

2019

CLEMENS KRAFTVERK

Q4 2019 INTERIM REPORT



CLEMENS KRAFT

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CLEMENS KRAFT GROUP IN BRIEF

The Clemens Kraft Group 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. Management and operational staff are employed in Clemens Kraft AS and Clemens Kraft Drift AS, two other subsidiaries of Clemens Kraft Holding.

The Clemens Kraftverk Group is a one-stop shop with extensive knowledge within hydropower, construction, management, finance and HSE, currently operating 36 plants in addition to 12 plants under construction. These green energy projects are financially sustainable, aim to adapt to the environment and to adjust the production facilities in accordance with local interests.

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 9.5 billion EURO, 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 is the result of several acquisitions of small hydropower companies. The Company develops, constructs and operates hydropower plants all over Norway in cooperation with local landowners. The Company is targeting to reach a production of 700 GWh by 2021.

SUSTAINABILITY

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 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.

RESPONSIBILITY STATEMENT

We confirm that the financial statements for the fourth quarter of 2019, 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, 2 March 2020

Board of Directors

(sign)
Ole-Wilhelm Meyer
Chairman

(sign)
Harald Kurt Siewert
Deputy chairman

(sign)
Knut Conrad Gjermundsen
Director

(sign)
Arild Orgland
Director

(sign)
Hans Erik Horn
Director

(sign)
Ulf Myrbø
Director

(sign)
Børge Edvardsen Klingan
Chief Executive Officer

FOURTH QUARTER 2019

OPERATIONAL HIGHLIGHTS

Total revenues for Q4 2019 was NOK 26.1 million (Q4 2018: 26.2 million). The operating result for the quarter was NOK 0.8 million (NOK 1.0 million). EBITDA for the quarter was NOK 12.4 million (NOK 9.0 million).

Net financial items and tax made the net loss of NOK 6.3 million (NOK 11.0 million).

Power production in Q4 (operated by consolidated companies only) was 41 184 MWh (65 834 GWh) and the average power price for the quarter was 37 øre/KWh (30 øre KWh). The production volume in Q4 2019 was below hydrological normalized average figures.

Clemens Kraftverk operated 36 plants in Q4, inclusive of six plants owned by associated companies. During the quarter, one additional plant (Bakkeelva 8 GWh, Askvoll) commenced operation.

The Company currently has 12 plants under construction, representing an annual production volume of 210 GWh.

RISKS AND UNCERTAINTY FACTORS

Clemens Kraftverk is exposed to a number of risk factors, including but not limited to the items listed below.

Hydrological risk

The Clemens Kraft Group is basically producing power made by river run plants with little or no capacity for water storage. The annual production capacity is estimated on the basis of 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 0.8 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 interests are hedged by Clemens Kraftverk. Additional swap agreements are made by Clemens Kraft Holding, further disclosures are shown in the condensed financial statements for Q4 2019.

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 river run plants, production is significantly exposed to spot market prices for power. As the Company 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 Company is 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 equipment. This in turn, might lead to absence of or reduced production.

Political risk

The Company is exposed to austerity measures and amendments in legislation, for example with regards to environment or tax.

CONDENSED INTERIM FINANCIAL STATEMENTS

PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

OPERATING INCOME AND EXPENSES	NOTE	Q4-2019	Q4-2018	2019	2018
Revenues	1	26 126	26 238	116 819	79 901
Other operating income		-5 719	144	446	318
Total operating income		20 407	26 381	117 265	80 219
Cost of goods sold		-3 119	7 666	11 302	16 102
Personnel expenses			47	-4	47
Depreciation		11 589	7 958	37 339	21 548
Other operating expenses		11 095	9 680	39 623	25 225
Total operating expenses		19 565	25 350	88 260	62 922
Operating result		842	1 031	29 006	17 297
FINANCIAL INCOME AND FINANCIAL EXPENSES					
Income on subsidiaries, associated companies and joint ventures		26	634	656	945
Other financial income		978	1 803	1 832	1 809
Total financial income		1 004	2 437	2 487	2 754
Impairment on financial instruments measured at fair value		-2 387		3 208	0
Impairment on other financial assets		-2 500		-2 500	
Interest expense to group companies		6 506	2 528	21 683	9 716
Other interest expenses		11 714	7 499	42 134	19 991
Other financial expenses		665	3 475	5 765	4 846
Total financial expenses		13 999	13 502	70 289	34 553
Net financial income and financial expenses		-12 995	-11 065	-67 802	-31 799
Profit (-loss) before tax		-12 153	-10 034	-38 796	-14 503
Tax expense (-income)	11	-5 862	973	-7 816	3 890
Profit (-loss) after tax		-6 290	-11 006	-30 980	-18 393
Profit/loss attributable to non-controlling interests		1 281	-765	588	-1 073
Profit/loss attributable to owners of the parent		-7 571	-10 241	-31 568	-17 320

FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	2019	2018
NON-CURRENT ASSETS			
Concessions, fall and similar rights		329 282	334 593
Deferred tax asset		27 583	
Goodwill			
Total intangible assets		356 865	334 593
Assets under construction		531 736	284 380
Property, plant and equipment		1 433 440	1 270 397
Machinery, equipment, fixtures and fittings		2 889	938
Total fixed assets		1 968 064	1 271 335
Shares in associated companies and joint ventures		30 858	27 769
Other shares		0	69
Other non-current receivables		66 553	14 636
Total financial non-current assets		97 411	42 474
Total non-current assets		2 422 340	1 648 402
CURRENT ASSETS			
Trade receivables		6 271	12 059
Other current receivables		43 926	27 189
Total current receivables		50 197	39 248
Cash and cash equivalents		84 467	116 113
Total current assets		134 664	155 361
Total assets		2 557 003	1 803 763

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	2019	2018
EQUITY			
Share capital		70 601	70 601
Share premium		25 876	25 876
Other paid-in capital		3 023	3 023
Total paid in capital		99 500	99 500
Retained earnings		-98 455	-66 850
Total retained earnings		-98 455	-66 850
Non-controlling interests		20 024	17 335
Total equity		21 068	49 985
LIABILITIES			
Deferred tax liability		67 493	52 998
Total provisions		67 493	52 998
Non-current interest bearing debt	2	1 090 613	458 732
Bonds	2	475 000	450 000
Non-current liabilities to group companies	2	818 754	610 247
Other non-current liabilities		3 208	
Total non-current liabilities		2 387 575	1 518 979
Trade payables		53 193	60 500
Taxes payable		664	2 581
Public duties payable		0	6
Other current liabilities		27 010	403 095
Total current liabilities		80 867	466 182
Total liabilities		2 535 935	2 038 159
Total equity and liabilities		2 557 003	2 088 143

Oslo, 2 March 2020

Board of Directors

(sign)

 Ole-Wilhelm Meyer
 Chairman

(sign)

 Harald Kurt Siewert
 Deputy chairman

(sign)

 Knut Conrad Gjermundsen
 Director

(sign)

 Arild Orgland
 Director

(sign)

 Hans Erik Horn
 Director

(sign)

 Ulf Myrbø
 Director

(sign)

 Børge Edvardsen Klingan
 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.

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 granted (in line with the corresponding sale of electricity). The balance of earned/granted electricity certificates is measured at the market price of electricity certificates at year-end, unless agreements (forward contracts) have been made for future prices that are above market prices for a specific portion of the ending balance. The balance of electricity certificates is presented as a current receivable.

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.

NOTE 1 – REVENUES

Clemens Kraftverk revenues consist mainly of sale of electrical power and el-certificates. The Clemens Kraftverk Group receives a right issue and sell a given number of el certificates per sold kWh of electricity.

Revenues	Q4-2019	Q4-2018	2019	2018
Power revenues	22 770	19 834	100 442	62 046
El-cert revenues	3 356	6 404	16 377	17 855
TOTAL	26 126	26 238	116 819	79 901

NOTE 2 – NON-CURRENT LIABILITIES

Non-current liabilities consist of interest-bearing debt provided by financial institutions, issued obligations 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 ordinary loans upon completion of the asset.

The two bond loans issued by the Company are due in 2023 (NOK 150 million) and 2025 (NOK 325 million). Ordinary loans from financial institutions are in all material respect amortized in 30 years.

Interest rate swaps are made on a nominal amount of NOK 911 million on the non-current liabilities. However, only swaps related to NOK 156 million of the liabilities are made by Clemens Kraftverk. The other agreements are made by Clemens Kraft Holding.

Included in the list of loans below, the NOK 54.2 million to Hynna Kraft AS is provided by Ovf.

Company	Sub-group	Amount	Loan
Clemens Kraftverk AS	Clemens Kraftverk	371,1	Payment
Clemens Kraftverk AS	Clemens Kraftverk	325,0	Bond
Clemens Kraftverk AS	Clemens Kraftverk	150,0	Bond
CK Kraffholding Vest AS	CK Kraffholding Vest	124,5	Payment
Tokagelet AS	CK Kraffholding Sør Vest	83,3	Construction
CK Kraffholding Midt-Norge AS	CK Kraffholding Midt-Norge	68,7	Payment
Sleveåne Kraft AS	CK Kraffholding Sør Vest	61,4	Payment
Søråni Kraft AS	CK Kraffholding Sør Vest	60,8	Payment
Hynna Kraft AS	CK Kraffholding Midt-Norge	54,2	Payment
Meraker Kraft AS (Reinåa)	CK Kraffholding Midt-Norge	35,2	Construction
Brekkefossen Kraftverk AS	CK Kraffholding Midt-Norge	33,0	Payment
Kjeldalselva Kraft AS	CK Kraffholding Midt-Norge	32,4	Construction
CK Kraffholding Vest AS	CK Kraffholding Vest	31,5	Construction
Bele Kraft AS	Clemens Kraftverk	24,9	Payment
Meraker Kraft AS (Gudåa)	CK Kraffholding Midt-Norge	21,5	Construction
Trollekraft AS	CK Kraffholding Vest	20,5	Construction
Sædalen Kraft AS	CK Kraffholding Vest	12,9	Construction
Heina Kraft AS	CK Kraffholding Midt-Norge	12,5	Payment
Skjerva Kraft AS	CK Kraffholding Midt-Norge	12,1	Construction
CK Kraffholding Vest AS	CK Kraffholding Vest	10,2	Construction
Kvernfossen Kraft AS	CK Kraffholding Vest	9,6	Construction
Gyl Kraft AS	CK Kraffholding Midt-Norge	6,6	Payment
CK Kraffholding Vest AS	CK Kraffholding Vest	3,7	Payment
Dvergfossen Kraft AS	N/A	0,0	Construction
Graffer Kraft AS	CK Kraffholding Midt-Norge	0,0	Construction
Hellifossen Kraft AS	CK Kraffholding Midt-Norge	0,0	Construction
Kupekraft AS	CK Kraffholding Vest	0,0	Construction
Salhuselva Kraft AS	CK Kraffholding Midt-Norge	0,0	Construction
Øvrebø Kraft AS	CK Kraffholding Vest	0,0	Construction
Clemens Kraftverk AS	Ultimate parent	818,8	Construction
TOTAL LOAN PORTFOLIO		2 384	