

2021

# CLEMENS KRAFTVERK

Q4 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 Kraft Group is a one-stop shop with extensive knowledge within hydropower, construction, management, finance and HSE, currently operating 49 plants (including five owned by associated companies) in addition to two 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 CHF 11.0 billion, 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 in the beginning of Q2 2022.

### 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 climate 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.

Clemens Kraft Group deliver 100% renewable energy through local hydropower stations utilizing hydro power in the most optimal way. To meet increasing need of renewable energy demand and same time be able to meet the ambition of net zero gas emissions in 2050, there is a need to build more renewable energy and same time take into account the environment and biodiversity.

Clemens Kraft is following the regulations from the Norwegian Water Resources and Energy Directorate supporting principles of sustainable development. The sustainability approach is important with regards to both projects and production of assets. The increasing risk of flooding and avalanche is part of the project planning and will be a mitigating factor for possible damages.

Requirements with regard to environment as minimum water flow and bypass of water is important to comply and will be of importance when planning, engineering and operation of the power plants. Clemens Kraft facilitate clean water and hatchery when relevant.

Clemens Kraft value local and regional value creation and aim for an optimal use of land and same time create good and safe jobs. Good dialogue with local land owners and reindeer herders is important to the common use of natural resources.

## RESPONSIBILITY STATEMENT

We confirm that the financial statements for the fourth 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, 24 February 2022

Board of Directors

(sign)

Ole-Wilhelm Meyer  
Chairman

(sign)

Harald Kurt Siewert  
Deputy chairman

(sign)

Hans Erik Horn  
Director

(sign)

Ulf Myrbø  
Director

(sign)

Knud Hans Nørve  
Chief Executive Officer

## FOURTH QUARTER 2021

### OPERATIONAL HIGHLIGHTS

Total revenue for Q4 2021 was NOK 79.6 million (Q4 2020: 8.5 million). The operating result for the quarter was NOK 36.7 million (loss NOK 56.8 million). EBITDA for the quarter was NOK 49.5 million (NOK 45.8 million negative). However, reference is made to note 3 for comparison of operating loss and EBITDA figures.

Net of financial items and tax the net loss ended at NOK 21.2 million (NOK 113.7 million), for the full year.

The power price (Nordic system price) has, similar to within Q3, increased to all-time high levels during Q4. However, we also observe increased volatility in power prices, and a larger spread between the different price areas during 2021. As Clemens Kraftverk has plants across all areas, the group includes subsidiaries/plants with achieved power prices of NOK 0.94 per kWh as well as subsidiaries/plants with achieved prices below NOK 0.30 per kWh.

A cold winter resulted in a delayed and somewhat shorter melting season, hence the volume was lower than expected for the first half of 2021. The rainfall from September and throughout the year reduced the gap with regards to year-to-date run-off, but still the volume produced ended lower than the anticipated normal level of production for 2021.

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 that continued through 2021 has reversed most of the provisions, leading to a reduced net financial loss for the latter period.

Power production in Q4 (operated by consolidated companies only) was 131 284 MWh (86 801 MWh) and the average power price achieved for the quarter was 59.7 øre/kWh (9.4 øre/kWh).

The Group's production volume year to date is below hydrological normalized average figures.

Clemens Kraftverk operated 49 plants as of Q4 2021, including five plants owned by associated companies. This includes two plants with commissioning date during the fourth quarter.

The Group currently has two plants under construction, representing a combined annual production volume of 100.8 GWh.

Clemens Kraftverk conducted two business combinations during the fourth quarter of 2021. Setergrytå Kraft, a former subsidiary holding a development project currently at its early phase was sold to the minority owner of Setergrytå Kraft. The second transaction made was a purchase of the remaining 50 per cent share of Langfjordkraft AS, changing the investment from a joint venture to a subsidiary. A loss on the joint venture investment is recognized, and a new purchase price allocation is made resulting in the negative goodwill of NOK 2.5 million. The negative goodwill will be recognized in the profit and loss statement over a five-year period.

During the fourth quarter a fatal drowning accident occurred nearby one of Clemens Kraftverk's construction sites (involving third party civilians). The plant is not yet completed; hence the river flow is not affected by any production nor the construction process. The group has, of course, assisted the authorities and the police in their routine investigation.

### FINANCE HIGHLIGHTS

During the fourth quarter the group has completed a capital increase through conversion of debt. Of the total paid in equity of NOK 628.7 million, NOK 70.6 million of the share capital and NOK 458.9 million of the share premium is not yet registered in the Norwegian Register of Business Enterprises. As of Q4 2021 Clemens Kraftverk has a remaining sub-ordinated loan of NOK 568 million 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 2.6 billion in interest bearing non-current liabilities (of which (NOK 0.6 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 and for differences in price areas. 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 any risk for changes in laws and regulations. Such risks include, for example both environmental matters and more technical matters, e.g. changes in tax and fee schemes for producers of electrical power.

## CONDENSED INTERIM FINANCIAL STATEMENTS CLEMENS KRAFTVERK

## PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q4 2021	Q4 2020	Full year 2021	Full year 2020
<b>OPERATING INCOME AND EXPENSES</b>					
Revenues	1	79 563	8 459	185 780	39 526
Other operating income		20	26	147	47
<b>Total operating income</b>		<b>79 583</b>	<b>8 486</b>	<b>185 927</b>	<b>39 572</b>
Cost of goods sold	3	17 900	43 995	44 516	15 991
Personnel expenses		0	108	188	108
Depreciation		12 838	10 968	47 775	41 362
Other operating expenses		12 178	10 189	46 501	41 114
<b>Total operating expenses</b>		<b>42 915</b>	<b>65 259</b>	<b>138 981</b>	<b>98 574</b>
<b>Operating result</b>		<b>36 668</b>	<b>-56 773</b>	<b>46 946</b>	<b>-59 001</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>					
Income on subsidiaries, associated companies and joint ventures		747	-259	-4 808	-2 099
Other interest income		1 686	276	1 701	311
Other financial income		521	6	2 030	3 867
<b>Total financial income</b>		<b>2 954</b>	<b>23</b>	<b>-1 077</b>	<b>2 079</b>
Financial instruments measured at fair value		-1 509	-11 633	-19 616	5 212
Interest expenses		23 124	17 656	86 023	70 644
Other financial expenses		1 516	2 350	4 936	11 208
<b>Total financial expenses</b>		<b>23 131</b>	<b>8 373</b>	<b>71 343</b>	<b>87 064</b>
<b>Net financial income and financial expenses</b>		<b>-20 177</b>	<b>-8 350</b>	<b>-72 420</b>	<b>-84 985</b>
<b>Profit (-loss) before tax</b>		<b>16 491</b>	<b>-65 123</b>	<b>-25 474</b>	<b>-143 986</b>
Tax expense (-income)		4 084	-15 097	-4 284	-30 295
<b>Profit (-loss) after tax</b>		<b>12 407</b>	<b>-50 026</b>	<b>-21 190</b>	<b>-113 691</b>
Profit/loss attributable to non-controlling interests		345	-376	-294	-3 090
Profit/loss attributable to owners of the parent		12 062	-49 650	-20 896	-110 601

## FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q4 2021	2020
<b>NON-CURRENT ASSETS</b>			
Concessions, fall and similar rights		314 455	326 374
Goodwill		-2 505	0
<b>Total intangible assets</b>		<b>311 950</b>	<b>326 374</b>
Property, plant and equipment		2 562 349	2 358 928
Machinery, office tools, fixtures and fittings		2 023	2 462
<b>Total fixed assets</b>		<b>2 564 372</b>	<b>2 361 390</b>
Shares in associated companies and joint ventures		18 726	29 091
Other non-current receivables	3	51 399	65 927
<b>Total financial non-current assets</b>		<b>70 125</b>	<b>95 018</b>
<b>Total non-current assets</b>		<b>2 946 447</b>	<b>2 782 781</b>
<b>CURRENT ASSETS</b>			
Trade receivables		14 348	2 413
Other current receivables		15 750	43 056
<b>Total current receivables</b>		<b>30 098</b>	<b>45 469</b>
Cash and cash equivalents		111 782	52 782
<b>Total current assets</b>		<b>141 880</b>	<b>98 251</b>
<b>Total assets</b>		<b>3 088 327</b>	<b>2 881 033</b>



Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q4 2021	2020
<b>EQUITY</b>			
Share capital		141 052	70 601
Share premium		484 628	25 876
Other paid-in capital		3 023	3 023
<b>Total paid in capital</b>		<b>628 704</b>	<b>99 500</b>
Retained earnings		-248 223	-227 340
<b>Total retained earnings</b>		<b>-248 223</b>	<b>-227 340</b>
Non-controlling interests		24 217	24 254
<b>Total equity</b>		<b>404 698</b>	<b>-103 586</b>
<b>LIABILITIES</b>			
Deferred tax liability		1 838	8 236
Other provisions		3 804	23 420
<b>Total provisions</b>		<b>5 642</b>	<b>31 655</b>
Non-current interest bearing debt (credit institutions)	2	1 557 995	1 449 293
Bonds	2	475 000	475 000
Non-current liabilities to group companies	2	568 000	972 060
<b>Total non-current liabilities</b>		<b>2 600 995</b>	<b>2 896 353</b>
Trade payables		28 579	37 253
Taxes payable		450	0
Other current liabilities		47 962	19 358
<b>Total current liabilities</b>		<b>76 991</b>	<b>56 610</b>
<b>Total liabilities</b>		<b>2 683 629</b>	<b>2 984 618</b>
<b>Total equity and liabilities</b>		<b>3 088 327</b>	<b>2 881 033</b>

Oslo, 24 February 2022

Board of Directors

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

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

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

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

(sign)  
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 Knud Hans Nørve  
 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, el-certificates and GoOs. 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 fourth quarter and year to date 2021 is summarized below:

Revenues	Q4 2021	Q4 2020	Full year	
			2021	Full year 2020
Power revenues	78 545	8 174	183 960	33 807
El-cert revenues	93	47	266	4 911
Other revenues	924	239	1 554	808
<b>TOTAL</b>	<b>79 563</b>	<b>8 459</b>	<b>185 780</b>	<b>39 526</b>

El-certs and GoOs revenues are recognized at the time the certificates are realized. The balance of granted rights to sell certificates is not recognized. At the end of Q4 2021 Clemens Kraftverk holds an off-balance value of electricity certificates and GoOs of NOK 1.5 million.

## NOTE 2 – NON-CURRENT LIABILITIES

Non-current liabilities consist of interest-bearing debt provided by financial institutions, issued bonds 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	568,0	Sub-ordinated
Clemens Kraftverk	475,0	Bond
Clemens Kraftverk	406,0	Term
CK Kraftholding Vest	379,7	Term
CK Kraftholding Midt-Norge	480,1	Term
CK Kraftholding Sør Vest	117,8	Term
CK Kraftholding Sør Vest	174,4	Construction
<b>TOTAL LOAN PORTFOLIO</b>	<b>2 601,0</b>	

## 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.

The same principle is applied for prepaid fall lease and minimum payments where these can be deducted in future ordinary fall lease.

As of Q4 2021 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of NOK 48,7 million including accrued interest.

During the three first quarters of 2020 the effect of negative fall lease was recognized as reduced cost of goods sold. In Q4 2020 negative fall lease of NOK 23.6 million was recognized, including in the comparative figures.