

2020

# Clemens Kraftverk

Q3 2020 INTERIM REPORT



CLEMENS KRAFT

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## CLEMENS KRAFT GROUP IN BRIEF

The Clemens Kraft Group is a fully integrated specialist in small-scale hydropower production and is one of Norway's leading companies within this business segment. The ultimate parent of the group is Clemens Kraft Holding AS (Clemens Kraft Holding), which holds 100 % of the shares in Clemens Kraftverk AS (Clemens Kraftverk or the Company). Clemens Kraftverk is the asset owning entity controlling all operational activities through single purpose vehicles (SPVs), which together forms the Clemens Kraftverk Group. Management and operational staff are employed in Clemens Kraft AS and Clemens Kraft Drift AS, two other subsidiaries of Clemens Kraft Holding.

The Clemens Kraftverk Group is a one-stop shop with extensive knowledge within hydropower, construction, management, finance and HSE, currently operating 40 plants (including six owned by associated companies) in addition to 10 plants under construction. These green energy projects are financially sustainable, aim to adapt to the environment and to adjust the production facilities in accordance with local interests.

### HISTORY

The Clemens Kraft Group is founded on the deep roots of Norwegian hydropower tradition combined with long-term shareholders and strong ownership. Opplysningsvesenets fond (Ovf) holds 50.1% of the shares in Clemens Kraft Holding. Ovf was founded in 1821 and is subject to the Ministry of Children and Family Affairs in Norway. Ovf is one of Norway's largest landowners in terms of land area.

CPV/CAP Pensionskasse Coop (Pension fund of Coop Group Switzerland) which manages approximately 9.7 billion EURO, owns the remaining 49.9% of Clemens Kraft Holding.

In addition to development and building of the portfolio with origin on Ovf land, Clemens Kraftverk is the result of several acquisitions of small hydropower companies. The Company develops, constructs, and operates hydropower plants all over Norway in cooperation with local landowners. The Company is targeting to reach a production of 700 GWh by 2021.

### SUSTAINABILITY

The Clemens Kraft Group focuses on small-scale developments and production of renewable energy to create long-term value for the community, its partners and owners. Hydropower is a renewable and clean source of energy with no direct gas emissions or pollution. The projects are sustainable on all levels: Financially, socially, and environmentally and aim to exploit the maximum of hydro resources to limit the climate changes the world faces today.

## RESPONSIBILITY STATEMENT

We confirm that the financial statements for the third quarter of 2020, to the best of our knowledge, have been prepared in accordance with the applicable accounting standards (NGAAP) and that the accounts give a true and fair view of the assets, liabilities, financial position and results of operations, and that the information in the report includes a fair review of the development, performance and position of the Clemens Kraftverk Group.

Oslo, 12 November 2020

Board of Directors

\_\_\_\_\_  
(sign)  
Ole-Wilhelm Meyer  
Chairman

\_\_\_\_\_  
(sign)  
Harald Kurt Siewert  
Deputy chairman

\_\_\_\_\_  
(sign)  
Knut Conrad Gjermundsen  
Director

\_\_\_\_\_  
(sign)  
Arild Orgland  
Director

\_\_\_\_\_  
(sign)  
Hans Erik Horn  
Director

\_\_\_\_\_  
(sign)  
Ulf Myrbø  
Director

\_\_\_\_\_  
(sign)  
Børge Edvardsen Klingan  
Chief Executive Officer

## THIRD QUARTER 2020

### OPERATIONAL HIGHLIGHTS

Total revenues for Q3 2020 was NOK 7.8 million (Q3 2019: 26.6 million). The operating loss for the quarter was NOK 9.1 million (NOK 9.6 million profit). EBITDA for the quarter was NOK 1.2 million (NOK 18.7 million).

Net financial items and tax made the net loss of NOK 28.6 million (NOK 10.9 million<sup>1</sup>).

The two major market conditions considerably affecting the first half of 2020 are also present in the third quarter. The power price continues to be low. Snow magazines in the mountains and melting volumes have been significant compared to historical average. The Norwegian water reservoir filling rate as of end of September was above 94 per cent. The power supply has also been extraordinarily strong in Norway due to downtime on the interconnectors for power export to Europe. Mid to long term, market prices are estimated to recover, and Norwegian power prices are expected to harmonize with the Nordic and European markets.

Further, interest rates remain low. As a part of its hedging strategy, the group has entered into interest rates swaps for a majority of the long-term debt. The successive fall in interest has led to a negative financial result due to loss provisions under the swaps year to date. The provision under the agreements as of Q3 remains approx. unchanged compared to Q2 due to no material change in interest rates during the quarter.

Power production in Q3 (operated by consolidated companies only) was 135 229 MWh (81 404 MWh) and the average power price for the quarter was 5.25 øre/kWh (26.43 øre/kWh).

The Group's production volume year to date is approx. at hydrological normalized average figures, despite some regions reporting snow melting season later than normal. On the opposite, the snow reservoirs have exceeded long term average volume. Average power price year to date is 7.44 øre/kWh.

During 2020, low interest rates have provided strong support to the high demand for hydro power assets in Norway.

Clemens Kraftverk operated 40 plants as of Q3 2020, including six plants owned by associated companies.

The Company currently has 10 plants under construction, representing an annual production volume of 206,3 GWh.

### FINANCE HIGHLIGHTS

Clemens Kraftverk has refinanced parts of the bank loan facilities, providing an increased volume of bank debt by approx. NOK 98 million. The completion of bank debt restructuring was fully underwritten in Q3 and will be settled during the first half of Q4.

### RISKS AND UNCERTAINTY FACTORS

Clemens Kraftverk is exposed to several risk factors, including but not limited to the items listed below.

#### *Hydrological risk*

The Clemens Kraft Group is basically producing power made by river run plants with little or no capacity for water storage. The annual production capacity is estimated based on inter alia seasonal pattern and multi-year annual average rainfall modelling. The production estimates are exposed to deviations observed for the actual periods of production.

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<sup>1</sup> Tax not calculated for comparative figures

#### *Financial risk*

The NOK 2.8 billion in interest bearing non-current liabilities (of which (NOK 1.0 billion of the liability is debt to the ultimate parent) is exposed to risk of changes in interest rates representing a material risk factor. Clemens Kraftverk performs hedging activities through interest swaps agreements to reduce the financial risk. The majority of the interests are hedged, however, some swap agreements are made by Clemens Kraft Holding (Clemens Kraftverk's parent company). For further information please refer to note 2 to the financial statements below.

#### *Market risk*

Electricity is traded to market prices as quoted on efficient markets such as Nord Pool. By nature of its business, Clemens Kraftverk basically operates river run plants, production is significantly exposed to spot market prices for power. As the Company receives el-certificates, it is also exposed to fluctuations in el-certificate prices.

Market prices are quoted in EURO on Nord Pool and el-certificates primarily in SEK. Accordingly, the Company is exposed to currency fluctuations between EURO/NOK and SEK/NOK.

#### *Operational risk*

The terms and conditions for the fall lease agreements with landowners contain individual criteria for each plant. Present terms and conditions agreed with the landowners may decide whether the net present value of the project is positive or not.

A power plant is a technical installation with inherent risk exposure to operational challenges which might arise, for example a turbine breakdown or the need for replacement of equipment. This in turn, might lead to absence of or reduced production.

#### *Political risk*

The Company is exposed to austerity measures and amendments in legislation, for example with regards to environment or tax.

## CONDENSED INTERIM FINANCIAL STATEMENTS

## PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
<b>OPERATING INCOME AND EXPENSES</b>						
Revenues	1	7 833	26 568	31 042	90 693	116 819
Other operating income		10	6 085	45	6 165	150
<b>Total operating income</b>		<b>7 842</b>	<b>32 653</b>	<b>31 087</b>	<b>96 858</b>	<b>116 969</b>
Cost of goods sold	3	-2 394	4 650	-11 545	14 421	11 302
Depreciation		10 258	9 125	30 394	25 750	37 339
Other operating expenses		9 036	9 317	31 044	28 524	39 322
<b>Total operating expenses</b>		<b>16 900</b>	<b>23 092</b>	<b>49 892</b>	<b>68 695</b>	<b>87 963</b>
<b>Operating result</b>		<b>-9 058</b>	<b>9 561</b>	<b>-18 805</b>	<b>28 163</b>	<b>29 006</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>						
Income on subsidiaries, associated companies and joint ventures		-720	-383	-1 840	630	3 156
Other interest income		-4 936	0	35	0	0
Other financial income		0	6	8	854	1 792
<b>Total financial income</b>		<b>-5 656</b>	<b>-376</b>	<b>-1 798</b>	<b>1 484</b>	<b>4 947</b>
Impairment on financial instruments measured at fair value		-739	2 476	15 145	5 594	3 208
Interest expenses		18 544	15 768	52 988	45 596	63 816
Other financial expenses		1 417	1 856	6 704	5 100	5 725
<b>Total financial expenses</b>		<b>19 222</b>	<b>20 100</b>	<b>74 837</b>	<b>56 290</b>	<b>72 749</b>
<b>Net financial income and financial expenses</b>		<b>-24 878</b>	<b>-20 478</b>	<b>-76 635</b>	<b>-54 807</b>	<b>-67 802</b>
<b>Profit (-loss) before tax</b>		<b>-33 937</b>	<b>-10 916</b>	<b>-95 440</b>	<b>-26 643</b>	<b>-38 796</b>
Tax expense (-income)		-5 340		-18 844		-7 816
<b>Profit (-loss) after tax</b>		<b>-28 597</b>	<b>-10 916</b>	<b>-76 596</b>	<b>-26 643</b>	<b>-30 980</b>
Profit/loss attributable to non-controlling interests		-1 132	331	-2 715	-748	588
Profit/loss attributable to owners of the parent		-27 465	-11 247	-73 881	-25 896	-31 568

## FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q3 2020	2019
<b>NON-CURRENT ASSETS</b>			
Concessions, fall and similar rights		323 978	329 282
<b>Total intangible assets</b>		<b>323 978</b>	<b>329 282</b>
Property, plant and equipment		2 272 378	1 965 175
Machinery, office tools, fixtures and fittings		2 568	2 889
<b>Total fixed assets</b>		<b>2 274 947</b>	<b>1 968 064</b>
Shares in associated companies and joint ventures		31 441	30 575
Other non-current receivables	3	105 261	66 836
<b>Total financial non-current assets</b>		<b>136 701</b>	<b>97 411</b>
<b>Total non-current assets</b>		<b>2 735 626</b>	<b>2 394 757</b>
<b>CURRENT ASSETS</b>			
Trade receivables		1 320	6 964
Other current receivables		38 900	43 233
<b>Total current receivables</b>		<b>40 219</b>	<b>50 197</b>
Cash and cash equivalents		89 776	84 467
<b>Total current assets</b>		<b>129 995</b>	<b>134 664</b>
<b>Total assets</b>		<b>2 865 621</b>	<b>2 529 421</b>



Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q3 2020	2019
<b>EQUITY</b>			
Share capital		70 601	70 601
Share premium		25 876	25 876
Other paid-in capital		3 023	3 023
<b>Total paid in capital</b>		<b>99 500</b>	<b>99 500</b>
Retained earnings		-178 393	-98 455
<b>Total retained earnings</b>		<b>-178 393</b>	<b>-98 455</b>
Non-controlling interests		24 629	20 024
<b>Total equity</b>		<b>-54 264</b>	<b>21 068</b>
<b>LIABILITIES</b>			
Deferred tax liability		19 358	39 910
Other provisions		35 052	3 208
<b>Total provisions</b>		<b>54 410</b>	<b>43 118</b>
Non-current interest bearing debt (credit institutions)	2	1 344 375	1 036 420
Bonds	2	475 000	475 000
Non-current liabilities to group companies	2	966 970	872 947
<b>Total non-current liabilities</b>		<b>2 786 345</b>	<b>2 384 367</b>
Trade payables		63 471	53 193
Taxes payable		290	664
Other current liabilities		15 369	27 010
<b>Total current liabilities</b>		<b>79 130</b>	<b>80 867</b>
<b>Total liabilities</b>		<b>2 919 885</b>	<b>2 508 352</b>
<b>Total equity and liabilities</b>		<b>2 865 621</b>	<b>2 529 421</b>

Oslo, 12 November 2020

Board of Directors

(sign) _____ Ole-Wilhelm Meyer Chairman	(sign) _____ Harald Kurt Siewert Deputy chairman	(sign) _____ Knut Conrad Gjermundsen Director
(sign) _____ Arild Orgland Director	(sign) _____ Hans Erik Horn Director	(sign) _____ Ulf Myrbø Director
	(sign) _____ Børge Edvardsen Klingan Chief Executive Officer	

## NOTES

### ACCOUNTING PRINCIPLES

The statements of profit and loss and financial position within the quarterly interim report has been prepared in accordance with accounting principles stated in the Norwegian Accounting Act and with accounting principles generally accepted in Norway.

The interim report does not include all information required in the annual financial statements. Therefore, the report should be read in conjunction with the Annual report for 2019.

#### *Revenues*

Income from sale of goods and services are recognized at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are recognized upon delivery.

Simultaneously with the production of electricity, the producer is granted the right to sell electricity certificates. This entitlement is recognized as income when the certificates are realized. (in line with the corresponding sale of electricity). The balance of granted rights to sell electricity certificates is measured at zero (please refer to separate section regarding electricity certificates and changes in accounting principles below).

#### *Classification of balance sheet items*

Assets intended for long-term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

#### *Impairment of assets*

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except write down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

#### *Taxes*

Due to tax loss carry forward, all income taxes are classified as changes in deferred taxes. Taxes are not calculated for comparative figures.

#### *Changes in accounting principles – Electricity certificates*

Both considered as inventories or intangibles, Norwegian accounting standards allows recognition of electricity certificates. In both scenarios, it should be recognized at production cost, however the uncertainty in measuring production cost reliable would be significant. Therefore, certificate balances not recognized as of period end.

This is a change in accounting principles from Q4 2019, where certificates were recognized at NOK 7.8 million (pre-tax). The effect is booked in the equity opening balance, however comparative figures are not restated.

## NOTE 1 – REVENUES

Clemens Kraftverk revenues consist mainly of sale of electrical power and el-certificates. The Clemens Kraftverk Group receives a right issue and sell a given number of el certificates per sold kWh of electricity. The prices of el-certificates have with el-certificate prices trading just above zero during summer 2020.

Clemens Kraftverk revenues for the third quarter and year to date 2020 is summarized below:

Revenues	Q3 2020	Q3 2019	Q1-Q3 2020	Q1-Q3 2019	Full year 2019
Power revenues	7 096	21 516	25 561	77 672	100 442
El-cert revenues	407	5 052	4 911	13 021	16 377
Other revenues	329	0	569	0	0
<b>TOTAL</b>	<b>7 833</b>	<b>26 568</b>	<b>31 042</b>	<b>90 693</b>	<b>116 819</b>

As of Q1 2020 the accounting principle for recognizing electricity certificates is changed from recognition at the time the right to sell was earned, to recognition at the time the certificate is realized. Revenues of NOK 0.4 million is realized certificates in the third quarter 2020 (NOK 4.9 million year-to-date). However, an opening balance effect due to change in accounting principles of NOK 6.1 million (net of tax) is booked within equity.

The market value of electricity certificates balances as of 30 September 2020 not recognized is NOK 2.7 million (compared with NOK 7.8 million recognized as of year-end 2019).

## NOTE 2 – NON-CURRENT LIABILITIES

Non-current liabilities consist of interest-bearing debt provided by financial institutions, issued obligations and intra group loans based on paid in capital in the parent company Clemens Kraft Holding. Loans from financial institutions are mostly provided as construction loans, converted into term loans upon completion of the asset.

The two bond loans issued by the Company are due in 2023 (NOK 150 million) and 2025 (NOK 325 million). Term loans from financial institutions are in all material respect amortized in 30 years.

Interest rate swaps are made on a nominal amount of NOK 911 million on the non-current liabilities. However, only swaps related to NOK 346 million of the liabilities are made by Clemens Kraftverk. The other agreements are made by Clemens Kraft Holding (parent).

Reference is also made to the Financing Highlights paragraph prior to the condensed interim financial statements in this quarterly report.

Company	Sub-group	Amount	Loan
Clemens Kraftverk AS	Clemens Kraftverk	357,8	Term
Clemens Kraftverk AS	Clemens Kraftverk	325,0	Bond
Tokagjelet AS	CK Kraftholding Sør Vest	174,0	Construction
Clemens Kraftverk AS	Clemens Kraftverk	150,0	Bond
CK Kraftholding Vest AS	CK Kraftholding Vest	123,5	Term
CK Kraftholding Midt-Norge AS	CK Kraftholding Midt-Norge	68,7	Term
Søråni Kraft AS	CK Kraftholding Sør Vest	60,5	Term
Sleveåne Kraft AS	CK Kraftholding Sør Vest	60,4	Term
Meraker Kraft AS (Reinåa)	CK Kraftholding Midt-Norge	45,0	Construction
Kjeldselva Kraft AS	CK Kraftholding Midt-Norge	36,0	Construction
Hellifossen Kraft AS	CK Kraftholding Midt-Norge	35,9	Construction
Meraker Kraft AS (Gudåa)	CK Kraftholding Midt-Norge	35,6	Construction
CK Kraftholding Vest AS	CK Kraftholding Vest	34,5	Term
CK Kraftholding Vest AS	CK Kraftholding Vest	34,5	Construction
Trollvikelva Kraft AS	CK Kraftholding Midt-Norge	32,3	Construction
Brekkefossen Kraftverk AS	CK Kraftholding Midt-Norge	32,2	Term
Salhuselva Kraft AS	CK Kraftholding Midt-Norge	31,6	Construction
Sædalen Kraft AS	CK Kraftholding Vest	25,8	Construction
CK Kraftholding Vest AS	CK Kraftholding Vest	25,0	Term
Skjerva Kraft AS	CK Kraftholding Midt-Norge	24,7	Construction
Bele Kraft AS	Clemens Kraftverk	24,3	Term
Kvernfossen Kraft AS	CK Kraftholding Vest	23,8	Construction
Trollekraft AS	CK Kraftholding Vest	20,6	Term
Graffer Kraft AS	CK Kraftholding Midt-Norge	16,3	Construction
Heina Kraft AS	CK Kraftholding Midt-Norge	11,7	Term
Gyl Kraft AS	CK Kraftholding Midt-Norge	6,2	Term
CK Kraftholding Vest AS	CK Kraftholding Vest	3,7	Term
Dvergfossen Kraft AS	N/A - to be acquired	0,0	Construction
Kupekraft AS	CK Kraftholding Vest	0,0	Construction
Øvrebø Kraft AS	CK Kraftholding Vest	0,0	Construction
Clemens Kraftverk AS	Ultimate parent	967,0	
<b>TOTAL LOAN PORTFOLIO</b>		<b>2 786</b>	

### NOTE 3 – COST OF GOODS SOLD AND NON-CURRENT RECEIVABLES

One of the fall lease agreements says that the basis for fall lease can be negative. Negative fall lease will not be refunded from the landowners but carried forward and settled with future fall lease. In Q3 2020 the negative fall lease recognized is NOK 7.2 million and is included in cost of goods sold. The receivable is included in the other non-current receivable. Total negative fall lease recognized in the balance sheet is NOK 39.3 million.