



CLEMENS KRAFTVERK

Q2 2024 INTERIM REPORT



CLEMENS KRAFT

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Front cover page: Bele power plant

Back cover page: Tokagelet power plant

CLEMENS KRAFT AT A GLANCE

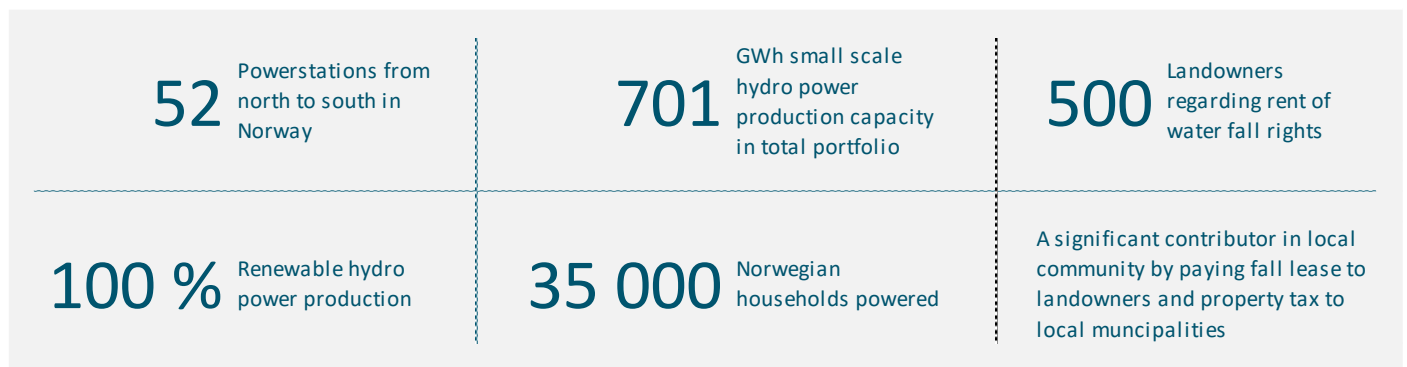
OUR HISTORY

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

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

OUR BUSINESS

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



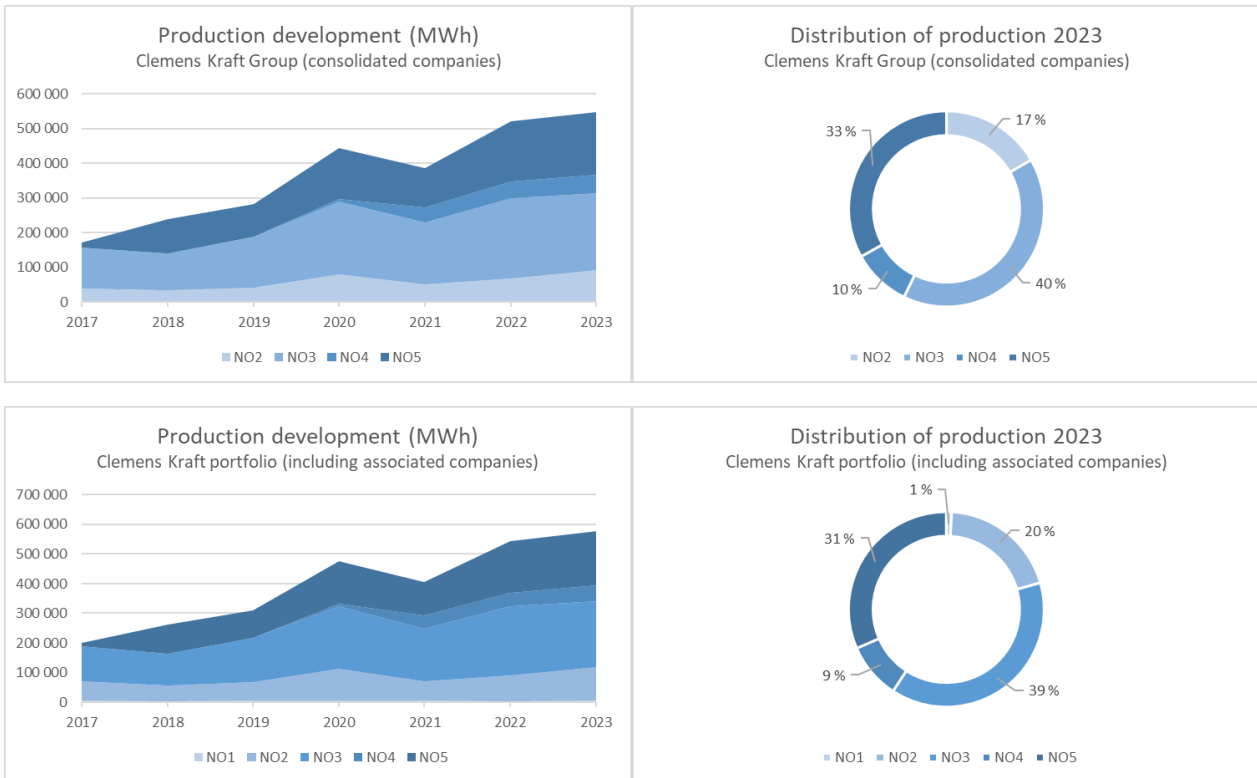
Graphic includes gross values from all portfolio plants, including those owned by associated companies

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

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

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

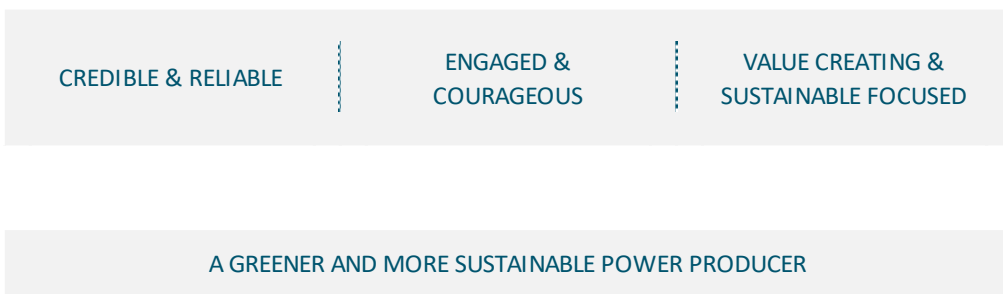
The 52 power plants are spread over all the five price areas in Norway and thus comprise a natural hedge against price volatility and natural production variations.



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

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

VALUES AND VISION



RESPONSIBILITY STATEMENT

We confirm that the financial statements for the second quarter of 2024, to the best of our knowledge, have been prepared in accordance with the applicable accounting standards (NGAAP) and that the accounts give a true and fair view of the assets, liabilities, financial position and results of operations, and that the information in the report includes a fair review of the development, performance and position of the Clemens Kraftverk Group.

Oslo, 27 August 2024

Board of Directors

(sign)

Ole-Wilhelm Meyer
Chairman

(sign)

Harald Kurt Siewert
Deputy chairman

(sign)

Hans Erik Horn
Director

(sign)

Ulf Myrbø
Director

(sign)

Eldbjørg Sture
Director

(sign)

Oddleiv Sæle
Director

(sign)

Knud Hans Nørve
Chief Executive Officer

SECOND QUARTER 2024

OPERATIONAL HIGHLIGHTS

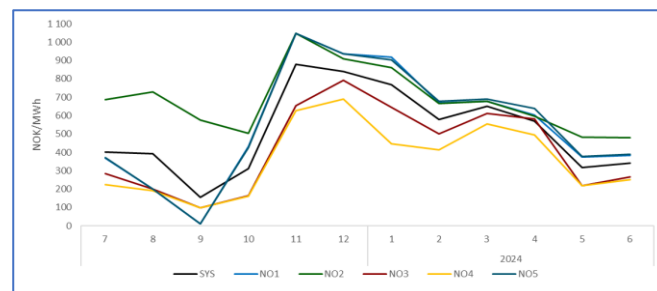
Clemens Kraftverk operated 52 plants as of Q2 2024, including five plants owned by associated companies. Total revenue for Q2 2024 was NOK 88.1 million (Q2 2023: 124.5 million).

Actual power prices for Q2 have been lower than historical market expectations and the previous two years. Nevertheless, Clemens Kraftverk is delivering a positive net profit for the second quarter isolated.

The operating result for the quarter was NOK 37.6 million (NOK 63.7 million). EBITDA for the quarter was NOK 52.7 million (NOK 79.6 million). Net of financial items and tax the net loss ended at NOK 2.7 million (NOK 23.5 million) for the quarter.

During the first quarter of 2024 all price areas has converged towards each other. And during the second quarter prices has dropped in general.

After a cold and slow start of 2024, volumes picked up to normalized levels during February and March. In the second quarter production has been fairly as expected. Power production in Q2 (consolidated companies only) was 243.8 GWh (215.3 GWh). Year-to-date as of Q2 total production was 313.5 GWh.



The hour-by-hour and day-by-day volatility is high and is challenging for run-of-river plants such as Clemens Kraftverk operates, resulting in achieved prices lower than the average area prices (capture rate below 100%).

Clemens Kraftverk is a substantial contributor to the local communities surrounding the plants. During the first half of 2024 the Group has accrued and recognized NOK 24.9 million in fall lease and property tax.

Achieved average prices for the quarter varies from NOK 0.24 per kWh to NOK 0.54 per kWh across price areas. In average, the achieved prices for the first half of 2024 have strengthened compared to the achieved prices last quarter of 2023. The total achieved price for Clemens Kraftverk this far in 2024 is approximately the same as the total achieved price for 2023 as a whole, however area composition differs.

Achieved price, NOK per kWh	NO1	NO2	NO3	NO4	NO5	Total
Q2	(n/a)	0,54	0,29	0,24	0,42	0,37
YTD	(n/a)	0,57	0,32	0,27	0,46	0,41

Compared with Q2 2023 interest expenses have increased. Most of the effect is related to underlying market rates. Reference is made to the following risk section and note 4 describing interest rate hedging – most of the swap agreements is made at Clemens Kraft Holding level meaning that Clemens Kraftverk to a larger extent is exposed to changes in interest rates than the group from a Clemens Kraft Holding perspective.

Subsequent of the fatal drowning accident occurred nearby one of Clemens Kraftverk's construction sites (involving third party civilians) in Q4 2021 Norwegian Water Resources and Energy Directorate and the police initiated parallel routine investigations. During first half of 2022 the police investigation was dropped, however during the fourth quarter 2022 the police investigation is re-opened. The group has assisted both the supervisory body and the police authorities in every way. Subsequent of quarter end, in second half of August, the police have dropped their charges based on "the position of the evidence".

RISKS AND UNCERTAINTY FACTORS

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

Hydrological risk

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

Financial risk

The Group's power plants are partly financed with interest-bearing debt. The profitability of the projects is affected by the management's ability and the opportunities to obtain satisfactory financing of the projects. As of Q2 2024, the Group has a floating interest-bearing debt of NOK 1.63 billion. To reduce the risk exposure, the Group has entered into interest rate swap agreements from floating to fixed interest rates for part of the debt. However, some swap agreements are made by Clemens Kraft Holding (Clemens Kraftverk's parent company). For further information please refer to the accounting principles and note 4 to the financial statements below.

Market risk

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

During 2024 the Group observes continued volatility due to higher influence of European power market development. This, combined with "bottle necks" in the domestic transmission grid have led to an increased spread in prices between the Norwegian power price area.

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

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

Operational risk

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

Political risk

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

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

CONDENSED INTERIM FINANCIAL STATEMENTS CLEMENS KRAFTVERK

PROFIT AND LOSS (UNAUDITED)

Amounts in NOK 1 000

	NOTE	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	Full year 2023
OPERATING INCOME AND EXPENSES						
Revenues	1	88 069	124 524	131 824	192 787	260 006
Other operating income	1	0	-2 251	-23	-6 577	-1 349
Total operating income		88 069	122 273	131 801	186 209	258 657
Cost of goods sold	2	15 492	23 240	25 001	38 506	60 496
Depreciation		15 118	15 897	30 346	28 068	58 738
Impairment		0	0	0	0	116 054
Other operating expenses		19 843	19 408	37 346	35 611	72 167
Total operating expenses		50 453	58 546	92 693	102 184	307 455
Operating result		37 616	63 728	39 109	84 025	-48 797
FINANCIAL INCOME AND FINANCIAL EXPENSES						
Income on subsidiaries, associated companies and joint ventures		299	4 797	1 162	6 227	3 322
Interest income from group companies		0	-1 850	0	-1 653	0
Other interest income		376	522	893	1 136	7 711
Other financial income		1 014	12	1 014	38	3 876
Total financial income		1 688	3 480	3 068	5 749	14 909
Financial instruments measured at fair value		0	-400	0	-470	-470
Interest expenses		30 218	26 488	59 251	53 375	120 494
Other financial expenses		603	599	1 186	4 052	5 261
Total financial expenses		30 821	26 686	60 437	56 957	125 286
Net financial income and financial expenses		-29 133	-23 206	-57 369	-51 208	-110 377
Profit (-loss) before tax		8 483	40 522	-18 261	32 816	-159 174
Tax expense (-income)		5 775	17 010	3 377	21 043	-87 104
Profit (-loss) after tax		2 708	23 512	-21 637	11 774	-72 070
Profit/loss attributable to non-controlling interests		-39	299	-1 515	-790	-4 089
Profit/loss attributable to owners of the parent		2 747	23 213	-20 122	12 563	-67 981

FINANCIAL POSITION (UNAUDITED)

Amounts in NOK 1 000

ASSETS	NOTE	Q2 2024	2023
NON-CURRENT ASSETS			
Concessions, fall and similar rights		358 707	363 024
Deferred tax asset		775	4 184
Goodwill		-26 439	-30 661
Total intangible assets		333 043	336 547
Property, plant and equipment	3	2 554 789	2 570 834
Machinery, office tools, fixtures and fittings		1 032	1 172
Total fixed assets		2 555 821	2 572 006
Shares in associated companies and joint ventures		25 568	21 637
Other non-current receivables	4	18 942	4 812
Total financial non-current assets		44 509	26 449
Total non-current assets		2 933 374	2 935 002
CURRENT ASSETS			
Trade receivables		22 755	10 418
Other current receivables		13 975	25 899
Total current receivables		36 730	36 317
Cash and cash equivalents		137 482	155 298
Total current assets		174 212	191 615
Total assets		3 107 586	3 126 617

Amounts in NOK 1 000

EQUITY AND LIABILITIES	NOTE	Q2 2024	2023
EQUITY			
Share capital		282 402	282 402
Share premium		837 782	837 782
Other paid-in capital		3 023	3 023
Total paid in capital		1 123 208	1 123 208
Retained earnings		-281 485	-264 688
Total retained earnings		-281 485	-264 688
Non-controlling interests		31 608	33 123
Total equity		873 330	891 642
LIABILITIES			
Other provisions		502	0
Total provisions		502	0
Non-current interest bearing debt (credit institutions)	4	1 630 440	1 630 684
Bonds	4	0	325 000
Other non-current liabilities		1 395	1 343
Total non-current liabilities		1 631 835	1 957 027
Trade payables		15 157	10 162
Taxes payable		4 384	4 597
Public duties payable		11 310	0
Bonds	4	325 000	0
Other current liabilities		246 066	263 190
Total current liabilities		601 918	277 948
Total liabilities		2 234 255	2 234 975
Total equity and liabilities		3 107 586	3 126 617

Oslo, 27 August 2024

Board of Directors

(sign)

Ole-Wilhelm Meyer
Chairman

(sign)

Harald Kurt Siewert
Deputy chairman

(sign)

Hans Erik Horn
Director

(sign)

Ulf Myrbø
Director

(sign)

Eldbjørg Sture
Director

(sign)

Oddleiv Sæle
Director

(sign)

Knud Hans Nørve
Chief Executive Officer

NOTES

ACCOUNTING PRINCIPLES

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

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

Revenues

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

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

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

Cost of goods sold

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

Classification of balance sheet items

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

Financial instruments – interest rate swaps

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

Impairment of assets

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

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

Taxes

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

Current tax is the forecast tax payable on the year's taxable income at current tax rates at the balance sheet date, and any adjustments of tax payable for previous years less tax paid in advance.

Deferred tax liabilities are calculated based on the balance sheet-oriented liability method considering temporary differences between the carrying amount of assets and liabilities for financial reporting and tax values.

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

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

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

Deferred taxes are recognized at nominal values.

NOTE 1 – REVENUES

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

Clemens Kraftverk revenues is summarized below:

Revenues	Q2 2024	Q2 2023	Q1-Q2 2024	Q1-Q2 2023	Full year 2023
Power revenues	88 990	116 766	128 932	180 436	234 304
El-cert / GoO revenues	-929	7 758	2 885	12 350	25 703
TOTAL	88 069	124 524	131 824	192 787	260 006

El-certs and GoOs revenues are recognized at the time the certificates are realized. The balance of granted rights to sell certificates is not recognized. At the end of Q2 2024 Clemens Kraftverk holds an off-balance value of GoOs of NOK 5.9 million. The GoO relates to Q2 2024 production but is sold and transferred from Clemens Kraftverk subsequent of quarter end and thus recognized in Q3 2024.

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

NOTE 2 – COST OF GOODS SOLD

Accrued fall lease as of Q2 2024 amounts to NOK 15.6 million.

In 2023, an amount of NOK 3.9 million is paid to landowners associated to one of the plants related to disputed fall lease for 2021, subsequent of legal negotiations. The amount includes legal fees and was not recognized in prior periods and is included in the second quarter figure for 2023 related to cost of goods sold. Court ruling appeal lost, the ruling is legally binding.

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

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

As of Q2 2024 Clemens Kraftverk has negative fall lease carried forward and prepaid fall lease of approx. NOK 4.4 million.

NOTE 3 – FIXED ASSETS

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

NOTE 4 – LIABILITIES

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

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

The bond issued by the Group is due in February 2025 and is therefore classified as a current liability as of Q2 2024. The issued bond has a fix interest rate.

NOK 204.8 million, not included in the table above, is provided from Clemens Kraft Holding to Clemens Kraftverk as a deposit in the group cash pool arrangement (classified and presented as current liabilities), where Clemens Kraftverk is the owner of the top account and the total cash balance.

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

Year	Due
2027	902,1
2028	31,9
2029	688,0
TOTAL	1 622,0

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

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

As of Q2 2024 Clemens Kraftverk has no liabilities under the interest rate swap agreements. The agreements have a positive off-balance MTM of NOK 35.9 million (unrealized gain).

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