

2020

CLEMENS KRAFTVERK

Q4 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 (the 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 43 plants (including six owned by associated companies) in addition to 8 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 Group is the result of several acquisitions of small hydropower companies. Clemens Kraft Group develops, constructs, and operates hydropower plants all over Norway in cooperation with local landowners, and 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 fourth 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, 18 February 2021

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

FOURTH QUARTER 2020

OPERATIONAL HIGHLIGHTS

Total revenue for Q4 2020 was NOK 8.5 million (Q4 2019: 26.1 million). The operating loss for the quarter was NOK 56.8 million (NOK 0.8 million profit). EBITDA for the quarter was NOK -45.8 million (NOK 12.4 million).

Net financial items and tax made the net loss of NOK 50.0 million (NOK 6.3 million), year to date.

The two major market conditions considerably affecting the first three quarters of 2020 are also present in the fourth quarter. However, positive trends are observed.

The power price continues to be low. However, a slightly increase is noted for the fourth quarter. Snow magazines in the mountains and melting volumes have been significant compared to historical averages. 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, observations that we already to some extent can observe in the beginning of 2021.

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 Q4 is however to some extent reduced compared to Q3 due to minor changes in interest rates during the quarter.

Power production in Q4 (operated by consolidated companies only) was 86 801 MWh (39 871 MWh) and the average power price for the quarter was 9.42 øre/kWh (57.11 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 7.84 øre/kWh.

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

Clemens Kraftverk operated 43 plants as of Q4 2020, including six plants owned by associated companies. During Q4 two plants were connected to grid, and one new subsidiary owning one power plant was acquired.

The Group currently has 8 plants under construction, representing an annual production volume of 178.7 GWh.

During the fourth quarter Clemens Kraftverk had an accident on one construction projects, leading to material damages, but fortunate no physical injuries on personnel. No assets owned by the Group were damaged. As of now, the Group's best estimate is that the economic consequences will not be material, besides the effect of a postponed date for commissioning.

FINANCE HIGHLIGHTS

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

The Groups equity is negative. However, Clemens Kraftverk as a sub-ordinated loan of NOK 1.0 billion to the ultimate parent to be included with equity with regards to loan covenants.

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.

Financial risk

The NOK 2.9 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 Group 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 Group 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 Group 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	Q4 2020	Q4 2019	Full year 2020	Full year 2019
OPERATING INCOME AND EXPENSES					
Revenues	1	8 459	26 126	39 501	116 819
Other operating income		26	-5 719	71	150
Total operating income		8 486	20 407	39 572	116 969
Cost of goods sold	3	43 995	-3 119	32 450	11 302
Depreciation		10 968	11 589	41 362	37 339
Other operating expenses		10 189	11 095	41 232	39 322
Total operating expenses		65 259	19 565	115 151	87 963
Operating result		-56 773	842	-75 579	29 006
FINANCIAL INCOME AND FINANCIAL EXPENSES					
Income on subsidiaries, associated companies and joint ventures		-259	26	-2 099	3 156
Other interest income		276	0	311	0
Other financial income		6	978	14	1 792
Total financial income		23	1 004	-1 775	4 947
Impairment on financial instruments measured at fair value		-11 633	-2 387	3 512	3 208
Interest expenses		17 656	18 220	70 644	63 816
Other financial expenses		2 350	-1 835	9 054	5 725
Total financial expenses		8 373	13 999	83 210	72 749
Net financial income and financial expenses		-8 350	-12 995	-84 985	-67 802
Profit (-loss) before tax		-65 123	-12 153	-160 564	-38 796
Tax expense (-income)		-15 097	-5 862	-33 942	-7 816
Profit (-loss) after tax		-50 026	-6 290	-126 622	-30 980
Profit/loss attributable to non-controlling interests		-376	1 281	-3 090	588
Profit/loss attributable to owners of the parent		-49 650	-7 571	-123 531	-31 568

FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q4 2020	2019
NON-CURRENT ASSETS			
Concessions, fall and similar rights		326 374	329 282
Total intangible assets		326 374	329 282
Property, plant and equipment		2 358 809	1 965 175
Machinery, office tools, fixtures and fittings		2 462	2 889
Total fixed assets		2 361 271	1 968 064
Shares in associated companies and joint ventures		29 091	30 575
Other non-current receivables	3	65 927	66 836
Total financial non-current assets		95 018	97 411
Total non-current assets		2 782 663	2 394 757
CURRENT ASSETS			
Trade receivables		2 413	6 964
Other current receivables		40 456	43 233
Total current receivables		42 869	50 197
Cash and cash equivalents		52 782	84 467
Total current assets		95 651	134 664
Total assets		2 878 314	2 529 421

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q4 2020	2019
EQUITY			
Share capital		70 601	70 601
Share premium		25 876	25 876
Other paid-in capital		3 023	3 023
Total paid in capital		99 500	99 500
Retained earnings		-227 970	-98 455
Total retained earnings		-227 970	-98 455
Non-controlling interests		24 254	20 024
Total equity		-104 216	21 068
LIABILITIES			
Deferred tax liability		5 667	39 910
Other provisions		23 420	3 208
Total provisions		29 086	43 118
Non-current interest bearing debt (credit institutions)	2	1 449 293	1 036 420
Bonds	2	475 000	475 000
Non-current liabilities to group companies	2	972 060	872 947
Total non-current liabilities		2 896 353	2 384 367
Trade payables		37 112	53 193
Taxes payable		-189	664
Other current liabilities		20 169	27 010
Total current liabilities		57 091	80 867
Total liabilities		2 982 530	2 508 352
Total equity and liabilities		2 878 314	2 529 421

Oslo, 18 February 2021

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.

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

Revenues	Q4 2020	Q4 2019	Full year 2020	Full year 2019
Power revenues	8 174	22 770	33 736	100 442
El-cert revenues	47	3 356	4 957	16 377
Other revenues	239	0	808	0
TOTAL	8 459	26 126	39 501	116 819

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 31 December 2020 not recognized is NOK 0.6 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 Group 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	353,3	Term
Clemens Kraftverk AS	Clemens Kraftverk	325,0	Bond
Tokagjelet AS	CK Kraffholding Sør Vest	157,2	Construction
Clemens Kraftverk AS	Clemens Kraftverk	150,0	Bond
CK Kraffholding Vest AS	CK Kraffholding Vest	123,1	Term
CK Kraffholding Midt-Norge AS	CK Kraffholding Midt-Norge	68,7	Term
Søråni Kraft AS	CK Kraffholding Sør Vest	60,2	Term
Sleveåne Kraft AS	CK Kraffholding Sør Vest	60,1	Term
Hellifossen Kraft AS	CK Kraffholding Midt-Norge	56,4	Construction
CK Kraffholding Midt-Norge AS	CK Kraffholding Midt-Norge	50,0	Term
Meraker Kraft AS	CK Kraffholding Midt-Norge	45,4	Construction
Trollvikelva Kraft AS	CK Kraffholding Midt-Norge	37,6	Construction
Kjeldselva Kraft AS	CK Kraffholding Midt-Norge	36,4	Construction
Meraker Kraft AS	CK Kraffholding Midt-Norge	35,9	Construction
CK Kraffholding Vest AS	CK Kraffholding Vest	35,0	Term
Salhuselva Kraft AS	CK Kraffholding Midt-Norge	32,9	Construction
Kupekraft AS	CK Kraffholding Vest	32,6	Construction
CK Kraffholding Vest AS	CK Kraffholding Vest	32,3	Term
Brekkefossen Kraftverk AS	CK Kraffholding Midt-Norge	31,9	Term
CK Kraffholding Vest AS	CK Kraffholding Vest	26,4	Term
Graffer Kraft AS	CK Kraffholding Midt-Norge	26,3	Construction
CK Kraffholding Vest AS	CK Kraffholding Vest	25,0	Term
Skjerva Kraft AS	CK Kraffholding Midt-Norge	24,9	Construction
Bele Kraft AS	Clemens Kraftverk	24,1	Term
Kvernfossen Kraft AS	CK Kraffholding Vest	24,0	Construction
Trollekraft AS	CK Kraffholding Vest	20,5	Term
Heina Kraft AS	CK Kraffholding Midt-Norge	11,5	Term
Gyl Kraft AS	CK Kraffholding Midt-Norge	6,0	Term
Øvrebø Kraft AS	CK Kraffholding Vest	5,2	Construction
CK Kraffholding Vest AS	CK Kraffholding Vest	3,6	Term
Storedalen Kraftverk AS	CK Kraffholding Midt-Norge	2,9	Term
Clemens Kraftverk AS	Ultimate parent	972,1	
TOTAL LOAN PORTFOLIO		2 896	

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. Until Q3 2020 this negative fall lease has been included in cost of goods sold. The receivable was included in the other non-current receivable, and total negative fall lease recognized in the balance sheet as of 30 September was NOK 39.3 million.

During Q4 a reassessment of the utilization period has been made. Due to the power prices in 2020, both the point in time where fall lease is reverting from negative to positive and the timeframe of when the asset is fully utilized is several years ahead. A more conservative approach is taken, and the deferred asset related to negative fall lease is de-recognized in Q4 with an effect of NOK 39.3 million in Q4 and NOK 15.9 million in the year-to-date figures.