

2022

CLEMENS KRAFTVERK

Q4 2022 INTERIM REPORT



CLEMENS KRAFT

Table of content

CLEMENS KRAFT GROUP IN BRIEF	3
History	3
Sustainability.....	3
RESPONSIBILITY STATEMENT	5
FOURTH QUARTER 2022	6
Operational highlights	6
Risks and uncertainty factors.....	7
CONDENSED INTERIM FINANCIAL STATEMENTS CLEMENS KRAFTVERK.....	8
PROFIT AND LOSS (UNAUDITED)	8
FINANCIAL POSITION (UNAUDITED)	9
NOTES	11
Accounting principles	11
Note 1 – Revenues	12
Note 2 – Non-current liabilities	12
Note 3 – Cost of goods sold	12

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 fourth 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, 16 February 2023

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

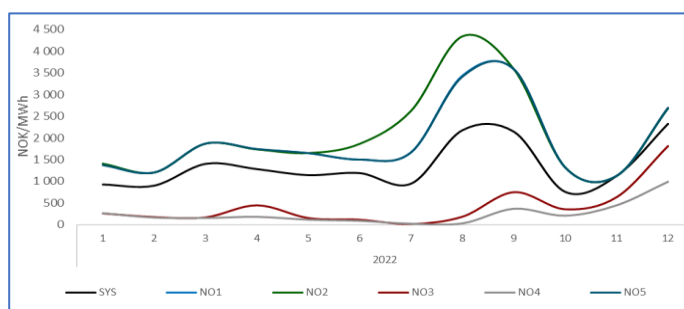
FOURTH QUARTER 2022

OPERATIONAL HIGHLIGHTS

Clemens Kraftverk operated 52 plants as of Q4 2022, including five plants owned by associated companies. Total revenue for Q4 2022 was NOK 93.0 million (Q4 2021: 79.6 million). The operating result for the quarter was NOK 2.1 million (NOK 36.7 million). EBITDA for the quarter was NOK 45.8 million (NOK 49.5 million). An impairment of NOK 31.5 million on one of Clemens Kraftverk's operating assets is recognized during Q4. The impairment is based on net present value analysis carried out for all plants utilizing a DCF model. The financial impairment is a consequence of a production capacity reassessment based on actual precipitation and production in the context of the 30-year average rainfall.

Net of financial items and tax the net loss ended at NOK 16.2 million (profit NOK 12.4 million) for the quarter, and NOK 85.3 million (loss NOK 21.2 million) year to date.

After having very high prices (for Southern Norway) in Q3, Q4 started with more modest prices, mainly due to a wet October and first half of November. The second half of the quarter was cold and dry, hence increasing prices during November and December. Towards the end of 2022 the spread in NO-prices reduced and even NO3 and NO4 ended the year with prices above NOK 0.50 per kWh.



Power production in Q4 (consolidated companies only) was 123.0 GWh (131.3 GWh). From a group perspective this is slightly below the 30-year average, however with the three first quarters slightly above the year in total is fairly on average from a group perspective. However, geographical differences exist.

For the year in total, achieved average prices varies from NOK 0.11 per kWh to NOK 1.66 per kWh, with Q4 increasing the average for NO3 and NO4 and decreasing the average for NO2 and NO5.

Achieved price, NOK per kWh	NO1	NO2	NO3	NO4	NO5	Total
Q4	(n/a)	1.23	0.29	0.21	0.92	0.76
YTD	(n/a)	1.66	0.18	0.11	1.54	0.82

We also observe that prices achieved for Guarantees of Origin (GoOs) has increased to all time high levels during 2022. Compared with the GWh prices in Southern Norway GoO prices per produced volume are relatively limited, however compared with the rather low GWh prices in the Northern Norway the GoOs are a good supplement to GWh revenue. Summarized, the total 2022 result is a historically good result for Clemens Kraft

During the fourth quarter Clemens Kraft completed simplifications of its legal structure involving several legal entities within the Clemens Kraftverk Group. All companies holding powerplants assets (but the sub-Group CK Bond), are now owned directly by Clemens Kraftverk. The simplifications are conducted by a combination of distributing shares as dividend and mergers. As all transactions has been made within Clemens Kraftverk, the simplification has no effect on the consolidated financial statements.

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.

Subsequent of the fatal drowning accident occurred nearby one of Clemens Kraftverk's construction sites (involving third party civilians) in Q4 2021 Norwegian Water Resources and Energy Directorate and the police initiated parallel routine investigations. During first half of 2022 the police investigation was dropped, however

during the fourth quarter the police investigation is re-opened. The group has and will continue to assist both the supervisory body and the police authorities in every way.

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.

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 NO5, the plants in these areas will be affected by the suggested high price contribution fee. For the one plant above 10 000 kVA the high price contribution fees accrued for as of Q4 2022. Another 48 plants will be subject to this taxation from 2023, while three plants are below the effect threshold of 1 MW and will not be subject to high price contribution fee.

CONDENSED INTERIM FINANCIAL STATEMENTS CLEMENS KRAFTVERK

PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q4 2022	Q4 2021	Full year 2022	Full year 2021
OPERATING INCOME AND EXPENSES					
Revenues	1	96 650	79 563	432 895	185 695
Other operating income		-229	20	-165	231
Total operating income		96 421	79 583	432 730	185 927
Cost of goods sold	3	29 870	17 900	110 624	44 516
Personnel expenses		0	0	0	188
Depreciation		12 608	12 838	51 832	47 775
Impairment		31 088	0	31 088	0
Other operating expenses		20 741	12 178	59 066	46 501
Total operating expenses		94 307	42 915	252 610	138 981
Operating result		2 114	36 668	180 120	46 946
FINANCIAL INCOME AND FINANCIAL EXPENSES					
Income on subsidiaries, associated companies and joint ventures		3 176	747	9 419	-4 808
Other interest income		2 605	1 686	2 662	1 701
Other financial income		0	521	904	2 030
Total financial income		5 781	2 954	12 985	-1 077
Financial instruments measured at fair value		125	-1 509	-3 334	-19 616
Interest expenses		26 193	23 124	83 349	86 023
Other financial expenses		1 822	1 516	5 014	4 936
Total financial expenses		28 140	23 131	85 029	71 343
Net financial income and financial expenses		-22 359	-20 177	-72 044	-72 420
Profit (-loss) before tax		-20 245	16 491	108 076	-25 474
Tax expense (-income)		-4 033	4 084	22 788	-4 284
Profit (-loss) after tax		-16 212	12 407	85 289	-21 190
Profit/loss attributable to non-controlling interests		-444	345	-2 122	-313
Profit/loss attributable to owners of the parent		-15 768	12 062	87 411	-20 877

FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q4 2022	2021
NON-CURRENT ASSETS			
Concessions, fall and similar rights		377 746	314 455
Goodwill		-39 119	-2 505
Total intangible assets		338 627	311 950
Property, plant and equipment		2 719 435	2 562 349
Machinery, office tools, fixtures and fittings		1 611	2 023
Total fixed assets		2 721 047	2 564 372
Loan to group companies		17 662	0
Shares in associated companies and joint ventures		27 037	18 726
Other non-current receivables	3	5 021	51 399
Total financial non-current assets		49 720	70 125
Total non-current assets		3 109 394	2 946 447
CURRENT ASSETS			
Trade receivables		12 289	14 348
Other current receivables		12 409	18 371
Total current receivables		24 697	32 718
Cash and cash equivalents		204 579	111 782
Total current assets		229 277	144 500
Total assets		3 338 670	3 090 947

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q4 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		-160 439	-248 203
Total retained earnings		-160 439	-248 203
Non-controlling interests		23 707	23 897
Total equity		774 674	404 698
LIABILITIES			
Deferred tax liability		40 170	1 838
Other provisions		470	3 804
Total provisions		40 640	5 642
Non-current interest bearing debt (credit institutions)	2	1 816 641	1 557 995
Bonds	2	325 000	475 000
Non-current liabilities to group companies	2	251 790	568 000
Total non-current liabilities		2 393 431	2 600 995
Trade payables		24 362	28 579
Taxes payable		170	450
Public duties payable		3 678	0
Other current liabilities		101 714	50 583
Total current liabilities		129 925	79 612
Total liabilities		2 563 996	2 686 249
Total equity and liabilities		3 338 670	3 090 947

Oslo, 16 February 2023

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	Q4 2022	Q4 2021	Full year 2022	Full year 2021
Power revenues	92 965	78 545	424 193	184 107
El-cert / GoO revenues	3 060	924	8 077	1 588
Other revenues	625	93	625	0
TOTAL	96 650	79 563	432 895	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 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 Q4.

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	251,8	Sub-ordinated
Clemens Kraftverk	325,0	Bond
Clemens Kraftverk	1 717,0	Term
CK Kraftholding Sør Vest	90,2	Term
CK Kraftholding Midt-Norge	9,4	Term
TOTAL LOAN PORTFOLIO	2 393,4	

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 Q4 2022 Clemens Kraftverk has a liability of NOK 0.5 million related to one of interest rate swap agreements. The remaining swaps has a positive off-balance MTM of NOK 22.8 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 Q4 2022 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of NOK 9.3 million including accrued interest.