

2021

CLEMENS KRAFTVERK

Q1 2021 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 45 plants (including six owned by associated companies) in addition to six 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 11.0 billion CHF, 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 an annual 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 first quarter of 2021, 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, 25 May 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

FIRST QUARTER 2021

OPERATIONAL HIGHLIGHTS

Total revenue for Q1 2021 was NOK 10.6 million (Q1 2020: 16.0 million). The operating loss for the quarter was NOK 15.1 million (NOK 1.2 million). EBITDA for the quarter was NOK -4.1 million (NOK 8.9 million). However, reference is made to note 3 for comparison of operating loss and EBITDA figures.

Net financial items and tax made the net loss of NOK 15.8 million (NOK 27.1 million), year to date.

Both of the two major market conditions considerably affecting the financials through all of 2020 has changed positively for Clemens Kraftverk in 2021.

The power price has increased. The expectations of a mid to long term recovery in market prices have so far shown to be correct. However, a cold winter has resulted in a delay in the melting season, hence the volume has been lower than expected for the first quarter.

As a part of its hedging strategy, the group has entered into interest rates swaps for a majority of the long-term debt. During 2020, until the third quarter, there were falling interest rates leading to increased provisions under the swap agreements. Slightly increased interest rates during the last quarter of 2020, a trend continued in the first quarter of 2021 has reversed parts of the provision, leading to a reduced net financial loss in Q1.

Power production in Q1 (operated by consolidated companies only) was 31 022 MWh (61 702 MWh) and the average power price achieved for the quarter was 32.8 øre/kWh (18 øre/kWh).

The Group's production volume year to date is below hydrological normalized average figures. On the opposite, the snow reservoirs are large, leading to increased volume expectations for upcoming quarters.

Clemens Kraftverk operated 45 plants as of Q1 2021, including six plants owned by associated companies. During Q1 two plants were connected to grid.

The Group currently has six plants under construction, representing an annual production volume of 141.5 GWh.

FINANCE HIGHLIGHTS

The Group's book value on equity is negative. However, Clemens Kraftverk as a sub-ordinated loan of NOK 1.0 billion from the ultimate parent which is to be included in the 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 run of river 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 interest exposure is 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 run of river 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 indirectly 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 essential equipment. This in turn, might lead to absence of or reduced production. The Group has a certain loss of revenue insurance coverage for a maximum of 12 months of damage.

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	Q1 2021	Q1 2020	Q1-Q1 2021	Full year 2020
OPERATING INCOME AND EXPENSES					
Revenues	1	10 598	15 967	10 598	39 526
Other operating income		62	16	62	47
Total operating income		10 661	15 983	10 661	39 572
Cost of goods sold	3	4 202	-3 220	4 202	15 991
Personnel expenses		0	0	0	108
Depreciation		10 980	10 068	10 980	41 362
Other operating expenses		10 582	10 323	10 582	41 114
Total operating expenses		25 765	17 171	25 765	98 574
Operating result		-15 105	-1 188	-15 105	-59 001
FINANCIAL INCOME AND FINANCIAL EXPENSES					
Income on subsidiaries, associated companies and joint ventures		-188	-324	-188	-2 099
Other interest income		7	0	7	311
Other financial income		1 463	0	1 463	3 867
Total financial income		1 283	-324	1 283	2 079
Financial instruments measured at fair value		-14 669	12 511	-14 669	5 212
Interest expenses		19 137	13 816	19 137	70 644
Other financial expenses		1 843	6 221	1 843	11 208
Total financial expenses		6 311	32 548	6 311	87 064
Net financial income and financial expenses		-5 028	-32 872	-5 028	-84 985
Profit (-loss) before tax		-20 133	-34 060	-20 133	-143 986
Tax expense (-income)		-4 375	-6 988	-4 375	-30 295
Profit (-loss) after tax		-15 758	-27 072	-15 758	-113 691
Profit/loss attributable to non-controlling interests		-905	-611	-905	-3 090
Profit/loss attributable to owners of the parent		-14 853	-26 461	-14 853	-110 601

FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q1 2021	2020
NON-CURRENT ASSETS			
Concessions, fall and similar rights		324 569	326 374
Total intangible assets		324 569	326 374
Property, plant and equipment		2 410 876	2 358 928
Machinery, office tools, fixtures and fittings		2 355	2 462
Total fixed assets		2 413 231	2 361 390
Shares in associated companies and joint ventures		28 902	29 091
Other non-current receivables	3	65 932	65 927
Total financial non-current assets		94 835	95 018
Total non-current assets		2 832 635	2 782 781
CURRENT ASSETS			
Trade receivables		3 104	2 413
Other current receivables		28 828	43 056
Total current receivables		31 933	45 469
Cash and cash equivalents		63 514	52 782
Total current assets		95 447	98 251
Total assets		2 928 081	2 881 033

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q1 2021	2020
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		-242 223	-227 340
Total retained earnings		-242 223	-227 340
Non-controlling interests		23 348	24 254
Total equity		-119 375	-103 586
LIABILITIES			
Deferred tax liability		3 891	8 236
Other provisions		8 751	23 420
Total provisions		12 643	31 655
Non-current interest bearing debt (credit institutions)	2	1 473 547	1 449 293
Bonds	2	475 000	475 000
Non-current liabilities to group companies	2	1 054 435	972 060
Total non-current liabilities		3 002 982	2 896 353
Trade payables		23 050	37 253
Other current liabilities		8 781	19 358
Total current liabilities		31 831	56 610
Total liabilities		3 047 456	2 984 618
Total equity and liabilities		2 928 081	2 881 033

Oslo, 25 May 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 2020.

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. The balance of granted rights to sell electricity certificates is measured at zero.

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.

NOTE 1 – REVENUES

Clemens Kraftverk revenues consist mainly of sale of electrical power and el-certificates. The Clemens Kraftverk Group receives a right to issue and sell a given number of el certificates per sold kWh of electricity.

Clemens Kraftverk revenues for the first quarter and year to date 2021 is summarized below:

Revenues	Q1 2021	Q1 2020	Q1-Q1 2021	Q1-Q1 2020	Full year 2020
Power revenues	10 167	11 765	10 167	11 765	33 807
El-cert revenues	147	4 144	147	4 144	4 911
Other revenues	284	58	284	58	808
TOTAL	10 598	15 967	10 598	15 967	39 526

El-cert revenues are recognized at the time the certificates are realized. The balance of granted rights to sell electricity certificates is measured at zero. At the end of Q1 2021 Clemens Kraftverk holds an off-balance value of electricity certificates of NOK 1.1 million.

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) respectively. Term loans from financial institutions are amortized over a period of 5-30 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.

Sub-group	Amount	Loan
Clemens Kraftverk	1 054,4	Sub-ordinated
Clemens Kraftverk	475,0	Bond
Clemens Kraftverk	373,0	Term
CK Kraftholding Vest	306,8	Term
CK Kraftholding Vest	30,5	Construction
CK Kraftholding Midt-Norge	169,6	Term
CK Kraftholding Midt-Norge	303,5	Construction
CK Kraftholding Sør Vest	119,7	Term
CK Kraftholding Sør Vest	170,5	Construction
TOTAL LOAN PORTFOLIO		

NOTE 3 – COST OF GOODS SOLD

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. The negative fall lease is an asset which only has its value through a future liability reduction with basis in transactions which as of the reporting period does not have incurred. Therefore, there is no basis for recognizing the asset. As of Q1 2021

Clemens Kraftverk has negative fall lease carried forward of NOK 55.4 million including accrued interest. Future positive fall lease will not be payable before exceeding this amount.

During the three first quarters of 2020 the effect of negative fall lease was recognized as reduced cost of goods sold. In Q1 2020 negative fall lease of NOK 7.1 million was recognized, including in the comparative figures.