

2022

CLEMENS KRAFTVERK

Q2 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 Q2 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 measured at year-end 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 second 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, 26 August 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)

Knud Hans Nørve
Chief Executive Officer

SECOND QUARTER 2022

OPERATIONAL HIGHLIGHTS

Total revenue for Q2 2022 was NOK 148.2 million (Q2 2021: 52.7 million). The operating result for the quarter was NOK 92.2 million (NOK 18.0 million). EBITDA for the quarter was NOK 104.9 million (NOK 30.0 million).

Net of financial items and tax the net profit ended at NOK 56.8 million (loss NOK 10.4 million) for the quarter, and NOK 49.5 (loss NOK 26.1 million) year to date.

The volatility in power prices continues, however about very high price level, especially for the areas in southern Norway. The spread between the different price areas observed during 2021 remains, and even increases due to occasionally all-time high price levels in the south and very low prices in the northern part of Norway. As Clemens Kraftverk has plants across all areas, the group includes subsidiaries/plants with achieved power prices of approx. NOK 1.7 per kWh as well as subsidiaries/plants with achieved prices below NOK 0.1 per kWh.

Overall, first half of 2022 has a runoff slightly above the 30-year average in total. Year to date Clemens Kraftverk has a production fairly as anticipated.

Power production in Q2 (consolidated companies only) was 196.0 GWh (135.5 GWh) and the average power price achieved for the quarter was NOK 0.75 per kWh (NOK 0.34 per kWh).

Clemens Kraftverk operated 49 plants as of Q2 2022, including five plants owned by associated companies. The Group currently had two plants under construction as of quarter end Q2 2022, 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 was not conducted in Q2 but is postponed to be during Q3/Q4 due to finalization of testing/trial period.

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 from the specific plant's landowners as a group. The claim is assessed not to have a legal basis in the landowner's agreement; therefore, no provisions are made within the financial statements.

Subsequent of the second quarter Clemens Kraftverk put into production the last two assets under construction in the current construction portfolio.

FINANCE HIGHLIGHTS

During the second 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.

In June 2022 Clemens Kraftverk completed its refinancing process replacing more than 30 individual term loans at subsidiary level with one multibank loan facility (two tranches) of NOK 1.7 billion.

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 the accounting principles and 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	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Full year 2021
OPERATING INCOME AND EXPENSES						
Revenues	1	148 199	52 667	187 944	63 266	185 695
Other operating income		12	48	51	110	231
Total operating income		148 211	52 716	187 995	63 376	185 927
Cost of goods sold	3	29 792	9 705	41 924	13 907	44 516
Personnel expenses		0	0	0	0	188
Depreciation		12 697	11 977	25 393	22 958	47 775
Other operating expenses		13 557	13 033	24 670	23 615	46 501
Total operating expenses		56 047	34 716	91 987	60 481	138 981
Operating result		92 165	18 000	96 008	2 895	46 946
FINANCIAL INCOME AND FINANCIAL EXPENSES						
Income on subsidiaries, associated companies and joint ventures		1 812	-5 447	3 761	-5 635	-4 808
Other interest income		-1	1 242	3	1 250	1 701
Other financial income		-169	27	704	1 490	2 030
Total financial income		1 642	-4 178	4 468	-2 895	-1 077
Financial instruments measured at fair value		-544	2 914	-3 115	-11 754	-19 616
Interest expenses		20 545	21 547	39 540	40 683	86 023
Other financial expenses		1 279	1 064	1 518	2 907	4 936
Total financial expenses		21 279	25 524	37 943	31 835	71 343
Net financial income and financial expenses		-19 637	-29 702	-33 475	-34 731	-72 420
Profit (-loss) before tax		72 528	-11 702	62 534	-31 835	-25 474
Tax expense (-income)		15 693	-1 363	13 051	-5 738	-4 284
Profit (-loss) after tax		56 835	-10 339	49 483	-26 097	-21 190
Profit/loss attributable to non-controlling interests		227	260	-677	-645	-313
Profit/loss attributable to owners of the parent		56 608	-10 599	50 160	-25 452	-20 877

FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q2 2022	2021
NON-CURRENT ASSETS			
Concessions, fall and similar rights		310 846	314 455
Goodwill		-2 255	-2 505
Total intangible assets		308 591	311 950
Property, plant and equipment		2 582 423	2 562 349
Machinery, office tools, fixtures and fittings		1 817	2 023
Total fixed assets		2 584 240	2 564 372
Shares in associated companies and joint ventures		21 807	18 726
Other non-current receivables	3	51 395	51 399
Total financial non-current assets		73 202	70 125
Total non-current assets		2 966 033	2 946 447
CURRENT ASSETS			
Trade receivables		64 590	14 348
Other current receivables		24 976	18 371
Total current receivables		89 566	32 718
Cash and cash equivalents		129 947	111 782
Total current assets		219 513	144 500
Total assets		3 185 546	3 090 947

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q2 2022	2021
EQUITY			
Share capital		211 802	141 201
Share premium		696 581	484 779
Other paid-in capital		3 023	3 023
Total paid in capital		911 406	629 004
Retained earnings		-198 043	-248 203
Total retained earnings		-198 043	-248 203
Non-controlling interests		23 220	23 897
Total equity		736 583	404 698
LIABILITIES			
Deferred tax liability		14 889	1 838
Other provisions		689	3 804
Total provisions		15 578	5 642
Non-current interest bearing debt (credit institutions)	2	1 729 682	1 557 995
Bonds	2	325 000	475 000
Non-current liabilities to group companies	2	284 828	568 000
Total non-current liabilities		2 339 510	2 600 995
Trade payables		24 258	28 579
Taxes payable		450	450
Other current liabilities		44 572	50 583
Total current liabilities		93 875	79 612
Total liabilities		2 448 963	2 686 249
Total equity and liabilities		3 185 546	3 090 947

Oslo, 26 August 2022

Board of Directors

(sign)	(sign)	(sign)
_____ Ole-Wilhelm Meyer Chairman	_____ Harald Kurt Siewert Deputy chairman	_____ Hans Erik Horn Director
(sign)	(sign)	(sign)
_____ Ulf Myrbø Director	_____ Eldbjørg Sture Director	_____ Oddleiv Sæle Director
	(sign)	
	_____ 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.

Financial instruments – interest rate swaps

Interest rates swaps are used as hedging instruments; however, hedge accounting is not applied. The financial instruments are recognized at the lowest of acquisition cost and fair value, meaning that negative fair value (mark-to-market value) is provided for, and unrealized gain is not recognized.

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 is summarized below:

Revenues	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Full year 2021
Power revenues	147 223	52 592	185 480	62 760	184 107
El-cert / GoO revenues	976	25	2 465	172	1 588
Other revenues	0	50	0	334	0
TOTAL	148 199	52 667	187 944	63 266	185 695

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 3.1 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.

The bond loan issued by the Group is due in 2025. The term loan from financial institutions to Clemens Kraftverk is divided in two tranches, one due in 2027 (NOK 1 042.3 million) and one due in 2027 (NOK 12 million), 2028 (NOK 16 million) and 2029 (NOK 646.7 million).

The term loan from financial institutions to CK Kraftholding Midt-Norge is amortized over a period of originally 30 years.

Sub-group	Amount	Loan
Clemens Kraftverk	284,8	Sub-ordinated
Clemens Kraftverk	325,0	Bond
Clemens Kraftverk	1 717,0	Term
CK Kraftholding Midt-Norge	12,7	Term
TOTAL LOAN PORTFOLIO	2 339,5	

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 Q2 2022 Clemens Kraftverk has a liability of NOK 0.7 million related to one of interest rate swap agreements. The remaining swaps has a positive off-balance MTM of NOK 23.8 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 Q2 2022 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of NOK 52.1 million including accrued interest.