

Fjordkraft Holding ASA and the Fjordkraft Group

Quarterly report - Q2 2018



Q2 Highlights

- Adjusted net revenue of 242 NOKm, representing 18% YoY growth
- 15% YoY growth in number of electricity deliveries, of which 3 % organic
- Adjusted EBIT of 78 NOKm, up 4% YoY
- Significant drop in NWC, as volume is seasonally lower and effects from last quarter normalise
- Acquisition of Oppdal Everk's customer portfolio - closing expected October 1st

Key figures Q2

NOK in thousands	Q2 2018	Q2 2017	First half 2018
Gross revenue	1 297 345	892 436	3 213 350
Net revenue	248 709	204 275	562 770
Net revenue adjusted	242 037	204 275	556 098
EBIT reported	71 068	57 741	200 681
EBIT adjusted	78 042	75 119	224 755
Net income	54 464	45 419	156 154
Earnings per share (in NOK)	0,52	0,43	1,49
EBIT margin	29 %	28 %	36 %
EBIT margin adjusted	32 %	37 %	40 %
Net interest bearing debt (cash)	(43 009)	(71 164)	(43 009)
Capex excl. M&A	10 282	7 508	16 301
Volume sold (GWh)	2 704	2 501	6 992
# of deliveries ('000)	596	520	596

A solid performance in a warm and volatile quarter

The second quarter of 2018 has been eventful. Elspot prices have been very volatile, ranging from 16 to 46 øre/kWh in the quarter. Prices dropped in the second half of April and first half of May, followed by a sharp increase through the last half of May and into June. These kinds of rapid variations can be demanding. However, the Group delivers an adjusted net revenue of 242 NOKm in the quarter, which is an 18% YoY growth. 7 percentage points of the increase is related to the acquisition of TrønderEnergi Marked. Adjusted net revenue the last twelve months amounts to 1,005 NOKm, breaking the NOK 1 billion barrier for the first time ever.

The temperature in the quarter has been higher than normal in all three months, and especially in May. According to The Norwegian Meteorological Institute, the temperature in May was 4,4 degrees Celsius above normal. Recorded temperatures in May have not been this high in the history of the Institute's statistics, which goes back to year 1900. The warmer than normal weather affects electricity consumption, and average volume per delivery in the second quarter decreased by 5% YoY in the Consumer segment and 4% YoY in the Business segment. Still, total volume in the quarter increased by 8% YoY, as a result of the 15% YoY growth in number of electricity deliveries.

Adjusted EBIT in the quarter amounts to 78 NOKm, which is an increase of 4% YoY. Adjusted OPEX in the quarter amounted to 164 NOKm, a YoY growth of 27%. The increase in OPEX is in line with expectations and is driven by growth in sales and marketing costs, customer service costs and losses on receivables.

The Group's reporting structure comprises three operational segments: Consumer, Business and New Growth Initiatives.

Consumer

At the end of second quarter 2018, the Consumer segment comprised 519.9 thousand electricity deliveries, which represents an organic growth of 1.9 thousand deliveries from first quarter 2018. The volume sold in second quarter 2018 was 1,376 GWh, an increase of 5% compared to second quarter 2017. Average volume per delivery was 2,785 kWh in second quarter 2018, a 5% decrease from the 2,946 kWh in second quarter 2017.

During the quarter, Fjordkraft has entered into a partnership with Spond – a communication platform for organising team sports or other group activities. Spond will be a new sales distribution channel for Fjordkraft, offering Fjordkraft's customers cashback to teams and organisations of their choice.

Adjusted net revenue in the Consumer segment amounts to 174 NOKm, a YoY growth of 20%. Margin improvement explains about three quarters of the 20% increase, while volume growth explains about one quarter.

Adjusted OPEX amounts to 119 NOKm in the second quarter of 2018, compared to 88 NOKm in the second quarter of 2017. Increased sales and marketing costs, customer service costs and losses on receivables are the main drivers.

EBIT adjusted amounts to 55 NOKm in the quarter, which is in line with the second quarter of 2017.

Business

At the end of second quarter 2018, the Business segment comprised 75.8 thousand electricity deliveries, which represents an organic growth of 0.7 thousand deliveries from first quarter 2018. The volume sold in second quarter 2018 was 1,328 GWh, an increase of 12% compared to second quarter 2017. Average volume per delivery was 19,043 kWh in second quarter 2018, a 4% decrease from the 19,820 kWh in second quarter 2017.

Adjusted net revenue in the Business segment amounts to 62 NOKm, a YoY growth of 15%. The growth is primarily because of growth in number of deliveries.

Adjusted OPEX amounts to 32 NOKm in the quarter, compared to 26 NOKm in the second quarter of 2017. The main reason for the OPEX growth is increased sales and marketing costs.

EBIT adjusted amounts to 31 NOKm in the quarter, an increase of 3 NOKm from the second quarter of 2017.

New Growth Initiatives

At the end of second quarter 2018, the number of mobile subscribers was 56.9 thousand, which represents an organic growth of 7.6 thousand from first quarter 2018.

Alliance volume in second quarter 2018 was 910 GWh, which is a 21% YoY increase.

OPEX adjusted amounts to 13 NOKm, a decrease from 15 NOKm in second quarter 2017.

EBIT amounts to -8 NOKm, an improvement from the -10 NOKm in second quarter 2017.

Financials

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

Gross revenue amounted to 1,297 NOKm (892 NOKm), an increase of 45%, due to higher elspot prices and increased volume sold.

Adjusted net revenue amounted to 242 NOKm (204 NOKm), an increase of 18%. The increase is driven by both improved margins and volume growth.

Adjusted operating expenses amounted to 164 NOKm (129 NOKm), an increase of 27 %. The increase in operating expenses is in line with expectations and is driven by growth in sales and marketing costs, customer service costs and losses on receivables.

Adjusted EBIT amounted to 78 NOKm (75 NOKm) in the second quarter due to the factors described above.

Net financial income amounted to 0.1 NOKm (2.2 NOKm).

Profit for the period amounted to 54 NOKm (45 NOKm) in the second quarter due to the factors described above.

Consolidated cash flow

Cash provided by operating activities was 669 NOKm (55 NOKm). The main reason for the positive cash development from operating activities is a decrease in net working capital in the period. Trade receivables decreased by 1,384 NOKm (341 NOKm) in the second quarter.

Net cash used in investing activities was 296 NOKm (34 NOKm) driven by the acquisition of TrønderEnergi Marked AS. Net cash used in financing activities was NOK -53 NOKm (-120 NOKm), consisting of net outflow from change in overdraft facilities of -331 NOKm and proceeds from borrowings of 278 NOKm.

Financial position

The total capital as of 30.06.2018 was 2,421 NOKm (1,393 NOKm), an increase of 1,028 NOKm from Q2 2017. The main drivers for the increase are the acquisition of TrønderEnergi Marked AS, increased value of derivative financial instruments and an increase in cash and cash equivalents. Assets are financed by increased trade payables and long-term debt.

Events after the reporting period

Fjordkraft Holding ASA (through a subsidiary, Fjordkraft AS) has entered into a Share Purchase Agreement with TrønderEnergi AS to purchase 100% of the shares of Oppdal Everk Kraftomsetning AS. Oppdal Everk Kraftomsetning AS will be demerged from Oppdal Everk AS and will consist of about 5,200 electricity deliveries.

The acquisition strengthens the Group's position in Mid-Norway and is a good follow-up after the acquisition of TrønderEnergi Marked AS in the spring of 2018.

The agreed purchase price is NOKm 19.375, including net financial assets of 1.0 NOKm, and will be financed by available cash in Fjordkraft. The purchase price does not include working capital.

Cost synergies are expected to be in line with the TrønderEnergi Marked acquisition.

The transaction is expected to be completed 1 October 2018. Oppdal Everk Kraftomsetning AS will be consolidated in the Group accounts from the date of acquisition.

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

Condensed interim financial statements



Condensed consolidated statement of profit or loss

NOK in thousands	Note	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Continuing operations						
Revenue	2, 10	1 297 345	892 436	3 213 350	2 278 091	4 452 510
Direct cost of sales	2	(1 048 636)	(688 161)	(2 650 580)	(1 809 195)	(3 540 521)
Revenue less direct cost of sales		248 709	204 275	562 770	468 897	911 989
Personnel expenses	2	(40 675)	(31 080)	(94 342)	(71 961)	(178 751)
Other operating expenses	2	(95 411)	(88 167)	(189 158)	(152 100)	(312 923)
Depreciation and amortisation	2, 5, 6	(43 567)	(25 226)	(75 540)	(49 849)	(105 578)
Total operating expenses		(179 653)	(144 473)	(359 040)	(273 910)	(597 252)
Other gains and losses, net	8	2 011	(2 061)	(3 048)	(2 198)	7 884
Operating profit		71 068	57 741	200 681	192 789	322 620
Interest income		3 594	3 244	7 535	5 937	11 801
Interest expense		(1 606)	(66)	(1 660)	(104)	(175)
Other financial items, net		(1 866)	(978)	(3 180)	(2 185)	(2 779)
Net financial income/(cost)		121	2 200	2 695	3 648	8 847
Profit/(loss) before tax		71 189	59 941	203 376	196 437	331 467
Income tax (expense)/income	3	(16 725)	(14 522)	(47 222)	(47 480)	(79 527)
Profit/(loss) for the period		54 464	45 419	156 154	148 957	251 941
Basic earnings per share (in NOK)*	4	0,52	0,43	1,49	1,43	2,41
Diluted earnings per share (in NOK)*	4	0,52	0,43	1,49	1,43	2,41

* Based on 104 496 216 shares outstanding. Reference is made to note 4 regarding incorporation of Fjordkraft Holding ASA as the new parent company of the Group.

**Condensed consolidated statement of
comprehensive income (loss)**

NOK in thousands	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Profit/(loss) for the period	54 464	45 419	156 154	148 957	251 941
Other comprehensive income:					
Items that will not be reclassified to profit or loss:					
Actuarial (loss)/gain on pension obligations (net of tax)	-	-	-	-	(20 008)
Total	-	-	-	-	(20 008)
Total other comprehensive (loss)/income for the period, net of tax	-	-	-	-	(20 008)
Total comprehensive income/(loss) for the period	54 464	45 419	156 154	148 957	231 932

Condensed consolidated statement of financial position

NOK in thousands	Note	30 June 2018	30 June 2017	31 December 2017
Assets				
Non-current assets				
Property, plant and equipment	5	4 236	3 691	3 568
Goodwill	6,7	150 898	-	-
Intangible assets	6	198 771	73 853	82 096
Other non-current assets		154 026	120 090	137 536
Other non-current financial assets		17 227	14 581	14 198
Total non-current assets		525 158	212 216	237 398
Current assets				
Intangible assets	6	4 978	-	2 569
Inventories		1 278	2 226	1 394
Trade receivables	1,9	1 054 710	970 302	1 364 519
Derivative financial instruments	8	399 929	70 294	113 435
Other current assets		114 030	66 489	40 083
Cash and cash equivalents		321 009	71 164	363 212
Total current assets		1 895 933	1 180 476	1 885 211
Total assets		2 421 091	1 392 692	2 122 609
Equity and liabilities				
Equity				
Share capital		31 349	31 352	31 349
Share premium		125 035	125 032	125 035
Retained earnings		616 071	477 140	559 916
Total equity		772 455	633 524	716 299

Condensed consolidated statement
of financial position

NOK in thousands	Note	30 June 2018	30 June 2017	31 December 2017
Non-current liabilities				
Net employee defined benefit plan liabilities		72 807	42 557	73 720
Interest-bearing long term debt		278 000	-	-
Deferred tax liabilities	3	40 071	17 553	12 944
Other provisions		964	-	-
Total non-current liabilities		391 842	60 111	86 664
Current liabilities				
Trade and other payables	9	527 519	360 958	726 631
Current income tax liabilities	3	52 464	29 327	71 198
Derivative financial instruments	8	384 202	62 368	95 428
Social security and other taxes		21 911	28 234	50 085
Other current liabilities		270 698	218 170	376 304
Total current liabilities		1 256 794	699 057	1 319 646
Total liabilities		1 648 637	759 168	1 406 310
Total equity and liabilities		2 421 091	1 392 692	2 122 609

The Board of Fjordkraft Holding ASA, Bergen, 29. August 2018



Per Axel Koch
Chairman



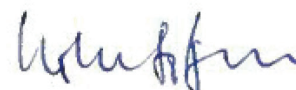
Birthe Iren Grotle
Board member



Frank Økland
Board member



Øistein Prestø
Board member



Robert Olsen
Board member



Live Bertha Haukvik
Board member



Steinar Sønsteby
Board member



Lindi Bucher Vinsand
Board member



Rolf Jørgen Barmen
CEO

Condensed statement of changes in equity

NOK in thousands	Share capital	Share premium	Retained earnings	Total
Balance at 1 January 2017	31 352	125 032	448 268	604 652
Profit/(loss) for the period	-	-	148 957	148 957
Other comprehensive loss for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	148 957	148 957
Dividends paid	-	-	(120 084)	(120 084)
Transactions with owners	-	-	(120 084)	(120 084)
Balance at 30 June 2017	31 352	125 032	477 140	633 524
Balance at 1 January 2018	31 349	125 035	559 916	716 299
Profit/(loss) for the period	-	-	156 154	156 154
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	156 154	156 154
Dividends paid	-	-	(100 000)	(100 000)
Transactions with owners	-	-	(100 000)	(100 000)
Balance at 30 June 2018	31 349	125 035	616 071	772 455

Condensed consolidated statement of cash flows

NOK in thousands	Note	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Operating activities						
Profit/(loss) before tax		71 189	59 941	203 376	196 437	331 467
Adjustments for:						
Depreciation	5,6	17 327	5 848	25 312	11 609	24 372
Interest expense		1 606	66	1 660	104	175
Interest income		(3 594)	(3 244)	(7 535)	(5 937)	(11 801)
Change in fair value of derivative financial instruments		(2 011)	2 061	3 048	2 198	(7 884)
Change in post-employment liabilities		(8 103)	(8 077)	(2 938)	(4 863)	(27)
Amortisation of contract assets		26 240	19 378	50 228	38 240	81 206
Impairment loss recognised in trade receivables		7 379	1 647	15 503	5 114	11 920
Changes in working capital:						
Inventories		(164)	(864)	116	(2 226)	(1 394)
Trade receivables	9	1 384 176	341 159	452 897	234 176	(171 544)
Purchase of el-certificates	6	5 595	(612)	(174 008)	(210 908)	(210 908)
Non-cash effect from cancelling el-certificates	6	(10 272)	13 559	169 330	223 855	216 322
Purchase of guarantees of origination	6	1 413	-	2 269	-	(2 558)
Other current assets		(8 754)	(7 001)	(26 641)	(31 056)	(4 649)
Trade and other payables	9	(606 237)	(329 922)	(200 494)	(114 910)	250 764
Other current liabilities		(173 248)	(553)	(331 546)	(192 137)	(170)
Cash generated from operations		702 542	93 385	180 577	149 696	505 292
Interest paid		(1 606)	(66)	(1 660)	(104)	(175)
Interest received		3 594	3 244	7 535	5 937	11 801
Income tax paid	3	(35 103)	(41 685)	(70 207)	(83 371)	(71 799)
Net cash from operating activities		669 426	54 878	116 245	72 158	445 119
Investing activities						
Purchase of property, plant and equipment	5	(201)	(1 032)	(371)	(1 032)	(1 309)
Purchase of intangible assets	6	(11 512)	(7 508)	(22 350)	(15 200)	(35 807)
Payments to obtain a contract (contract assets)		(27 920)	(25 450)	(56 666)	(57 181)	(117 594)
Net cash outflow on aquisition of subsidiares		(254 102)		(254 102)		
Net (outflow)/proceeds from non-current receivables		(2 058)	(494)	(2 958)	(722)	(339)
Net cash used in investing activities		(295 794)	(34 484)	(336 448)	(74 135)	(155 048)

**Condensed consolidated statement
of cash flows**

NOK in thousands	Note	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Financing activities						
Net (outflow)/proceeds from change in overdraft		(330 623)	-	-	-	-
Dividends paid	4	-	(120 084)	(100 000)	(120 084)	(120 084)
Proceeds from borrowings		278 000	-	278 000	-	-
Net cash used in financing activities		(52 623)	(120 084)	178 000	(120 084)	(120 084)
Net change in cash and cash equivalents		321 009	(99 690)	(42 203)	(122 061)	169 987
Cash and cash equivalents at start of period		-	170 855	363 212	193 226	193 226
Cash and cash equivalents at end of period		321 009	71 164	321 009	71 164	363 212

Notes to the condensed consolidated financial statements

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Note 1

Accounting policies

General information

Fjordkraft 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 29 August 2018.

A review of the interim financial statements has been carried out by the independent auditor of the Group.

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 statement and should therefore be read in conjunction with the annual financial statements for the year ended 31 December 2017, 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.

Business combinations and goodwill

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

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

Comparative figures are not adjusted for acquired, sold or liquidated businesses. For accounting purposes, the acquisition method is

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

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

Goodwill is not depreciated, but is tested at least annually for impairment. In connection with this, goodwill is allocated to the cash-generating units (CGUs) or groups of CGUs that are expected to benefit from synergy effects of the acquisition. The allocation of goodwill may vary depending on the basis for its initial recognition.

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

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

Note 1
Accounting policies**Accounting principles**

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 2017, except for income taxes and post-employment benefits.

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

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

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

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

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

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

Note 2

Segment information

Q2 2018				
	Consumer	Business	New growth initiatives	Total segments
NOK in thousands				
Revenue	712 912	548 944	35 489	1 297 345
Total external segment revenue	712 912	548 944	35 489	1 297 345
Direct cost of sales	(532 770)	(486 188)	(29 678)	(1 048 636)
Revenue less direct cost of sales	180 142	62 756	5 811	248 709
Expenses				
Personnel and other operating expenses	(89 991)	(28 819)	(11 565)	(130 375)
Depreciation and amortisation	(29 253)	(2 724)	(1 643)	(33 620)
Operating profit (before unallocated)	60 898	31 213	(7 397)	84 714
<i>Adjustment: (Positive)/negative estimate deviations previous year 1)</i>	<i>(1 658)</i>	<i>(674)</i>	<i>(260)</i>	<i>(2 592)</i>
<i>Adjustment: Other non-recurring revenue adjustments</i>	<i>(4 080)</i>	<i>-</i>	<i>-</i>	<i>(4 080)</i>
Operating profit (before unallocated and estimate deviations)	55 160	30 539	(7 657)	78 042

Q2 2017				
	Consumer	Business	New growth initiatives	Total segments
NOK in thousands				
Revenue	511 913	371 383	9 140	892 436
Total external segment revenue	511 913	371 383	9 140	892 436
Direct cost of sales	(366 063)	(317 224)	(4 875)	(688 161)
Revenue less direct cost of sales	145 851	54 159	4 265	204 274
Expenses				
Personnel and other operating expenses	(65 679)	(24 157)	(14 586)	(104 422)
Depreciation and amortisation	(22 491)	(2 212)	(31)	(24 734)
Operating profit (before unallocated)	57 681	27 790	(10 352)	75 119
<i>Adjustment: (Positive)/negative estimate deviations previous year 1)</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Adjustment: Other non-recurring revenue adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Operating profit (before unallocated and estimate deviations)	57 681	27 790	(10 352)	75 119

Note 2

Segment information

YTD 2018				
	Consumer	Business	New growth initiatives	Total segments
NOK in thousands				
Revenue	1 814 467	1 330 637	68 246	3 213 350
Total external segment revenue	1 814 467	1 330 637	68 246	3 213 350
Direct cost of sales	(1 410 988)	(1 186 294)	(53 298)	(2 650 580)
Revenue less direct cost of sales	403 479	144 343	14 948	562 770
Expenses				
Personnel and other operating expenses	(183 487)	(57 814)	(25 521)	(266 822)
Depreciation and amortisation	(55 760)	(5 472)	(3 289)	(64 521)
Operating profit (before unallocated)	164 232	81 057	(13 862)	231 427
<i>Adjustment: (Positive)/negative estimate deviations previous year 1)</i>	<i>(1 658)</i>	<i>(674)</i>	<i>(260)</i>	<i>(2 592)</i>
<i>Adjustment: Other non-recurring revenue adjustments</i>	<i>(4 080)</i>	-	-	<i>(4 080)</i>
Operating profit (before unallocated and estimate deviations)	158 494	80 383	(14 122)	224 755

YTD 2017				
	Consumer	Business	New growth initiatives	Total segments
NOK in thousands				
Revenue	1 314 868	946 767	16 456	2 278 091
Total external segment revenue	1 314 868	946 767	16 456	2 278 091
Direct cost of sales	(970 186)	(833 897)	(5 112)	(1 809 195)
Revenue less direct cost of sales	344 682	112 870	11 345	468 897
Expenses				
Personnel and other operating expenses	(1 38 588)	(50 402)	(20 248)	(209 238)
Depreciation and amortisation	(44 653)	(4 192)	(20)	(48 865)
Operating profit (before unallocated)	161 442	58 276	(8 923)	210 794
<i>Adjustment: (Positive)/negative estimate deviations previous year 1)</i>	-	5 986	-	5 986
<i>Adjustment: Other non-recurring revenue adjustments</i>	-	-	-	-
Operating profit (before unallocated and estimate deviations)	161 442	64 262	(8 923)	216 780

Note 2

Segment information

	Full year 2017			
	Consumer	Business	New growth initiatives	Total segments
NOK in thousands				
Revenue	2 518 778	1 872 997	60 735	4 452 510
Total external segment revenue	2 518 778	1 872 997	60 735	4 452 510
Direct cost of sales	(1 863 383)	(1 641 077)	(36 061)	(3 540 521)
Revenue less direct cost of sales	655 394	231 920	24 674	911 988
Expenses				
Personnel and other operating expenses	(300 425)	(112 814)	(51 434)	(464 673)
Depreciation and amortisation	(92 560)	(9 171)	(2 012)	(103 743)
Operating profit (before unallocated)	262 409	109 935	(28 772)	343 572
<i>Adjustment: (Positive)/negative estimate deviations previous year 1)</i>	<i>4 463</i>	<i>9 298</i>	<i>(1 605)</i>	<i>12 156</i>
<i>Adjustment: Other non-recurring revenue adjustments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Operating profit (before unallocated and estimate deviations)	266 872	119 233	(30 377)	355 728

Note 2

Segment information

Reconciliation to statement of profit and loss for the period					
NOK in thousands	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Adjusted Operating profit (before unallocated and estimate deviations)	78 042	75 119	224 755	216 780	355 728
Adjustment: (Positive)/negative estimate deviations previous year 1)	2 592	-	2 592	(5 986)	(12 156)
Other gains & losses 2)	2 011	(2 061)	(3 048)	(2 198)	7 884
Non-recurring 3)	(1 629)	(14 826)	(12 597)	(14 826)	(27 002)
Depreciation of acquisitions 4)	(9 948)	(490)	(11 020)	(981)	(1 834)
Operating profit	71 068	57 742	200 681	192 789	322 620
Interest income	3 594	3 244	7 535	5 937	11 801
Interest expense	(1 606)	(66)	(1 660)	(104)	(175)
Other financial items, net 4)	(1 866)	(978)	(3 180)	(2 185)	(2 779)
Profit/(loss) before tax	71 189	59 942	203 376	196 438	331 467

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

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

3) Non-recurring items consists of one-time items as follows:

NOK in thousands	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Non-recurring items incurred specific to:					
- the process of listing the company on Oslo Stock Exchange	(124)	-	(11 022)	-	(12 176)
- integration of acquisitions	(5 125)	-	(5 195)	-	-
- the launch of new products and services	-	(14 826)	-	(14 826)	(14 826)
- compensatory damages	4 080	-	4 080	-	-
- legal costs related to the compensatory damages above	(460)	-	(460)	-	-
Non-recurring	(1 629)	(14 826)	(12 597)	(14 826)	(27 002)

4) Depreciation of acquisitions consists of 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. In order to accommodate this, historically reported figures have been adjusted accordingly. See note 6 for details regarding assets from acquisitions.

Note 3

Income tax

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

NOK in thousands	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Profit before tax	71 189	59 941	203 376	196 437	331 467
Tax expense	(16 725)	(14 522)	(47 222)	(47 480)	(79 527)
Average tax rate	23,5 %	24,2 %	23,2 %	24,2 %	24,0 %
Tax payable	16 178	11 621	48 832	42 295	72 575
Adjustments to prior years tax payable	-	-	-	-	(1 377)
Change in deferred tax	547	2 901	(1 610)	5 185	8 328
Tax expense in recognised statement of profit or loss	16 725	14 522	47 222	47 480	79 527

Note 4

Earnings per share

The basic and diluted earnings per share are the same, as there are no dilutive instruments. Earnings per share is calculated as profit/loss allocated to shareholders for the year divided by the weighted average number of outstanding shares.

The parent company in the Group, Fjordkraft Holding ASA, a public limited liability company, was incorporated on 15 December 2017. The company was incorporated through a contribution in kind of the three owners' shares in Fjordkraft AS, and there were no changes in the Group's ownership.

The total number of shares in the parent company of the Group as at 30 June 2018 was 104 496 216, while the total number of shares in the parent company of the Group as at 30 June 2017 was 31 352. The number of shares as at 30 June 2018 is used when calculating earnings per share.

Basic earnings per share

	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Profit/(loss) attributable to equity holders of the company (NOK in thousands)	54 464	45 419	156 154	148 957	251 941
Weighted average number of ordinary shares in issue	104 496 216	104 496 216	104 496 216	104 496 216	104 496 216
Earnings per share in NOK	0,52	0,43	1,49	1,43	2,41
Dividend per share in NOK	-	1,15	0,96	1,15	1,15

Note 5

Property, plant and equipment

YTD 2018				
NOK in thousands	Fixtures and equipment	Computers	Construction in progress	Total
Cost price 1 January 2018	8 875	25 221	-	34 097
Additions	693	58	371	1 122
Transferred from construction in progress	-	-	-	-
Disposals	-	-	-	-
Cost price 30 June 2018	9 569	25 279	371	35 219
Accumulated depreciation 1 January 2018	(6 090)	(24 437)	-	(30 527)
Depreciation for the period	(344)	(111)	-	(454)
Disposals	-	-	-	-
Accumulated depreciation 30 June 2018	(6 434)	(24 548)	-	(30 982)
Carrying amount 30 June 2018	3 135	731	371	4 236

YTD 2017				
NOK in thousands	Fixtures and equipment	Computers	Construction in progress	Total
Cost price 1 January 2017	6 902	25 554	331	32 787
Additions	664	-	368	1 032
Transferred from construction in progress	-	(333)	333	-
Disposals	-	-	-	-
Cost price 30 June 2017	7 566	25 221	1 032	33 819
Accumulated depreciation 1 January 2017	(5 525)	(24 135)	-	(29 660)
Depreciation for the period	(307)	(160)	-	(468)
Disposals	-	-	-	-
Accumulated depreciation 30 June 2017	(5 832)	(24 295)	-	(30 128)
Carrying amount 30 June 2017	1 734	925	1 032	3 691

Note 5
Property, plant and equipment

Full year 2017

NOK in thousands	Fixtures and equipment	Computers	Construction in progress	Total
Cost price 1 January 2017	6 902	25 554	331	32 787
Additions	1 309	-	-	1 309
Transferred from construction in progress	664	(333)	(331)	(0)
Disposals				-
Cost price 31 December 2017	8 875	25 221	-	34 096
Accumulated depreciation 1 January 2017	(5 525)	(24 135)	-	(29 660)
Depreciation for the year	(565)	(302)	-	(867)
Disposals				-
Accumulated depreciation 31 December 2017	(6 090)	(24 437)	-	(30 527)
Carrying amount 31 December 2017	2 785	784	-	3 568
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

YTD 2018

NOK in thousands	Software and development projects	Construction in progress	Assets from acquisitions	Other intangible assets	Goodwill	Total non-current intangible assets
Cost price 1 January 2018	121 946	29 211	20 141	568	-	171 865
Additions - Purchase	544	15 177	125 232	-	150 898	291 851
Additions - Internally generated	17	563	-	-	-	580
Transferred from construction in progress	17 423	(17 423)	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost price 30 June 2018	139 929	27 528	145 373	568	150 898	464 296
Accumulated depreciation 1 January 2018	(81 615)	-	(8 012)	(142)	-	(89 769)
Depreciation for the period	(13 744)	-	(11 020)	(95)	-	(24 859)
Disposals	-	-	-	-	-	-
Accumulated depreciation 30 June 2018	(95 359)	-	(19 032)	(237)	-	(114 628)
Carrying amount 30 June 2018	44 570	27 528	126 341	331	150 898	349 669

YTD 2017

NOK in thousands	Software and development projects	Construction in progress	Customer portfolios	Other intangible assets		Total non-current intangible assets
Cost price 1 January 2017	87 169	36 511	12 378	-	-	136 059
Additions - Purchase	39	12 753	-	568	-	13 360
Additions - Internally generated	93	1 747	-	-	-	1 840
Transferred from construction in progress	16 374	(16 374)	-	-	-	-
Government grants (SkatteFUNN)	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Cost price 30 June 2017	103 676	34 637	12 378	568	-	151 259
Accumulated depreciation 1 January 2017	(60 086)	-	(6 178)	-	-	(66 264)
Depreciation for the period	(10 114)	-	(981)	(47)	-	(11 142)
Disposals	-	-	-	-	-	-
Accumulated depreciation 30 June 2017	(70 200)	-	(7 159)	(47)	-	(77 406)
Carrying amount 30 June 2017	33 476	34 637	5 219	520	-	73 853

Note 6

Intangible assets

Non-current intangible assets

2017 Full year

NOK in thousands	Software and development projects	Construction in progress	Assets from acquisitions	Other intangible assets	Goodwill	Total non-current intangible assets
Cost price 1 January 2017	87 169	36 511	12 378	-	-	136 059
Additions - Purchase	5 559	18 795	7 763	568	-	32 685
Additions - Internally generated	1 612	1 509	-	-	-	3 121
Transferred from construction in progress	28 538	(28 538)	-	-	-	-
Government grants (SkatteFUNN)	(933)	933	-	-	-	-
Disposals	-	-	-	-	-	-
Cost price 31 December 2017	121 946	29 211	20 141	568	-	171 865
Accumulated depreciation 1 January 2017	(60 086)	-	(6 178)	-	-	(66 264)
Depreciation for the year	(21 529)	-	(1 834)	(142)	-	(23 505)
Disposals	-	-	-	-	-	-
Accumulated depreciation 31 December 2017	(81 615)	-	(8 012)	(142)	-	(89 769)
Carrying amount 31 December 2017	40 331	29 211	12 129	426	-	82 096
Useful life	3 years		5-12 years	3 years		
Depreciation method	Straight line		Straight line	Straight line		

Note 6

Intangible assets

Current intangible assets			
YTD 2018			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2018	11	2 558	2 569
Additions - Purchase	174 008	(2 269)	171 739
Disposals*	(169 330)	-	(169 330)
Cost 30 June 2018	4 689	289	4 978
Accumulated depreciation 1 January 2018	-	-	-
Depreciation for the period	-	-	-
Disposals	-	-	-
Accumulated depreciation 30 June 2018	-	-	-
Carrying amount 30 June 2018	4 689	289	4 978
* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability.			
YTD 2017			
NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2017	5 424	-	5 424
Additions - Purchase	210 908	-	210 908
Disposals*	(223 855)	-	(223 855)
Cost price 30 June 2017	(7 522)	-	(7 522)
Accumulated depreciation 1 January 2017	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 30 June 2017	-	-	-
Carrying amount 30 June 2017	(7 522)	-	(7 522)
* Disposals of El-certificates refers to amount of certificates being handed over to the government to offset el-certificate cancellation liability. Carrying amount 30 June 2017 is reclassified to other current liabilities in the consolidated statement of financial position.			

Note 6

Intangible assets

Current intangible assets

2017 Full year

NOK in thousands	El-certificates	Guarantees of origination	Total current intangible assets
Cost price 1 January 2017	5 424	-	5 424
Additions - Purchase	210 908	2 558	213 467
Disposals*	(216 322)	-	(216 322)
Cost price 31 December 2017	11	2 558	2 569
Accumulated depreciation 1 January 2017	-	-	-
Depreciation for the year	-	-	-
Disposals	-	-	-
Accumulated depreciation 31 December 2017	-	-	-
Carrying amount 31 December 2017	11	2 558	2 569

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

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

Note 7

Business combination

On 18 April 2018 Fjordkraft Holding ASA (through the subsidiary Fjordkraft AS) acquired 100.0% of the issued shares in TrønderEnergi Marked AS, a leading electricity retailer in the Trøndelag-area, for consideration of NOKt 280 351. The acquisition is expected to increase the group's market share and reduce costs through economies of scale.

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

Purchase consideration

NOK in thousands	
Purchase price shares, paid cash	278 344
Interest, paid cash	2 007
Total purchase consideration	280 351

There is no contingent consideration included in this acquisition.

As of 18 April 2018 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)	741
Customer relationships (note 6)	107 118
Other intangible assets (note 6)	12 066
Other non-current assets	10 051
Other non-current financial assets	70
Total non-current assets	130 046
Trade receivables	158 592
Derivative financial instruments	7 966
Other current assets	48 073
Cash and cash equivalents	26 240
Total current assets	240 871
Total assets	370 917
Net employee defined benefit plan liabilities	2 701
Deferred tax liabilities (note 3)	31 777
Provisions for liabilities	1 014
Total non-current liabilities	35 492
Trade and other payables	1 382
Overdraft facilities	20 102
Derivative financial instruments	6 833
Social security and other taxes	32 198
Other current liabilities	145 457
Total current liabilities	205 972
Total liabilities	241 464

Note 7**Business combination**

Net identifiable assets acquired	129 453
Add: Goodwill	150 898
In total	280 351

The goodwill is attributable to TrønderEnergi Marked 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 27 412 is related to the fair value adjustments of customer relationships and other intangible assets.

Other current liabilities contains dividends of NOKt 37 242 approved by the General Meeting of TrønderEnergi Marked AS prior to the acquisition. The dividend was paid after the acquisition and is therefore included in other current liabilities in The Group's cash flow in Q2.

Acquisition-related costs

Acquisition-related costs of NOKt 2 485 are included in administrative expenses in profit or loss.

Acquired receivables

The fair value of trade receivables is NOKt 158 592. The gross contractual amount for trade receivables due is NOKt 161 436, of which NOKt 2 844 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

The acquired business contributed revenues of NOKt 103 398 and EBIT adjusted of NOKt 4 849 to the Group for the period from 18 April 2018 to 30 June 2018. This excludes the depreciations of customer relationships and other intangible assets from the acquisition, NOKt -8 876 in the period, and other gains and losses related to derivatives of NOKt 1 711. The Group does not allocate the depreciations to its segments, as this, in The Group's opinion, better represents the underlying profitability of the segments. In total, the contribution to the Groups EBIT reported including the depreciations was a net loss of NOKt 2 317.

If the acquisition had occurred on 1 January 2018, consolidated revenue and consolidated profit after tax for the half-year ended 30 June 2018 would have been NOKt 3 435 606 and NOKt 152 963 respectively.

Note 8 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 2018	Level 1	Level 2	Level 3	Total
NOK in thousands				
Financial assets				
Derivative financial instruments		399 929		399 929
Total financial assets at fair value	-	399 929	-	399 929
Financial liabilities				
Derivative financial instruments		384 202		384 202
Total financial liabilities at fair value	-	384 202	-	384 202

Recurring fair value measurements At 30 June 2017	Level 1	Level 2	Level 3	Total
NOK in thousands				
Financial assets				
Derivative financial instruments		70 294		70 294
Total financial assets at fair value	-	70 294	-	70 294
Financial liabilities				
Derivative financial instruments		62 368		62 368
Total financial liabilities at fair value	-	62 368	-	62 368

Recurring fair value measurements At 31 December 2017	Level 1	Level 2	Level 3	Total
NOK in thousands				
Financial assets				
Derivative financial instruments		113 435		113 435
Total financial assets at fair value	-	113 435	-	113 435
Financial liabilities				
Derivative financial instruments		95 428		95 428
Total financial liabilities at fair value	-	95 428	-	95 428

Note 8**Fair value
measurement of
financial instruments**

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

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.

Valuation techniques used to determine fair values

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

of 0.90 per cent (2017: 0.90 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.

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

The Group also has financial instruments which are not measured at fair value in the balance sheet. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature. There has not been identified any significant difference between fair value and carrying amount at 30 June 2018.

Note 9

Related party transactions

As at 30 June 2018, BKK AS is the owner of 30.25 % of the shares in Fjordkraft Holding ASA, while Skagerak Energi AS owns 29.72 %. Related parties with owners comprise companies in BKK Group, Skagerak Energi Group and Statkraft Group. The Board of Directors and the management are also 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 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
BKK AS	Owner	Sale of electrical power	3 139	2 831	7 054	5 192	10 058
BKK Nett AS	Subsidiary of owner	Sale of electrical power	1 376	1 236	3 070	2 173	4 197
BKK Varne AS	Subsidiary of owner	Sale of electrical power	-	5 043	-	8 309	8 436
Skagerak Energi AS	Owner	Sale of electrical power	1 176	937	2 517	2 126	3 558
Skagerak Nett AS	Subsidiary of owner	Sale of electrical power	1 180	771	2 515	1 818	2 861
Skagerak Varne AS	Subsidiary of owner	Sale of electrical power	2 340	1 766	5 113	3 872	6 252
Statkraft AS	Parent company of owner	Sale of electrical power	1 064	410	2 017	891	2 078
Statkraft Varne AS	Subsidiary of parent company of owner	Sale of electrical power	14 299	9 830	38 583	23 687	37 276
Other	Related party	Other	1 125	2 234	2 083	4 020	9 703

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

Expenses to related parties

Related party	Relation	Purpose of transactions	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
BKK AS	Owner	Purchase of electrical power	320	367	561	688	1 377
BKK Produksjon AS	Subsidiary of owner	Purchase of electrical power	3 452	3 505	8 045	6 641	12 750
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of electrical power	1 147 837	743 452	3 134 446	1 954 054	3 067 577
BKK AS	Owner	Purchase of other services	5 257	6 860	11 883	12 836	28 854
BKK Regnskapsservice AS	Subsidiary of owner	Purchase of other services	2 668	-	2 668	-	-
BKK Energitjenester AS	Subsidiary of owner	Purchase of other services	1 143	3 864	1 969	3 864	9 066
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of other services	1 977	4 535	3 961	7 747	12 150
Other	Related party	Other	485	1 120	999	2 348	4 426

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

Note 9

Related party transactions

Purchase of assets

Related party	Relation	Purpose of transactions	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
BKK AS	Owner	Research and development	779	701	815	701	800
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of el-certificates	(5 595)	612	174 008	210 908	210 908

Distributions to related parties

Related party	Relation	Purpose of transactions	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
BKK AS	Owner	Dividend	-	58 659	48 849	58 659	58 659
Skagerak Energi AS	Owner	Dividend	-	57 637	47 997	57 637	57 637
Statkraft Industrial Holding AS	Owner at the time of distribution	Dividend	-	3 788	3 155	3 788	3 788

Current receivables from related parties

Related party	Relation	Purpose of transactions	30 june 2018	30 June 2017	31. des. 2017
Statkraft Varne AS	Subsidiary of parent company of owner	Sale of electrical power	1 571	1 546	1 774
Other	Related party	Sale of electrical power	333	1 549	2 406

Current liabilities to related parties

Related party	Relation	Purpose of transactions	30 june 2018	30 June 2017	31. des. 2017
BKK AS	Owner	Other	614	63	1 976
BKK Energitjenester AS	Subsidiary of owner	Purchase of other services	-	1 778	3 969
BKK Nett AS	Subsidiary of owner	Other	-	-	71 712
Statkraft Energi AS	Subsidiary of parent company of owner	Purchase of electrical power	12 100	64 929	553 962
Other	Related party	Other	658	-	774

Payables to Statkraft Energi AS mainly relates to purchase of electricity. The Group purchases electricity at Nord Pool through Statkraft Energi AS (SEAS). The daily transactions and payments 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.

Note 10

Revenue recognition

The following table summarises revenue from contracts with customers:

Revenue

NOK in thousands	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Revenue - Consumer segment (1)	712 912	511 913	1 814 467	1 314 868	2 518 778
Revenue - Business segment (2)	548 944	371 383	1 330 637	946 767	1 872 997
Revenue - New growth initiatives (3)	35 489	9 140	68 246	16 456	60 735
Total revenue	1 297 345	892 436	3 213 350	2 278 091	4 452 510

Timing of revenue recognition

Over time:

NOK in thousands	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Revenue - Consumer segment	692 960	495 038	1 774 525	1 280 499	2 448 620
Revenue - Business segment	544 063	367 567	1 320 681	940 095	1 855 984
Revenue - New growth initiatives	35 080	9 068	67 566	16 384	60 198
Total revenue recognised over time	1 272 103	871 673	3 162 772	2 236 978	4 364 802

At a point in time:

NOK in thousands	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Full year 2017
Revenue - Consumer segment	19 952	16 875	39 942	34 369	70 158
Revenue - Business segment	4 881	3 816	9 956	6 672	17 013
Revenue - New growth initiatives	409	72	680	72	537
Total revenue recognised at a point in time	23 441	20 763	48 777	41 113	87 708

Total revenue	1 297 345	892 436	3 213 350	2 278 091	4 452 510
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(1) Revenue in the consumer segment comprise sale of electrical power to private consumers

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

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

Note 11

Events after the reporting period

Fjordkraft Holding ASA (through a subsidiary, Fjordkraft AS) has entered into a Share Purchase Agreement with TrønderEnergi AS to purchase 100% of the shares of Oppdal Everk Kraftomsetning AS. Oppdal Everk Kraftomsetning AS will be demerged from Oppdal Everk AS and will consist of about 5,200 electricity deliveries.

The acquisition strengthens the Group's position in Mid-Norway and is a good follow-up after the acquisition of TrønderEnergi Marked AS in the spring of 2018.

The agreed purchase price is NOKm 19.375, including net financial assets of 1.0 NOKm, and will be financed by available cash in Fjordkraft. The purchase price does not include working capital.

Cost synergies are expected to be in line with the TrønderEnergi Marked acquisition.

The transaction is expected to be completed 1 October 2018. Oppdal Everk Kraftomsetning AS will be consolidated in the Group accounts from the date of acquisition.

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

Report on review of interim financial information

Deloitte.

Deloitte AS
Lars Hilles gate 30
Postboks 6013 Postterminalen
NO-5892 Bergen
Norway

Tel: +47 55 21 81 00
Fax: +47 55 21 81 33
www.deloitte.no

To the Board of Directors of Fjordkraft Holding ASA

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim financial statement of Fjordkraft Holding ASA and the Fjordkraft Group. The condensed interim financial statement consists of the condensed consolidated statement of financial position as of 30 June 2018, the condensed consolidated statement of profit or loss, the condensed consolidated statement of comprehensive income (loss), the condensed statement of changes in equity and the condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the entity as at 30 June 2018, and its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Bergen, 29 August 2018
Deloitte AS



Helge-Roald Johnsen
State Authorised Public Accountant

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