



# CLEMENS KRAFTVERK

Q4 2023 INTERIM REPORT



CLEMENS KRAFT

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Front and back cover pages: Salhuselva power plant and surroundings



## CLEMENS KRAFT AT A GLANCE

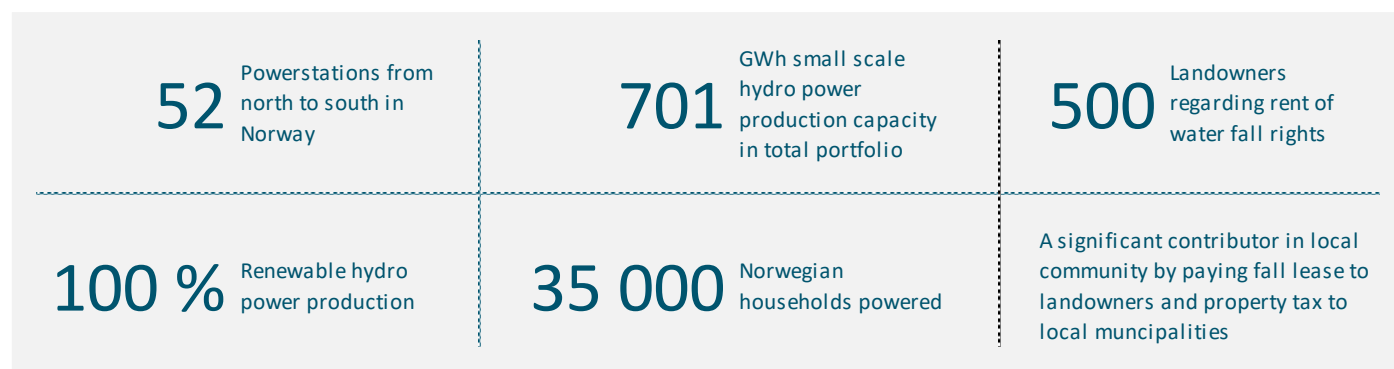
### OUR HISTORY

Clemens Kraft Group is a leading small scale hydro power producer in Norway and has since 2006 developed, constructed and operated small scale hydro power. The portfolio consists of 52 plants in operation including five power plants in owned associated companies.

Clemens Kraft is founded on the deep roots of Norwegian hydropower tradition with long term industrial horizon. The two solid owners, Opplysningsvesenets fond (Ovf) hold 50.1% and CPV/CAP Pension fund of Coop Group Switzerland hold 49.9% of the shares.

### OUR BUSINESS

Hydropower is a renewable and clean source of energy with no direct climate gas emission or pollution from the powerplants. Clemens Kraft deliver 100% renewable energy through local small hydropower production facilities utilizing water from rivers and streams in the most optimal way. To meet increasing demand for renewable energy and at same time be able to meet the governmental ambition of net zero climate emissions in 2050, there is a need to develop more renewable energy whilst considering the environment and biodiversity preservation.



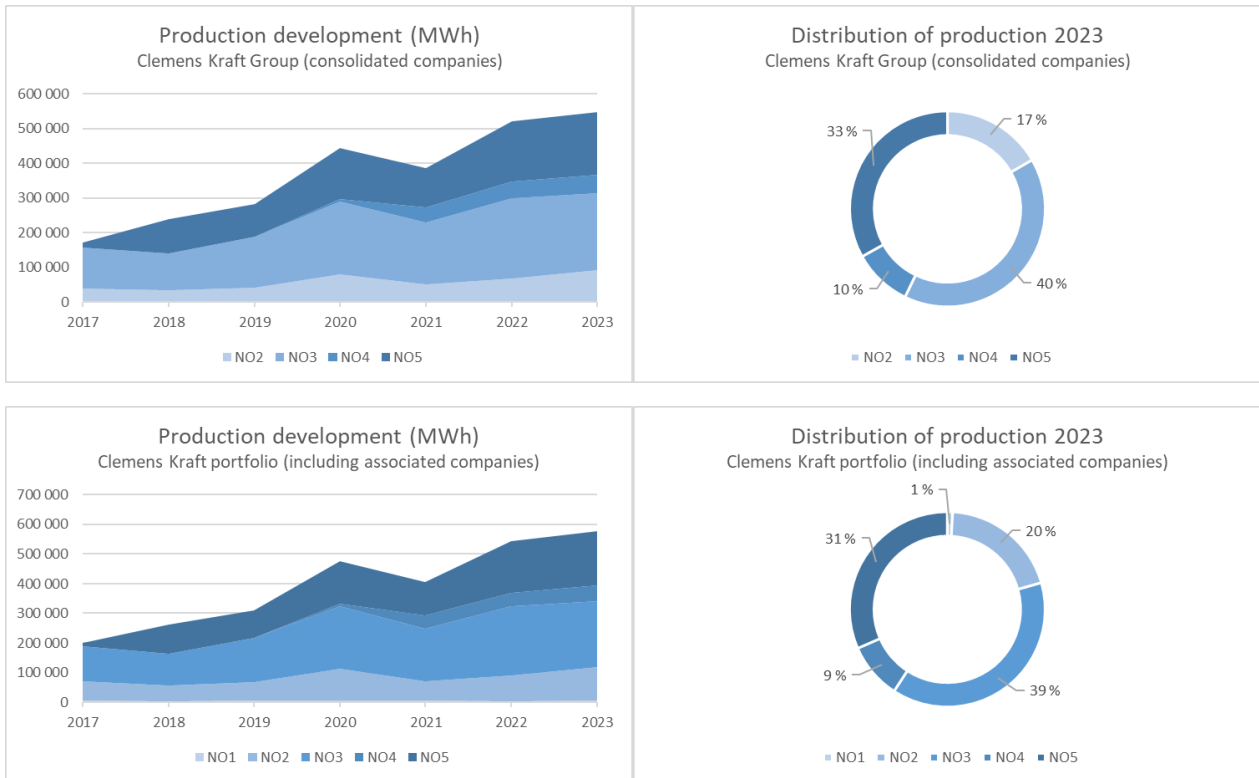
*Graphic includes gross values from all portfolio plants, including those owned by associated companies*

Landowners and local communities are crucial to Clemens Kraft continued business and a good dialogue with local landowners and reindeer herders is important to get acceptance for utilization of natural water resources for power needed by the society.

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.

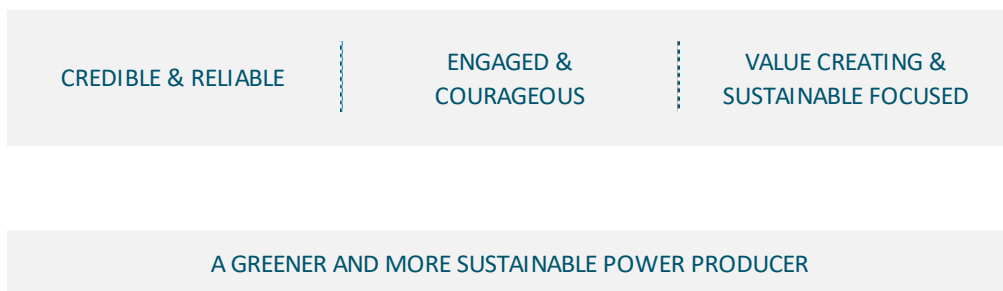
The 52 power plants are spread over all the five price areas in Norway and thus comprise a natural hedge against price volatility and natural production variations.



Graphics shows historical production (left) and distribution of 2023 production across areas (right), for both the group/consolidated companies (top) and the total portfolio including associated companies (bottom)

The dedicated team operating the power plants, has a strong focus on plant efficiency and low costs. The model where the operations team divide the different power plants between themselves with established work shift schedules for continuous surveillance is working very well. As the portfolio has increased in recent years there has also been an aim to reduce manual work by implementing digital operations exemplified by the use of remote-control solutions and installations of automated trash rack cleaners. The focus on continuous improvement is a never-ending focus, not only for the power plant operators, but for the entire Clemens Kraft.

## VALUES AND VISION



## RESPONSIBILITY STATEMENT

We confirm that the financial statements for the fourth quarter of 2023, 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, 14 February 2024

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 2023

### OPERATIONAL HIGHLIGHTS

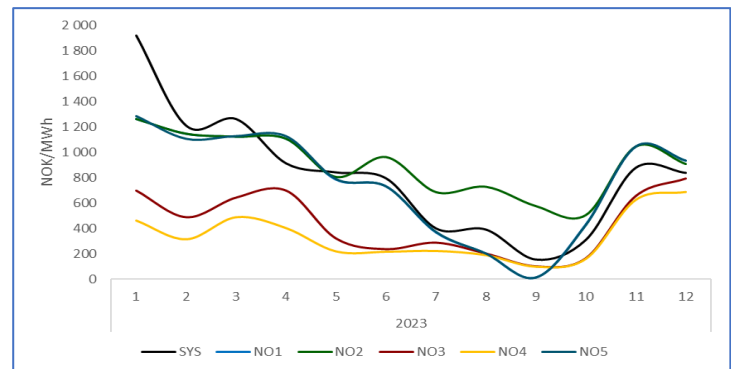
Clemens Kraftverk operated 52 plants as of Q4 2023, including five plants owned by associated companies.

Total revenue for Q4 2023 was NOK 32.1 million (Q4 2022: 96.7 million). Total operating income for the full year is NOK 258.5 million, compared with NOK 432.9 million in 2022. Included in the other operating income of NOK 1.3 million negative is NOK 7.3 million in high price contribution fees reducing the Group's operating income.

The operating loss for the quarter was NOK 7.5 million (NOK 2.1 million profit). EBITDA for the quarter was NOK 7.7 million (NOK 45.8 million). Net of financial items and tax the net profit ended at NOK 40.4 million (NOK 16.2 million loss) for the quarter.

After having very high prices for Southern Norway in 2022, 2023 has been more modest.

In 2022 and the first four-five months of 2023 a distinct difference between NO3 and NO4 prices on one hand and NO1, NO2 and NO5 prices on the other was observed. However, late in the second quarter of 2023, NO1 and NO5 developed to trend down towards NO3 and NO4 before converging back towards NO2 during the fourth quarter. Compared with the overall 2022 prices, the different price areas have converged – a development as expected.



In 2023 the week-by-week and month-by-month volatility has been lower than in 2022. However, the hour-by-hour and day-by-day volatility is still high and is challenging for run-of-river plants such as Clemens Kraftverk operates, resulting in achieved prices lower than the average area prices.

Clemens Kraftverk is a substantial contributor to the local communities surrounding the plants. During 2023 the Group has recognized NOK 60.2 million in fall lease and property tax.

Power production in Q4 (consolidated companies only) was 71.0 GWh (123.0 GWh). The most recent developed plants were put into operation in the third quarter of 2022. Hence, the Q4 performance is comparable year-on-year. Q4 in general has been characterized by very dry weather, with November and December in particular with very cold and dry weather.

Two of the Group's plants located in NO5 encountered close to zero production during the first half of 2023 due to avalanches during winter, damaging the intake area. Normalized annual production level for the two plants is 14.9 GWh. Insurance coverage is recognized during the fourth quarter as other operating income to an amount of NOK 5.7 million.

Achieved average prices for the quarter varies from NOK 0.12 per kWh to NOK 0.87 per kWh across price areas, an increase compared to the third quarter. Year-to-date achieved prices varies from NOK 0.18 to NOK 0.84 per kWh (adjusted for high price contribution fee), across price areas.

Achieved price, NOK per kWh	NO1	NO2	NO3	NO4	NO5	Total
Q4	(n/a)	0,87	0,13	0,12	0,41	0,35
YTD	(n/a)	0,88	0,22	0,18	0,57	0,44
YTD, adj. for high price contribution fee	(n/a)	0,84	0,22	0,18	0,55	0,43

In the second quarter of 2023, an amount of NOK 3.9 million is paid to landowners associated to one of the plants related to disputed fall lease for 2021, subsequent of legal negotiations. The amount includes legal fees and was not recognized in prior periods. However, the ruling is not yet legally binding (court ruling appealed).

Compared with Q4 2022 interest expenses has increased. Most of the effect is related to underlying market rates. Reference is made to the following risk section and note 4 describing interest rate hedging – most of the swap agreements is made at

Clemens Kraft Holding level meaning that Clemens Kraftverk to a larger extent is exposed to changes in interest rates than the group from a Clemens Kraft Holding perspective.

Clemens Kraftverk executed a share capital increase in Q4 2023, with a total subscription of NOK 211.8 million. An amount of NOK 200 million is used for repayment of debt. In addition, minority interests increased with NOK 14 million due to a capital increase at subsidiary level.

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 2022 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*

Clemens Kraft's power production is based on run-of-river power plants with limited or no reservoirs. The expected, normalized annual production is estimated based on historical hydrological data series using industry standard methodology. Actual production may vary significantly for any specific year due to natural variations in actual precipitation. The discrepancies to annual precipitation may be caused by variations in rain- or snowfall, ice- and snow melting magnitude, or sublimation effects.

### *Financial risk*

The NOK 2.2 billion in interest bearing liabilities (of which NOK 0.2 billion of the liability is debt to the ultimate parent under the cash pool arrangement classified as non-current liabilities) 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*

Power is traded at prices quoted in the market on defined marketplaces, such as Nord Pool. As mentioned above, power prices are the most important risk factor in the Group's operations. Clemens Kraft operates power plants in mainly non-regulated watercourses and thus does not have the opportunity to manipulate production volume to periods with expected higher power prices.

During 2022 the Group observed increased volatility due to higher influence of European power market development. This, combined with "bottle necks" in the domestic transmission grid have led to an increased spread in prices between the Norwegian power price area. As mentioned, some convergence observed in 2023, however the risk of volatility is still considered high.

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 EUR on Nord Pool and for GoOs. Accordingly, the Group is indirectly exposed to currency fluctuations between EUR/NOK.

### *Operational risk*

The most essential performance drivers in the development phase are the fall lease agreements with the fall right owners and the issuance of development concessions by NVE. In addition, inflation in general and pricing of construction work has increased significantly during the most recent years. These conditions will determine if projects are financially sustainable and can be developed. As for the construction phase, the essential drivers are the organization's competence and capacity to manage and execute projects. Moreover, the projects rely on high-standard suppliers offering quality products and services at an acceptable price.

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 2022 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 2022, and later approved and therefore effective from 2023. 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 is affected by the high price contribution fee. However, the Norwegian Government terminated the high price contribution fee effective from October 2023.



## CONDENSED INTERIM FINANCIAL STATEMENTS CLEMENS KRAFTVERK

## PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q4 2023	Q4 2022	Full year 2023	Full year 2022
<b>OPERATING INCOME AND EXPENSES</b>					
Revenues	1	32 088	96 650	259 832	433 030
Other operating income	1	5 351	-229	-1 309	-200
<b>Total operating income</b>		<b>37 440</b>	<b>96 421</b>	<b>258 522</b>	<b>432 830</b>
Cost of goods sold	2	10 608	29 870	61 921	111 253
Depreciation		15 261	12 608	58 738	51 833
Impairment		0	31 088	116 082	31 088
Other operating expenses		19 087	20 741	72 153	58 905
<b>Total operating expenses</b>		<b>44 956</b>	<b>94 307</b>	<b>308 894</b>	<b>253 079</b>
<b>Operating result</b>		<b>-7 516</b>	<b>2 114</b>	<b>-50 371</b>	<b>179 751</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>					
Income on subsidiaries, associated companies and joint ventures		402	3 176	7 160	8 310
Other interest income		4 455	2 605	7 010	2 780
Other financial income		0	0	39	2 013
<b>Total financial income</b>		<b>4 857</b>	<b>5 781</b>	<b>14 208</b>	<b>13 103</b>
Financial instruments measured at fair value		0	125	-470	-3 334
Interest expenses		32 887	26 193	119 794	82 095
Other financial expenses		609	1 822	5 261	5 014
<b>Total financial expenses</b>		<b>33 496</b>	<b>28 140</b>	<b>124 586</b>	<b>83 775</b>
<b>Net financial income and financial expenses</b>		<b>-28 639</b>	<b>-22 359</b>	<b>-110 378</b>	<b>-70 671</b>
<b>Profit (-loss) before tax</b>		<b>-36 155</b>	<b>-20 245</b>	<b>-160 749</b>	<b>109 079</b>
Tax expense (-income)		-76 598	-4 033	-90 194	44 663
<b>Profit (-loss) after tax</b>		<b>40 443</b>	<b>-16 212</b>	<b>-70 556</b>	<b>64 417</b>
Profit/loss attributable to non-controlling interests		-1 545	-444	-4 078	-2 109
Profit/loss attributable to owners of the parent		41 987	-15 768	-66 478	66 526

## FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q4 2023	2022
<b>NON-CURRENT ASSETS</b>			
Concessions, fall and similar rights		362 994	377 913
Deferred tax asset		8 139	0
Goodwill		-30 661	-39 105
<b>Total intangible assets</b>		<b>340 473</b>	<b>338 808</b>
Property, plant and equipment	3	2 570 834	2 721 134
Machinery, office tools, fixtures and fittings		1 172	1 611
<b>Total fixed assets</b>		<b>2 572 006</b>	<b>2 722 745</b>
Shares in associated companies and joint ventures		21 637	27 036
Other non-current receivables	4	10 951	5 021
<b>Total financial non-current assets</b>		<b>32 588</b>	<b>32 058</b>
<b>Total non-current assets</b>		<b>2 945 066</b>	<b>3 093 611</b>
<b>CURRENT ASSETS</b>			
Trade receivables		10 418	9 716
Other current receivables		19 483	57 583
<b>Total current receivables</b>		<b>29 901</b>	<b>67 299</b>
Cash and cash equivalents		155 298	204 431
<b>Total current assets</b>		<b>185 199</b>	<b>271 730</b>
<b>Total assets</b>		<b>3 130 265</b>	<b>3 365 340</b>

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q4 2023	2022
<b>EQUITY</b>			
Share capital		282 402	211 802
Share premium		837 782	696 581
Other paid-in capital		3 023	3 023
<b>Total paid in capital</b>		<b>1 123 208</b>	<b>911 406</b>
Retained earnings		-263 688	-181 343
<b>Total retained earnings</b>		<b>-263 688</b>	<b>-181 343</b>
Non-controlling interests		33 175	23 744
<b>Total equity</b>		<b>892 696</b>	<b>753 807</b>
<b>LIABILITIES</b>			
Deferred tax liability		0	89 532
Other provisions		502	470
<b>Total provisions</b>		<b>502</b>	<b>90 002</b>
Non-current interest bearing debt (credit institutions)	4	1 630 684	1 816 776
Bonds	4	325 000	325 000
Other non-current liabilities		1 343	0
<b>Total non-current liabilities</b>		<b>1 957 027</b>	<b>2 141 776</b>
Trade payables		10 162	24 983
Taxes payable		5 463	192
Public duties payable		-223	3 939
Other current liabilities		264 638	350 641
<b>Total current liabilities</b>		<b>280 040</b>	<b>379 755</b>
<b>Total liabilities</b>		<b>2 237 569</b>	<b>2 611 534</b>
<b>Total equity and liabilities</b>		<b>3 130 265</b>	<b>3 365 340</b>

Oslo, 14 February 2024

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

## 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 financial statements have been prepared based on the assumption of going concern.

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 2022.

#### *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, such as expenses for imbalances. Sales are recognized upon delivery.

Simultaneously with the production of electricity, the producer is granted the right to sell electricity certificates and GoOs (one certificate and guarantee is granted per 1 000 kWh produced). This entitlement is recognized as income when the certificates/guarantees are realized. The balance of granted rights to sell electricity certificates and GoOs is measured at zero.

Late 2022 (applicable from 2023<sup>1</sup>), the Norwegian authorities introduced a special purpose fee (high price contribution fee) on sale of power at a price above 70 øre per kWh. This tax was introduced to limit the turnover of power producers. The tax is therefore classified as negative other operating income, for the applicable period (reference is made to note 1).

#### *Cost of goods sold*

The Group has no inventories. Produced volumes are not physical goods and cannot be stored. The group has lease agreements with landowners, providing the group right of use to the waterfalls. Landowners are compensated with fall leases, classified as cost of goods sold. In addition, grid costs and fees to brokers and clearing houses for executing sale of power and certificates are included.

#### *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.

<sup>1</sup> For the one plant exceeding 10 000 kVA in installed capacity the tax was effective as of 28 September 2022

## 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 2023	Q4 2022	Full year 2023	Full year 2022
Power revenues	24 857	92 965	234 262	424 412
El-cert / GoO revenues	7 232	3 060	25 570	8 077
Other revenues	0	625	0	541
<b>TOTAL</b>	<b>32 088</b>	<b>96 650</b>	<b>259 832</b>	<b>433 030</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 2023 Clemens Kraftverk holds an off-balance value of electricity certificates and GoOs of an immaterial amount. This is due to very low pricing of electricity certificates, and an agreement of selling GoOs continuously as produced.

High price contribution fee (references is made to the note regarding accounting principles) is included as a negative amount in other operating income with NOK 7.3 million (not included in the table above). High price contribution fee was applicable for the months January to September, as the arrangement was terminated as of October 2023.

Insurance coverage recognized with NOK 5.7 million as other operating income (not included in the table above).

## NOTE 2 – COST OF GOODS SOLD

The Group has a limited amount of accumulated fall lease. Negative fall lease has not been 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 2023 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of approx. NOK 4.9 million.

## NOTE 3 – FIXED ASSETS

During Q3 Clemens Kraftverk has recognized an impairment of NOK 116 million. NOK 110 million is related to fixed assets and NOK 6 million related to excess values from business combinations. The impairment is related to Tokagelet power plant and is recognized with basis in an assessment and calculations according to the accounting principles disclosed in the notes to the interim report. Due to delays and challenges encountered into in the construction period, the total capital expenditure ended up higher than the original estimate. This, combined with the increase in resource rent taxation rate (from 37% to 45%) reduces the NPV of expected future cash flows compared with the original investment analysis.

## NOTE 4 – 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.

Lender	Amount	Loan
Clemens Kraftverk	325,0	Bond
Clemens Kraftverk	1 622,0	Term
Heina Kraft AS	8,7	Term
Hynna Kraft AS	1,3	Sub-ordinated
<b>TOTAL LOAN PORTFOLIO</b>	<b>1 957,0</b>	



NOK 199.1 million is provided from Clemens Kraft Holding to Clemens Kraftverk as a deposit in the group cash pool arrangement (classified and presented as current liabilities), where Clemens Kraftverk is the owner of the top account and the total cash balance.

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. In total, the amount due in 2027-2029 is as follows:

Year	Due
2027	902,1
2028	31,9
2029	688,0
<b>TOTAL LOAN PORTFOLIO</b>	<b>1 622,0</b>

The term loan from financial institutions to Heina Kraft is amortized with monthly installments until it is fully repaid in 2041.

Interest rate swaps are made on a nominal amount of NOK 1 236 million on the non-current liabilities. However, only swaps related to NOK 471 million of the liabilities are made by Clemens Kraftverk. The other agreements are made by Clemens Kraft Holding (parent).

As of Q4 2023 Clemens Kraftverk has no liabilities under the interest rate swap agreements. The agreements have a positive off-balance MTM of NOK 22.9 million (unrealized gain).

