

2022

# CLEMENS KRAFTVERK

Q1 2022 INTERIM REPORT



CLEMENS KRAFT

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## CLEMENS KRAFT GROUP IN BRIEF

The Clemens Kraft Group (Clemens Kraft) 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.

Clemens Kraft is a full value chain hydropower company with extensive knowledge within planning, construction, management, finance and HSE, operating 49 plants (including five owned by associated companies) in addition to two plants under construction as of quarter end Q1 2022. These green energy projects are financially sustainable, aimed to adapt to the environment and to adjust the production facilities taking due consideration to the local communities where these are located.

### 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 11.8 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 will have a normal annual production of almost 700 GWh during the first half of 2022 (approx. 720 GWh if gross/total production from associated companies which Clemens Kraft manage the operations are included).

### SUSTAINABILITY

Since 2006, Clemens Kraft has increased its platform of small power plants contributing to a green and sustainable electricity production in Norway. The total normal annual production corresponds to the electricity consumption of about 36,000 households annually.

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 first quarter of 2022, 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 May 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)  
\_\_\_\_\_  
Eldbjørg Sture  
Director

(sign)  
\_\_\_\_\_  
Oddleiv Sæle  
Director

(sign)  
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Knud Hans Nørve  
Chief Executive Officer

## FIRST QUARTER 2022

### OPERATIONAL HIGHLIGHTS

Total revenue for Q1 2022 was NOK 39.7 million (Q1 2021: 10.6 million). The operating result for the quarter was NOK 3.8 million (loss NOK 15.1 million). EBITDA for the quarter was NOK 16.5 million (NOK 4.1 million negative).

Net of financial items and tax the net loss ended at NOK 7.3 million (NOK 15.8 million), year to date.

The volatility in power prices continues, however with an increasing trend in prices, especially for the areas in southern Norway. The spread between the different price areas observed during 2021 remains.

As Clemens Kraftverk has plants across all areas, the group includes subsidiaries/plants with achieved power prices of NOK 1.77 per kWh as well as subsidiaries/plants with achieved prices below NOK 0.14 per kWh.

A relatively wet January resulted in volumes above normal levels, however dry weather in March (which has continued through April) gives a quarter fairly as anticipated.

Level of snow at high altitudes in western and mid parts of Norway at or above normal levels, however Clemens Kraft's assessment is that a more humid climate/certain level of rainfall is needed to avoid the water equivalents to evaporate.

Power production in Q1 (consolidated companies only) was 60.1 GWh (31.0 GWh) and the average power price achieved for the quarter was NOK 0.64 per kWh (NOK 0.33 per kWh).

Clemens Kraftverk operated 49 plants as of Q1 2022, including five plants owned by associated companies. The Group currently has two plants under construction, representing a combined annual production volume of 100.8 GWh. Clemens Kraft has a sale purchase agreement to acquire a currently producing plant with an annual production volume of 32.7 GWh (volume included in the 700 GWh estimate mentioned above). The takeover is planned to be during Q2.

In March 2022, one of the landowners associated to one of the plants submitted a claim for recalculating and additional payment of fall lease for 2021. Subsequent of the claim, a notice regarding further legal action was received. The claim is assessed not to have a legal basis in the landowner's agreement; therefore, no provisions are made within the financial statements.

### FINANCE HIGHLIGHTS

Subsequent of the first quarter of 2022 the Group has completed a capital increase through conversion of debt. NOK 282.4 million of the sub-ordinated loan from Clemens Kraft Holding AS is converted to share capital/share premium in April 2022.

### 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	Q1 2022	Q1 2021	Full year 2021
<b>OPERATING INCOME AND EXPENSES</b>				
Revenues	1	39 745	10 598	185 695
Other operating income		39	62	231
<b>Total operating income</b>		<b>39 784</b>	<b>10 661</b>	<b>185 927</b>
Cost of goods sold	3	12 131	4 202	44 516
Personnel expenses		0	0	188
Depreciation		12 697	10 980	47 775
Other operating expenses		11 112	10 582	46 501
<b>Total operating expenses</b>		<b>35 940</b>	<b>25 765</b>	<b>138 981</b>
<b>Operating result</b>		<b>3 844</b>	<b>-15 105</b>	<b>46 946</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>				
Income on subsidiaries, associated companies and joint ventures		1 949	-188	-4 808
Other interest income		4	7	1 701
Other financial income		873	1 463	2 030
<b>Total financial income</b>		<b>2 826</b>	<b>1 283</b>	<b>-1 077</b>
Financial instruments measured at fair value		-2 571	-14 669	-19 616
Interest expenses		18 996	19 137	86 023
Other financial expenses		239	1 843	4 936
<b>Total financial expenses</b>		<b>16 664</b>	<b>6 311</b>	<b>71 343</b>
<b>Net financial income and financial expenses</b>		<b>-13 838</b>	<b>-5 028</b>	<b>-72 420</b>
<b>Profit (-loss) before tax</b>		<b>-9 994</b>	<b>-20 133</b>	<b>-25 474</b>
Tax expense (-income)		-2 642	-4 375	-4 284
<b>Profit (-loss) after tax</b>		<b>-7 352</b>	<b>-15 758</b>	<b>-21 190</b>
Profit/loss attributable to non-controlling interests		-904	-905	-313
Profit/loss attributable to owners of the parent		-6 448	-14 853	-20 877



## FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q1 2022	2021
<b>NON-CURRENT ASSETS</b>			
Concessions, fall and similar rights		312 650	314 455
Goodwill		-2 380	-2 505
<b>Total intangible assets</b>		<b>311 074</b>	<b>311 950</b>
Property, plant and equipment		2 572 423	2 562 349
Machinery, office tools, fixtures and fittings		1 920	2 023
<b>Total fixed assets</b>		<b>2 574 343</b>	<b>2 564 372</b>
Shares in associated companies and joint ventures		20 675	18 726
Other non-current receivables	3	51 401	51 399
<b>Total financial non-current assets</b>		<b>72 076</b>	<b>70 125</b>
<b>Total non-current assets</b>		<b>2 957 494</b>	<b>2 946 447</b>
<b>CURRENT ASSETS</b>			
Trade receivables		1 395	14 348
Other current receivables		31 116	18 371
<b>Total current receivables</b>		<b>32 511</b>	<b>32 718</b>
Cash and cash equivalents		49 328	111 782
<b>Total current assets</b>		<b>81 840</b>	<b>144 500</b>
<b>Total assets</b>		<b>3 039 333</b>	<b>3 090 947</b>

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q1 2022	2021
<b>EQUITY</b>			
Share capital		141 201	141 201
Share premium		484 779	484 779
Other paid-in capital		3 023	3 023
<b>Total paid in capital</b>		<b>629 004</b>	<b>629 004</b>
Retained earnings		-254 651	-248 203
<b>Total retained earnings</b>		<b>-254 651</b>	<b>-248 203</b>
Non-controlling interests		22 993	23 897
<b>Total equity</b>		<b>397 346</b>	<b>404 698</b>
<b>LIABILITIES</b>			
Deferred tax liability		0	1 838
Other provisions		1 233	3 804
<b>Total provisions</b>		<b>1 233</b>	<b>5 642</b>
Non-current interest bearing debt (credit institutions)	2	1 546 623	1 557 995
Bonds	2	475 000	475 000
Non-current liabilities to group companies	2	570 226	568 000
<b>Total non-current liabilities</b>		<b>2 591 849</b>	<b>2 600 995</b>
Trade payables		23 889	28 579
Taxes payable		450	450
Other current liabilities		24 567	50 583
<b>Total current liabilities</b>		<b>48 906</b>	<b>79 612</b>
<b>Total liabilities</b>		<b>2 641 988</b>	<b>2 686 249</b>
<b>Total equity and liabilities</b>		<b>3 039 333</b>	<b>3 090 947</b>

Oslo, 24 May 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)  
 \_\_\_\_\_  
 Eldbjørg Sture  
 Director

(sign)  
 \_\_\_\_\_  
 Oddleiv Sæle  
 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 2021.

#### *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.

## 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	Q1 2022	Q1 2021	Full year 2021
Power revenues	38 257	8 174	184 107
El-cert / GoO revenues	1 488	47	1 588
Other revenues	0	239	0
<b>TOTAL</b>	<b>39 745</b>	<b>8 459</b>	<b>185 695</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 Q1 2022 Clemens Kraftverk holds an off-balance value of electricity certificates and GoOs of NOK 0.5 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. However, the Group is currently in a process bundling SPV loans to achieve fewer loan agreements and better terms and conditions.

Sub-group	Amount	Loan
Clemens Kraftverk	570,2	Sub-ordinated
Clemens Kraftverk	475,0	Bond
Clemens Kraftverk	402,7	Term
CK Kraftholding Vest	374,2	Term
CK Kraftholding Midt-Norge	477,9	Term
CK Kraftholding Sør Vest	117,2	Term
CK Kraftholding Sør Vest	174,6	Construction
<b>TOTAL LOAN PORTFOLIO</b>	<b>2 591,8</b>	

Interest rate swaps are made on a nominal amount of NOK 1 111 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).

As of Q1 2022 Clemens Kraftverk has a liability of NOK 1.2 million related to one of interest rate swap agreements. The remaining swaps has a positive off-balance MTM of NOK 16.9 million (unrealized gain).

## 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 Q1 2022 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of NOK 52.1 million including accrued interest.