

2022

CLEMENS KRAFTVERK

Q3 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 52 plants (including five owned by associated companies). 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 climate 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 land slides due to an increase of heavy rainfall episodes, is part of the project planning and will be a mitigating factor for possible damages.

Requirements with regards 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 landowners and reindeer herders is important to the common use of natural resources.

RESPONSIBILITY STATEMENT

We confirm that the financial statements for the third 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, 9 November 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

THIRD QUARTER 2022

OPERATIONAL HIGHLIGHTS

Total revenue for Q3 2022 was NOK 148.3 million (Q3 2021: 42.9 million). The operating result for the quarter was NOK 82.0 million (NOK 7.4 million). EBITDA for the quarter was NOK 95.8 million (NOK 19.4 million).

Net of financial items and tax the net profit ended at NOK 52 million (loss NOK 7.5 million) for the quarter, and NOK 101.5 (loss NOK 33.6 million) year to date.

The volatility in power prices continues, however about very high price level for the areas in southern Norway. The spread between the different price areas remains.

As Clemens Kraftverk has plants across all areas, the group includes subsidiaries/plants with achieved power prices of approx. NOK 2 per kWh as well as subsidiaries/plants with achieved prices below NOK 0.1 per kWh, year to date.

Overall, first three quarters 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 Q3 (consolidated companies only) was 140.7 GWh (78.0 GWh) and the average power price achieved for the quarter was NOK 1.04 per kWh (NOK 0.55 per kWh).

Clemens Kraftverk operated 52 plants as of Q3 2022, including five plants owned by associated companies.

During the third quarter Clemens Kraft completed the two remaining assets under construction, Kupekraft kraftverk in Sunnfjord and Tokagjelet kraftverk in Kvam. Both with their first production during August.

In addition, the shares in Dvergfossen Kraft AS were acquired in September, hence the profit and loss statement is to a small extent influenced by this business combination. The purchase price allocation resulted in a negative goodwill of NOK 40 million which will be recognized in the profit and loss statement over a five-year 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, by Clemens Kraft, not to have a legal basis in the landowner's agreement; therefore, no provisions are made within the financial statements.

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 2.4 billion in interest bearing non-current liabilities (of which (NOK 0.3 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 and GoOs, it is also exposed to fluctuations in el-certificate and GoO prices.

Market prices are quoted in EURO on Nord Pool and el-certificates and GoOs primarily in SEK and EUR respectively. 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 six 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.

At the end of Q3 the Norwegian Government announced potential changes in the taxation of Hydropower. The potential changes announced was carried forward in the proposed National Budget presented in October. Clemens Kraft owns one plant subject to resource rent taxation which will be subject to any change in resource rent taxation rates. In addition, under the current market prices observed for NO2 and NO3, the plants in these areas will be affected by the suggested high price taxation.

CONDENSED INTERIM FINANCIAL STATEMENTS CLEMENS KRAFTVERK

PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Full year 2021
OPERATING INCOME AND EXPENSES						
Revenues	1	148 301	42 951	336 245	106 217	185 695
Other operating income		13	17	64	127	231
Total operating income		148 314	42 968	336 309	106 344	185 927
Cost of goods sold	3	38 831	12 709	80 755	26 617	44 516
Personnel expenses		0	188	0	188	188
Depreciation		13 830	11 979	39 223	34 937	47 775
Other operating expenses		13 656	10 708	38 325	34 324	46 501
Total operating expenses		66 317	35 585	158 303	96 066	138 981
Operating result		81 998	7 383	178 006	10 278	46 946
FINANCIAL INCOME AND FINANCIAL EXPENSES						
Income on subsidiaries, associated companies and joint ventures		2 481	80	6 243	-5 555	-4 808
Other interest income		54	-1 235	57	15	1 701
Other financial income		200	19	904	1 509	2 030
Total financial income		2 736	-1 136	7 204	-4 031	-1 077
Financial instruments measured at fair value		-344	-6 352	-3 459	-18 107	-19 616
Interest expenses		17 615	22 216	57 156	62 899	86 023
Other financial expenses		1 674	513	3 192	3 420	4 936
Total financial expenses		18 945	16 377	56 888	48 213	71 343
Net financial income and financial expenses		-16 210	-17 513	-49 684	-52 244	-72 420
Profit (-loss) before tax		65 788	-10 130	128 322	-41 965	-25 474
Tax expense (-income)		13 770	-2 630	26 821	-8 368	-4 284
Profit (-loss) after tax		52 018	-7 500	101 501	-33 597	-21 190
Profit/loss attributable to non-controlling interests		-1 001	7	-1 678	-639	-313
Profit/loss attributable to owners of the parent		53 019	-7 506	103 179	-32 958	-20 877

FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q3 2022	2021
NON-CURRENT ASSETS			
Concessions, fall and similar rights		380 133	314 455
Goodwill		-41 443	-2 505
Total intangible assets		338 690	311 950
Property, plant and equipment		2 735 661	2 562 349
Machinery, office tools, fixtures and fittings		1 714	2 023
Total fixed assets		2 737 375	2 564 372
Shares in associated companies and joint ventures		24 288	18 726
Other non-current receivables	3	392	51 399
Total financial non-current assets		24 680	70 125
Total non-current assets		3 100 746	2 946 447
CURRENT ASSETS			
Trade receivables		21 394	14 348
Other current receivables		37 062	18 371
Total current receivables		58 456	32 718
Cash and cash equivalents		198 755	111 782
Total current assets		257 211	144 500
Total assets		3 357 957	3 090 947

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q3 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		-145 024	-248 203
Total retained earnings		-145 024	-248 203
Non-controlling interests		22 219	23 897
Total equity		788 601	404 698
LIABILITIES			
Deferred tax liability		44 299	1 838
Other provisions		345	3 804
Total provisions		44 644	5 642
Non-current interest bearing debt (credit institutions)	2	1 814 453	1 557 995
Bonds	2	325 000	475 000
Non-current liabilities to group companies	2	274 880	568 000
Total non-current liabilities		2 414 333	2 600 995
Trade payables		16 099	28 579
Taxes payable		213	450
Public duties payable		23 313	0
Other current liabilities		70 755	50 583
Total current liabilities		110 379	79 612
Total liabilities		2 569 356	2 686 249
Total equity and liabilities		3 357 957	3 090 947

Oslo, 9 November 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	Q3 2022	Q3 2021	Q1-Q3 2022	Q1-Q3 2021	Full year 2021
Power revenues	145 748	42 655	331 228	105 415	184 107
El-cert / GoO revenues	2 553	0	5 017	172	1 588
Other revenues	0	296	0	630	0
TOTAL	148 301	42 951	336 245	106 217	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 Q3 2022 Clemens Kraftverk holds an off-balance value of electricity certificates and GoOs of NOK 2.4 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 in CK Kraftholding Sør Vest is related to Dvergfossen Kraft and will be refinanced into the multibank facility subsequent of Q3.

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	274,9	Sub-ordinated
Clemens Kraftverk	325,0	Bond
Clemens Kraftverk	1 717,0	Term
CK Kraftholding Sør Vest	87,8	Term
CK Kraftholding Midt-Norge	9,7	Term
TOTAL LOAN PORTFOLIO	2 414,3	

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 Q3 2022 Clemens Kraftverk has a liability of NOK 0.3 million related to one of interest rate swap agreements. The remaining swaps has a positive off-balance MTM of NOK 28.1 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 Q3 2022 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of NOK 52.1 million including accrued interest.