



# CLEMENS KRAFTVERK

Q1 2024 INTERIM REPORT



CLEMENS KRAFT



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Front cover page: Brekkefossen power plant, intake area

Back cover page: Søråni power plant, penstock intake with safety valve

## CLEMENS KRAFT AT A GLANCE

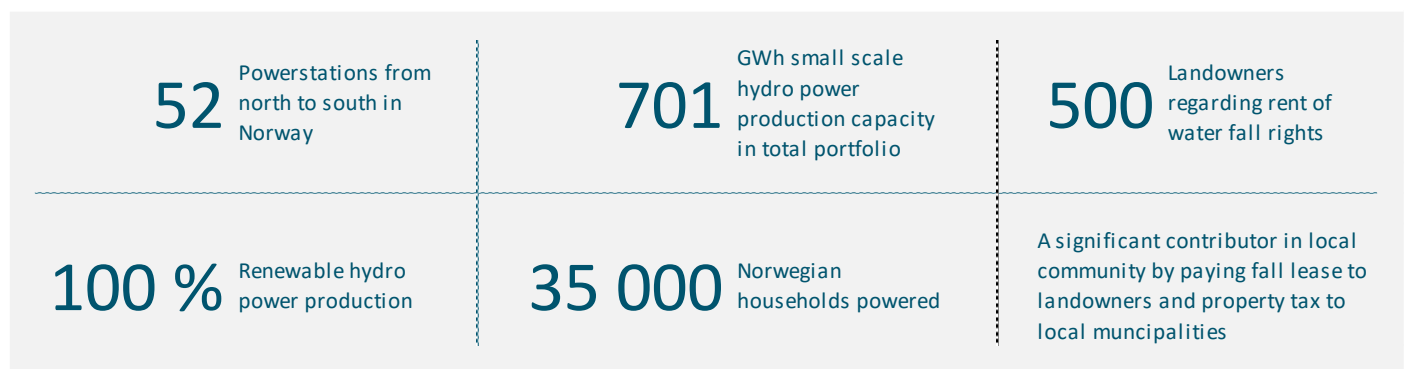
### OUR HISTORY

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

Clemens Kraft is based on the strong tradition of Norwegian hydropower with a long-term industrial perspective. The two solid owners are Opplysningsvesenets fond (Ovf) with 50.1% and CPV/CAP Pension fund of Coop Group Switzerland with 49.9% of the shares.

### OUR BUSINESS

Hydropower is a renewable and clean energy source that does not emit climate gases or pollute during production. Clemens Kraft provides 100% renewable energy from local small hydropower production facilities that use water from rivers and streams in the best way possible. To meet the growing demand for renewable energy and to achieve the governmental goal of net zero climate emissions by 2050, there is a need to develop more renewable energy while respecting the environment and biodiversity.



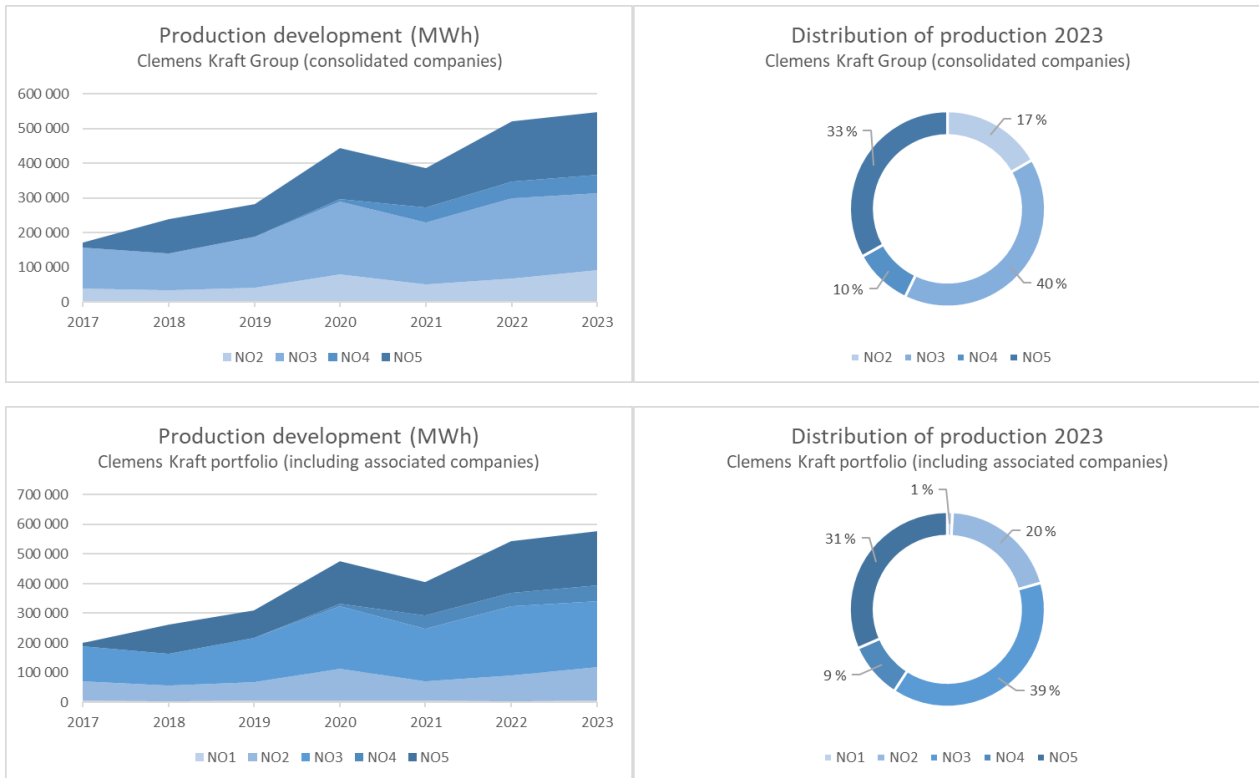
*Graphic includes gross values from all portfolio plants, including those owned by associated companies*

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

Clemens Kraft is following the regulations from the Norwegian Water Resources and Energy Directorate supporting principles of sustainable development. The sustainability approach is important with regards to both projects and production of power. The increasing risk of flooding and land slides due to an increase of heavy rainfall episodes, is part of the project planning and will be a mitigating factor for possible damages.

Requirements with regards to environment as minimum water flow and bypass of water is important to comply and will be of importance when planning, engineering and operation of the power plants. Clemens Kraft facilitate clean water and fishing hatchery when relevant.

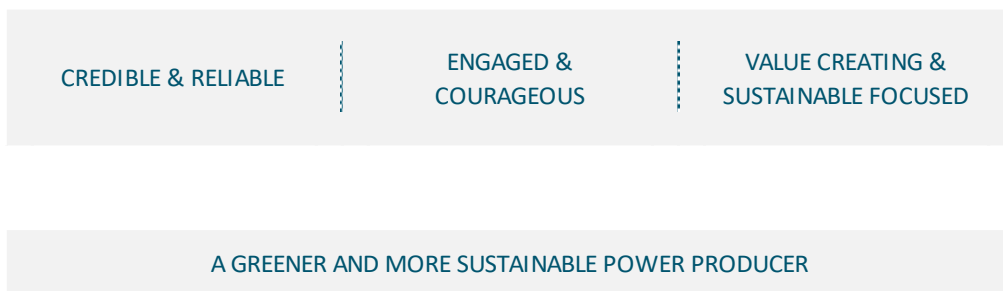
The 52 power plants are spread over all the five price areas in Norway and thus comprise a natural hedge against price volatility and natural production variations.



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

The team that operates the power plants has a strong focus on plant efficiency and low costs. The model where the team members split the different power plants among themselves and work in shifts to monitor them continuously, is very effective. There has also been an effort to reduce need for manual work by adopting digital solutions such as remote-control systems and automated trash rack cleaners. The focus on continuous improvement will carry on in 2024 and will remain a priority in the future.

## VALUES AND VISION



## RESPONSIBILITY STATEMENT

We confirm that the financial statements for the first quarter of 2024, 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.

Kristiansand, 30 May 2024

Board of Directors

(sign)	(sign)	(sign)
Ole-Wilhelm Meyer Chairman	Harald Kurt Siewert Deputy chairman	Hans Erik Horn Director
(sign)	(sign)	(sign)
Ulf Myrbø Director	Eldbjørg Sture Director	Oddleiv Sæle Director
	(sign)	
	Knud Hans Nørve Chief Executive Officer	

## FIRST QUARTER 2024

### OPERATIONAL HIGHLIGHTS

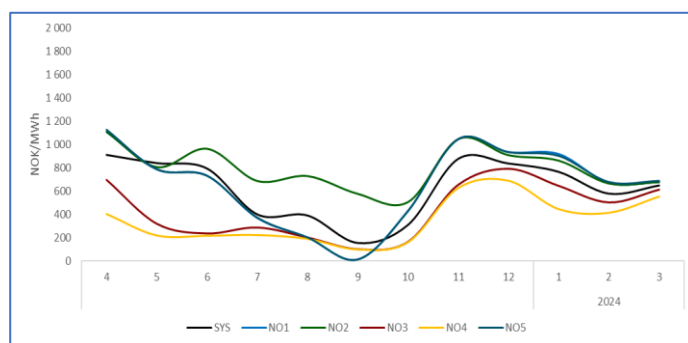
Clemens Kraftverk operated 52 plants as of Q1 2024, including five plants owned by associated companies. Total revenue for Q1 2024 was NOK 43.8 million (Q1 2023: 68.3 million).

The operating result for the quarter was NOK 1.5 million (NOK 20.3 million). EBITDA for the quarter was NOK 16.7 million (NOK 32.5 million). Net of financial items and tax the net loss ended at NOK 24.3 million (NOK 11.7 million) for the quarter.

During the first quarter of 2024 all price areas has converged towards each other. NO1, NO2 and NO5 has decreased, and NO4 has increased.

It has been a cold and slow start of 2024, however volumes has picked up to normalized levels during February and March.

Both volumes and power prices were higher in Q1 2023 than Q1 2024. Power production in Q1 (consolidated companies only) was 69.7 GWh (74.0 GWh).



As observed in 2023, the hour-by-hour and day-by-day volatility is high and is challenging for run-of-river plants such as Clemens Kraftverk operates, resulting in achieved prices lower than the average area prices.

Clemens Kraftverk is a substantial contributor to the local communities surrounding the plants. During the first quarter of 2024 the Group has accrued and recognized NOK 11.7 million in fall lease and property tax.

Achieved average prices for the quarter varies from NOK 0.45 per kWh to NOK 0.64 per kWh across price areas. In average, the achieved prices have strengthened significantly compared to 2023 in total, despite that the very high prices in certain areas have decreased. However, compared with Q1 2023 isolated the average achieved prices has decreased, driven by the decrease in NO2 and NO5. NO3 is approx. the same, whilst NO4 has increased.

Achieved price, NOK per kWh	NO1	NO2	NO3	NO4	NO5	Total
Q1	(n/a)	0,62	0,47	0,45	0,64	0,57

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

Compared with Q1 2023 interest expenses has increased. Most of the effect is related to underlying market rates. Reference is made to the following risk section and note 4 describing interest rate hedging – most of the swap agreements is made at Clemens Kraft Holding level meaning that Clemens Kraftverk to a larger extent is exposed to changes in interest rates than the group from a Clemens Kraft Holding perspective.

Subsequent of the fatal drowning accident occurred nearby one of Clemens Kraftverk's construction sites (involving third party civilians) in Q4 2021 Norwegian Water Resources and Energy Directorate and the police initiated parallel routine investigations. During first half of 2022 the police investigation was dropped, however during the fourth quarter 2022 the police investigation is re-opened. The group has and will continue to assist both the supervisory body and the police authorities in every way.

## RISKS AND UNCERTAINTY FACTORS

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

### *Hydrological risk*

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

### *Financial risk*

The 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 Q1 2024, the Group has a floating interest-bearing debt of NOK 1.63 billion. To reduce the risk exposure, the Group has entered into interest rate swap agreements from floating to fixed interest rates for part of the debt. However, some swap agreements are made by Clemens Kraft Holding (Clemens Kraftverk's parent company). For further information please refer to the accounting principles and note 4 to the financial statements below.

### *Market risk*

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

During 2023 the Group observes continued volatility due to higher influence of European power market development. This, combined with "bottle necks" in the domestic transmission grid have led to an increased spread in prices between the Norwegian power price area.

As the Group receives el-certificates and GoOs, it is also exposed to fluctuations in el-certificate and GoO prices.

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

### *Operational risk*

The most essential performance drivers in the development phase are the fall lease agreements with the fall right owners and the issuance of development concessions by NVE. These two permissions determine if projects are financially sustainable and can be developed. As for the construction phase, the essential drivers are the organization's competence and capacity to manage and execute projects. Moreover, the projects rely on high-standard suppliers offering quality products and services at an acceptable price. Lastly, in the operational phase, the most essential drivers are to have a technical and mercantile operating environment that ensures the highest production possible at a competitive cost supported by a control environment that ensures compliance with government requirements.

### *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.

In 2022 the resource rent tax increased from 37% to 45%. Clemens Kraft owns one plant subject to resource rent taxation which will be subject to any change in resource rent taxation rates. This tax rate increase directly impacted recognized values and impairments (recognized in 2023).

## CONDENSED INTERIM FINANCIAL STATEMENTS CLEMENS KRAFTVERK

## PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q1 2024	Q1 2023	Full year 2023
<b>OPERATING INCOME AND EXPENSES</b>				
Revenues	1	43 755	68 263	260 006
Other operating income	1	-23	-4 327	-1 349
<b>Total operating income</b>		<b>43 732</b>	<b>63 936</b>	<b>258 657</b>
Cost of goods sold	2	9 509	15 266	60 496
Depreciation		15 228	12 170	58 738
Impairment		0	0	116 054
Other operating expenses		17 503	16 203	72 167
<b>Total operating expenses</b>		<b>42 240</b>	<b>43 639</b>	<b>307 455</b>
<b>Operating result</b>		<b>1 493</b>	<b>20 297</b>	<b>-48 797</b>
<b>FINANCIAL INCOME AND FINANCIAL EXPENSES</b>				
Income on subsidiaries, associated companies and joint ventures		864	1 430	3 322
Interest income from group companies		0	0	0
Other interest income		517	812	7 711
Other financial income		0	26	3 876
<b>Total financial income</b>		<b>1 380</b>	<b>2 269</b>	<b>14 909</b>
Financial instruments measured at fair value		0	-70	-470
Interest expenses		29 033	26 887	120 494
Other financial expenses		583	3 454	5 261
<b>Total financial expenses</b>		<b>29 616</b>	<b>30 271</b>	<b>125 286</b>
<b>Net financial income and financial expenses</b>		<b>-28 236</b>	<b>-28 003</b>	<b>-110 377</b>
<b>Profit (-loss) before tax</b>		<b>-26 743</b>	<b>-7 705</b>	<b>-159 174</b>
Tax expense (-income)		-2 398	4 033	-87 104
<b>Profit (-loss) after tax</b>		<b>-24 345</b>	<b>-11 738</b>	<b>-72 070</b>
Profit/loss attributable to non-controlling interests		-1 476	-1 089	-4 089
Profit/loss attributable to owners of the parent		-22 869	-10 650	-67 981



## FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q1 2024	2023
<b>NON-CURRENT ASSETS</b>			
Concessions, fall and similar rights		360 742	363 024
Deferred tax asset		6 619	4 184
Goodwill		-28 550	-30 661
<b>Total intangible assets</b>		<b>338 812</b>	<b>336 547</b>
Property, plant and equipment	3	2 563 342	2 570 834
Machinery, office tools, fixtures and fittings		1 102	1 172
<b>Total fixed assets</b>		<b>2 564 444</b>	<b>2 572 006</b>
Shares in associated companies and joint ventures		26 293	21 637
Other non-current receivables	4	15 373	4 812
<b>Total financial non-current assets</b>		<b>41 666</b>	<b>26 449</b>
<b>Total non-current assets</b>		<b>2 944 922</b>	<b>2 935 002</b>
<b>CURRENT ASSETS</b>			
Trade receivables		8 712	10 418
Other current receivables		25 900	25 899
<b>Total current receivables</b>		<b>34 612</b>	<b>36 317</b>
<b>Cash and cash equivalents</b>		<b>106 745</b>	<b>155 298</b>
<b>Total current assets</b>		<b>141 357</b>	<b>191 615</b>
<b>Total assets</b>		<b>3 086 279</b>	<b>3 126 617</b>

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q1 2024	2023
<b>EQUITY</b>			
Share capital		282 402	282 402
Share premium		837 782	837 782
Other paid-in capital		3 023	3 023
<b>Total paid in capital</b>		<b>1 123 208</b>	<b>1 123 208</b>
Retained earnings		-283 761	-264 688
<b>Total retained earnings</b>		<b>-283 761</b>	<b>-264 688</b>
Non-controlling interests		31 647	33 123
<b>Total equity</b>		<b>871 094</b>	<b>891 642</b>
<b>LIABILITIES</b>			
Non-current interest bearing debt (credit institutions)	4	1 630 562	1 630 684
Bonds	4	0	325 000
Other non-current liabilities		1 368	1 343
<b>Total non-current liabilities</b>		<b>1 631 931</b>	<b>1 957 027</b>
Trade payables		12 322	10 162
Taxes payable		4 384	4 597
Public duties payable		6 588	0
Bonds		325 000	0
Other current liabilities		234 961	263 190
<b>Total current liabilities</b>		<b>583 254</b>	<b>277 948</b>
<b>Total liabilities</b>		<b>2 215 185</b>	<b>2 234 975</b>
<b>Total equity and liabilities</b>		<b>3 086 279</b>	<b>3 126 617</b>

Kristiansand, 30 May 2024

Board of Directors

(sign)  
 Ole-Wilhelm Meyer  
 Chairman

(sign)  
 Harald Kurt Siewert  
 Deputy chairman

(sign)  
 Hans Erik Horn  
 Director

(sign)  
 Ulf Myrbø  
 Director

(sign)  
 Eldbjørg Sture  
 Director

(sign)  
 Oddleiv Sæle  
 Director

(sign)  
 Knud Hans Nørve  
 Chief Executive Officer

## NOTES

### ACCOUNTING PRINCIPLES

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

The interim report does not include all information required in the annual financial statements. Therefore, the report should be read in conjunction with the Annual report for 2023.

#### *Revenues*

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

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

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

#### *Cost of goods sold*

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

#### *Classification of balance sheet items*

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

#### *Financial instruments – interest rate swaps*

Interest rates swaps are used as hedging instruments; however, hedge accounting is not applied. The financial instruments are recognized at the lowest of acquisition cost and fair value, meaning that negative fair value (mark-to-market value) is provided for, and unrealized gain is not recognized.

#### *Impairment of assets*

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

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

#### *Taxes*

Income tax on the profit for the period consists of current and deferred tax. Income tax is recognized in the income statement except for 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 considering 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.

Resource rent tax is calculated where applicable. Resource rent income is considered as income achieved on public resources and is therefore charged with additional taxes for the amount exceeding normalized returns.

Deferred tax is also calculated for resource rent tax, utilizing the same approach with temporary differences. As the resource rent tax is (from 2021) a cash flow based taxation the temporary differences for resource rent purposes is different compared with the ordinary corporate tax.

Deferred taxes are recognized at nominal values.

## NOTE 1 – REVENUES

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

Clemens Kraftverk revenues is summarized below:

Revenues	Q1 2024	Q1 2023	Full year 2023
Power revenues	39 941	63 671	234 304
El-cert / GoO revenues	3 814	4 592	25 703
<b>TOTAL</b>	<b>43 755</b>	<b>68 263</b>	<b>260 006</b>

El-certs and GoOs revenues are recognized at the time the certificates are realized. The balance of granted rights to sell certificates is not recognized. At the end of Q1 2024 Clemens Kraftverk holds an off-balance value of GoOs of NOK 1.8 million. The GoO relates to Q1 2024 production but is sold and transferred from Clemens Kraftverk subsequent of quarter end and thus recognized in Q2 2024.

High price contribution fee (references is made to the note regarding accounting principles) is included as a negative amount in other operating income with NOK 7.3 million for 2023 (not included in the table above). High price contribution fee was applicable for the months January to September, as the arrangement was terminated as of October 2023. Thus, no impact on 2024 figures.

## NOTE 2 – COST OF GOODS SOLD

Accrued fall lease as of Q1 2024 NOK 6.9 million.

The Group has a limited amount of accumulated negative fall lease. Negative fall lease has not been refunded from the landowners but carried forward and settled with future fall lease. The negative fall lease is an asset which only has its value through a future liability reduction with basis in transactions which as of the reporting period does not have incurred. Therefore, there is no basis for recognizing the asset.

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

As of Q1 2024 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of approx. NOK 4.9 million.

## NOTE 3 – FIXED ASSETS

In 2023 Clemens Kraftverk recognized an impairment of NOK 116 million related to Tokagjelet. NOK 110 million is related to fixed assets and NOK 6 million related to excess values from business combinations. The impairment is recognized with basis in an assessment and calculations according to the accounting principles disclosed in the notes to the interim report, made as of Q3 2023. Due to delays and challenges encountered into in the construction period, the total capital expenditure ended up higher than the original estimate. This, combined with the increase in resource rent taxation rate (from 37% to 45%) reduces the NPV of expected future cash flows compared with the original investment analysis. The impairment will, partly or in total, be reversed according to generally accepted accounting principles if and when there is no longer basis for the impairment.

## NOTE 4 – LIABILITIES

Interest-bearing debt is provided by financial institutions, issued bonds and intra group loans based on paid in capital in the parent company Clemens Kraft Holding.

Lender	Amount	Loan
Clemens Kraftverk	325,0	Bond
Clemens Kraftverk	1 622,0	Term
Heina Kraft AS	8,6	Term
Hynna Kraft AS	1,4	Sub-ordinated
<b>TOTAL LOAN PORTFOLIO</b>	<b>1 956,9</b>	

The bond issued by the Group is due in February 2025 and is therefore classified as a current liability as of Q1 2024. The issued bond has a fix interest rate.

NOK 203.1 million, not included in the table above, is provided from Clemens Kraft Holding to Clemens Kraftverk as a deposit in the group cash pool arrangement (classified and presented as current liabilities), where Clemens Kraftverk is the owner of the top account and the total cash balance.

The term loan from financial institutions to Clemens Kraftverk is divided in two tranches. In total, the amount due in 2027-2029 is as follows:

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

The term loan from financial institutions to Heina Kraft is amortized with monthly installments of NOK 40.5 thousand until it is fully repaid in 2041.

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

As of Q1 2024 Clemens Kraftverk has no liabilities under the interest rate swap agreements. The agreements have a positive off-balance MTM of NOK 34.8 million (unrealized gain).



