	25 365
Total non-current assets		596 769	2 074 221	598 605	602 923
Current assets					
Intangible assets	6, 10	1 950	4 066	20 810	23 760
Inventories	10	801	1 199	705	794
Trade receivables	8, 10	455 853	499 592	916 230	1 507 467
Derivative financial instruments	7, 10	229 834	186 026	91 893	79 274
Other current assets	10	36 038	141 761	38 274	18 466
Cash and cash equivalents	10	749 445	726 400	701 123	775 536
Total current assets		1 473 923	1 559 044	1 769 034	2 405 297
Total assets		2 070 691	3 633 266	2 367 640	3 008 220
Equity and liabilities:					
Equity					
Share capital		31 376	34 285	31 349	31 349
Share premium		127 738	991 614	125 035	125 035
Retained earnings		794 929	835 904	731 510	846 833
Total current assets		954 043	1 861 803	887 893	1 003 216

**Condensed consolidated statement
of financial position**

NOK in thousands	Note	30 June 2020	30 September 2020	30 September 2019	31 December 2019
Non-current liabilities					
Net employee defined benefit plan liabilities	10	96 489	135 456	84 377	64 062
Interest-bearing long term debt	11	111 200	408 148	152 900	139 000
Deferred tax liabilities	3, 10	15 800	118 371	14 930	27 451
Lease liability - long term	10	54 111	59 766	38 802	56 515
Other provisions for liabilities		-	-	732	-
Total non-current liabilities		277 600	721 741	291 741	287 027
Current liabilities					
Trade and other payables	8, 10	160 164	310 132	472 712	818 143
Current income tax liabilities	3, 10	107 237	125 378	98 599	111 656
Derivative financial instruments	7, 10	214 085	182 859	93 744	67 999
Social security and other taxes	10	103 669	73 554	47 019	142 620
Lease liability - short term	10	12 031	14 113	10 856	11 428
Other current liabilities	10	241 862	343 686	465 076	566 129
Total current liabilities		839 049	1 049 722	1 188 006	1 717 976
Total liabilities		1 116 649	1 771 463	1 479 746	2 005 004
Total equity and liabilities		2 070 691	3 633 266	2 367 640	3 008 220

The Board of Fjordkraft Holding ASA, Bergen, 11 November 2020



Per Axel Koch
Chairman



Birthe Iren Grotle
Board member



Frank Økland
Board member



Elisabeth M. Norberg
Board member



Heidi Theresa Ose
Board member



Live Bertha Haukvik
Board member



Steinar Sønsteby
Board member



Lindi Bucher Vinsand
Board member



Rolf Jørgen Barmen
CEO

Condensed consolidated statement of changes in equity

NOK in thousands	Share capital	Share premium	Treasury shares	Retained earnings	Total
Balance at 1 January 2019	31 349	125 035	-	714 651	871 035
Profit/(loss) for the period	-	-	-	244 490	244 490
Other paid-in equity	-	-	-	2 260	2 260
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	-	246 751	246 751
Dividends paid (note 4)	-	-	-	(229 892)	(229 892)
Transactions with owners	-	-	-	(229 892)	(229 892)
Balance at 30 September 2019	31 349	125 035	-	731 510	887 893
Balance at 1 January 2020	31 349	125 035	-	846 833	1 003 216
Profit/ (loss) for the period	-	-	-	326 432	326 432
Other paid-in equity	-	-	-	2 379	2 379
Other comprehensive income/ (loss) for the period, net of tax	-	-	-	(26 024)	(26 024)
Total comprehensive income/ (loss) for the period	-	-	-	302 788	302 788
Share capital increase (note 4, 10)	2 936	866 580	-	-	869 515
Dividends paid (note 4)	-	-	-	(313 717)	(313 717)
Transactions with owners	2 936	866 580	-	(313 717)	555 798
Balance at 30 September 2020	34 285	991 614	-	835 904	1 861 803

Condensed consolidated statement of cash flows

NOK in thousands	Note	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Operating activities							
Profit/ (loss) before tax		131 812	55 527	43 835	423 092	314 816	490 440
Adjustments for:							
Depreciation	5,6	17 525	18 464	18 734	53 245	55 560	82 158
Depreciation right-of-use assets		3 133	3 111	2 422	9 344	6 848	10 404
Amortisation of contract assets		27 835	29 413	27 817	85 639	79 629	108 370
Interest income		(4 067)	(3 170)	(4 444)	(13 617)	(14 879)	(20 071)
Interest expense lease liability		410	390	401	1 228	772	1 677
Interest expense		1 052	937	1 633	3 646	4 860	6 956
Income/loss from investments in associates and joint ventures		198	915	-	1 266	-	-
Change in long-term receivables		13 820	-	30	-	(2 725)	(2 879)
Share based payment expense		802	811	733	2 390	2 260	2 994
Change in post-employment liabilities		(3 518)	965	6 492	29	4 978	(29 556)
Payments to obtain a contract		(26 245)	(38 221)	(34 887)	(87 770)	(88 555)	(117 693)
Changes in working capital (non-cash effect)							
Impairment loss recognised in trade receivables		3 505	1 580	4 195	21 820	22 483	23 502
Change in fair value of derivative financial instruments		(2 568)	1 365	8 427	(3 110)	8 511	(4 615)
Changes in working capital							
Inventories		(349)	(248)	512	(256)	(172)	(262)
Trade receivables	8	408 535	19 613	168 392	1 050 986	1 081 615	489 360
Purchase of el-certificates	6	-	-	(370)	(245 712)	(242 966)	(242 596)
Non-cash effect from cancelling el-certificates	6	(187)	-	-	263 594	246 569	246 569
Purchase of guarantees of origination	6	(176)	(1 930)	(854)	(3 503)	(7 063)	(12 975)
Non-cash effect from disposal of guarantees of origination	6	3 143	-	1 303	5 501	17 823	18 837
Other current assets		77 286	(2 980)	5 107	(20 552)	941	20 715
Trade and other payables	8	(227 876)	122 407	(106 050)	(535 572)	(642 485)	(297 054)
Other current liabilities		(15 526)	21 056	89 835	(341 607)	(125 454)	72 774
Cash generated from operations		408 542	230 005	233 262	670 083	723 367	847 054
Interest paid		(1 898)	(1 816)	(1 557)	(5 923)	(4 859)	(8 627)
Interest received		4 067	3 170	4 444	13 617	14 879	20 071
Income tax paid	3	-	-	(288)	(90 024)	(74 194)	(93 793)
Net cash from operating activities		410 711	231 358	235 862	587 753	659 193	764 704

**Condensed consolidated statement
of cash flows**

NOK in thousands	Note	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Investing activities							
Purchase of property, plant and equipment	5	-	(989)	(1 766)	(989)	(2 852)	(3 791)
Purchase of intangible assets	6	(22 724)	(12 452)	(8 093)	(50 254)	(34 953)	(47 589)
Sale of intangible assets	6	-	-	-	10 000	-	-
Net cash outflow on acquisition of subsidiaries		-	(531 655)	(22 066)	(531 655)	(22 066)	(22 066)
Net cash outflow on acquisition of shares in associates	13	-	-	-	(10 000)	-	-
Net (outflow)/proceeds from non-current receivables		(74)	545	(977)	146	(763)	(2 396)
Net (outflow)/proceeds from other long-term liabilities		-	-	-	-	(74)	(805)
Net cash used in investing activities		(22 798)	(544 550)	(32 903)	(582 751)	(60 707)	(76 648)
Financing activities							
Proceeds from issuance of shares	4	389	-	-	2 730	-	-
Dividends paid	4	(313 717)	-	-	(313 717)	(229 892)	(229 892)
Formation expenses		(10)	-	-	(10)	-	-
Proceeds from interest-bearing long term debt		-	460 000	-	460 000	-	-
Instalments long term debt		(13 900)	(13 900)	(13 900)	(41 700)	(41 700)	(55 600)
Repayment of long term debt		-	(152 900)	-	(152 900)	-	-
Payment of lease liability		(2 966)	(3 051)	(2 586)	(8 539)	(7 180)	(8 438)
Net cash used in financing activities		(330 204)	290 149	(16 486)	(54 137)	(278 772)	(293 930)
Net change in cash and cash equivalents		57 710	(23 043)	186 473	(49 135)	319 714	394 126
Cash and cash equivalents at start of period		691 735	749 445	514 649	775 536	381 409	381 409
Cash and cash equivalents at end of period		749 445	726 400	701 123	726 400	701 123	775 536

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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 11 November 2020.

Basis of preparation

These interim financial statements have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting". These interim financial statements do not provide the same scope of information as the annual financial statements and should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRS.

Going concern

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

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

Accounting policies

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

Use of estimates

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

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except for income taxes, post-employment benefits and judgements regarding the estimated effects of the COVID-19 pandemic.

The judgements regarding estimated effects of the COVID-19 pandemic are outlined in note 12.

Income tax expense and deferred income tax liability is calculated by applying a weighted average of tax rates across jurisdictions, while in annual financial statements income tax expense and deferred income tax liability is calculated by

applying the tax rate for each individual jurisdiction to measures of income for each jurisdiction.

Present value of defined benefit obligations and the fair value of plan assets at the end of each interim reporting period is estimated by extrapolation of the latest actuarial valuation, while in the annual financial statements this estimate is based on an updated actuarial valuation.

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

Impairment of tangible and intangible assets

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

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

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

Note 1
Accounting policies

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

Share-based compensation

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

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

Incremental costs of obtaining a contract

IFRS 15 requires capitalisation of incremental

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

Business combination 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 acquisition date. The acquisition date is defined as the date on which the company obtains control of the acquiree, which is generally the date on which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquiree. For convenience, the group may designate the acquisition date to the date at the end or the beginning of the month, rather than the actual acquisition date, unless events between this "convenience date" and the actual acquisition date result in material changes in amounts recognised.

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 recognised in profit or loss 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 acquisition 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.

Note 1
Accounting policies

Investment in joint ventures and associates

The Group's investments in joint ventures and associates are accounted for by using the equity method. Under this method, the investment is initially recognized at cost. Goodwill relating the associate or joint venture is included in the carrying amount of the investment and not tested for impairment individually. The income statement reflects the Group's share of the net result after tax of the associate or joint venture. Any depreciation or amortization of the Group's excess values are included in the net result from the joint ventures. Any change in other comprehensive income of the associate or joint venture is presented separately in the Group's other comprehensive income. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting principles in line with those of the Group.

The Group determines whether it is necessary to recognize an impairment loss on its investments in joint ventures or associates. At each reporting date, the Group determines whether there is objective evidence that the investments are impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount and the carrying amount of the investment. Any impairment loss is recognized as 'share of profit or loss from joint venture and associates'. The recoverable amount is the higher of value in use and fair value less cost to sell. The entire carrying amount of the investments are tested for impairment as one single asset.

Note 2 Segment information

Disaggregation of revenue from contracts with customers

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

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

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

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

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

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

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

Note 2
Segment information

NOK in thousands	Q2 2020			
	Consumer	Business	New growth initiatives*	Total segments
Revenue				
Revenue adjusted	323 666	253 299	71 796	648 761
Total external segment revenue adjusted	323 666	253 299	71 796	648 761
Direct cost of sales adjusted	(94 139)	(178 672)	(61 927)	(334 738)
Revenue less direct cost of sales adjusted	229 527	74 627	9 869	314 023
Expenses				
Personnel and other operating expenses adjusted	(104 430)	(28 696)	(16 354)	(149 479)
Depreciation and amortisation adjusted	(32 659)	(5 119)	(2 598)	(40 376)
Total operating expenses adjusted	(137 089)	(33 815)	(18 952)	(189 856)
Operating profit adjusted	92 438	40 812	(9 083)	124 168
Q3 2020				
NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue				
Revenue adjusted	291 976	221 807	75 208	588 991
Total external segment revenue adjusted	291 976	221 807	75 208	588 991
Direct cost of sales adjusted	(87 200)	(149 598)	(67 742)	(304 540)
Revenue less direct cost of sales adjusted	204 776	72 209	7 466	284 451
Expenses				
Personnel and other operating expenses adjusted	(113 255)	(32 600)	(16 767)	(162 622)
Depreciation and amortisation adjusted	(35 021)	(5 730)	(2 314)	(43 065)
Total operating expenses adjusted	(148 276)	(38 330)	(19 081)	(205 687)
Operating profit adjusted	56 500	33 879	(11 615)	78 764

Note 2
Segment information

	Q3 2019			
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
Revenue				
Revenue adjusted	609 350	434 762	57 522	1 101 634
Total external segment revenue adjusted	609 350	434 762	57 522	1 101 634
Direct cost of sales adjusted	(429 544)	(364 315)	(48 450)	(842 307)
Revenue less direct cost of sales adjusted	179 806	70 447	9 072	259 327
Expenses				
Personnel and other operating expenses adjusted	(110 291)	(33 567)	(15 302)	(159 159)
Depreciation and amortisation adjusted	(31 129)	(3 746)	(2 323)	(37 199)
Total operating expenses adjusted	(141 420)	(37 313)	(17 625)	(196 359)
Operating profit adjusted	38 386	33 134	(8 553)	62 968
YTD 2020				
	Consumer	Business	New growth initiatives*	Total segments
NOK in thousands				
Revenue				
Revenue adjusted	1 355 632	979 584	212 792	2 548 008
Total external segment revenue adjusted	1 355 632	979 584	212 792	2 548 008
Direct cost of sales adjusted	(559 580)	(724 629)	(183 923)	(1 468 132)
Revenue less direct cost of sales adjusted	796 052	254 955	28 869	1 079 876
Expenses				
Personnel and other operating expenses adjusted	(357 278)	(105 421)	(52 592)	(515 290)
Depreciation and amortisation adjusted	(101 140)	(15 508)	(7 364)	(124 012)
Total operating expenses adjusted	(458 418)	(120 929)	(59 956)	(639 302)
Operating profit adjusted	337 634	134 026	(31 087)	440 574

Note 2
Segment information

NOK in thousands	YTD 2019			
	Consumer	Business	New growth initiatives*	Total segments
Revenue				
Revenue adjusted	2 791 407	2 072 814	156 829	5 021 050
Total external segment revenue adjusted	2 791 407	2 072 814	156 829	5 021 050
Direct cost of sales adjusted	(2 154 128)	(1 832 364)	(123 042)	(4 109 533)
Revenue less direct cost of sales adjusted	637 279	240 450	33 787	911 517
Expenses				
Personnel and other operating expenses adjusted	(319 324)	(97 257)	(43 342)	(459 922)
Depreciation and amortisation adjusted	(90 499)	(11 186)	(6 565)	(108 251)
Total operating expenses adjusted	(409 823)	(108 443)	(49 907)	(568 173)
Operating profit adjusted	227 456	132 007	(16 120)	343 344
Full Year 2019				
NOK in thousands	Consumer	Business	New growth initiatives*	Total segments
Revenue				
Revenue adjusted	3 948 175	2 899 333	218 924	7 066 432
Total external segment revenue adjusted	3 948 175	2 899 333	218 924	7 066 432
Direct cost of sales adjusted	(3 046 521)	(2 563 430)	(172 760)	(5 782 711)
Revenue less direct cost of sales adjusted	901 654	335 903	46 164	1 283 721
Expenses				
Personnel and other operating expenses adjusted	(444 956)	(137 511)	(59 454)	(641 921)
Depreciation and amortisation adjusted	(125 305)	(16 531)	(8 911)	(150 748)
Total operating expenses adjusted	(570 261)	(154 042)	(68 365)	(792 668)
Operating profit adjusted	331 393	181 861	(22 201)	491 053

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

Note 2
Segment information

Reconciliation to statement of profit and loss for the period

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Revenue adjusted	648 761	588 991	1 101 634	2 548 008	5 021 050	7 066 432
Corporate 1)	20 904	-	-	20 904	54 969	56 096
Special items 2)	1 716	-	-	1 716	-	-
Revenue	671 380	588 991	1 101 634	2 570 627	5 076 019	7 122 528
Direct cost of sales adjusted	(334 738)	(304 540)	(842 307)	(1 468 132)	(4 109 533)	(5 782 711)
Corporate 1)	(6 230)	-	-	(6 230)	(45 603)	(44 681)
Direct cost of sales	(340 967)	(304 540)	(842 307)	(1 474 361)	(4 155 137)	(5 827 394)
Revenue less direct cost of sales adjusted	314 023	284 451	259 327	1 079 876	911 517	1 283 721
Corporate 1)	14 674	-	-	14 674	9 366	11 414
Special items 2)	1 716	-	-	1 716	-	-
Revenue less direct cost of sales	330 413	284 451	259 327	1 096 266	920 882	1 295 134
Total operating expenses adjusted	(189 856)	(205 687)	(196 359)	(639 302)	(568 173)	(792 668)
Special items 2)	(2 927)	(12 873)	(287)	(15 800)	(2 284)	21 218
Depreciation of acquisitions 3)	(8 116)	(7 924)	(11 774)	(24 216)	(33 785)	(45 560)
Total operating expenses	(200 899)	(226 483)	(208 418)	(679 318)	(604 242)	(817 011)
Other gains and losses 4)	2 568	(1 365)	(8 427)	3 110	(8 511)	4 615
Operating profit	132 082	56 604	42 482	420 057	308 128	482 738
Income/loss from investments in associates and joint ventures	(198)	(915)	-	(1 266)	-	-
Interest income	4 067	3 170	4 444	13 617	14 879	20 071
Interest expense lease liability	(410)	(390)	(401)	(1 228)	(772)	(1 677)
Interest expense	(1 052)	(937)	(1 633)	(3 646)	(4 860)	(6 956)
Other financial items, net	(2 677)	(2 005)	(1 057)	(4 442)	(2 560)	(3 737)
Profit/(loss) before tax	131 812	55 527	43 835	423 092	314 816	490 440

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

Note 2

Segment information

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

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Special items incurred specific to:						
- acquisition related costs and implementation costs	(2 927)	(12 873)	(287)	(15 800)	(2 284)	(3 145)
- income related to compensatory damages	1 716	-	-	1 716	-	-
- change in pension plan	-	-	-	-	-	28 969
- Impairment charge	-	-	-	-	-	(4 606)
Special items	(1 210)	(12 873)	(287)	(14 083)	(2 284)	21 218

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

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
TrønderEnergi Marked acquisition	(5 180)	(5 180)	(8 188)	(15 539)	(24 565)	(32 753)
Oppdal Everk Kraftomsetning acquisition	(787)	(787)	(1 085)	(2 361)	(3 256)	(4 342)
Vesterålskraft Strøm acquisition	(565)	(565)	(758)	(1 696)	(758)	(1 516)
Other customer acquisitions	(1 584)	(1 392)	(1 743)	(4 621)	(5 206)	(6 949)
Depreciation of acquisitions	(8 116)	(7 924)	(11 774)	(24 216)	(33 785)	(45 560)

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

Note 3

Income tax

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Profit before tax	131 812	55 527	43 835	423 092	314 816	490 440
Tax expense	(29 211)	(15 366)	(9 904)	(96 660)	(70 325)	(120 269)
<i>Average tax rate</i>	<i>22,2 %</i>	<i>27,7 %</i>	<i>22,6 %</i>	<i>22,8 %</i>	<i>22,3 %</i>	<i>24,5 %</i>
Tax payable	31 077	16 077	14 634	101 682	78 777	112 790
Adjustments to prior years tax payable	-	-	-	-	-	33
Change in deferred tax	(1 867)	(711)	(4 731)	(5 022)	(8 452)	7 446
Tax expense recognised in statement of profit or loss	29 211	15 366	9 904	96 660	70 325	120 269

Note 4

Earnings per share

Earnings per share is calculated as profit/ loss allocated to shareholders for the year divided by the weighted average number of outstanding shares.

Basic earnings per share

	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Profit/(loss) attributable to equity holders of the company *	102 601	40 161	33 932	326 432	244 490	370 171
Total comprehensive income attributable to equity holders of the company *	102 601	40 161	33 932	300 408	244 490	359 080
Total number of ordinary shares in issue	104 586 216	114 281 800	104 496 216	114 281 800	104 496 216	104 496 216
Weighted average number of ordinary shares in issue	104 578 749	105 332 030	104 496 216	104 814 198	104 496 216	104 496 216
Earnings per share in NOK	0,98	0,38	0,32	3,11	2,34	3,54
Total comprehensive income per share in NOK	0,98	0,38	0,32	2,87	2,34	3,44
Share options	1 150 000	1 150 000	930 000	1 150 000	930 000	930 000
Diluted earnings per share in NOK	0,97	0,38	0,32	3,08	2,32	3,51
Dividend per share in NOK	3,00	-	-	3,00	2,20	2,20

*NOK in thousands

The change in share options is due to extension of the share option program with one extra year (a total of 310 000 new share options) and first, second and third vesting periods where a total of 90 000 share options were exercised.

Note 5

Property, plant and equipment

Q2 2020				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 April 2020	14 113	26 274	-	40 387
Additions	-	-	-	-
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 30 June 2020	14 113	26 274	-	40 387
Accumulated depreciation 1 April 2020	(8 711)	(25 019)	-	(33 730)
Depreciation for the period	(349)	(102)	-	(451)
Disposals	-	-	-	-
Accumulated depreciation 30 June 2020	(9 060)	(25 122)	-	(34 182)
Carrying amount 30 June 2020	5 052	1 153	-	6 205

Q3 2020				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 July 2020	14 113	26 274	-	40 387
Additions	-	-	989	989
Additions from business combinations	1 128	289	343	1 760
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 30 September 2020	15 241	26 564	1 331	43 136
Accumulated depreciation 1 July 2020	(9 060)	(25 122)	-	(34 182)
Depreciation for the period	(351)	(102)	-	(453)
Disposals	-	-	-	-
Accumulated depreciation 30 September 2020	(9 411)	(25 224)	-	(34 635)
Carrying amount 30 September 2020	5 829	1 340	1 331	8 500

Note 5
Property, plant and equipment

Q3 2019				
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	302	-	-	302
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 30 September 2019	11 317	25 279	2 852	39 448
Accumulated depreciation 1 July 2019	(7 884)	(24 811)	-	(32 695)
Depreciation for the period	(237)	(53)	-	(290)
Disposals	-	-	-	-
Accumulated depreciation 30 September 2019	(8 121)	(24 864)	-	(32 985)
Carrying amount 30 September 2019	3 196	416	2 852	6 463

YTD 2020				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2020	14 113	26 274	-	40 387
Additions	-	-	989	989
Additions from business combinations	1 128	289	343	1 760
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 30 September 2020	15 241	26 564	1 331	43 136
Accumulated depreciation 1 January 2020	(8 362)	(24 917)	-	(33 279)
Depreciation for the period	(1 049)	(307)	-	(1 356)
Disposals	-	-	-	-
Accumulated depreciation 30 September 2020	(9 412)	(25 224)	-	(34 636)
Carrying amount 30 September 2020	5 829	1 340	1 331	8 500

Note 5

Property, plant and equipment

YTD 2019				
NOK in thousands	Fixtures and equipment	Computer equipment	Construction in progress	Total
Cost price 1 January 2019	9 639	25 279	1 376	36 294
Additions	-	-	2 852	2 852
Additions from business combinations	302	-	-	302
Transferred from construction in progress	1 376	-	(1 376)	-
Disposals	-	-	-	-
Cost price 30 September 2019	11 317	25 279	2 852	39 448
Accumulated depreciation 1 January 2019	(7 449)	(24 706)	-	(32 155)
Depreciation for the period	(672)	(158)	-	(830)
Disposals	-	-	-	-
Accumulated depreciation 30 September 2019	(8 121)	(24 864)	-	(32 985)
Carrying amount 30 September 2019	3 196	416	2 852	6 463

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

Useful life	8 years (or lease term if shorter)	3 years
Depreciation method	Straight line	Straight line

Note 6 Intangible assets

Non-current intangible assets

Q2 2020

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 April 2020	218 609	13 929	171 886	13 903	418 328	166 696	585 024
Additions - Purchase	-	21 321	825	-	22 146	-	22 146
Additions - Internally generated	344	234	-	-	578	-	578
Transferred from construction in progress	16 098	(16 098)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Cost price 30 June 2020	235 051	19 385	172 712	13 903	441 051	166 696	607 747
Accumulated depreciation 1 April 2020	(152 821)	-	(88 632)	(10 062)	(251 515)	-	(251 515)
Depreciation for the period	(8 957)	-	(7 291)	(826)	(17 074)	-	(17 074)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 30 June 2020	(161 778)	-	(95 923)	(10 888)	(268 589)	-	(268 589)
Carrying amount 30 June 2020	73 274	19 385	76 793	3 016	172 468	166 696	339 162

Q3 2020

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 July 2020	235 051	19 385	172 712	13 903	441 051	166 696	607 747
Additions - Purchase	-	11 719	91	-	11 810	-	11 810
Additions - Internally generated	1 141	(500)	-	-	641	-	641
Additions from business combinations (see note 10)	17 588	2 900	362 137	109 027	491 652	960 353	1 452 005
Transferred from construction in progress	2 307	(2 307)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Cost price 30 September 2020	256 087	31 197	534 940	122 931	945 155	1 127 050	2 072 204
Accumulated depreciation 1 July 2020	(161 778)	-	(95 923)	(10 888)	(268 589)	-	(268 589)
Depreciation for the period	(10 089)	-	(7 097)	(826)	(18 011)	-	(18 011)
Impairment for the period	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 30 September 2020	(171 867)	-	(103 020)	(11 714)	(286 600)	-	(286 600)
Carrying amount 30 September 2020	84 220	31 197	431 924	111 217	658 559	1 127 050	1 785 609

Note 6
Intangible assets

Non-current intangible assets							
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	-	-	12 362	1 270	13 632	10 847	24 479
Transferred from construction in progress	6 493	(6 493)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Cost price 30 September 2019	171 694	46 025	170 592	13 903	402 215	166 696	568 911
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	-	-	-	-	-	-	-
Accumulated depreciation 30 September 2019	(129 757)	-	(70 722)	(7 924)	(208 404)	-	(208 404)
Carrying amount 30 September 2019	41 937	46 025	99 870	5 979	193 811	166 696	360 509
YTD 2020							
NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2020	213 393	15 147	170 805	13 903	413 249	166 696	579 945
Additions - Purchase	-	46 279	1 998	-	48 277	-	48 277
Additions - Internally generated	1 939	38	-	-	1 977	-	1 977
Additions from business combinations (see note 10)	17 588	2 900	362 137	109 027	491 652	960 353	1 452 005
Transferred from construction in progress	23 166	(23 166)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals*	-	(10 000)	-	-	(10 000)	-	(10 000)
Cost price 30 September 2020	256 087	31 197	534 940	122 931	945 155	1 127 050	2 072 204
Accumulated depreciation 1 January 2020	(144 240)	-	(81 281)	(9 189)	(234 710)	-	(234 710)
Depreciation for the period	(27 627)	-	(21 739)	(2 525)	(51 891)	-	(51 891)
Impairment for the period	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 30 September 2020	(171 867)	-	(103 020)	(11 714)	(286 600)	-	(286 600)
Carrying amount 30 September 2020	84 220	31 197	431 924	111 217	658 559	1 127 050	1 785 609

Note 6 Intangible assets

Non-current intangible assets							
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	-	33 251	795	-	34 047	-	34 047
Additions - Internally generated	223	684	-	-	907	-	907
Additions from business combinations	-	-	12 362	1 270	13 632	10 847	24 479
Transferred from construction in progress	30 779	(30 779)	-	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Cost price 30 September 2019	171 694	46 025	170 592	13 903	402 215	166 696	568 911
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)
Impairment for the period	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 30 September 2019	(129 757)	-	(70 722)	(7 924)	(208 404)	-	(208 404)
Carrying amount 30 September 2019	41 937	46 025	99 870	5 979	193 811	166 696	360 509
Full year 2019							
NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets	Total non-current intangible assets, excl. goodwill	Goodwill	Total non-current intangible assets
Cost price 1 January 2019	140 692	42 869	157 435	12 633	353 630	155 849	509 479
Additions - Purchase	-	45 314	1 008	-	46 322	-	46 322
Additions - Internally generated	1 094	173	-	-	1 267	-	1 267
Additions from business combinations	-	-	12 362	1 270	13 632	10 847	24 479
Transferred from construction in progress	71 606	(71 606)	-	-	-	-	-
Government grants (SkatteFUNN)	-	(1 602)	-	-	(1 602)	-	(1 602)
Disposals	-	-	-	-	-	-	-
Cost price 31 December 2019	213 393	15 147	170 805	13 903	413 249	166 696	579 945
Accumulated depreciation 1 January 2019	(108 955)	-	(40 193)	(4 527)	(153 675)	-	(153 675)
Depreciation for the year	(29 492)	-	(41 087)	(4 662)	(75 241)	-	(75 241)
Impairment for the year	(5 794)	-	-	-	(5 794)	-	(5 794)
Disposals	-	-	-	-	-	-	-
Accumulated depreciation 31 December 2019	(144 240)	-	(81 281)	(9 189)	(234 710)	-	(234 710)
Carrying amount 31 December 2019	69 155	15 147	89 526	4 715	178 542	166 696	345 238
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

Current intangible assets

Q2 2020

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 April 2020	58	4 672	4 730
Additions - Purchase	-	176	176
Disposals*	187	(3 143)	(2 956)
Cost price 30 June 2020	246	1 705	1 950
Accumulated depreciation 1 April 2020	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 30 June 2020	-	-	-
Carrying amount 30 June 2020	246	1 705	1 950

Q3 2020

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 July 2020	246	1 705	1 950
Additions - Purchase	-	1 930	1 930
Additions from business combinations (see note 10)	75	111	185
Disposals*	-	-	-
Cost price 30 September 2020	320	3 745	4 066
Accumulated depreciation 1 July 2020	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 30 September 2020	-	-	-
Carrying amount 30 September 2020	320	3 745	4 066

* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability.

Disposals of Guarantees of origination (GoO) refers to amount of certificates redeemed as evidence of the origin of electricity generated from renewable energy sources.

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

Note 6

Intangible assets

Current intangible assets

Q3 2019

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	1 578	-	1 578
Disposals*	-	(1 303)	(1 303)
Cost price 30 September 2019	20 076	733	20 809
Accumulated depreciation 1 July 2019	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 30 September 2019	-	-	-
Carrying amount 30 September 2019	20 076	733	20 809

YTD 2020

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2020	18 128	5 632	23 760
Additions - Purchase	245 712	3 503	249 215
Additions from business combinations (see note 10)	75	111	185
Disposals*	(263 594)	(5 501)	(269 095)
Cost price 30 September 2020	320	3 745	4 066
Accumulated depreciation 1 January 2020	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 30 September 2020	-	-	-
Carrying amount 30 September 2020	320	3 745	4 066

* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability. Disposals of Guarantees of origination (GoO) refers to amount of certificates redeemed as evidence of the origin of electricity generated from renewable energy sources. Depreciation and impairment of intangible assets are included in the line 'Depreciation and amortisation' in the consolidated statement of profit and loss.

Note 6

Intangible assets

Current intangible assets			
YTD 2019			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2019	22 101	11 494	33 595
Additions - Purchase	242 966	7 063	250 029
Additions from business combinations	1 578	-	1 578
Disposals*	(246 569)	(17 823)	(264 392)
Cost price 30 September 2019	20 076	733	20 809
Accumulated depreciation 1 January 2019	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 30 September 2019	-	-	-
Carrying amount 30 September 2019	20 076	733	20 809
Full year 2019			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2019	22 101	11 494	33 595
Additions - Purchase	242 596	12 975	255 571
Disposals*	(246 569)	(18 837)	(265 405)
Cost price 31 December 2019	18 128	5 632	23 760
Accumulated depreciation 1 January 2019	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 December 2019	-	-	-
Carrying amount 31 December 2019	18 128	5 632	23 760

* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability. Disposals of Guarantees of origination (GoO) refers to amount of certificates redeemed as evidence of the origin of electricity generated from renewable energy sources. Depreciation and impairment of intangible assets are included in the line 'Depreciation and amortisation' in the consolidated statement of profit and loss.

Note 7 Fair value measurement of financial instruments

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

Recurring fair value measurements At 30 June 2020	Level 1	Level 2	Level 3	Total
NOK in thousands				
Financial assets				
Derivative financial instruments	-	154 616	75 219	229 834
Total financial assets at fair value	-	154 616	75 219	229 834

Financial liabilities				
Derivative financial instruments	-	143 985	70 100	214 085
Total financial liabilities at fair value	-	143 985	70 100	214 085

Recurring fair value measurements At 30 September 2020	Level 1	Level 2	Level 3	Total
NOK in thousands				
Financial assets				
Derivative financial instruments	-	133 725	52 301	186 026
Total financial assets at fair value	-	133 725	52 301	186 026
Financial liabilities				
Derivative financial instruments	-	144 629	38 230	182 859
Total financial liabilities at fair value	-	144 629	38 230	182 859

Recurring fair value measurements At 30 September 2019	Level 1	Level 2	Level 3	Total
NOK in thousands				
Financial assets				
Derivative financial instruments	-	72 782	19 110	91 893
Total financial assets at fair value	-	72 782	19 110	91 893

Financial liabilities				
Derivative financial instruments	-	52 850	40 894	93 744
Total financial liabilities at fair value	-	52 850	40 894	93 744

Note 7
Fair value
measurement of
financial instruments

Recurring fair value measurements	Level 1	Level 2	Level 3	Total
At 31 December 2019				
NOK in thousands				
Financial assets				
Derivative financial instruments	-	50 875	28 399	79 274
Total financial assets at fair value	-	50 875	28 399	79 274
Financial liabilities				
Derivative financial instruments	-	43 779	24 220	67 999
Total financial liabilities at fair value	-	43 779	24 220	67 999

There were no transfers between level 1 and 2 for recurring fair value measurements during the period. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. After an updated assessment of the classification of derivative financial instruments the Group have chosen to reclassify the fair value of some instruments from level 2 to level 3, due to inputs not being directly observable. Comparable figures from 2019 has been reclassified accordingly. Total amounts remain unchanged as there has not been any change in the value of the inputs.

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

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

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

Valuation techniques used to determine fair values

Specific valuation techniques used to value derivative financial instruments include present value of future cash flows, based on forward prices from Nasdaq OMX Commodities at the balance sheet date. In the case of material long-term contracts,

the cash flows are discounted at a discount rate calculated by using interest rates on Government bonds with matching maturities, added a risk premium of 0,2 percentage points (2019: 1,3 per cent). Valuation method is used for forward contracts and option contracts associated with purchase and sale of electricity. Key inputs to the valuation are discount rates, contract- and market prices. Level 3 inputs consists of a) expected power price in price areas Bergen and Kristiansand, and b) expected power price on contracts with maturity more than five years from the reporting date, as the marked for corresponding forward contracts is considered illiquid.

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

Note 7
Fair value
measurement of
financial instruments

Assets and liabilities measured at fair value based on level 3 Recurring fair value measurements			
At 30 June 2020	Assets	Liabilities	Total, net
NOK in thousands			
Opening balance 1 April 2020	122 937	117 166	5 771
Additions or derecognitions	(1 777)	(1 577)	(200)
Unrealised changes in value recognised in profit and loss	(45 941)	(45 488)	(453)
Closing balance 30 June 2020	75 219	70 100	5 118
Net realised gain (+) / loss (-) recognised in profit and loss Q2 2020			(2 157)
At 30 September 2020	Assets	Liabilities	Total, net
NOK in thousands			
Opening balance 1 July 2020	75 219	70 100	5 118
Additions or derecognitions	-	(870)	870
Unrealised changes in value recognised in profit and loss	(22 918)	(31 000)	8 083
Closing balance 30 September 2020	52 301	38 230	14 071
Net realised gain (+) / loss (-) recognised in profit and loss Q3 2020			936
At 30 September 2019	Assets	Liabilities	Total, net
NOK in thousands			
Opening balance 1 July 2019	32 896	28 390	4 505
Additions or derecognitions	(147)	(3 392)	3 245
Unrealised changes in value recognised in profit and loss	(13 639)	15 896	(29 534)
Closing balance 30 September 2019	19 110	40 894	(21 785)
Net realised gain (+) / loss (-) recognised in profit and loss Q3 2019			1 296
At 31 December 2019	Assets	Liabilities	Total, net
NOK in thousands			
Opening balance 1 January 2019	189 363	166 104	23 259
Additions or derecognitions	(164 550)	(145 556)	(18 994)
Unrealised changes in value recognised in profit and loss	3 586	3 672	(86)
Closing balance 31 December 2019	28 399	24 220	4 179
Net realised gain (+) / loss (-) recognised in profit and loss 2019			2 810
Sensitivity analysis of factors classified to level 3			
NOK in thousands			
		10 % reduction	10 % increase
Net effect from power prices		(673)	673

Note 8

Related party transactions

Per 30 September 2020, the Group's related parties include major shareholders, Board of Directors, associated company and key management.

In 2019 two major shareholders, BKK AS and Skagerak Energi AS, sold shares in Fjordkraft Holding ASA. As a result of this Skagerak Energi AS, their parent company Statkraft AS, Skagerak Energi Group and Statkraft Group are no longer considered to be related parties. The Board of Directors include a representative from BKK AS. BKK AS and subsidiaries are therefore considered to be related parties.

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

Income from related parties

Related party	Relation	Purpose of transactions	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
BKK AS	Major shareholder	Sale of electrical power	10	7	1 816	595	7 979	10 509
BKK Energitjenester AS	Subsidiary of major shareholder	Sale of electrical power	1 415	1 251	704	3 558	2 038	3 084
BKK Nett AS	Subsidiary of major shareholder	Sale of electrical power	975	685	867	3 011	3 615	4 879
BKK Varmer AS	Subsidiary of major shareholder	Sale of electrical power	2 861	963	-	6 890	-	-
Skagerak Energi AS	Major shareholder	Sale of electrical power	-	-	-	-	1 699	1 699
Skagerak Nett AS	Subsidiary of major shareholder	Sale of electrical power	-	-	-	-	1 748	1 748
Skagerak Varmer AS	Subsidiary of major shareholder	Sale of electrical power	-	-	-	-	4 494	4 494
Statkraft AS	Parent company of major shareholder	Sale of electrical power	-	-	-	-	1 795	1 795
Statkraft Varmer AS	Subsidiary of parent company of major shareholder	Sale of electrical power	-	-	-	-	27 381	27 381
Other	Related party	Other	242	611	818	1 334	2 964	3 484

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

Expenses to related parties

Related party	Relation	Purpose of transactions	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
BKK AS	Major shareholder	Purchase of electrical power	-	-	356	-	1 232	1 545
BKK Produksjon AS	Subsidiary of major shareholder	Purchase of electrical power	2 988	1 934	3 348	7 491	9 479	12 689
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of electrical power	-	-	-	-	1 055 212	1 055 212
BKK AS	Major shareholder	Purchase of other services	5 937	5 869	7 119	17 936	20 611	27 211
BKK Regnskapsservice AS	Subsidiary of major shareholder	Purchase of other services	-	-	(188)	-	1 921	1 875
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	416	-	731	824	1 601	1 829
BKK Varmer AS	Subsidiary of major shareholder	Purchase of other services	206	183	-	389	-	-
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of other services	-	-	-	-	2 029	2 029
Metzum AS	Associated company	Purchase of other services	2 987	4 747	-	10 848	-	-
Other	Related party	Other	-	-	44	-	191	264

Other services consists of payroll expenses, IT, office expenses and customer service. Other in Q2 2020 consisted of BKK Varmer AS. In Q3 2020 this is classified on a separate line.

Note 8

Related party transactions

Purchase of assets

Related party	Relation	Purpose of transactions	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
BKK AS	Major shareholder	Research and development	-	-	-	-	(86)	(86)
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of customer portfolio	374	91	77	539	795	1 008
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of el-certificates	-	-	-	-	240 864	240 864
Statkraft Energi AS	Subsidiary of parent company of major shareholder	Purchase of guarantees of origination	-	-	-	-	6 195	6 195
Metzum AS	Associated company	Research and development	6 265	3 937	-	16 906	-	-

Distributions to related parties

Related party	Relation	Purpose of transactions	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
BKK AS	Major shareholder	Dividend	47 799	-	-	47 799	35 053	35 053

Current receivables from related parties

Related party	Relation	Purpose of transactions	30 Jun 2020	30 Sept 2020	30 Sept 2019	31 Dec 2019
Other	Related party	Sale of electrical power	1 621	1 293	1 374	1 010

Current liabilities to related parties

Related party	Relation	Purpose of transactions	30 Jun 2020	30 Sept 2020	30 Sept 2019	31 Dec 2019
BKK AS	Major shareholder	Other	2	210	25	195
BKK Energitjenester AS	Subsidiary of major shareholder	Purchase of other services	-	-	-	-
BKK Varme AS	Subsidiary of major shareholder	Purchase of other services	189	60	-	-
Metzum AS	Associated company	Research and development	3 813	3 947	-	-
Other	Related party	Other	-	-	-	-

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

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

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

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

Note 9

Revenue recognition

The following table summarises revenue from contracts with customers:

Revenue	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
NOK in thousands						
Revenue - Consumer segment (1)	323 666	291 976	609 350	1 355 632	2 791 407	3 948 175
Revenue - Business segment (2)	253 299	221 807	434 762	979 584	2 072 814	2 899 333
Revenue - New growth initiatives (3)	71 796	75 208	57 522	212 792	156 829	218 924
Revenue - Corporate	22 620	-	-	22 620	54 969	56 096
Total revenue	671 380	588 991	1 101 634	2 570 627	5 076 019	7 122 528

Timing of revenue recognition

Over time:

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Revenue - Consumer segment	312 256	279 845	598 926	1 320 607	2 751 869	3 896 620
Revenue - Business segment	246 896	215 462	428 269	960 138	2 054 638	2 874 572
Revenue - New growth initiatives	71 365	74 755	57 201	211 492	155 809	217 523
Revenue - Corporate	22 620	-	-	22 620	54 969	56 096
Total revenue recognised over time	653 136	570 062	1 084 396	2 514 857	5 017 285	7 044 811

At a point in time:

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Revenue - Consumer segment	11 410	12 131	10 424	35 025	39 538	51 556
Revenue - Business segment	6 403	6 345	6 493	19 446	18 176	24 761
Revenue - New growth Initiatives	431	453	321	1 300	1 020	1 401
Total revenue recognised at a point in time	18 245	18 929	17 238	55 771	58 734	77 717
Total revenue	671 380	588 991	1 101 634	2 570 627	5 076 019	7 122 528

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

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

(3) Comprise of other business activities (sale of mobile service to private customers and power sale, included related services, to Alliance partners)

Note 10

Business combination

On 17 July 2020, Fjordkraft Holding ASA entered into an agreement for the acquisition of 100% of the shares in Innlandskraft AS. Innlandskraft comprises two brands, Gudbrandsdal Energi and Eidsiva Marked.

The acquisition date has been determined to be 22 September 2020, and the fair value of the purchase consideration has been measured at this date. However, for convenience, the entity has designated 30 September 2020 as the acquisition date when accounting for the business combination. As such no revenue or profit or loss of the acquiree has been included in the consolidated statement of comprehensive income for the reporting period.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

Purchase consideration

NOK in thousands	
Purchase price, settled in 9.695.584 shares	866 785
Purchase price, settled in cash	722 321
Interest, settled in cash	6 471
Total purchase consideration	1 595 577

There is no contingent consideration included in this acquisition.

As of 30 September 2020 the assets and liabilities recognised as a result of the acquisition are as follows:

NOK in thousands	Fair value
Property, plant and equipment (note 5)	1 760
Customer relationships (note 6)	362 137
Other intangible assets (note 6)	129 515
Right-of-use assets property, plant and equipment	10 633
Other non-current financial assets	13 841
Total non-current assets	517 886
Trade receivables	64 932
Derivative financial instruments	29 619
Other current assets	103 076
Cash and cash equivalents	196 829
Total current assets	394 456
Total assets	912 342

Note 10
Business combination

Net employee defined benefit plan liabilities	38 001
Deferred tax liabilities	103 280
Lease liability- long term	9 823
Total non-current liabilities	151 104
Trade and other payables	27 561
Current income tax liabilities	2 066
Derivative financial instruments	40 836
Social security and other taxes	9 455
Lease liability- short term	965
Other current liabilities	45 132
Total current liabilities	126 014
Total liabilities	277 119
Net identifiable assets acquired	635 223
Add: Goodwill	960 353
In total	1 595 577

The goodwill is attributable to Innlandskraft 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 55 243 is related to the fair value adjustments of customer relationships and other intangible assets.

Acquisition-related costs

Acquisition-related costs of NOKt 13 416 are included in administrative expenses in profit or loss.

Acquired receivables

The fair value of trade receivables is NOKt 64 932. The gross contractual amount for trade receivables due is NOKt 67 832, of which NOKt 2 900 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 2020, consolidated revenue and consolidated profit after tax for the period ended 30 September 2020 would have been NOKt 3 218 685 and NOKt 326 533 respectively.

Note 11

Long term debt

Long term debt		30 Jun 2020	30 Sept 2020	30 Sept 2019	31 Dec 2019
NOK in thousands	Effective interest rate				
Term loan DNB	NIBOR 3 months + 1,35 %	1 66 800	-	208 500	194 600
Term loan DNB	NIBOR 3 months + 1,75 %	-	460 000	-	-
Total		166 800	460 000	208 500	194 600

Repayment of term loan

Up until September 2020 Fjordkraft's long term funding was a term loan from DNB, related to the purchase of TrønderEnergi Marked AS in 2018. The remaining loan balance of NOKt 1 52 900 was fully repaid in September 2020, when Fjordkraft Holding ASA entered into a new facilities agreement with DNB, as described below.

New facilities agreement

In September 2020, prior to the acquisition of Innlandskraft AS (see note 10), Fjordkraft entered into a new facilities agreement with DNB, which includes the following credit facilities;

- a NOKt 1 000 000 term loan - the acquisition facility
- a NOKt 500 000 revolving credit facility
- a NOKt 1 550 000 guarantee facility
- a NOKt 1 000 000 overdraft facility

The term loan - NOKt 1 000 000

- The acquisition facility

Fjordkraft may draw upon the term loan until 31 October 2021. The termination date of the loan is in September 2023, though Fjordkraft has the

option to extend the termination date by two periods of twelve months. The loan is to be repaid in quarterly repayments of 2,5 % of the then outstanding loans, with the remainder being repaid in full on the termination date. The reference interest rate is NIBOR.

NOKt 460 000 was drawn upon this facility in September 2020, in order to repay the former term loan, and to partly finance the acquisition of Innlandskraft AS. Transaction costs of NOKt 7 549 related to establishing the new term loan are recognised as part of amortised cost. The loan instalments (NOKt 44 304) that are due the next twelve months have been reclassified from interest-bearing long term debt to interest-bearing short term debt, which is included in other current liabilities in the balance sheet.

The revolving credit facility - NOKt 500 000

The undrawn revolving credit facility is available up until one month before the termination date. The termination date is in September 2023, though Fjordkraft has the option to extend the termination date by two periods of twelve months. Any drawings for the purpose of financing permitted

acquisitions shall be converted into term loan drawings with the same repayment profile as the acquisition facility, and amounts so converted shall not be available for re-drawing.

The guarantee facility - NOKt 1 550 000

The purpose of the guarantee facility is the issuance of guarantees and letters of credit for the general corporate and working capital purpose of the Group, hereunder guarantees related to re-invoicing agreements with grid owners, property rental agreements and so on. Fjordkraft has the option to increase the facility with a second tranche of NOKt 700 000, to a total of NOKt 2 250 000. The termination date of the guarantee facility is in September 2023, though Fjordkraft has the option to extend the termination date by two periods of twelve months.

At 30 September 2020 guarantees of total NOKt 1 317 000 are issued under the guarantee facility.

The overdraft facility - NOKt 1 000 000

The overdraft facility is available one year from the agreement date in September 2020, and it will be renewed for another year unless Fjordkraft

requests otherwise. This overdraft facility replaces the previous overdraft facility of NOKt 1 000 000 with DNB. The overdraft facility remains undrawn at 30 September 2020.

Security

The Group's trade receivables has been pledged as security for all credit facilities under the new facilities agreement.

Financial covenant

Under the new credit facility, there is a leverage covenant that applies at all times, and which shall be calculated quarterly based on consolidated numbers. A leverage ratio is to be calculated as total long term interest bearing debt to rolling 12 month EBITDA adjusted. The leverage ratio shall not exceed:

- more than 2,5 in respect of more than one quarter-end during any financial year, and
- more than 2,0 in respect of the remaining three quarter-ends during any such financial year.

Fjordkraft is in compliance with the covenant at the end of this reporting period.

Note 12

Special events - Covid-19 Pandemic

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

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

Financial Risk Management

The Group classifies the following categories of financial risks:

- Market risk
- Credit risk
- Liquidity risk

Market risk

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

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

Market risk related to commodity prices has not

been significantly affected by the current situation as electricity prices is mostly dependent on weather conditions in the short term.

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

Credit risk

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

The increase in bankruptcies and struggling companies has led to a large increase in layoffs, which is expected to influence credit losses in the Consumer segment. The effect of layoffs is mitigated by Government responses which includes extended unemployment benefit period and lowering the policy rate which in turn affects interest rates on bank loans. Banks has also mitigated the effect of the income loss in the short term by offering instalment-free periods to all customers. As mortgage is the largest cost for most house-

holds, this is expected to have a good effect on the household economy. Despite the measures in place, the Group is still expecting an increase in credit losses in the Consumer segment.

The full effect of the Covid-19 pandemic and the Government responses are still unclear and at the current time the economic consequences are hard to predict. The uncertainty about future development makes it hard to estimate expected credit losses (ECL). Actual bankruptcies are already accounted for in the model for calculating ECL, but not expected bankruptcies and expected effects from layoffs of customers in the consumer segment. To account for these effects, the Group has increased the provision for losses by NOKt 10 800 in the first three quarters of 2020.

Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves, bank facilities and reserve borrowing facilities, by continuously monitoring forecasts and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Overall sales and activity is expected to be relatively stable, but an increase in credit losses will have a negative effect on the cash flow. In addition, the Group has offered payment plans and deferred payment to customers negatively affected by the current situation, which is also expected to have a negative effect on the cash flow in the short run. The Group has good liquidity reserves with cash and cash equivalent amounting to NOKt 726 400 at 30 September 2020 and additional undrawn facilities of NOKt 1 000 000 through an overdraft facility and NOKt 500 000 through a revolving credit facility from DNB Bank ASA. The increased liquidity risk due to the current situation is therefore considered to be sufficiently covered.

Note 12
Special events -
Covid-19 Pandemic

Impairment of intangible assets (including Goodwill)

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

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

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

Fair value of derivatives

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

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

Government responses to the economic consequences of the COVID-19 pandemic include a significant reduction of the policy rate, which in turn affects market interest rates. This change

affects both present value of defined benefit obligations and the fair value of plan assets. A significant share of the Group's plan assets is invested in bonds and money-market placements (approximately 65 % of total investments at 31 December 2019). The fair value of these investments is highly dependent on current market interest rates and reduced market rates has led to a reduction of the fair value of approximately NOKt 9 555. Reduced market rates also affect the discount rate used to calculate present value of defined benefit obligations and an updated discount rate has led to an increase in the present value of approximately NOKt 32 268.

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

In total, the current market conditions have led to actuarial losses on pension obligations of NOKt 33 363 in the first three quarters of 2020. The change has been recognised through other comprehensive income (NOKt 26 024 net of tax).

Due to the long-term nature and significant amounts involved, relatively small changes in one or more of the inputs used in calculating present value of defined benefit obligations and the fair value of plan assets can lead to significant gains or losses on pension obligations. The loss recognised in the first three quarters of 2020 is significant but is a direct effect of government measures which is expected to be relatively short

term in nature. In the longer term, these effects are expected to even out.

The loss on pension obligations recognised in the first three quarters of 2020 is significant, but the Group also recognised a significant gain on pension obligations related to the change in pension schemes at the end of 2019, as described in the annual statements. Overall, the net effect on booked equity of changes in pension obligations over the last months is still considered significant, but not material for the financial statements. The group still has a strong equity ratio.

Note 13 Investments in associates and joint ventures

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

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

Note 14 Events after the reporting period

On the 28 of October 2020, Fjordkraft Holding ASA entered into an agreement for the acquisition of 100% of the shares in Troms Kraft Strøm AS and its subsidiary Switch Nordic Green AB, from the current owner Troms Kraft AS. The transaction was completed on the 10 of November 2020.

The purchase price is based on an enterprise value of NOK 375 million on a cash and debt free basis and assuming an agreed normalised level of working capital. The purchase price is paid in cash to Troms Kraft AS. The acquisition is financed by long-term debt through Fjordkraft's existing available facilities and available cash.

As the initial accounting for the business combination is incomplete at the time the financial statements are authorised for issue, it is impracticable to disclose further information required by IFRS 3.

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.

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: $[(\text{Adjusted EBIT} + \text{net finance}) \times (1 - \text{average tax rate}) - \text{amortisation of acquisition debt}]$.

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 asso-

ciated 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. First year instalments related to long term debt from acquisition is classified as interest bearing debt.

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 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Operating income	671 380	588 991	1 101 634	2 570 627	5 076 019	7 122 528
Cost of sales	(340 967)	(304 540)	(842 307)	(1 474 361)	(4 155 137)	(5 827 394)
Net revenue	330 413	284 451	259 327	1 096 266	920 882	1 295 134
Personnel expenses	(54 648)	(78 494)	(74 557)	(211 737)	(186 893)	(236 106)
Other operating expenses	(97 758)	(97 001)	(84 887)	(319 353)	(275 312)	(379 973)
Operating expenses	(152 406)	(175 495)	(159 446)	(531 090)	(462 206)	(616 079)
Other gains and losses, net	2 568	(1 365)	(8 427)	3 110	(8 511)	4 615
EBITDA	180 575	107 591	91 454	568 286	450 164	683 670
Depreciation & amortisation	(48 493)	(50 988)	(48 973)	(148 228)	(142 037)	(200 932)
EBIT reported (Operating profit)	132 082	56 604	42 482	420 057	308 128	482 738
Net financials	(270)	(1 077)	1 353	3 035	6 687	7 701
Profit/ (loss) before taxes	131 812	55 527	43 835	423 092	314 816	490 440
Taxes	(29 211)	(15 366)	(9 904)	(96 660)	(70 325)	(120 269)
Profit/ (loss) for the period	102 601	40 161	33 932	326 432	244 490	370 171
EBIT reported margin	40%	20%	16%	38%	33%	37%

Alternative performance measures

Adjusted amounts:

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Net revenue	330 413	284 451	259 327	1 096 266	920 882	1 295 134
Adjustment: (Positive/ negative estimate deviations previous year)	(14 674)	-	-	(14 674)	(9 366)	(11 414)
Special items*	(1 716)	-	-	(1 716)	-	-
Net revenue adjusted	314 023	284 451	259 327	1 079 876	911 517	1 283 721
EBITDA	180 575	107 591	91 454	568 286	450 164	683 670
Adjustment: (Positive/ negative estimate deviations previous year)	(14 674)	-	-	(14 674)	(9 366)	(11 414)
Other gains and losses	(2 568)	1 365	8 427	(3 110)	8 511	(4 615)
Special items*	1 210	12 873	287	14 083	2 284	(21 218)
EBITDA adjusted (before unallocated and estimate deviations)	164 544	121 829	100 168	564 586	451 593	646 422
EBIT reported (Operating profit)	132 082	56 604	42 482	420 057	308 128	482 738
Adjustment: (Positive/ negative estimate deviations previous year)	(14 674)	-	-	(14 674)	(9 366)	(11 414)
Other gains and losses	(2 568)	1 365	8 427	(3 110)	8 511	(4 615)
Special items*	1 210	12 873	287	14 083	2 284	(21 218)
Part of depreciation related to acquisitions	8 116	7 924	11 774	24 216	33 785	45 560
EBIT adjusted (before unallocated and estimate deviations)	124 168	78 764	62 968	440 574	343 344	491 053
EBIT margin adjusted	40%	28%	24%	41%	38%	38%

* Special items consists of the following:

NOK in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Acquisition related costs	(2 927)	(12 873)	(287)	(15 800)	(2 284)	(3 145)
Income related to compensatory damages	1 716	-	-	1 716	-	-
Change in pension plan	-	-	-	-	-	28 969
Impairment R&D (P&I project)	-	-	-	-	-	(4 606)
Special items	(1 210)	(12 873)	(287)	(14 083)	(2 284)	21 218

Alternative performance measures

Other financial APM's

Net interest bearing debt (cash)

NOK thousands	30 June 2020	30 Sept 2020	30 Sept 2019	31 Dec 2019
Interest-bearing long term debt	111 200	408 148	152 900	139 000
Transaction costs recognised as part of amortised cost of Interest-bearing long term debt	-	7 549	-	-
Reclassification of first year instalments long term debt	55 600	44 304	55 600	55 600
Cash and cash equivalents	(749 445)	(726 400)	(701 123)	(775 536)
Net interest bearing debt (cash)	(582 645)	(266 400)	(492 623)	(580 936)

Financial position related APM's

NOK thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Net working capital	(58 971)	(172 773)	(64 494)	(172 773)	(64 494)	(32 615)
OpFCF before tax and change in NwC	116 400	70 259	55 498	427 570	326 028	478 358
Capex excl. M&A	21 898	13 349	9 782	49 245	37 010	50 372

Non-financial APM's

Deliveries

Numbers in thousands	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Electrical deliveries Consumer segment	544	761	542	761	542	544
Electrical deliveries Business segment	81	104	78	104	78	78
Total number of electrical deliveries *	625	866	620	866	620	622
Number of mobile subscriptions	118	122	92	122	92	100

* Number of deliveries excl. Extended Alliance deliveries. Number of deliveries incl. Extended Alliance deliveries: 912 thousand in 2020.

Volume in GWh	Q2 2020	Q3 2020	Q3 2019	YTD 2020	YTD 2019	Full year 2019
Consumer segment	1 549	1 288	1 232	5 165	4 912	7 070
Business segment	1 249	1 104	1 075	4 179	4 494	6 338
Total volume	2 798	2 392	2 307	9 344	9 405	13 407

Market churn-LTM**

	30 June 2020
Consumer	22,0%
Business	11,7%

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