

2023



småkraft®

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About Småkraft

Småkraft is a producer of renewable energy. Our fleet of 231 hydropower plants is spread across Norway and Sweden and delivers a mean annual production capacity of 2.1 TWh, making Småkraft the Nordic's largest owner and operator within its space.

Small-scale hydropower borrows water which naturally flows 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 Småkraft's stakeholders including owners, creditors and debt investors, local landowners, local municipalities and local societies. For more than 20 years, Småkraft has invested in the generation of new renewable energy. Småkraft's 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.

Corporate strategy



Our mission 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, and improved planning and security.

Core values

Småkraft has identified three core values that help define and lead our business:

Sustainable

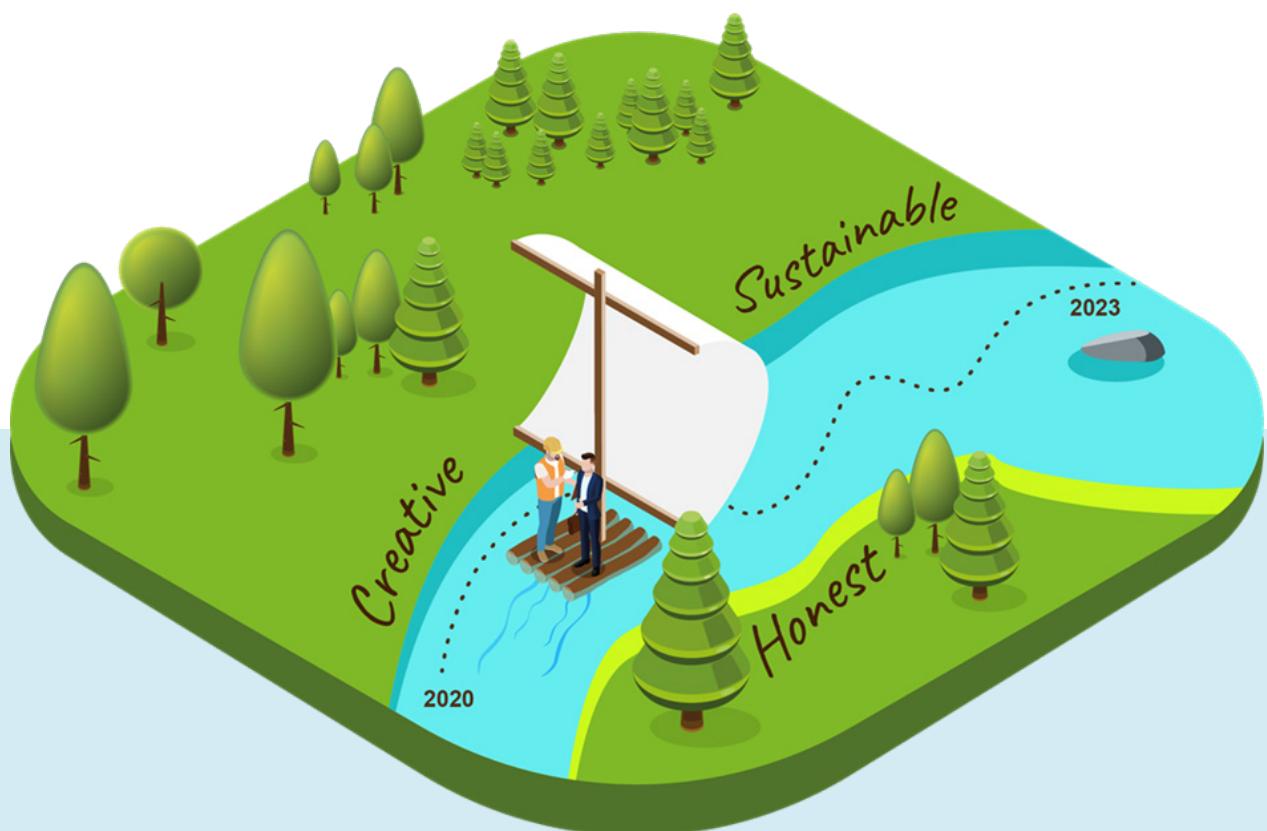
- think and act long term
- care about both local and global environment
- conclude our decisions on facts and knowledge
- prioritise security for our employees and business partners

Creative

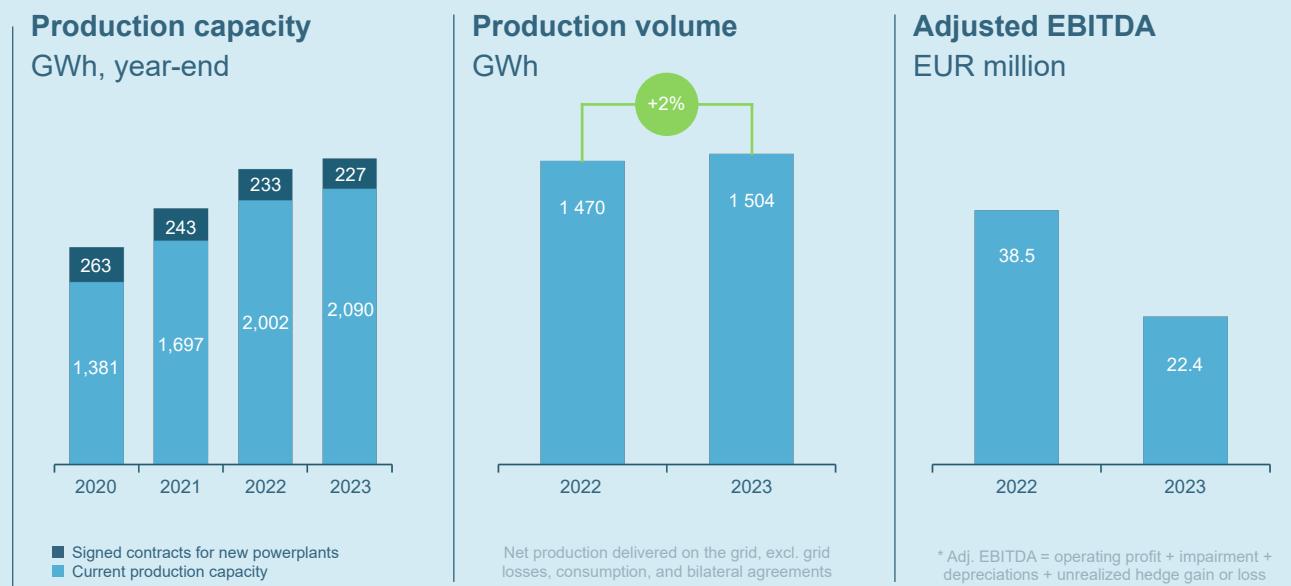
- seek new and better solutions
- maintain proven processes
- create added value

Honest

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



2023 in brief



Adjusted power revenue
EUR million

50.5

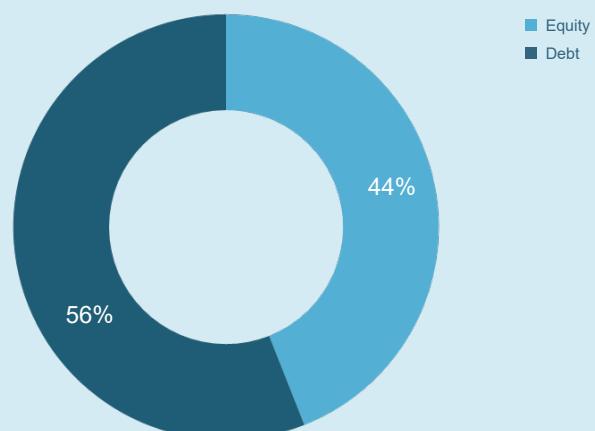
-36% y/y

Adjusted EBITDA
EUR million

22.4

-42% y/y

Equity ratio
Book value as per 31.12.2023



Key metrics

Amounts in EUR million	2023	2022
Power revenue	67 758	133 559
Profit (loss) before tax	34 876	-84 340
Cash flow from operations	-32 277	38 581
Production volume GWh	1 504	1 470
Avg. prices (EUR/MWh)	45.1	90.9

2023 in brief

Achieving ambitious growth targets and record results

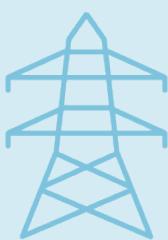


Renewable power production

Higher production capacity of 88 GWh in 2023 through acquisitions and newbuild. Total production of 1,504 GWh in 2023, 2% higher than 2022.

Sustainability

During 2023, 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.

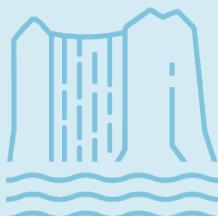


Market update

Nord Pool system prices decreased from 91 EUR/MWh in 2022 to 45 EUR/ MWh in 2023. Limited interconnector capacity from the northern parts to the southern parts still give significant price difference between the price zones in Norway.

Company developments

During 2023, Småkraft acquired and constructed 12 powerplants, adding capacity of 88 GWh to the Småkraft production portfolio. One of the powerplants with an annual capacity of 7 GWh was acquired in Sweden.



CEO Letter



Terje Vedeler
CEO

Småkraft constructs 24% of all renewable projects currently under construction in Norway. This is a remarkable achievement for a team of 32 men and women.

Småkraft constructs 24% of all new renewable energy projects in Norway

Autumn 2023, the Norwegian Water Resources and Energy Directorate (NVE) informed that only 1,120 GWh of new renewable energy is currently being constructed in Norway. Over the next years, our Scandinavian home market, will electrify transportation, properties, and industry. We need much more renewable energy production to match the increased demand. It is sad that Norway with its vast resources is not able to ramp up its investments and construction activities to match its ambitions.

As CEO in Småkraft, it is a pleasure for me to see how our employees, partners and landowners manage to lead the way and 'walk the talk'. Year after year, we continue to create, invest, and grow. As NVE presents their statistics, Småkraft was constructing 24% of all renewable projects currently under construction in Norway. This is a remarkable achievement for a team of 32 men and women.

We will continue to grow. At year end, we had 18 power plants with annual production capacity of 227 GWh under construction. We have a great pipeline of projects that we are working to mature into investment ready power plants in the next years. However, Småkraft's history since 2002 proves that constructing renewable energy is consistent hard work over time. We need to plan today for the investments we will do in three to five years from now. Thus, we have focused on expanding our project pipeline with great success. During 2023, we signed 26 contracts with landowners for development of small-scale power plants on their properties. The Group applied for 20 new permits with a total production capacity of 236 GWh.

One of Småkraft's main strategic goals over the last years has been to industrialize the company. No matter how hard our 32 employees work, we will not be able to continue our growth path without great partners, robust processes and supporting technology. We are blessed with more than 900 landowners who challenge us, support us, and bring us local competence and new ideas. World- class specialized and generalized suppliers within small-scale hydro work side by side with our operations and technical department. Our goal is always to tear down the barriers between the suppliers and Småkraft. We believe that robust processes combined with our main value 'Honesty' will make the unique teamwork Småkraft has with its partners even more valuable in future.

We have come a long way in industrializing Småkraft, but we still have a lot to do. This is work that we take on with great enthusiasm.

Industrializing small-scale hydro power is necessary for profitability in a complex renewable energy sector

Complexity within the renewable energy sector increases. Because of interconnectivity of the energy system, geopolitical changes and climate changes that influence the precipitation patterns, we see more volatile prices and production that may influence profitability.

To face these challenges and grasp the opportunities that they represent, small scale hydro power companies need to invest in technology, systems, and knowledge. This is challenging for single small scale hydro power plants or companies with small portfolios of power plants, as the investments and know-how needed are significant compared to the value of a small or few power plants. To Småkraft, this represents great opportunities, as we are big enough to have economies of scale and synergies. Utilizing the scale effects of large portfolios has always been a part of Småkraft's investment strategy. In the current environment, these effects will be even more important for profitability than before.

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 landowners. 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 technical team and its local partners, and the centralised operations centre. During 2023, 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.

In addition to scale effects and operational synergies, portfolio diversification is risk reducing in the current market environment. The production of a single runoff power plant is more volatile than the production of a portfolio of power plants, both on hourly basis and on yearly basis. Adding new power stations in different hydrological zones with different production patterns than the majority of our portfolio will have a positive impact on volatility. This reduces balancing costs and improves predictability. We see that our Swedish power plants match the rest of our portfolio in a very good way.

Småkraft's operational model

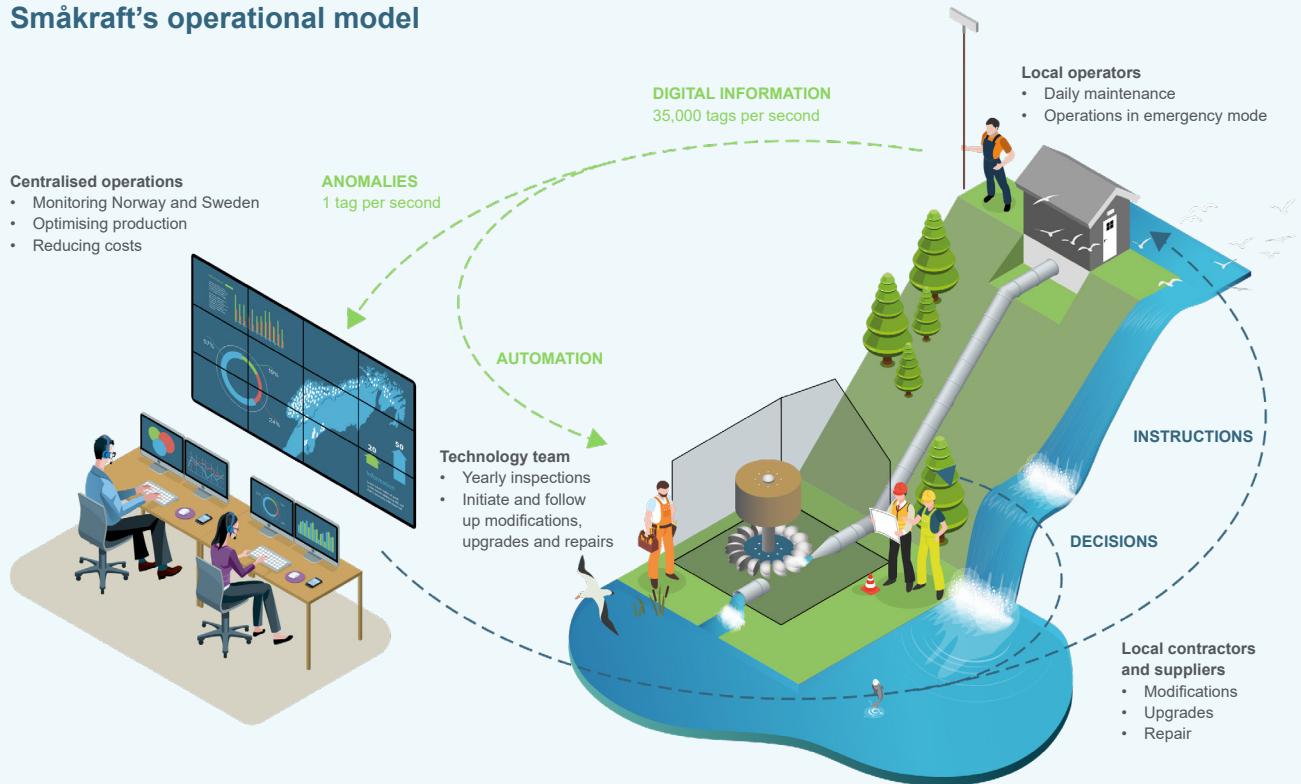


Figure 3: Småkraft's operational model consists of a digital and a physical loop. The digital loop goes automatically between various components in the power producing installation and to the operational centre. The physical loop goes from the centralised operational centre out to the internal tech. 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 its portfolio diversifying its debt maturities. This US private placement debt 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.

The last two years, interest rates have increased significantly. As Småkraft is investing in hydropower that last for decades, we have tried to find a good balance between fixed and floating interests that suits our long-term focus.

During 2023, Småkraft has worked with all legs of its financing strategies. We have issued a 7-year bilateral US Private Placement of EUR 40 million. We use this financing source for long-term financing. Secondly, we successfully refinanced our first Green Bond in the Nordic Bond market. We found great interest for this investment opportunity. Thirdly, we have worked with local banks that contribute with construction financing in the very important and dynamic financing face, where the power stations are being constructed. Here we have found new and flexible ways to finance construction structures in partnership with great local financing partners. Finally, we have been working and continue to work on the refinancing of our main bank facility with Nordic banks, which gives us sufficient flexibility in cash management and financing of the group.

Sustainability

Over the last years, Småkraft and its peer companies have faced increasing reporting requirements related to Environmental, Social and Governance topics (“ESG”). Småkraft works to align its processes to the EU Taxonomy, EU's Sustainable Financial Disclosure (“SFDR”), changes in the reporting standards such as the Global Reporting Initiative (“GRI”) and Task Force for Climate Change (“TCFD”). Increased reporting requirements tend to lead companies focus towards reporting and compliance and away from materiality and actions.

Småkraft is proud of its achievements within Sustainability Reporting. This work has been recognized. During 2023, Småkraft has yet again achieved the highest score in the annual ESG benchmark of the leading GRESB Infrastructure Asset Assessment within its peer group. We will continue to put in work to make our interactions with the environment and society as transparent as possible. We describe how we work with sustainability in our Sustainability Report.

However, sustainability is not about reporting. It is about risk, investments, processes and opportunities. During 2023, Småkraft prioritized investing in topics we have identified as the most material to Småkraft and its stakeholders. We have put down most efforts in the following four topics:

1. Understanding and adopting to Climate Change

Småkraft's production history shows that climate change leads to more precipitation and more extreme weather. This influences our production, and it may increase the forces our installations need to sustain. In 2023, Småkraft has faced the continued tendency of more extreme weather in the Nordics. The storm Hans had significant negative impact on infrastructure in the eastern part of Norway and the southern part of Sweden. While most of Småkraft's power stations proved resilient to the storm, the power station Hølera in Valdres, Norway was flooded and had damages on the turbine and power station. The power station Byro in Ullensvang, Norway faced similar stress because of a landslide in January 2024 that caused significant damages. Both power stations are or will be back in operation only a few months after the incidents and represent a very small part of Småkraft's portfolio.

Hølera and Byro show why it is essential to Småkraft to understand how future climate change is likely to influence our power stations. Together with other leading companies, Småkraft has joined forces with the leading Norwegian research institute NORCE. During 2023, Småkraft has continued its work with this research. The knowledge we accumulate has changed how we are thinking around some key topics:

- We are working to change our short-term production forecasting
- We have increased our focus on reservoir capacity
- We have increased our focus to have power stations with diverging seasonal and hydrological production patterns
- We have changed our hedging activities to better align with increased volatility

2. Life Cycle Emissions

Producing renewable energy has little carbon emissions compared to other sources of energy. Additionally, because of its long lifetime, small scale hydro is efficient compared to other sources of renewable energy. It has little carbon emissions per production unit of energy.

Still, when discussing with our key stakeholders what ESG topics they see as most important for Småkraft, several of them state that life cycle emissions are important. As almost 100% of the life cycle emissions from small scale

hydro come during the construction phase, Småkraft has increased its focus on understanding emissions during the construction phase of our power stations. During 2023, Småkraft has analysed the emissions during the construction phase on power stations, both new and old power stations. This gives us valuable insight that we could use to reduce emissions in future construction projects, in close cooperation with our partners. We are currently in the initial process of this work and expect this to be an important topic in the coming years.

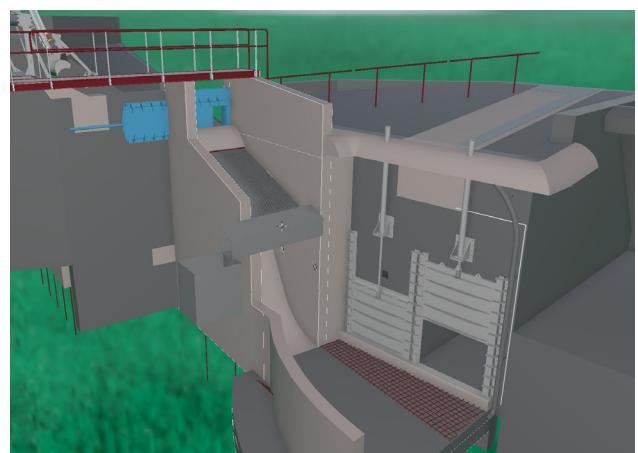
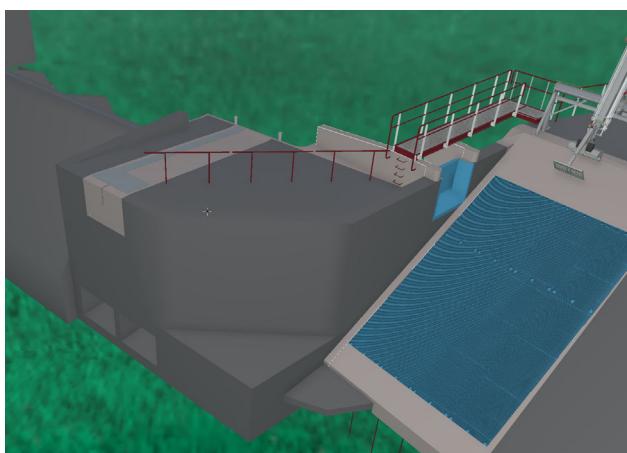
3. Investing in improved environmental footprint

Small scale hydro power plants in Norway and Sweden hold very different standard. Some power stations are modern and built in line with the current environmental standards, while others are old with different requirements. Especially the Norwegian concession system requires updates of the permits periodically. Old power plants are required to adapt to updated environmental and social standards. Småkraft has specific internal working processes to monitor, update and, if necessary, upgrade old power stations.

In some instances, Småkraft invest in power stations that are not in line with the minimum requirements we have to our power stations. This is reflected in the investment process, where Småkraft makes a plan on how to upgrade the power stations to meet our requirements. In most cases, these investments are minor. However, in some

cases, Småkraft needs to invest significantly to increase the environmental standards sufficiently.

The power station Fosstveit in Tvedstrand municipality in Southern Norway is the best example of this during 2023. For years, Fosstveit has had challenges with migrating fish and eel that were wounded and killed in the turbine of the power station. The technical challenges leading to this are complex. During 2022, Småkraft acquired the power station and immediately stopped its production to plan and perform significant upgrades to the intake of the power station. The new solution had a cost of approximately EUR 1 million in addition to significant production loss. Småkraft looks forward to test the solution during the spring flood in 2024. The investments on Fosstveit show Småkraft's commitment to act sustainable and meet environmental standards beyond minimum governmental requirements.



Illustrations: Fosstveit power station upgrade plans. 3D illustrations of upstream (left) and downstream (right).

4. Biodiversity

Energy production from small-scale hydropower plants will have an impact on the local environment around the power station, the penstock and the intake. These are not a natural part of the surrounding environment, and some parts may act as physical barriers for life in and life that depends on the river. Småkraft borrows water from the river between the intake and the power station. This may affect the biodiversity in and around the river.

The majority of our power plants are governed by restrictions on water flow for energy production. This implies that our power plants have to release water

to the river (minimum water flow) as long as water is flowing. This is a license requirement laid down to protect biodiversity in the river and reduce negative impacts.

Other key license requirements are bypass valves that ensure sufficient water in the river during an immediate production stop or specific water flow requirements.

During 2023, Småkraft has worked to improve and update the work processes to ensure that the environmental requirements are met efficiently and safely.



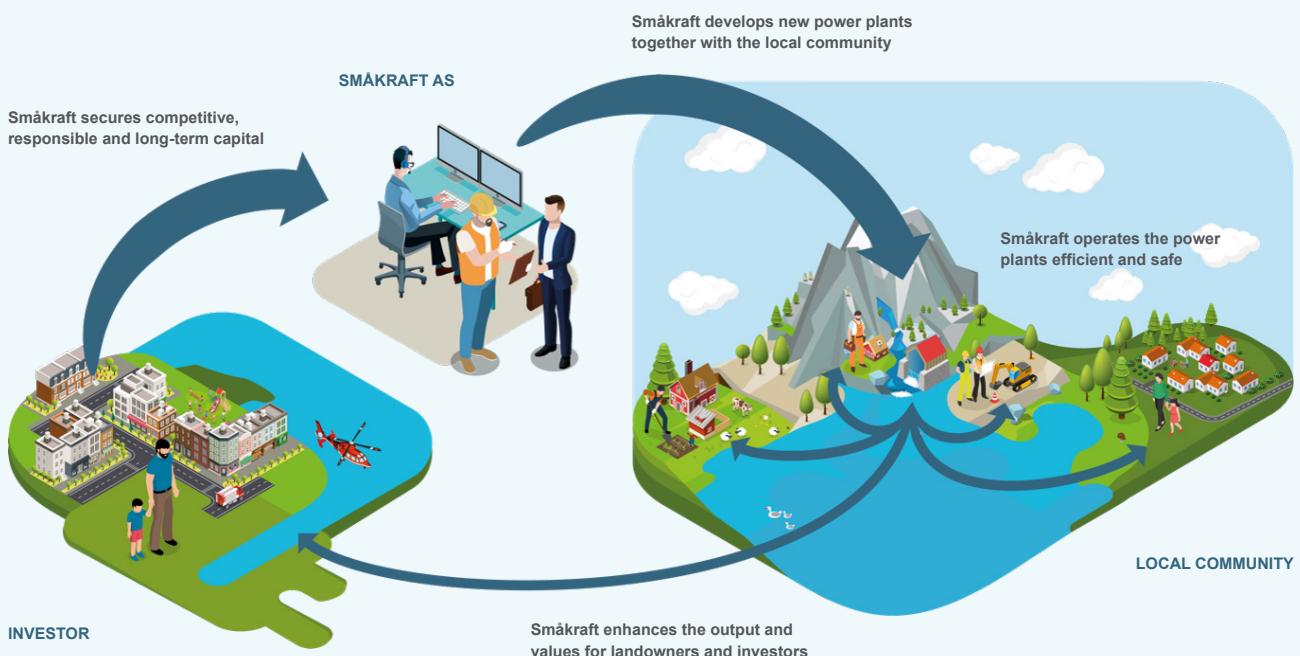
Our business

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.

Our business model is to bring long-term capital and competence to landowners who want to use their own land to create renewable energy



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
- Chair and Board Member of several listed and private companies

**Claudia Ahnert**

Board Member

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

**Oldrik Verloop**

Board Member

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

**Felix Renneke**

Board Member

- LL.M. in corporate law, mergers and acquisitions, FOM University
- 10 years' experience in the renewable energy industry
- Head of Asset & Fund Management, Hydropower, Aquila Capital
- 2 years' consulting experience at PwC

Management team

**Terje Vedeler**

Chief Executive Officer

- MSc in Hydropower Engineering from Norwegian University of Sciences and Technology (NTNU)
- 30 years' experience in leading positions in companies including Framo, FMC, Aker Solutions and Frydenbø Industrier

**Erik Røysem Sterud**

Chief Financial Officer

- Certified Public Accountant, Master of Accounting and Auditing, Norwegian School of Economics (NHH), and Dipl. Kaumf. Business and Administration, University of Passau
- 7 years as CFO at Småkraft and Norsk Grønnkraft, and 6 years at PwC

**David Inge Tveito**

Chief Operational Officer

- MSc in Electrical Energy Engineering from Norwegian University of Science and Technology (NTNU)
- 20 years' experience in energy companies including Statkraft, Scanenergy and Captiva

**Bjarte Skår**

Chief Commercial Officer

- 21 years' experience as Head of Hydro at Brødrene Dahl AS
- 2 years as Chief Executive Officer at 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 organization 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 259,051,600 divided among 5,181,032 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 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 market 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 emphasizes 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.



Board of Directors' report

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 in, 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, Dale and Gävle. The Group employs 32 people. Småkraft's power plants are located in all price zones in Norway and in 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 2023, Småkraft had 231 operating hydropower plants (219 at year end 2022), with a total accumulated production capacity of 2,090 GWh (2,002 by end of 2022).

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 20 and Related parties at Note 24.

Equity and shares

The Group had a book equity of EUR 386 million and a book equity ratio of 44% as of 31 December 2023.

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 registered ordinary shares issued in Småkraft AS as of 31 December 2023 is 5,181,032.

ESG and quality

In total, Småkraft has acquired and constructed 12 power stations that add 88 GWh annual capacity to the Småkraft portfolio during 2023. Furthermore, Småkraft managed to maintain and expand its pipeline of power stations it constructs together with its partners. Småkraft signed contracts that add 227 GWh of renewable energy over the next couple of years, and it has a significant pipeline of further projects to mature to formal investment decisions.

The Småkraft business model creates significant value for multiple stakeholders. Småkraft will pay out more than EUR 6 million in land lease based on the 2023 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 2023, 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 implemented the Transparency Act and associated due diligence assessments and reports during 2023. The company has already implemented the Transparency Act's requirements in its internal governing documents. Småkraft is currently working with suppliers to obtain documentation that defined requirements are met by the suppliers. Småkraft's sustainability reports are published on company website (<https://smaakraft.no/>).

Please refer to Småkraft's Sustainability Report 2023 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. Diversity of background, interests and knowledge is important to form the most varied and best possible competencies to conduct Småkraft's operations in the best possible way. 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. We are working systematically to improve diversity.

One out of five new employees in Småkraft in 2023 is female. In total, 16% of Småkraft's full time employees are female. The Board has four Directors, out of which two are female. The chair is female.

Outlook

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. Elevated price levels and increased volatility persisted during the first part of 2023, while prices dropped significantly in the third quarter. The Nordic commodity markets remain less liquid than historically, which leads to more challenging financial hedging activities. Småkraft halted its hedging activities during the summer 2021 and 2022, while in 2023 Småkraft only adjusted its hedges to match its production volatility.

The production is expected to increase in line with full year production from power plants acquired in 2023 and new plants coming on stream in 2024. The Småkraft Group pursues a growth strategy and intends to invest further in new production capacity over the next years.

During 2023, Småkraft has continued to look for operational improvement and explore growth and diversification opportunities. Projects have been initiated to ensure that Småkraft adapts 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 are therefore affected by currency exchange fluctuations between NOK and EUR.

Key metrics

EUR '000	2023	2022
Power revenue	67 758	133 559
Profit (loss) before tax	34 876	-84 340
Cash flow from operations	-34 235	38 581
Production volume (GWh)	1 504	1 470
Avg. prices (EUR/MWh)	45	91

Alternative Performance Measures (APM) - ref. note 8

EUR '000	2023	2022
Adjusted power revenue	50 482	78 651
Adjusted EBITDA	22 396	38 513
EBITDA	95 529	-44 780

Income Statement

Småkraft generated power revenue of EUR 68 million in 2023 (EUR 134 million), a decrease of EUR 66 million or 49%. The decrease is explained by halved power prices.

Production was 1,504 GWh, an increase of 2% compared to 2022. Average obtained spot prices per MWh decreased by 50% to 45 EUR / MWh in 2023 compared to 2022. 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.

In 2023 the mark to market valuation of energy derivatives hedging about $\frac{1}{4}$ of the expected production for 2024 caused a positive unrealized value change of EUR 73 million (negative EUR 83 million in 2022). 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, please refer to appendix detailing these APMs. Adjusted power revenue showed a decrease of 36% for 2023 compared to 2022 underlining the impact of lower power prices in 2023.

Payroll and related costs increased from EUR 3.7 million to EUR 4.6 million in 2023 mainly due to increase in personnel cost and headcount. Depreciations for 2023 were EUR 20 million (EUR 21 million). The decrease is explained by a weaker NOK compared to EUR in 2023 in addition to a reversal of historical minor value for one power plant. There is a decrease in other operating expenses from EUR 39 million to EUR 25 million in 2023, explained by a reduction in land lease expenses of EUR 14 million from 2022 directly linked to lower power prices in 2023.

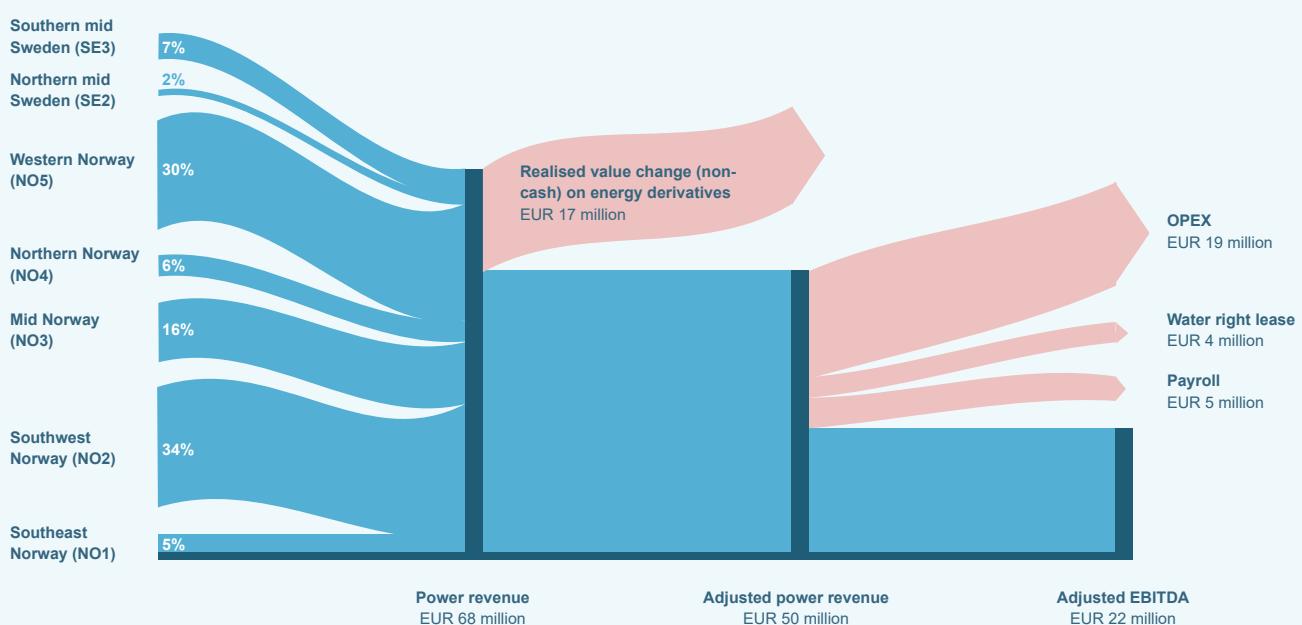
The operating profit for 2023 was EUR 76 million (loss of EUR 66 million in 2022). Excluding unrealized value change on energy derivatives, Småkraft would have reported an operating profit of EUR 2 million (EUR 18 million). Adjusted EBITDA is EUR 22 million (EUR 39 million).

Net financial items for 2023 reported a loss of EUR 41 million (EUR 19 million). The main explanation is a loss of EUR 6 million of fair value changes of interest and currency derivatives compared to a profit of EUR 7 million in 2022. Furthermore, currency development EUR / NOK and the fact that the majority of long-term financing is granted in EUR Implied a disagio on borrowings in 2023 of EUR 23 million (EUR 15 million).

Income tax expenses reports to EUR 8 million in 2023 compared to an income of EUR 13 million in 2022. Total comprehensive income 2022 was EUR 7 million in 2023 compared to a loss of EUR 89 million in 2022.

Alternative Performance Measures 2023

Illustrated



Balance sheet

Consolidated total assets as of 31 December 2023 amounted to EUR 874 million (EUR 936 million).

Total non-current assets amounted to EUR 812 million (EUR 809 million).

Current assets amounted to EUR 62 million (EUR 127 million).

Total equity amounted to EUR 386 million (EUR 352 million) an increase of EUR 34 million. The equity ratio was 44% (38%).

Total liabilities amounted to EUR 489 million (EUR 584 million). Total borrowings amounted to EUR 441 million (EUR 434 million) reflecting an increase in interest bearing borrowings of EUR 7 million. Net interest-bearing debt amounts to EUR 401 million (EUR 319 million).

Cash flow

Cash flow from operating activities amounted to negative EUR 34 million (EUR 39 million). The major explanations behind this is a cash outflow to landowners in 2023 based on high revenues earned in 2022.

The cash outflow from investing activities amounted to EUR 62 million (EUR 109 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 29 million (EUR 143 million). The shareholders contributed new capital of EUR 68 million (EUR 105 million). The Group received inflows from loan raising of EUR 123 million (EUR 128 million) and paid EUR 121 million (EUR 83 million) in instalments on credit facilities and leases. Dividends of EUR 38 million (EUR 6 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 - Key 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 30 million in 2023 (EUR 61 million), a decrease of EUR 31 million or 51%. The decrease is explained by lower power prices in 2023 compared to very high prices in 2022.

Småkraft AS has production in all price areas in Norway.

In 2023 the mark to market valuation of energy derivatives hedging about ¼ of the expected production for 2024 caused an unrealized value change of EUR 73 million (EUR -83 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. Reference is made to appendix to this report, detailing the APMs. Adjusted Power revenue showed an increase of 115% for 2023 compared to 2022 explained by the impact of changes in realized value change on energy derivatives in 2023.

Payroll and related costs increased from EUR 3.7 million to EUR 4.4 million in 2023 mainly due to increased number of personnel and higher hired personnel cost. Depreciation for 2023 was EUR 7.9 million (EUR 8.4 million) explained by a weaker NOK compared to EUR. The growth in the group as such has a direct impact on the increase in other operating expenses, however there was a decrease comparing 2023 with 2022 especially due to lower land-lease expenses.

The operating profit for 2023 was EUR 66 million (EUR -107 million). Excluding unrealized value change on energy derivatives, Småkraft AS would have reported an operating loss of EUR 7 million (EUR 23 million). Adjusted EBITDA excluding same MTM adjustment is a profit of EUR 1 million (EUR -15 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 2023 reported a profit of EUR 7

million. In 2022 net financials reported a loss of EUR 7 million. Main explanation for this difference is recognized distributions from subsidiaries which is EUR 30 million higher in 2023 compared to 2022. Reducing this positive development is negative fair value changes on interest and currency derivatives of EUR 12 million compared to 2022. Currency fluctuations EUR / NOK explains currency losses on borrowings in 2023 of EUR 17 million, compared to EUR 13 million in 2022.

Income tax expenses was EUR 14 mill in 2023 compared to an income of EUR 25 million in 2022.

Total comprehensive income 2023 was a profit of EUR 40 million (EUR -104 million).

Balance sheet

Total assets as of 31 December 2023 amounted to EUR 692 million (727 million).

Total non-current assets amounted to EUR 657 million (EUR 656 million).

Current assets amounted to EUR 25 million (EUR 71 million).

Total equity amounted to EUR 390 million (EUR 322 million) an increase of EUR 68 million. The equity ratio was 57% (44%).

Total liabilities amounted to EUR 292 million (EUR 405 million), reflecting a decrease in liabilities of EUR 113 million. The major part of the reduction is explained by reduced MTM value of derivatives EUR 82 mill. Net interest-bearing debt amounted to EUR 237 million (EUR 194 million).

Cash flow

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

The cash outflow from investing activities amounted to EUR 40 million (EUR 56 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 11 million in 2023 (EUR 53 million).

The cash outflow from financing activities amounted to EUR 5 million (inflow of EUR 109 million in 2022). The shareholders contributed new capital of EUR 65 million

(EUR 105 million). Received inflows from loan raising of EUR 54 million (EUR 18 million) and paid EUR 88 million (EUR 8 million) in instalments on credit facilities and leases. Dividends of EUR 37 million (EUR 5 million) were paid to the shareholders.

Risk review

Operational risk factors

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

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, power prices and capture rates remain the main risk factors for the upcoming periods.

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 2023 Småkraft has mainly adjusted its current hedges to match its production volatility during the year better.

Increased future power prices increase indirectly unrealized hedge loss. When the prices are increasing 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. The development in 2023 has been the opposite. A decrease in future prices has decreased the unrealized losses and consequently improved Småkraft's equity ratio.

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 production is covered by interruptions insurance. Significant emphasis has been dedicated to manage the QHSE risks in the company.

Småkraft may also be affected by a 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 minimize 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's shareholders have committed equity for at least 50% of the agreed price for coming investments. Småkraft is working actively with banks and debt investors to finance the remaining part of the investments. 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 40 million at the end of 2023. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2024. 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 2023 is approximately 65%.

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 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.

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.

During 2023 Småkraft successfully refinanced its EUR 50 million Green Bond 1 and issued a new EUR 40 million US Private Placement. Småkraft's main facility of EUR 150 million matures in June 2024.

Småkraft progressed commercial discussions with the company's banks about refinancing its main facility. Per date of these financial statements, Småkraft has commercially agreed terms with banks in a bank syndicate that will refinance the current debt facility. The term sheet has not yet been credit committee approved by all the bank syndicate members, but the term sheet is ready to be presented to the relevant bodies. Based on this the Board is presenting the financial statements on going concern.

Subsequent events

After year end, Småkraft has increased the portfolio of Powerplants. On 31 January 2024 Småkraft closed the acquisition of 100% of the shares in Myklebust Energi AS, which has a powerplant in operation with a capacity of 7.4 GWh. On 19 February 2024 Småkraft acquired Meierifossen Kraft AS with one additional power plant of 5.4 GWh.

In line with the Norwegian Company Act § 8-2 and the registered Power of Attorney on Power to decide dividend – registered the 14 September 2022 – the Board decided to pay out dividend of in total EUR 15,000,000, based upon the 2022 - Financial Statements. The dividend payment shall be classified as capital redemption of the paid "overkurs" in the tax accounts. The dividend was paid out on 26 March 2024 (the "payment date").

Bergen, Norway, 5 April 2024
The Board of Directors, Småkraft AS



Annette Malm-Justad
Chair of the Board



C. Ahnert
Claudia Ahnert
Board Member



Oldrik Verloop
Board Member



Felix Renneke
Board Member



Terje Vedeler
Managing Director

Annual accounts and notes

Småkraft Group

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Consolidated statement of income and consolidated statement of other comprehensive income

Småkraft Group

Amounts in EUR thousand	Note	2023	2022
Power revenue	8	67 758	133 559
Other income	8	1 481	1 430
Fair value change on energy derivatives	13	55 857	-138 201
<i>Unrealized value change on energy derivatives</i>		73 133	-83 293
<i>Realized value change on energy derivatives</i>		-17 277	-54 908
Share of the profit (loss) in equity accounted investments	17	118	1 415
Payroll and related costs	9	-4 653	-3 953
Depreciation and impairment of fixed assets and intangible assets	14, 15, 16	-20 010	-20 882
Other operating expenses	10	-25 032	-39 030
Operating profit/(loss)		75 519	-65 662
Financial income	11	1 982	1 252
Net foreign exchange gain (loss)		-23 036	-14 769
Fair value changes on interest rate and currency derivatives	7, 13	-6 265	7 116
Financial expenses	11	-13 325	-12 278
Net financial items		-40 643	-18 678
Profit/(loss) before tax		34 876	-84 340
Tax income (expense)	12	-7 633	12 884
Profit (loss)		27 243	-71 457
Profit/(loss) is attributable to:			
Equity holders of the parent company		27 411	-72 535
Non-controlling interests		-167	1 078
Other comprehensive income:			
<i>Items that may be reclassified to profit or loss</i>			
Currency translation differences on foreign operations		1 692	-715
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		-21 664	-16 488
Total comprehensive income for the year		7 271	-88 660
Total comprehensive income is attributable to:			
Equity holders of the parent company		8 274	-89 009
Non-controlling interests		-1 003	349

Consolidated statement of financial position

Småkraft Group

<i>Amounts in EUR thousand</i>	<i>Note</i>	31.12.2023	31.12.2022
Assets			
Non-current assets			
Intangible assets	14	231 574	216 263
Property, plants and equipment	16	552 395	545 888
Deferred tax assets	12	16 913	25 245
Investments, recognized under the equity method	17	2 732	3 697
Derivatives	13	714	9 249
Other long-term receivables	18	7 691	8 719
Total non-current assets		812 018	809 061
Current assets			
Inventories		1 489	0
Trade receivables	7	4 276	3 567
Other receivables	7	12 285	3 246
Derivatives	13	4 140	4 583
Cash and cash equivalents	19	40 120	115 253
Total current assets		62 310	126 648
Total assets		874 328	935 709

Consolidated statement of financial position, continued

Småkraft Group

Amounts in EUR thousand	Note	31.12.2023	31.12.2022
Equity and liabilities			
Shareholders' equity			
Share capital	20	23 046	22 861
Paid-in capital	20	402 500	401 420
Retained earnings		-51 912	-86 348
Total shareholders' equity		373 633	337 933
Non-controlling interest		12 057	14 131
Total equity		385 690	352 064
Non-current liabilities			
Deferred tax liability	12	0	26
Borrowings	21	276 512	333 295
Derivatives	13	8 524	49 341
Other non-current liabilities	7	467	2 283
Total non-current liabilities		285 504	384 945
Current liabilities			
Accounts payable	7	7 573	4 793
Taxes payable	12	1 257	5 992
Public duties payable	7	0	2 552
Derivatives	13	19 944	60 803
Borrowings	21	164 312	100 772
Other current liabilities	7	10 049	23 787
Total current liabilities		203 134	198 700
Total liabilities		488 638	583 645
Total equity and liabilities		874 328	935 709

Bergen, Norway, 5 April 2024
The Board of Directors, Småkraft AS

Oldrik Verloop
Board Member

Annette Malm-Justad
Chair of the Board

Felix Renneke
Board Member

Claudia Ahnert
Board Member

Terje Vedeler
Managing Director

Consolidated statement of changes in equity

Småkraft Group

Amounts in EUR thousand	Note	Share capital	Paid-in capital	Foreign currency translation*	Retained earnings	Total share-holders' equity	Non-controlling interests	Total equity
Equity at 01.01.2022		20 039	321 692	-2 607	-14 185	324 940	14 270	339 210
Net profit					-72 535	-72 535	1 078	-71 457
Currency translation differences		-1 162	-18 290	-16 473	19 452	-16 473	-730	-17 203
Total comprehensive income for the period		-1 162	-18 290	-16 473	-53 083	-89 009	349	-88 660
Capital increase	20	3 984	100 518			104 502		104 502
Dividend			-2 500			-2 500	-487	-2 987
Equity at 31.12.2022		22 861	401 420	-19 080	-67 268	337 933	14 131	352 064
Net profit					27 411	27 411	-167	27 243
Currency translation differences		-1 483	-25 382	-19 137	26 865	-19 137	-836	-19 973
Total comprehensive income for the period		-1 483	-25 382	-19 137	54 276	8 274	-1 003	7 271
Capital increase current period	20	1 669	63 654			65 323	2 381	67 704
Purchase of shares from non-controlling interests	5				-704	-704	-2 517	-3 222
Dividend			-37 192			-37 192	-935	-38 127
Equity at 31.12.2023		23 046	402 500	-38 216	-13 697	373 633	12 057	385 690

* Currency translation differences that can be reclassified through other comprehensive income were EUR 977 thousand per 31.12.2023 and EUR -715 thousand in pr 31.12.2022.

Consolidated statement of cash flow

Småkraft Group

Amounts in EUR thousand	Note	2023	2022
Cash flow from operations			
Profit(loss) before tax		34 876	-84 340
Taxes paid for the period		-5 079	-1 489
Depreciation, amortization, impairment	14,16	20 010	20 882
Interest paid		-11 966	-8 172
Net financial items without cash effect		11 821	7 825
Cash settlement derivatives	13	-17 277	-54 908
Change in unrealized currency gains/losses		25 115	16 349
Change in unrealized derivatives	13	-49 592	131 085
Change in working capital		-42 143	11 350
Net cash flow from operations		-34 235	38 581
Cash flow from investment activities			
Outflows due to purchases of fixed assets and intangibles	14,16	-35 117	-33 876
Outflows due to investments in subsidiaries	5	-29 082	-74 205
Outflows due to investments in other financial assets		-42	-2 434
Inflows from sale of other financial assets		1 452	0
Outflows from loans to others		0	-1 159
Inflows from loans to others		0	2 880
Dividend received from equity accounted investments		876	0
Net cash flow from investment activities		-61 914	-108 793
Cash flow from financing activities			
Capital increases	20	67 704	104 502
Dividend payments		-38 127	-5 739
Outflows from transactions with non-controlling interest		-3 222	0
Inflows from loan raising	5	123 474	127 611
Outflows from loan payments	5	-120 504	-83 127
Net cash flow from financing activities		29 326	143 246
Currency translation effects		-8 311	-2 219
Net change in bank deposits and cash		-66 822	73 034
Bank deposits and cash at beginning of period		115 253	44 438
Bank deposits and cash at end of period		40 120	115 253

Notes

Note 1: General information

The Småkraft Group comprises of Småkraft AS and the consolidated subsidiaries (Småkraft Group or the Group). Småkraft's head office is located in Bergen, with local offices in Harstad, Flatanger and Oslo, Norway. The Group employs 32 people. Småkraft is a supplier of renewable energy based on small scale hydro power plants situated in Norway and Sweden.

The group consists of Småkraft AS and 35 fully or partly owned subsidiaries at year end 2023.

Småkraft's consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards 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.

Note 2: General accounting policies

Basis of Consolidation

The consolidated financial statements of the Group for the year ended 31 December 2023 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 unrealized gains on transactions between group companies. Unrealized losses are eliminated unless the transaction provides evidence of an impairment of the transferred asset.

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. If the entity acquired includes the elements (input, process, and output) included in the definition of a business the transaction is accounted for a business combination, otherwise the transaction is accounted for as an acquisition of asset. In most transactions the group acquire a powerplant (with land rights) or several power plants, that do not represent a business under the definition in IFRS 3.

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. Apart 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. In 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, el-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. Borrowing costs incurred during the manufacturing of tangible non-current assets are capitalised until the asset is ready for its intended use.

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 consist of waterfall rights acquired separately and rights to land acquired as part of the acquisition of a power plant. In general, the waterfall right is recognised as a separate intangible asset. The cost of the acquired water right lease is at initial recognition measured as a residual, based on the purchase price on acquisition of a power plant owning company. Småkraft distinguishes waterfall rights in time-limited and unlimited groups regardless of how they were acquired. Reference is made to note 14.

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, 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 are 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 landowners, 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 landowner. 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 Group's Financial Statements.

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 receivables are measured at initial recognition at fair value. Accounts receivables 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 payables 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. The initial recognition exemption for the tax effect on temporary differences relating to purchase of power plants applies if the transaction is treated as an asset acquisition (not a business combination). 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 0.011 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 were mandatory application for the first time for the reporting period commencing 01.01.2023:

- 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)

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

Standards and amendments issued but not yet effective

Certain amendments to accounting standards have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 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 PPE and intangible assets, as disclosed in Note 15, 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 15.

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 13.

Note 4: Subsequent events

After year end, Småkraft has increased the portfolio of powerplants. On 31 January 2024 Småkraft closed the acquisition of 100% of the shares in Myklebust Energi AS, which has a powerplant in operation with a capacity of 7.4 GWh to our portfolio in Norway. 19 February 2024 Småkraft AS acquired Meierifossen Kraft AS with one additional power plant of 5.4 GWh.

In line with the Norwegian Company Act § 8-2 and the registered Power of Attorney on Power to decide dividend – registered the 14 September 2022 – the Board decided to pay out dividend of in total EUR 15,000,000, based upon the 2022 – Financial Statements. The dividend payment shall be classified as capital redemption of the paid "overkurs" in the tax accounts. The dividend was paid out on 26 March 2024 (the "payment date").

Note 5: Subsidiaries

Småkraft purchased 15 subsidiaries in 2023 (12 in 2022):

Company	Date of acquisition/ incorporation	Registered office	Ownership share	Voting share
Småkraft AS		Bergen		
Reinli Kraft AS	2005	Bergen	51%	51%
Rullestad & Skromme AS	2006	Etne	100%	100%
Muoidejohka Kraft AS	2010	Bergen	60%	60%
Jorda Kraft AS	2012	Bergen	51%	51%
Kvemma Kraft AS	2013	Lærdal	66%	66%
Holmen Kraft AS	2016	Bergen	100%	100%
Follsjà Kraft AS	2016	Bergen	82%	82%
Sigdestad Kraftverk AS	2018	Bergen	52%	52%
Holsen Kraft Nordøla AS	2020	Bergen	100%	100%
Ytre Kandal Kraft AS	2020	Sandane	61%	61%
Fossåa 1 K AS	2020	Sør-Fron	66%	66%
Rysna Småkraftverk AS	2020	Bergen	100%	100%
Tokheim Kraft AS	2020	Bergen	100%	100%
Småkraft Green Bond 2 AS	2020	Bergen	100%	100%
Småkraft USPP 1 AS	2022	Bergen	100%	100%
Chr Salvesen & Chr Thams's Communications AS	2022	Bergen	100%	100%
Svorka Småkraft AS (Setergrytå AS)	2023	Bergen	65%	65%
Småkraft Vekst 2025 AS	2023	Bergen	100%	100%
Småkraft Vekst 2026 AS	2023	Bergen	100%	100%
Egge Kraftverk AS	2023	Bergen	100%	100%
Dalelva Kraft AS (Fjaler)	2023	Bergen	100%	100%
Heimseta Kraftverk AS	2023	Bergen	100%	100%
Jåstadkraft AS	2023	Bergen	100%	100%
Nye Unhjemkraft AS	2023	Bergen	100%	100%
Øvre Alsåker Kraftverk AS	2023	Bergen	100%	100%
EM Kraftverk Vest AS	2023	Bergen	100%	100%
Dalelva Kraftverk AS (Masfjorden)	2023	Bergen	100%	100%
Midt Kraft AS	2023	Bergen	100%	100%
Myrholten Kraftverk AS	2023	Bergen	100%	100%
Småkraft Green Bond 1 AS	2018	Bergen	100%	100%
Saksenvik Kraft AS	2016	Bergen	96%	96%
Lotsberg Kraftverk AS	2023	Bergen	100%	100%
Hovland Kraftverk AS	2023	Bergen	100%	100%
Småkraft AB	2022	Uppsala	100%	100%
Småkraft Operations AB	2022	Uppsala	100%	100%

Associated companies	Date of acquisition	Registered office	Ownership share	Voting share
Luster Småkraft AS	2005	Gaupne	50%	50%
Proxima Hydrotech AS	2021	Seimsfoss	33%	33%
Småvirkjanir EHF	2022	Reykjavik	50%	50%
Gjerdalva Kraft AS	2023	Dale	50%	50%

Financial initial effect from purchased subsidiaries

Based on the assessment of management none of the subsidiaries (power plants) acquired during 2023 and 2022 constitutes a business as defined in IFRS 3, thus all purchases are treated as acquisition of asset.

Amounts in EUR thousand	31.12.2023	31.12.2022
Acquisition cost	29 082	74 205
Deferred tax asset	160	20
Intangible assets	28 383	67 202
Property, plant and equipment	26 479	77 191
Short term receivables	459	2 925
Non-controlling interests	-142	0
Interest-bearing liabilities, non-current	-6 185	-48 228
Deferred tax liability	0	-167
Other interest-free liabilities	-20 072	-24 739
Total	29 082	74 205

Note 6: Management of capital structure

The main aims of the Group's management of its capital are 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:

Amounts in EUR thousand	31.12.2023	31.12.2022
Total non-current assets	812 018	809 061
Interest-bearing liabilities, non-current	276 512	333 295
Interest-bearing liabilities, current	164 312	100 772
Cash and cash equivalents, excluding restricted cash	40 120	115 253
Net interest-bearing liabilities (NIB)	400 704	318 814
NIB/Total non-current assets	49%	39%

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

Note 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
- 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
- Forward currency contracts

(ii) Financial instruments by category

31.12.2023

<i>Amounts in EUR thousand</i>	<i>Financial assets at fair value</i>	<i>Financial assets at amortized cost</i>	<i>Financial liabilities at fair value</i>	<i>Financial liabilities at amortized cost</i>	<i>Total</i>
Assets					
Long-term receivables		7 691			7 691
Trade receivables		4 276			4 276
Other receivables		12 285			12 285
Derivatives non-current	714				714
Derivatives current	4 140				4 140
Cash and cash equivalents		40 120			40 120
Liabilities					
Borrowings non-current			-276 512		-276 512
Borrowings			-164 312		-164 312
Accounts payable			-7 573		-7 573
Other non-current liabilities			-467		-467
Other current liabilities			-10 049		-10 049
Derivatives non-current		-8 524			-8 524
Derivatives current		-19 944			-19 944
Net financial assets and liabilities	4 854	64 372	-28 468	-458 913	-418 155

31.12.2022

Amounts in EUR thousand	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
Assets					
Long-term receivables		7 691			7 691
Trade receivables and other receivables		4 276			4 276
Other receivables		12 285			12 285
Derivatives non-current	714				714
Derivatives current	4 140				4 140
Cash and cash equivalents		40 120			40 120
Liabilities					
Borrowings non-current			-276 512		-276 512
Borrowings current			-164 312		-164 312
Accounts payable			-7 573		-7 573
Other non-current liabilities			-467		-467
Other current liabilities			-10 049		-10 049
Derivatives non-current		-8 524			-8 524
Derivatives current		-19 944			-19 944
Net financial assets and liabilities	4 854	64 372	-28 468	-458 913	-418 155

(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 13.

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 2024 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. All energy trading contracts are financial contracts.

Småkraft has hedged a portion of the expected power sale.

Total volume hedged for the future is shown in the table below:

31.12.2023

	Year 1	Year 2	Year 3
Hedged volume	441 GWh	385 GWh	193 GWh

31.12.2022

	Year 1	Year 2	Year 3
Hedged volume	535 GWh	439 GWh	254 GWh

The energy derivatives are hedged against Nordic system prices. Småkraft also has EPADs for selected price areas.

Both realized cash effects and unrealized non-cash effects from trading are presented in the line item "Fair value change on energy derivatives" in the consolidated statement of income.

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 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 Småkraft's 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:

31.12.2023

Amounts in EUR thousand	Functional currency of individual entity	NOK
Net foreign currency financial assets/(liabilities)		
Currency		
NOK		-386 354
EUR		-612
SEK		
Total net exposure		-386 966

31.12.2022

Functional currency of individual entity

Amounts in EUR thousand	NOK
Net foreign currency financial assets/(liabilities)	
Currency	
NOK	
EUR	-395 284
SEK	2 462
Total net exposure	-392 822

Description of interest rate risk

Småkraft's interest rate risk is defined as gross interest exposure because of outstanding loans with floating interest rates as well as undrawn signed financing. As soon as a term sheet is signed, the interest rate exposure from this financing must be included in the interest rate risk calculation.

The ratio is defined as the expected outstanding loan balance with a fixed interest rate above the total expected outstanding loan balance. Småkraft must ensure that it stays within the following security level at all times:

Hedge ratio

	Avg. year 1 to 3	Avg. year 4 to 5	Avg. year 6 to 10
Max. hedge ratio	100%	100%	100%
Min. hedge ratio	50%	25%	0%

Interest rate exposure for power plants under construction

In the same way that Småkraft does not hedge power prices for signed production during construction, the expected interest rate exposure for potential future debt linked to development is also not to be included in the interest rate risk calculations. This interest rate risk shall not be hedged.

Approved instruments

Småkraft can use interest rate swaps, fixed interest rate coupons or interest rate options. Options must only be used for hedging and stop-loss levels must be defined.

As of December 31, 2023, Småkraft has the following interest rate derivatives.

Interest rate derivatives

Amounts in EUR thousand	Maturity date	Currency	Amount	Fixed rate	MTM	Secured part	Equivalent
	28.06.2024	EUR	150 000	-0.2787%	3 100	100%	150 000
	15.07.2026	EUR	9 307	-0.27%	694	50%	9 307
	02.01.2025	NOK	53 480	2.33%	92	100%	4 758
	18.08.2025	NOK	17 000	2.01%	49	50%	1 512

The interest rate derivatives are linked to the bank loans. The future development in interest rates will affect the value of the interest rate derivatives.

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
31.12.2023	100	-4 408	-3 438
31.12.2022	100	-3 541	-2 762

Credit risk

Credit risk is the risk that Småkraft incurs losses due to the failure of counterparties to honour 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 Groups 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 Groups reputation. The table below shows the maturity structure of the Group's financial liabilities.

31.12.2023

Amounts in EUR thousand	Carrying amount	Cash flows including interest				
		1 year	2 years	3 years	4 years	>5 years
Borrowings	440 824	177 565	16 554	95 315	10 418	215 515
Accounts payable	7 573	7 573				
Derivatives	28 468	19 944	8 094	430		
Other current liabilities	10 049	10 049				
Total	486 914	215 130	24 648	95 745	10 418	215 515

31.12.2022

Amounts in EUR thousand	Carrying amount	Cash flows including interest				
		1 year	2 years	3 years	4 years	>5 years
Borrowings	434 067	110 592	184 876	6 517	71 159	110 917
Accounts payable	4 793	4 793				
Derivatives	110 144	60 803	34 675	14 666		
Other current liabilities	23 787	23 787				
Total	572 791	199 975	219 551	21 183	71 159	110 917

Concession and return of right of repatriation

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

Note 8: Power 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 derivatives to hedge future revenue. The Group does not apply hedge accounting for the hedging of power revenues. See also note 7 Financial instruments.

Disaggregation of revenues by price area

Amounts in EUR thousand		2023	2022
Price area NO1	Norway	3 074	7 063
Price area NO2	Norway	21 284	43 446
Price area NO3	Norway	10 072	10 052
Price area NO4	Norway	3 711	3 298
Price area NO5	Norway	18 724	63 165
Price area SE2	Sweden	1 407	1 271
Price area SE3	Sweden	4 223	2 603
Other green revenue*		5 262	2 662
Power revenues		67 758	133 559

*Included in other green revenue is income from EL-certificates of EUR -66 thousand in 2023 and EUR 189 thousand in 2022.

Other income

Guarantees of origin

Introduced with the EU's first Renewable Energy Directive (Directive 2001/77/EC) in 2001, Guarantees of Origin are defined as a labelling scheme for electricity to show the electricity customer that a quantity of power has been produced from a specified energy source. All power producers can receive guarantees of origin corresponding to their power production. A guarantee of origin corresponds to 1 MWh of electricity produced.

Guarantees of Origin not yet delivered to customers are presented as inventory. Changes in inventory related to origin guarantees is presented below in the note.

Amounts in EUR thousand	2023	2022
Guarantees of origin – change in inventory	1 265	
Other income	217	1 430
Other income	1 481	1 430

Note 9: Payroll and related costs

Amounts in EUR thousand	2023	2022
Wages and salaries	3 397	2 904
Payroll tax	695	568
Pension costs	432	344
Other benefits	129	137
Sum	4 653	3 953
Number of full-time employees	32	31

Compensation to the Group Leadership Team

Amounts in EUR thousand		Year	Salaries	Pensions	Other benefits	Total compensation
Executive	Position, period					
Terje Vedeler	CEO	2023	320	14	6	341
		2022	255	15	5	276
Erik Sterud	CFO	2023	211	15	3	229
	from 01.07.22	2022	95	8	1	103
David Inge Tveito	COO	2023	169	14	10	192
	from 01.07.22	2022	83	8	4	95
Bjarte Skår	CCO	2023	130	14	13	157
	from 01.01.23	2022	0	0	0	0
Tone Aarø	CFO	2023	0	0	0	0
	01.01.22-30.06.22	2022	76	8	1	85
Jørgen Hundven	COO	2023	0	0	0	0
	01.01.22-30.06.22	2022	79	8	1	88
Karina Birkelund	CCO	2023	0	0	0	0
	01.01.22-31.12.22	2022	150	15	2	168

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 recognized 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

Amounts in EUR thousand	2023	2022
Statutory audit	384	295
Tax counselling	0	2
Other assurance services	107	72
Sum	491	369

Note 10: Other operating expenses

Amounts in EUR thousand	2023	2022
Water rights costs*	3 774	18 343
El-certs costs	152	561
Transmission costs	3 016	3 701
Property tax and license fees	3 004	2 966
Telecommunications	53	61
Rent and related expenses	758	472
Transport	75	40
Purchase of various services	4 238	4 457
IT expenses	720	698
Repair/maintenance regarding equipment, machines etc.	4 635	3 666
Consultant services	1 662	1 401
Other operating expenses	2 943	2 665
Other operating expenses	25 032	39 030

*See also note 23.

Note 11: Financial items

Financial income

Amounts in EUR thousand	2023	2022
Other financial income	1 982	1 252
Total	1 982	1 252

Financial expenses

Amounts in EUR thousand	2023	2022
Interest expense	12 111	7 825
Other financial expenses	1 214	4 453
Total	13 325	12 278

Note 12: Taxes

Reconciliation of nominal tax rate and effective tax rate

Amounts in EUR thousand	2023	2022
Profit/(loss) before tax	34 876	-84 340
Tax rate, percent	22%	22%
Expected tax expense (income)	7 673	-18 555
Effect on taxes of		
Permanent differences	259	303
Taxes on resource rent payable	471	4 831
Deferred resource rent tax	84	-49
Changes related to deferred tax on off-balance sheet items	-824	619
Other changes, including tax effect of different tax rates in other countries	-29	-33
Tax expense (income)	7 633	-12 884
Effective tax rate	22%	15%

Taxes payable in the balance sheet

Amounts in EUR thousand	31.12.2023	31.12.2022
Tax payable (receivable) from previous years	271	-163
Income tax payable	424	1 512
Taxes on ground rent payable/receivable	478	4 643
Natural resource tax payable	84	86
Used natural resource tax	-	-86
Taxes payable in the balance sheet	1 257	5 992

Specification of temporary differences and deferred tax

Amounts in EUR thousand	31.12.2023	31.12.2022
Fixed assets	214 823	197 368
Current assets/current liabilities	632	-
Interest deduction carry forward	-1 298	-2 113
Unrealized derivatives	-22 936	-97 290
Deferred ground rent tax	116	-58
Natural resource rent tax carried forward	-115	-
Other differences	1 066	1 596
Temporary differences	192 288	99 503
Losses carried forward	-98 470	-64 851
Differences not affecting deferred tax*	-170 568	-149 076
Basis for deferred tax	-76 750	-114 424
Net deferred tax assets (-)/liability (+) in the balance sheet, ordinary tax	-16 913	-25 219
Deferred tax (assets)	-16 913	-25 219

*Deferred taxes are not recognised for temporary differences that arise on initial recognition assets acquired in a transaction which is not a business combination.

Deferred taxes on ground rent are included in deferred tax. Tax amount is not significant in 2023 and 2022.

Presentation

Amounts in EUR thousand	31.12.2023	31.12.2022
Deferred tax asset	16 913	25 245
Deferred tax liabilities	-	26
Net	16 913	25 219

Note 13: 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:

31.12.2023

<i>Amounts in EUR thousand</i>	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net) 31.12.2022	-104 447	9 249	-1 115	-96 312
Additions/sale	-1 452	0	0	-1 452
Fair value changes	55 857	-4 762	-1 503	49 592
Cash settlement	17 277	0	0	17 277
Currency translation differences	7 897	-662	48	7 283
Sum	-24 869	3 825	-2 570	-23 614
Gross				
Non-current asset	0	714	0	714
Current Asset	1 029	3 111	0	4 140
Total asset	1 029	3 825	0	4 854
Non-current liabilities	8 241	0	283	8 524
Current liabilities	17 657	0	2 287	19 944
Total liability	25 898	0	2 570	28 468

31.12.2022

<i>Amounts in EUR thousand</i>	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net) 31.12.2021	-27 738	127	1 237	-26 374
Additions/sale	-1 452	0	0	-1 452
Fair value changes	55 857	-4 762	-1 503	49 592
Cash settlement	17 277	0	0	17 277
Currency translation differences	7 897	-662	48	7 283
Sum	-24 869	3 825	-2 570	-23 614
Gross				
Non-current asset	0	714	0	714
Current Asset	1 029	3 111	0	4 140
Total asset	1 029	3 825	0	4 854
Non-current liabilities	8 241	0	283	8 524
Current liabilities	17 657	0	2 287	19 944
Total liability	25 898	0	2 570	28 468

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".

Note 14: Intangible assets

Amounts in EUR thousand	Waterfall rights Time-unlimited	Waterfall rights Time-limited*	Total
Cost at 1 January 2022	4 311	163 713	168 024
Additions	-	101	101
Acquisition of subsidiaries	-	67 202	67 202
Currency translation	-215	-10 799	-11 014
Cost at 31 December 2022	4 095	220 217	224 313
Additions	-	6 008	6 008
Acquisition of subsidiaries	-	28 383	28 383
Currency translation	-265	-13 686	-13 951
Cost at 31 December 2023	3 831	240 922	244 753
Acc. deprecations at 1 Jan. 2022	-	-5 037	-5 037
Amortisation charge	-	-3 396	-3 396
Currency translation	-	384	384
Acc. deprecations at 31 Dec. 2022	-	-8 049	-8 049
Amortisation charge	-	-3 603	-3 603
Impairment charge	-	-1 958	-1 958
Currency translation	-	431	431
Acc. deprecations at 31 Dec. 2023	-	-13 179	-13 179
Balance at 1 January 2022	4 311	158 676	162 986
Balance at 31 December 2022	4 095	212 168	216 263
Balance at 31 December 2023	3 831	227 743	231 574

Intangible assets by country

Amounts in EUR thousand	Norway	Sweden	Total
Balance at 31 December 2022	195 954	20 310	216 263
Balance at 31 December 2023	209 672	21 902	231 574

*Waterfall rights time-unlimited includes rights acquired as part of the acquisition of a power plant and goodwill. Goodwill is as of 31 December 2023 EUR 7,390 thousand. The group's goodwill originates from historical acquisitions of power plant companies and arose because deferred tax was valued at nominal amounts whereas discounted amounts were reflected in the purchase amounts. The difference between deferred tax valued at nominal and discounted amounts was recognised as goodwill.

Note 15: Impairment testing

Goodwill and intangible asset with 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.

Non-financial assets are allocated to cash-generating units for the purpose of impairment testing. Each CGU being the physical power plant installation and the associated water right lease agreement in the same connected water system. As of year-end management has performed an impairment test for all CGU's and found that the recoverable amount is higher than the carrying amount, for all CGU's with the exception of 4 CGU's. An impairment was recognised for each of

the 4 CGUs, amounting to a total impairment of EUR 1,958 thousand. The recoverable amount of the 4 CGUs was based on the asset's estimated fair value and amounted to EUR 18,132 thousand. The fair value measurement was level 3 according to the fair value hierarchy.

The recoverable amount has been estimated using the Discounted Cash Flow (DCF) method. The enterprise value (EV) for each CGU is calculated as the sum of the present values of future cash flows that a business can be expected to generate over its useful life, discounted by a weighted average cost of capital (WACC).

The most important assumptions behind the valuation are the following:

Power production

- Total yearly production for all power plants with no future increases per plant. All plants are fully operational.
- Production values based on estimates, which rely on historical production values to the extent possible and otherwise estimates in hydrological reports.
- Normalized yearly production is estimated based on a 30-year average of historical production for as many available years as possible and technical due diligence assumptions.

Power price

- Future power prices are computed using the following methodology. The first year is based on Nasdaq forward prices, and from year 2 onwards an average of three different power price curves from power market analysts (SKM, Value Insight, and Thema) is applied.
- A capture rate that reflects the discount to the market price the specific power station achieves because of its production profile. Normally, an average capture rate is used on a portfolio of power stations.

Operational expenses include five main items:

- Grid fee
- Property tax
- Landowner compensation
- O&M
- Overhead costs

Cost of capital

- Weighted Average Cost of Capital (WACC) for the current valuation is 6.7% for the Norwegian part of the portfolio compared to 6.5% used in the valuation last year. For the Swedish portfolio a WACC of 5.9% has been applied, compared to 5.5% used in the valuation last year.

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 and is considered not to have a significant impact on the impairment test.

Note 16: Property, plant and equipment

Amounts in EUR thousand	Power plants	Inlet and waterway	Infrastructure	Other	Plant under constructions	Total
Cost at 1 January 2022	212 555	242 013	88 472	6 026	19 399	568 465
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
Cost at 31 December 2022	252 578	268 730	96 667	6 640	22 202	646 817
Additions, purchased, reallocations	-4 837	6 795	14 317	-1 921	14 756	29 109
Acquisition of subsidiaries	6 480	11 779	4 087	0	4 133	26 479
Effect of currency movements	-16 303	-17 076	-5 955	-460	-1 133	-40 926
Cost at 31 December 2023	237 918	270 228	109 117	4 259	39 958	661 479
Acc. depreciations at 1 January 2022	-40 966	-29 556	-15 536	-1 466	-1 022	-88 546
Depreciation charge	-8 486	-5 411	-2 826	-762	-	-17 486
Effect of currency movements	2 376	1 687	886	103	51	5 103
Acc. depreciations at 31 December 2022	-47 076	-33 281	-17 477	-2 125	-971	-100 929
Depreciation charge	-6 277	-5 276	-2 342	-555	-	-14 449
Effect of currency movements	2 943	2 067	1 092	128	63	6 294
Acc. depreciations at 31 December 2023	-50 410	-36 490	-18 726	-2 551	-908	-109 084
Balance at 1 January 2022	171 589	212 456	72 936	4 561	18 377	479 919
Balance at 31 December 2022	205 503	235 449	79 191	4 515	21 231	545 888
Balance at 31 December 2023	187 508	233 738	90 391	1 708	39 050	552 395
Acc. impairment charge at 31 December 2023	-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 2023 of EUR 439 thousand.

Property, plant and equipment by country

Amounts in EUR thousand	Norway	Sweden	Total
Balance at 31 December 2022	533 218	12 670	545 888
Balance at 31 December 2023	537 599	14 795	552 395

Contractual obligations in signed Share Purchase Agreements and New-build contracts as per 31.12.2023 are specified in the table below. Goodwill is as of 31 December 2023 EUR 7,390 thousand.

Commitments

Amounts in EUR thousand	31.12.2023	31.12.2022
Short term	43 448	14 884
Long term	57 096	80 875
Outgoing balance	100 544	95 760

Note 17: Investments, recognized under the equity method

	Date of acquisition	Registered office	Ownership share	Voting rights
Luster Småkraft AS	2005	Gaupne	50%	50%
Proxima Hydrotech AS	2021	Seimsfoss	33%	33%
Småvirkjanir EHF	2022	Reykjavik	50%	50%
Gjerdelva Kraft AS	2022	Dale	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 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.

Amounts in EUR thousand	Luster Småkraft AS	Proxima Hydrotech AS	Smávirkjanir EHF	Gjerdelva Kraft AS	Total
Companies are recorded using the equity method					
Acquisition cost	51	380	2	0	433
Share of equity at the time of acquisition	51	190	2	0	243
Excess over book value	0	190	0	0	190
 Closing balance at 31 December 2021	2 058	0	0	0	2 058
Investments previous year	0	380	0	0	380
Share of current year net income	1 459	-44	0	0	1 415
Effect of currency movements	-160	2	0	0	-158
Closing balance at 31 December 2022	3 359	338	0	0	3 697
Investments current year	0	0	0	43	43
Dividend	-876	0	0	0	-876
Share of current year net income	118	0	0	0	118
Effect of currency movements	-229	-22	0	0	-251
Closing balance at 31 December 2023	2 373	316	0	43	2 732

Note 18: Receivables; amounts due after more than one year

Long term receivables; amounts due after more than one year

Amounts in EUR thousand	31.12.2023	31.12.2022
Loans to associates		
Loans to associates - R&S Energi AS	-	931
Provisions for loss on loans to associates	-	-931
Other receivables		
Deposit rent	102	108
Prepaid water right lease	6 463	7 458
Other long-term receivables	1 126	1 152
Total	7 691	8 719

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.

Note 19: Cash and cash equivalent

Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2023.

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

Note 20: Share capital, ownership structure and dividend

	No. of shares*		Share capital†	
	2023	2022	2023	2022
Ordinary shares				
Issued and fully paid 1 January	4 807 092	4 003 361	22 861	20 039
Issued new share capital	373 940	803 731	1 669	3 984
Currency presentation effect			-1 483	-1 162
31 December	5 181 032	4 807 092	23 046	22 861

*Number of shares not registered are 81 635 (2022: 103 173) and share capital EUR 363 thousand (2022:EUR 491 thousand). Share capital is stated in EUR thousand.

Amounts in EUR thousand	No. of shares	Nominal amount NOK	Voting share	Ownership share
Aquila GAM Fund GmbH & Co. Geschlossene Investmentkommanditgesellschaft	785 744	50	14.9%	14.9%
Aquila Capital European Hydropower Fund S.A.	1 121 253	50	21.3%	21.3%
ACEH Norway 1 B.V.	2 132 544	50	40.5%	40.5%
ACEH Norway 2 B.V.	1 223 126	50	23.2%	23.2%
Sum	5 262 667	50	100%	100%

*Includes not registered capital increase.

Amounts in EUR thousand	31.12.2023	31.12.2022
Ordinary dividends	37 192	2 703
Extraordinary dividends	0	2 500
Sum	37 192	5 203

Note 21: Borrowings and guarantees

Borrowings

Lenders	Currency	31.12.2023	31.12.2022
Banks	NOK	51 431	38 718
Banks	EUR	168 613	200 417
Convertible debt from owners*	EUR	3 659	17 639
Bond debt1	EUR	-	50 000
Bond debt2	EUR	50 000	50 000
Bond debt3	EUR	50 000	-
USPP1 bond	EUR	80 000	80 000
USPP2 bond	EUR	40 000	-
Other debt	NOK	21	-
Capitalised loan expenses/ fees/ commissions	NOK	-2 900	-2 707
Total		440 824	434 067
Total long-term debt		276 512	333 295
Total short-term debt		164 312	100 772

*Convertible loan from shareholders will be converted to share capital within Q1 2024 in accordance with loan agreement.

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

Amounts in EUR thousand	31.12.2023	31.12.2022
Ingoing balance	434 067	325 007
Repayments/ downpayments:	-120 504	-83 127
New debt	123 474	127 611
Debt from purchased subsidiaries	6 185	48 228
Currency exchange rate changes	-2 398	16 349
Outgoing balance	440 824	434 067

Secured borrowings etc.

Amounts in EUR thousand	31.12.2023	31.12.2022
Borrowings from financial institutions and bondholders	443 703	436 774
Agent commission	-2 900	-2 707
Total	440 803	434 067

Carrying amount of pledged assets

Amounts in EUR thousand	31.12.2023	31.12.2022
Operating equipment	1 232	-
Accounts receivable	3 324	13 657
Power plants and related water lease agreements	583 598	522 627
Total	588 153	536 283

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.

See note 6 for information on debt covenants and note 7 for maturity structure of the Group's borrowings.

Note 22: Concessions

As of 31.12.2023, Småkraft AS has concessions for additional 10 power plants with a total annual production of approximately 153 GWh. In addition to this, there are currently 18 power stations under construction representing an annual production of 227 GWh both owned by subsidiaries in the group and companies signed to be acquired.

Note 23: 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 to landowners

Amounts in EUR thousand	31.12.2023	31.12.2022
Loans to landowners	795	998
Minimum payments to landowners	5 668	6 460
Total	6 463	7 458

Amounts in EUR thousand	31.12.2023	31.12.2022
Receivables towards landowners, off balance	26 467	26 933
Total	26 467	26 933

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.

Water rights cost

Amounts in EUR thousand	31.12.2023	31.12.2022
Gross	5 137	12 387
Net	1 841	5 606
Fixed	173	350
Settlements	-3 377	-
Total	3 774	18 343

The table shows the different water lease agreements with the landowners.

Note 24: 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 17.

Amounts in EUR thousand	31.12.2023	31.12.2022
Sales of various goods and services	8	-
Purchase of services from related party	169	156
Interest bearing loans	-	931
Liabilities at the end of the period	59	151

In 2022 Småkraft AS made agreements to acquire 5 companies which Bjarte Skår had indirect ownership in. Bjarte Skår is employed as Chief Commercial Officer in Småkraft.

Appendix

Alternative Performance Measures (APMs)

Adjusted Power revenues is defined as Power revenues adjusted for Realised 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.

Amounts in EUR thousand	2023	2022
Power revenue	67 758	133 559
Realized value change on energy derivatives	-17 277	-54 908
Adjusted power revenue	50 482	78 651

Amounts in EUR thousand	2023	2022
Operating profit (loss)	75 519	-65 662
Depreciation of fixed assets and intangible assets	20 010	20 882
EBITDA	95 529	-44 780
Change in unrealized value change on energy derivatives	-73 133	83 293
Adjusted EBITDA	22 396	38 513

Annual accounts and notes

Småkraft AS

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Statement of income and statement of other comprehensive income

Småkraft AS

Amounts in EUR thousand	Note	2023	2022
Power revenue	8	30 392	61 010
Other income	8	522	468
Fair value change on energy derivatives		55 857	-138 201
<i>Unrealized value change on energy derivatives</i>		73 133	-83 293
<i>Realized value change on energy derivatives</i>		-17 277	-54 908
Payroll and related costs	9	-4 430	-3 743
Depreciation and impairment of fixed assets and intangible assets	14,15,16	-7 875	-8 440
Other operating expenses	10	-8 686	-17 875
Operating profit/(loss)		65 780	-106 780
Financial income	11	36 814	4 740
Net foreign exchange gain (loss)		-16 709	-12 736
Fair value changes on interest rate and currency derivatives	7	-5 906	5 819
Financial expenses	11	-6 917	-4 825
Net financial items		7 281	-7 002
Profit/(loss) before tax		73 061	-113 783
Tax income (expense)	12	-13 712	24 916
Profit (loss)		59 348	-88 867
Profit/(loss) is attributable to:			
Equity holders of the parent company		59 348	-88 867
Other comprehensive income:			
<i>Items that will not be reclassified to profit or loss</i>			
Currency translation differences		-19 289	-15 091
Total comprehensive income for the year		-19 289	-15 091
Total comprehensive income for the year		40 059	-103 958

Statement of financial position

Småkraft AS

<i>Amounts in EUR thousand</i>	Note	31.12.2023	31.12.2022
Assets			
Non-current assets			
Intangible Assets	14	21 875	19 063
Property, plant and equipment	16	191 753	205 108
Deferred tax assets	12	21 492	37 800
Investments in subsidiaries	5	367 428	315 553
Investments, recognized under the equity method	17	623	1 571
Derivatives	13	0	8 096
Long-term receivables	18	53 517	68 816
Total non-current assets		656 688	656 008
Current assets			
Inventories		625	0
Trade receivables	7	1 240	2 425
Other receivables	7	730	2 053
Derivatives	13	4 128	4 579
Cash and cash equivalents	19	18 582	61 777
Total current assets		25 305	70 833
Total assets		681 994	726 842

Statement of financial position, continued

Småkraft Group

Amounts in EUR thousand	Note	31.12.2023	31.12.2022
Equity and liabilities			
Shareholders' equity			
Share capital	20	23 046	22 861
Paid-in capital	20	402 500	401 420
Other equity		-35 442	-102 480
Total shareholders' equity		390 104	321 801
Non-current liabilities			
Borrowings	21	102 755	198 964
Derivatives	13	8 524	49 341
Other non-current liabilities	7	467	656
Total non-current liabilities		111 747	248 961
Current liabilities			
Accounts payable	7	1 700	2 428
Public duties payable	7	493	1 669
Derivatives	13	19 944	60 803
Borrowings	21	152 669	74 540
Other current liabilities	7	5 337	16 639
Total current liabilities		180 142	156 079
Total liabilities		291 889	405 040
Total equity and liabilities		681 993	726 842

*The comparative figures are restated. Both the current and the non-current portion of power derivatives were 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, 5 April 2024
The Board of Directors, Småkraft AS

Oldrik Verloop
Board Member

Annette Malm-Justad
Chair of the Board

Felix Renneke
Board Member

Claudia Ahnert
Board Member

Terje Vedeler
Managing Director

Statement of changes in equity

Småkraft AS

Amounts in EUR thousand	Note	Share capital	Paid-in capital	Foreign currency translation*	Retained earnings	Total equity
Equity at 01/01/2022		20 039	321 692	-2 315	-15 660	339 210
Net profit					-88 867	-71 457
Currency presentation effect		-1 162	-18 290	-15 091	19 452	-17 203
Total comprehensive income for the period		-1 162	-18 290	-15 091	-69 416	-88 660
Capital increase	20	3 984	100 518			104 502
Dividend			-2 500			
Other changes						-2 987
Equity at 31/12/2022		22 861	401 420	-17 406	-85 076	352 064
Net profit					59 348	27 243
Currency presentation effect		-1 483	-25 382	-19 289	26 866	-19 973
Total comprehensive income for the period		-1 483	-25 382	-19 289	86 214	7 271
Capital increase current period	20	1 669	63 654			67 704
Effect from merger	5				111	-3 222
Dividend			-37 192			-38 127
Equity at 31/12/2023		23 046	402 500	-36 695	1 250	385 690

* There are no currency translation differences that can be reclassified through other comprehensive income.

Statement of cash flow

Småkraft AS

Amounts in EUR thousand	Note	2023	2022
Cash flow from operations			
Profit (-loss) before income tax		73 061	-113 783
Taxes paid for the period		0	-14
Depreciation, amortization, impairment	14,16	7 875	8 440
Dividends from investments in subsidiaries		-32 843	-3 099
Interest paid		-5 440	-4 128
Net financial items without cash effect		784	4 095
Cash settlement derivatives		-17 277	-54 908
Change in unrealized currency gains/losses	11	18 621	13 696
Change in unrealized derivatives	13	-49 950	132 382
Change in working capital		10 692	11 022
Net cash flow from operations		5 523	-6 297
Cash flow from investment activities			
Outflows due to purchases of fixed assets and intangibles		-11 412	-3 683
Outflows due to investments in subsidiaries	5	-48 046	-86 233
Outflows due to investments in associates		0	-398
Outflows due to investments in other financial assets		-42	-2 036
Inflows from sale of other financial assets		1 452	0
Inflows from dividend from equity accounted investments		876	0
Inflows from dividend in subsidiaries		11 214	53 420
Outflows from loans to others		-2 664	-19 906
Inflows from loans to others		9 071	2 883
Net cash flow from investment activities		-39 552	-55 953
Cash flow from financing activities			
Capital increases	20	65 323	104 502
Dividend payments		-37 192	-5 258
Inflows from loan raising	21	54 426	17 639
Outflows from loan payments	21	-87 810	-8 023
Net cash flow from financing activities		-5 253	108 860
Currency translation effects		-4 551	-796
Net change in bank deposits and cash		-39 282	46 610
Bank deposits from merged companies		639	0
Bank deposits and cash at beginning of period		61 777	15 963
Bank deposits and cash at end of period		18 582	61 777

Notes

Note 1: General information

Småkraft (the Company) is located in Bergen, Norway, with local offices in Harstad, Flatanger and Oslo, and employs 32 people. All of Småkraft's 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 consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards 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.

Note 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 recognized 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 recognized 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 recognized 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. In 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. Borrowing costs incurred during the manufacturing of tangible non-current assets are capitalised until the asset is ready for its intended use.

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

Waterfall right is recognised as a separate intangible asset. Småkraft distinguishes waterfall rights in time-limited and unlimited groups regardless of how they were acquired. Reference is made to note 14.

Intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses. Costs relating to intangible assets, 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 are not amortised but are instead tested annually for impairment.

Leases

The Company's main lease type of agreements is 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 landowners, 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 landowner. 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.

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 01.01.2023:

- 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)

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

Certain amendments to accounting standards have been published that are not mandatory for 31. December 2023 reporting periods and have not been early adopted by the group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 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 property plant and equipment (PPE) and intangible assets

In performing the impairment assessment of the carrying amount of PPE and intangible assets, as disclosed in Note 15, 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 15.

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 13.

Note 4: Subsequent events

After year end, Småkraft has increased the portfolio of Powerplants. 31 January 2024 Småkraft closed the acquisition of 100% of the shares in Myklebust Energi AS, which has a powerplant in operation with a capacity of 7.4 GWh to our portfolio in Norway. 19 February 2024 Småkraft AS acquired Meierifossen Kraft AS with one additional power plant of 5.4 GWh.

In line with the Norwegian Company Act § 8-2 and the registered Power of Attorney on Power to decide dividend – registered the 14 September 2022 – the Board decided to pay out dividend of in total EUR 15 million, based upon the 2022- Financial Statements. The dividend payment shall be classified as capital redemption of the paid share premium in the tax accounts. The dividend was paid out on 26 March 2024 (the "payment date").

Note 5: Subsidiaries

Småkraft AS purchased 15 subsidiaries in 2023 (7 in 2022):

Group companies	Date of acquisition/ incorporation	Registered office	Ownership share	Voting share
Småkraft AS		Bergen		
Reinli Kraft AS	2005	Bergen	51%	51%
Rullestad & Skromme AS	2006	Etne	100%	100%
Muoidejohka Kraft AS	2010	Bergen	60%	60%
Jorda Kraft AS	2012	Bergen	51%	51%
Kvemma Kraft AS	2013	Lærdal	66%	66%
Holmen Kraft AS	2016	Bergen	100%	100%
Follsjà Kraft AS	2016	Bergen	82%	82%
Sigdestad Kraftverk AS	2018	Bergen	52%	52%
Holsen Kraft Nordøla AS	2020	Bergen	100%	100%
Ytre Kandal Kraft AS	2020	Sandane	61%	61%
Fossåa 1 K AS	2020	Sør-Fron	66%	66%
Rysna Småkraftverk AS	2020	Bergen	100%	100%
Tokheim Kraft AS	2020	Bergen	100%	100%
Småkraft Green Bond 2 AS	2020	Bergen	100%	100%
Småkraft USPP 1 AS	2022	Bergen	100%	100%
Chr Salvesen & Chr Thams's Communications AS	2022	Bergen	100%	100%
Svorka Småkraft AS (Setergrytå AS)	2023	Bergen	65%	65%
Småkraft Vekst 2025 AS	2023	Bergen	100%	100%
Småkraft Vekst 2026 AS	2023	Bergen	100%	100%
Egge Kraftverk AS	2023	Bergen	100%	100%
Dalelva Kraft AS (Fjaler)	2023	Bergen	100%	100%
Heimseta Kraftverk AS	2023	Bergen	100%	100%
Jåstadkraft AS	2023	Bergen	100%	100%
Nye Unhjemkraft AS	2023	Bergen	100%	100%
Øvre Alsåker Kraftverk AS	2023	Bergen	100%	100%
EM Kraftverk Vest AS	2023	Bergen	100%	100%
Dalelva Kraftverk AS (Masfjorden)	2023	Bergen	100%	100%
Midt Kraft AS	2023	Bergen	100%	100%
Myrholten Kraftverk AS	2023	Bergen	100%	100%
Småkraft Green Bond 1 AS	2018	Bergen	100%	100%
Saksenvik Kraft AS	2016	Bergen	96%	96%
Lotsberg Kraftverk AS	2023	Bergen	100%	100%
Hovland Kraftverk AS	2023	Bergen	100%	100%
Småkraft AB	2022	Uppsala	100%	100%
Småkraft Operations AB	2022	Uppsala	100%	100%

Associated companies	Date of acquisition	Registered office	Ownership share	Voting share
Luster Småkraft AS	2005	Gaupne	50%	50%
Proxima Hydrotech AS	2021	Seimsfoss	33%	33%
Småvirkjanir EHF	2022	Reykjavik	50%	50%
Gjerdalva Kraft AS	2022	Dale	50%	50%

Note 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:

Amounts in EUR thousand	31.12.2023	31.12.2022
Total non-current assets	656 688	656 008
Interest-bearing liabilities, non-current	102 755	198 964
Interest-bearing liabilities, current	152 669	56 901
Cash and cash equivalents, excluding restricted cash	18 582	61 777
Net interest-bearing liabilities (NIB)	236 842	194 088
NIB/total non-current assets	36%	30%

Småkraft has several debt covenants to be calculated at group level, which include:

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

Note 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
- Market price risk
- 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

31.12.2023

Amounts in EUR thousand	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
Assets					
Long-term receivables		53 517			53 517
Trade receivables		1 240			1 240
Other receivables		730			730
Derivatives current	4 128				4 128
Cash and cash equivalents		18 582			18 582
Liabilities					
Borrowings non-current			-102 755		-102 755
Borrowings current			-152 669		-152 669
Accounts payable			-1 700		-1 700
Other non-current liabilities			-467		-467
Other current liabilities			-5 337		-5 337
Derivatives non-current		-8 524			-8 524
Derivatives current		-19 944			-19 944
Net financial assets and liabilities	4 128	74 069	-28 468	-262 929	-213 200

31.12.2022

Amounts in EUR thousand	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
Assets					
Long term receivables		68 816			68 816
Trade receivables and other receivables		2 425			2 425
Other current receivables		2 052			2 052
Derivatives non-current	8 097				8 097
Derivatives current	4 579				4 579
Cash and cash equivalents		61 777			61 777
Liabilities					
Borrowings non-current			-198 964		-198 964
Borrowings current			-74 540		-74 540
Accounts payable			-2 425		-2 425
Other non-current liabilities			-656		-656
Other current liabilities			-16 639		-16 639
Derivatives non-current		-49 341			-49 341
Derivatives current		-60 803			-60 803
Net financial assets and liabilities	12 675	135 070	-110 144	-293 224	-255 622

(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 13.

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.

Småkraft has hedged a portion of the expected power sale.

Total volume hedged for the future is shown in the table below:

31.12.2023

	Year 1	Year 2	Year 3
Hedged volume	441 GWh	385 GWh	193 GWh

31.12.2022

	Year 1	Year 2	Year 3
Hedged volume	535 GWh	439 GWh	254 GWh

The energy derivatives are hedged against Nordic system prices. Småkraft also has EPADs for selected price areas.

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 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 Småkraft's 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. Few of these hedging relationships fulfil the requirements of hedge accounting.

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

31.12.2023

<i>Amounts in EUR thousand</i>	Functional currency of individual entity	NOK
Net foreign currency financial assets/(liabilities)		
Currency		
NOK		-251 261
EUR		15 231
SEK		
Total net exposure		-266 492

31.12.2022

Functional currency of individual entity

Amounts in EUR thousand	NOK
Net foreign currency financial assets/(liabilities)	
Currency	
NOK	
EUR	-284 086
SEK	20 521
Total net exposure	-263 565

Description of interest rate risk

Småkraft's interest rate risk is defined as gross interest exposure because of outstanding loans with floating interest rates as well as undrawn signed financing. As soon as a term sheet is signed, the interest rate exposure from this financing must be included in the interest rate risk calculation.

The ratio is defined as the expected outstanding loan balance with a fixed interest rate above the total expected outstanding loan balance. Småkraft must ensure that it stays within the following security level at all times:

Hedge ratio

	Avg. year 1 to 3	Avg. year 4 to 5	Avg. year 6 to 10
Max. hedge ratio	100%	100%	100%
Min. hedge ratio	50%	25%	0%

Interest rate exposure for power plants under construction

In the same way that Småkraft does not hedge power prices for signed production during construction, the expected interest rate exposure for potential future debt linked to development is also not to be included in the interest rate risk calculations. This interest rate risk shall not be hedged.

Approved instruments

Småkraft can use interest rate swaps, fixed interest rate coupons or interest rate options. Options must only be used for hedging and stop-loss levels must be defined.

As of December 31, 2023, Småkraft has the following interest rate derivatives.

Interest rate derivatives

Amounts in EUR thousand	Maturity date	Currency	Amount	Fixed rate	MTM	Secured part	Equivalent
	28.06.2024	EUR	150 000	-0.2787%	3 100	100%	150 000

The interest rate derivatives are linked to the bank loans. The future development in interest rates will affect the value of the interest rate derivatives.

Interest rate sensitivity borrowings

Increase/(decrease) in basis points	Effect on profit before tax	Effect on equity
31.12.2023	100	-2 554
31.12.2022	100	-2 735

Credit risk

Credit risk is the risk that Småkraft incurs losses due to the failure of counterparties to honour 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:

31.12.2023

<i>Amounts in EUR thousand</i>	<i>Carrying amount</i>	Cash flows including interest				
		1 year	2 years	3 years	4 years	>5 years
Borrowings	255 424	157 658	4 219	53 547	3 281	52 515
Accounts payable	1 700	1 700				
Derivatives	28 468	19 944	8 094	430		
Other current liabilities	5 830	5 830				
Total	291 422	185 131	12 313	53 977	3 281	52 515

31.12.2022

<i>Amounts in EUR thousand</i>	<i>Carrying amount</i>	Cash flows including interest				
		1 year	2 years	3 years	4 years	>5 years
Borrowings	255 864	73 011	150 940	940	47 180	-
Accounts payable	2 428	2 428				
Derivatives	110 144	60 803	34 675	14 666		
Other current liabilities	4 599	4 599				
Total	373 036	140 842	185 615	15 606	47 180	-

Note 8: Power 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 utilizes 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.

Disaggregation of revenues by price area

Amounts in EUR thousand		2023	2022
Price area NO1	Norway	1 730	3 725
Price area NO2	Norway	12 904	28 281
Price area NO3	Norway	3 806	3 660
Price area NO4	Norway	1 786	1 555
Price area NO5	Norway	7 840	22 407
Other green revenue*		2 326	1 382
Power revenues		30 392	61 010

*Included in other green revenue is income from EL-certificates of EUR -36 thousand in 2023 and EUR 44 thousand in 2022.

Other income

Guarantees of origin

Introduced with the EU's first Renewable Energy Directive (Directive 2001/77/EC) in 2001, Guarantees of Origin are defined as a labelling scheme for electricity to show the electricity customer that a quantity of power has been produced from a specified energy source. All power producers can receive guarantees of origin corresponding to their power production. A guarantee of origin corresponds to 1 MWh of electricity produced.

Guarantees of Origin not yet delivered to customers are presented as inventory. Changes in inventory related to origin guarantees are presented below in the note.

Amounts in EUR thousand	2023	2022
Guarantees of origin – change in inventory	485	
Other income	37	468
Other income	522	468

Note 9: Payroll and related costs

Amounts in EUR thousand	2023	2022
Wages and salaries	3 247	2 773
Payroll tax	651	520
Pension costs	405	314
Other benefits	128	136
Sum	4 430	3 743
 Number of full-time employees	 32	 30

Compensation to the Group Leadership Team

Amounts in EUR thousand						
Executive	Position, period	Year	Salaries	Pensions	Other benefits	Total compensation
Terje Vedeler	CEO	2023	320	14	6	341
		2022	255	15	5	276
Erik Sterud	CFO from 01.07.22	2023	211	15	3	229
		2022	95	8	1	103
David Inge Tveito	COO from 01.07.22	2023	169	14	10	192
		2022	83	8	4	95
Bjarte Skår	CCO from 01.01.23	2023	130	14	13	157
		2022	0	0	0	0
Tone Aarø	CFO 01.01.22-30.06.22	2023	0	0	0	0
		2022	76	8	1	85
Jørgen Hundven	COO 01.01.22-30.06.22	2023	0	0	0	0
		2022	79	8	1	88
Karina Birkelund	CCO 01.01.22-31.12.22	2023	0	0	0	0
		2022	150	15	2	168

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 recognized 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

Amounts in EUR thousand	2023	2022
Statutory audit*	368	118
Tax counselling	66	-
Other assurance services	0	37
Sum	433	155

*As of 2023 audit expenses in Småkraft AS include total expenses for all companies in the group. Expenses are reimbursed by onward billing.

Note 10: Other operating expenses

Amounts in EUR thousand	2023	2022
Water rights costs*	-415	9 589
El-certs costs	-	-
Transmission costs	1 363	236
Property tax and license fees	1 167	1 321
Telecommunications	51	-
Rent and related expenses	287	304
Transport	67	1
Purchase of various services	2 767	2 272
IT expenses	592	574
Repair/maintenance regarding equipment, machines etc.	360	741
Consultant services	967	107
Other operating expenses	1 482	2 731
Other operating expenses	8 686	17 875

*See also note 23.

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

Note 11: Financial items

Financial income

Amounts in EUR thousand	2023	2022
Income from subsidiaries	32 843	3 099
Other financial income	3 971	1 642
Total	36 814	4 740

Financial expenses

Amounts in EUR thousand	2023	2022
Interest expense	5 950	4 050
Other financial expenses	968	775
Total	6 917	4 825

Note 12: 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.

Reconciliation of nominal tax rate and effective tax rate

Amounts in EUR thousand	2023	2022
Profit/(loss) before tax	73 061	-113 783
Tax rate, percent	22%	22%
Expected tax expense (income)	16 073	-25 032
Effect on taxes of		
Permanent differences	-2 361	96
Income from investments in associates		-780
Changes related to deferred tax on off-balance sheet items	-	-515
Other changes	-	1 315
Tax expense (income)	13 712	-24 916
Effective tax rate	19%	22%

Taxes payable in the balance sheet

Amounts in EUR thousand	31.12.2023	31.12.2022
Taxes payable in the balance sheet	-	-

Specification of temporary differences and deferred tax

Amounts in EUR thousand	31.12.2023	31.12.2022
Fixed assets	8 082	7 163
Group contribution	-1 702	-24 661
Interest deduction carry forward	-1 298	-2 113
Unrealized derivatives	-23 771	-98 391
Other differences	-440	-589
Temporary differences	-19 129	-118 591
Losses carried forward	-76 375	-50 918
Differences not affecting deferred tax	-2 188	-2 339
Basis for deferred tax	-97 692	-171 849
Tax rate	22%	22%
Net deferred tax asset (-)/liability (+) in the balance sheet, ordinary tax	-21 492	-37 800
Deferred tax (asset)	-21 492	-37 800

Temporary differences that arise from the initial recognition of goodwill and assets which is not a business combination is not recognized as a deferred tax liability.

Presentation

Amounts in EUR thousand	31.12.2023	31.12.2022
Deferred tax asset	21 492	37 800
Deferred tax liabilities	-	-
Net	21 492	37 800

Note 13: 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:

31.12.2023

<i>Amounts in EUR thousand</i>	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net)	-104 451	8 096	-1 115	-97 470
Additions/sale	-1 452	0	0	-1 452
Fair value changes	55 857	-4 403	-1 503	49 950
Cash settlement	17 277	0	0	17 277
Currency translation differences	7 901	-594	48	7 355
Sum	-24 869	3 099	-2 570	-24 340
Gross				
Non-current asset	0	0	0	0
Current Asset	1 029	3 099	0	4 128
Total asset	1 029	3 099	0	4 128
Non-current liabilities	8 241	0	283	8 524
Current liabilities	17 657	0	2 287	19 944
Total liability	25 898	0	2 570	28 468

31.12.2022

<i>Amounts in EUR thousand</i>	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net)	-27 748	226	1 237	-26 285
Additions/sale	2 036	0		2 036
Fair value changes	-138 201	8 201	-2 382	-132 382
Cash settlement	54 908	0	0	54 908
Currency translation differences	4 553	-331	31	4 253
Sum	-104 451	8 096	-1 115	-97 470
Gross				
Non-current asset	0	8 096	0	8 096
Current Asset	4 579	0	0	4 579
Total asset	4 579	8 096	0	12 674
Non-current liabilities	48 248	0	1 093	49 341
Current liabilities	60 782	0	21	60 803
Total liability	109 030	0	1 115	110 144

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".

Note 14: Intangible assets

Amounts in EUR thousand	Waterfall rights Time-unlimited	Waterfall rights Time-limited*	Total
Cost at 1 January 2022	4 300	17 680	21 979
Additions	-	-	-
Currency translation	-206	-1 187	-1 392
Cost at 31 December 2022	4 094	16 493	20 587
Additions	-	4 179	4 179
Merger	379		379
Currency translation	-288	-999	-1 288
Cost at 31 December 2023	4 185	19 673	23 857
 Acc. depreciations at 1 Jan. 2022	 -	 -1 153	 -1 153
Amortization charge	-	-298	-298
Currency translation	-	-74	-74
Acc. depreciations at 31 Dec. 2022	-	-1 525	-1 525
Amortization charge	-	-548	-548
Currency translation	-	90	90
Acc. depreciations at 31 Dec. 2023	-	-1 983	-1 983
 Balance at 1 January 2022	 4 311	 16 056	 20 367
Balance at 31 December 2022	4 094	14 969	19 063
Balance at 31 December 2023	4 185	17 690	21 875

Intangible assets by country

Amounts in EUR thousand	Norway	Sweden	Total
Balance at 31 December 2022	195 954	20 310	216 263
Balance at 31 December 2023	209 672	21 902	231 574

*Waterfall rights time-limited includes rights acquired as part of the acquisition of power plants and goodwill. Goodwill is as of 31 December 2023 EUR 2,431 thousand. The company's goodwill arose from historical acquisitions of power plant companies and arose because deferred tax was valued at nominal amounts whereas discounted amounts were reflected in the purchase amount. The difference between deferred tax valued at nominal and discounted amounts was recognised as goodwill.

Note 15: Impairment testing

Goodwill and intangible asset with 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.

Non-financial assets are allocated to cash-generating units for the purpose of impairment testing. Each CGU being the physical power plant installation and the associated water right lease agreement in the same connected water system. As of year-end management has performed an impairment test for all CGU's and found that the recoverable amount is higher than the carrying amount.

The recoverable amount has been estimated using the Discounted Cash Flow (DCF) method. The enterprise value (EV) for each CGU is calculated as the sum of the present values of future cash flows that a business can be expected to generate over its useful life, discounted by a weighted average cost of capital (WACC).

The most important assumptions behind the valuation are the following:

Power production

- Total yearly production for all power plants with no future increases per plant. All plants are fully operational.
- Production values based on estimates, which rely on historical production values to the extent possible and otherwise estimates in hydrological reports.
- Normalized yearly production is estimated based on a 30-year average of historical production for as many available years as possible and technical due diligence assumptions.

Power price

- Future power prices are computed using the following methodology. The first year is based on Nasdaq forward prices, and from year 2 onwards an average of three different power price curves from power market analysts (SKM, Value Insight, and Thema) is applied.
- A capture rate that reflects the discount to the market price the specific power station achieves because of its production profile. Normally, an average capture rate is used on a portfolio of power stations.

Operational expenses include five main items:

- Grid fee
- Property tax
- Landowner compensation
- O&M
- Overhead costs

Cost of capital

- Weighted Average Cost of Capital (WACC) for the current valuation is 6.7% compared to 6.5% used in the valuation last year.

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 and is considered not to have a significant impact on the impairment test.

Note 16: Property, plant and equipment

Amounts in EUR thousand	Power plants	Inlet and waterway	Infrastructure	Other	Plant under constructions	Total
Cost at 1 January 2022	117 463	110 518	53 790	3 194	1 179	286 145
Additions, purchased, reallocations	2 550	6	43	505	579	3 683
Effect of currency movements	-6 346	-5 857	-2 893	-154	895	-14 354
Cost at 31 December 2022	113 667	104 667	50 940	3 545	2 653	275 473
Additions, purchased, reallocations	2 816	435	159	360	3 465	7 233
Effect of currency movements	-7 303	-6 760	-3 291	-223	-116	-17 693
Cost at 31 December 2023	109 179	98 342	47 808	3 681	6 002	265 013
 Acc. depreciations at 1 January 2022	-29 753	-21 825	-12 665	-1 484	-759	-66 487
Depreciation charge	-3 756	-2 585	-1 344	-456	-	-8 142
Effect of currency movements	1 593	1 423	625	216	406	4 263
Acc. depreciations at 31 December 2022	-33 510	-24 410	-14 009	-1 940	-759	-74 628
Depreciation charge	-3 365	-2 290	-1 191	-481	-	-7 327
Effect of currency movements	3 603	2 872	1 472	320	429	8 696
Acc. depreciations at 31 December 2023	-36 875	-26 700	-15 200	-2 420	-759	-81 956
 Balance at 1 January 2022	87 710	88 693	41 125	1 710	420	219 658
Balance at 31 December 2022	81 750	81 679	37 556	1 821	2 301	205 108
Balance at 31 December 2023	75 907	74 513	34 079	1 581	5 672	191 753
 Acc. impairment charge at 31 December 2023	-879	-353	-	-	-	-1 231
 Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line		
Percentage	1.2-20%	1.5-2.5%	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 2023 of EUR 439 thousand.

Contractual obligations

Contractual obligations in signed Share Purchase Agreements and New-build contracts as per 31.12.2023 are specified in the table below.

Commitments

Amounts in EUR thousand	31.12.2023	31.12.2022
Short term	43 448	14 884
Long term	57 096	80 875
Outgoing balance	100 544	95 760

Note 17: Investments, recognized under the equity method

	Date of acquisition	Registered office	Ownership share	Voting rights
Luster Småkraft AS	2005	Gaupne	50%	50%
Proxima Hydrotech AS	2021	Seimsfoss	33%	33%
Smávirkjanir EHF	2022	Reykjavík	50%	50%
Gjerdalva Kraft AS	2022	Dale	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 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 Gjerdalva 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.

Note 18: Receivables; amounts due after more than one year

Amounts in EUR thousand	31.12.2023	31.12.2022
Loans to associates		
Loans to associates - R&S Energi AS	-	969
Provisions for loss on loans to associates	-	-969
Other receivables		
Deposit rent	102	108
Prepaid water right lease	5 958	7 155
Loan to Strømfallet Invest AB	-	38
Other long term receivables	1 081	998
Loan to subsidiaries	46 375	60 517
Total	53 517	68 816

Note 19: Cash and cash equivalent

Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2023. The company has established a bank guarantee for the payment of tax.

Note 20: Share capital and shareholder information

	No. of shares*		Share capital*	
	2023	2022	2023	2022
Ordinary shares				
Issued and fully paid 1 January	4 807 092	4 003 361	22 861	20 039
Issued new share capital	373 940	803 731	1 669	3 984
Currency presentation effect			-1 483	-1 162
31 December	5 181 032	4 807 092	23 046	22 861

*Number of shares not registered are 81 635 (2022: 103 173) and share capital EUR 363 thousand (2022: EUR 491 thousand). Share capital is stated in EUR thousand.

Amounts in EUR thousand	No. of shares	Nominal amount NOK	Voting share	Ownership share
Aquila GAM Fund GmbH & Co. Geschlossene Investmentkommanditgesellschaft	785 744	50	14.9%	14.9%
Aquila Capital European Hydropower Fund S.A.	1 121 253	50	21.3%	21.3%
ACEH Norway 1 B.V.	2 132 544	50	40.5%	40.5%
ACEH Norway 2 B.V.	1 223 126	50	23.2%	23.2%
Sum	5 262 667	50	100%	100%

*Includes not registered capital increase.

Dividend paid

Amounts in EUR thousand	31.12.2023	31.12.2022
Ordinary dividends	37 192	2 703
Extraordinary dividends	0	2 500
Sum	37 192	5 203

Note 21: Borrowings and guarantees

Borrowings

Lenders	Currency	31.12.2023	31.12.2022
Banks	EUR	150 000	154 000
Banks	NOK	2 669	3 394
Convertible debt from owners*	EUR	3 659	17 639
Bond debt1	EUR	-	50 000
Bond debt2	EUR	50 000	50 000
Bond debt3	EUR	50 000	-
Other debt	EUR	21	-
Agent commission SEB/Nordea	NOK	-924	-1 529
Total		255 424	273 504

*Convertible loan from shareholders will be converted to share capital within Q1 2024 in accordance with loan agreement.

Amounts in EUR thousand	31.12.2023	31.12.2022
Long term debt	99 097	198 964
Convertible debt from owners	3 659	17 639
Short term debt	152 669	56 901
Total	255 424	273 504

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

Amounts in EUR thousand	31.12.2023	31.12.2022
Ingoing balance	273 503	263 573
Ingoing balance merged company	14 602	-
Repayments/ downpayments:	-87 810	-7 818
New debt	54 426	17 639
Currency exchange rate changes	703	110
Outgoing balance	255 425	273 504

Secured borrowings etc.

Amounts in EUR thousand	31.12.2023	31.12.2022
Borrowings from financial institutions and bondholders	252 669	255 865
Agent commission	-924	-1 529
Total	251 745	254 336

Carrying amount of pledged assets

Amounts in EUR thousand	31.12.2023	31.12.2022
Operating equipment	1 142	1 194
Trade receivable	1 240	2 425
Power plants and related water lease agreements	217 858	236 577
Total	220 239	240 195

The bank and bond holders have pledged security in operating equipment, bank accounts and accounts receivables, 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.

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.

See note 6 for information on debt covenants and note 7 for maturity structure of the Company's borrowings.

Note 22: Concessions

As of 31.12.2023, Småkraft AS has concessions for additional 10 power plants with a total annual production of approximately 153 GWh. In addition to this, there are currently 16 power stations under construction representing an annual production of 227 GWh both owned by subsidiaries in the group and companies signed to be acquired.

Note 23: 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 to landowners

Amounts in EUR thousand	31.12.2023	31.12.2022
Loans to landowners	795	1 039
Minimum payments to landowners	5 163	5 535
Total	5 958	6 574

Amounts in EUR thousand	31.12.2023	31.12.2022
Receivables towards landowners, off balance	23 508	24 895
Total	23 508	24 895

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.

Water rights cost

Amounts in EUR thousand	31.12.2023	31.12.2022
Gross	-2 198	3 655
Net	1 607	5 614
Fixed	100	320
Settlements	76	-
Total	-415	9 589

The table shows the different water lease agreements with the landowners.

Note 24: Related party transaction and balance items

Småkraft and its subsidiaries and associates have sought to do transactions on commercial terms. These are shown in the table below.

Counterpart	2023		
Amounts in EUR thousand	Sale	Purchase	Interest income
Subsidiaries			
Norway	1 998		1 491
Sweden			85
Associated companies	8	181	-
Sum	2 006	181	1 575

Counterpart	31.12.2023		
Amounts in EUR thousand	Short term receivables	Long term receivables	Payables
Subsidiaries			
Norway	523	31 415	-
Sweden	86	14 960	278
Associated companies	-	222	59
Sum	609	46 597	337

Counterpart	2022		
Amounts in EUR thousand	Sale	Purchase	Interest income
Subsidiaries			
Norway	853		1 754
Associated companies		176	
Sum	853	176	1 754

Counterpart	31.12.2022		
Amounts in EUR thousand	Short term receivables	Long term receivables	Payables
Subsidiaries			
Norway	1 838	44 423	-
Sweden	326	16 094	-
Associated companies	-	943	67
Sum	2 164	61 460	67

Associated companies are listed in note 17. The individuals stated in note 5 are also related parties of Småkraft AS. Apart from the transactions specified in this note and note 5, there are no significant related party transactions or balance items.

In 2022 Småkraft AS entered agreements to acquire 5 companies which Bjarte Skår had indirect ownership in. Bjarte Skår is employed as Chief Commercial Officer in Småkraft.

Appendix

Alternative Performance Measures (APMs)

Adjusted Power revenues is defined as Power revenues adjusted for Realised 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.

Amounts in EUR thousand	2023	2022
Power revenue	30 392	61 010
Realized value change on energy derivatives	-17 277	-54 908
Adjusted power revenue	13 116	6 102

Amounts in EUR thousand	2023	2022
Operating profit (loss)	65 780	-106 780
Depreciation, amortization, impairment	7 875	8 440
EBITDA	73 654	-98 340
Change in unrealized value change on energy derivatives	-73 133	83 293
Adjusted EBITDA	521	-15 048
		38 513



To the General Meeting of Småkraft AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- the financial statements of the parent company Småkraft AS (the Company), which comprise the statement of financial position as at 31 December 2023, the statement of income and statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including material accounting policy information, and
- the consolidated financial statements of Småkraft AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2023, the statement of income and statement of other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion

- the financial statements comply with applicable statutory requirements,
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU, and
- the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.

We have been the auditor of the Company for 7 years from the election by the general meeting of the shareholders on 1 November 2017 for the accounting year 2017.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



The Group's business activities are largely unchanged compared to last year. *Valuation of power plants and waterfall rights* has the same characteristics and risks this year as the previous year and consequently has been an area of focus also for the 2023 audit.

Key Audit Matters	How our audit addressed the Key Audit Matter
<p>Valuation of power plants and waterfall rights</p> <p>The Group's largest assets are power plants and waterfall rights with a carrying value of TEUR 783 969 per 31 December 2023. The value constitutes a major part of total assets in the balance sheet for the Group. Impairment charge of TEUR 1 958 related to waterfall rights was recognised for 2023.</p> <p>Management has prepared an impairment assessment of the booked value of power plants and waterfall rights. Fair value was applied as a basis for the determination of the recoverable amount. The key assumptions used by Management when calculating the value were future power prices, future level of production, cost levels for operation and maintenance of the assets, and required rate of return.</p> <p>We focused on valuation of power plants and waterfall rights due to the vital importance of these assets for the value creation of the enterprise and the degree of judgment that management had to exercise in the valuation. The valuation assessment is inherently uncertain due to the judgmental nature of the underlying assumptions. An impairment, if any, may have substantial impact on the investors' assessment of net earnings.</p> <p>For further information about the judgements exercised by Management and the valuation assessments, we refer to the Group's note 2 general accounting policies, note 3 key accounting estimates and judgements, note 14 intangible assets, note 15 impairment testing, and note 16 property, plant, and equipment.</p>	<p>We obtained Management's valuation model and obtained an understanding of Management's process related to the impairment assessment. We assessed whether the model contained the key elements required and challenged Management's estimates and assumptions.</p> <p>To assess Management's use of key assumptions in the model we compared the applied future power prices to price information from independent sources. We found that the prices corresponded to the information from independent sources. We reviewed estimated volume used in the model against actual historical production volume and expected production capability. We discussed changes in production volume with Management and obtained an understanding of Management's assessments. We compared future cost levels used in the model to historical costs and discussed material differences with Management. We discussed the duration of the cash flows and assumptions for future estimated capital expenditure and maintenance requirements with Management and compared these to historical levels. Based on our audit procedures we found Management's assumptions to be reasonable.</p> <p>We reviewed the applied discount rate by comparing the key assumptions to data from relevant internal and external sources. We found the discount rate to be within an acceptable range. We tested mathematical accuracy of the model, without finding material errors.</p> <p>We reviewed the information in notes 2, 3, 14, 15 and 16 regarding the valuation assessment of power plants and found that these provided appropriate information in accordance with accounting regulations.</p>



Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the



effectiveness of the Company's and the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on Compliance with Requirement on European Single Electronic Format (ESEF)

Opinion

As part of the audit of the financial statements of Småkraft AS, we have performed an assurance engagement to obtain reasonable assurance about whether the financial statements included in the annual report, with the file name SmåkraftAS-2023-12-31-en, have been prepared, in all material respects, in compliance with the requirements of the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) and regulation pursuant to Section 5-5 of the Norwegian Securities Trading Act, which includes requirements related to the preparation of the annual report in XHTML format, and XBRL tagging of the consolidated financial statements.

In our opinion, the financial statements, included in the annual report, have been prepared, in all material respects, in compliance with the ESEF regulation.



Management's Responsibilities

Management is responsible for the preparation of the annual report in compliance with the ESEF regulation. This responsibility comprises an adequate process and such internal control as management determines is necessary.

Auditor's Responsibilities

For a description of the auditor's responsibilities when performing an assurance engagement of the ESEF reporting, see: <https://revisorforeningen.no/revisjonsberetninger>

Bergen, 5 April 2024
PricewaterhouseCoopers AS

Marius Kaland Olsen
State Authorised Public Accountant
(This document is signed electronically)



Revisjonsberetning

Signers:

Name	Method	Date
Olsen, Marius Kaland	BANKID	2024-04-08 09:19



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