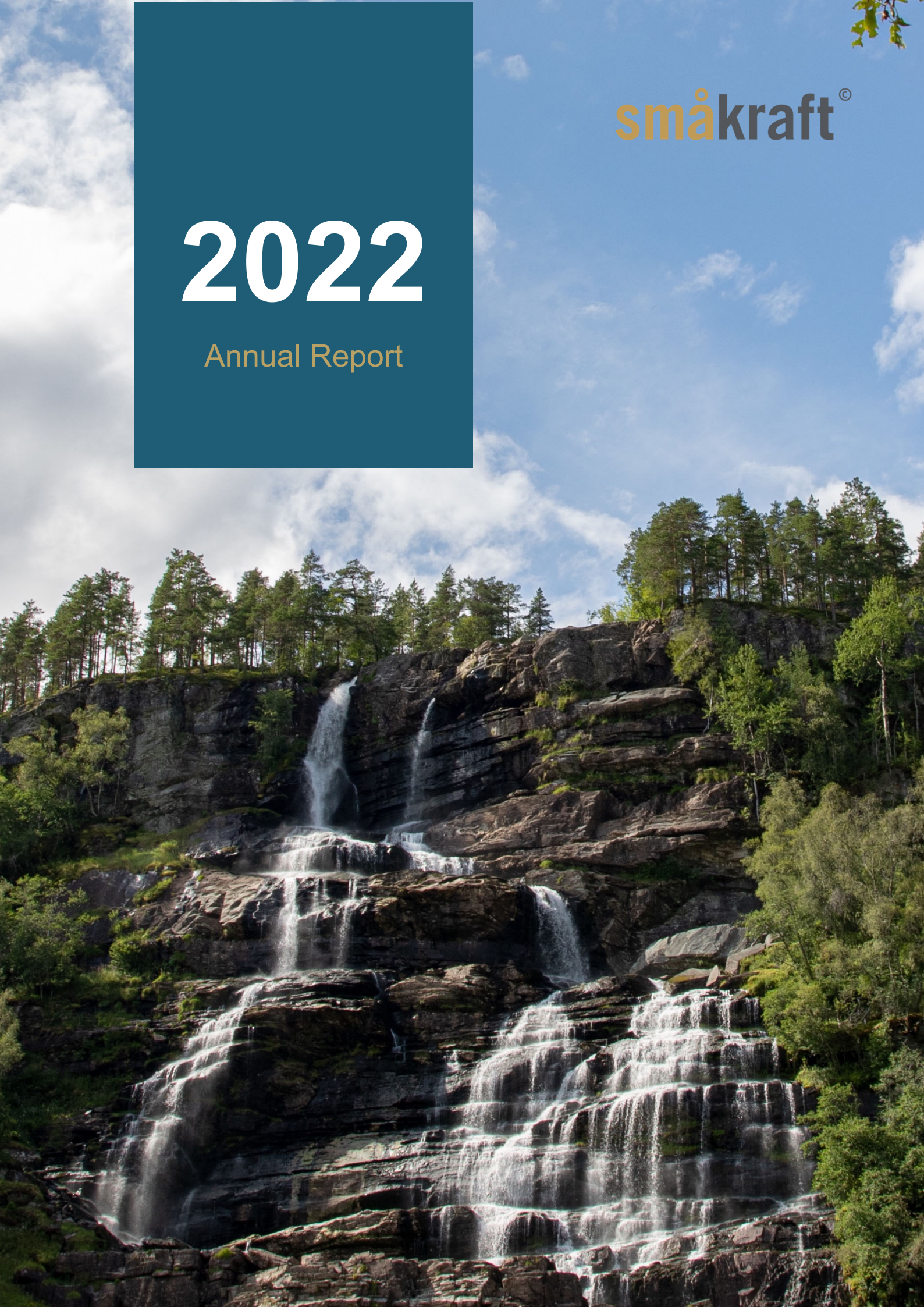


småkraft<sup>®</sup>

2022

Annual Report







## WHAT WE DO

**Småkraft is a producer of renewable energy.** Our fleet of 219 hydropower plants is spread across Norway and Sweden and delivers a mean annual production capacity of 2 TWh, making Småkraft the Nordic's largest owner and operator within its space.

**Small-scale hydropower borrows water** which naturally flow in the river and utilizes the topography of the landscape to produce renewable and sustainable electricity. A minimum water level is



maintained in the original river and the water used to produce electricity is returned once it passes through the turbine. The electricity grid transports and distributes our electricity out to consumers.

**The value created is shared** with our stakeholders including owners, creditors & debt investors, local landowners, local municipalities and local societies. For 20 years, Småkraft has invested in the generation of new renewable energy. Our contribution to one



of the biggest challenges of our time, the transformation to a renewable and sustainable society powered by renewable energy, is to continue our commitment to grow.

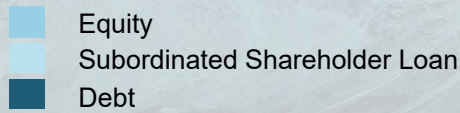
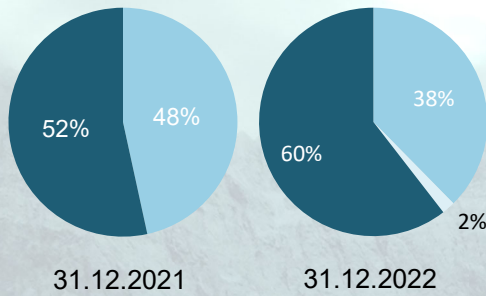




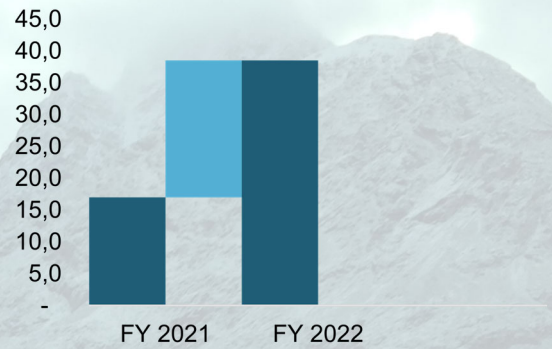


# SMÅKRAFT AT A GLANCE

**Equity ratio (book values) decreased because of unrealized hedge loss**

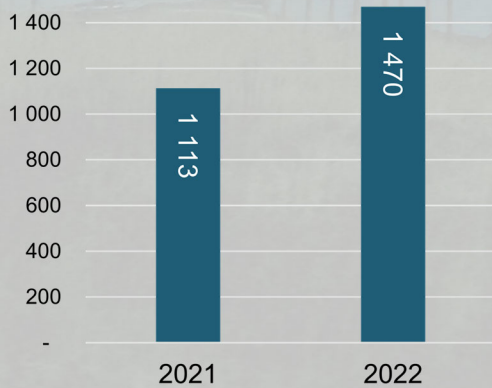


**Adj. EBITDA increased by 128% due to higher power prices and capacity growth**



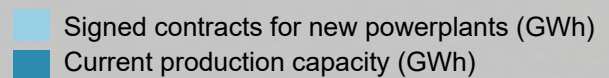
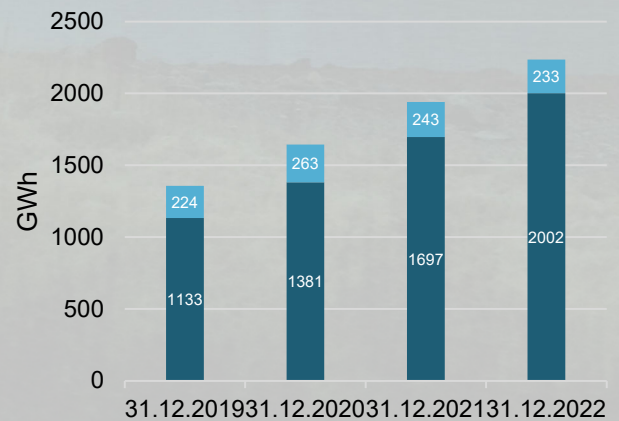
\*Adj. EBITDA = operating profit + impairments + depreciations + unrealized hedge gain or loss

**32% production increase compared to 2021**



Net production delivered to the grid, excluding grid losses, consumption, and bilateral agreements.

**2 TWh capacity reached end of 2022 in line with strategic goal**





# HIGHLIGHTS 2022



## Renewable Power Production

Higher production capacity of 305 GWh in 2022 through acquisitions and newbuild. Total production of 1,470 GWh in 2022, 32% higher than 2021.



## Sustainability

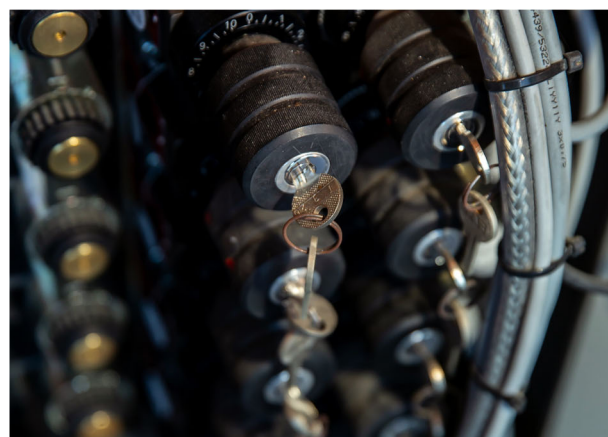
During 2022, Småkraft experienced no material Health, Safety and Environmental (HSE) incident. Småkraft reports sustainability in line with GRI and TCFD standards. Achieved 5 out of 5 stars in GRESB survey.



## Market update

Fueled by the war in Ukraine and Russian limitation on gas, the average monthly Nord Pool system prices increased from 50 EUR/ MWh in 2021 to 91 EUR/ MWh in 2022.

Limited interconnector capacity from the northern parts to the southern parts also gave significant price difference between the northern and southern price zones in Norway. The difference between the price zones has never been higher.



## Company Developments

During 2022, Småkraft acquired and constructed 55 powerplants, adding capacity of 305 GWh to the Småkraft production portfolio. 32 of the powerplants with a capacity of 54 GWh were acquired in Sweden.







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# CEO LETTER



Terje Vedeler,  
CEO Småkraft

**2022 was an extraordinary year in the power market and for Småkraft.**

The war in Ukraine halted European access to Russian gas. This resulted in an energy deficit in Europe. Energy security gained importance in most European countries. Volatile and high energy prices pose challenges to European households and businesses.

Norway and Sweden are connected to the European power market with interconnectors that transfer electricity between regions. Different parts of Norway and Sweden are not fully connected with sufficient grid capacity to transport electricity to the regions where the consumers demand electricity at any given time. A dry year with low precipitation in the eastern and southern parts of Norway and the southern parts of Sweden gave limited electricity supply in these regions. This situation combined with the large demand for electricity in the rest of Europe led to high electricity prices in these Nordic regions during 2022. In contrast, the northern parts of Norway and Sweden had a very strong hydrology and high production supply. Without sufficient capacity to transfer this electricity to the areas demanding the electricity, these regions experienced very low electricity prices.

Consequently, the Nordic electricity market was divided into two zones. The southern zones were seeing record high prices at European levels, while the northern zones were seeing prices close to zero for several months. While Småkraft has spread its power stations equally distributed in south and north, the power stations based in the south generated 88% of the total revenue, while the power stations in the north generated 12%.

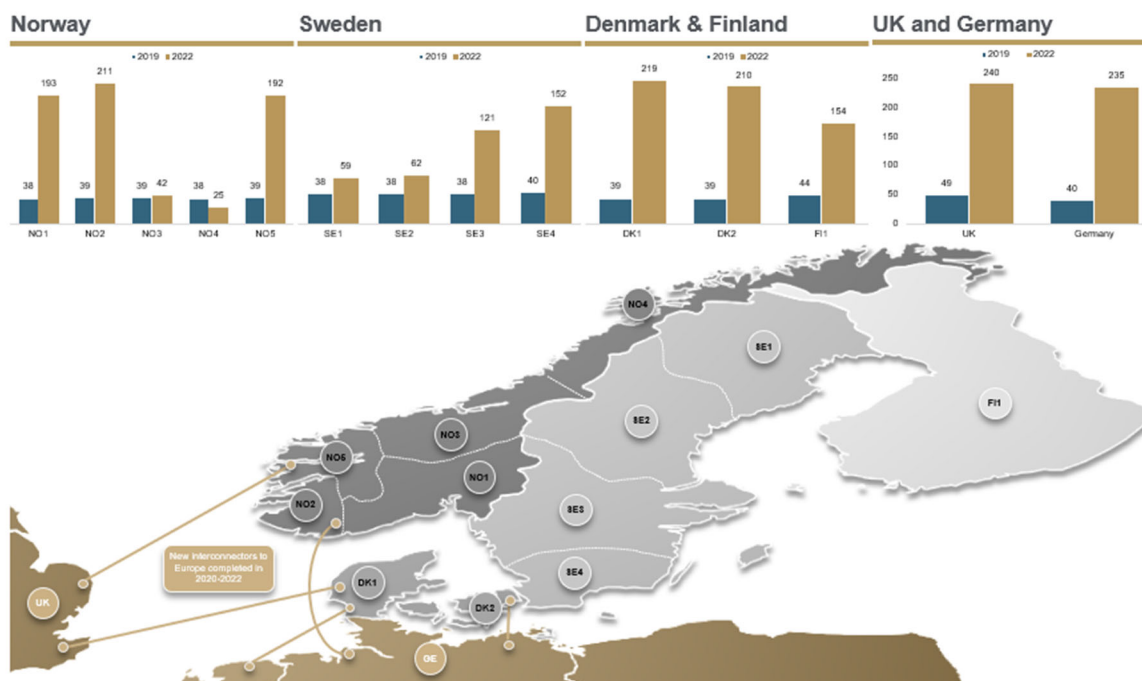


Figure 1: While some regions in the Nordic region experienced massive electricity price increases in 2022 compared to 2019, other regions faced some of the lowest electricity prices ever. Annualized prices in EURO/MWh. Source: Nord Pool.



Our landowner families were seeing the same, as some of them were facing increased revenue on their power stations with corresponding record land lease pay-outs. Other were facing deficits and low to zero- pay- outs. In total, Småkraft will pay out EUR 18 million in land-lease to its landowners for 2022. The fair revenue share model is the cornerstone of our operating model and partnering landowners.

Strong land-lease performance is directly interlinked with the financial performance for Småkraft. In total, Småkraft had a record year with its highest adjusted EBITDA ever. However, the large volatility, price differences and high prices gave significant hedge losses to Småkraft dampening our EBITDA.

**Successful achievement of growth objective**

Since 2017, Småkraft has had a long-term growth strategy to achieve 2 TWh of production capacity within the end of 2022. We are very proud that we managed to secure this goal. Reaching its 2 TWh goal, Småkraft has established itself as one of the major power producers in the Nordic region. It is also one of the companies to have added the most renewable energy capacity into the Nordic energy system over the last years.

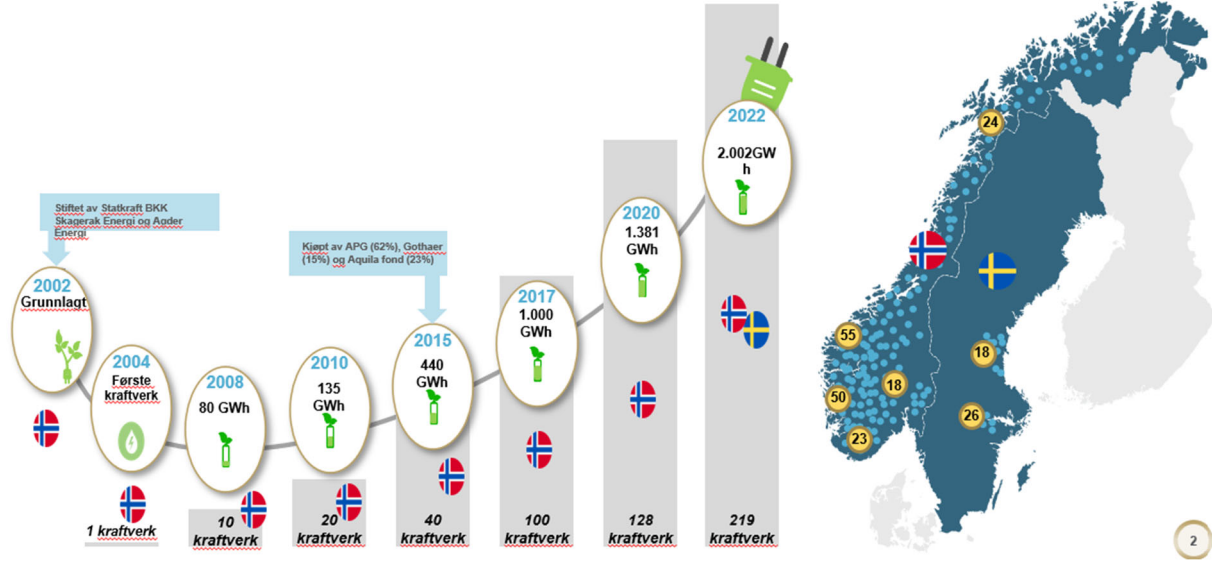


Figure 2: Since 2015, Småkraft has grown its portfolio from 440 to 2002 GWh. It is now established in two countries. Source: Småkraft AS

**Building on operational excellence**

We strongly believe that our operational performance is what differentiates us from others. Improved operational performance will give better financial performance yielding better returns for our investors. It will offer improved downside protection for our creditors as well. And it will pay better land lease returns to our land-owners. Finally, getting more electricity out of the natural resources available to us is probably one of the most sustainable ways to get more renewable energy.

Our operations are essential to meet these goals.

Our operational model is set up as a digital and physical loop between the local operators living next to our power stations, the internal Småkraft tech team and its local partners, and the centralised operations centre. During 2022, Småkraft invested significantly into this operational model. We have professionalised our operational centre with technological and human resources we did not have before. Our inhouse tech team has identified the best local and regional partners to perform modifications, upgrades and repair. We have invested in training and equipment for our local operators who are more professional than ever. And finally, we have invested in new equipment on power stations and upgraded several of these.



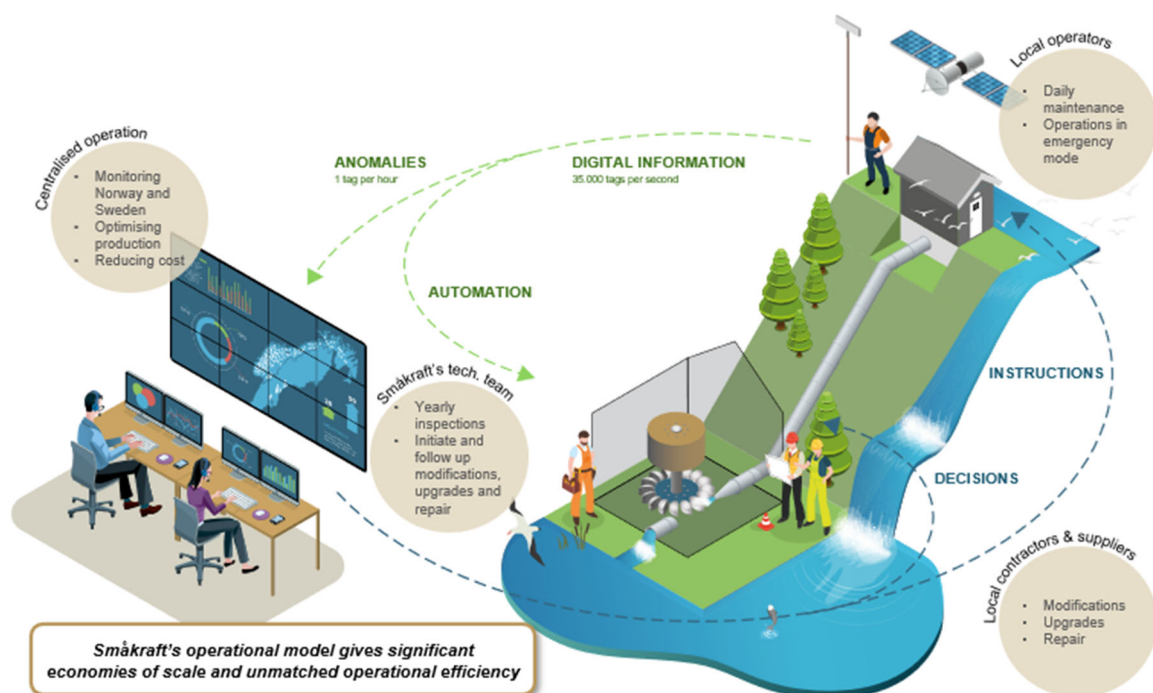


Figure 3: Småkraft's operational model consists of a digital and a physical loop. The digital loop goes automatically between various components in the power producing installation and to the operational centre. The physical loop goes from the centralised operational centre out to the internal tech. team, to local partners and to the operators. Source: Småkraft AS.

### Diversifying financing sources

New power stations demand large investments. Building renewable energy requires capital. Småkraft has a strategy to work closely with partners that offer competitive and responsible financing, both equity and debt. Småkraft has added a new financing source to our portfolio diversifying our debt maturities. This strengthens the financial prowess of Småkraft. Having built trust over the last ten years with financing partners such as specialized, local Norwegian banks, larger Nordic banks, institutional Nordic Green Bond Investors and large private debt investors offers diversified financing opportunities that help us achieve our goals.

## Corporate strategy

The mission of Småkraft is to create sustainable values for the next generation by investing, developing and operating small-scale hydropower plants.

Quality, Health, Safety and Environment Management are of critical importance to Småkraft, and we strive for high quality performance and safe and secure operations through continuous improvement programs. We aim for organisational robustness, zero injuries and failures, strong cyber and physical security, delivered by a competent and motivated workforce both at Småkraft and by our partners.

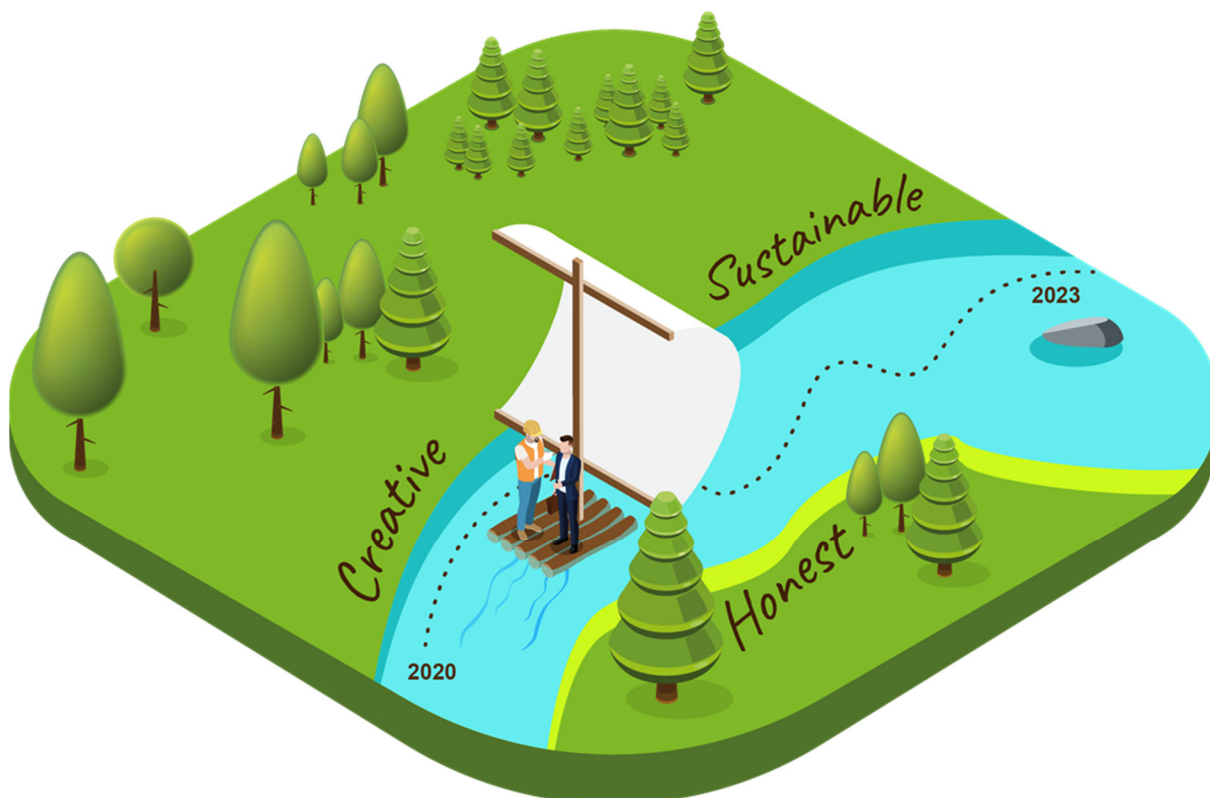
We have invested in an operational surveillance centre to operate our power plants, providing technological and management support to back-up operations. This integrated approach delivers tangible benefits, such as:

- Increased efficiency
- Reduced down-time
- Reduced costs
- Improved planning and security



## Core values

Småkraft has identified three Core Values that help define and lead our business.



### By Sustainable we;

- think and act long-term
- care about both local and global environment
- conclude our decisions on facts and knowledge
- prioritize security for our employees and business partners

### By Creative we;

- seek new and better solutions
- maintain proven processes
- create value added

### By Honest we;

- are consistent in our communication and share knowledge
- deliver as promised
- tell the truth

## Fit for the future

2022 was a very successful year for Småkraft. We reached our ambitious growth targets while we at the same time achieved record results. To continue our journey, we have successfully diversified our financing and invested in our operational model. Our knowledgeable employees and our great partners will use the financing and operations platform to continue working towards our vision: create more renewable values for the next generation.



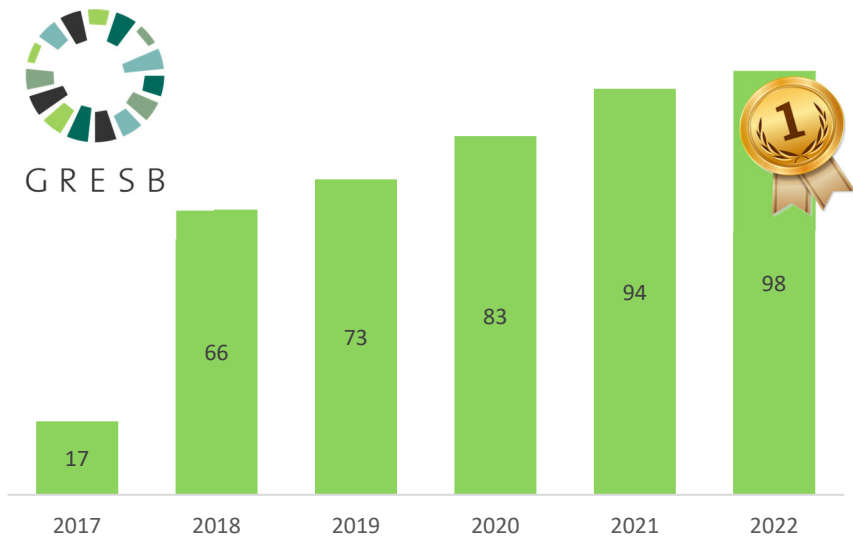




# SUSTAINABILITY

We describe how we work with sustainability in our Sustainability Report. We are proud that this work is recognized. During 2022, Småkraft has achieved the highest score in the annual ESG benchmark of the leading GRESB Infrastructure Asset Assessment within its peer group. Småkraft extends its trailblazing role within the industry for incorporating Environmental Social and Governance (ESG) matters and systematically reporting parameters. In the annual peer benchmarking, Småkraft receives the highest rating of 98 of 100 points, and once again achieves the highest score among participating hydro-power companies. GRESB Assessments are guided by what investors and the industry consider to be material issues in the sustainability performance of real asset investments.

### Leap of Småkraft to #1 among peers in past 6 years



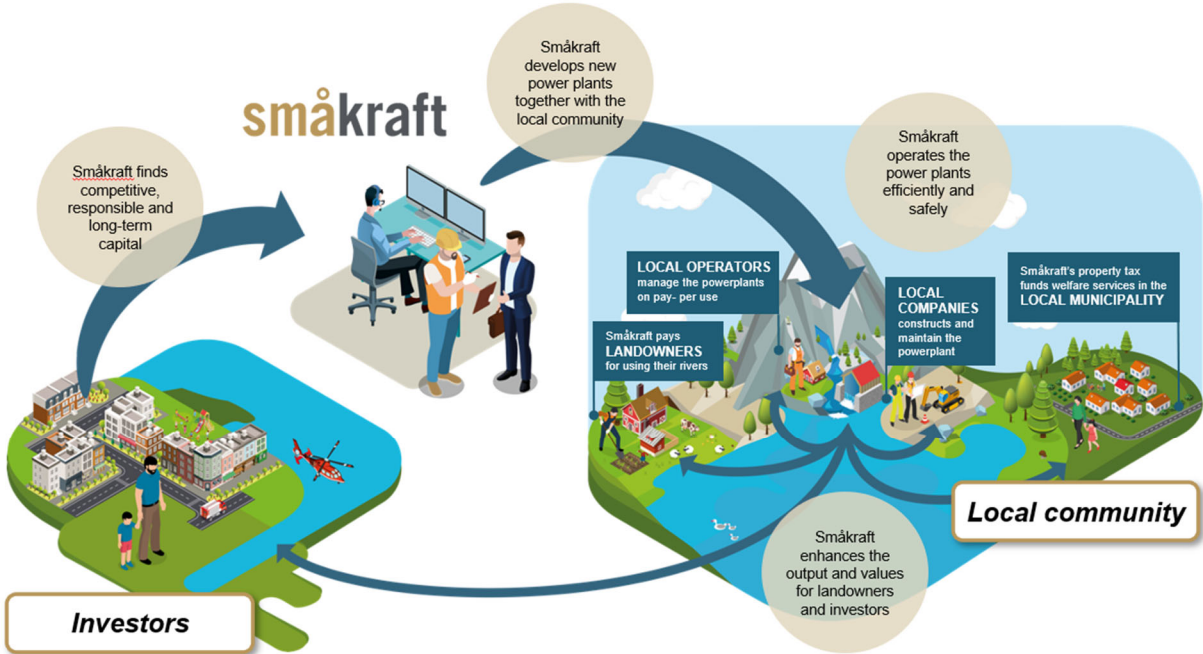
“The GRESB acknowledgment of Småkraft’s efforts is very exciting”, says CEO Terje Vedeler. “We are proud for this recognition of Småkraft’s operating model and how we interact with the environment and society around our power plants. The annual GRESB review helps us improve and communicate our business model in a transparent, objective and compelling way to those around us to understand how we work.”

Articulating one’s contribution to Environmental, Sustainability and Governance metrics is on the forefront of the industry, policy makers and investors. That participating in this objective assessment is increasingly becoming an important competitive advantage, is reflected in the growing number of participating assets and funds in the the GRESB assessment. The GRESB organisation performs annual evaluations of how well both large and small infrastructure companies around the world are faring on a set of sustainability indicators. The assessments are based upon internationally recognised reporting standards such as GRI, PRI, SASB, DJSI, TCFD recommendations, the Paris Accord and the UN’s Sustainable Development Goals in addition to national and regional guidelines. The extensive analysis reviews documented replies to a series of questions covering nearly 117.000 assets internationally.

For the fifth year in a row, Småkraft articulates its sustainability goals, how the firm refines the measurement of metrics and anticipates how climate change is to affect its operations in its annual Sustainability Report. As operator of over 200 small hydropower plants in Norway and Sweden, Småkraft’s generates renewable energy with small plants that blend in with the environment while partnering with local communities. Småkraft embeds objective and transparent sustainability metrics in its governance framework, while the firm publishes its Sustainability Report in accordance with the highest industry standards of the Sustainability and Climate Standards Global Reporting Standards (GRI) and Task Force on Climate-Related Financial Disclosures (TCFD). Furthermore, an assessment on the green EU- taxonomy is published.



# OUR BUSINESS



Småkraft's business model is to bring capital and competence forward to communities that own natural resources they want to utilize to create renewable energy. Our access to competence and capital combined with the commitment from the communities give us a unique position to create long-term partnerships between long-term investors and the communities around our installations.

We enter long-term lease contracts with the landowners who own the rights to utilize the rivers as part of their property. During this lease period, Småkraft operates the power stations as safe, efficient and sustainable as possible. The profits we generate are shared between Småkraft and the landowners in line with the contract. After the land-lease period is finalized, the landowners have the rights to get the power station back at predefined terms.

During the operational phase, the power stations feed electricity into the grid. The grid transfers the electricity to the consumers.



# SMÅKRAFT BOARD OF DIRECTORS



**Annette Malm Justad**  
Chair

- Master in Technology Management and Master in Chemical Engineering
- More than 25 years of operational experience from Yara and Norsk Hydro, including shipping, and as CEO of listed EMS ASA. Today, chair and board member of several listed and private companies



**Claudia Ahnert**  
Board member

- Degree in law from TU Dresden
- 7 years of experience with hydropower as an Investment Manager at Aquila Capital
- 15+ years of experience from the legal sector, financial industry and renewables



**Oldrik Verloop**  
Board member

- LL.M. in Dutch Civil Law, Leiden University and MBA from St. Gallen University
- 9 years at Aquila Capital until 2018, Co-Head of hydropower and with asset management roles
- Advisor and board member to international private companies



**Christian Heidfeld**  
Board member

- MSc in Management and Technology from TU Munich
- 5 years experience within hydropower as Head of Asset Management Hydropower at Aquila Capital
- 9+ years of experience in advisory, financial industry and renewables



# SMÅKRAFT MANAGEMENT TEAM



**Terje Vedeler**  
CEO

- MSc in Hydropower Engineering from Norwegian University of Science and Technology
- 30 years of experience in leading positions in companies as Framo, FMC, Aker Solutions and Frydenbø Industrier



**Erik Røysem Sterud**  
CFO

- Certified Public Accountant, Master of Accounting and Auditing, Norwegian School of Economics and Dipl. Kaufm. Business and Administration from the University of Passau
- 7 years as CFO at Småkraft and Norsk Grønnkraft
- 6 years at PWC within auditing, accounting, tax and law



**David Inge Tveito**  
COO

- MSc in Electrical Energy Engineering from Norwegian University of Science and Technology
- 20 years of experience in energy companies such as Statkraft, Scanenergy and Captiva



**Bjarte Skår**  
CCO

- 21 years as head of hydro in Brødrene Dahl AS
- 2 years as CEO of Hywer



# CORPORATE GOVERNANCE REPORT

The corporate governance statement clarifies the distribution of roles between the owners, the board and the management in the company.

Efficient and transparent management and control of the business forms the basis for creating long-term value for the owners, employees, other stakeholders and society in general, and as a result, contributes to sustainable and lasting value creation. The distribution of roles inspires confidence among stakeholders through predictability and credibility. Open and accessible communication from the company ensures that the Group maintains a good relationship with society in general and with all stakeholders affected by the company's activities.

## Corporate governance statement

Småkraft AS is the parent company for an underlying Group structure, the Småkraft Group. Småkraft adheres to the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership.

Småkraft is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act.

The company's annual report includes a statement on corporate responsibility.

## Business

The objective of Småkraft AS, alone, or through participation in, or cooperation with other companies, is to operate, maintain, and optimize energy facilities, conduct physical and financial energy trading, and perform naturally related operations. Growth is handled through acquisitions and turnkey contracts, and Småkraft AS is registered in Norway and its management structure is based on Norwegian company legislation. Småkraft is also subject to the Norwegian Securities Trading Act and stock exchange regulations associated with the company's debt obligations.

## Equity and dividends

Småkraft AS' share capital totals NOK 245,513,250 divided among 4,910,265 shares of NOK 50 each. Capital increases are processed through the General meeting of shareholders in Småkraft AS. The Companies Act states that the general meeting cannot adopt a higher dividend than that proposed or accepted by the Board of Directors.

The Board of Directors maintains a continuous focus on adapting the company's objectives, strategy and risk profile to the company's capital situation. Småkraft's investments are financed through a combination of retained capital, borrowings and any new equity contributed by the owner.

## Equal treatment of shareholders and transactions with related parties

Småkraft engages in some transactions with companies that are closely related to Småkraft's shareholder. All transactions are based on regular commercial terms and principles.

The instructions to the Board of Directors state that neither board members nor the CEO may participate in the processing or resolution of issues that are of substantial personal or financial interest to them or closely related parties. Any persons in such a situation must, on their own initiative, disclose any interest they or their closely related parties may have in the resolution of an issue.

## General meetings

The owners exercise their authorities in the General Meeting of Småkraft. Before the general meetings the Board of Directors decides in matters assumed to be of significant importance for the purpose of the enterprise/company, or which will significantly change the character of the activities.

## **Nomination committee**

Småkraft AS has no nomination committee. The election of the board members appointed by the owners in Småkraft AS will take place in the general meeting.

## **Board of directors: composition and independence**

Småkraft AS has four board members. The goal is for the board to collectively represent the desired expertise based on the company's objective, business area, challenges and the owners goals.

## **The work of the board of directors**

The Board of Directors usually meets eight to ten times a year. The Chair of the Board of Directors will call for board meetings as often as is required. The Board of Directors has stipulated board instructions with guidelines for the work and case processing of the board. The instructions also cover the CEO. The instructions define the work scope, duties and authorities of the CEO in more detail than follows from the legislation.

The Board of Directors prepares an annual agenda for its work, with a special emphasis on goals, strategies and implementation. The Board of Directors informs the boards of subsidiaries of matters of potential significance for the subsidiary in question. The Board of Directors evaluates its own performance and expertise annually.

The board's Audit Committee comprises three of the Board of Director's members. The committee functions as a preparatory body for the board's management and supervision work, and at least one member of the Audit Committee shall have experience in accounts management, financial management or auditing.

## **Risk management and internal control**

The internal control concept includes compliance with the company's value base and guidelines for ethics and corporate responsibility. Risk management is an integral part of all activities across the organisation and of the decision-making process. It supports the decision makers to prioritise their actions. Managers at all levels of the organisation are responsible for appropriate risk management. Risk management is regulated by mandates, requirements and guidelines. Follow-up of risk and risk management are incorporated in the daily business operations.

Risk management and internal control are integral parts of the Board of Directors work. To ensure that Småkraft has suitable and efficient systems in place for risk management and internal control, the Board of Directors shall:

- Review the Group's most important risk areas.
- Ensure that the systems are adequately established, implemented and followed up, e.g. through processing of reports submitted to the board by the CEO.
- Ensure that risk management and internal control are integrated in the Group's strategy and business plans.

Furthermore, the Board of Directors shall ensure that the CEO has:

- Stipulated instructions and guidelines for how the Group's risk management and internal control will be carried out in practice.
- Established adequate control processes and functions.
- Ensured that Småkraft's risk management and internal control are carried out, documented, monitored, and followed up in a prudent manner.
- The Group's CFO is responsible for the process for Internal Control in the Financial Reporting (ICFR) in Småkraft.

## **Remuneration of the board of directors**

The Board of Directors do not get remunerated for their work as Directors by Småkraft AS.

## **Information and communication**

The Board of Directors has stipulated guidelines for financial reporting and other information. Småkraft AS publishes its annual financial statement. Each year, Småkraft AS releases two interim reports and one annual report.

The financial calendar, press releases and stock exchange notices, interim reports and annual reports and other relevant information are published on Småkraft's website.



Småkraft emphasises transparent communication with all stakeholders. The information the company provides to its owners, lenders and the financial markets in general shall provide sufficient details to permit an evaluation of the company's underlying values and risk exposure. The owner and the financial markets shall be treated equally, and information shall be communicated in a timely manner.

## **Auditor**

The General meeting appoints the auditor based on the Board of Directors proposal and stipulates the auditor's fee. The auditor serves until a new auditor is appointed.

The Board of Directors and the auditor hold at least one meeting annually where the CEO and other Group executives are not present. The Audit Committee evaluates the external auditor's independence and has established guidelines for use of the external auditor for consultancy purposes.

As part of the ordinary audit, the auditor presents an audit plan to the Audit Committee including a summary of the audit from last year. The auditor reports in writing to Småkraft's Audit Committee concerning the company's internal control, applied accounting principles, significant estimates in the accounts and any disagreements between the auditor and the administration. The Board of Directors is briefed on the highlights of the auditor's reporting. At the end of the audit the auditor performs a summary meeting with the Audit Committee.

# REPORT FROM BOARD OF DIRECTORS

Småkraft AS (the “Company”) is the ultimate parent of the Småkraft Group, comprised of the Company and its subsidiaries (the “Group”). Småkraft is a power generation company, which invests, develops, and operates small-scale, hydropower plants in cooperation with local landowners.

Småkraft is headquartered in Bergen, Norway, with presence in Harstad, Flatanger, Lillestrøm, Sandnes, Oslo and Uppsala., The Group employs 31 people. Småkraft’s power plants are located in all price zones in Norway and in the two zones in Sweden.

Småkraft was established in 2002 and celebrated its 20th year anniversary in 2022 as the largest small scale hydropower company in Norway. By year end of 2022, Småkraft had 219 operating hydropower plants (161 at year end 2021), with a total accumulated production capacity of 2,002 GWh (1,697 in 2021).

Småkraft is a limited liability company incorporated in Norway with its registered address at Solheimsgaten 15 in Bergen, Norway. The Company is tax resident in Norway. Information related to shareholders can be found at Note 21 and Related parties at Note 25.

## Equity and shares

The Group had a book equity of EUR 352 million and a book equity ratio of 38% as of 31 December 2022.

The Company has only one class of ordinary shares. Each common share in the Company carries one vote, and all common shares carry equal rights, including the right to participate in General Meetings. All shareholders are treated equally.

The shares and negotiability section of the Corporate Governance Report details the transferability of common shares.

The number of ordinary shares issued in Småkraft AS as of 31 December 2022 is 4,910,265.

## ESG and Quality

In total, Småkraft has acquired and constructed 56 power stations that add 305 GWh annual capacity to the Småkraft portfolio during 2022. Furthermore, Småkraft managed to maintain and expand its pipeline of power stations it constructs together with its partners. Småkraft signed contracts that add 233 GWh of renewable energy over the next couple of years, and it has a significant pipeline of further projects it works hard to mature to formal investment decisions.

The Småkraft business model creates significant value for multiple stakeholders. Småkraft will pay out close to EUR 18 million in land lease based on the 2022 results.

Småkraft maintained good performance on key quality indicators. Short term sick leaves have been stable below 2,0% the last years. Småkraft monitors incidents that lead to lost time of work for both employees and its partners/ suppliers. During 2022, Småkraft experienced 3 incidents that led to lost time. All the incidents were minor.

Collaborating with turnkey contractors with robust ESG practices is essential for sustainable and responsible operations in the small-scale power industry. Småkraft is working on the implementation of the Transparency Act and associated due diligence assessments and reports. This work will be completed during the first half of 2023. The company has already implemented the Transparency Act's requirements in our internal governing documents. We are currently working with our suppliers to obtain documentation that our requirements are met by our suppliers. When the work is completed, Småkraft's report will be published on our website.

Please refer to Småkraft's Sustainability Report 2022 for further details about ESG and social responsibility in general.



## Work environment and personnel

Småkraft AS seeks to be an attractive employer focused on employee retention and maintaining a good working environment. We believe that diversity of background, interests and knowledge is important to form the most varied and best possible competencies to solve the tasks we face. Any form of racism or discrimination is unacceptable in Småkraft.

The Småkraft Group is committed to provide equal opportunities for men and women. The company acknowledges that women are under-represented in the company, as well as in the industry. The power sector in general, and specifically the small- scale hydropower sector, has over time been dominated by men. Småkraft has an ambition to work against this imbalance, and we encourage women to apply for positions with the company. We do not practice allocation by gender quotas when recruiting new employees, but have received applications from highly qualified female applicants. Two out of five new employees in Småkraft in 2022 are female. In total, 20% of Småkraft's full time employees are female. The Board has four Directors, out of which two are female. The chair is female.

## Outlook

The forward prices in the energy market indicate that power prices will remain high in 2023. The production is expected to increase in line with full year production from power plants acquired in 2022 and new plants coming on stream in 2023. The Småkraft Group pursues a growth strategy and intends to invest further in new production capacity over the next years.

During 2022, Småkraft has continued to look for operational improvement and explore growth and diversification opportunities. We have initiated projects to ensure that we adapt to changes in the energy market. Småkraft strives to be competitive in what we do and to be resilient to external factors affecting the firm.

## Financial Reviews

### Consolidated Accounts

(Comparable figures in brackets)

Småkraft's financial statements are presented in EUR. However, the functional currency of the company is NOK. Småkraft's financial statements is therefore affected by currency exchange fluctuations between NOK and EUR.

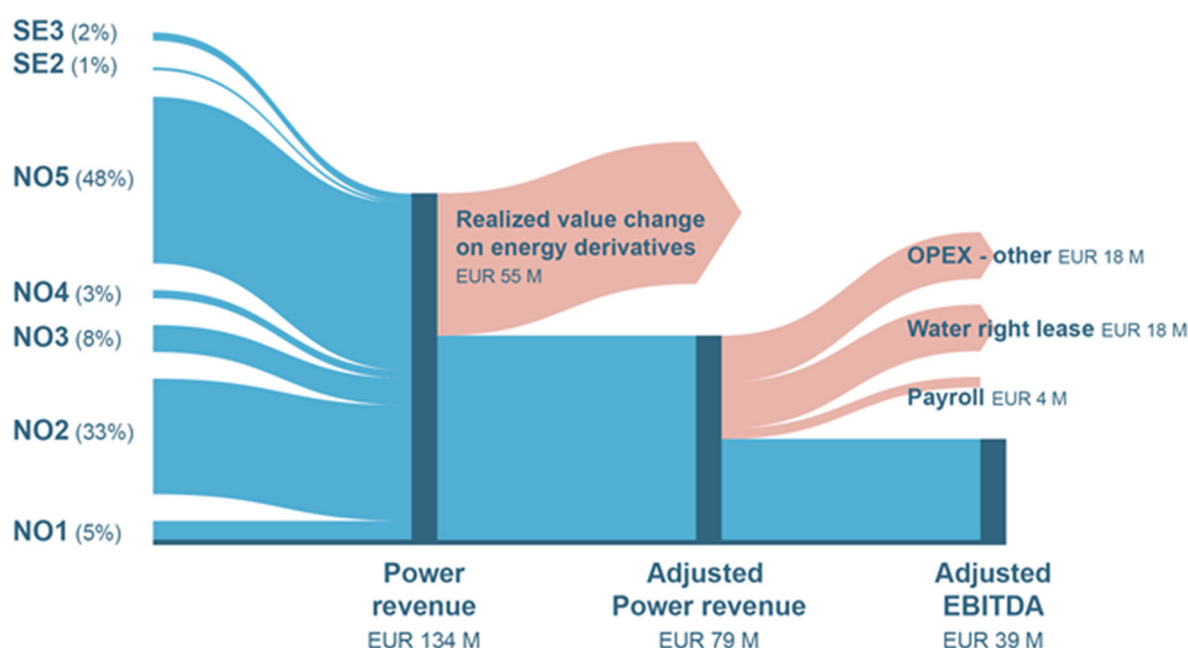
### Key metrics

Amounts in EUR thousand	2022	2021
Power revenue	133 559	56 168
Profit (loss) before tax	-84 340	-20 138
Cash flow from operations	38 581	20 806
Production volume GWh	1 470	1 113
Avg. prices (EUR / MWh)	91	50

### Alternative Performance Measures – APM ref note 8.

Amounts in EUR thousand	2022	2021
Adjusted Power revenue	78 651	36 644
Adjusted EBITDA	38 513	17 464
EBITDA	-44 780	-15 933

## Alternative Performance Measures FY 2022 - illustrated.



## Income Statement

Småkraft generated power revenue of EUR 134 million in 2022 (EUR 56 million), an increase of EUR 78 million or 139%. The increase is explained by higher power prices as well as a 18% higher production- capacity.

Production was 1470 GWh, an increase of 32% compared to 2021. Average obtained spot prices per MWh increased with 68% to 103 EUR / MWh in 2022 compared to 2021. Småkraft has production in seven different price areas in Norway and Sweden, and the obtained spot prices per MWh varied significantly between the price areas. For Småkraft, 2022 resulted in an obtained average spot price of 91 EUR / MWh for the year.

In 2022 the mark to market valuation of energy derivatives hedging about 1/4 of the expected production for 2023 and 2024 caused an unrealized value change of EUR 83 million (EUR 33 million). According to IFRS, these future hedge contracts (to be realized in the years to come) are recognized in the Financial Statements at market value at year end. However, production and revenue are not recognized before the date of production.

Småkraft is focusing on selected Alternative Performance Measures (APMs) to measure performance from operational activities. Note 8 of this report details these APMs. Adjusted power revenue showed an increase of 115% for 2022 compared to 2021 underlining the impact of higher production and power prices in 2022.

Payroll and related costs increased from EUR 3 million to EUR 4 million in 2022 mainly due to increase in number of employees and personnel cost. Depreciation for 2022 was EUR 21 million (EUR 16 million). The increase is explained by a material growth in number of powerplants by acquisitions and new builds during 2021 and 2022. The growth has also a direct impact on the increase in other operating expenses from EUR 19 million to EUR 39 million in 2022, of which EUR 13 million is increase in expensed land lease cost.

The operating loss for 2022 was EUR 66 million (EUR 32 million). Excluding unrealized value change on energy derivatives Småkraft would have reported an operating profit of EUR 18 million (EUR 2 million). Adjusted EBITDA excluding same MTM adjustment is EUR 39 million (EUR 17 million).

Net financial items for 2022 reported a loss of EUR 19 million in 2021 net financials reported a profit of EUR 12 million. The main explanation is currency development EUR / NOK and the fact that the majority of long-term financing is granted in EUR. Disagio on borrowings is in 2022 EUR 16 million, compared to a positive agio in 2021 of EUR 13 million.

Income tax income reports to EUR 13 mill (EUR 4 million).

Total comprehensive income 2022 was a loss of EUR 89 million (EUR 5 million).



## Balance sheet

Consolidated total assets as of 31 December 2022 amounted to EUR 936 million (712 million).

Total non-current assets amounted to EUR 809 million (EUR 663 million).

Current assets amounted to EUR 127 million (EUR 48 million).

Total equity amounted to EUR 352 million (EUR 339 million) an increase of EUR 13 million. The equity ratio was 38% (48%).

Total liabilities amounted to EUR 584 million (EUR 373 million), reflecting an increase in interest bearing borrowings of EUR 211 million. Net interest bearing debt amounts to EUR 319 million (EUR 281 million).

## Cash flow

Cash flow from operating activities amounted to EUR 39 million (EUR 21 million) underlining improved underlying positive operational performance in 2022.

The cash outflow from investing activities amounted to EUR 109 million (EUR 115 million), mainly due to investment in new power production capacity either as acquisitions of operating companies or new builds.

The cash inflow from financing activities amounted to EUR 143 million (EUR 117 million). The shareholders contributed new capital of EUR 105 million (EUR 146 million). The Group received inflows from loan raising of EUR 128 million (EUR 56 million) and paid EUR 83 million (EUR 66 million) in instalments on credit facilities and leases. Dividends of EUR 6 million (EUR 19 million) were paid to the shareholders.

## Critical accounting estimates

The Group makes estimates and assumptions concerning the future. These estimates are based on the actual underlying business, its present and forecasted profitability over time, and expectations about external factors such as power prices, interest rates, foreign exchange rates and other factors which are outside the Group's control.

The resulting estimates will, by definition, seldom equal the related actual results. There is use of judgement in the considerations related to recognition of deferred tax asset for tax losses carried forward, and considerations related to contingent liabilities. Please refer to Note - 3 Critical accounting estimates and judgements in the Consolidated Financial Statements for further information.

## Småkraft AS - parent company accounts

Småkraft AS is owning close to half of the Group's power plants and all Norwegian employees of the Group.

Småkraft AS generated power revenue of EUR 61 million in 2022 (EUR 31 million), an increase of EUR 30 million or 99%. The increase is explained by higher power prices as well as a higher production volume.

Småkraft AS has production in all price areas in Norway.

In 2022 the mark to market valuation of energy derivatives hedging about ¼ of the expected production for 2023 and 2024 caused an unrealized value change of EUR 83 million (EUR 33 million). Småkraft AS is the only company in the Group selling forward power. According to IFRS, these future hedge contracts (to be realized in the years to come) are recognized in the Financial Statements at market value at year end. However, production and revenue are not recognized before the date of production.

Småkraft AS is focusing on selected Alternative Performance Measures (APMs) to measure performance from operational activities. Note 8 of this report details these APMs. Adjusted Power revenue showed a decrease of 45% for 2022 compared to 2021 explained by the impact of changes in realized value change on energy derivatives in 2022.

Payroll and related costs increased from EUR 3 million to EUR 4 million in 2022 mainly due to increased number of personnel and higher hired personnel cost. Depreciation for 2022 was EUR 8.4 million (EUR 8.5 million). The growth in the group as such has also a direct impact on the increase in other operating expenses from EUR 11 million to EUR 18 million in 2022.

The operating loss for 2022 was EUR 107 million (EUR 42 million). Excluding unrealized value change on energy derivatives Småkraft AS would have reported an operating loss of EUR 23 million (EUR 9 million). Adjusted EBITDA excluding same MTM adjustment is a loss of EUR 15 million (EUR 0 million). The effects of all value changes related to energy derivatives in the Group, is incurred in Småkraft AS since all forward contracts have been entered into by Småkraft AS on behalf of the Group.

Net financial items for 2022 reported a loss of EUR 7 million. In 2021 net financials reported a profit of EUR 14 million. Main explanation is currency development EUR / NOK and the fact that the majority of long-term financing is granted in EUR. Disagio on borrowings is in 2022 EUR 14 million, compared to a positive agio in 2021 of EUR 12 million.

Income tax income reports to EUR 25 mill (EUR 6 million).

Total comprehensive income 2022 was a loss of EUR 104 million (EUR 12 million).

### Balance sheet

Total assets as of 31 December 2022 amounted to EUR 727 million (631 million).

Total non-current assets amounted to EUR 656 million (EUR 608 million).

Current assets amounted to EUR 71 million (EUR 24 million).

Total equity amounted to EUR 322 million (EUR 324 million) a decrease of EUR 2 million. The equity ratio was 44% (51%).

Total liabilities amounted to EUR 405 million (EUR 307 million), reflecting an increase in interest bearing borrowings of EUR 98 million. Net interest bearing debt amounted to EUR 194 million (EUR 248 million).

### Cash flow

Cash flow from operating activities amounted to EUR - 6 million (EUR 7 million).

The cash outflow from investing activities amounted to EUR 56 million (EUR 152 million), mainly due to investment in new power production capacity either as construction of new plants or acquisitions of operating companies. Inflow from dividend from subsidiaries is reducing net outflow by EUR 53 million in 2022 (EUR 3 million).

The cash inflow from financing activities amounted to EUR 109 million (EUR 151 million). The shareholders contributed new capital of EUR 105 million (EUR 124 million). Received inflows from loan raising of EUR 18 million (EUR 56 million) and paid EUR 8 million (EUR 29 million) in instalments on credit facilities and leases. Dividends of EUR 5 million (EUR 0 million) were paid to the shareholders.



# Risk review

## Operational risk factors

Risk management is important for the value creation and is an integral part of the business activity in Småkraft Group AS.

The company's result will be influenced by changes in power prices, climate and weather changes, and changes in currency exchange rates & interest levels.

Significant volume, price, and foreign currency exchange risks are associated with the production and sale of electric power. Only a few of the Småkraft AS power plants have reservoirs, and unregulated power production is more exposed to fluctuations than regulated production of electric power.

Hydrology and power prices remain the main risk factors for the upcoming periods.

The war in Ukraine led to extremely volatile and high power prices during 2022 and likely also for 2023 onwards. The Nordic Commodity markets for power have been less liquid than normal. Less liquid markets make financial hedging activities challenging. Småkraft halted its hedging activities during the summer 2021, and during 2022 Småkraft has only adjusted its current hedges to match its production volatility during the year better.

Increased future power prices increases indirectly unrealized hedge loss. When the prices increase such as during 2022, this normally leads to stronger financial cash flows for Småkraft. However, it may also lead to large unrealized losses that have a significant negative effect on Småkraft's book equity. Over the next year, Småkraft's hedge positions will gradually reduce, reducing the likelihood of large negative hedge effects in Småkraft's profit and loss.

The company is exposed to operational risks, such as failure of the power producing equipment or other vital equipment. To limit these risks, the Småkraft Group has well-established procedures and emergency preparedness plans. All power plants are insured, and the production is covered by interruptions insurance. Significant emphasis has been put at managing the QHSE risks in the company.

Småkraft may also be affected by changing climate, and the company has initiated several measures to identify potential risks and opportunities. Evaluation of new acquisitions and development opportunities are assessed in light of the expected changes in hydrology. During detailed planning of new plants, we now assess how climate change can affect the design criteria for new installations, both in form of increased run-of, but also the safety of installations in relation to extreme weather.

## Financial risk factors

The Group is exposed to a range of financial risks: liquidity risk, market risk (including currency, interest rate, and price), and credit risk. The financial risk management process focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. To some extent, the Group uses derivative financial instruments to reduce certain risk exposures. Financial risk management is carried out at a Group level. The Group identifies, evaluates, and hedges financial risks in close co-operation with the Group's operational units.

Because of its significant growth, Småkraft is continuously working on financing initiatives with new equity and debt. Småkraft has signed 233 GWh that it will add to its portfolio over the next years. Småkraft's shareholders have committed equity for at least 50% of the agreed price for these investments. Småkraft is working actively with banks and debt investors to finance the remaining part of the investments. Green Bond I of EUR 50 mill mature late 2023. In addition, several of the ongoing construction projects will be finalized and construction loan facilities will be rolled over to and refinanced with long term debt structures.

The board of Småkraft AS has established written principles for risk management of foreign exchange risk, interest rate risk and the use of derivative financial instruments as an integral part of our risk policy.

## Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities and to have sufficient cash or cash equivalents at any time to be able to finance its operations and investments in accordance with the Group's strategic plan. Småkraft held cash and cash equivalents amounting to EUR 115 million at the end of 2022. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2023. The Group seeks to mitigate the market and liquidity risks by further cost reduction and efficiency improvement programs and a continued focus on capital discipline.

## Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various exposures to currency fluctuations, primarily with respect to EUR and NOK. The Group seeks to minimize these risks through currency hedging via financial instruments.

## Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations at floating interest rates.

The Group evaluates the level of interest rate hedging based on assessment of the Group's total interest rate risk and currently has a combination of fixed and floating interest rates in order to limit exposure. The Board of Directors regularly considers the interest payment hedging of the external financing and mandates administration to execute necessary changes. Including interest rate swaps entered into, the fixed-rate portion of the Group's interest bearing debt as of 31 December 2022 is approximately 70%.

## Credit risk

The current main market for the Group's services is hydro power production through a broker to Nord Pool. The Group performs ongoing credit evaluations of its power brokers and generally does not request material collateral. Credit risk is considered to be limited.

## Tax and regulatory risks

By introducing new tax measures for Småkraft's business, such as windfall taxes and the current discussions on changes in definition of power plants exposed for ground rent taxation, Norwegian and Swedish government might over time increase tax burden on companies like Småkraft. Pending on new regulations, Småkraft's profitability over time might be negatively impacted. Shareholders willingness to invest in more green energy in our home market might be reduced.

## Director & Officer's Liability Insurance

Småkraft has a group insurance policy for the liability of the Company's and its subsidiaries' Directors and Officers. The insurance covers personal legal liabilities including legal costs for defence. The limit of liability is NOK 30 million per claim and also aggregated per year for the Group.

## Going concern

### Going concern assumption

The financial statements have been prepared on the basis of the going concern assumption and the Directors have confirmed that this was realistic at the time the accounts were approved. When assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and production capacity. Although Småkraft has high geographical diversified production capacity, robust balance sheet with low leverage, and a long-standing relationship with its key lenders, the market for bank financing might be more challenging and future funding sources may be somewhat more restricted. The Group's refinancing risk is diversified with each loan facility maturing at different times until august 2034. The uncertainties and volatility in today's financial market represent a risk for the Group with respect to funding, and hence the going concern principle, should these market conditions continue over time. Taking all relevant risk factors and available options for financing into consideration, the Board has a reasonable expectation that the Group has adequate resources to continue its operational existence for the foreseeable future.

### Subsequent events

After year end, Småkraft has increased the portfolio of Powerplants. 2 January 2023 Småkraft finalized the acquisition of 65% of the shares in Svorka Småkraft AS, which has signed construction agreements to build powerplants with a capacity of 22,5 GWh to our portfolio in Norway.

3 January 2023 Småkraft AB acquired Mustadfors with one additional power plant of 6 GWh in Sweden. The powerplant was acquired by Småkraft AB. Småkraft AB is 100% owned by Småkraft AS.



10 January 2023 Småkraft AS acquired the 9.9% minority interest in the Swedish subsidiary Strömfallet Småkraft AB from Strömfallet Invest AB. Strömfallet Småkraft AB owns 100% of the shares in Strömfallet AB, Strömfallet Tunafors AB and Streamgate North AB.

The Board decided ultimo 2022, to pay out a dividend of in total EUR 37.5 million, based upon the 2021- Financial Statements. The dividend payment shall be classified as capital redemption of the paid "overkurs" in the tax accounts. The dividend will be paid out on 31 March 2023 (the "payment date"), under condition that the distribution test, as described in the loan agreement, is met.

Bergen, Norway, 28 March 2023

The Board of Directors, Småkraft AS



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Member of the Board  
Claudia Ahnert



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Member of the Board  
Oldrik Verloop



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Chairman of the Board  
Annette Malm- Justad



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Member of the Board  
Christian Heidfeld



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Managing Director  
Terje Vedeler







# ANNUAL ACCOUNTS AND NOTES SMÅKRAFT GROUP

## Consolidated Statement of Income and Consolidated Statement of Other Comprehensive Income

<i>Amounts in EUR thousand</i>	<i>Note</i>	<b>2022</b>	<b>2021*</b>
Power revenue	9	133 559	56 168
Other operating income		1 430	2 721
Unrealized value change on energy derivatives	14	-83 293	-33 397
Realized value change on energy derivatives		-54 908	-19 524
Share of the profit (loss) in equity accounted investments		1 415	450
Payroll and related costs	10	-3 953	-3 088
Depreciation and impairment of fixed assets and intangible assets	15, 16, 17	-20 882	-15 830
Other operating expenses	11	-39 030	-19 263
<b>Operating profit/(loss)</b>		<b>-65 662</b>	<b>-31 763</b>
Financial income		12 331	19 338
Financial expenses		-31 009	-7 712
<b>Net financial items</b>	12	<b>-18 678</b>	<b>11 626</b>
<b>Profit/(loss) before tax</b>		<b>-84 340</b>	<b>-20 138</b>
Tax expense (income)	13	-12 884	-3 974
<b>Profit (loss)</b>		<b>-71 457</b>	<b>-16 164</b>
<b>Profit/(loss) is attributable to:</b>			
Equity holders of the parent company		-72 535	-16 619
Non-controlling interests		1 078	456
<b>Other comprehensive income:</b>			
Presentation currency effects		-17 203	10 950
<b>Total comprehensive income for the year</b>		<b>-88 660</b>	<b>-5 214</b>
<b>Total comprehensive income is attributable to:</b>			
Equity holders of the parent company		-89 008	-6 272
Non-controlling interests		349	1 059

\*The comparative figures are restated. Share of the profit (loss) in equity accounted investments was presented as financial income.

## Consolidated Statement of Financial Position

### Non-current assets

<i>Amounts in EUR thousand</i>	<i>Note</i>	<b>2022</b>	<b>2021*</b>
Goodwill	15	7 625	7 924
Intangible Assets	15	208 638	155 062
Property, plants and equipment	17	545 888	479 919
Deferred tax assets	13	25 245	7 311
Investments, recognised under the eq.method	18	3 697	2 058
Derivatives	14	9 249	0
Long-term receivables	19	8 719	11 110
<b>Total non-current assets</b>		<b>809 061</b>	<b>663 384</b>
<b>Current assets</b>			
Trade receivables	7	3 567	936
Other receivables	7	3 246	1 550
Derivatives	14	4 583	1 492
Cash and Cash equivalents	21	115 253	44 438
<b>Total current assets</b>		<b>126 648</b>	<b>48 415</b>
<b>Total assets</b>		<b>935 709</b>	<b>711 800</b>



## Shareholders equity

Amounts in EUR thousand	Note	2022	2021*
Share capital	21	22 861	20 039
Paid in capital		401 420	321 692
Retained earnings		-86 348	-16 792
<b>Total Shareholders equity</b>		<b>337 933</b>	<b>324 940</b>
Non-controlling interests		14 131	14 270
<b>Total equity</b>		<b>352 064</b>	<b>339 209</b>
<b>Non-current liabilities</b>			
Deferred tax liability	13	26	122
Borrowings	22	333 294	316 047
Derivatives	14	49 341	13 899
Other non-current liabilities	7	2 283	2 545
<b>Total non-current liabilities</b>		<b>384 945</b>	<b>332 613</b>
<b>Current liabilities</b>			
Accounts payable	7	4 793	2 886
Taxes payable	13	5 992	1 506
Public duties payable	7	2 552	2 842
Dividends		0	2 703
Derivatives	14	60 803	13 968
Borrowings	22	100 772	8 960
Other current liabilities	7	23 787	7 112
<b>Total current liabilities</b>		<b>198 700</b>	<b>39 977</b>
<b>Total liabilities</b>		<b>583 645</b>	<b>372 590</b>
<b>Total equity and liabilities</b>		<b>935 709</b>	<b>711 800</b>

\*The comparative figures are restated. Derivatives have been partly reclassified to non-current liabilities.

Bergen, Norway, 28 March 2023

The Board of Directors, Småkraft AS



Member of the Board  
Claudia Ahnert



Member of the Board  
Oldrik Verloop



Chairman of the Board  
Annette Malm- Justad



Member of the Board  
Christian Heidfeld



Managing Director  
Terje Vedeler

## Consolidated Statement of changes in Equity

<i>Amounts in EUR thousand</i>	<i>Note</i>	Share capital	Paid-in capital	Retained earnings	Non-controlling interests	Total equity
<b>Equity at 01.01.2021</b>		<b>16 706</b>	<b>188 722</b>	<b>798</b>	<b>11 796</b>	<b>218 022</b>
Net profit				-16 619	456	-16 164
Currency presentation effect		829	9 785	-267	603	10 950
<b>Total comprehensive income for the period</b>		<b>829</b>	<b>9 785</b>	<b>-16 886</b>	<b>1 059</b>	<b>-5 214</b>
Capital increase	21	2 504	144 909			147 414
Non-controlling interest in acquired subsidiaries	5				1 415	1 415
Dividend			-21 724			-21 724
Other changes				-704		-704
<b>Equity at 31.12.2021</b>		<b>20 039</b>	<b>321 692</b>	<b>-16 792</b>	<b>14 270</b>	<b>339 209</b>
Net profit				-72 535	1 078	-71 457
Currency presentation effect		-1 162	-18 290	2 979	-730	-17 203
<b>Total comprehensive income for the period</b>		<b>-1 162</b>	<b>-18 290</b>	<b>-69 556</b>	<b>349</b>	<b>-88 660</b>
Capital increase current period	21	3 984	100 518			104 502
Dividend			-2 500		-487	-2 987
<b>Equity at 31.12.2022</b>		<b>22 861</b>	<b>401 420</b>	<b>-86 348</b>	<b>14 131</b>	<b>352 064</b>



## Consolidated Statement of cash flow

<i>Amounts in EUR thousand</i>	<i>Note</i>	<b>2022</b>	<b>2021*</b>
<b>Cash Flow from operations</b>			
Profit (-loss) before tax		-84 340	-20 138
Taxes paid for the period		-1 489	0
Depreciation, amortization, impairment	15, 17	20 882	15 830
Change in unrealized currency gains/losses	12	16 349	-12 918
Change in unrealized derivatives	14	76 177	33 135
Change in working capital		11 003	4 897
<b>Net cash flow from operations</b>		<b>38 581</b>	<b>20 806</b>
<b>Cash flow from investment activities</b>			
Outflows due to purchases of fixed assets and intangibles		-33 876	-15 146
Outflows due to investments in subsidiaries	5	-74 205	-101 183
Outflows due to investments in other financial assets		-2 434	0
Outflows from loans to others		-1 159	0
Inflows from loans to others		2 880	1 249
<b>Net cash flow from investment activities</b>		<b>-108 793</b>	<b>-115 080</b>
<b>Cash flow from financing activities</b>			
Capital increases	21	104 502	145 561
Dividend payments		-5 739	-18 692
Inflows from loan raising	22	127 611	56 449
Outflows from loan payments	22	-83 127	-65 843
<b>Net Cash Flow from financing activities</b>		<b>143 246</b>	<b>117 475</b>
Currency translation effects		-2 219	1 367
Net change in bank deposits and cash		73 034	23 201
Bank deposits and cash at beginning of period		44 438	19 870
<b>Bank deposits and cash at end of period</b>		<b>115 253</b>	<b>44 438</b>

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## 1. General information

The Småkraft group comprises Småkraft AS and the consolidated subsidiaries (Småkraft Group or the Group). Småkraft is located in Bergen, Norway, with local offices in Harstad, Flatanger, Lillestrøm, Sandnes, Oslo and Uppsala, and the Group employs 31 people. Småkraft's business is in Norway and Sweden. Småkraft is a producer of renewable energy based on small scale hydro power plants.

The group consists of Småkraft AS and 31 fully or partly owned subsidiaries at year end 2022.

Småkraft's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU and further requirements in Norwegian Accounting Law (Regnskapsloven).

The statement of comprehensive income, statement of financial position, statement of equity, statement of cash flow and notes provide comparable information in respect of the previous period.

The financial statements have been prepared on a historical cost basis except for financial derivatives which are measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

Presentation and classification of items in the financial statements is consistent for the periods presented. Application of the accounting policies by the subsidiaries has been changed where necessary, to ensure consistency with the Group's accounting policies.

The functional currency of Småkraft AS is the Norwegian krone (NOK). The Group's accounts are presented in EUR. Småkraft AS presents the financial statement in EUR, as most of the lenders and the owners are EUR-based.

## 2. General accounting policies

### Basis of Consolidation

The consolidated financial statements of the Group for the year ended 31 December 2022 comply with IFRS as endorsed by the European Union (EU).

The consolidated financial statements are comprised of the financial statements of the parent company Småkraft AS and its subsidiaries. Subsidiaries are all entities (including structured entities) over which Småkraft Group has control. Småkraft Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. Subsidiaries are no longer consolidated from the date when control ceases.

Profits and losses resulting from intercompany transactions have been eliminated, as well as unrealised gains on transactions between group companies. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the transferred asset.



## **Investments in joint ventures**

Joint ventures are companies or entities where Småkraft AS has joint control with one or several other investors. In a joint venture company, decisions related to relevant activities must be unanimous between participants who have joint control. The Group's share of the companies' profit/loss after tax, adjusted for amortization of excess value and any deviations from the accounting policies, are presented on a separate line in the consolidated income statement. Investments in joint ventures are recognised in the consolidated accounts using the equity method and presented as a non-current asset.

## **Equity method**

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

Equity-accounted investments are reviewed each period to determine whether there is any objective evidence that the net investment is impaired.

## **Acquisition of controlling interest in other entities – Business combinations or asset acquisition**

When the Group acquired a controlling interest in another entity the transaction is accounted for either as a business combination or an asset acquisition depending on an assessment of the entity acquired. The Group applies the voluntary concentration test in allow by IFRS 3. According to the voluntary the transaction can be treated as an asset acquisition if the fair value of one asset or a group of similar asset equals or almost equals the transaction price.

## **Acquisition of controlling interest in other entities - Business combinations**

The acquisition method of accounting is used to account for all business combinations. The consideration is measured at the fair value of any transferred assets, liabilities or issued equity instruments. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred. If the consideration transferred (including any non-controlling interests and the fair value of previous assets) exceeds the fair value of identifiable net assets acquired, this is recognised as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase gain.

## **Acquisition of controlling interest in other entities – asset acquisition**

When the acquisition of a controlling interest in an entity does not constitute a business, the transaction is accounted for as an asset acquisition. In these transactions the individual identifiable asset acquired, and liabilities assumed are recognised. The cost of the group of assets and liabilities (purchase price of equity instruments and transaction costs) are allocated to the individual identifiable assets and liabilities based on their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill. Part from financial instruments the assets acquired in these transactions is the power plant and the intangible asset relating to the water rights.

## Foreign currency translation

### Functional and presentation currency

The financial statements are presented in EUR. The functional currency of the entities in the group is NOK or SEK. The subsidiaries in the group are consolidated into the functional currency of the parent (NOK) and then translated to the presentation currency, EUR. The currency differences arising in the translation to the presentation currency are presented in Other Comprehensive Incomes. Also, in the statement of equity the translation difference is included in retained earnings. All amounts are rounded to the nearest EUR thousand.

### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss. Småkraft uses currency exchange rates from Norges Bank.

### Sale of energy

The revenues from sale of energy bear the characteristic of delivering power at a certain price. The performance obligation is to deliver a series of distinct goods (power) and the transaction price is the consideration expected to receive, at either spot price, regulated price or contract price. The performance obligation is satisfied over time which entails that revenue should be recognised for each unit delivered at the transaction price. Småkraft applies a practical expedient under IFRS 15 whereby the revenue from power for most of the contracts is recognised at the amount of which the entity has a right to invoice. The right to invoice power arises when power is produced and delivered and the right to invoice the consideration will normally correspond directly with the value to the customer and arrangements where Småkraft sells power on an exchange (e.g. Nord Pool), the exchange is determined to be the customer.

## Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. Furthermore, the entity's component's operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and thus separate financial information is available. The company has determined that the board of directors is collectively the chief operating decision maker.

The Group has only one segment: power supply. Småkraft produces renewable energy and sells electricity, e-certs and guarantees of origin on the Nordic power market.

## Property, plant and equipment

Property, plant and equipment is measured at historical cost less accumulated depreciation. Land is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate costs over their estimated useful lives. The assets' useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals are determined by comparing actual proceeds with the carrying amount. Gains and losses on disposal are included in profit or loss.

## Intangible assets

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, including goodwill, are recognised in the statement of financial position when it is probable that the asset will generate future economic benefits and the costs can be measured reliably.

Intangible assets with a definite useful life, such as water rights owned are amortised over the useful life.

Intangible assets with an indefinite useful life, such as goodwill are not amortised but are instead tested annually for impairment.

## Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of the impairment testing. The allocation is made to those cash-generating units or the Company's of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is not amortised but are instead tested annually for impairment.

## Leases

The Group's main lease type of agreements are related to water rights. The rights are considered intangible assets. Småkraft has elected to not recognise these types of agreements under IFRS 16 leases. The accounting treatment of the different water right lease agreements are described below:

### Water right lease agreements

Småkraft enters into water right lease agreements with landowners, which entitles the company to utilize the water in the rivers. The agreement typically has a period varying from 40 to 75 years, starting when the power plant is put into commercial operation.

When Småkraft has a commitment to pay rent to the land owners, we account for this as a regular cost as the commitment arises. Such commitment arises, when:

1. Gross agreement/ revenue-based agreement: Småkraft pays landowner a percentage of the annual power plant revenue. Upon expiration of the agreement the landowners have the right to purchase the power plant with all rights and technical installations at a price based on certain specific conditions.

Småkraft accounts for this land lease when the relevant power plant generates revenue, upon which this land lease bases.

2. Fixed amount- agreement: Småkraft pays landowner a fixed annual amount. Upon expiration of the agreement the landowner has the right to purchase the powerplant with all rights and technical installations at a price based on certain specific conditions.

Småkraft accounts for this land lease monthly based upon the agreed yearly payment.

3. Profit share agreement: Småkraft shares the yearly powerplant- profit with the land owner. Upon expiration of the agreement the landowners have the right to purchase the power plant with all rights and technical installations based on certain specific conditions.

Småkraft accounts for this land lease type by calculating the actual profit for each individual power plant on a monthly basis. Småkraft then calculates the exact share of the profit, that the landowners have the right to receive. If Småkraft is in a position, where land lease should be paid to landowners, Småkraft accounts for the estimated payment as a cost.

In the case that Småkraft has a profit share lease agreement, where there (still) is an accumulated loss on the powerplant, Småkraft has the right to offset all accumulated losses before paying out land lease rent to the landowners. This will represent a future benefit for the company, that Småkraft does not recognise as an asset. This asset will be off- balance. Any positive or negative changes in these off- balance items, will not be recognised in Småkrafts books. In some instances, Småkraft may pay out loans or minimum payments to landowners. These loans are interest bearing loans and will be recognised as normal loans in the Group's Financial Statements.

## Other leases

Further, the Småkraft Group has some lease related to office rental of which the following principles applies:

### Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.



### **Lease liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Estimates and Judgment when calculating Land lease:

Land lease calculations are estimates based on the current revenue and costs related to the specific companies. While being estimates, there is minimal judgment involved in these estimates, as they are technical calculations with low complexity based upon the relevant input. Furthermore, most of the input is objective, as the revenue and most of the costs are known at the time of the estimate.

### **Financial instruments**

Financial instruments are recognised in the financial statements when the Group becomes party to contractual conditions relating to the financial instrument. Financial assets and financial liabilities are classified based on the type and purpose for holding the instruments at fair value, amortised cost or as a designated hedge accounting instrument (e.g. derivatives used for hedging financial risks).

### **Financial assets**

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will be recorded in profit or loss. Financial assets recognised at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the financial instruments at fair value through profit or loss, including interest and dividends, are recognised in the income statement. Derivatives are always measured at fair value through profit or loss.

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss.

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

### **Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Accounts receivables and accrued revenue**

Accounts receivable are measured at initial recognition at fair value. Accounts receivable are held with the objective to collect the contractual cash flows and therefore are subsequently measured at amortised cost using the effective interest method. For the purposes of impairment, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the date of initial recognition of the receivables.

### **Financial liabilities**

The Group classifies all financial liabilities at amortised cost, except for derivatives which are at fair value and financial guarantees (see below).

## Accounts payables and other financial payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of period which are unpaid. They are recognised at fair value. Småkraft does not subsequently measure at amortised cost using the effective interest method, as the difference is insignificant. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

## Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## Taxes

Group companies that are engaged in energy generation in Norway are subject to the special rules for taxation of energy companies. The Group's tax expense therefore includes, in addition to ordinary income tax, natural resource tax and resource rent tax for those plants exceeding 10,000 KVA, currently only the Holmen power plant.

### Income taxes

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the statement of comprehensive income comprises taxes payable and changes in deferred tax liabilities and deferred tax assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities and deferred tax assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. From 2020 and onward, Småkraft uses the initial recognition exemption for the tax effect on temporary differences relating to purchase of power plants. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

### Natural resource tax

Natural resource tax is a profit-independent tax that is calculated on the basis of the individual power plant's average output over the past seven years. Natural resources tax consists of NOK 0.01 per kilowatt hour (KWh) to the municipality and NOK 0.002 per kwh to the county. Income tax can be offset against the natural resource tax paid. Any natural resource tax that exceeds income tax can be carried forward with interest to subsequent years, and is recognised as prepaid tax.

### Resource rent tax

Resource rent tax is a profit-dependent tax levied on the net resource rent revenue generated by each power plant. Resource rent tax is calculated with 57,7% of the resource rent income for each power plant. Negative resource rent tax is carried forward against future positive resource rent tax interest. Negative resource rent tax is included in the deferred tax asset, together with temporary differences regarding the power plant. Deferred tax assets related to negative resource rent tax and temporary tax differences are capitalised if it is probable that the power plant has resource rent income within a time limit of 15 years, and is settled against future payable resource rent tax. Deferred tax liabilities/deferred tax assets related to resource rent tax is calculated with a tax rate of 57,7%.

## Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

## Contributed equity

Ordinary shares are classified as equity. Issuance of new shares are recognised when paid, based upon the decision by the General Meeting. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## Adoption of new and revised standards

The following standards and amendments was mandatory application for the first time for the reporting period commencing 01.01.2022:

- Annual Improvements to IFRS: 2018-2020 Cycle amendmetns to IFRS 1, IFRS 9, IAS 41 and the Illustrative Examples accompanying IFRS 16
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

None of the amendments listed above have had any impact on the financial statements.

Standards and amendments issued but not yet effective

The following standards and amendments was mandatory application for the first time for the reporting period commencing after 01.01.2022:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)

None of the amendments listed above is expected to have any material any impact on financial statements.

## 3. Key accounting estimates and judgements

### Introduction

The use of reasonable estimates and judgements is a critical element in preparing the financial statements. Due to the level of uncertainties inherent in Småkraft's business activities, management must make certain estimates and judgements that effect the application of accounting policies, results of operations, cash flows and financial position as reported in the financial statements.

### Areas of significant estimates

#### Impairment testing of goodwill, property plant and equipment (PPE) and intangible assets

In performing the impairment assessment of the carrying amount of goodwill, PPE and intangible assets, as disclosed in Note 16, the recoverable amounts of the cash generating units ("CGUs"), are determined based on fair value less cost of disposal. Significant judgements are used to estimate the long-term price forecast for power, production volumes and discount rates applied in computing the recoverable amounts of different CGUs. In making these estimates, management has relied on market development and estimates from external consultancies as disclosed in note 16.

#### Fair value measurement of energy derivatives

Significant estimates are applied in the valuation of the Group's long term power purchase and power sales contracts. The fair value estimate is based on the amounts for which the assets or liabilities could be exchanged



at the relevant transaction date on the reporting period end. To the extent possible, the assumptions and inputs used, take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions do often not exist. In such cases Småkraft's management is required to make market-based assumptions, see note 14.

## 4. Subsequent events

After year end, Småkraft has increased the portfolio of Powerplants. 2 January 2023 Småkraft finalized the acquisition of 65% of the shares in Svorka Småkraft AS, which has signed construction agreements to build powerplants with a capacity of 22,5 GWh to our portfolio in Norway.

3 January 2023 Småkraft AB acquired Mustadfors with one additional power plant of 6 GWh in Sweden. The powerplant was acquired by Småkraft AB. Småkraft AB is 100% owned by Småkraft AS.

10 January 2023 Småkraft AS acquired the 9.9% minority interest in the Swedish subsidiary Strömfallet Småkraft AB from Strömfallet Invest AB. Strömfallet Småkraft AB owns 100% of the shares in Strömfallet AB, Strömfallet Tunafors AB and Streamgate North AB.

In line with the Norwegian Company Act § 8-2 and the registered Power of Attorney on Power to decide dividend – registered the 18 August 2022 – the Board decided to pay out dividend of in total EUR 37 500 000,- in addition to already resolved and paid out EUR 2 500 000,-, based upon the 2021- Financial Statements. The dividend payment shall be classified as capital redemption of the paid “overkurs” in the tax accounts. The dividend will be paid out on 31 March 2023 (the “payment date”), under condition that the distribution test, as described in the loan agreement, is met.

## 5. Subsidiaries

Småkraft purchased 12 subsidiaries in 2022 (24 in 2021):

<b>Company</b>	<b>Aquired by</b>	<b>Purchase date</b>	<b>Voting rights/shareholding aquired</b>
Småkraft AB	Småkraft AS	02.11.2021	100 %
Senneset Kraftverk AS*	Småkraft AS	05.01.2022	100 %
Stampaelva Kraft AS*	Småkraft AS	05.01.2022	100 %
Småkraft i Østra Gøtaland AB	Småkraft AB	18.02.2022	100 %
Bångbro Kraft AB	Småkraft AB	28.02.2022	100 %
Småkraft USPP1	Småkraft AS	28.03.2022	100 %
Hjorteland Kraft AS	Småkraft AS	31.05.2022	100 %
Skognes og Stordalen Kraftlag AS*	Småkraft AS	02.05.2022	100 %
Småkraft Portefølje 1 AS	Småkraft AS	10.06.2022	100 %
Chr Salvesen og Chr Thams's Com AS	Småkraft Portefølje 1 AS	04.07.2022	100 %
Røvassåaga Kraftverk AS	Småkraft Portefølje 1 AS	15.11.2022	100 %
Teigdalskraft AS	Småkraft Portefølje 1 AS	15.11.2022	100 %

\*) companies were contributed as equity in kind into a portfolio subsidiary named Småkraft USPP 1 AS and subsequently merged into this company during 2022.

Financial initial effect from purchased subsidiaries:

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Acquisition cost	74 205	101 183
Deferred tax	20	113
Intangible Assets	67 202	71 672
Property, plants and equipment	77 191	74 448
Short term receivables	2 925	2 475
Non-controlling interests	0	-1 417
Interest bearing liabilities, non-current	-48 228	-42 161
Deferred tax	-167	-
Other inters-free liabilities	-24 739	-3 947
<b>Total</b>	<b>74 205</b>	<b>101 183</b>

Based on the optional concentration test all transactions are considered not to be business combinations under IFRS 3.

Acquisitions 2021:

<b>Company</b>	<b>Purchase date</b>	<b>Voting rights/ share-holding acquired through the acquisition</b>
Rk. Kraftverk AS*	2/5/2021	100%
Soks Kraftverk AS*	2/5/2021	100%
Veiåni Minikraftverk AS*	2/5/2021	100%
Joka Kraft AS*	2/5/2021	100%
Kaldåga Småkraftverk AS	2/26/2021	100%
Salvasskardelva Kraft AS	2/26/2021	100%
Veiski Kraft AS*	2/26/2021	100%
Harstveitbekken Kraft AS*	3/4/2021	100%
Åsedøla Kraft AS	3/26/2021	100%
Skinvik Kraftverk AS	4/7/2021	100%
Råssåfoss Kraft AS	4/19/2021	100%
Straume Kraftverk AS	4/30/2021	100%
Kråkenes Kraft AS**	6/10/2021	100%
Strømfallet Småkraft AB	6/16/2021	90.1 %
Støldalselva Kraftverk AS	7/6/2021	100%
Skyggelva Kraft AS	8/31/2021	100%
Deveggåe Kraft AS	8/31/2021	100%
Byrkjelo Kraftverk AS	9/7/2021	100%
Sagåna Kraft AS	9/30/2021	100%
Strømfallet AB***	10/1/2021	90.1 %
Strømfallet Tunafors AB***	10/1/2021	90.1 %
Streamgate North AB***	10/1/2021	90.1 %
Russvik Kraft AS	11/1/2021	100%
Hugla Kraft AS	12/1/2021	100%

\* The companies merged with Småkraft Green Bond 2 AS and deleted during second half 2021.

\*\* The company merged with Andvik Holding and deleted during second half 2021.

\*\*\* Owned 100% by Strømfallet Småkraft AB. Hence indirectly owned 90.1% by Småkraft AS.

Subsidiaries as of 31.12.2022:

Group companies	Date of acquisition/ Establishment	Registered office	Ownership share	Voting share
<b>Småkraft AS</b>		Bergen		
Holmen Kraft AS	2016	Bergen	100 %	100 %
Follsja Kraft AS	2016	Bergen	82 %	82 %
Muoidejohka Kraft AS	2010	Bergen	60 %	60 %
Reinli Kraft AS	2005	Bergen	51 %	51 %
Jorda Kraft AS	2012	Bergen	51 %	51 %
Sigdestad Kraftverk AS	2018	Bergen	52 %	52 %
Svartefoss Invest AS	2020	Bergen	100 %	100 %
Foldsæ Bergsai AS	2020	Bergen	100 %	100 %
Holsen Kraft Nordøla AS	2020	Bergen	100 %	100 %
Ytre Kandal Kraft AS	2020	Sandane	51 %	51 %
Fossåa 1 K AS	2020	Sør- Fron	66 %	66 %
Rysna Småkraftverk AS	2020	Bergen	100 %	100 %
Tokheim Kraft AS	2020	Bergen	100 %	100 %
Hjorteland Kraft AS	2022	Bergen	100 %	100 %
Småkraft USPP 1AS	2022	Bergen	100 %	100 %
<b>Småkraft Portefølje 1 AS</b>	2022	Bergen	100 %	100 %
Chr Salvesen & Chr Thams's Communications AS	2022	Bergen	100 %	100 %
Røvassåga AS	2022	Bergen	100 %	100 %
Teigdalskraft AS	2022	Bergen	100 %	100 %
<b>Småkraft Green Bond 1 AS</b>	2018	Bergen	100 %	100 %
Kvemna Kraft AS	2013	Lærdal	66 %	66 %
Saksenvik Kraft AS	2016	Bergen	96 %	96 %
<b>Småkraft Green Bond 2 AS</b>	2020	Bergen	100 %	100 %
Salvasskardelva Kraft AS	2021	Bergen	100 %	100 %
<b>Strømfallet Småkraft AB</b>	2021	Uppsala	90,1 %	90,1 %
Strømfallet AB	2021	Uppsala	100 %	100 %
Strømfallet Tunafors AB	2021	Uppsala	100 %	100 %
Streamgate North AB	2021	Uppsala	100 %	100 %
<b>Småkraft AB</b>	2022	Uppsala		
Bangbro Kraft AB	2022	Uppsala	100 %	100 %
Småkraft Østra Gøtaland AB	2022	Uppsala	100 %	100 %
<b>Associated company</b>	<b>Date of acquisition</b>	<b>Registered office</b>		
Luster Småkraft AS	2005	Gaupne	50 %	
Rullestad & Skromme AS	2006	Etna	35 %	
Proxima Hydrotech AS	2021	Seimfoss	33 %	
Småvirkjanir EHF	2022	Reykjavik	50 %	

## 6. Management of capital structure

The main aims of the Group's management of its capital is to maintain a reasonable balance between the company's debt and total assets. The Group has a long- term investment horizon, with contractual arrangements and investments that will last for decades. The reasonable balance between debt and total assets is thus set based upon the expectations towards short- term and long- term price expectations.



## Overview of capital included in management of capital structure

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
<b>Total non-current assets</b>	<b>809 061</b>	<b>663 384</b>
Interest-bearing liabilities, non-current	333 295	316 047
Interest-bearing liabilities, current	100 772	8 960
Cash and cash equivalents, excluding restricted	115 253	44 438
<b>Net interest-bearing liabilities (NIB)</b>	<b>318 814</b>	<b>280 569</b>
<b>NIB/ Total non-current assets</b>	<b>39 %</b>	<b>42 %</b>

Småkraft has several debt covenants, which include:

- Equity ratio shall exceed 30%.
- Debt service coverage shall not fall below certain levels.
- Liquidity shall exceed interest payments next six months.

## 7. Financial instruments – Risk Management

The Group is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

### (i) Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Accounts payable
- Bank overdrafts
- Floating-rate bank loans
- Fixed rate loans
- Interest rate swaps, and
- Forward currency contracts.

## (ii) Financial instruments by category

2022

	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
<i>Amounts in EUR thousand</i>					
<b>Assets</b>					
Investments					-
Long-term receivables		8 719			8 719
Trade receivables		3 567			3 567
Other receivables		3 246			3 246
Derivatives non-current	9 249				9 249
Derivatives current	4 583				4 583
Cash and cash equivalents		115 253			115 253
<b>Liabilities</b>					
Borrowings non-current				333 295	333 295
Borrowings				100 772	100 772
Accounts payable				4 793	4 793
Lease liability				656	656
Other current liabilities				26 339	26 339
Derivatives non-current			49 341		49 341
Derivatives current			60 803		60 803
<b>Net financial assets and liabilities</b>	13 831	130 784	110 144	465 856	-431 385

2021

	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
<i>Amounts in EUR thousand</i>					
<b>Assets</b>					
Investments				-	-
Long term receivables		11 110			11 110
Trade receivables and other receivables		936			936
Other current receivables		1 550			1 550
Derivatives non-current	-				-
Derivatives current	1 492				1 492
Cash and cash equivalents		44 438			44 438
<b>Liabilities</b>					
Borrowings non-current				316 047	316 047
Borrowings current				8 960	8 960
Accounts payable				2 886	2 886
Lease liability				2 545	2 545
Other current liabilities				9 954	9 954
Derivatives non-current			13 899		13 899
Derivatives current			13 968		13 968
<b>Net financial assets and liabilities</b>	1 492	58 034	27 867	340 392	-308 733

### **(iii) Financial instruments not measured at fair value**

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. The carrying value approximates their fair value.

### **(iii) Financial instruments measured at fair value**

There were no transfers between levels during the period.

*All the derivatives are valued at fair value at level 2 in accordance with the fair value hierarchy. For additional information see note 14.*

## **Risk and risk management of financial instruments**

Småkraft is engaged in activities that entail risk in many areas and has a unified approach to the Group's market risks. The Group's risk management policy is based upon assuming the right risk based on the Group's ability and willingness to take risks, expertise, financial strength and development plans. The purpose of risk management is to identify threats and opportunities for the Group, and to manage the overall risk level to provide reasonable assurance that the Group's objectives will be met. In Småkraft, market risk will primarily relate to prices of energy, interest rates and foreign currency. The following section contains a more detailed description of the various types of market risks, and how these are managed.

### **Description of market risk related to prices on energy and commodities**

Småkraft is exposed to significant market risk in relation to the generation and trading of power. Revenues from power generation are exposed to volume and power price risk. Småkraft manages market risk in the energy markets by trading physical and financial instruments in the Nordic Market.

Risk management in energy trading in Småkraft focuses on residual market exposure after considering land lease contracts and minority interests. In general, Småkraft enters standard fixed price contracts where Småkraft agrees to sell a certain production volume at an agreed price in the future. Around 1/4 of the expected annual production capacity for the next four to five years have such contracts to reduce the residual risk after land lease and minority interests. Småkraft has set risk- limits within which trading activities are allowed.

Both realized cash effects and unrealized non- cash effects from trading are presented as a part of other operating income in the profit and loss statement.

### **Description of foreign exchange**

Småkraft incurs currency risks in the form of transaction risk, mainly in connection with energy sales revenue and investments. Balance sheet risk is related to debt in NOK and EUR.

Småkraft settlement currency at the Nordic power exchange Nord Pool is EUR and NOK, and all power contracts traded in the Nordic power exchange Nasdaq are denominated in EUR. In addition, most of Småkrafts power purchase agreements in Norway and all power purchase and sales abroad are denominated in EUR. The objective of Småkraft's hedging is to secure the EUR value of future cash flows exposed to changes in foreign currency rates. Economic hedging is partly achieved by using debt in EUR- currencies as hedging instruments. For these hedging relationships hedge accounting is not applied.



As of 31 December, the Group's net exposure to foreign exchange risk was as follows:

2022	Functional currency of individual entity		
	NOK	SEK	Total
<i>Amounts in EUR thousand</i>			
Net foreign currency financial assets/(Liabilities)			
<i>Currency</i>			
NOK			-
EURO	-395 284		-395 284
SEK	2 462		2 462
<b>Total net exposure</b>	<b>-392 822</b>	<b>-</b>	<b>-392 822</b>

2021	Functional currency of individual entity		
	NOK	SEK	Total
<i>Amounts in EUR thousand</i>			
Net foreign currency financial assets/(Liabilities)			
<i>Currency</i>			
NOK			-
EURO	-282 455		-282 455
SEK	43		43
<b>Total net exposure</b>	<b>-282 413</b>	<b>-</b>	<b>-282 413</b>

### Description of interest rate risk

Småkraft's interest rate exposure is related to its debt portfolio. The management of interest rate risk is based on a balance between keeping interest cost low over time and contributing to stabilize the Group's cash flows with regards to interest rate changes.

### Interest rate sensitivity:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of financial assets and liabilities affected, after the impact of hedge accounting. With all other variables held constant, the Group's profit and equity before tax is affected through the impact on floating rate borrowings, as follows:

### Interest rate sensitivity borrowings:

	Increase(decrease) in basis points	Effect on profit before tax	Effect on equity
<b>2022</b>	1 %	-3 541	-2 762
<b>2021</b>	1 %	-3 250	-2 535

### Credit risk

Credit risk is the risk that Småkraft incurs losses due to the failure of counterparties to honor their financial obligations. Småkraft is facing credit risk when entering transactions with financial institutions. Credit risk against financial institutions arises from cash or current account, deposit, investment of interest-bearing securities, derivative transactions and incoming guarantees. Småkraft also assumes credit risk when providing loans to associates and joint ventures. In addition, Småkraft assumes credit risk in connection with physical sales contracts. The total risk of counterparties not being able to meet their obligations is low. Historically, Småkraft's credit losses have been limited.

All of Småkraft's main counterparties with regards to revenue settlement and hedging activities are rated as Investment Grade by well-known rating agencies within the 12 months.

## Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The table below shows the maturity structure of the Group's financial liabilities

2022						
Cash flows including interest						
<i>Amounts in EUR thousand</i>	Carrying amount	1 year	2 years	3 years	4 years	>5 years
Debt to financial institutions	434 067	110 592	184 876	6 517	71 159	110 917
Trade payables	4 793	4 793				
Other short term liabilities	23 787	23 787				
<b>Total</b>	<b>462 647</b>	<b>139 172</b>	<b>184 876</b>	<b>6 517</b>	<b>71 159</b>	<b>110 917</b>

2021						
Cash flows including interest						
	Carrying amount	1 year	2 years	3 years	4 years	>5 years
Debt to financial institutions	325 007	18 069	14 105	213 306	3 910	93 344
Trade payables	2 886	2 886				
Other short term liabilities	7 112	7 112				
<b>Total</b>	<b>335 005</b>	<b>28 067</b>	<b>14 105</b>	<b>213 306</b>	<b>3 910</b>	<b>93 344</b>

## Climate risk

Småkraft's operations are largely dependent on precipitation, and changes in precipitation patterns may affect both our production and the price picture in the power market. Climate change is unpredictable and different scenarios will affect Småkraft's production. Colder winters and dry summers may negatively affect Småkraft's production, while milder winters and wetter summers may have a positive impact on Småkraft's production. Climate change may also lead to more extreme precipitation and/or snowmelt, which may increase water loss over Småkraft's dams. Climate change, as we are experiencing today, is moving in the direction of milder winters and wetter summers, resulting in increased production from our power plants. Climate risk is discussed in detail in Småkraft's Sustainability Report.

## Concession and return of right of repatriation

The concession is perpetual. The right of repatriation is not applicable for Småkraft.

## 8. Alternative Performance Measures (APM).

**Adjusted Power revenues** is defined as Power revenues and Other operating income adjusted for Realized value change on energy derivatives. Småkraft uses this APM to visualize cash flow generated from power sales over time.

**EBITDA** is defined as operating profit (-loss) + depreciation of fixed assets and intangible assets + impairment of fixed assets and intangible assets. This APM is widely used by analysts comparing Norwegian Hydropower companies. Småkraft uses this APM to visualize performance over time irrespective of price.

**Adjusted EBITDA** is defined as operating profit (-loss) + depreciation of fixed assets and intangible assets + impairment of fixed assets and intangible assets – unrealised value change on energy derivatives. Småkraft uses this APM to measure performance from operational activities. Unrealised value on energy derivatives is deducted in the adjusted figures as the value change on these derivatives usually be negatively correlated to value changes in future power production that is not recognised, thus creating an accounting mismatch that is not alleviated through hedge accounting. Adjusted EBITDA should not be considered as an alternative to operating profit/loss

and profit/loss before tax as an indicator of the company's operations in accordance with generally accepted accounting principles. Nor is adjusted EBITDA underlying an alternative to cash flow from operating activities in accordance with generally accepted accounting principles.

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Power revenue	133 559	56 168
Realized value change on energy derivatives	-54 908	-19 524
<b>Adjusted power revenue</b>	<b>78 651</b>	<b>36 644</b>

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021*</b>
Operating profit (loss)	-65 662	-31 764
+ Depreciation of fixed assets and intangible assets	20 882	15 830
<b>EBITDA</b>	<b>-44 780</b>	<b>-15 933</b>
Unrealised value change on energy derivatives	83 293	33 397
<b>Adjusted EBITDA</b>	<b>38 513</b>	<b>17 464</b>

\*The comparative figures are restated.

Share of the profit (loss) in equity accounted investments was presented as financial income in 2021.

## 9. Revenues and other income

### Sale of electric energy

The revenues originate from the generation of hydropower.

### Green revenues

Guarantees of origin and EL certificate schemes are market-based support schemes. In this system, producers of renewable electricity receive one certificate per MWh of electricity they produce for a period of up to 15 years.

### Power and currency derivatives

Småkraft utilise financial hedging contracts to hedge future revenue. The Group does not apply hedge accounting for the hedging of power revenues. See also note 7 Financial instruments.

### Sale of electric energy

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Power production revenue	130 898	55 036
Guarantees of origin and El certificates	2 662	1 131
<b>Power revenue</b>	<b>133 559</b>	<b>56 168</b>



## Disaggregation of revenues by Price area:

<i>Amounts in EUR thousand</i>		<b>2022</b>	<b>2021</b>
Price area NO1	Norway	7 063	2 892
Price area NO2	Norway	43 446	13 978
Price area NO3	Norway	10 052	10 096
Price area NO4	Norway	3 298	5 648
Price area NO5	Norway	63 165	20 762
Price area SE2	Sweden	1 271	2 518
Price area SE3	Sweden	2 603	0
Other green revenue		2 662	273
<b>Power revenues</b>		<b>133 559</b>	<b>56 168</b>

## 10. Payroll costs, number of employees, loans to employees, etc

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Wages and salaries	2 904	1 908
Payroll tax	568	495
Pension costs	344	690
Other benefits	137	-5
<b>Sum</b>	<b>3 953</b>	<b>3 088</b>

**Number of full-time employees** **31** **26**

### Managing Directors' remuneration

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Salaries	255	189
Pensions	15	15
Other benefits	5	42
<b>Sum</b>	<b>275</b>	<b>246</b>

### Key Personnels' remuneration

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Salaries	483	486
Pensions	47	41
Other benefits	9	5
<b>Sum</b>	<b>539</b>	<b>532</b>

Key Personnel consists of the senior management team in the roles as CFO, CCO and COO. The CEO and Key Personnel are all a part of a bonus program. The bonus remuneration is calculated based on achieved performance financial, operational and QHSE Key Performance Indicators compared to set targets.

The company has not issued any loans or guarantees in favour of the CEO, directors or shareholders.

The Board of Directors do not receive any remuneration for its positions as Board Members.

## Pension

The Group has an established pension scheme that is classified as a defined contribution plan. The pension scheme is in line with the requirements of the law. Contributions to the defined contribution schemes are recognised in the consolidated statement of profit and loss in the period in which the contribution amounts are earned by the employees. The defined contributions plan does not commit Småkraft beyond the amounts contributed.

### Fees paid to external auditors

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Statutory audit	295	215
Tax counselling	2	42
Other assurance services	72	34
<b>Sum</b>	<b>369</b>	<b>291</b>

## 11. Other operating expenses

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Water rights costs	18 343	4 850
El-certs costs	561	922
Transmission costs	3 701	3 575
Property tax and licence fees	2 966	2 492
Telecommunications	61	72
Rent and related expenses	472	395
Transport	40	10
Travel expenses	249	191
Purchase of various services	4 457	4 169
IT expenses	698	473
Repair/maintenance regarding equipment, machines etc.	3 666	646
Consultant services	1 401	519
Other operating expenses	2 416	950
<b>Other operating expenses</b>	<b>39 030</b>	<b>19 263</b>

Purchase of various services consist of external accounting, audit, legal, transactions and operational services.

## 12. Financial result

### Financial income

Amounts in EUR thousand	2022	2021
Agio on borrowings in foreign currency	0	12 918
Unrealized non-cash effect on interest swaps	9 498	569
Other financial income and agio	2 832	5 850
<b>Total</b>	<b>12 331</b>	<b>19 338</b>

### Financial expenses

Amounts in EUR thousand	2022	2021
Interest expense	7 825	6 541
Disagio on borrowings in foreign currency	16 349	0
Unrealized non-cash effect on currency swaps	2 382	307
Foreign exchange losses	3 553	5 291
Other financial expenses	900	-4 427
<b>Total</b>	<b>31 009</b>	<b>7 712</b>

## 13. Taxes

Amounts in EUR thousand	2022	2021
Profit/(loss) before tax	-84 340	-20 138
Tax rate, percent	22 %	22 %

Expected tax income (expense)	-18 555	-4 430
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### Effect on taxes of

Permanent differences	303	62
Taxes on resource rent payable	4 831	1 098
Deferred resource rent tax	-49	-28
Changes related to deferred tax on off-balance sheet items	619	-820
Other changes, including tax effect of different tax rates in other countries	-33	154
<b>Tax expense (income)</b>	<b>-12 884</b>	<b>-3 964</b>

Effective tax rate	15 %	20 %
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### Taxes payable in the balance sheet

Amounts in EUR thousand	2022	2021
Receivable tax at deficit	-163	-
Income tax payable	1 512	377
Taxes on ground rent payable/receivable	4 643	1 118
Natural resource tax payable	86	76
Used natural resource tax	-86	-65
<b>Taxes payable in the balance sheet</b>	<b>5 992</b>	<b>1 506</b>

### Specification of temporary differences and deferred tax

Amounts in EUR thousand

	2022	2021
Fixed assets	197 368	144 196
Current assets/current liabilities	-	-997
Interest deduction carry forward	-2 113	-1 398
Unrealized derivatives	-97 290	-24 788
Other differences	1 596	1 751
<b>Temporary differences</b>	<b>99 561</b>	<b>118 765</b>
Losses carried forward	-64 851	-53 118
Differences not affecting deferred tax	-149 076	-98 284
<b>Basis for deferred tax</b>	<b>-114 367</b>	<b>-32 638</b>
Tax rate	22 %	22 %
Net deferred tax benefit (-)/liability (+) in the balance sheet, ordinary tax	-25 161	-7 180
<b>Deferred tax benefit</b>	<b>-25 161</b>	<b>-7 180</b>

Differences not affecting deferred tax relates to temporary differences at initial recognition of property plant and equipment and intangible assets acquired in a transaction that is not a business combination.

### Specification of deferred taxes on ground rent

Amounts in EUR thousand

	2022	2021
Fixed assets	-101	-24
<b>Sum</b>	<b>0</b>	<b>-24</b>
Tax rate	58 %	47 %
Deferred ground rent tax	-58	-9
<b>Net deferred tax benefit (-)/liability (+) in the balance sheet, all tax</b>	<b>-25 219</b>	<b>-7 189</b>

### Presentation

Deferred tax benefit	25 245	7 311
Deferred tax	26	122
<b>Net</b>	<b>25 219</b>	<b>7 189</b>

## 14. Derivatives

### Derivatives

The Group has derivatives related to the hedging of income from future power production, interests in connection with interest bearing debt and currency volatility between EUR and NOK.

The table below shows the financial position and profit and loss accounts for the derivatives:



2022	2022		2022		2022
	Assets		Liabilities		P&L
	Long term	Short term	Long term	hort term	
Over FVPL - Interest rates swaps	9 249				9 498
Over FVPL - Currency derivatives			1 093	21	-2 382
Over FVPL - Power derivatives		4 583	48 248	60 782	-83 293
<b>Sum derivatives</b>	<b>9 249</b>	<b>4 583</b>	<b>49 341</b>	<b>60 803</b>	<b>-76 177</b>

2021	2021		2021		2021
	Assets		Liabilities		P&L
	Long term	Short term	Long term	hort term	
Over FVPL - Interest rates swaps		226	99		569
Over FVPL - Currency derivatives		1 237			-307
Over FVPL - Power derivatives		30	13 800	13 968	-33 397
<b>Sum derivatives</b>	<b>-</b>	<b>1 492</b>	<b>13 899</b>	<b>13 968</b>	<b>-33 135</b>

\*The comparative figures are restated. Both the current and non-current portion of power derivatives was originally presented as current. In the restated comparatives the non-current portion is presented as non-current (13.800 as of 31.12.21).

All the derivatives are valued at fair value at level 2 in accordance to the fair value hierarchy: "Fair value is based on data inputs other than quoted prices included in Level 1, which are observable for the asset, either directly or indirectly".

## 15. Goodwill and Other intangibles

<i>Amounts in EUR thousand</i>	Water right	Goodwill	Other intangible assets	Total
<b>Cost at 1 January 2021</b>	<b>4 112</b>	<b>7 605</b>	<b>76 192</b>	<b>87 909</b>
Additions	-	-	74 563	74 563
Effect of currency movements	198	367	4 986	5 551
<b>Cost at 31 December 2021</b>	<b>4 311</b>	<b>7 971</b>	<b>155 742</b>	<b>168 024</b>
Additions	-	101	67 202	67 303
Effect of currency movements	-215	-402	-10 396	-11 013
<b>Cost at 31 December 2022</b>	<b>4 095</b>	<b>7 670</b>	<b>212 547</b>	<b>224 313</b>
<b>Acc. depreciations at 1 Jan. 2021</b>	<b>-</b>	<b>-</b>	<b>-2 530</b>	<b>-2 530</b>
Amortisation charge	-	-47	-2 297	-2 344
Effect of currency movements	-	-1	-162	-163
<b>Acc. depreciations at 31 Dec. 2021</b>	<b>-</b>	<b>-47</b>	<b>-4 990</b>	<b>-5 037</b>
Amortisation charge	-	-	-3 396	-3 396
Effect of currency movements	-	2	382	384
<b>Acc. depreciations at 31 Dec. 2022</b>	<b>-</b>	<b>-45</b>	<b>-8 004</b>	<b>-8 049</b>
<b>Balance at 1 January 2021</b>	<b>4 112</b>	<b>7 605</b>	<b>73 662</b>	<b>85 379</b>
<b>Balance at 31 December 2021</b>	<b>4 311</b>	<b>7 924</b>	<b>150 752</b>	<b>162 987</b>
<b>Balance at 31 December 2022</b>	<b>4 095</b>	<b>7 625</b>	<b>204 543</b>	<b>216 263</b>

### Intangible assets by country

<i>Amounts in EUR thousand</i>	Norway	Sweden	Total
<b>Balance at 31 December 2021</b>	<b>154 761</b>	<b>8 226</b>	<b>162 987</b>
<b>Balance at 31 December 2022</b>	<b>195 954</b>	<b>20 310</b>	<b>216 263</b>

## 16. Impairment testing

Goodwill that has an indefinite useful life are not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The same apply for intangible assets such as capitalized water fall rights. Småkraft typically tests for impairment at least in Q3 each year.

Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. As per 2022 there are no impairment indications related to the portfolio of power plant stations.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is based on the asset's fair value less costs of disposal, the fair value is calculated according to IFRS 13. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### Cash generating unit

Power plants that are located in the same watercourse and jointly managed are in Småkraft regarded as a single cash-generating unit.

### Budget

The impairment tests carried out for 2022 are based on the budget for 2023 and up to a 100-year period prior to setting the terminal value. If the power plant has a terminal clause in the land lease agreement, the period of time up until the date of the clause is used. The power prices used in the forecast are a mix between the actual power prices traded in the Nordic power market for the first year and power curves from three independent power consultancies for the entire remaining time. Småkraft uses longer than 5 years forecast- periods, because the nature of our business is long- term with land- lease periods ranging from 40 to 100 years.

### Discount rate

The applied discount rate is based on the company's cost of capital, which in turn is based on a weighted average return requirement for equity and loan capital. The return on equity requirement is estimated using the capital asset pricing model (CAPM). The return on loan capital requirement is estimated based on the long-term risk-free interest rate plus a credit margin derived from Småkrafts marginal long-term interest rate. The discount rate is adjusted for the expected debt-to-assets ratio and business risk for the individual cash-generating unit. A discount rate around 6.5 per cent after tax has been applied for the various cash-generating units.

### Sensitivity

Power price based on actual power prices and the estimated forward price curves are the key assumptions in the calculation of the recoverable amount. Based on the current power price and estimated forward price management do not believe that a reasonably possible change in the power price would cause the carrying amount to exceed the recoverable amount with a material amount. The power price used in calculating of recoverable amount would have to fall with more than 15 % before a material impairment will occur.

Assumption - parameter	Change	# plants affected	Representing GWh	Impairment amount
Weighted average cost of capital (WACC)	0,5 %	8	59,9	1 544
	1,0 %	17	128,9	5 647
Downtime	3,0 %	2	10,8	179
	3,5 %	2	10,8	216
Price	-5,0 %	6	29,8	785
	-10,0 %	14	96	3 888

## 17. Property, plant and equipment

<i>Amounts in EUR thousand</i>	Inlet and				Plant	Total
	Power plants	waterway	Infrastructure	Other	under construct ion	
<b>Cost at 1 January 2021</b>	<b>168 389</b>	<b>171 830</b>	<b>70 292</b>	<b>1 281</b>	<b>43 930</b>	<b>455 722</b>
Additions, purchased, reallocations	35 425	60 828	14 536	4 602	-26 187	89 204
Effect of currency movements	8 741	9 355	3 644	143	1 656	23 539
<b>Cost at 31 December 2021</b>	<b>212 555</b>	<b>242 013</b>	<b>88 472</b>	<b>6 026</b>	<b>19 399</b>	<b>568 465</b>
Additions, purchased, reallocations	24 348	35 969	10 670	921	-38 032	33 876
Acquisition of subsidiaries	28 342	4 407	2 455	31	41 957	77 191
Effect of currency movements	-12 668	-13 658	-4 929	-338	-1 122	-32 715
<b>Cost at 31 December 2022</b>	<b>252 578</b>	<b>268 730</b>	<b>96 667</b>	<b>6 640</b>	<b>22 202</b>	<b>646 817</b>
<b>Acc. depreciations at 1 Jan. 2021</b>	<b>-32 764</b>	<b>-23 666</b>	<b>-12 977</b>	<b>-999</b>	<b>-975</b>	<b>-71 381</b>
Depreciation charge	-6 238	-4 668	-1 900	-411	-	-13 217
Impairment charge	-269	-	-	-	-	-269
Effect of currency movements	-1 694	-1 223	-659	-55	-47	-3 678
<b>Acc. depreciations at 31 Dec. 2021</b>	<b>-40 966</b>	<b>-29 556</b>	<b>-15 536</b>	<b>-1 466</b>	<b>-1 022</b>	<b>-88 546</b>
Depreciation charge	-8 486	-5 411	-2 826	-762	-	-17 486
Effect of currency movements	2 376	1 687	886	103	51	5 103
<b>Acc. depreciations at 31 Dec. 2022</b>	<b>-47 076</b>	<b>-33 281</b>	<b>-17 477</b>	<b>-2 125</b>	<b>-971</b>	<b>-100 929</b>
<b>Balance at 1 January 2021</b>	<b>135 625</b>	<b>148 164</b>	<b>57 314</b>	<b>282</b>	<b>42 955</b>	<b>384 341</b>
<b>Balance at 31 December 2021</b>	<b>171 589</b>	<b>212 456</b>	<b>72 936</b>	<b>4 561</b>	<b>18 377</b>	<b>479 919</b>
<b>Balance at 31 December 2022</b>	<b>205 503</b>	<b>235 449</b>	<b>79 191</b>	<b>4 515</b>	<b>21 231</b>	<b>545 888</b>
Acc. impairment charge at 31 Dec. 2022	-879	-353	-	-	-	-1 231
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line		
Percentage	1,2-20%	1,25 - 2,5%	1,25 - 2,85%	12,5-20%		
Economic life	5 - 75	40 - 80	35 - 80	5 - 8		

Leased assets have been included as Other, with a net book value at 31 December 2022 of EUR 627 thousand.

### Property, plant and equipment by country

<i>Amounts in EUR thousand</i>	Norway	Sweden	Total
<b>Balance at 31 December 2021</b>	<b>469 743</b>	<b>10 176</b>	<b>479 919</b>
<b>Balance at 31 December 2022</b>	<b>533 218</b>	<b>12 670</b>	<b>545 888</b>

### Contractual obligations

Signed Share Purchase Agreements and New-build contracts as per 31.12.2022 have remaining obligations of EUR 95,8 million, whereof EUR 14,8 million is due within 12 months. Respective figures as per 31.12.2021 were EUR 77,1 million whereof EUR 52,3 million due within 12 months.

### Commitments

<i>Amounts in EUR thousand</i>	2022	2021
Short term	14 884	55 061
Long term	80 875	26 090
<b>Outgoing balance</b>	<b>95 760</b>	<b>81 151</b>

## 18. Investments, recognised under the equity method

	Date of aquisition	Registered office	Ownership share	Voting rights
Luster Småkraft AS	2005	Gaupne	50 %	50 %
Rullestad & Skromme AS	2006	Etne	35 %	35 %
Proxima Hydrotech AS	2021	Seimsfoss	33 %	33 %
Småvirkjanir EHF	2022	Reykjavik	50 %	50 %

Småkraft AS owns 50% of Luster Småkraft AS. The remaining 50% is owned by Luster Energi AS. The company successfully operates 3 small- scale hydro power plants: Kvåle, Holen and Vanndøla. Combined they have a normalized annual production of about 50 GWh.

Småkraft AS owns 35% of Rullestad & Skromme AS, and 65% of this company is owned by local landowners. The company is established to build small scale hydropower in Rullestad and Skromme, Etne, Hordaland. The company has water rights in 3 different projects in the area, with a possible annual production up to approximately 66 GWh. There are no employees employed by the company.

Småkraft AS owns 33% in Proxima HydroTech AS which is an independent service provider within operations and maintenance services. The company is focusing on services to hydropower plants and is developing relevant surveillance IT systems for the likes of Småkraft power plants.

Småkraft AS entered 23 December 2022 into a Sale and Purchase Agreement for 50% of the shares in Gjerdelva Kraft AS.

Agreed remuneration for the shares is equivalent to EUR 22 thousand – payment of this amount will take place after construction of the power plant under construction have been finalized.

The construction activities of the power plant will start up in 2023.

	Luster Småkraft AS	Proxima Hydrotech AS	Rullestad & Skromme AS	Småvirkjanir EHF	Total
<i>Amounts in EUR thousand</i>					
Companies are recorded using the equity method					
Acquisition cost	51	380	4	2	437
Share of equity at the time of aquisition	51	190	4	2	247
<b>Excess over book value</b>	<b>0</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>190</b>
Closing balance at 31 December 2020	1 526	0	0	0	1 526
Share of current year net income	450	0	0	0	450
Effect of currency movements	82	0	0	0	82
<b>Closing balance at 31 December 2021</b>	<b>2 058</b>	<b>190</b>	<b>0</b>	<b>0</b>	<b>2 058</b>
Investments current year		380	0	2	382
Share of current year net income	1 459	-44	0	0	1 415
Effect of currency movements	-160	2	0	0	-158
<b>Closing balance at 31 December 2022</b>	<b>3 358</b>	<b>528</b>	<b>0</b>	<b>2</b>	<b>3 697</b>



## 19. Receivables; amounts due after more than one year

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
<b>Loans to associates:</b>		
Loans to associates - Luster Småkraft AS	-	801
Loans to associates - R&S Energi AS	931	943
Loans to associates - Utbygging Holding AS	-	2 112
Provisions for loss on loans to associates	-931	-886
<b>Other receivables:</b>		
Deposit rent	108	116
Prepaid water right lease	7 458	6 953
Other long term receivables	1 152	1 070
<b>Total</b>	<b>8 719</b>	<b>11 110</b>

The bank has pledged security in operating equipment and accounts receivable, in addition to first priority to the power plant and related water lease agreements.

Please see note **24** for further details about prepaid water right lease.

## 20. Cash and cash equivalents

The company has established a bank guarantee for the payment of withholding tax. Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2022.

## 21. Share capital, ownership structure and dividend

<i>Amounts in EUR thousand</i>	<b>No. of shares*</b>		<b>Share capital*</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
<b>Ordinary shares</b>				
Issued and fully paid 1 January	4 003 361	3 498 291	20 039	16 706
Issued new share capital	803 731	505 070	3 984	2 504
Currency presentation effect			-1 162	829
<b>31 December</b>	<b>4 807 092</b>	<b>4 003 361</b>	<b>22 861</b>	<b>20 039</b>

\* Number of shares not registered are 103 173 (2021: 420 458) and share capital TEUR 491 (2021:TEUR 2 105)

The share capital amounts to EUR 22 861 thousand at 31.12.2022.

Ownership structure 31.12.2022*	Number	Nominal amount		Voting share	Ownership share
		NOK	Sharecapital		
Aquila GAM Fund GmbH & Co. Geschlossen	760 024	50	38 001 200	15,4 %	15,4 %
Aquila Capital European Hydropower Fund	1 093 704	50	54 685 200	22,3 %	22,3 %
ACEH Norway 1 B.V.	2 124 195	50	106 209 750	43,3 %	43,3 %
ACEH Norway 2 B.V.	932 342	50	46 617 100	19,0 %	19,0 %
<b>Sum</b>	<b>4 910 265</b>	<b>50</b>	<b>245 513 250</b>	<b>100 %</b>	<b>100 %</b>

\*Includes not registered capital increase

All issued shares have equal voting rights and the right to receive dividend.

Dividend paid:

Amounts in EUR thousand	2022	2021
Ordinary dividends	2 703	18 692
Extraordinary dividends	2 500	0
<b>Sum</b>	<b>5 203</b>	<b>18 692</b>

## 22. Borrowings and guarantees.

Amounts in EUR thousand

Lenders	Currency	2022	2021
Banks	NOK	38 718	43 892
Banks	EUR	200 417	182 724
Convertible debt from owners*	EUR	17 639	–
Bond debt1	EUR	50 000	50 000
Bond debt2	EUR	50 000	50 000
USPP bond	EUR	80 000	–
Agent commission	NOK	–2 707	–1 609
<b>Total</b>		<b>434 067</b>	<b>325 007</b>
<b>Total long term debt</b>		<b>333 295</b>	<b>316 047</b>
<b>Total short term debt</b>		<b>100 772</b>	<b>8 960</b>

\*Convertible loan from shareholders will be converted to share capital within Q1 2023 in accordance with loan agreement.

## Changes in debt to financial institutions and bond debt during the year

	2022	2021
Ingoing balance	325 007	290 790
Repayments/ downpayments:	-83 127	-65 843
New debt	127 611	56 449
Debt from purchased subsidiaries	48 228	42 161
Currency exchange rate changes	16 349	1 449
<b>Outgoing balance</b>	<b>434 067</b>	<b>325 007</b>

### Secured borrowings etc.

<i>Amounts in EUR thousand</i>	2022	2021
Borrowings from financial institutions and bondholders	436 774	326 616
Agent commission	-2 707	-1 609
<b>Total</b>	<b>434 067</b>	<b>325 007</b>

### Carrying amount of pledged assets

<i>Amounts in EUR thousand</i>	2022	2021
Operating equipment	-	1 135
Accounts receivable	13 657	310
Power plants and related water lease agreements	522 627	425 695
<b>Total</b>	<b>536 283</b>	<b>454 140</b>

The bank and bondholders have pledged security in operating equipment, bank accounts and accounts receivable, in addition to 1. priority pledge in the power plants and related water lease agreements.

Småkraft AS has provided a bank guarantee as a security for the payment of withholding tax.

According to the shareholders agreement with Luster Småkraft AS, Småkraft AS is obligated to make capital available to Luster Småkraft AS.

## 23. Concessions

As of 31.12.2022, Småkraft AS has concessions for additional 12 power plants with a total annual production of approximately 102 GWh. In addition to this, there are currently eight power stations under construction representing an annual production of 108 GWh both owned by subsidiaries in the group and companies signed to be acquired.

## 24. Water and lease agreements

As part of several of the net- agreements, Småkraft offers interest bearing loans and/ or minimum payments in the first years of the land- lease agreements. Net agreements typically have deficits the first years. Småkraft offers interest bearing loans/ minimum payments to offer more stable payouts to the landowners, while simultaneously not amending the balance in the land lease agreement between landowner and company.

The loans are normally interest-bearing loans. The minimum payments are interest bearing payments to the landowners that will be offset against future land lease profits.

## Loans from Småkraft AS to landowners:

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Loans to landowners	998	1 010
Minimum payments to landowners	6 460	5 943
<b>Total</b>	<b>7 458</b>	<b>6 953</b>

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Receivables towards landowners, off balance	26 933	27 979
<b>Total</b>	<b>26 933</b>	<b>27 979</b>

When net- agreements have deficit, Småkraft AS finances the landowner share of the deficit. Småkraft AS accrues a receivable against the landowners, against which future profits will offset. This is an asset to Småkraft, that according to IFRS is off balance. It represents a future benefit for the company.

## 25. Related party transaction and balance items

Transactions and balance items between Småkraft AS and its subsidiaries are eliminated in the consolidation and are hence not presented in this note.

Transactions listed below refer to companies listed in note 18 and 19.

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Sales of various goods and services	-	13
Purchase of services from related party	156	7
Interest bearing loans	931	3 856
Liabilities at the end of the period	151	-

Småkraft AS has strengthened its management capacity and with effect from 1 January 2023 Bjarte Skår took over the position as Chief Commercial Officer. Bjarte has 20 years' experience with hydro power plants in Hywer as CEO 2020-22 and before that from Brødrene Dahl as power plant division director. Bjarte has also per 31 December 2022 indirect ownerships in 5 companies which Småkraft has signed up to acquire. The companies are all single purpose hydro power plant construction companies which are owning hydro power plants under construction.

The total acquisition costs for these companies are approximately EUR 50 mill which is included in Småkraft AS's commitments as per 31 December 2022.

Gunnar Ulvik commenced from 1 January 2023 a new position in Småkraft as Technical Construction Manager. Gunnar held per 1 January 2023 board positions in the same companies as controlled by Bjarte Skår.







# ANNUAL ACCOUNTS AND NOTES SMÅKRAFT AS PARENT COMPANY

## Statement of Income and Statement of Other Comprehensive Income

<i>Amounts in EUR thousand</i>	<i>Note</i>	<b>12 months ended 31.12.2022</b>	<b>12 months ended 31.12.2021</b>
Power revenue	9	61 010	30 643
Other operating income		468	2 585
Unrealized value change on energy derivatives	14	-83 293	-33 396
Realized value change on energy derivatives		-54 908	-19 524
Payroll and related costs	10	-3 743	-3 011
Depreciation and impairment of fixed assets and intangible assets	15,17	-8 440	-8 514
Other operating expenses	11	-17 875	-11 093
<b>Operating profit/(loss)</b>		<b>-106 780</b>	<b>-42 309</b>
Financial income		13 945	19 982
Financial expenses		-20 948	-5 945
<b>Net financial items</b>	<b>12</b>	<b>-7 002</b>	<b>14 036</b>
<b>Profit/(loss) before tax</b>		<b>-113 783</b>	<b>-28 273</b>
Tax expenses (income)	13	-24 916	-6 238
<b>Profit (loss)</b>		<b>-88 867</b>	<b>-22 035</b>
<b>Profit/(loss) is attributable to:</b>			
Equity holders of the parent company		-88 867	-22 035
<b>Other comprehensive income:</b>			
Presentation currency effects		-15 091	10 430
<b>Total other comprehensive income</b>		<b>-15 091</b>	<b>10 430</b>
<b>Total comprehensive income for the year</b>		<b>-103 958</b>	<b>-11 605</b>

## Statement of Financial Position

### Non - current assets

<i>Amounts in EUR thousand</i>	<i>Note</i>	<b>31.12.2022</b>	<b>31.12.2021*</b>
Goodwill	15	2 599	2 735
Intangible Assets	15	16 465	17 632
Property, plants and equipment	17	205 108	220 399
Deferred tax assets	13	37 800	14 569
Investments in subsidiaries	5,19	331 647	276 738
Loans to subsidiaries	25	44 423	64 524
Loans to associates	19	-	3 856
Investments in associates	18	1 571	1 251
Long-term receivables	20,24	8 299	5 819
Derivatives	14	8 096	-
<b>Total non-current assets</b>		<b>656 008</b>	<b>607 523</b>

### Current assets

Trade receivables	25	2 425	5 395
Other receivables	19	2 053	720
Derivatives	14	4 579	1 482
Cash and Cash equivalents	6,21	61 777	15 963
<b>Total current assets</b>		<b>70 833</b>	<b>23 560</b>
<b>Total assets</b>		<b>726 842</b>	<b>631 085</b>

## Shareholders equity

<i>Amounts in EUR thousand</i>	<i>Note</i>	<b>31.12.2022</b>	<b>31.12.2021*</b>
Share capital	21	22 861	20 039
Paid- in capital		401 420	321 692
Retained earnings		-102 480	-17 975
<b>Total shareholders equity</b>		<b>321 801</b>	<b>323 757</b>

## Non-current liabilities

Borrowings	6,22	198 964	256 570
Derivatives	14	49 341	13 800
Other non-current liabilities		656	749
<b>Total non-current liabilities</b>		<b>248 961</b>	<b>271 119</b>

## Current liabilities

Trade payable		2 428	1 730
Public duties payable		1 669	1 864
Convertible debt	22	17 639	-
Dividends		-	2 703
Derivatives	14	60 803	13 968
Borrowings	6,22	56 901	7 003
Other current liabilities		16 639	8 940
<b>Total current liabilities</b>		<b>156 079</b>	<b>36 208</b>

<b>Total liabilities</b>		<b>405 040</b>	<b>307 328</b>
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<b>Total equity and liabilities</b>		<b>726 842</b>	<b>631 085</b>
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\*The comparative figures are restated. Both the current and non-current portion of power derivatives was originally presented as current. In the restated comparatives the non-current portion is presented as non-current (13.800 as of 31.12.21).

Bergen, Norway, 28 March 2023

The Board of Directors Småkraft AS



Member of the Board  
Claudia Ahnert



Member of the Board  
Oldrik Verloop



Chairman of the Board  
Annette Malm- Justad



Member of the Board  
Christian Heidfeld



Managing Director  
Terje Vedeler



## Statement of changes of Equity

<i>Amounts in EUR thousand</i>	Note	Share capital	Paid-in capital	Retained earnings	Total equity
<b>Equity at 1.1.2021</b>		<b>16 706</b>	<b>188 722</b>	<b>4 244</b>	<b>209 672</b>
Net profit				-22 035	-22 035
Currency presentation effect		829	9 785	-184	10 430
<b>Total comprehensive income for the period</b>		<b>829</b>	<b>9 785</b>	<b>-22 219</b>	<b>-11 605</b>
Capital increase current period	21	2 504	70 750		73 254
Capital increase current period not registered			74 159		74 159
Dividends			-21 724		-21 724
<b>Equity at 31.12.2021</b>		<b>20 039</b>	<b>321 692</b>	<b>-17 975</b>	<b>323 757</b>
Net profit				-88 867	-88 867
Currency presentation effect		-1 162	-18 290	4 361	-15 091
<b>Total comprehensive income for the period</b>		<b>-1 162</b>	<b>-18 290</b>	<b>-84 505</b>	<b>-103 958</b>
Capital increase current period	21	3 984	100 518		104 502
Dividends			-2 500		-2 500
<b>Equity at 31.12.2022</b>		<b>22 861</b>	<b>401 420</b>	<b>-102 480</b>	<b>321 801</b>

## Statement of Cash Flow

<i>Amounts in EUR thousand</i>	<i>Note</i>	<b>12 months ended 31.12.2022</b>	<b>12 months ended 31.12.2021</b>
<b>Cash Flow from operations</b>			
Profit (-loss) before taxation		-113 783	-28 273
Taxes paid for the period		-14	-
Dividends from investments in subsidiaries	5	-3 099	-
Depreciation, amortization, impairment	15,17	8 440	8 514
Change in unrealized currency gains/losses	14	13 696	-11 794
Change in unrealized derivatives	14	77 474	35 118
Change in working capital		10 989	3 879
<b>Net cash flow from operations</b>		<b>-6 297</b>	<b>7 444</b>
<b>Cash flow from investment activities</b>			
Outflows due to purchases of fixed assets and intangibles		-3 683	-58 576
Outflows due to purchases of derivatives		-2 036	-
Outflows due to investments in subsidiaries	5	-102 327	-81 517
Outflows due to investments in associates		-398	-
Outflows from loans to others	19	-3 812	-20 544
Inflows from dividends in subsidiaries	5	53 420	2 656
Inflows from loans to others	19	2 883	5 558
<b>Net cash flow from investment activities</b>		<b>-55 953</b>	<b>-152 424</b>
<b>Cash flow from financing activities</b>			
Capital increases	20	104 502	124 213
Dividend payments	20	-5 258	-
Inflows from loan raising	22	17 639	55 701
Outflows from loan payments	22	-8 023	-29 111
<b>Net Cash Flow from financing activities</b>		<b>108 860</b>	<b>150 803</b>
Currency translation effects		-796	564
Net change in bank deposits and cash		46 610	5 823
Bank deposits and cash at beginning of period		15 963	9 576
<b>Bank deposits and cash at end of period</b>		<b>61 777</b>	<b>15 963</b>

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# Notes to the accounts, Småkraft AS

## 1. General information

Småkraft (the Company) is located in Bergen, Norway, with local offices in Harstad, Sandnes, Lillestrøm, Flatanger and Oslo, and employs 30 people. All of Småkrafts business is in Norway. Småkraft is a supplier of renewable energy based on small scale hydro power plants. In addition, Småkraft AS has subsidiaries in the same industry in Norway and Sweden.

Småkraft's separate financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations from International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU and further requirements in Norwegian Accounting Law (Regnskapsloven).

The statement of comprehensive income, statement of financial position, statement of equity, statement of cash flow and notes provide comparable information in respect of the previous period.

The financial statements have been prepared on a historical cost basis except for financial derivatives which are measured at fair value. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Presentation and classification of items in the financial statements is consistent for the periods presented.

## 2. General accounting policies

### Foreign currency translation

#### Functional and presentation currency

The functional currency of Småkraft AS is the Norwegian krone (NOK). The Company accounts are presented in EUR. Småkraft AS presents the financial statement in EUR, as most of the lenders and the owners are EUR-based.

The currency differences arising in the translation to the presentation currency are presented in Other Comprehensive Incomes. Also, in the statement of equity the translation difference is included in retained earnings. All amounts are rounded to the nearest EUR thousand.

#### Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in profit or loss. Småkraft uses currency exchange rates from Norges Bank.

#### Sale of energy

The revenues from sale of energy bear the characteristic of delivering power at a certain price. The performance obligation is to deliver a series of distinct goods (power) and the transaction price is the consideration expected to receive, at either spot price, regulated price or contract price. The performance obligation is satisfied over time which entails that revenue should be recognised for each unit delivered at the transaction price. Småkraft applies a practical expedient under IFRS 15 whereby the revenue from power for most of the contracts is recognised at the amount of which the entity has a right to invoice. The right to invoice power arises when power is produced and delivered and the right to invoice the consideration will normally correspond directly with the value to the customer and arrangements where Småkraft sells power on an exchange (e.g. Nord Pool), the exchange is determined to be the customer.

### Segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses. Furthermore, the entity's component's operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and



to assess its performance, and thus separate financial information is available. The company has determined that the board of directors is collectively the chief operating decision maker.

The Company has only one segment: Power supply. Småkraft produces renewable energy and sells electricity, el- certificates and guarantees of origin on the Nordic power market.

### **Property, plant and equipment**

Property, plant and equipment is measured at historical cost less accumulated depreciation. Land is not depreciated. Historical cost includes expenditures that are directly attributable to the acquisition of the item.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate costs over their estimated useful lives. The assets' useful lives are reviewed annually and adjusted if appropriate.

Gains and losses on disposals are determined by comparing actual proceeds with the carrying amount. Gains and losses on disposal are included in profit or loss.

### **Intangible assets**

Intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, including goodwill, are recognised in the statement of financial position when it is probable that the asset will generate future economic benefits and the costs can be measured reliably.

Intangible assets with a definite useful life, such as water rights owned are amortised over the useful life.

Intangible assets with an indefinite useful life, such as goodwill are not amortised but are instead tested annually for impairment.

### **Goodwill**

Goodwill represents the excess of the cost of acquisition over the fair value of the Company's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of the impairment testing. The allocation is made to those cash-generating units or the Company's of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Goodwill is not amortised but are instead tested annually for impairment.

### **Leases**

The Company's main lease type of agreements are related to water rights. The rights are considered intangible assets. Småkraft has elected to not recognize these types of agreements under IFRS 16 leases. The accounting treatment of the different water right lease agreements are described below:

#### **Water right lease agreements**

Småkraft enters into water right lease agreements with landowners, which entitles the company to utilize the water in the rivers. The agreement typically has a period varying from 40 to 75 years, starting when the power plant is put into commercial operation.

When Småkraft has a commitment to pay rent to the land owners, we account for this as a regular cost as the commitment arises. Such commitment arises, when:

1. *Gross agreement / revenue-based agreement:* Småkraft pays landowner a percentage of the annual power plant revenue. Upon expiration of the agreement the landowners have the right to purchase the power plant with all rights and technical installations at a price based on certain specific conditions.

Småkraft accounts for this land lease when the relevant power plant generates revenue, upon which this land lease bases.

2. *Fixed amount- agreement:* Småkraft pays landowner a fixed annual amount. Upon expiration of the agreement the landowner has the right to purchase the powerplant with all rights and technical installations at a price based on certain specific conditions.

Småkraft accounts for this land lease monthly based upon the agreed yearly payment.

3. *Profit share agreement:* Småkraft shares the yearly powerplant- profit with the land owner. Upon expiration of the agreement the landowners have the right to purchase the power plant with all rights and technical installations based on certain specific conditions.

Småkraft accounts for this land lease type by calculating the actual profit for each individual power plant on a monthly basis. Småkraft then calculates the exact share of the profit, that the landowners have the right to receive. If Småkraft is in a position, where land lease should be paid to landowners, Småkraft accounts for the estimated payment as a cost.

In the case that Småkraft has a profit share lease agreement, where there (still) is an accumulated loss on the powerplant, Småkraft has the right to offset all accumulated losses before paying out land lease rent to the landowners. This will represent a future benefit for the company, that Småkraft does not recognise as an asset. This asset will be off- balance. Any positive or negative changes in these off- balance items, will not be recognised in Småkraft's books. In some instances, Småkraft may pay out loans or minimum payments to landowners. These loans are interest bearing loans and will be recognised as normal loans in the Company's Financial Statements.

#### **Other leases**

Further, Småkraft has some lease related to office rental of which the following principles applies:

##### Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease, i.e. the date the underlying asset is available for use. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

##### Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Estimates and Judgment when calculating Land lease:

Land lease calculations are estimates based on the current revenue and costs related to the specific companies. While being estimates, there is minimal judgment involved in these estimates, as they are technical calculations with low complexity based upon the relevant input. Furthermore, most of the input is objective, as the revenue and most of the costs are known at the time of the estimate.

#### **Financial instruments**

Financial instruments are recognised in the financial statements when the Company becomes party to contractual conditions relating to the financial instrument. Financial assets and financial liabilities are classified based on the type and purpose for holding the instruments at fair value, amortised cost or as a designated hedge accounting instrument (e.g. derivatives used for hedging financial risks).

#### **Financial assets**

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value, and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For financial assets measured at fair value, gains and losses will be recorded in profit or loss. Financial assets recognised at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the financial instruments at fair value through profit or loss, including interest and dividends, are recognised in the income statement. Derivatives are always measured at fair value through profit or loss.

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

### **Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### **Accounts receivables and accrued revenue**

Accounts receivable are measured at initial recognition at fair value. Accounts receivable are held with the objective to collect the contractual cash flows and therefore are subsequently measured at amortised cost using the effective interest method. For the purposes of impairment, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from the date of initial recognition of the receivables.

### **Financial liabilities**

The Company classifies all financial liabilities at amortised cost, except for derivatives which are at fair value and financial guarantees (see below).

### **Accounts payables and other financial payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of period which are unpaid. They are recognised at fair value. Småkraft does not subsequently measure at amortised cost using the effective interest method, as the difference is insignificant. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

### **Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled, or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

## **Taxes**

### **Income taxes**

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the statement of comprehensive income comprises taxes payable and changes in deferred tax liabilities and deferred tax assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities and deferred tax assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. From 2020 and onward, Småkraft uses the initial recognition exemption for the tax effect on temporary differences relating to purchase of power plants.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Tax related to items recognised in other comprehensive income is also recognised in other comprehensive income, while tax related to equity transactions is recognised in equity.

### **Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

### **Contributed equity**

Ordinary shares are classified as equity. Issuance of new shares are recognised when paid, based upon the decision by the General Meeting. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

### **Adoption of new and revised standards**

The following standards and amendments were mandatory application for the first time for the reporting period commencing 01.01.2022:

- Annual Improvements to IFRS: 2018-2020 Cycle amendments to IFRS 1, IFRS 9, IAS 41 and the Illustrative Examples accompanying IFRS 16
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use)

None of the amendments listed above have had any impact on the separate financial statements of the Company.

### **Standards and amendments issued but not yet effective**

The following standards and amendments were mandatory application for the first time for the reporting period commencing after 01.01.2022:

- IFRS 17 Insurance Contracts
- Disclosure of Accounting Policies (Amendment to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendment to IAS 8)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Lease Liability in a Sale and Leaseback (Amendment to IFRS 16)
- IAS 1 Presentation of Financial Statements (Amendment – Classification of Liabilities as Current or Non-Current)

None of the amendments listed above is expected to have any material any impact on the separate financial statements of the Company.



### 3. Key accounting estimates and judgements

#### Introduction

The use of reasonable estimates and judgements is a critical element in preparing the financial statements. Due to the level of uncertainties inherent in Småkrafts business activities, management must make certain estimates and judgements that effect the application of accounting policies, results of operations, cash flows and financial position as reported in the financial statements.

#### Areas of significant estimates

*Impairment testing of goodwill, property plant and equipment (PPE) and intangible assets*

In performing the impairment assessment of the carrying amount of goodwill, PPE and intangible assets, as disclosed in Note 16, the recoverable amounts of the cash generating units (“CGUs”), are determined based on fair value less cost of disposal. Significant judgements are used to estimate the long-term price forecast for power and pre-tax discount rates applied in computing the recoverable amounts of different CGUs. In making these estimates, management has relied on market development and estimates from external consultancies as disclosed in note 16.

#### Fair value measurement of energy derivatives

Significant estimates are applied in the valuation of the Group’s long term power purchase and power sales contracts. The fair value estimate is based on the amounts for which the assets or liabilities could be exchanged at the relevant transaction date on the reporting period end. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions do often not exist. In such cases Småkraft’s management is required to make market-based assumptions, see note 14.

### 4. Subsequent events

After year end, Småkraft has increased the portfolio of Powerplants. 2 January 2023 Småkraft finalized the acquisition of 65% of the shares in Svorka Småkraft AS, which have signed construction agreements to build powerplants with a capacity of 22,5 GWh to our portfolio in Norway

10 January 2023 Småkraft AS acquired the 9.9% minority interest in the Swedish subsidiary Strömfallet Småkraft AB from Strömfallet Invest AB. Strömfallet Småkraft AB owns 100% of the shares in Strömfallet AB, Strömfallet Tunafors AB and Streamgate North AB.

In line with the Norwegian Company Act § 8-2 and the registered Power of Attorney on Power to decide dividend – registered the 18 August 2022 – the Board decided to pay out dividend of in total EUR 37 500 000,- in addition to already resolved and paid out EUR 2 500 000,-, based upon the 2021- Financial Statements. The dividend payment shall be classified as capital redemption of the paid “overkurs” in the tax accounts. The dividend will be paid out on 31 March 2023 (the “payment date”), under condition that the distribution test, as described in the loan agreement, is met.

## 5. Subsidiaries

Småkraft AS purchased 7 subsidiaries in 2022 (24 in 2021) with this initial effect at the financial position:

<b>Company</b>	<b>Aquired by</b>	<b>Purchase date</b>	<b>Voting rights/shareholding aquired</b>
Småkraft AB	Småkraft AS	02.11.2021	100 %
Senneset Kraftverk AS*	Småkraft AS	05.01.2022	100 %
Stampaelva Kraft AS*	Småkraft AS	05.01.2022	100 %
Småkraft USPP1	Småkraft AS	28.03.2022	100 %
Hjorteland Kraft AS	Småkraft AS	31.05.2022	100 %
Skognes og Stordalen Kraftlag AS*	Småkraft AS	02.05.2022	100 %
Småkraft Portefølje 1 AS	Småkraft AS	10.06.2022	100 %

\*) companies were contributed as equity in kind into a portfolio subsidiary named Småkraft USPP 1 AS and subsequently merged into this company during 2022.

## Subsidiaries as of 31.12.2022:

Group companies	Date of acquisition/ Establishment	Registered office	Ownership share	Voting share
<b>Småkraft AS</b>		Bergen		
Holmen Kraft AS	2016	Bergen	100 %	100 %
Follsjå Kraft AS	2016	Bergen	82 %	82 %
Muoidejohka Kraft AS	2010	Bergen	60 %	60 %
Reinli Kraft AS	2005	Bergen	51 %	51 %
Jorda Kraft AS	2012	Bergen	51 %	51 %
Sigdestad Kraftverk AS	2018	Bergen	52 %	52 %
Svartefoss Invest AS	2020	Bergen	100 %	100 %
Foldsæ Bergsái AS	2020	Bergen	100 %	100 %
Holsen Kraft Nordøla AS	2020	Bergen	100 %	100 %
Ytre Kandal Kraft AS	2020	Sandane	51 %	51 %
Fossåa 1 K AS	2020	Sør- Fron	66 %	66 %
Rysna Småkraftverk AS	2020	Bergen	100 %	100 %
Tokheim Kraft AS	2020	Bergen	100 %	100 %
Hjorteland Kraft AS	2022	Bergen	100 %	100 %
Småkraft USPP 1AS	2022	Bergen	100 %	100 %
<b>Småkraft Portefølje 1 AS</b>	2022	Bergen	100 %	100 %
Chr Salvesen & Chr Thams's Communications AS	2022	Bergen	100 %	100 %
Røvassåga AS	2022	Bergen	100 %	100 %
Teigdalskraft AS	2022	Bergen	100 %	100 %
<b>Småkraft Green Bond 1 AS</b>	2018	Bergen	100 %	100 %
Kvemma Kraft AS	2013	Lærdal	66 %	66 %
Saksenvik Kraft AS	2016	Bergen	96 %	96 %
<b>Småkraft Green Bond 2 AS</b>	2020	Bergen	100 %	100 %
Salvasskardelva Kraft AS	2021	Bergen	100 %	100 %
<b>Strømfallet Småkraft AB</b>	2021	Uppsala	90,1 %	90,1 %
Strømfallet AB	2021	Uppsala	100 %	100 %
Strømfallet Tunafors AB	2021	Uppsala	100 %	100 %
Streamgate North AB	2021	Uppsala	100 %	100 %
<b>Småkraft AB</b>	2022	Uppsala		
Bangbro Kraft AB	2022	Uppsala	100 %	100 %
Småkraft Østra Gøtaland AB	2022	Uppsala	100 %	100 %
<b>Associated company</b>	<b>Date of acquisition</b>	<b>Registered office</b>		
Luster Småkraft AS	2005	Gaupne	50 %	
Rullestad & Skromme AS	2006	Etne	35 %	
Proxima Hydrotech AS	2021	Seimsfoss	33 %	
Smávirðjanir EHF	2022	Reykjavik	50 %	

## 6. Management of capital structure

The main aim of the Company's management of its capital is to maintain a reasonable balance between the Company's debt and total assets. The Company has a long- term investment horizon, with contractual arrangements and investments that will last for decades. The reasonable balance between debt and total assets is thus set based upon the expectations towards short- term and long- term price expectations.

Overview of capital included in management of capital structure:

<i>Amounts in EUR thousand</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
<b>Total non-current assets</b>	<b>656 008</b>	<b>607 523</b>
Interest-bearing liabilities, non-current	198 964	256 570
Interest-bearing liabilities, current	56 901	7 003
Cash and cash equivalents, excluding	61 777	15 963
<b>Net interest- bearing liabilities (NIB)</b>	<b>194 088</b>	<b>247 610</b>
<b>NIB / Total non-current assets</b>	<b>30 %</b>	<b>41 %</b>

Småkraft has several debt covenants, which include:

- Equity ratio shall exceed 30%.
- Net debt over EBITDA shall not exceed certain levels.
- Debt service coverage shall not fall below certain levels.
- Liquidity shall exceed interest payments next six months.

## 7. Financial instruments – Risk Management

The company is exposed through its operations to the following financial risks:

- Credit risk
- Interest rate risk
- Foreign exchange risk
- Other market price risk, and
- Liquidity risk.

In common with all other businesses, Småkraft is exposed to risks that arise from its use of financial instruments. This note describes Småkraft objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the company's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

### **(i) Principal financial instruments**

The principal financial instruments used by Småkraft, from which financial instrument risk arises, are as follows:

- Trade receivables
- Cash and cash equivalents
- Trade and other payables
- Bank overdrafts
- Floating-rate bank loans
- Fixed rate loans
- Interest rate swaps, and
- Forward currency contracts.



## (ii) Financial instruments by category

31.12.2022

<i>Amounts in EUR thousand</i>	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
<b>Assets</b>					
Investments					-
Long term receivables		52 722			52 722
Trade receivables and other receivables		2 425			2 425
Other current receivables		2 052			2 052
Derivatives	12 675				12 675
Cash		61 777			61 777
<b>Liabilities</b>					
Loans and borrowings				255 865	255 865
Trade payables				2 425	2 425
Convertible debt				17 639	17 639
Other current liabilities				16 639	16 639
Derivatives non-current			49 341		49 341
Derivatives current			60 803		60 803
<b>Net financial assets and liabilities at 31.12.2022</b>	12 675	118 976	110 144	292 567	-271 060

31.12.2021

<i>Amounts in EUR thousand</i>	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
<b>Assets</b>					
Investments					-
Long term receivables		74 199			74 199
Trade receivables and other receivables		5 395			5 395
Other current receivables		720			720
Derivatives	1 482				1 482
Cash		15 963			15 963
<b>Liabilities</b>					
Loans and borrowings				263 573	263 573
Trade payables				1 730	1 730
Other current liabilities				8 940	8 940
Derivatives non-current			13 800		13 800
Derivatives current			13 968		13 968
<b>Net financial assets and liabilities at 31.12.2021</b>	1 482	96 277	27 768	274 243	-204 252

### (iii) Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade and other receivables, trade and other payables, and loans and borrowings. The carrying value approximates their fair value.

(iii) Financial instruments measured at fair value

There were no transfers between levels during the period.

All the derivatives are valued at fair value at level 2 in accordance with the fair value hierarchy. For additional information see note 14.

### Risk and risk management of financial instruments

Småkraft is engaged in activities that entail risk in many areas and has a unified approach to the Company's market risks. The risk management policy is based upon assuming the right risk based on the ability and willingness to take risks, expertise, financial strength, and development plans. The purpose of risk management is to identify threats and opportunities, and to manage the overall risk level to provide reasonable assurance that the Company's objectives will be met. In Småkraft, market risk will primarily relate to prices of energy, interest rates and foreign currency. The following section contains a more detailed description of the various types of market risk, and how these are managed.

## Description of market risk related to prices on energy and commodities

Småkraft is exposed to significant market risk in relation to the generation and trading of power. Revenues from power generation are exposed to volume and power price risk. Småkraft manages market risk in the energy markets by trading physical and financial instruments in the Nordic Market.

Risk management in energy trading in Småkraft focuses on residual market exposure after considering land lease contracts and minority interests. In general, Småkraft enters standard fixed price contracts where Småkraft agrees to sell a certain production volume at an agreed price in the future. Around 1/4 of the expected annual production capacity for the next four to five years have such contracts to reduce the residual risk after land lease and minority interests. Småkraft has set risk- limits within which trading activities are allowed.

Both realized cash effects and unrealized non- cash effects from trading are presented as a part of other revenue in the profit and loss statement.

## Description of foreign exchange

Småkraft incurs currency risks in the form of transaction risk, mainly in connection with energy sales revenue and investments. Balance sheet risk is related to debt in NOK and EUR.

Småkraft settlement currency at the Nordic power exchange Nord Pool is EUR and NOK, and all power contracts traded in the Nordic power exchange Nasdaq are denominated in EUR. In addition, most of Småkrafts power purchase agreements in Norway and all power purchase and sales abroad are denominated in EUR. The objective of Småkrafts hedging is to secure the EUR value of future cash flows exposed to changes in foreign currency rates. Economic hedging is partly achieved by using debt in EUR- currencies as hedging instruments. Few of these hedging relationships fulfil the requirements of hedge accounting.

As of 31 December, the Company's net exposure to foreign exchange risk was as follows:

2022	Functional currency of individual entity		
	NOK	SEK	Total
<i>Amounts in EUR thousand</i>			
Net foreign currency financial assets/(Liabilities)			
<i>Currency</i>			
NOK			-
EURO	-2 840 860		-2 840 860
SEK	25 863		25 863
<b>Total net exposure</b>	<b>-2 814 997</b>	<b>-</b>	<b>-2 814 997</b>

2021	Functional currency of individual entity		
	NOK	SEK	Total
<i>Amounts in EUR thousand</i>			
Net foreign currency financial assets/(Liabilities)			
<i>Currency</i>			
NOK			-
EURO	-2 573 277		-2 573 277
SEK	448		448
<b>Total net exposure</b>	<b>-2 572 830</b>	<b>-</b>	<b>-2 572 830</b>

## Description of interest rate risk

Småkrafts interest rate exposure is related to its debt portfolio. The management of interest rate risk is based on a balance between keeping interest cost low over time and contributing to stabilize the Company's cash flows with regards to interest rate changes.

Interest rate sensitivity on borrowings:	Increase/decrease in basis points	Effect on profit	
		before tax	Effect on equity
2022	1 %	-2 735	-2 133
2021	1 %	-2 636	-2 056

## Credit Risk

Credit risk is the risk that Småkraft incurs losses due to the failure of counterparties to honor their financial obligations. Småkraft is facing credit risk when entering transactions with financial institutions. Credit risk against financial institutions arises from cash or current account, deposit, investment of interest-bearing securities, derivative transactions, and incoming guarantees. Småkraft also assumes credit risk when providing loans to associates and joint ventures. In addition, Småkraft assumes credit risk in connection with physical sales contracts. The total risk of counterparties not being able to meet their obligations is low. Historically, Småkraft's credit losses have been limited.

All of Småkraft's main counterparties with regards to revenue settlement and hedging activities are rated as Investment Grade by well-known rating agencies within the 12 months.

## Liquidity risk

Liquidity risk is the risk that Småkraft will not be able to meet its financial obligations as they fall due. The company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to Småkraft's reputation.

The table below shows the maturity structure of the Company's financial liabilities:

		Cash flows including interest				
	Carrying amount	1 year	2 years	3 years	4 years	>5 years
<i>Amounts in EUR thousand</i>						
Debt to financial institutions	255 864	73 011	150 940	940	47 180	0
Trade payables	2 428	2 428				
Other short term liabilities	4 599	4 599				
<b>Total</b>	<b>262 891</b>	<b>80 038</b>	<b>150 940</b>	<b>940</b>	<b>47 180</b>	<b>0</b>

		Cash flows including interest				
	Carrying amount	1 year	2 years	3 years	4 years	>5 years
Debt to financial institutions	263 574	10 322	7 249	203 095	1 128	50 406
Trade payables	1 730	1 730				
Other short term liabilities	3 443	3 443				
<b>Total</b>	<b>268 747</b>	<b>15 495</b>	<b>7 249</b>	<b>203 095</b>	<b>1 128</b>	<b>50 406</b>

## Climate risk

Småkraft's operations are largely dependent on precipitation, and changes in precipitation patterns may affect both our production and the price picture in the power market. Climate change is unpredictable and different scenarios will affect Småkraft's production. Colder winters and dry summers may negatively affect Småkraft's production, while milder winters and wetter summers may have a positive impact on Småkraft's production. Climate change may also lead to more extreme precipitation and/or snowmelt, which may increase water loss over Småkraft's dams. Climate change, as we are experiencing today, is moving in the direction of milder winters and wetter summers, resulting in increased production from our power plants.

## 8. Alternative Performance Measures

**Adjusted Power revenues** is defined as Power revenues and Other operating income adjusted for Realized value change on energy derivatives. Småkraft uses this APM to visualize cash flow generated from power sales over time.

**EBITDA** is defined as operating profit (-loss) + depreciation of fixed assets and intangible assets + impairment of fixed assets and intangible assets. This APM is widely used by analysts comparing Norwegian Hydropower companies. Småkraft uses this APM to visualize performance over time irrespective of price.

**Adjusted EBITDA** is defined as operating profit (-loss) + depreciation of fixed assets and intangible assets + impairment of fixed assets and intangible assets – unrealised value change on energy derivatives. Småkraft uses this APM to measure performance from operational activities. Unrealised value on energy derivatives is deducted

in the adjusted figures as the value change on these derivatives usually be negatively correlated to value changes in future power production that is not recognised, thus creating an accounting mismatch that is not alleviated through hedge accounting. Adjusted EBITDA should not be considered as an alternative to operating profit/loss and profit/loss before tax as an indicator of the company's operations in accordance with generally accepted accounting principles. Nor is adjusted EBITDA underlying an alternative to cash flow from operating activities in accordance with generally accepted accounting principles.

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Power revenue	61 010	30 643
Realised value change on energy derivatives	-54 908	-19 524
<b>Adjusted power revenue</b>	<b>6 102</b>	<b>11 119</b>

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Operating profit (loss)	-106 780	-42 309
+ Depreciation of fixed assets and intangible assets	8 440	8 514
<b>EBITDA</b>	<b>-98 340</b>	<b>-33 795</b>
- Unrealised value change on energy derivatives	83 293	33 396
<b>Adjusted EBITDA</b>	<b>-15 048</b>	<b>-399</b>

## 9. Revenues and other income

### Sale of electric energy

The revenues originate from the generation of hydropower.

### Green revenues

The EL certificate scheme is a market-based support scheme. In this system, producers of renewable electricity receive one certificate per MWh of electricity they produce for a period of up to 15 years.

### Power and currency derivatives

Småkraft utilise financial hedging contracts to hedge future revenue. The Group does not apply hedge accounting for the hedging of power revenues. See also note 7 Financial instruments.

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Power production revenue	59 628	29 748
Guarantees of origin and EI certificates	1 383	895
<b>Power revenue</b>	<b>61 011</b>	<b>30 643</b>

Disaggregation of revenues by Price area:

<i>Amounts in EUR thousand</i>		<b>2022</b>	<b>2021</b>
Price area NO1	Norway	3 725	1 661
Price area NO2	Norway	28 281	9 690
Price area NO3	Norway	3 660	5 870
Price area NO4	Norway	1 555	3 435
Price area NO5	Norway	22 407	9 052
Other green revenue		1 382	935
<b>Power revenues</b>		<b>61 011</b>	<b>30 643</b>



## 10. Payroll costs, number of employees, loans to employees, etc.

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Wages and salaries	2 773	1 854
Payroll tax	520	481
Pension costs	314	682
Other benefits	135	-5
<b>Sum</b>	<b>3 742</b>	<b>3 011</b>

Number of full-time employees as of 31.12.	30	25
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### Managing Directors' remuneration

<b>Amounts in EUR thousand</b>	<b>2022</b>	<b>2021</b>
Salaries	255	189
Pensions	15	15
Other benefits	5	42
Sum	275	246

### Key Personnels' remuneration

<b>Amounts in EUR thousand</b>	<b>2022</b>	<b>2021</b>
Salaries	483	486
Pensions	47	41
Other benefits	9	5
Sum	539	532

Key Personnel consists of the senior management team in the roles as CFO, CCO and COO. The CEO and Key Personnel are all a part of a bonus program. The bonus remuneration is calculated based on achieved performance financial, operational and QHSE Key Performance Indicators compared to set targets.

The company has not issued any loans or guarantees in favour of the CEO, directors, or shareholders. The Board of Directors do not receive any remuneration for its positions as Board Members.

### Pension

Småkraft has an established pension scheme that is classified as a defined contribution plan. The pension scheme is in line with the requirements of the law. Contributions to the defined contribution schemes are recognised in the consolidated statement of profit and loss in the period in which the contribution amounts are earned by the employees. The defined contributions plan does not commit Småkraft beyond the amounts contributed.

## Fees paid to external auditors

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Statutory audit	118	189
Tax counselling	-	15
Other assurance services	37	42
<b>Sum</b>	<b>155</b>	<b>246</b>

## 11. Other operating expenses

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Water rights costs	9 589	1 940
El-certs costs	-	797
Transmission costs	236	1 914
Property tax and licence fees	1 321	1 418
Telecommunications	-	60
Rent and related expenses	304	230
Transport	1	6
Travel expenses	-	163
Purchase of various services	2 272	2 051
IT expenses	574	376
Repair/maintenance regarding equipment, machines etc	741	377
Consultant services	107	497
Other operating expenses	2 731	1 263
<b>Other operating expenses</b>	<b>17 875</b>	<b>11 093</b>

Purchase of various services consist of external accounting, audit, legal, transactions and operational services.

## 12. Financial result

### Financial income

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Income from investments in associates	3 099	-
Interest income from subsidiaries	1 754	2 065
Agio on borrowings in foreign currency	-	11 794
Unrealized non-cash effect on interest swaps	8 201	370
Other financial income	891	5 752
<b>Total</b>	<b>13 945</b>	<b>19 982</b>

### Financial expenses

<i>Amounts in EUR thousand</i>	<b>2022</b>	<b>2021</b>
Interest expenses paid to subsidiaries	45	92
Interest expenses	4 050	4 665
Disagio on borrowings in foreign currency	13 696	-
Unrealized non-cash effect on currency swaps	2 382	307
Other financial expenses	775	882
<b>Total</b>	<b>20 948</b>	<b>5 945</b>

## 13. Taxes

Differences not affecting deferred tax relates to goodwill in connection with former acquisitions and subsequent mergers with Småkraft AS.

Deferred tax benefit is recognised as Småkraft expects to come in tax position over the next years.

*Amounts in EUR thousand*

<b>The tax expense in the income statement</b>	<b>2022</b>	<b>2021</b>
Income tax	14	-
Changes in deferred tax	-24 930	-6 238
<b>Tax expenses (income)</b>	<b>-24 916</b>	<b>-6 238</b>
<b>Reconciliation of nominal tax rate and effective tax rate</b>	<b>2022</b>	<b>2021</b>
Profit before tax	-113 783	-28 273
Tax rate, percent	22 %	22 %
Expected tax expense	-25 032	-6 220
<b>Effect on taxes of</b>		
Permanent differences	96	48
Income from investments in associates	-780	-
Changes related to deferred tax on off-balance sheet items	-515	-28
Other changes	1 315	-38
<b>Tax expenses (income)</b>	<b>-24 916</b>	<b>-6 238</b>
Effective tax rate	22 %	22 %
<b>Taxes payable in the balance sheet</b>	<b>2022</b>	<b>2021</b>
	-	-
<b>Specification of temporary differences and deferred tax</b>	<b>2022</b>	<b>2021</b>
Fixed assets	7 163	8 631
Interest deduction carry forward	-2 113	-1 398
Group contributions	-24 661	-3 366
Unrealized derivatives	-98 391	-24 677
Other differences	-589	-105
<b>Temporary differences</b>	<b>-118 591</b>	<b>-20 915</b>
Losses carried forward	-50 918	-42 847
Differences not affecting deferred tax	-2 339	-2 462
<b>Basis for deferred tax</b>	<b>-171 847</b>	<b>-66 224</b>
Tax rate	22 %	22 %
Net deferred tax benefit (-)/liability (+) in the balance sheet, ordinary tax	-37 800	-14 569
<b>Deferred tax benefit</b>	<b>-37 800</b>	<b>-14 569</b>
<b>Presentation</b>	<b>2022</b>	<b>2021</b>
Deferred tax benefit	37 800	14 569



## 14. Derivatives

This note provides information about the company's financial instruments:

### Derivatives

The Company has derivatives related to the hedging of income from future power production, as well as interest rate swaps in connection with interest bearing debt.

For the period 2022- 2025, Småkraft AS has hedged part of the estimated production against price fluctuations. Fair value calculations are based on available year- end market prices, and future price- curve estimates in cases where there are no official closing prices.

The Company has entered financial currency swaps from EUR to NOK. The Company has entered these contracts to make sure that the future capital increases in EUR will fully cover future acquisitions in NOK.

The Company does not apply hedge accounting for contracts for power hedging or for currency swaps, meaning that unrealised changes in value are recognised through the profit or loss and presented on the line 'Other operating revenue' and Financial income/expenses respectively.

The table below shows the financial position and profit and loss accounts for the derivatives:

31.12.2022	31.12.2022 Assets		31.12.2022 Liabilities		2022 P&L
	Long term	Short term	Long term	Short term	
<i>Amounts in EUR thousand</i>					
Over FVPL - Interest rates swaps	8 096	-	-	-	8 201
Over FVPL - Currency derivatives	-	-	1 093	21	-2 382
Over FVPL - Power derivatives	-	4 579	48 248	60 782	-83 293
<b>Sum derivatives</b>	<b>8 096</b>	<b>4 579</b>	<b>49 341</b>	<b>60 803</b>	<b>-77 474</b>

31.12.2021	31.12.2021 Assets		31.12.2021 Liabilities		2021 P&L
	Long term	Short term	Long term	Short term	
<i>Amounts in EUR thousand</i>					
Over FVPL - Interest rates swaps	-	226	99	-	-5 445
Over FVPL - Currency derivatives	-	1 237	-	-	-63
Over FVPL - Power derivatives	-	20	13 800	13 968	-33 396
<b>Sum derivatives</b>	<b>-</b>	<b>1 482</b>	<b>13 899</b>	<b>13 968</b>	<b>-38 903</b>

\*The comparative figures are restated. Both the current and non-current portion of power derivatives was originally presented as current. In the restated comparatives the non-current portion is presented as non-current (13.800 as of 31.12.21).

All the derivatives are valued at fair value at level 2 in accordance to the fair value hierarchy: "Fair value is based on data inputs other than quoted prices included in Level 1, which are observable for the asset, either directly or indirectly".

## 15. Intangible assets and goodwill

The company's goodwill comes from historical acquisitions of new power plant companies and mainly arises because deferred tax is valued at nominal amounts whereas discounted amounts are reflected in the purchase amount. The difference between deferred tax valued at nominal and discounted amounts is recognised as goodwill.

<i>Amounts in EUR thousand</i>	Water right	Goodwill	Other intangible assets	Totalt
<b>Cost at 1 January 2021</b>	<b>4 300</b>	<b>3 072</b>	<b>12 172</b>	<b>19 543</b>
Additions 2021	0	0	2 436	2 436
<b>Cost at 31 December 2021</b>	<b>4 300</b>	<b>3 072</b>	<b>14 608</b>	<b>21 979</b>
Additions 2022	0	0	0	0
<b>Cost at 31 December 2022</b>	<b>4 300</b>	<b>3 072</b>	<b>14 608</b>	<b>21 979</b>
<b>Acc depreciations at 1 Januar 2021</b>	<b>-</b>	<b>-246</b>	<b>-582</b>	<b>-828</b>
Amortisation charge 2021	0	0	-324	-324
<b>Acc depreciations at 31 Dec. 2021</b>	<b>-</b>	<b>-246</b>	<b>-906</b>	<b>-1 153</b>
<b>Effect of currency movements 2021</b>	<b>198</b>	<b>372</b>	<b>-96</b>	<b>875</b>
Amortisation charge 2022	0	0	-298	-298
<b>Acc depreciations at 31 Dec. 2022</b>	<b>-</b>	<b>-246</b>	<b>-1 204</b>	<b>-1 450</b>
Effect of currency movements 2022	-216	-136	-653	-1 005
<b>Balance at 31 December 2022</b>	<b>4 095</b>	<b>2 599</b>	<b>11 464</b>	<b>18 158</b>
<b>Balance at 1 January 2021</b>	<b>4 113</b>	<b>2 609</b>	<b>10 657</b>	<b>17 379</b>
<b>Balance at 31 December 2021</b>	<b>4 311</b>	<b>2 735</b>	<b>13 321</b>	<b>20 367</b>
<b>Balance at 31 December 2022</b>	<b>4 095</b>	<b>2 599</b>	<b>12 370</b>	<b>19 064</b>

## 16. Impairment testing

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Småkraft typically tests for impairment at least in Q3 each year.

Other non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

### Cash generating unit

Power plants that are located in the same watercourse and jointly managed are regarded as a single cash-generating unit. Impairment tests are carried out by calculating the present value of future cash flows from each powerplant, which are then tested against associated carrying amounts.

### Budget

The impairment tests carried out for 2021 are based on the budget for 2022 and up to a 100 year period prior to setting the terminal value. If the power plant has a terminal clause in the land lease agreement, the period of time

up until the date of the clause is used. The power prices used in the forecast are a mix between the actual power prices traded in the Nordic power market for the first years and power curves from three independent power consultancies for the entire remaining time period. Småkraft uses longer than 5 years forecast- periods, because the nature of our business is long- term with land- lease periods ranging from 40 to 100 years.

## Discount rate

The applied discount rate is based on the company's cost of capital, which in turn is based on a weighted average return requirement for equity and loan capital. The return on equity requirement is estimated using the capital asset pricing model (CAPM). The return on loan capital requirement is estimated based on the long-term risk-free interest rate plus a credit margin derived from Småkrafts marginal long-term interest rate. The discount rate is adjusted for the expected debt-to-assets ratio and business risk for the individual cash-generating unit. A discount rate around 5 per cent has been applied for the various cash-generating units.

## Sensitivity

Power price based on actual power prices and the estimated forward price curves are the key assumptions in the calculation of the recoverable amount. Based on the current power price and estimated forward price management do not believe that a reasonably possible change in the power price would cause the carrying amount to exceed the recoverable amount with a material amount. The power price used in calculating of recoverable amount would have to fall with more than 15 % before a material impairment will occur.

Assumption - parameter	Change	# plants affected	Representing GWh	Impairment amount
Weighted average cost of capital (WACC)	0,50 %	3	16,8	366
	1,00 %	4	24,6	940
Downtime	3,00 %	0	0	0
	3,50 %	0	0	0
Price	-5,00 %	2	10,1	69
	-10,00 %	3	16,8	319

## 17. Property, plant and equipment

	Power plants	Inlet and waterway	Infrastructure	Other	Plant under construction	Total
<i>Amounts in EUR thousand</i>						
Cost at 1 January 2021	116 124	108 702	53 672	1 420	27 042	306 959
Additions, purchased, reallocations 2021	1 340	1 817	118	1 774	-25 863	-20 815
Cost at 31 December 2021	117 463	110 518	53 790	3 194	1 179	286 145
Additions, purchased, reallocations 2022	2 550	6	43	505	579	3 683
Cost at 31 December 2022	120 013	110 524	53 833	3 699	1 758	289 828
Accu. Depreciations and impairment at 1 January 2021	-25 777	-19 282	-11 332	-1 146	-759	-58 297
Depreciation charge 2021	-3 707	-2 542	-1 334	-338	-	-7 921
Impairment charge 2021	-269	-	-	-	-	-269
Accu. Depreciations and impairment at 31 Dec. 2021	-29 753	-21 825	-12 665	-1 484	-759	-66 487
Effect of currency movements	4 260	4 449	1 914	186	1 199	12 008
Balance at 31 December 2021	87 267	88 581	40 846	1 868	1 836	220 398
Depreciation charge 2022	-3 756	-2 585	-1 344	-456	-	-8 142
Impairment charge 2022	-	-	-	-	-	-
Accu. Depreciations and impairment at 31 Dec. 2022	-33 510	-24 410	-14 010	-1 940	-759	-74 628
Effect of currency movements	-4 310	-4 325	-1 988	-95	-113	-10 831
Balance at 31 December 2022	81 751	81 677	37 557	1 822	2 301	205 108
Accumulated impairment charge 31 December 2022	1 215	371	1 586	-	759	3 932
Percentage	1,2-20%	1,25 - 2,5%	1,25 - 2,5%	12,5-20%	0%	
Economic life	5-75	5-80	40 - 80	5-8		
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line		

Plants under construction are assets that we currently develop and plan to invest in constructions of future power plants or upgrades of existing power plants.

Contractual obligations

Signed SPA and EPC contracts as per 31.12.2022 have remaining obligations of EUR 95,8 million, whereof EUR 14,8 million is due within 12 months. Respective figures as per 31.12.2021 were EUR 77,1 million whereof EUR 52,3 million due within 12 months.

## 18. Associated companies

Associated company	Date of acquisition	Registered office	Ownership share	Voting rights
Luster Småkraft AS	2005	Gaupne	50 %	50 %
Rullestad & Skromme AS	2006	Etne	35 %	35 %
Proxima Hydrotech	2022	Bergen	33 %	33 %
Smávirkjanir EHF	2022	Island	50 %	50 %

Småkraft AS owns 50% of Luster Småkraft AS. The remaining 50% is owned by Luster Energi AS. The company successfully operates 3 small- scale hydro power plants: Kvåle, Holen and Vanndøla. Combined they have a normalized annual production of about 50 GWh.

Småkraft AS owns 35% of Rullestad & Skromme AS, and 65% of this company is owned by local landowners. The company is established to build small scale hydropower in Rullestad and Skromme, Etne, Hordaland. The company has water rights in 3 different projects in the area, with a possible annual production up to approximately 66 GWh. There are no employees employed by the company.

Småkraft AS owns 33% in Proxima HydroTech AS which is an independent service provider within operations and maintenance services. The company is focusing on services to hydropower plants and is developing relevant surveillance IT systems for the likes of Småkraft power plants.

Småkraft AS entered 23 December 2022 into a Sale and Purchase Agreement for 50% of the shares in Gjerdelva Kraft AS.

Agreed remuneration for the shares is equivalent to EUR 22 thousand – payment of this amount will take place after construction of the power plant under construction have been finalized.

The construction activities of the power plant will start up in 2023

## 19. Receivables; amounts due after more than one year

Amounts in EUR thousand	31.12.2022	31.12.2021
<b>Loans to associates:</b>		
Loans to associates - Luster Småkraft AS	-	801
Loans to associates - R&S Energi AS	969	943
Loans to associates - Utbygging Holding AS	-	2 112
Provisions for loss on loans to associates	-969	-886
<b>Other receivables:</b>		
Deposit rent	108	116
Prepaid water right lease	7 155	6 953
Loan to Strømfallet Invest AB	38	-
Other long term receivables	998	1 070
<b>Total</b>	<b>8 299</b>	<b>11 109</b>



## 20. Cash and cash equivalents

Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2022.

The company has established a bank guarantee for the payment of tax.

## 21. Share capital and shareholder information

<i>Amounts in EUR thousand</i>	No. of shares*		Share capital*	
	2022	2021	2022	2021
<b>Ordinary shares</b>				
Issued and fully paid 1 January	4 003 361	3 498 291	20 039	16 706
Issued new share capital	803 731	505 070	3 984	2 504
Currency presentation effect			-1 162	829
<b>31 December</b>	<b>4 807 092</b>	<b>4 003 361</b>	<b>22 861</b>	<b>20 039</b>

\* Number of shares not registered are 103 173 (2021: 420 458) and share capital TEUR 491 (2021:TEUR 2 105)

The share capital amounts to EUR 22 861 thousand at 31.12.2022

Ownership structure 31.12.2022*	Number	Nominal amount NOK	Sharecapital	Voting share	Ownership
					share
Aquila GAM Fund GmbH & Co. Geschlossen	760 024	50	38 001 200	15,4 %	15,4 %
Aquila Capital European Hydropower Func	1 093 704	50	54 685 200	22,3 %	22,3 %
ACEH Norway 1 B.V.	2 124 195	50	106 209 750	43,3 %	43,3 %
ACEH Norway 2 B.V.	932 342	50	46 617 100	19,0 %	19,0 %
<b>Sum</b>	<b>4 910 265</b>	<b>50</b>	<b>245 513 250</b>	<b>100 %</b>	<b>100 %</b>

\*Includes not registered capital increase

All issued shares have equal voting rights and the right to receive dividend.

Dividend paid:

<i>Amounts in EUR thousand</i>	2022	2021
Ordinary dividends	2 703	18 692
Extraordinary dividends	2 500	0
<b>Sum</b>	<b>5 203</b>	<b>18 692</b>

## 22. Borrowings and guarantees

### Borrowings

Amounts in EUR thousand

Lenders	Maturity	Currency	31.12.2022	31.12.2021
Banks	01.07.2024	EUR	154 000	158 000
Banks		NOK	3 394	3 504
Convertible debt from owners	31.03.2023	EUR	17 639	-
Green Bond debt1	01.11.2023	EUR	50 000	50 000
Green Bond debt2	13.04.2026	EUR	50 000	50 000
Agent commission SEB/Nordea		NOK	-1 529	-1 609
<b>Total</b>			<b>273 504</b>	<b>-</b>
<b>Total long term debt</b>			<b>198 964</b>	<b>256 570</b>
<b>Convertible debt from owners</b>			<b>17 639</b>	<b>-</b>
<b>Short term debt</b>			<b>56 901</b>	<b>7 003</b>

Convertible loan from shareholders will be converted to share capital within Q1 2023 in accordance with loan agreement.

### Changes in debt to financial institutions and bond debt during the year

Amounts in EUR thousand

	2022	2021
Ingoing balance	263 573	237 088
Repayments/ down payments	-7 818	-29 111
New debt	17 639	55 701
Currency exchange rate changes	110	-105
<b>Outgoing balance</b>	<b>273 503</b>	<b>263 573</b>

### Secure borrowings etc.

Amounts in EUR thousand

	2 022	2 021
Borrowings from financial institutions	255 865	263 573
Agent commission	-1 529	-1 609
<b>Total</b>	<b>254 336</b>	<b>261 964</b>

### Carrying amount of pledged assets

Amounts in EUR thousand

	2 022	2 021
Operating equipment	1 194	1 135
Trade receivables	2 425	544
Power plants and related water lease agreements	236 577	368 921
<b>Total</b>	<b>240 195</b>	<b>370 600</b>

The bank and bond holders have pledged security in operating equipment, bank accounts and accounts receivable, in addition to 1. priority pledge in the power plants and related water lease agreements.

The bank has pledged security in the shares in Småkraft AS and Småkraft AS' shares in Reinli Kraft AS and Muoidejohka Kraft AS.

Småkraft AS has provided a bank guarantee as security for the payment of withholding tax.

According to the shareholders agreement with Luster Småkraft AS, Småkraft AS is obligated to make capital available to Luster Småkraft AS.

## 23. Concessions

As of 31.12.2022, Småkraft AS has concessions for additional 12 power plant with a total annual production of approximately 102 GWh.

In addition to this there are currently 8 power stations under construction representing an annual production of 108 GWh both owned by subsidiaries in the group and companies signed to be acquired.

## 24. Water land lease agreements

As part of several of the net- agreements, Småkraft offers interest bearing loans and/ or minimum payments in the first years of the land- lease agreements. Net agreements typically have deficits the first years. Småkraft offers interest bearing loans/ minimum payments to offer more stable payouts to the landowners, while simultaneously not amending the balance in the land lease agreement between landowner and company.

The loans are normally interest-bearing loans. The minimum payments are interest bearing payments to the landowners that will be offset against future land lease profits.

Loans from Småkraft AS to landowners:

<i>Amounts in EUR thousand</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Loans to landowners	1 039	1 020
Minimum payments to landowners	5 535	5 943
<b>Total</b>	<b>6 574</b>	<b>6 963</b>

<i>Amounts in EUR thousand</i>	<b>31.12.2022</b>	<b>31.12.2021</b>
Receivables towards landowners, off balance	24 895	25 807
<b>Total</b>	<b>24 895</b>	<b>25 807</b>

When net- agreements have deficit, Småkraft AS finances the landowner share of the deficit. Småkraft AS accrues a receivable against the landowners, against which future profits will offset. This is an asset to Småkraft, that according to IFRS is off balance. It represents a future benefit for the company.

## 25. Related party transaction and balance items

Småkraft and its subsidiaries and associates have sought to do transactions on commercial terms. The companies also have business transactions regarding the corporate account. These are shown in the table below.

<b>Transaction / transaction group</b>	<b>Related accounting line</b>	<b>2022</b>	<b>2021</b>
<b>Joint ventures</b>			
Interest bearing loans	Receivables	-	1 744
<b>Total</b>		<b>-</b>	<b>1 744</b>
Interest bearing loans	Receivables		2 112
<b>Total</b>		<b>-</b>	<b>2 112</b>

Luster Småkraft AS og Rullestad & Skromme AS are associated companies (note 19). The individuals stated in note 11 are also related parties of Småkraft AS. Apart from the transactions specified in this note and note 11, there are no significant related party transactions or balance items.

Småkraft AS has strengthened its management capacity and with effect from 1 January 2023 Bjarte Skår took over the position as Chief Commercial Officer. Bjarte has 20 years' experience with hydro power plants in Hywer as CEO 2020-22 and before that from Brødrene Dahl as power plant division director. Bjarte has also per 31 December 2022 indirect ownerships in 5 companies which Småkraft has signed up to acquire. The companies are all single purpose hydro power plant construction companies which are owning hydro power plants under construction.

The total acquisition costs for these companies are approximately EUR 50 mill which is included in Småkraft AS's commitments as per 31 December 2022.

Gunnar Ulvik commenced from 1 January 2023 a new position in Småkraft as Technical Construction Manager. Gunnar held per 1 January 2023 board positions in the same companies as controlled by Bjarte Skår.

### Short-term Receivables

		<b>Relationship to the counterparty</b>	
<b>Counterpart</b>		<b>2022</b>	<b>2021</b>
Holmen Kraft AS	Subsidiary	1 175	-
Nordåna og Dalaåna Kraft AS	Subsidiary	-	833
Småkraft Green Bond 2 AS	Subsidiary	166	416
Rysna Småkraftverk AS	Subsidiary	7	248
Muoidejohka Kraft AS	Subsidiary	35	154
Reinli Kraft AS	Subsidiary	13	142
Chr Salvesen & Chr Thams' AS	Subsidiary	100	-
Småkraft Portefølje 1 AS	Subsidiary	155	-
Småkraft USPP 1 AS	Subsidiary	131	-
Saksenvik Kraft AS	Subsidiary	27	-
Sigdestad Kraftverk AS	Subsidiary	28	-
Småkraft AB , Group	Subsidiary	217	-
Strømfallet Småkraft AB	Subsidiary	109	-
Other	Subsidiary	2	433
<b>Short term receivables group companies (incl. in trade receivables)</b>		<b>2 164</b>	<b>2 226</b>

## Long-term Loans

Counterpart	Relationship to the counterpart	Long term Receivables	
		2022	2021
Småkraft Green Bond 1 AS	Subsidiary	8 421	17 824
Småkraft Green Bond 2 AS	Subsidiary	6 972	16 849
Russvik Kraft AS	Subsidiary		8 818
Størsdalselva Kraftverk AS	Subsidiary		7 695
Muoidejohka Kraft AS	Subsidiary	4 949	4 949
Tesgjolo Kraft AS	Subsidiary		2 700
Gosland Kraft AS	Subsidiary		1 201
Reinli Kraft AS	Subsidiary		991
Skinvik Kraftverk AS	Subsidiary		892
Foldsæ Bergsåi AS	Subsidiary	2 134	555
Nordåna og Dalaåna Kraft AS	Subsidiary		461
Aurora Bygg og Anlegg AS	Subsidiary		446
Gryta Kraft AS	Subsidiary		400
Deveggåe Kraft AS	Subsidiary		316
Svartefoss Invest AS	Subsidiary	228	210
Holsen Kraft Nordøla AS	Subsidiary	1 084	160
Småkraft Portefølje 1 AS	Subsidiary	16 909	
Tokheim Kraft AS	Subsidiary	1 865	
Fossåa 1 KS	Subsidiary	1 013	
Rysna Kraft AS	Subsidiary	847	
Other			56
<b>Loans to subsidiaries</b>		<b>44 423</b>	<b>64 524</b>
Luster Småkraft AS	Associated compæ	-	801
Rullestad og Skromme Energi AS	Associated compæ	-	943
Utbygging Holding AS	Associated	-	2 112
<b>Loans to associates</b>		<b>-</b>	<b>3 856</b>
<b>Sum</b>		<b>44 423</b>	<b>68 380</b>



**INDEPENDENT AUDITOR'S REPORT**



Urlandaga

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