2020

CLEMENS KRAFTVERK AS

Annual Report 2020

CLEMENS KRAFT

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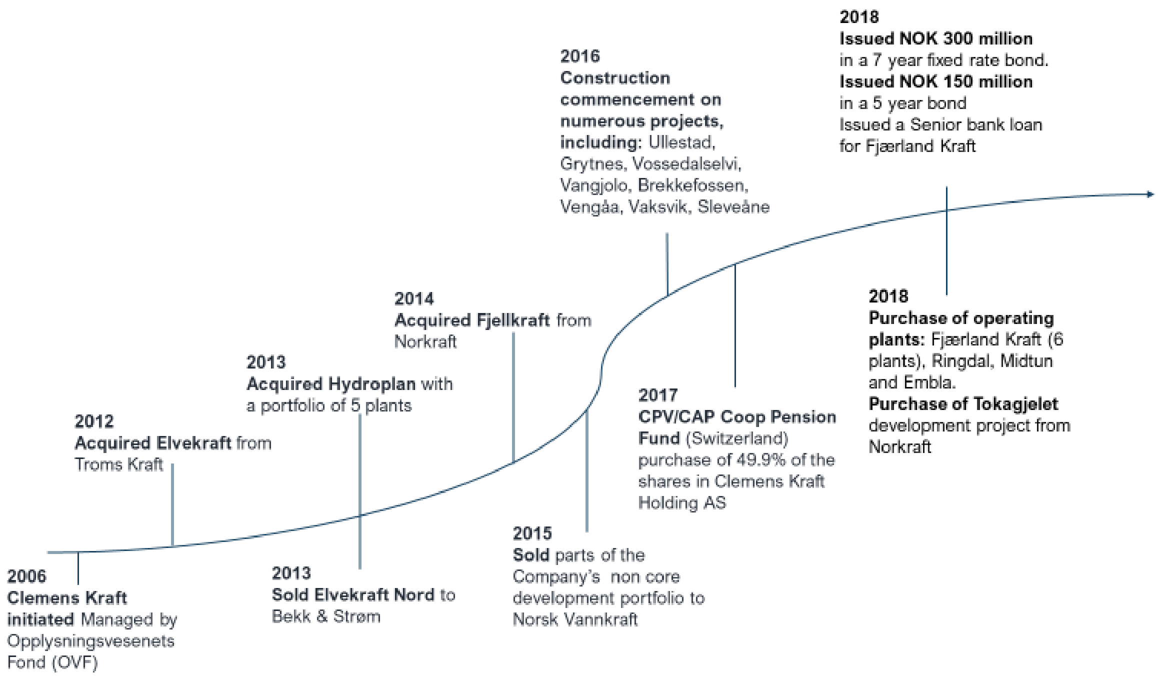
CLEMENS KRAFT IN BRIEF

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 one-stop shop with extensive knowledge within hydropower, construction, management, finance and HSE, operating 43 plants (including six owned by associated companies) in addition to 8 plants under construction as of year-end 2020. These green energy projects are financially sustainable, aimed to adapt to the environment and to adjust the production facilities in accordance with local interests.

OUR HISTORY

Clemens Kraft was originally established to develop hydropower on properties owned by Opplysningsvesenets fond (Ovf). In recent years, the business model has expanded and now also includes general activities within the development and operation of small power plants in collaboration with landowners and local business entities. The strengthened balance sheet is a result of organic growth, mergers, and acquisitions. The Group has a strategy to reach 750 GWh annual production by end of 2021 (including production of associated companies), with room for further expansion by the capitalization of license awards granted to Clemens Kraft.



Over the last approx. 15 years, the Company has evolved into a well-established, leading business entity, purely exposed to the Norwegian market for river run hydropower plants. Supported by strong owners, the Company has established a portfolio consisting of more than 50 power plants. Experiences from the various projects have given the company an extensive database for competence as well as economies of scale, favoring the capitalization and management of the power plants. All cooperation with public authorities, public administration, local actors and associations is highlighting transparency and insightful communication to promote a stable business framework.

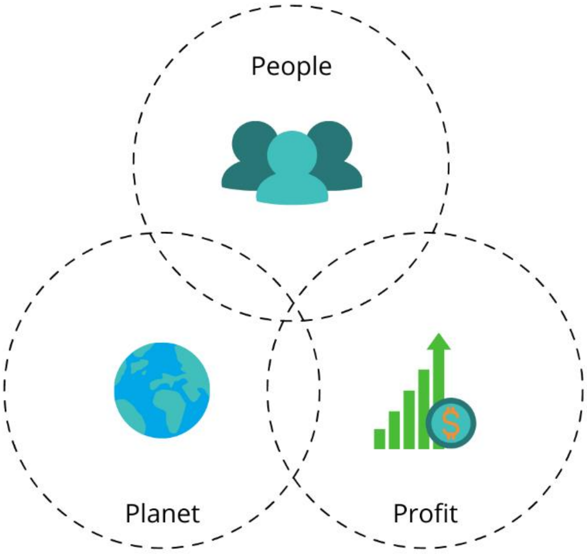
As of year-end 2020 Ovf owns 50.1 % of the shares in the ultimate parent Clemens Kraft Holding. Ovf was founded in 1821 and is subject to governance from the Ministry of Children and Families in Norway. Ovf is one of the largest landowners in Norway based on area.

CPV/CAP Pensionskasse Coop (Swiss Coop pension fund), which manage an EUR 9.7 bn portfolio, owns the remaining 49.9 % of the shares in Clemens Kraft Holding, making Clemens Kraft Holding a joint venture company for the two owners.

SUSTAINABILITY

Since 2006, Clemens Kraft has increased the platform of small power plants for a greener and more sustainable electricity production in Norway. The total production volume at the end of 2021 is estimated to be more than 750 GWh, which corresponds to the electricity consumption of about 35,000 households annually.

We work continuously to develop a sound, mutual and long-term partnership with landowners who require professional management of local resources. In line with our principles of contributing to a shift towards sustainable energy sources, the company focuses on a platform that safeguards both the environment, people and sustainable business terms.



LETTER FROM CEO

CLEMENS KRAFT CONTINUES TO GROW

2020 was recognized by a snowy winter that led to historically full water reservoirs. The annual production was higher than normal. Historically high production nationally and significantly reduced power exchange capacity through foreign cables, resulted in very low power prices throughout almost all of 2020.

Clemens Kraft continues its expansion and during 2020 has increased its portfolio of power plants. The goal is to have approx. 50 power plants with a total annual production of approx. 750 GWh by the end of 2021. In 2020, six new power plants were put into production and one power plant was acquired. As a result, the Group, including associated companies and joint ventures, has 43 power plants in operation, while 8 are under construction.

High production

2020 was a year with large variations in weather and temperature. For most parts of the country, the winter was snowy. The summer and autumn were partly wet and cold, which contributed to above-normal production volumes for the total production from Norwegian small-scale hydropower plants. In return, there were historically low prices for electricity and electricity certificates. The average electricity price was 7.8 øre per KWh in 2020, while in 2019 it was 36.7 øre per KWh.

Low electricity price

While production in small power plants is determined entirely by the amount of precipitation in the watercourses, the price of electricity is also affected by driving forces in e.g. the international energy market. The price of emission permits (CO2 quotas) has continued to increase. The quota system favors emission-free renewable energy, as a result the price of fossil power with high CO2 emissions increases significantly. Simultaneously, the power from wind, water, and solar increasingly competes with power production based on coal or gas. Historically large power surpluses in Norway and reduced development capacity abroad through 2020 also contributed to low power prices.

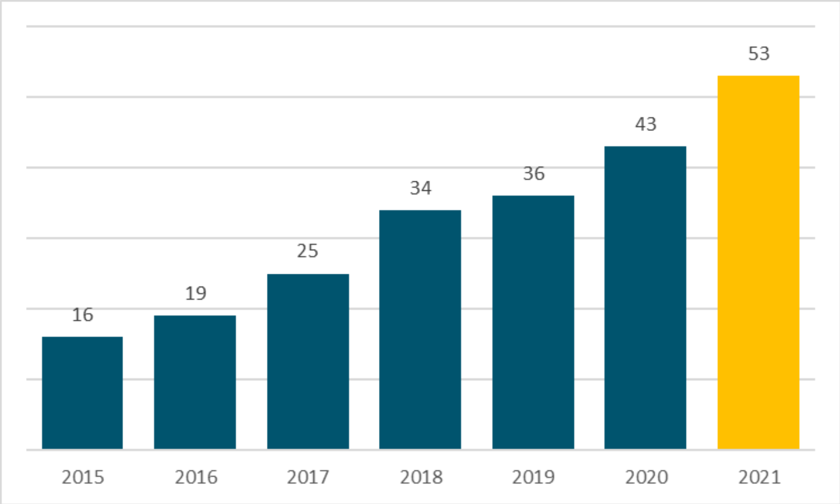
The transition to renewable energy sources is taking place at an ever-increasing pace, despite the power prices observed in 2020. This transition is important in achieving global climate targets. The prospect of a financially sustainable price level for Norwegian renewable energy is also strengthened by planned interconnectors to the continent and the United Kingdom. The interconnectors will also contribute in stabilizing the power price both in domestic markets and on the continent. Already, in Q1 2021, more normalized power prices are observed, measured in a historical perspective.

Expected positive development in electricity prices also reduces dependence on electricity certificates, which must be expected to decrease in importance after all-time high levels in 2018. Clemens Kraft believes that there will be a basis for building new small-scale hydropower plants also after 2021, even if the scheme with certificates for newly built power plants lapse.

An increase of small-scale hydropower plants

In recent years, the Group has been responsible for the construction of several small-scale hydropower plants. The company experiences that development costs can be significantly reduced through wise choices of technical solutions and good cooperation with suppliers and contractors.

In total, this contributes to the Group's operations being sustainable in every way. Hydropower is an important contribution in achieving the global climate targets. Clemens Kraft is also financially sustainable and helps to create long-term value for investors and landowners.



Graphic: Development in the number of power plants in operation for the Group (incl. associated companies and joint ventures)

Strong investor interest

In 2020, it became increasingly clear that larger investors, such as Norwegian and international pension funds, are interested in investing their funds in renewable energy. Therefore, there is also great interest in Norwegian hydropower. Clemens Kraft notices increased demand from parties who want to enter the industry. However, we have no plans to sell any of our power plants. The plan is to expand to a total annual capacity of approx. 750 GWh and further develop the Group from there.

Local value creation

All of Clemens Kraft's small-scale hydropower plants are located in rural parts of Norway. The local landowners are the most important local partners for Clemens Kraft. The fall rights, which are leased on long-term contracts with a right of restitution, ensure the landowners an annual rent that is normally determined based on the power plant's turnover. Usually, landowners are engaged in supervisory tasks. In addition to this, a large proportion of products and services in the development phase are purchased from local suppliers, and property tax accrues to the municipality in the operational phase.

Oslo, 21 April 2021

(sign.)

Børge Edvardsen Klingan

Chief Executive Officer

BOARD OF DIRECTORS REPORT 2020

NATURE OF BUSINESS AND LOCATION

Clemens Kraftverk AS is the parent company of an industrial group (the Group) within designing, developing, and operation of small-scale hydropower plants. The Group (including associated companies and investments in joint ventures) has 43 hydropower plants in operation and 8 hydropower plants under construction as of year-end 2020. The hydropower plants are located from Agder in the south to Troms og Finnmark in the north, mainly in coastal areas. Clemens Kraftverk AS is a wholly owned subsidiary of Clemens Kraft Holding AS.

HIGLIGHTS

The Group's revenues decreased by 66 % from 2019 to 2020 due to a dramatic fall in power prices. Even though new plants were put into operation during 2020, this did not compensate for the power price reduction. During the year, snow magazines in the mountains and melting volumes have been large compared to historical averages. The excess supply of power has also been extraordinarily strong in Norway due to downtime on the interconnectors for power export to Europe.

This, together with falling interest rates, and consequently the need for significant provisions under the Group's interest rate swap agreements, are the two major factors affecting the 2020 financial statements.

MARKET CONDITIONS, REGULATORY FRAMEWORK AND RISKS

Several external factors affect the Group's operations. The most significant risk factor across the various phases of the business is the power price. The price is quoted and cannot be influenced by Clemens Kraft. The risk can be limited, to some extent, through hedging activities.

Authorities and governmental requirements are setting regulatory framework and conditions for the operation. Production of hydropower is subject to a concession requirement granted by the Norwegian Water Resources and Energy Directorate (NVE). Regulatory factors such as the tax regime and any distinctive tax legislation will also be essential for the profitability of hydropower production. As of today, power production from small-scale hydropower plants is not subject to ground rent taxation, only ordinary corporate tax in addition to property tax.

Hydrological risk

Clemens Kraft's power production is mainly based on river power plants with little or no hydropower reservoirs. The annual production is estimated based on historical hydrological data that may have significant deviations for some production years. The discrepancies may be due to annual precipitation in the form of rain and snow, melting characteristics, and the like.

Operational and business risk

The most essential performance drivers in the development phase are that the project is granted a concession from NVE and that agreements are made with landowners, in a way which makes the projects financially sustainable to develop. As for the construction phase, the essential drivers are the organization's competence and capacity to manage the projects. At the same time, the projects rely on high-standard suppliers offering their products and services at a suitable price. Lastly, in the operational phase, the most essential drivers are to have a technical and mercantile operating environment that ensures the highest production possible. This, at a reasonable cost supported by a control environment that ensures compliance with government requirements.

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 watercourses mainly without the possibility of regulation and thus does not have the opportunity to influence production volume by moving this to periods with expected higher power prices.

Financial risk

The Group's power plants are partly financed with interest-bearing debt. The profitability of the projects is affected by the management's ability and the opportunities to obtain satisfactory financing of the projects. As of year-end 2020, the Group has a long-term interest-bearing debt of NOK 2.9 billion (of which NOK 972 million is sub-ordinated loan from the parent company). To reduce the risk exposure, the Group has entered into interest rate swap agreements from floating to fixed interest rates for large parts of this debt.

WORKING ENVIRONMENT, HUMAN RESOURCES AND ORGANIZATION

The Group has no employees. Local resources (landowners, etc.) are our first line of defense for supervision and follow-up of any operational deviations at the power plants.

In addition to this, general administration, project management and operational management and services are purchased from the sister companies Clemens Kraft AS and Clemens Kraft Drift AS. This includes the Group's Chief executive officer.

During the fourth quarter a sub-contractor to Clemens Kraftverk had an accident on one construction projects, leading to damages on tools and machinery, but fortunate no physical injuries on personnel. No assets owned by the Group were damaged. As of now, the Group's best estimate is that the economic consequences will not be material, besides the effect of a postponed date for commissioning.

ENVIRONMENTAL REPORT

In terms of emissions and pollution, the Group's activities have a small effect on the external environment. During the construction period, the work on the power plants makes natural interventions with the intention that the finished product will be fused into the environment in which it is located and has minimal consequences for the use of the surrounding areas. The development of power plants takes place in collaboration with local landowners. As part of the concession application process and granting such concessions, guidelines are prepared and presented to ensure the external environment is maintained without unnecessary intervention. The guidelines take environmental menace into account and comprehend all aspects that need looking after, e.g., minimum water flow in the power plant.

COMMENTS RELATED TO THE FINANCIAL STATEMENTS

Revenues

The Group's revenues decreased by 66 % from 2019 to 2020, from NOK 117 million to NOK 40 million. This is a reduction of NOK 77 million. Production in 2020 ended at 430 332 MWh compared with 273 960 MWh in 2019, a change of 156 372 MWh, corresponding to 57 %. Average power price in 2020 was 7.8 øre/kWh, compared with 36.7 øre/kWh in 2019.

Assets, equity, and liabilities

The total assets in the Group as of 2020 is NOK 2 881 million, up from NOK 2 529 million as of 2019. This is mainly due to an increase in fixed assets, both property, plant and equipment put into operation and assets under construction and is financed with increased borrowings. Both in the way of external construction loans, but also intra-group subordinated loans.

Due to the significant fall in power prices an increase in short term bank debt financing has been necessary. During the last third of 2020 approx. NOK 98 million has raised in new loans.

Loan facilities are subject to certain covenants. Mostly related to equity ratio and liquidity, however one facility has an EBITDA interest cover ratio covenant. Due to low power prices the Group has reported a breach of covenant during 2020, and a waiver was requested and provided.

Annual result and allocation

In 2020, the Group has a net loss of NOK 114 million This is primarily due to shortfall of revenues and financial expenses.

The parent company has a net loss of NOK 12 million. The loss is mainly due to financial items, as the parent company has no function/business other than being a holding company.
The loss of NOK 12 million is allocated to retained earnings.

In the parent company, group contributions are recognized as income with NOK 0.2 million.

Q4 Interim report differences

After issuing the interim financial statements the classification of negative fall lease adjustment has been reassessed and changed from a change in estimate (to be presented within the profit and loss statement) to a correction of prior period recognition (to be presented directly in equity). Reference is made to note 4 to the consolidated financial statements.

Other minor differences, considered immaterial, are made related to fall lease calculations for the fourth quarter amounting to approx. NOK 0.8 million.

FUTURE DEVELOPMENT

The transition to renewable energy sources is taking place at an ever-increasing pace, despite the power prices observed in 2020. This transition is important in achieving global climate targets. The prospect of a financially sustainable price level for Norwegian renewable energy is also strengthened by planned interconnectors to the continent and the United Kingdom. The interconnectors will also contribute in stabilizing the power price both in domestic markets and on the continent. Already, in Q1 2021, more normalized power prices are observed, measured in a historical perspective.

In recent years, the Group has been responsible for the construction of several small-scale hydropower plants. The company experiences that development costs can be reduced through wise choices of technical solutions and good cooperation with suppliers and contractors.

In total, this contributes to the Group's operations being sustainable in every way. Hydropower is an important contribution in achieving the global climate targets. Clemens Kraft is also financially sustainable and helps to create long-term value for investors and landowners.

The target is to have approx. 50 power plants with an annual production of 750 GWh by the end of 2021. This corresponds to the power supply more than 35 000 Norwegian households.

GOING CONCERN

The annual financial statements have been prepared based on the assumption of going concern. The Board of Directors confirms that all necessary conditions for the assumption is present, according to section 3-3a of the Norwegian Accounting Act.

In February 2021, the two owners of Clemens Kraft Holding AS (parent) provided, in total, NOK 85 million as sub-ordinated loan to Clemens Kraft. They also committed to inject additional equity in Q2 to ensure going concern.

In February/March 2020, the first cases of COVID-19 were registered in Norway. During March, public authorities took several measures. Measures that still are applicable. However, in retrospect the pandemic has had a limited impact on access to staff, both own employees, and external suppliers. Some delays in component delivery have been experienced, however, not postponed the start up significantly compared to the full economic life span of the hydro plants. The Group's board and management makes a continuous assessment of any potential future effect of the virus outbreak.

Assuming that the power plants are operational, the production volume is expected to be little affected by the virus outbreak. The significant drop in power prices is also considered not to be driven by the outbreak.

Oslo, 21 April 2021

Clemens Kraftverk AS
Board of Directors

(sign.)	(sign.)	(sign.)
Ole-Wilhelm Meyer Chairman	Harald Kurt Siewert Deputy chairman	Knut Conrad Gjermundsen Director
(sign.)	(sign.)	(sign.)
Arild Orgland Director	Hans Erik Horn Director	Ulf Myrbø Director
	(sign.)	
	Børge Edvardsen Klingan Chief Executive Officer	

RESPONSIBILITY STATEMENT

We confirm that the annual financial statements for the fiscal year 2020, 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 for Clemens Kraftverk.

The Board of Directors report gives a true and fair view of the development, performance and position for Clemens Kraftverk, and a description of the relevant risks and uncertainty factors the Group are exposed to.

Oslo, 21 April 2021

Clemens Kraftverk AS
Board of Directors

(sign.)	(sign.)	(sign.)
Ole-Wilhelm Meyer Chairman	Harald Kurt Siewert Deputy chairman	Knut Conrad Gjermundsen Director
(sign.)	(sign.)	(sign.)
Arild Orgland Director	Hans Erik Horn Director	Ulf Myrbø Director

(sign.)
Børge Edvardsen Klingan
Chief Executive Officer

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

Amounts in NOK 1 000

	NOTE	2020	2019
OPERATING INCOME AND EXPENSES			
Revenues	5	39 526	116 819
Other operating income		47	150
Total operating income		**39 572**	**116 969**
Cost of goods sold		15 991	11 302
Personnel expenses	6	108	0
Depreciation	1, 2	41 362	37 339
Other operating expenses	6	41 114	39 322
Total operating expenses		**98 574**	**87 963**
Operating result		-59 001	29 006
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from associated companies and joint ventures	14	-2 099	3 156
Other interest income		311	0
Other financial income		3 867	1 792
Total financial income		**2 079**	**4 947**
Financial instruments measured at fair value	9	5 212	3 208
Other interest expenses	9	70 644	63 816
Other financial expenses		11 208	5 725
Total financial expenses		**87 064**	**72 749**
Net financial income and financial expenses		-84 985	-67 802
Profit (-loss) before tax		-143 986	-38 796
Tax expense (-income)	12	-30 295	-7 816
Profit (-loss) after tax		-113 691	-30 980
Profit/loss attributable to non-controlling interests	11	-3 090	588
Profit/loss attributable to owners of the parent	11	-110 601	-31 568

CONSOLIDATED FINANCIAL POSITION

Amounts in NOK 1 000

ASSETS	NOTE	2020	2019
NON-CURRENT ASSETS			
Consessions, waterfall- and similar rights	1	326 374	329 282
Total intangible assets		**326 374**	**329 282**
Property, plant and equipment	2	2 358 928	1 965 175
Machinery, office equipment, fixtures and fittings	2	2 462	2 889
Total fixed assets		**2 361 390**	**1 968 064**
Shares in associated companies and joint ventures	14	29 091	30 575
Other non-current receivables	4	65 927	66 836
Total financial non-current assets		**95 018**	**97 411**
Total non-current assets		2 782 781	2 394 757
CURRENT ASSETS			
Trade receivables	7	2 413	6 964
Other current receivables	8	43 056	43 233
Total current receivables		**45 469**	**50 197**
Cash and cash equivalents	15	**52 782**	**84 467**
Total current assets		98 251	134 664
Total assets		2 881 033	2 529 421

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	2020	2019
EQUITY			
Share capital	10, 11	70 601	70 601
Share premium	11	25 876	25 876
Other paid-in capital		3 023	3 023
Total paid in capital		**99 500**	**99 500**
Retained earnings	11	-227 340	-98 455
Total retained earnings		**-227 340**	**-98 455**
Non-controlling interests	11	24 254	20 024
Total equity		-103 586	21 068
LIABILITIES			
Deferred tax liability	12	8 236	39 910
Other provisions	13	23 420	3 208
Total provisions		**31 655**	**43 118**
Non-current interest bearing debt (credit institutions)	3	1 449 293	1 036 420
Bonds	3	475 000	475 000
Sub-ordinated loan to shareholders	3, 10	972 060	818 754
Other non-current liabilities	3, 10	0	54 193
Total non-current liabilities		**2 896 353**	**2 384 367**
Trade payables		37 253	53 193
Taxes payable	12	0	664
Other current liabilities		19 358	27 010
Total current liabilities		**56 610**	**80 867**
Total liabilities		2 984 618	2 508 352
Total equity and liabilities		2 881 033	2 529 421

Oslo, 21 April 2021

Clemens Kraftverk AS
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

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK 1 000

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	-143 986	-38 796
Taxes paid	-664	-2 581
Depreciations	41 362	37 339
Change in trade receivables	4 551	5 095
Change in trade payables	-15 938	-7 307
Items classified as investment/financing activities	85 296	67 802
Changes in other current assets and other liabilities	-45 428	-28 259
Net cash flow from operating activities	-74 808	33 293
CASH FLOWS FROM INVESTMENT ACTIVITITES		
Investments in property, plant and equipment	-426 261	-441 629
Cash disbursement related to acquisition of companies	-18 744	-36 000
Cash receipt from sale of other investments	691	0
Net cash flow from investment activities	-444 314	-477 629
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	-70 270	-64 922
Proceeds from new non-current loans	570 081	971 035
Cash disbursement related to repayment of non-current debt	-19 808	-123 079
Cash disbursement related to repayment of current debt	0	-380 000
Gross cash flow from share issues/capital increases	7 000	0
Net cash flow from financing activities	487 003	403 034
Net change in cash and cash equivalents	-32 119	-41 302
Cash and cash equivalents as of 1 January	84 467	125 769
Acquistion of subsidiaries cash balance acquired	434	0
Cash and cash equivalents as of 31 December	52 782	84 467

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with accounting principles stated in the Norwegian Accounting Act and with accounting principles generally accepted in Norway (NGAAP).

Changes in accounting principles – Electricity certificates

Norwegian accounting standards allows recognition of electricity certificates. However, the uncertainty in measuring production cost reliable would be significant. The volatility in market prices is also high and represents an uncertainty factor in the underlaying value. Therefore, certificate balances not recognized as of period end.

This is a change in accounting principles from 2019, where certificates were recognized at NOK 7.8 million (pre-tax). The effect is booked in the equity opening balance, however comparative figures are not restated.

Estimates and professional judgement

The preparation of financial statements requires use of estimates. Further, the application of relevant accounting standards and policies requires judgements. Items which to a large extend contain such judgmental assessments, high degree of complexity or items where management judgment are material to the financial statements, are described in the notes to the financial statements.

Basis of consolidation

The Group's consolidated financial statements comprise Clemens Kraftverk AS and companies in which Clemens Kraftverk AS has a controlling interest. Minority interests are included in the Group's equity. Transactions between group companies have been eliminated in the consolidated financial statement. The consolidated financial statement has been prepared in accordance with the same accounting principles for both parent and subsidiary.

The purchase method is applied when accounting for business combinations. Companies which have been bought or sold during the year are included in the consolidated financial statements from the date when control is achieved and until the date when control ceases.

In the consolidated accounts, shares in subsidiaries are replaced by the underlaying assets and liabilities. The consolidated accounts are prepared as the Group was one single economic unit. Intercompany transactions, unrealized loss/gain and intercompany balances are eliminated.

Acquired subsidiaries are recognized in the consolidated accounts with basis in the parent company consideration for the shares. The acquisition cost is allocated to identifiable assets and liabilities in the acquired subsidiary, recognized at fair value at the acquisition date. Any residual value beyond fair value of assets and liabilities is recognized as goodwill.
Excess values in the consolidated accounts are depreciated over the expected useful lives.

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. (in line with the corresponding sale of electricity). The balance of granted rights to sell electricity certificates is measured at zero (please refer to separate section regarding electricity certificates and changes in accounting principles above).

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. Please refer to note 3 for further details regarding maturity of long-term debt.

Acquisition cost

Acquisition cost includes the purchase price, less any bonuses, rebates or similar, in addition to expenses (freight, toll, non-refundable public duties and any other direct expenses). Internal production costs are capitalized as a part of acquisition cost (mainly project and general management).

For fixed assets and intangible assets acquisition cost includes expenses for preparation for use, e.g., expenses related to testing of power plants.

Interest expenses related to construction loans are capitalized.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Shares in subsidiaries and associated companies

Subsidiaries are companies where the parent company has control over an investee. A controlling interest is normally obtained when the Group owns more than 50% of the shares (which gives voting rights) in the company and can exercise control over the company, financially and strategically.

Investments where the Group owns 20-50 % of the shares with voting rights and has significant influence of the company, are defined as associated companies.

In the consolidated financial statements are investments in associated companies (including joint ventures) recognized according to the equity method. Recognized value in the balance sheet corresponds to the share of equity in the associated company, adjusted for any excess values arising from the acquisition and unrealized intercompany gains/losses. Income from associates is classified and presented as finical income.

Other long-term investments in shares

Other investments in shares are recognized at cost. The investment is valued as cost of the shares, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a lather period.

Dividends and other distributions are recognized when decided. If dividends exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet.

Intangible assets

Acquired concession rights are capitalized at cost. Concessions granted by NVE has a defined expiration date if not developed according to the concession application. When developed, the concession is perpetual. Acquired concession rights are, based on this, not depreciated. However, assessments regarding impairment are made, e.g., whether a fall lease agreement is made, and development plans and investment decisions are decided for this particular concession right within expiration date.

Fall lease related values are recognized to the extent that excess values arising from business combinations can be allocated to fall lease agreements. Capitalized amounts are depreciated over the remaining contract period.

Expenses related to development of intangible assets are recognized in the balance sheet if future economic benefits can be linked to developing identifiable intangible assets and the expenses can be reliable measured. In opposite cases, expenses are recognized in the profit and loss statement.
Capitalized development is included in the power plant cost and depreciated (linear) over the economic life span.

Fixed assets

Fixed assets are capitalized and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. The distinguish between maintenance and improvement/upgrade is assessed based on the standard at the date of acquisition.

In cases where planned depreciation is re-assessed and changed, the effect of change is recognized over the remaining useful life span.

Expenses related to lease of assets are recognized in the profit and loss statement. Advance payments are capitalized and expensed over the leasing period. Lease of assets is capitalized if defined as a financial lease contract.

Land are not depreciated.

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.

Accounts receivable and other receivables
Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss.

Long-term debt
Long-term debt is recognized at nominal value.

Financial instruments – interest rate swaps
Negative fair value (mark-to-market value) is provided for. Unrealized gain is not recognized.

Provisions
A provision is recognized when a present legal or constructive obligation has occurred, as a result of a past event and it is probable that this will result in an outflow of resources to settle the obligation, and the obligation can be reliably estimated.

Pensions
The Group has a defined contribution plan.

Obligations to provide contributions to defined contribution pension plan are recognized as costs in the income statement in the period in which they occur.

The pension scheme is administrated through an insurance company. The Group has no further obligations subsequent of the payment of the defined contribution. The payments are recognized as personnel expenses. Pre-paid pension funds are recognized and presented as an asset to the extent that the funds can be refunded or deducted in future payments.

Taxes
Income tax on the profit for the period consists of current and deferred tax. Income tax is recognized in the income statement with the exception of tax on items that are recognized directly in equity.

Current tax is the forecast tax payable on the year's taxable income at current tax rates at the balance sheet date, and any adjustments of tax payable for previous years less tax paid in advance.
Deferred tax liabilities are calculated based on the balance sheet-oriented liability method taking into account

temporary differences between the carrying amount of assets and liabilities for financial reporting and tax values.

Deferred tax assets are recognized only to the extent that it is probable that the asset can be utilized against future taxable results. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax asset will be realized. Deferred tax assets and deferred tax liabilities, which are or can be reversed in the same period, are presented net.

Deferred taxes are recognized at nominal values.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash means cash in hand and in the bank. Cash equivalents are short-term liquid investments that can be converted to cash within three months to a known amount and which have an insignificant degree of risk. Cash and cash equivalents in the cash flow statement do not include unused overdrafts.

NOTE 1 – INTANGIBLE ASSETS

	Waterfall rights and concessions	Other rights	Lisenser	Goodwill	Sum
Acquisition cost as of 1.1.	359 149	3 250	0	10 826	373 225
Additions	5 839				5 839
Disposals		-1 650			-1 650
Other adjustments	-3 500	3 500			0
Acquisition cost as of 31.12.	361 488	5 100	0	10 826	377 414
Accumulated depreciation and impairment as of 1.1.	33 117	0	0	10 826	43 943
This year's recognized depreciation and impairment	7 097				7 097
Acc. depreciation and impairment as of 31.12.	40 214	0	0	10 826	51 040
Carrying amount 31.12.	321 274	5 100	0	0	326 374
This year's impairment	0	0	0	0	0
This year's depreciation	7 097	0	0	0	7 097
Expected economic life span	40-60 years / -	-	5 år	5 years	

NOK 320 million of book value of waterfall rights and concessions are related to excess values arose from business combinations. Similar for goodwill, however goodwill was fully depreciated in 2017.

During 2020 there has been a business combination in acquiring all shares in Storedalen Kraftverk AS, which resulted in new excess values of NOK 5.8 million, all allocated to the waterfall rights (reference is also made to note 19).

NOTE 2 – FIXED ASSETS

	Power station	Mechanical engineering	Electro-technical	Land, roads/ bridges	Assets under construction	Project develop-ment	Other operating assets and means of transport	Sum
Acquisition cost as of 1.1.	979 091	516 642	129 034	737	522 507	16 134	3 282	2 167 429
Additions	85 015	54 319	18 371	1 012	426 070	4 126		588 915
Disposals					-158 576	-4 077		-162 653
Business combinations	469	1 400	368					2 237
Other adjustments					-2 888	2 888		0
Acquisition cost as of 31.12.	1 064 575	572 361	147 774	1 749	787 114	19 071	3 282	2 595 927
Acc. depr. and imp. as of 1.1.	97 912	59 893	34 050	0	5 781	1 336	393	199 365
Disposals								0
Business combinations	220	545	143					908
Other adjustments								0
This year's recognized depr. and imp.	13 892	13 200	6 744				428	34 264
Acc. depr. and imp. as of 31.12.	112 024	73 638	40 937	0	5 781	1 336	821	234 537
Carrying amount 31.12.	952 551	498 724	106 836	1 749	781 333	17 735	2 462	2 361 390
This year's loss	0	0	0	0	0	0	0	0
This year's impairment	0	0	0	0	0	0	0	0
This year's depreciation	13 892	13 200	6 744	0	0	0	428	34 264
Expected economic life span	67 years	40 years	20 years	-	-	-	5-6 years	

Assets under construction and project development disposals are intra group transfers to completed power plants and assets under construction, respectively.

Internal manufacturing costs are capitalized as a part of cost of assets (in all material expenses related to project management and general management and administration). In most cases, early phase development projects are legally owned by Clemens Kraft AS until investments decision. Clemens Kraft AS is the subsidiary where management and administration is employed, excluding operational staff.
Subsequent of the investment decision, the project are sold to a single purpose vehicle at capitalized cost. Further internal cost related to development, project management, general management services and more is charged to the new project owner, without profit.
In 2020 NOK 18.8 million (2019: NOK 18.2 million) was invoiced from Clemens Kraft AS and capitalized as a part of assets under construction.

Power plants are pledged as a part of group financing. Please refer to note 3 and note 16 for further details.

NOTE 3 – LONG-TERM DEBT

Borrower	Sub-group	Amount	Category
Clemens Kraftverk AS	Clemens Kraftverk	972 060	Subordinated loan
Clemens Kraftverk AS	Clemens Kraftverk	353 333	Term
Clemens Kraftverk AS	Clemens Kraftverk	325 000	Bond (Nordic ABM)
Tokagjelet AS	CK Kraftholding Sør Vest	157 242	Construction
Clemens Kraftverk AS	Clemens Kraftverk	150 000	Bond (Nordic ABM)
CK Kraftholding Vest AS (Vangjolo/Vossedalselvi)	CK Kraftholding Vest	123 107	Term
CK Kraftholding Midt-Norge AS (Vaksvik)	CK Kraftholding Midt-Norge	68 650	Term
Søråni Kraft AS	CK Kraftholding Sør Vest	60 192	Term
Sleveåne Kraft AS	CK Kraftholding Sør Vest	60 111	Term
Hellifossen Kraft AS	CK Kraftholding Midt-Norge	56 372	Construction
CK Kraftholding Midt-Norge AS	CK Kraftholding Midt-Norge	50 000	Term
Meraker Kraft AS (Reinåa)	CK Kraftholding Midt-Norge	45 449	Construction
Trollvikelva Kraft AS	CK Kraftholding Midt-Norge	37 559	Construction
Kjeldalselva Kraft AS	CK Kraftholding Midt-Norge	36 352	Construction
Meraker Kraft AS (Gudåa)	CK Kraftholding Midt-Norge	35 883	Construction
CK Kraftholding Vest AS (Nørlandselva)	CK Kraftholding Vest	35 000	Term
Salhuselva Kraft AS	CK Kraftholding Midt-Norge	32 891	Construction
Kupekraft AS	CK Kraftholding Vest	32 560	Construction
CK Kraftholding Vest AS (Embla - EUR)	CK Kraftholding Vest	32 293	Term
Brekkefossen Kraftverk AS	CK Kraftholding Midt-Norge	31 900	Term
CK Kraftholding Vest AS (Sædalen)	CK Kraftholding Vest	26 400	Term
Graffer Kraft AS	CK Kraftholding Midt-Norge	26 333	Construction
CK Kraftholding Vest AS	CK Kraftholding Vest	25 000	Term
Skjerva Kraft AS	CK Kraftholding Midt-Norge	24 928	Construction
Bele Kraft AS	Clemens Kraftverk	24 079	Term
Kvernfossen Kraft AS	CK Kraftholding Vest	24 002	Construction
Trollekraft AS	CK Kraftholding Vest	20 453	Term
Heina Kraft AS	CK Kraftholding Midt-Norge	11 460	Term
Gyl Kraft AS	CK Kraftholding Midt-Norge	6 002	Term
Øvrebø Kraft AS	CK Kraftholding Vest	5 222	Construction
CK Kraftholding Vest AS (Embla)	CK Kraftholding Vest	3 649	Term
Storedalen Kraftverk AS	CK Kraftholding Midt-Norge	2 870	Term
Total		2 896 353	

Loans are mainly provided by three sources of funding; (1) subordinated loan from parent company, (2) banks and credit institutions and (3) bonds.
In 2019 a fourth category could be identified; Opplysningsvesenets fond, one of the joint owners of Clemens Kraft Holding (ultimate parent). However, this loan is fully repaid during 2020.

Bank and credit institution loans have, to the larger extent, interest terms of 3 months NIBOR with addition of a margin in the magnitude of 1.7 % to 2.25 %. However, The Group has entered into interest rate swap agreements to reduce risk and exposure of floating interest rate fluctuations.

The group has issued two bonds, both in 2018, with maturity dates in 2023 (NOK 150 million) and 2025 (NOK 300 million plus NOK 25 million tap issue). The two bonds are listed at Nordic ABM at Euronext (Oslo Stock

Exchange). As bond security, the power plants and within the sub-groups CK Bond AS and CK Bond 2 AS have been pledged (please refer to note 17 for legal structure).

NOK 1 409 million in the table above is defined as term loans or bonds, and NOK 515 million is defined as construction loans. Remaining volume on the construction loans as of year-end 2020 is NOK 78 million.
The construction loans are converted into/repaid with term loans when construction is complete, and the power plant is operational (normally a 18-24-month period). New term loans normally have a six- or twelve-months grace period.

(NOK million)	2021	2022	2023	2024	2025	2026 and later
Bond	0,0	0,0	150,0	0,0	325,0	0,0
Term	33,8	38,7	158,1	24,8	73,9	605,2
Construction (amortization based on estimates) 1)	0,0	11,8	18,9	18,9	44,1	499,0
SUM	33,8	50,5	327,0	43,7	443,0	1 104,2

1) Includes remaining volume of NOK 78 million

Loan facilities are subject to certain covenants. Mostly related to equity ratio and liquidity, however one facility has an EBITDA interest cover ratio covenant. Due to low power prices the Group has reported a breach of covenant during 2020, and a waiver was requested and provided.

Power plants and shares in subsidiaries are to a large extent pledged as security for loan facilities, reference is made to note 16.

NOTE 4 – OTHER NON-CURRENT RECEIVABLES

The following items are included in other long-term receivables:

	2020	2019
Advance payment, purchase of shares	51 000	36 000
Long-term loan	14 000	14 000
Non-current receivables on landowners	927	16 836
	65 927	66 836

Regarding advance payment related to purchase of shares

The Group has entered into an agreement regarding optional purchase of 100 % of the shares in a company, entitled to take over with execution date in August 2021. Execution date is set to the estimated completion date for setting up a power plant. A part of share purchase agreement regulates an advance payment of the consideration, used by the current owner as equity for financing the construction.
The Group has no de facto control, and consolidation of the company is not applicable. The advance payment is considered a non-current receivable until transfer of shares.

Regarding non-current receivables on landowners

One of the fall lease agreements, says that the fall lease can be negative. Basis for fall lease is in this case revenue with deduction of specified costs, resulting in a potential negative basis and consequently negative fall lease. Negative fall lease will not be refunded from the landowners but carried forward and settled/utilized with future fall lease. In prior years, this has been recognized as a negative cost of goods sold. In 2020, a reassessment of this principle is made, concluding that a basis for recognizing this is not present in the applicable accounting standards. A correction of NOK 15.8 million (pre-tax) are booked within equity. Reference is made to note 11.

In 2020 the negative fall lease not recognized is NOK 30.5 million. Total negative fall lease not recognized in the balance sheet is NOK 46.4 million (including accrued interest).

The remaining amount is related to guaranteed fall lease payment (minimum payment). Some fall lease agreements have clauses regarding minimum payment, granting the landowners an option to request a minimum payment, exceeding the entitled amount.

Both items mentioned above is subject to interest calculations.

NOTE 5 – REVENUES

The Group's revenues can be specified as follows:

	2020	2019
Power revenues	33 807	100 442
Electricity certificates	4 911	15 741
Guarantees of Origin (GoO)	808	636
	39 526	116 819

Reference is made to the accounting principles and change of accounting principle related to sale of certificates and note 8 for information regarding market value of off-balance certificates.

Storedalen Kraftverk AS was acquired in November 2020 and the revenue from this company is therefore not consolidated for the full year. Please refer to note 19 for further details regarding business combinations.

The following power plants was set into operation during 2020 and are not included with their full annual production capacity:

- Kjeldalselva Kraftverk
- Gudåa Kraftverk
- Sædalen Kraftverk
- Nørlandselva Kraftverk
- Salhuselva Kraftverk
- Trollvikelva Kraftverk

NOTE 6 – SALARIES AND REMUNERATIONS, INCLUDING AUDITORS FEE

Salaries

The Group has no employees and consequently no salaries. The Group reimburse a first line of defense/ supervisory responsibility regarding plant operation (typically to landowners or other local personnel). In some cases, these payments are to individuals, subject to public reporting. Other personnel expenses may occur.

Due to no employees, no pension scheme is required nor established.

Compensation to senior executives and Board of Directors

Chief Executive Officer

Chief Executive Officer is employed in a sister company of the parent in the Group and receives salary and other remunerations from this company.

Board of Directors

The Board of Directors in Clemens Kraftverk is coinciding with the Board of Directors in Clemens Kraft Holding (ultimate parent) and receives its remunerations from this company. However, directors employed within ultimate parent owners do not receive remuneration from Clemens Kraft Group.
In 2020, additional fee to board members of NOK 86 thousand is recognized in Clemens Kraftverk for additional work beyond ordinary duties as Directors.

Auditor's fee

Auditor's fee for 2020 can be specified as follows:

	2020	2019
Agreed upon fees for statutory audit of current year's financial statements	731	613
Other audit related services	167	135
Other attestation services	52	78
	950	826

Auditor's fee is excluding value added tax.

NOTE 7 – TRADE RECEIVABLES

Sale of power are mainly through Kraftanmelding as a clearing partner. Settlement is made on weekly basis. The revenue is regulated through quoted prices. Produced volume can to a small degree be affected, beyond water floating outside penstocks and turbines.

The credit risk is considered to be very low. Unpaid trade receivables are also relatively small compared with annual revenues. At the end of year 2020 the assessment is that there are no doubtful receivables. Recognized value of trade receivables equals nominal value.

NOTE 8 – OTHER RECEIVABLES

	2020	2019
Accrued revenue	231	8 327
Prepayments	7 660	8 061
Value added tax receivable	23 697	20 281
Other short-term receivables	11 468	6 565
	43 056	43 233

Accrued revenue is related to sale of power not invoiced.

In 2019 NOK 7.8 million relates to certificates, however reference is made to the accounting principles and change of accounting principle related to sale of certificates.

NOK 6.0 million of advance payments relates to fees for facilitating establishment of bond financing. Capitalized fees are amortized linear towards maturity.

The market value of electricity certificates balances as of 31 December 2020 not recognized is NOK 0.3 million.

NOTE 9 – FINANCIAL ITEMS

Recognized change in fair value (expense) of financial instruments (interest rate swaps) in 2020 is NOK 5.2 million (NOK 3.2 million). Fair value of the liabilities under the agreement is disclosed in note 13.

As of 2020 none of the agreements have an unrealized gain (NOK 0.7 million).

Other interest expenses can be specified as follows:

	2020	2019
Interest on bonds	17 438	16 500
Paid interest on interest interest rate swaps	3 946	622
Interest on sub-ordinated loan from parent company	27 534	20 151
Other interest expenses	38 517	38 250
Capitalized interest expenses	-16 790	-11 707
	70 644	63 816

NOTE 10 – SHARE CAPITAL AND SHAREHOLDERS INFORMATION

Class	No. of shares (thousand)	Nominal value	Share capital (thousand)
Ordinary shares	35 300	2	70 601

All shares are held by Clemens Kraft Holding AS.

NOTE 11 – EQUITY

	Share capital	Share premium	Other paid-in capital	Retained earnings	Non-controlling interests	Sum
Equity as of 1.1.	70 601	25 876	3 023	-98 455	20 024	21 068
Current year's profit/loss				-110 601	-3 090	-113 691
Capital increase					7 000	7 000
Other changes				-18 283	321	-17 963
Equity as of 31.12.	70 601	25 876	3 023	-227 340	24 254	-103 586

Other changes in retained earnings is primarily due to (1) change in accounting principle regarding electricity certificates amounting to NOK 6.1 million and (2) correction regarding negative fall lease amounting to NOK 12.3 million. Both amounts post tax.

Other changes regarding non-controlling interests are due to sale of shares. Shares sold to book value.

NOTE 12 – INCOME TAXES

	2020	2019
Income tax expense comprises		
Income tax payable	-2 391	664
Ground rent tax payable	-516	0
Change in deferred tax	-28 416	-9 168
Change in deferred tax not recognized	933	580
Correction previous years	0	227
Other	95	-120
Income tax expense	-30 295	-7 816
Tax base for the year		
Profit/loss	-143 986	-38 796
Permanent differences	-11 679	140
Change in temporary differences	11 426	-446
Use of tax losses carreid forward (-)	-7 778	-8 872
Taxable income	-152 017	-47 975
This years loss to be carreid forward	141 286	50 992
Basis for recognized tax payable	-10 731	3 017
Taxes payable in the balance sheet		
Tax payable	-2 579	664
Sum tax payable	-2 579	664

Temporary differences		
Temporary differences related to fixed assets	83 639	68 170
Temporary differences related to excess values from business combinations	319 857	321 116
Temporary differences related to long term provisions	-23 420	-3 208
Tax loss carry forward	-328 285	-186 581
Prior years non-deductubale interest expense	-18 146	-18 146
Other differences	-17 579	-17 065
Basis for deferred tax asset (-) / liability (+)	16 067	164 286
Deferred tax asset (-) / liability (+)	3 535	36 142
Whereas deferred tax asset not recognised in the balance sheet	4 701	3 768
Deferred tax asset (-) / liability (+) recognized in the balance sheet	8 236	39 910
Reconciliation of tax expense to Norwegian nominal statutory tax rate		
22 % of profit befor tax	-31 677	-8 535
Ground rent taxation	-516	0
Tax effect of permanent differences	-2 569	31
Prior year adjustment	0	227
Effect of change in not recognised deferred tax assets	933	580
Other changes	3 534	-120
Income tax expense	-30 295	-7 816
Effective tax rate	21,0 %	20,1 %

The Group has one subsidiary subject to ground rent taxation. The plant subject to this taxation is under construction.

Negative taxes payable in 2020 is due to two specific items, (1) refund of taxes paid in 2018 and 2019, limited to tax loss in 2020 and (2) negative ground rent tax. The amount is classified as other current receivables.

NOTE 13 – PROVISIONS

	2020	2019
Negative fair value of interest rate swaps	23 420	3 208
	23 420	3 208

Please refer to note 9 for further details regarding interest rate swap agreements.

NOTE 14 – INVESTMENTS IN JOINT VENTURES AND ASSOCIATED COMPANIES

	Ownership share	Acquisition	Carrying amount 1.1.2020	Other	This years profit	Depreciation excess value	Carrying amount 31.12.2020
Joint ventures							
Langfjordkraft AS	50 %	14 368	12 638	736	-784	-195	12 395
Associated companies							
Kylland Kraft AS	38 %	3 325	3 909	543	-159	-28	4 266
Neset Kraft AS	34 %	5 128	10 341	-958	-125	-35	9 223
Nørståe Kraft AS	34 %	3 086	3 175	806	-682	-92	3 207
Storefoss Kraftstasjon AS	35 %	505	511	-512	0	0	0
			30 575	615	-1 750	-350	29 091

NOTE 15 – BANK DEPOSITS

The Group has no restricted cash.

NOTE 16 – GUARANTEES AND PLEDGES

The Group's power plants (excluding Hynna Kraftverk), with a book value of NOK 2 303 million respectively, is pledged for the Group's financing.

NOTE 17 – SUBSIDIARIES

The following companies is subsidiaries directly or indirectly owned by Clemens Kraftverk AS and is consolidated into the Group's financial statements:

Company	Share	Date of acquisition
Clemens Kraftverk AS	Ultimate parent	(n/a)
Bele Kraft AS	51,0 %	March-10
Fjærland Kraft AS	100,0 %	December-18
CK Bond AS	100,0 %	February-18
Halvdagsåa Kraft AS	100,0 %	September-12
Engeset Kraft AS	100,0 %	February-05
Litj-Hena Kraftverk AS	100,0 %	May-13
Væla Kraft AS	100,0 %	April-13
Nordbøåna Kraft AS	100,0 %	December-07
Ullestad Kraft AS	100,0 %	July-12
Midtunkraft AS	100,0 %	February-18
Vengåkraft AS	100,0 %	April-06
CK Bond 2 AS	100,0 %	February-18
Nordvik Kraft AS	100,0 %	December-17
Rodal Kraft AS	100,0 %	December-17
Ringdal Kraftverk AS	100,0 %	January-18
CK Kraftholding Midt-Norge AS	100,0 %	August-08
Gyl Kraft AS	74,5 %	December-17
Heina Kraft AS	52,3 %	December-17
Graffer Kraft AS	100,0 %	February-18
Hellifossen Kraft AS	100,0 %	August-18
Salhuselva Kraft AS	100,0 %	March-19
Meraker Kraft AS	65,0 %	February-14
Hynna Kraft AS	66,5 %	January-05
Brekkefossen Kraftverk AS	100,0 %	April-08
Storedalen Kraftverk AS	100,0 %	November-20
Skjerva Kraft AS	100,0 %	December-17
Trollvikelva Kraft AS	100,0 %	January-18
Kjeldalselva Kraft AS	100,0 %	July-11
Bjuråga Kraft AS	100,0 %	September-18
Setergrytå Kraft AS	80,0 %	December-19
Kvammadalselvi Kraft AS	100,0 %	September-19
CK Kraftholding Nord AS	100,0 %	April-07
Aspvikelva Kraft AS	100,0 %	July-11
Gjerdelva Kraft AS	100,0 %	October-19
CK Kraftholding Sør Vest AS	100,0 %	July-15
Sleveåne Kraft AS	100,0 %	November-14
Søråni Kraft AS	94,8 %	December-16
Tokagjelet AS	100,0 %	September-18
CK Kraftholding Vest AS	100,0 %	June-15
Vangjolo Kraft AS	100,0 %	November-14
Vossedalselvi Kraft AS	100,0 %	November-14
Trollekraft AS	97,0 %	January-18
Embla Kraft AS	100,0 %	April-18
Sædalen Kraft AS	100,0 %	February-18
Kupekraft AS	100,0 %	April-19
Øvrebø Kraft AS	100,0 %	April-19
Kvernfossen Kraft AS	100,0 %	May-18

NOTE 18 – RELATED PARTIES TRANSACTIONS

Clemens Kraftverk AS is a fully owned subsidiary of Clemens Kraft Holding AS. Clemens Kraft Holding AS is owned 50.1 % by Ovf and 49.9 % by CPV as a joint venture, please refer to the "Clemens Kraft in brief" section of the annual report. Clemens Kraft Holding AS also holds 100 % of the shares in Clemens Kraft AS and Clemens Kraft Drift AS. All the mentioned entities are considered related parties.

During 2020 a change in creditor was made on the loan to Hynna Kraft AS originally provided by Ovf. Clemens Kraft Holding (parent) has repaid the loan balance of NOK 54.6 million including interest to Ovf. Subsequently, repayments by off-sets has been made, bringing the finance structure in line with the waterfall policy for the Group.

Ovf is providing management services to the Clemens Kraft group. For these services, Clemens Kraft AS has been charged NOK 2.6 million by Forvaltningsorganet Ovf.

Clemens Kraft AS is charging Clemens Kraftverk management fees for general administration and project management. In 2020 an amount of NOK 24.5 million has been charged. The amount includes travels and expenses.

Clemens Kraft Drift AS is charging Clemens Kraftverk operational fees related to operation of power plants. In 2020 an amount of NOK 11.5 million has been charged. The amount includes travels and expenses.

NOTE 19 – BUSINESS COMBINATIONS

During 2020 the Group has acquired 100 % of the shares in Storedalen Kraftverk AS. Storedalen Kraftverk AS is consolidated in the profit and loss statement as of November 2020.
A purchase price allocation is made, allocating all excess values to the waterfall rights and concessions.

The acquisition is not material for the Group has a whole. No further specifications therefor disclosed.

NOTE 20 – DISPUTES AND CLAIMS

Clemens Kraftverk has received a significant claim from a supplier to one of the construction projects related to unforeseen work. The claim is rejected and both parties are determined in finding a common solution. The progress in completing the plant is not affected by the claim.

PARENT COMPANY FINANCIAL STATEMENTS

INCOME STATEMENT

Amounts in NOK 1 000

	NOTE	2020	2019
OPERATING INCOME AND EXPENSES			
Other operating expenses	5	637	1 752
Total operating expenses		**637**	**1 752**
Operating result		-637	-1 752
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from subsidiaries, associated companies and joint ventures		488	3 398
Interest income from group companies	1	40 035	31 599
Other interest income		52	672
Other financial income		0	96
Total financial income		**40 576**	**35 764**
Financial instruments measured at fair value		-3 556	-2 500
Interest expense to group companies		27 534	20 151
Other interest expenses		29 413	31 385
Other financial expenses		1 783	3 028
Total financial expenses		**55 173**	**52 064**
Net financial income and financial expenses		-14 598	-16 300
Profit (-loss) before tax		-15 235	-18 052
Tax expense (-income)	11	-2 978	-4 506
Profit (-loss) after tax		-12 257	-13 546
Allocation			
Allocated to retained earnings		-12 257	-13 546

FINANCIAL POSITION

Amounts in NOK 1 000

ASSETS	NOTE	2020	2019
NON-CURRENT ASSETS			
Deferred tax asset	4	11 084	8 106
Total intangible assets		**11 084**	**8 106**
Shares in subsidiaries	6	538 831	538 831
Loan to group companies	1	1 310 491	1 174 710
Shares in associated companies and joint ventures	6	30 826	30 203
Total financial non-current assets		**1 880 148**	**1 743 743**
Total non-current assets		1 891 231	1 751 849
CURRENT ASSETS			
Trade receivables	1	0	5
Other current receivables	1	5 637	13 402
Total current receivables		**5 637**	**13 407**
Cash and cash equivalents	7	9 769	**6 490**
Total current assets		15 406	19 897
Total assets		1 906 638	1 771 746

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	2020	2019
EQUITY			
Share capital	2, 3	70 601	70 601
Share premium	3	25 876	25 876
Other paid-in capital		3 023	3 023
Total paid in capital		**99 500**	**99 500**
Retained earnings	2	-33 388	-21 131
Total retained earnings		**-33 388**	**-21 131**
Total equity	9	66 112	78 369
LIABILITIES			
Other provisions		28 384	16 940
Total provisions		**28 384**	**16 940**
Non-current interest bearing debt (credit institutions)		353 333	371 111
Bonds		475 000	475 000
Non-current liabilities to group companies		972 060	818 754
Total non-current liabilities		**1 800 393**	**1 664 865**
Trade payables		10	25
Other current liabilities	2	11 739	11 547
Total current liabilities		**11 749**	**11 572**
Total liabilities		1 840 526	1 693 377
Total equity and liabilities		1 906 638	1 771 746

Oslo, 21 April 2021

Clemens Kraftverk AS
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

CASH FLOW STATEMENT

Amounts in NOK 1 000

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	-15 235	-18 052
Change in trade receivables	5	-2
Change in trade payables	-15	-14 365
Items classified as investment/financing activities	14 650	36 422
Changes in other current assets and other liabilities	-91	-5 766
Net cash flow from operating activities	-686	-1 763
CASH FLOWS FROM INVESTMENT ACTIVITITES		
Cash disbursement related to acquisition of companies	3 258	-2 189
Cash receipt from sale of other investments	391	0
Cash disbursement related to loan to subsidiaries	-48 100	-345 477
Cash disbursement related to other acquisutions	0	0
Net cash flow from investment activities	-44 451	-347 666
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest received	7 002	31 570
Interest paid	-29 606	-31 385
Proceeds from new non-current loans	85 400	668 451
Proceeds from new current loans	0	0
Cash disbursement related to repayment of non-current debt	-17 778	8 889
Cash disbursement related to repayment of current debt	0	-380 000
Group contribution received	3 398	0
Group contribution paid	0	-11 460
Net cash flow from financing activities	48 416	286 064
Net change in cash and cash equivalents	3 279	-63 365
Cash and cash equivalents as of 1 January	6 490	69 855
Cash and cash equivalents as of 31 December	9 769	6 490

NOTES

ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with accounting principles stated in the Norwegian Accounting Act and with accounting principles generally accepted in Norway (NGAAP).

Estimates and professional judgement

The preparation of financial statements requires use of estimates. Further, the application of relevant accounting standards and policies requires judgements. Items which to a large extend contain such judgmental assessments, high degree of complexity or items where management judgment are material to the financial statements, are described in the notes to the financial statements.

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.

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.

Acquisition cost

Acquisition cost includes the purchase price, less any bonuses, rebates or similar, in addition to expenses (freight, toll, non-refundable public duties and any other direct expenses). Internal production costs are capitalized as a part of acquisition cost (mainly project and general management).

For fixed assets and intangible assets acquisition cost includes expenses for preparation for use, e.g., expenses related to testing of power plants.

Interest expenses related to construction loans are capitalized.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Changes to exchange rates are recognized in the income statement as they occur during the accounting period.

Shares in subsidiaries and associated companies

Subsidiaries are companies where the parent company has control over an investee. A controlling interest is normally obtained when the Group owns more than 50% of the shares (which gives voting rights) in the company and can exercise control over the company, financially and strategically.

Investments where the Group owns 20-50 % of the shares with voting rights and has significant influence of the company, are defined as associated companies.

Investments in shares are recognized at cost. The investment is valued as cost of the shares, less any impairment losses. An impairment loss is recognized if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the reason for the impairment loss disappears in a lather period.

Dividends and other distributions are recognized when decided. If dividends exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet.

Intangible assets
Expenses related to development of intangible assets are recognized in the balance sheet if future economic benefits can be linked to developing identifiable intangible assets and the expenses can be reliable measured. In opposite cases, expenses are recognized in the profit and loss statement.
Capitalized development is included in the power plant cost and depreciated (linear) over the economic life span.

Fixed assets
Fixed assets are capitalized and depreciated linearly over the estimated useful life. Significant fixed assets which consist of substantial components with dissimilar economic life have been unbundled; depreciation of each component is based on the economic life of the component. Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property plant and equipment are added to the acquisition cost and depreciated with the related asset. The distinguish between maintenance and improvement/upgrade is assessed based on the standard at the date of acquisition.

In cases where planned depreciation is re-assessed and changed, the effect of change is recognized over the remaining useful life span.

Expenses related to lease of assets are recognized in the profit and loss statement. Advance payments are capitalized and expensed over the leasing period. Lease of assets is capitalized if defined as a financial lease contract.

Land are not depreciated.

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.

Accounts receivable and other receivables
Accounts receivable and other current receivables are recorded in the balance sheet at nominal value less provisions for doubtful accounts. Provisions for doubtful accounts are based on an individual assessment of the different receivables. For the remaining receivables, a general provision is estimated based on expected loss

Long-term debt
Long-term debt is recognized at nominal value.

Financial instruments – interest rate swaps
Negative fair value (mark-to-market value) is provided for. Unrealized gain is not recognized.

Provisions
A provision is recognized when a present legal or constructive obligation has occurred, as a result of a past event and it is probable that this will result in an outflow of resources to settle the obligation, and the obligation can be reliably estimated.

Taxes
Income tax on the profit for the period consists of current and deferred tax. Income tax is recognized in the income statement with the exception of tax on items that are recognized directly in equity.

Current tax is the forecast tax payable on the year's taxable income at current tax rates at the balance sheet date, and any adjustments of tax payable for previous years less tax paid in advance.
Deferred tax liabilities are calculated based on the balance sheet-oriented liability method taking into account temporary differences between the carrying amount of assets and liabilities for financial reporting and tax values.

Deferred tax assets are recognized only to the extent that it is probable that the asset can be utilized against future taxable results. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax asset will be realized. Deferred tax assets and deferred tax liabilities, which are or can be reversed in the same period, are presented net.

Deferred taxes are recognized at nominal values.

Cash flow statement

The cash flow statement is presented using the indirect method. Cash means cash in hand and in the bank. Cash equivalents are short-term liquid investments that can be converted to cash within three months to a known amount and which have an insignificant degree of risk. Cash and cash equivalents in the cash flow statement do not include unused overdrafts.

NOTE 1 – RELATED PARTIES BALANCES

	Accounts receivables		Ohter short term receivables		Long term receivables	
	2020	*2019*	*2020*	*2019*	*2020*	*2019*
Bele Kraft AS					1 359	
CK Kraftholding Midt-Norge AS					213 995	184 198
CK Kraftholding Nord AS					4 957	4 730
CK Kraftholding Sør Vest AS					126 461	60 757
CK Kraftholding Vest AS					154 374	137 445
CK Bond AS			197	188	223 645	227 388
CK Bond 2 AS					80 432	83 538
Fjærland Kraft AS		5			505 268	476 654
Rodal Kraft AS						
Clemens Kraft Drift AS				41		
Nordvik Kraft AS				3 210		
Clemens Kraft Holding AS						
	0	5	197	3 439	1 310 491	1 174 710

	Accounts payables		Other short term liabilities		Long term liabilities	
	2020	*2019*	*2020*	*2019*	*2020*	*2019*
Clemens Kraft Holding AS					972 060	818 754
CK Kraftholding Sør Vest AS				638		
Clemens Kraft AS						
	0	0	0	638	972 060	818 754

Non-current assets (receivables on subsidiaries) are subject to interest calculation.

NOTE 2 – SHARE CAPITAL AND SHAREHOLDERS INFORMATION

Class	No. of shares (thousand)	Nominal value	Share capital (thousand)
Ordinary shares	35 300	2	70 601

All shares are held by Clemens Kraft Holding AS.

NOTE 3 – EQUITY

	Share capital	Share premium	Other paid-in capital	Retained earnings	Sum
Equity as of 1.1.	70 601	25 876	3 023	-21 131	78 369
Current year's profit/loss				-12 257	-12 257
Equity as of 31.12.	70 601	25 876	3 023	-33 388	66 112

In 2019, the Company has received group contribution of NOK 0.2 million (pre-tax). The amount is included in financial income recognized in the profit and loss statement.

NOTE 4 – INCOME TAXES

	2020	2019
Temporary differences		
Provisions	-11 444	0
Tax loss carry forward	-38 938	-36 847
Basis for deferred tax asset (-) / liability (+)	-50 382	-36 847
Deferred tax asset (-) / liability (+)	-11 084	-8 106
Deferred tax asset (-) / liability (+) recognized in the balance sheet	-11 084	-8 106
Income tax expense comprises		
Income tax payable	0	0
Change in deferred tax	-2 978	-4 506
Change in deferred tax due to change in tax rate	0	0
Income tax expense	-2 978	-4 506
Taxes payable in the balance sheet		
Tax payable	0	0
Sum tax payable	0	0

Please refer to note 3 regarding group contribution.

NOTE 5 – REMUNERATIONS

Due to no employees, no pension scheme is required nor established.

Compensation to senior executives and Board of Directors

Chief Executive Officer

Chief Executive Officer is employed in a sister company of the parent in the Group and receives salary and other remunerations from this company.

Board of Directors

The Board of Directors in Clemens Kraftverk is coinciding with the Board of Directors in Clemens Kraft Holding (ultimate parent) and receives its remunerations from this company. However, directors employed within ultimate parent owners do not receive remuneration from Clemens Kraft Group.

Auditor's fee

Auditor's fee for 2020 can be specified as follows:

	2020	2019
Agreed upon fees for statutory audit of current year's financial statements	51	50
Other audit related services	6	26
Other attestation services	0	0
	57	76

Auditor's fee is excluding value added tax.

NOTE 6 – INVESTMENTS IN SUBISIDIARIES, JOINT VENTURES AND ASSOICIATED COMPANIES

	Date of acquisition	Office	Share	Equity as of 31 Dec	Net profit/loss	Carrying amount
Subsidiaries						
CK Bond AS	February-18	Oslo	100 %	95 782	-247	98 668
CK Bond 2 AS	February-18	Oslo	100 %	63 910	-367	64 523
CK Kraftholding Sør Vest AS	July-15	Oslo	100 %	72 024	-15 456	97 091
CK Kraftholding Midt-Norge AS	August-08	Oslo	100 %	40 676	-24 730	90 391
CK Kraftholding Nord AS	April-07	Oslo	100 %	6 634	10	11 208
CK Kraftholding Vest AS	June-15	Oslo	100 %	18 055	-5 800	39 750
Fjærland Kraft AS	December-18	Vik i Sogn	100 %	-30 995	-30 697	127 908
Bele Kraft AS	March-10	Sunndalsøra	51 %	-769	-1 371	9 291
Total subsidiaries						538 831
Joint ventures						
Langfjordkraft AS		Nesset	50 %			13 500 [1)]
Associated companies						
Nørståe Kraft AS		Veggli	34,0 %	5 877	-349	3 086
Kylland Kraft AS		Fossdal	38,4 %	7 619	-413	4 207
Neset Kraft AS		Hovsherad	34,0 %	20 242	-2 007	9 310
Total joint ventures and associated companies						30 103

During 2020 Storefoss Kraftstasjon AS has been liquidated (associated company) with a gain of NOK 0.3 million.

[1)] 2020 financial statements for Langfjordkraft AS not finalized.

NOTE 7 – BANK DEPOSITS

The Company has no restricted cash.

NOTE 8 – CONTINUITY INTERSECTION

As a part of group internal restructuring the Company has acquired and realized certain investments in subsidiaries. These transactions are carried out based on fair values. Gains/losses on these transactions are not recognized in the profit and loss statement, but in the statement of financial position as a liability based on the principles of continuity intersection for intra group transactions, and the fact that the consideration has been settlement of intra group balances, not cash. Gains/losses are recognized in the balance sheet when these transactions are settled in cash or sold to a non-Group buyer.
As of 2020 accumulated unrealized gain recognized as liability is NOK 16.9 million.

INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Clemens Kraftverk AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Clemens Kraftverk AS, which comprise:

- The financial statements of the parent company Clemens Kraftverk AS (the Company), which comprise the financial position as at 31 December 2020, the income statement and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Clemens Kraftverk AS and its subsidiaries (the Group), which comprise the consolidated financial position as at 31 December 2020, the consolidated income statement and consolidated cash flow statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in

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T: 02316, org. no.: 987 009 713 VAT, www.pwc.no
State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

Independent Auditor's Report - Clemens Kraftverk AS

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accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

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Independent Auditor's Report - Clemens Kraftverk AS

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Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 21 April 2021
PricewaterhouseCoopers AS

Marius Thorsrud
State Authorised Public Accountant

(This document is signed electronically)

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