

2021

# CLEMENS KRAFTVERK

Q3 2021 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 (the 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 47 plants (including six owned by associated companies) in addition to four 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 CHF 11.0 billion, owns the remaining 49.9% of Clemens Kraft Holding.

In addition to development and building of the portfolio with origin on Ovf land, Clemens Kraftverk Group is the result of several acquisitions of small hydropower companies. Clemens Kraft Group develops, constructs, and operates hydropower plants all over Norway in cooperation with local landowners, and is targeting to reach an annual production of 700 GWh by end of Q1 2022.

### 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 third quarter of 2021, 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, 10 November 2021

Board of Directors

\_\_\_\_\_  
(sign)  
Ole-Wilhelm Meyer  
Chairman

\_\_\_\_\_  
(sign)  
Harald Kurt Siewert  
Deputy chairman

\_\_\_\_\_  
(sign)  
Hans Erik Horn  
Director

\_\_\_\_\_  
(sign)  
Arild Orgland  
Director

\_\_\_\_\_  
(sign)  
Ulf Myrbø  
Director

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(sign)  
Knud Hans Nørve  
Chief Executive Officer

## THIRD QUARTER 2021

### OPERATIONAL HIGHLIGHTS

Total revenue for Q3 2021 was NOK 43.0 million (Q2 2020: 7.8 million). The operating result for the quarter was NOK 7.4 million (loss NOK 9.1 million). EBITDA for the quarter was NOK 19.4 million (NOK 1.2 million). However, reference is made to note 3 for comparison of operating loss and EBITDA figures.

Net financial items and tax made the net loss of NOK 33.6 million (NOK 76.6 million), year to date.

The power price (Nordic system price) has increased to all-time high levels during Q3. The expectations of a mid to long term recovery in market prices have so far shown to be correct. However, a cold winter resulted in a delayed and somewhat shorter melting season, hence the volume was lower than expected for the first half of 2021. The rainfall in September has started to reduce the gap with regards to year-to-date run-off, but still the volume produced is less than the anticipated normal level of production.

As a part of its hedging strategy, the group has entered into interest rates swaps for a majority of the long-term debt. During 2020, until the third quarter, there were falling interest rates leading to increased provisions under the swap agreements. Slightly increased interest rates during the last quarter of 2020, a trend continued in the first three quarters of 2021 has reversed parts of the provision, leading to a reduced net financial loss for the period.

Power production in Q3 (operated by consolidated companies only) was 77 999 MWh (135 229 MWh) and the average power price achieved for the quarter was 54.7 øre/kWh (7.4 øre/kWh).

The Group's production volume year to date is below hydrological normalized average figures.

Clemens Kraftverk operated 47 plants as of Q3 2021, including six plants owned by associated companies.

The Group currently has four plants under construction, representing an annual production volume of 124.2 GWh.

### FINANCE HIGHLIGHTS

The Group's book value on equity is negative. However, Clemens Kraftverk as a sub-ordinated loan of NOK 1.1 billion from the ultimate parent which is to be included in the equity with regards to loan covenants.

### RISKS AND UNCERTAINTY FACTORS

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

#### *Hydrological risk*

The Clemens Kraft Group is basically producing power made by run of river plants with little or no capacity for water storage. The annual production capacity is estimated based on inter alia seasonal pattern and multi-year annual average rainfall modelling. The production estimates are exposed to deviations observed for the actual periods of production.

#### *Financial risk*

The NOK 3.1 billion in interest bearing non-current liabilities (of which (NOK 1.1 billion of the liability is debt to the ultimate parent) is exposed to risk of changes in interest rates representing a material risk factor. Clemens Kraftverk performs hedging activities through interest swaps agreements to reduce the financial risk. The majority of the interest exposure is hedged, however, some swap agreements are made by Clemens Kraft Holding (Clemens Kraftverk's parent company). For further information please refer to note 2 to the financial statements below.

#### *Market risk*

Electricity is traded to market prices as quoted on efficient markets such as Nord Pool. By nature of its business, Clemens Kraftverk basically operates run of river plants, production is significantly exposed to spot market prices for power. As the Group 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 Group is indirectly exposed to currency fluctuations between EURO/NOK and SEK/NOK.

#### *Operational risk*

The terms and conditions for the fall lease agreements with landowners contain individual criteria for each plant. Present terms and conditions agreed with the landowners may decide whether the net present value of the project is positive or not.

A power plant is a technical installation with inherent risk exposure to operational challenges which might arise, for example a turbine breakdown or the need for replacement of essential equipment. This in turn, might lead to absence of or reduced production. The Group has a certain loss of revenue insurance coverage for a maximum of 12 months of damage.

#### *Political risk*

The Group is exposed to any risk for changes in laws and regulations. Such risks include, for example both environmental matters and more technical matters, e.g. changes in tax and fee schemes for producers of electrical power.

## CONDENSED INTERIM FINANCIAL STATEMENTS

## PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Full year 2020
<b>OPERATING INCOME AND EXPENSES</b>						
Revenues	1	42 951	7 833	106 217	31 042	39 526
Other operating income		17	10	127	45	47
<b>Total operating income</b>		<b>42 968</b>	<b>7 842</b>	<b>106 344</b>	<b>31 087</b>	<b>39 572</b>
Cost of goods sold	3	12 709	-2 394	26 617	-11 545	15 991
Personnel expenses		188	0	188	0	108
Depreciation		11 979	10 258	34 937	30 394	41 362
Other operating expenses		10 708	9 036	34 324	31 044	41 114
<b>Total operating expenses</b>		<b>35 585</b>	<b>16 900</b>	<b>96 066</b>	<b>49 892</b>	<b>98 574</b>
<b>Operating result</b>		<b>7 383</b>	<b>-9 058</b>	<b>10 278</b>	<b>-18 805</b>	<b>-59 001</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>						
Income on subsidiaries, associated companies and joint ventures		80	-720	-5 555	-1 840	-2 099
Other interest income		-1 235	-4 936	15	35	311
Other financial income		19	0	1 509	8	3 867
<b>Total financial income</b>		<b>-1 136</b>	<b>-5 656</b>	<b>-4 031</b>	<b>-1 798</b>	<b>2 079</b>
Financial instruments measured at fair value		-6 352	-739	-18 107	15 145	5 212
Interest expenses		22 216	18 544	62 899	52 988	70 644
Other financial expenses		513	1 417	3 420	6 704	11 208
<b>Total financial expenses</b>		<b>16 377</b>	<b>19 222</b>	<b>48 213</b>	<b>74 837</b>	<b>87 064</b>
<b>Net financial income and financial expenses</b>		<b>-17 513</b>	<b>-24 878</b>	<b>-52 244</b>	<b>-76 635</b>	<b>-84 985</b>
<b>Profit (-loss) before tax</b>		<b>-10 130</b>	<b>-33 937</b>	<b>-41 965</b>	<b>-95 440</b>	<b>-143 986</b>
Tax expense (-income)		-2 630	-5 340	-8 368	-18 844	-30 295
<b>Profit (-loss) after tax</b>		<b>-7 500</b>	<b>-28 597</b>	<b>-33 597</b>	<b>-76 596</b>	<b>-113 691</b>
Profit/loss attributable to non-controlling interests		7	-1 132	-639	-2 715	-3 090
Profit/loss attributable to owners of the parent		-7 506	-27 465	-32 958	-73 881	-110 601

## FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q3 2021	2020
<b>NON-CURRENT ASSETS</b>			
Concessions, fall and similar rights		316 260	326 374
Deferred tax asset		102	0
<b>Total intangible assets</b>		<b>316 362</b>	<b>326 374</b>
Property, plant and equipment		2 463 662	2 358 928
Machinery, office tools, fixtures and fittings		2 141	2 462
<b>Total fixed assets</b>		<b>2 465 804</b>	<b>2 361 390</b>
Shares in associated companies and joint ventures		23 536	29 091
Other non-current receivables	3	75 423	65 927
<b>Total financial non-current assets</b>		<b>98 959</b>	<b>95 018</b>
<b>Total non-current assets</b>		<b>2 881 124</b>	<b>2 782 781</b>
<b>CURRENT ASSETS</b>			
Trade receivables		3 432	2 413
Other current receivables		32 213	43 056
<b>Total current receivables</b>		<b>35 645</b>	<b>45 469</b>
Cash and cash equivalents		77 042	52 782
<b>Total current assets</b>		<b>112 687</b>	<b>98 251</b>
<b>Total assets</b>		<b>2 993 811</b>	<b>2 881 033</b>



Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q3 2021	2020
<b>EQUITY</b>			
Share capital		70 601	70 601
Share premium		25 876	25 876
Other paid-in capital		3 023	3 023
<b>Total paid in capital</b>		<b>99 500</b>	<b>99 500</b>
Retained earnings		-260 328	-227 340
<b>Total retained earnings</b>		<b>-260 328</b>	<b>-227 340</b>
Non-controlling interests		23 615	24 254
<b>Total equity</b>		<b>-137 214</b>	<b>-103 586</b>
<b>LIABILITIES</b>			
Deferred tax liability		0	8 236
Other provisions		5 313	23 420
<b>Total provisions</b>		<b>5 313</b>	<b>31 655</b>
Non-current interest bearing debt (credit institutions)	2	1 507 253	1 449 293
Bonds	2	475 000	475 000
Non-current liabilities to group companies	2	1 104 978	972 060
<b>Total non-current liabilities</b>		<b>3 087 231</b>	<b>2 896 353</b>
Trade payables		19 622	37 253
Other current liabilities		18 858	19 358
<b>Total current liabilities</b>		<b>38 481</b>	<b>56 610</b>
<b>Total liabilities</b>		<b>3 131 025</b>	<b>2 984 618</b>
<b>Total equity and liabilities</b>		<b>2 993 811</b>	<b>2 881 033</b>

Oslo, 10 November 2021

Board of Directors

(sign)  
\_\_\_\_\_  
Ole-Wilhelm Meyer  
Chairman

(sign)  
\_\_\_\_\_  
Harald Kurt Siewert  
Deputy chairman

(sign)  
\_\_\_\_\_  
Hans Erik Horn  
Director

(sign)  
\_\_\_\_\_  
Arild Orgland  
Director

(sign)  
\_\_\_\_\_  
Ulf Myrbø  
Director

(sign)  
\_\_\_\_\_  
Knud Hans Nørve  
Chief Executive Officer

## NOTES

### ACCOUNTING PRINCIPLES

The statements of profit and loss and financial position within the quarterly interim report has been prepared in accordance with accounting principles stated in the Norwegian Accounting Act and with accounting principles generally accepted in Norway.

The interim report does not include all information required in the annual financial statements. Therefore, the report should be read in conjunction with the Annual report for 2020.

#### *Revenues*

Income from sale of goods and services are recognized at fair value of the consideration, net after deduction of VAT, returns, discounts and reductions. Sales are recognized upon delivery.

Simultaneously with the production of electricity, the producer is granted the right to sell electricity certificates. This entitlement is recognized as income when the certificates are realized. The balance of granted rights to sell electricity certificates is measured at zero.

#### *Classification of balance sheet items*

Assets intended for long-term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

#### *Impairment of assets*

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and recoverable amount (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the recoverable amount.

Previous impairment charges, except write down of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

#### *Taxes*

Due to tax loss carry forward, all income taxes are classified as changes in deferred taxes. Taxes are not calculated for comparative figures.

## NOTE 1 – REVENUES

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

Clemens Kraftverk revenues for the third quarter and year to date 2021 is summarized below:

Revenues	Q3 2021	Q3 2020	Q1-Q3 2021	Q1-Q3 2020	Full year 2020
Power revenues	42 655	7 096	105 415	25 561	33 807
El-cert revenues	0	407	172	4 911	4 911
Other revenues	296	329	630	569	808
<b>TOTAL</b>	<b>42 951</b>	<b>7 833</b>	<b>106 217</b>	<b>31 042</b>	<b>39 526</b>

El-cert revenues are recognized at the time the certificates are realized. The balance of granted rights to sell electricity certificates is measured at zero. At the end of Q3 2021 Clemens Kraftverk holds an off-balance value of electricity certificates of NOK 0.8 million.

## NOTE 2 – NON-CURRENT LIABILITIES

Non-current liabilities consist of interest-bearing debt provided by financial institutions, issued bonds and intra group loans based on paid in capital in the parent company Clemens Kraft Holding. Loans from financial institutions are mostly provided as construction loans, converted into term loans upon completion of the asset.

The two bond loans issued by the Group are due in 2023 (NOK 150 million) and 2025 (NOK 325 million) respectively. Term loans from financial institutions are amortized over a period of 5-30 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 346 million of the liabilities are made by Clemens Kraftverk. The other agreements are made by Clemens Kraft Holding (parent).

Reference is also made to the Financing Highlights paragraph prior to the condensed interim financial statements in this quarterly report.

Sub-group	Amount	Loan
Clemens Kraftverk	1 105,0	Sub-ordinated
Clemens Kraftverk	475,0	Bond
Clemens Kraftverk	365,5	Term
CK Kraftholding Vest	305,7	Term
CK Kraftholding Vest	67,3	Construction
CK Kraftholding Midt-Norge	166,9	Term
CK Kraftholding Midt-Norge	310,4	Construction
CK Kraftholding Sør Vest	118,4	Term
CK Kraftholding Sør Vest	173,0	Construction
<b>TOTAL LOAN PORTFOLIO</b>	<b>3 087,2</b>	

## NOTE 3 – COST OF GOODS SOLD

One of the fall lease agreements says that the basis for fall lease can be negative. Negative fall lease will not be refunded from the landowners but carried forward and settled with future fall lease. The negative fall lease is an asset which only has its value through a future liability reduction with basis in transactions which as of the reporting period does not have incurred. Therefore, there is no basis for recognizing the asset.

The same principle is applied for prepaid fall lease and minimum payments where these can be deducted in future ordinary fall lease.

As of Q3 2021 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of NOK 55.9 million including accrued interest.

During the three first quarters of 2020 the effect of negative fall lease was recognized as reduced cost of goods sold. In Q3 2020 negative fall lease of NOK 23.6 million was recognized, including in the comparative figures.