

2024

Annual report

småkraft[©]



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About Småkraft



Småkraft is a renewable energy producer. Our 238 hydropower plants are spread across Norway and Sweden and deliver a mean annual production capacity of 2.1 TWh, making Småkraft Europe's largest owner and operator within its field.

Small-scale hydropower borrows water from 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 borrowed 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 also shared with our other stakeholders, including creditors & debt investors, local landowners, local municipalities, and local communities. Småkraft is investing in the production of new renewable energy and our commitment to further growth is our contribution to the energy transition. We enable renewable energy production with minimal impact and careful consideration of the local environment.

Headquartered
Bergen, Norway

Listed Bond loans Oslo
Børs Euronext

CEO
Terje Vedeler

Website
www.smaakraft.no

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

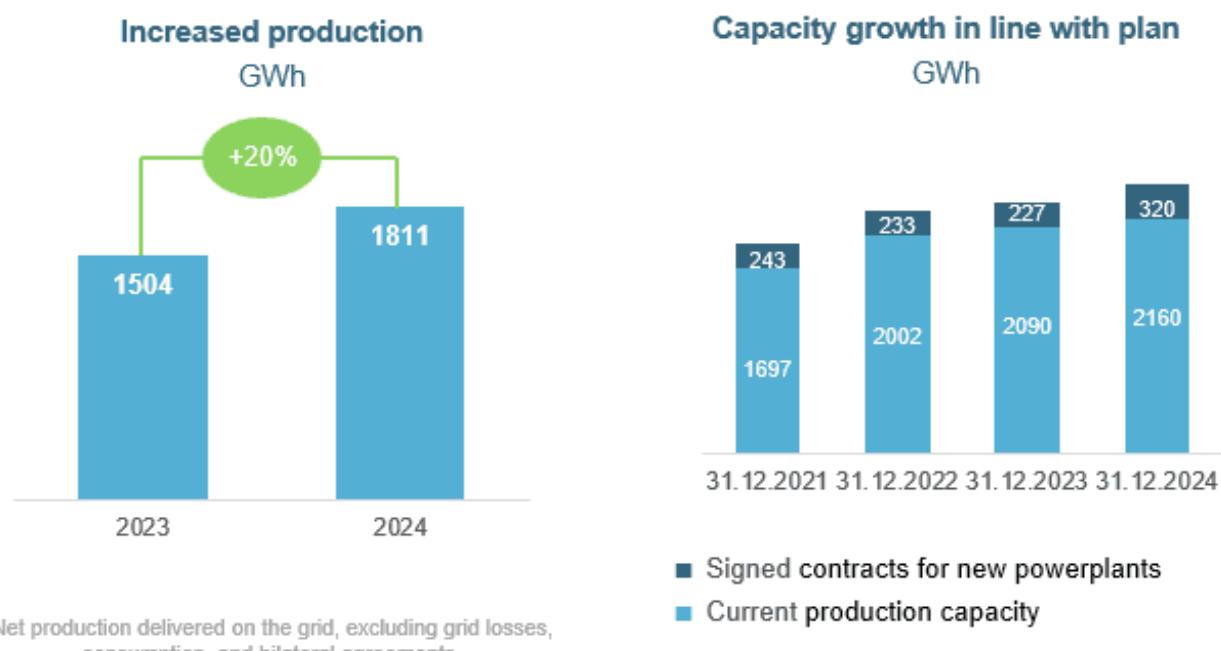
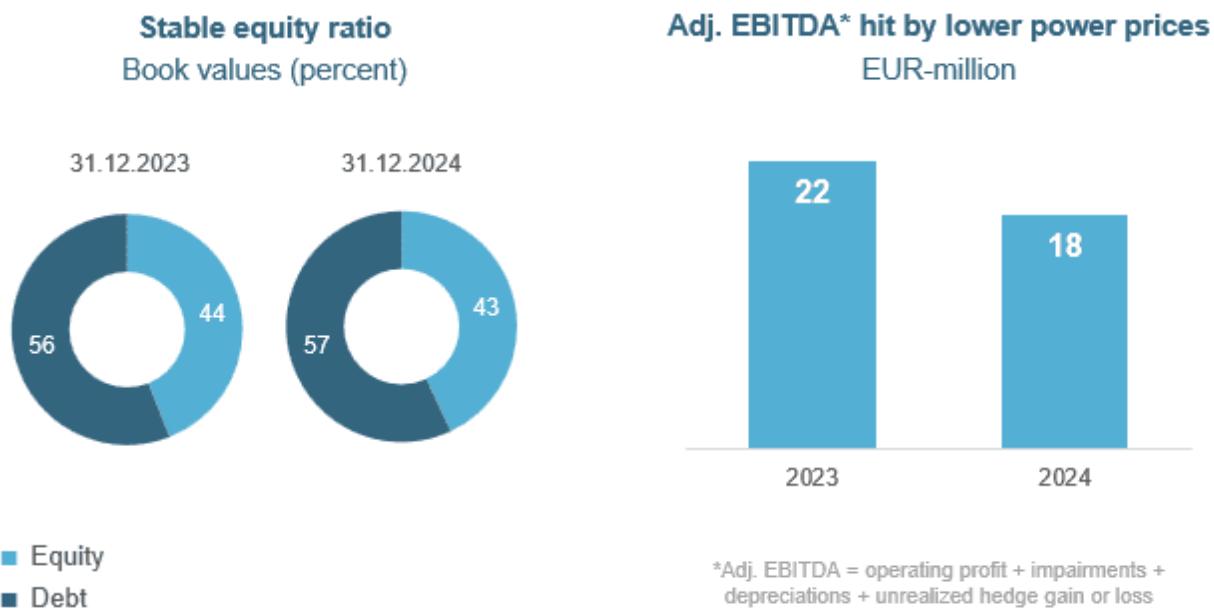
- seek new and better solutions
- maintain proven processes
- create added value

Honest

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



Småkraft at a glance



2024 in brief

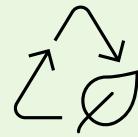
Achieving ambitious growth targets

- Increased production capacity with 70 GWh in 2024
- Power revenue and adj. EBITDA further curbed by reduced electricity prices
- Solid pipeline of power stations under construction and planning



Increased renewable power production

Added production capacity of 70 GWh. Total production of 1811 GWh, 20 percent increase compared to 2023.



Upgrading plants for improved sustainability

Implemented new technical solutions securing passage for fish at Fosstveit powerplant.



Decreased system prices

The average monthly Nordpool system price was reduced from 56 EUR/ MWh in 2023 to 36 EUR/ MWh in 2024.

Limited interconnector capacity between north and south still gives significant price differences between the Nordic price areas.

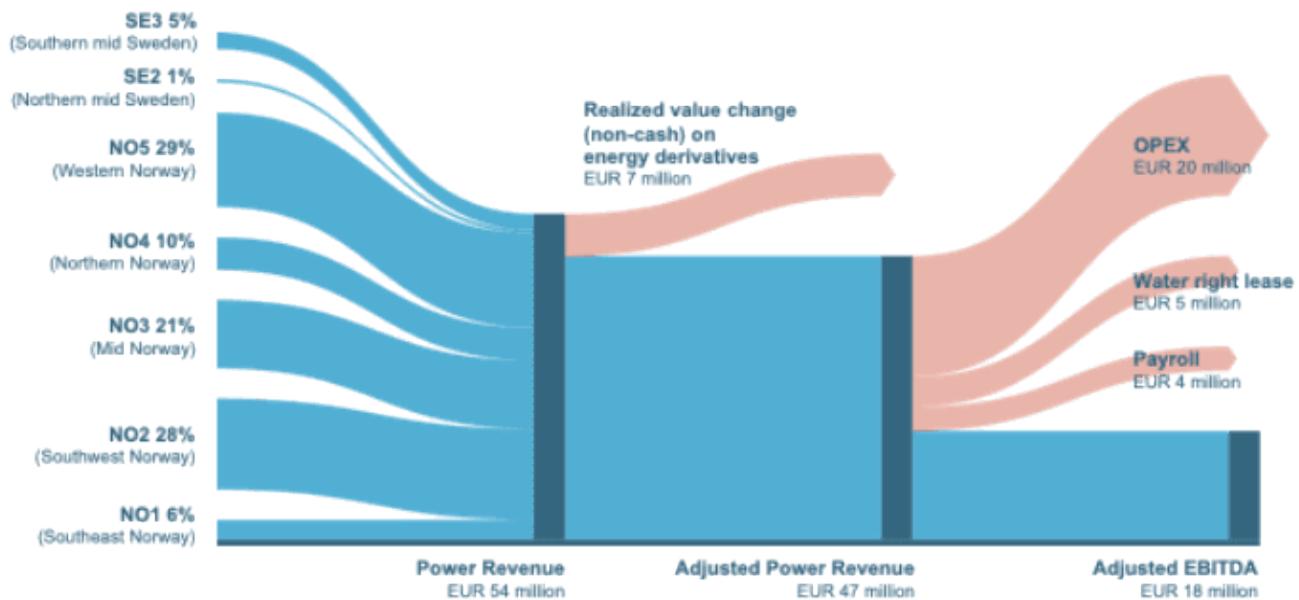
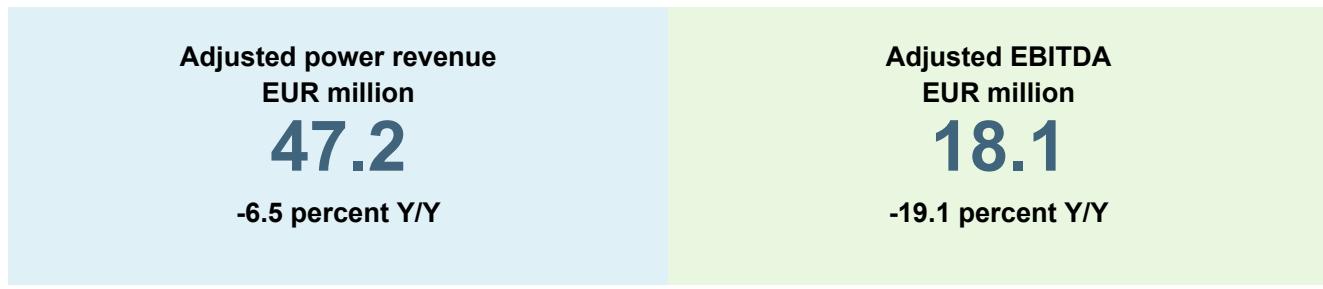


Adding capacity, expanding powerplant pipeline

Ongoing construction program securing additional 289 GWh over the next two years.
Tap issue of EUR 24.5 mill to Green Bond 3.

Key figures for the Group

Alternative Performance Measures (APMs) ref appendix



Key metrics

Amounts in EUR million	2024	2023
Power revenue	54	68
Profit (loss) before tax	-21	35
Cash flow from operations	13	-22
Production volume GWh	1,811	1,504
Avg achieved prices (EUR / MWh)	30.1	45.1

CEO Letter

Småkraft constructs 26% of all new renewable energy projects in Norway

In 2024, Småkraft continued its expansion. Once again, the company had the largest contribution to strengthen renewable energy production in Norway, with an increased annual production capacity by 70 GWh for the full year. As NVE presents their updated statistics, Småkraft is constructing 26% of all new renewable projects under construction in Norway year-end 2024. This is a remarkable achievement for a team of 33 men and women. As CEO in Småkraft, I am proud 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.

Over the next years, our Scandinavian home market will electrify transportation, properties, and industry. There is a pressing need for new renewable energy as we need more production to match the increased demand. We continue to work actively with landowners, municipalities, grid operators and regulators to develop new capacity.

We will continue to grow and at year end, Småkraft had 21 power plants with annual production capacity of 289 GWh under construction. In addition to this, we have a pipeline of projects that we are working to mature into investment ready power plants in the years to come.

However, Småkraft's history since 2002 proves that constructing renewable energy is consistent hard work and depend on detailed planning 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.

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

One of Småkraft's main strategic goals over the last years has been to industrialise the company. Nearly all of our powerplants are operated and controlled remotely. We use state of the art digital technology to continuously identify critical parameters to improve our environmental, safety and productivity performance. We will not be able to continue our growth path without great partners, robust processes and supporting technology. We are blessed with more than 1100 landowners who challenge, supports, 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 core value “Honesty” will make the unique teamwork Småkraft has with its partners even more valuable in future.

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

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 that may influence profitability.

To face these challenges and grasp the represented opportunities, 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 capitalise on economies of scale and synergies.

Sustainability is an important part of Småkraft's strategy

Although small-scale hydropower generally has a relatively small environmental footprint, Småkraft continuously strives to limit environmental risks and negative impacts during construction, production and operations. Our objective is to develop more renewable energy while preserving nature and biodiversity in line with the governmental requirements. We also want to build strong local communities. This approach is applied both at existing plants and for new projects.

An example of this is the re-opening of the Fosstveit power plant in the second half of 2024. Following significant investments and improvements, we successfully reduce the high fish mortality rates in collaboration with NORCE (Laboratory for Freshwater Ecology and Inland Fisheries).

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 our performance than before. We strongly believe that our operations differentiate Småkraft from others. Improved operational performance will lead to better financial performance, providing better returns for our investors and offer improved downside protection for our creditors. In addition, 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 operation centre. Småkraft has invested significantly into this operational model and professionalised our operational centre with technological and human resources we did not have before. Our inhouse technical 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. Finally, we continue to invest in improved solutions for our power plants.

Diversifying financing sources

New power stations demand large investments. Building renewable energy requires capital. Småkraft has strong committed owners that have contributed to the company's growth. Our strategy is to work closely with partners that offer competitive and responsible financing, both equity and debt. Småkraft has diverse financing sources consisting of bank debt, bond obligations and US private placement financing. Having built trust over the last ten years with financing partners such as local Norwegian banks, larger Nordic banks, institutional Nordic Green Bond Investors and large private debt investors, gives us access to 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.

In June 2024, Småkraft completed a senior secured EUR 160 million refinancing of our main bank facility in addition to secure a EUR 20 million revolving credit facility, with our Nordic relationship banks.

During the second half of 2024, Småkraft successfully completed a EUR 24.5 million bond tap issue at an attractive pricing, financing 11 power plants acquired during 2023/2024.

Sustainability

Sustainability

Sustainability is an integrated part of Småkraft's strategy and business model. In recent years, Småkraft and its peer companies have faced increasing reporting requirements related to Environmental, Social and Governance (ESG) topics. Småkraft views these requirements positively, as they enhance transparency and focus on meaningful actions. Småkraft is committed to align its processes with the EU Taxonomy, the EU's Sustainable Financial Disclosure (SFDR) and other evolving reporting standards such as the Task Force for Climate Change (TCFD). For the financial year 2024, Småkraft will voluntarily report on double materiality as outlined in the Corporate Sustainability Reporting Directive (CSRD). In 2024, Småkraft once again secured its strong position in GRESB's annual ESG reporting assessment. Småkraft will continue to strive for transparency in its interactions with the environment and society, as outlined in a separate Sustainability Report.

Sustainability is about creating meaningful impact, managing risks, seizing opportunities, making strategic investments and optimizing processes. Småkraft prioritizes investing in topics we have identified as the most material to Småkraft and its stakeholders.

Småkraft's main efforts are concentrated on the following topics:

Climate Change

Småkraft's production history shows that climate change leads to more precipitation and more extreme weather. This influences production, and it may increase the forces Småkraft's installations need to sustain. Over the past few years, Småkraft has experienced a continued pattern of more extreme weather. Also in 2024, storms have had negative impact on infrastructure in Norway. While most of Småkraft's power plants have proven resilient to the storms, there have been examples of flood damages. These incidents represent a small portion of Småkraft's overall portfolio and proves the company's ability to manage and recover from extreme weather events. Still, it is essential for Småkraft to understand how future climate change is likely to influence its power plants.

Småkraft, along with other companies in sectors vulnerable to climate change such as energy, food production, shipping, and insurance, has joined forces with leading research groups in a center for research-based innovation called Climate Futures. In the center, Småkraft has partnered with NORCE and the Norwegian Computing Center (NR) to develop sub-seasonal runoff forecasts. Going forward, the focus will shift to understanding how climate change will impact runoff in the catchments where Småkraft operates.

Life Cycle Emissions

Producing renewable energy generates significantly lower carbon emissions compared to other energy sources. Additionally, due to its long lifetime, small-scale hydro is efficient compared to other renewable energy options, with minimal carbon emissions per unit energy produced.

In discussion with key stakeholders about important ESG topics for Småkraft and the environment, emissions have been highlighted. As almost 100% of the life cycle emissions from small-scale hydro come during construction and upgrading activities, Småkraft has increased its focus on understanding these emissions. Småkraft has analysed such emissions for both new-builds and existing power plants. This analysis provides valuable insight that can be utilised to reduce emissions in future construction projects, in close cooperation with Småkraft's partners.

Biodiversity

All energy production, including small-scale hydropower, has an impact on the local environment. Småkraft changes the flow patterns of the river between the intake and the power plant, which may affect the biodiversity and vulnerable species in and around the river around the power plant, the penstock and the intake.

The majority of Småkraft's power plants are governed by restrictions on water flow for energy production. This implies that power plants must release water to the river to ensure ecological water flow and avoid drought. All Småkraft sites are inspected annually to detect and report negative impacts. Data from these inspections is what is reported in our ESG report, and not a 24/7I surveillance.

Other key concession requirements are bypass valves that ensure sufficient water in the river during an immediate production stop, restrictions regarding water level regulation in the reservoir or specific water flow requirements.

Småkraft from time to time invests in power plants that may not operate in compliance with the governmental intentions. This is assessed and reflected in the investment process, where Småkraft decides on upgrades to meet the requirements. In most cases, these investments are minor. However, in some cases, Småkraft needs to invest significantly to increase the environmental standards.

Fosstveit power plant is an example of this. Småkraft bought the power plant in 2022, aware of the high fish mortality in the river caused by fish and eel swimming through the turbine. After two years of significant reconstruction, the power plant in Tvedstrand municipality reopened in August 2024 with considerable improvements. The results from the second half of 2024 are promising, showing tagged smolt and eel that are able to pass the powerplant with significant reduction in mortality. This which indicates that the new intake, combined with a surface escape route, ensures improved downstream migration bypassing the power plant.

Social responsibility for own employees

In Småkraft, all critical functions of the company are to be covered by permanent employees. Non-critical functions are outsourced to suppliers to ensure larger professional environments and access to capacity, but

the company possess ordering expertise in all disciplines to ensure the quality and efficiency of the services requested.

The company strives to offer equal pay for equal work. Småkraft does not give preference to or discriminate against employees based on gender, ethnicity, sexual orientation or religion, and strive to achieve a better gender balance through recruitment efforts and prioritise gender equality when conditions otherwise are equal. Confidential handling of reports is ensured through the available whistleblowing channel on Småkraft's website.

The company conducts annual employee surveys to assess the internal working environment and analyse trends and implement measures. In Småkraft's 2024 employee survey, its employees reported zero cases of discrimination. Additionally, the employees state that sustainability is a crucial factor in their choice of employer.

Local communities value creation

Hydropower plant installations may have some negative consequences for people in the local communities. Småkraft aims to reduce these negative consequences as much as possible. The company follows requirements in the license provisions and does the utmost to make sure that the hydropower plants successfully harmonise with the natural environment.

Småkraft's business model shares values with the local communities. The company's operating procedure and management models ensure that large parts of the value creation from a small-scale power plant are local. In 2024, Småkraft made direct payments of more than EUR 65 million to municipalities throughout Norway through its investments, maintenance, operations, tax payments and waterfall lease payments. These payments will result in major ripple effects especially in minor municipalities where Småkraft is present with its small-scale power plants.

Rysna power plant in Vang municipality is a good example of this. In 2024, Småkraft celebrated the opening of the power plant. After a construction period, one of the landowners described the project as a positive contribution to the local community. Through the joint efforts of the landowners, the local entrepreneurs played a crucial role in the development of the power plant. This contributes to economically strengthen the local community.

Ethical business practices

Ethical business is about doing the right thing. Småkraft makes a living from creating and sharing resources that many people have interests in. For us, it is therefore fundamental to act transparently towards landowners, suppliers, authorities, investors and creditors. Småkraft shares information, as long as this is available, and sharing is not in breach with privacy regulations or negatively affecting competitive strengths. Transparency is crucial for the stakeholders, as it allows them to understand the rationale behind Småkraft's decisions. Additionally, ethical business practices are important to stakeholders, as it reflects Småkraft's commitment to integrity and responsibility.

Småkraft has implemented robust internal control measures to mitigate the potential for fraud or misconduct. In 2024, Småkraft encountered minor attempts of “CEO fraud” and similar schemes. Fortunately, all such attempts have been successfully detected by Småkraft’s or its partners security mechanisms. Over the past years, Småkraft has introduced a number of security measures to protect against fraud and attacks.

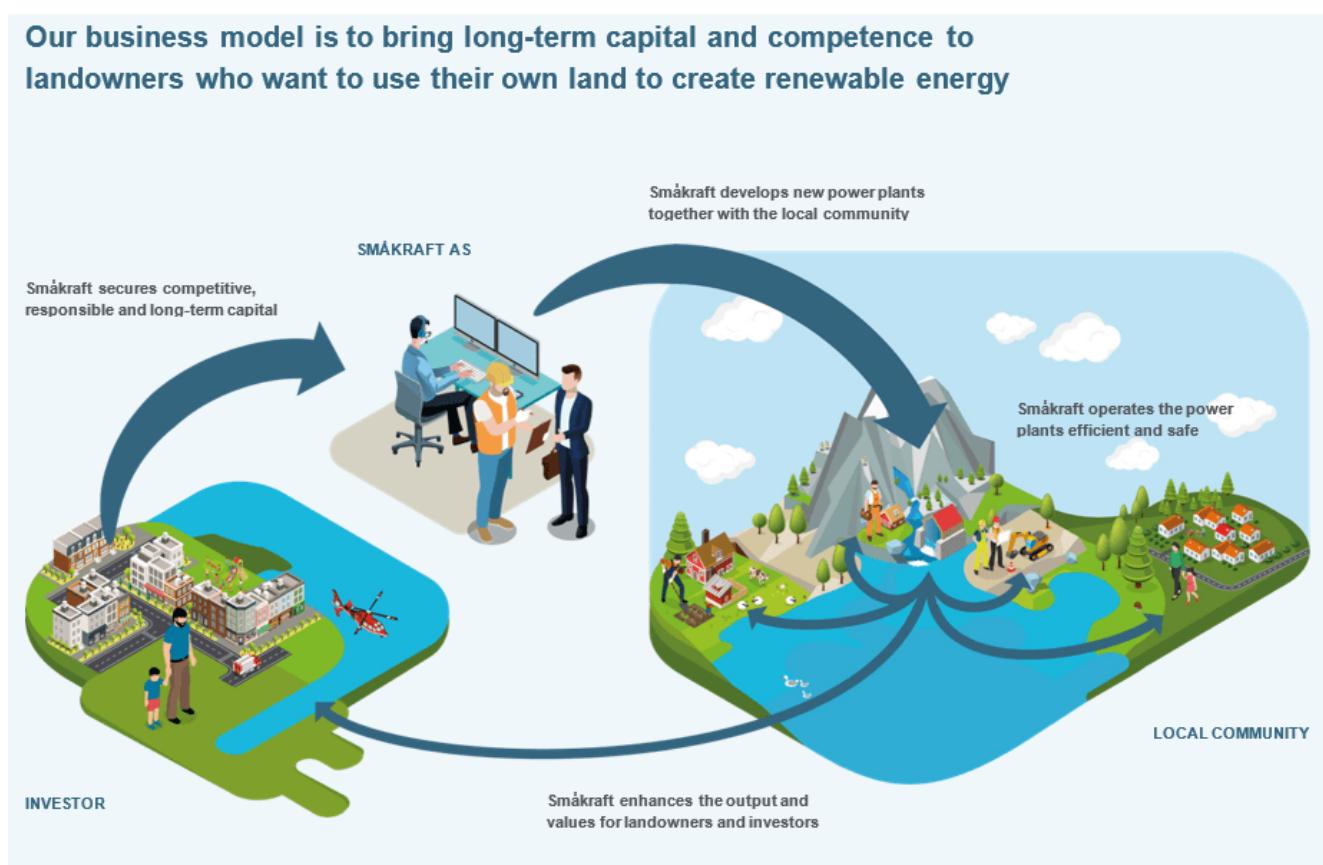
Our business

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 of international private companies



Felix Renneke

Board Member

- LL.M. in corporate law, mergers and acquisitions, FOM University
- More than 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



Pia Christine Helland

Chief Financial Officer

- MSc in Finance (Siv.øk) from Norwegian School of Economics and Business Administration, Master in Law (Cand.jur) from University of Bergen, Executive Master Program in Sustainable Business Strategy from Norwegian School of Economics and Business Administration
- More than 20 years of experience from various positions in Corporate Banking, Corporate Finance and Equity Capital Markets



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 2-9 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 271,865,850 divided among 5,437,317 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 regular 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, Førde, Dale and Gävle. The Group employs 33 people. Småkraft's power plants are located in all price zones in Norway and in two price 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 2024, Småkraft had 238 operating hydropower plants (231 at year end 2023), with a total accumulated production capacity of 2,160 GWh.

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

As of 31 December 2024, the Group had a book equity of EUR 368 million and a book equity ratio of 43%. 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 2024 is 5,401,633.

ESG and quality

In 2024, Småkraft acquired and constructed seven power stations adding a total of 70 GWh annual capacity to the Småkraft portfolio. Furthermore, Småkraft managed to maintain and expand its pipeline of power stations it constructs together with its partners. Småkraft has signed contracts that add 320 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 EUR 5 million in land lease based on the 2024 results.

Småkraft maintained good performance on key quality indicators. Over the past few years, short-term sick leaves have remained stable at below 2.0%. Småkraft closely monitors incidents that result in lost time work time for both employees and its partners/ suppliers. In 2024, Småkraft experienced 2 incidents that led to lost work time, all of which were minor.

Collaborating with turnkey contractors with robust ESG practices is crucial for sustainable and responsible operations in the small-scale power industry. The company has already incorporated the requirements of the Transparency Act in its internal governing documents. Småkraft is currently working with suppliers to obtain documentation ensuring that these defined requirements. Småkraft's sustainability reports are published on the company website at www.smaakraft.no.

For further details about ESG and social responsibility, please refer to Småkraft's Sustainability Report 2024 to be published during first half of 2025.

Work environment and personnel

Småkraft AS aims to be an attractive employer focused on employee retention and maintaining a positive working environment. The company values diversity of background, interests and knowledge, as it is important for developing the varied and best competencies to conduct Småkraft's operations effectively. Any form of racism or discrimination is unacceptable at Småkraft.

The Småkraft Group is committed to provide equal opportunities for both men and women. The company acknowledges the under-representation of women within the organisation and the industry and are working systematically to improve diversity. In 2024, two out of five new employees in Småkraft were female. Overall, 24% of Småkraft's full time employees are female. The Board consists of four Directors, two of whom are female, including the Chair.

Outlook

Acceptable price levels and increased volatility persisted during the first part of 2024, while prices dropped significantly in the third quarter.

Production is expected to increase in line with full-year production from power plants acquired in 2024 and new plants coming on stream in 2025. The Småkraft Group is pursuing a growth strategy and intends to invest further in new production capacity over the coming years.

Throughout 2024, Småkraft has continued to seek operational improvement and explore opportunities for growth and diversification. Projects have been initiated to ensure that Småkraft adapts to changes in the energy market. Småkraft strives to remain competitive in what we do and to be resilient to external factors affecting the company.

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.

Income Statement

In 2024, Småkraft generated power revenue of EUR 54 million in 2024, a decrease of EUR 14 million or 20% compared to 2023 (EUR 68 million). The decrease is explained by lower power prices.

Production reached 1,811 GWh, a 20% increase compared to 2023. The average obtained spot prices per MWh decreased by 33% from EUR 45 EUR/MWh in 2023 to 30 EUR/MWh in 2024. Småkraft has production in seven different price zones in Norway and Sweden, and the obtained spot prices per MWh varied significantly between these areas.

In 2024, the mark-to-market valuation of energy derivatives, which hedge about 25% of the expected production for 2025 and 10% of 2026, resulted in a positive unrealized value change of EUR 25 million (compared to EUR 73 million in 2023). According to IFRS, these future hedge contracts, which will be realized in the coming years, are recognized in the Financial Statements at market value at year-end. However, production and revenue are not recognized until the date of production.

Småkraft is focusing on selected Alternative Performance Measures (APMs) to assess performance from operational activities. Please refer to appendix for details on these APMs. Adjusted power revenue showed a decrease of 7% for 2024 compared to 2023, highlighting the reduction in power prices in 2024 compared to the previous year.

Payroll and related costs remained at the same level as in 2023, at EUR 4.5 million. Depreciations and impairments for 2024 amounted to EUR 22 million (EUR 20 million in 2023). The increase is due to the depreciation of a larger portfolio of hydro power plants and a minor impairment related to six powerplants compared to 2023. Other operating expenses were reported at EUR 25 million, the same as in 2023.

The operating profit for 2024 was EUR 21 million, compared to EUR 76 million in 2023. Excluding unrealized value change on energy derivatives, Småkraft would have reported an operating loss of EUR 4 million, compared to a profit of EUR 2 million in 2023. Adjusted EBITDA was EUR 18 million, down from EUR 22 million.

Net financial items for 2024 reported a loss of EUR 42 million (EUR 41 million in 2023). Gross interest expenses in 2024 were EUR 20 million up from EUR 12 million in 2023. The increase in net interest expenses of EUR 7 million was partly offset by reduced negative impact of net foreign exchange losses and fair value

changes of financial derivatives. Long-term financing granted in EUR implied a disagio on borrowings in 2024 of EUR 20 million (EUR 23 million in 2023).

Income tax reports an income of EUR 4 million in 2024 compared to an expense of EUR 8 million in 2023. The recognised tax positions are mainly deferred positions. Payable taxes as of 31 December 2024 were NOK 0 million compared to NOK 1 million per 31 December 2023.

Total comprehensive income 2024 was a loss of EUR 35 million in 2024, compared to a profit of EUR 7 million in 2023.

Balance sheet

As of December 2024, consolidated total assets amounted to EUR 854 million (EUR 874 million).

Total non-current assets amounted to EUR 819 million (EUR 812 million). Current assets amounted to EUR 45 million (EUR 62 million). Taking into account time deposits presented as other receivables of EUR 8 million as per 31 December 2024 (EUR 7 million), total cash position was EUR 36 million (EUR 47 million).

Total equity amounted to EUR 368 million (EUR 386 million) a decrease of EUR 18 million, resulting in an equity ratio of 43% (44%).

Total liabilities amounted to EUR 496 million (EUR 489 million). Total borrowings increased by EUR 28 million to EUR 469 million (EUR 441 million).

Cash flow

Cash flow from operating activities amounted to EUR 13 million compared to negative EUR 22 million for 2023. This improvement is primarily explained by changes in working capital due to reduced cash outflow to landowners in 2024 compared to 2023, based on earnings from previous years.

Cash outflow from investing activities amounted to EUR 47 million, down from EUR 62 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 24 million, up from EUR 17 million. Shareholders contributed with new capital of EUR 32 million (EUR 68 million). The Group received EUR 61 million (EUR 123 in 2023) from new loan and paid EUR 36 million (EUR 120 million) in instalments on credit facilities.

Dividends of EUR 15 million (EUR 38 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 owns nearly half of the Group's power plants and employs all Norwegian staff within the Group.

Income Statement

In 2024, Småkraft AS generated power revenue of EUR 23 million in 2024 (EUR 30 million), a decrease of EUR 7 million or 23%. The decrease is attributed to lower achieved power prices in 2024 compared to 2023.

Småkraft AS has production in all price areas in Norway.

In 2024 the mark-to-market valuation of energy derivatives, which hedge about 25% of the expected production for 2025 and 10% of 2026, caused a positive unrealized value change of EUR 25 million (EUR 73 million in 2023). Småkraft AS is the only company in the Group that sells forward power. According to IFRS, these future hedge contracts, which will be realized in the coming years, are recognized in the Financial Statements at market value at year end. However, production and revenue are not recognized until the date of production.

Småkraft AS is focusing on selected Alternative Performance Measures (APMs) to assess the performance from operational activities. Please refer to the appendix of this report for details these APMs. Adjusted Power revenue showed an increase of 24% for 2024 compared to 2023, primarily due to changes in the realized value change on energy derivatives, which amounted to negative EUR 7 million in 2024 compared to negative EUR 17 million in 2023.

Payroll and related costs showed a small decrease from EUR 4.4 million to EUR 4.2 million in 2024, partly explained by a weaker NOK compared to EUR over the year and lower headcount during some months.

Depreciation and impairments for 2024 was EUR 8.1 million, up from EUR 7.9 million. This increase is due to the impairment of some early-stage growth project that will not be materialised. The overall growth of the group has directly impacted the increase in other operating expenses, which increased to EUR 11 million in 2024 compared to EUR 8.7 million in 2023.

The operating profit for 2024 was EUR 18 million (EUR 66 million). Excluding unrealized value change on energy derivatives, Småkraft AS would have reported an operating loss of EUR 7 million, similar to 2023. Adjusted EBITDA, excluding same MTM adjustment, was a profit of EUR 1 million, the same as in 2023. All value changes related to energy derivatives in the Group are incurred by Småkraft AS, as all forward contracts are entered into by Småkraft AS on behalf of the Group.

Net financial items for 2024 reported a loss of EUR 23 million compared to a profit of EUR 7 million the previous year. The main reason for this difference is a reduction in recognized distributions from subsidiaries, which was EUR 30 million higher in 2023 compared to 2024. An increase in interest expenses of EUR 5 million was offset by positive developments in negative fair value changes on interest and currency derivatives and lower negative currency fluctuations EUR / NOK for loans granted in EUR.

Income tax income was EUR 1 mill in 2024 compared to an expense of EUR 14 million in 2023.

Total comprehensive income 2024 was a loss of EUR 22 million compared to a profit of EUR 40 million in 2023.

Balance sheet

AS of 31 December 2024, total assets amounted to EUR 679 million, compared to 682 million in 2023. Total non-current assets amounted to EUR 661 million, up from EUR 657 million.

Current assets amounted to EUR 17 million, down from EUR 25 million.

Total equity amounted to EUR 385 million (EUR 390 million) a decrease of EUR 5 million, maintaining an equity ratio of 57%.

Total liabilities amounted to EUR 294 million (EUR 292 million). Borrowings increased by EUR 26 million, which was mainly offset by reduced MTM value of derivatives EUR 22 mill. Net interest-bearing debt amounted to EUR 269 million, up from EUR 237 million.

The Group is in compliance with all covenants taking into account that reporting of ADSCR (Annual Debt Service Coverage Ratio) has been exempted for reporting as per 31.12.2024.

Cash flow

Cash flow from operating activities amounted to EUR 0 million in 2024 (EUR 11 million).

Cash outflow from investing activities amounted to EUR 36 million (EUR 40 million), primarily due to investments in new power production capacity, either through construction of new plants or acquisitions of operating companies.

Cash inflow from financing activities amounted to EUR 32 million (outflow of EUR 11 million in 2023). Shareholders contributed with new capital of EUR 32 million (EUR 65 million). The Group received EUR 41 million from new loans (EUR 54 million) and paid EUR 15 million (EUR 88 million) in instalments on credit facilities and leases. Dividends of EUR 15 million (EUR 37 million) were paid to the shareholders.

Risk review

Risk management is important for value creation and is an integral part of Småkraft's business activities.

Operational risk

Småkraft 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. Considerable efforts have been made to manage the QHSE risks within the company.

Financial risk factors

Due to its significant growth, Småkraft is continuously working on financing initiatives with new equity and debt. Småkraft's shareholders have committed to providing equity for at least 50% of the agreed price for upcoming investments. The company is actively working 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 Group is exposed to a range of financial risks: Market-, climate-, liquidity-, currency-, interest rate and credit risk. The financial risk management process focuses on the unpredictability of financial markets and aims 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, where the financial risks are identified, evaluated and hedged in close co-operation with the Group's operational units.

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 and defined cash deposits as an integral part of our risk policy.

Market risk

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.

Småkraft halted its hedging activities during the summer 2021, and during 2024 the company has adjusted some of its current hedges to better match its production volatility during the year. Reduced future power prices increase indirectly unrealized hedge loss. The reduction in future prices has decreased the unrealized losses and consequently improved Småkraft's equity ratio by reversing preceding years derivative accruals.

Climate risk

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.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of credit facilities, to ensure sufficient cash or cash equivalents at all times and for operations and to be able to finance its operations and investments in line with the Group's strategic plan. At the end of 2024, Småkraft held cash and cash equivalents amounting to EUR 36 million including time deposits of EUR 8 million classified as other receivables. This is deemed to be sufficient funding for the Group's current activity levels and committed capital expenditures during 2025. The Group aims to mitigate the market and liquidity risks through further cost reduction and efficiency improvement programs with 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 primarily relates to its long-term debt obligations at floating interest rates.

The Group evaluates the level of interest rate hedging based on assessment of its 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 reviews the interest rate 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 is approximately 56% as of 31 December 2024.

Credit risk with power brokers

The current primary market for the Group's services is hydro power production, which is sold through brokers to Nord Pool. The Group conducts ongoing credit evaluations of its power brokers and generally does not require significant 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 subject to ground rent taxation, Norwegian and Swedish government might increase the tax burden on companies like Småkraft over time. Regulatory risks exposure is furthermore relevant related to environmental requirements defined by governmental bodies.

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, which the Directors have confirmed that this was realistic at the time the accounts were approved. In assessing the going concern assumption, the Directors and management have considered cash flow forecasts, funding requirements and production capacity. Despite Småkraft's geographical diversified production capacity, robust balance sheet with low leverage, and a long-standing relationship with its key lenders, the capital market may become more challenging and future funding sources somewhat more restricted. The Group's refinancing risk is diversified, and its long-term debt obligations consist of secured bank debt, bonds and USPP financing maturing at different times until August 2034. 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.

In 2024, Småkraft successfully refinanced its EUR 160 million main bank facility, which also includes an undrawn revolving credit facility of EUR 20 million. In November 2024, Småkraft issued a tap issue on Green Bond 3, raising EUR 24.5 million at favourable terms. There are no major loans maturing in 2025.

Based on this the Board is presenting the financial statements on going concern.

Subsequent events

After year-end, Småkraft has increased the portfolio of power plants. On 31 January 2025, Småkraft completed the acquisition of 100% of the shares in Nye Grøvla Kraft AS and Våmåns Kraft AB, which have power plants in operation with a capacity of 7.3 and 3.0 GWh, respectively. On 13 March 2025, Småkraft acquired Lysåelva Kraftverk AS, which owns a newbuilt power plant of 7.4 GWh in NO4.

Bergen, Norway, 25 March 2025
The Board of Directors, Småkraft AS

Chairperson of the Board

Annette Malm Justad

Member of the Board

Claudia Ahnert

Member of the Board

Oldrik Verloop

Member of the Board

Felix Renneke

CEO

Terje Vedeler

Annual accounts and notes Småkraft Group

Consolidated income statement and consolidated statement of other comprehensive income

Amounts in EUR thousand	Note	2024	2023
Power revenue	<u>8</u>	54,433	67,758
Other income	<u>8</u>	259	1,481
Fair value change on energy derivatives	<u>13</u>	18,185	55,857
<i>Unrealized value change on energy derivatives</i>		25,437	73,133
<i>Realized value change on energy derivatives</i>		-7,252	-17,277
Share of the profit (loss) in equity accounted investments	<u>17</u>	500	118
Payroll and related costs	<u>9</u>	-4,489	-4,653
Depreciation and impairment of fixed assets and intangible assets	<u>14, 15, 16</u>	-22,198	-20,010
Other operating expenses	<u>10</u>	-25,333	-25,032
Operating profit/(loss)		21,358	75,519
Financial income	<u>11</u>	2,046	1,982
Net foreign exchange gain (loss)		-19,643	-23,036
Fair value changes on interest rate and currency derivatives	<u>7, 13</u>	-3,757	-6,265
Financial expenses	<u>11</u>	-20,883	-13,325
Net financial items		-42,237	-40,643
Profit/(loss) before tax		-20,879	34,876
Tax income (expense)	<u>12</u>	3,621	-7,633
Profit (loss)		-17,258	27,243
Profit/(loss) is attributable to:			
Equity holders of the parent company		-17,041	27,411
Non-controlling interests		-216	-167
Other comprehensive income:			
Items that may be reclassified to profit or loss			
Currency translation differences on foreign operations		440	1,692
Items that will not be reclassified to profit or loss			
Currency translation differences		-18,263	-21,664
Total comprehensive income for the year		-35,081	7,271
Total comprehensive income is attributable to:			
Equity holders of the parent company		-34,285	8,274
Non-controlling interests		-796	-1,003

Consolidated statement of financial position

Non-current assets				
Amounts in EUR thousand		Note	31.12.2024	31.12.2023
Intangible assets	<u>14</u>	222,887	231,574	
Property, plant and equipment	<u>16</u>	552,353	552,395	
Deferred tax assets	<u>12</u>	26,359	16,913	
Investments	<u>17</u>	3,531	2,732	
Derivatives	<u>13</u>	3,309	714	
Other long-term receivables	<u>18</u>	10,182	7,691	
Total non-current assets		818,621	812,018	
Current assets				
Inventories		770	1,489	
Trade receivables	<u>7</u>	3,395	4,276	
Other receivables	<u>7</u>	11,589	12,285	
Derivatives	<u>13</u>	1,367	4,140	
Cash and Cash equivalents	<u>19</u>	28,310	40,120	
Total current assets		45,429	62,310	
Total assets		864,051	874,328	

Shareholders equity				
Amounts in EUR thousand	Note	31.12.2024	31.12.2023	
Share capital	<u>20</u>	22,898	23,046	
Paid-in capital	<u>20</u>	399,196	402,500	
Other equity		-65,843	-51,912	
Total Shareholders equity		356,250	373,633	
Non-controlling interests		12,136	12,057	
Total equity		368,386	385,690	
Non-current liabilities				
Deferred tax liability	<u>12</u>	6,463	0	
Borrowings	<u>21</u>	454,812	276,512	
Derivatives	<u>13</u>	30	8,524	
Other non-current liabilities	<u>7</u>	276	467	
Total non-current liabilities		461,582	285,504	
Current liabilities				
Accounts payable	<u>7</u>	3,946	7,573	
Taxes payable	<u>12</u>	306	1,257	
Public duties payable	<u>7</u>	1,498	0	
Derivatives	<u>13</u>	6,126	19,944	
Borrowings	<u>21</u>	14,057	164,312	
Other current liabilities	<u>7</u>	8,151	10,049	
Total current liabilities		34,084	203,134	
Total liabilities		495,665	488,638	
Total equity and liabilities		864,051	874,328	

Bergen, Norway, 25 March 2025
 The Board of Directors, Småkraft AS

Member of the Board
Claudia Ahnert

Chairperson of the Board
Annette Malm Justad

Member of the Board
Oldrik Verloop Member of the Board
Felix Renneke CEO
Terje Vedeler

Consolidated statement of changes in equity

Amounts in EUR thousand	Note	Share capital	Paid-in capital	Foreign currency translation*	Retained earnings	Total shareholders equity	Non-controlling interests	Total equity
Equity at 01.01.2023		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	<u>20</u>	1,669	63,654	-	-	65,323	2,381	67,704
Purchase of shares from non-controlling interest	<u>5</u>	-	-	-	-704	-704	-2,517	-3,222
Dividend		-	-37,192	-	-	-37,192	-935	-38,127
Equity at 31.12.2023		23,046	402,500	-38,217	-13,697	373,633	12,057	385,690
Net profit		-	-	-	-17,041	-17,041	-216	-17,258
Currency translation differences		-1,102	-19,255	-17,266	20,378	-17,243	-580	-17,823
Total comprehensive income for the period		-1,102	-19,255	-17,266	3,337	-34,285	-796	-35,081
Capital increase current period	<u>20</u>	953	24,655	-	-	25,608	-	25,608
Capital increase current period not registered		-	6,295	-	-	6,295	-	6,295
Changes in non-controlling interest	<u>5</u>	-	-	-	-	-	1,126	1,126
Dividend		-	-15,000	-	-	-15,000	-251	-15,251
Equity at 31.12.2024		22,898	399,196	-55,483	-10,360	356,250	12,136	368,386

*Currency translation differences that can be reclassified through other comprehensive income were EUR 1417 thousand per 31.12.2024 and EUR 977 thousand pr 31.12.2023

Consolidated statement of cash flow

Cash flows from (used in) operating activities	Note	2024	2023*
Cash flow from operations			
Profit (-loss) before income tax		-20,879	34,876
Taxes paid for the period		-1,215	-5,079
Depreciation, amortization, impairment	<u>14.16</u>	22,198	20,010
Net financial items		20,680	11,821
Cash settlement derivatives	<u>13</u>	-7,252	-17,277
Change in unrealized currency gains/losses		18,904	25,115
Change in unrealized derivatives	<u>13</u>	-14,428	-49,592
Change in working capital		-4,927	-42,143
Net cash flow from operations		13,081	-22,269
Cash flow from investment activities			
Outflows due to purchases of fixed assets and intangibles	<u>14.16</u>	-39,603	-35,117
Outflows due to investments in subsidiaries	<u>5</u>	-6,667	-29,082
Outflows due to investments in other financial assets		-508	-42
Inflows from sale of other financial assets		0	1,452
Dividend received from equity accounted investments		129	876
Net cash flow from investment activities		-46,650	-61,914
Cash flow from financing activities			
Capital increases	<u>20</u>	31,903	67,704
Dividend payments		-15,251	-38,127
Outflows from transactions with non-controlling interest		1,126	-3,222
Interest paid*		-19,042	-11,966
Inflows from loan raising	<u>21</u>	61,273	123,474
Outflows from loan payments	<u>21</u>	-36,391	-120,504
Net cash flow from financing activities		23,617	17,360
Currency translation differences		-1,858	-8,311
Net change in bank deposits and cash		-9,952	-66,822
Bank deposits and cash at beginning of period		40,120	115,253
Bank deposits and cash at end of period		28,310	40,120

* Presentation of interest payments is changes from operating to financing cash flows in the 2024 financial statements.

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, Stjørdal, Dale in Sunnfjord, Førde and Sandnes in Norway and Gävle in Sweden. The Group employs 33 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 24 fully or partly owned subsidiaries at year end 2024.

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 2024 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 01.01.2024:

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

None of the amendments listed above have had any significant 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 2024 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 2025 Småkraft closed the acquisition of 100% of the shares in Nye Grøvla Kraft AS, which has a powerplant in operation with a capacity of 7.3 GWh to our portfolio in Norway. 30 January Småkraft AB acquired Våmå Kraft AB with one additional power plant of 4 GWh. On 13 March 2025, Småkraft acquired Lysåelva Kraftverk AS, which has a newbuilt power plant of 7.4 GWh.

Note 5 Subsidiaries

Småkraft purchased 4 subsidiaries in 2024 (15 in 2023):

Group companies	Date of acquisition/ Incorporation	Registered office	Ownership share	Voting share
Småkraft AS		Bergen		
Reinli Kraft AS	2005	Bergen	51%	51%
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%
Folksjå Kraft AS	2016	Bergen	82%	82%
Sigdestad Kraftverk AS	2018	Bergen	52%	52%
Holsen Kraft Norddøla AS	2020	Bergen	100%	100%
Ytre Kandal Kraft AS	2020	Sandane	61%	61%
Fossåa 1 K AS	2020	Sør- Fron	66%	66%
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	2023	Bergen	65%	65%
Småkraft Vekst 2025 AS	2023	Bergen	100%	100%
Småkraft Vekst 2026 AS	2023	Bergen	100%	100%
Glutra Kraft AS	2024	Bergen	100%	100%
Teitafossen Kraft AS	2024	Bergen	100%	100%
Småkraft Green Bond 1 AS	2018	Bergen	100%	100%
Saksenvik Kraft AS	2016	Bergen	96%	96%
Midt Kraft AS	2023	Bergen	100%	100%
Småkraft AB	2022	Uppsala	100%	100%
Småkraft Operations AB	2022	Uppsala	100%	100%

Note that 15 subsidiaries were absorbed through group internal mergers during 2024.

Financial initial effect from purchased subsidiaries

Based on the assessment of management none of the subsidiaries (power plants) acquired during 2024 and 2023 constitutes a business as defined in IFRS 3, thus all purchases are treated as acquisition of asset.

Amounts in EUR thousand	31.12.2024	31.12.2023
Acquisition cost	6,667	29,082
Deferred tax asset	0	160
Intangible Assets	6,678	28,383
Property, plants and equipment	4,449	26,479
Short term receivables	58	459
Non-controlling interests	0	-142
Interest bearing liabilities, non-current	-4,116	-6,185
Other interest-free liability	-402	-20,072
Total	6,667	29,082

Note 6 Management of capital structure

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

Overview of capital included in management of capital structure:

Amounts in EUR thousand	31.12.2024	31.12.2023
Total non-current assets	818,621	812,018
Interest-bearing liabilities, non-current	454,812	276,512
Interest-bearing liabilities, current	14,057	164,312
Cash and cash equivalents, excluding restricted cash	28,310	40,120
Net interest- bearing liabilities (NIB)	440,559	400,704
NIB/ Total non-current assets	54%	49%

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

31.12.2024					
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					
Investments					
Long-term receivables		10,182			10,182
Trade receivables		3,395			3,395
Other receivables		10,767			10,767
Derivatives non-current	3,309				3,309
Derivatives current	1,367				1,367
Cash and cash equivalents		28,310			28,310
Liabilities					
Borrowings non-current			-454,812	-454,812	
Borrowings			-14,057	-14,057	
Accounts payable			-3,946	-3,946	
Other non-current liabilities			-276	-276	
Other current liabilities			-8,151	-8,151	
Derivatives non-current		-30			-30
Derivatives current		-6,126			-6,126
Net financial assets and liabilities	4,676	52,654	-6,156	-481,242	-430,069

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		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

Småkraft has hedged a portion of the expected power sale. Total volume hedged for the future is shown in the table below

(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.

(iv) 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:

Total hedged volume	Year 1	Year 2	Year 3
Amounts in GWh			
Pr. 31.12.2024	385	193	0
Pr. 31.12.2023	441	385	193

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 risk

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:

31.12.2024		Functional currency of individual entity		
Amounts in EUR thousand		NOK	SEK	Total
Net foreign currency financial assets/(Liabilities)				
<i>Currency</i>				
NOK				-
EURO		-410,238		-410,238
SEK		151		151
Total net exposure		-410,087		-410,087
31.12.2023		Functional currency of individual entity		
Amounts in EUR thousand		NOK	SEK	Total
Net foreign currency financial assets/(Liabilities)				
<i>Currency</i>				
NOK				-
EURO		-386,354		-386,354
SEK		-612		-612
Total net exposure		-386,966		-386,966

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	Year 1	Year 2	Year 3	Year 4
Hedge ratio	56%	57%	54%	58%

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 31 December 2024, Småkraft has the following interest rate derivatives.

Interest rate derivatives							
Maturity date		Currency	Amount	Fixed rate	MTM	Secured part	EUR equivalent
24.06.2027		EUR thousand	79,000	4.20%	800,827	50%	79,000
15.07.2026		EUR thousand	8,938	-0.27%	315,060	50%	8,938
02.01.2025		NOK thousand	55,160	2.33%	585	100%	4,678
18.08.2025		NOK thousand	14,831	2.01%	27,704	50%	1,258

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:

	Increase/ (decrease) in basis points	Effect on profit before tax	Effect on equity
31.12.2024	100	-4,689	-3,657
31.12.2023	100	-4,408	-3,438

Covenants

Småkraft group has various loan agreements with financial covenants requirements.

Annual Debt Service Cover Ratio – ADSCR

Means the ratio of EBITDA during a period to the total amount of debt service paid in respect of that period.

For reporting of 2025 figures, the definition is temporarily amended to the following; the ratio of EBITDA and cash (period end) divided by debt service during the period. *)

Interest coverage ratio – ICR

Means, for any period, the ratio of Cash Flow Available for Debt Service plus amounts invested pursuant to any Equity Cure to Interest Payments. All within a defined period.

Equity ratio

Means the ratio of book equity to the total assets.

Minimum liquidity

Småkraft shall maintain a minimum Liquidity equal to the estimated sum of the interest payments (of the Group) falling due over the next six months, but however limited to a maximum of EUR 5,000,000

Covenants						
Amounts in EUR thousand						
Facility	Outstanding loan	Covenant	Minimum requirement	Status	Measured entity	Reporting frequency
Bank facility	158,000	ADSCR	1.15	Exempted reporting 31.12.2024	Group	Semi Annual
		Equity ratio	30%	Satisfied	Group	Semi Annual
Green Bonds	124,500	Equity ratio	30%	Satisfied	Group	Semi Annual
		Minimum liquidity	EUR 5 million	Satisfied	Group	Semi Annual
US Private placements	120,000	ICR	1.05	Satisfied	Group company	Semi Annual

*) If the amended definition of ADSCR had been applicable as per end 2024 the minimum requirement would have been satisfied.

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.

31.12.2024		Cash flows including interest					
Amounts in EUR thousand	Carrying amount	1 year	2 years	3 years	4 years	>5 years	
Borrowings	468,869	40,765	102,580	169,412	88,189	133,490	
Accounts payable	3,946	3,946					
Derivatives	6,156	6,126					
Other current liabilities	9,649	9,649					
Total	488,621	60,486	102,580	169,412	88,189	133,490	

31.12.2023		Cash flows including interest					
Amounts in EUR thousand	Carrying amount	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	

Note 8 Power revenues and other income

Sale of electric energy

The revenues originate from the generation of hydropower.

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.

Disaggregation of revenues by price area

Amounts in EUR thousand		2024	2023
Price area NO1	Norway	2,962	3,074
Price area NO2	Norway	14,651	21,284
Price area NO3	Norway	10,641	10,072
Price area NO4	Norway	4,907	3,711
Price area NO5	Norway	14,881	18,724
Price area SE2	Sweden	770	1,407
Price area SE3	Sweden	2,829	4,223
Other green revenue		2,790	5,262
Power revenues		54,433	67,758

*Included in other green revenue is income from EL-certificates

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	2024	2023
Guarantees of origin – change in inventory	-599	1,265
Other operating income	858	217
Other operating income	259	1,481

Note 9 Payroll and related costs

Payroll costs

Amounts in EUR thousand	2024	2023
Wages and salaries	3,428	3,397
Payroll tax	639	695
Pension costs	367	432
Other benefits	54	129
Sum	4,489	4,653
Number of full-time employees	33	32

Compensation to the Group Leadership Team

Amounts in EUR thousand							
Executive	Position, period	Year	Salaries	Pensions	Other Benefits	Total Compensation	
Terje Vedeler	CEO	2024	215	15	5	235	
		2023	320	14	6	341	
Erik Sterud	<i>CFO, until 15.08.2024</i>	2024	98	10	1	110	
		2023	211	15	3	229	
Pia Helland	<i>CFO, from 16.08.2024</i>	2024	110	6	1	117	
		2023	0	0	0	0	
David Inge Tveito	COO	2024	148	15	7	170	
		2023	169	14	10	192	
Bjarte Skår	CCO	2024	149	15	11	175	
		2023	130	14	13	157	

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	2024	2023
Statutory audit	437	384
Tax counselling	-	-
Other assurance services	46	107
Other services	-	-
Sum	483	491

Note 10 Other operating expenses

Amounts in EUR thousand	2024	2,023
Water rights costs*	5,097	3,774
El-certs costs	0	152
Transmission costs	3,147	3,016
Property tax and licence fees	3,206	3,004
Telecommunications	57	53
Rent and related expenses	746	758
Transport	78	75
Purchase of various services	3,968	4,238
IT expenses	968	720
Repair/maintenance regarding equipment, machines etc.	2,395	4,635
Consultant services	2,118	1,662
Other operating expenses	3,553	2,943
Other operating expenses	25,333	25,032

*See also note 23.

Note 11 Financial items

Financial income	2024	2,023
Amounts in EUR thousand		
Interest income	2,016	1,958
Other financial income	30	24
Total	2,046	1,982

Financial expenses	2024	2023
Amounts in EUR thousand		
Interest expense	19,737	12,111
Other financial expenses	1,147	1,214
Total	20,883	13,325

Note 12 Taxes

Amounts in EUR thousand	2024	2023
Profit/(loss) before tax	-20,879	34,876
Tax rate, percent	22%	22%
Expected tax expense (income)	-4,593	7,673
Effect on taxes of		
Permanent differences	-6	259
Taxes on resource rent payable	75	471
Deferred resource rent tax	228	84
Changes related to deferred tax on off-balance sheet items	882	-824
Other changes, including tax effect of different tax rates in other countries	-207	-29
Tax expense (income)	-3,621	7,633
Effective tax rate	17%	22%

Taxes payable in the balance sheet

Amounts in EUR thousand	31.12.2024	31.12.2023
Tax payable (receivable) from previous years	-111	271
Income tax payable	262	424
Taxes on ground rent payable/receivable	74	478
Natural resource tax payable	81	84
Used natural resource tax	-	-
Taxes payable in the balance sheet	306	1,257

Specification of temporary differences and deferred tax

Amounts in EUR thousand	31.12.2024	31.12.2023
Fixed assets	201,390	214,823
Current assets/current liabilities	678	632
Interest deduction carry forward	-1,353	-1,298
Unrealized derivatives	-609	-22,936
Deferred ground rent tax	336	116
Natural resource rent tax carried forward	-114	-115
Other differences	1,151	1,066
Temporary differences	201,478	192,288
Losses carried forward	-128,983	-98,470
Differences not affecting deferred tax*	-163,299	-170,568
Basis for deferred tax	-90,804	-76,750
Net deferred tax assets (-)/liability (+) in the balance sheet,	-19,896	-16,913
Deferred tax (assets)	-19,896	-16,913

*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 tax assets are capitalized due to surplus values related to the powerplants.

Deferred taxes on ground rent are included in deferred tax. The amount is not significant in 2024 and 2023.

Presentation

Amounts in EUR thousand	31.12.2024	31.12.2023
Deferred tax assets	26,676	16,913
Deferred tax liabilities	6,781	-
Net	19,895	16,913

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:

31.12.2024				
Amounts in EUR thousand	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net) 31/12/2023	-24,869	3,825	-2,570	-23,614
Additions/sale	-343	0	0	-343
Fair value changes	18,185	-2,554	-1,203	14,428
Cash settlement	7,252	0	0	7,252
Currency translation differences	813	-155	138	796
Sum	1,038	1,116	-3,635	-1,480
Classification				
Non-current asset	2,214	1,095	0	3,309
Current Asset	1,346	20	0	1,367
Total asset	3,560	1,116	0	4,676
Non-current liabilities	0	0	30	30
Current liabilities	2,522	0	3,604	6,126
Total liability	2,522	0	3,635	6,156
31.12.2023				
Amounts in EUR thousand	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net) 31/12/22	-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
Classification				
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 right Time-unlimited	Waterfall rights Time-limited*	Total
Cost at 1 January 2023	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
Additions		904	904
Acquisition of subsidiaries	-	6,678	6,678
Currency translation	-180	-10,707	-10,887
Cost at 31 December 2024	3,651	237,798	241,448
Acc. depreciations at 1 Jan. 2023	-	-8,049	-8,049
Amortisation charge	-	-3,603	-3,603
Impairment charge	-	-1,958	-1,958
Currency translation	-	431	431
Acc. depreciations at 31 Dec. 2023	-	-13,179	-13,179
Amortisation charge	-	-3,927	-3,927
Impairment charge	-	-1,422	-1,422
Currency translation		-32	-32
Acc. depreciations at 31 Dec. 2024	-	-18,560	-18,560
Balance at 1 January 2023	4,095	212,168	216,263
Balance at 31 December 2023	3,831	227,743	231,574
Balance at 31 December 2024	3,651	219,238	222,887

Intangible assets by country

Amounts in EUR thousand	Norway	Sweden	Total
Balance at 31 December 2023	209,672	21,902	231,574
Balance at 31 December 2024	201,896	20,992	222,887

*Waterfall rights time-unlimited includes rights acquired as part of the acquisition of a power plant and goodwill. Goodwill is as of 31 December 2024 EUR 7,043 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 6 CGU's. An impairment was recognised for each of the 6 CGUs, amounting to a total impairment of EUR 1,422 thousand. The recoverable amount of the 6 CGUs was based on the asset's estimated fair value and amounted to EUR 31,083 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 6.6% for the Norwegian part of the portfolio compared to 6.7% used in the valuation last year. For the Swedish portfolio a WACC of 5.4% has been applied, compared to 5.9% 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 2023	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	29,110
Acquisition of subsidiaries	6,480	11,779	4,087		4,133	26,479
Effect of currency movements	-16,303	-17,076	-5,955	-460	-1,133	-40,927
Cost at 31 December 2023	237,918	270,228	109,117	4,259	39,958	661,480
Additions, purchased, reallocations	2,625	2,074	210	936	32,856	38,701
Acquisition of subsidiaries	2,289	1,166	995	-	-	4,449
Effect of currency movements	-8,815	-10,988	-4,249	-80	-1,836	-25,969
Cost at 31 December 2024	234,017	262,479	106,072	5,114	70,979	678,661
Acc. depreciations at 1 January 2023	-47,076	-33,281	-17,477	-2,125	-971	-100,929
Depreciation charge	-6,277	-5,276	-2,342	-555	-	-14,451
Effect of currency movements	2,943	2,067	1,092	128	63	6,294
Acc. depreciations at 31 Dec. 2023	-50,410	-36,490	-18,726	-2,551	-908	-109,084
Depreciation charge	-8,083	-5,330	-2,388	-554	-	-16,354
Impairment charge				-495		-495
Effect of currency movements	45	30	17	-5	-459	-373
Acc. depreciations at 31 Dec. 2024	-58,447	-41,790	-21,096	-3,606	-1,367	-126,307
Balance at 1 January 2023	205,503	235,449	79,191	4,515	21,231	545,888
Balance at 31 December 2023	187,507	233,739	90,391	1,708	39,050	552,396
Balance at 31 December 2024	175,570	220,689	84,975	1,508	69,611	552,353
Accumulated impairment charge 31 Desember 2024	-879	-353	-	-495	-	-1,727
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 2024 of EUR 254 thousand.

Amounts in EUR thousand	Norway	Sweden	Total
Balance at 31 December 2023	537,599	14,795	552,395
Balance at 31 December 2024	537,788	14,566	552,353

Contractual obligations in signed Share Purchase Agreements and New-build contracts as per 31.12.2024 are specified in the table below:

Amounts in EUR thousand	31.12.2024	31.12.2023
Short term	45,532	43,448
Long term	30,632	57,096
Outgoing balance	76,164	100,544

Note 17 Investments

	Date of aquisition	Registered office	Ownership share	Voting rights	Presentation
Luster Småkraft AS	2005	Gaupne	50%	50%	Equity method
Rullestad & Skromme Energi AS	2006	Etne	50%	50%	Equity method
Proxima Hydrotech AS	2021	Seimsfoss	33%	33%	Equity method
Småvirkjanir EHF	2022	Reykjavik, Island	50%	50%	Equity method
Gjerdalva Kraft AS	2022	Dale, Sunnfjord	50%	50%	Equity method
Kraftanmelding AS*	2024	Skien	8%	8%	Fair value

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 50% of Rullestad & Skromme Energi AS. The remaining 50% is owned by Sunnhordland Kraftlag AS. The company has three hydropower plants under construction in Etne, Vestland. The annual production capacity for the powerplants is calculated to 89 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.

Småkraft AS acquired 8% of the shares in its powersale broker Kraftanmelding AS 1 September 2024.

Amounts in EUR thousand	Equity method	Fair value
Closing balance at 31 December 2022	3,697	
Investments previous year	43	
Dividend	-876	
Share of current year net income	118	
Effect of currency movements	-251	
Closing balance at 31 December 2023	2,731	0
Investments current year	484	501
Effect of change in shares	-212	
Dividend	-129	
Share of current year net income	286	
Effect of currency movements	-132	-7
Closing balance at 31 December 2024	3,028	493

Note 18 Receivables; amounts due after more than one year

Amounts in EUR thousand	31.12.2024	31.12.2023
Loans to associates:		
Loans to associates - R&S Energi AS	2,649	-
Provisions for loss on loans to associates	-60	-
Other receivables:		
Deposit rent	101	102
Prepaid water right lease	6,392	6,463
Other long term receivables	1,101	1,126
Total	10,182	7,691

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 equivalents

Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2024. The company has established a bank guarantee for the payment of withholding tax.

Note 20 Share capital, ownership structure and dividend

Amounts in EUR thousand	No. of shares*		Share capital*	
	2024	2023	2024	2023
Ordinary shares				
Issued and fully paid 1 January	5,181,032	4,807,092	23,046	22,861
Issued new share capital	220,601	373,940	953	1,669
Currency presentation effect			-1,101	-1,483
31 December	5,401,633	5,181,032	22,898	23,046

* Number of shares not registered are 35 684 (2023: 81 635) and share capital TEUR 151 (2023:TEUR 363).

Ownership structure 31.12.2024*	No. of shares	Nominal amount NOK	Voting share	Ownership share
Aquila GAM Fund GmbH & Co.	785,744			
Geschlossene				
Investmentkommanditgesellschaft		50	14.5 %	14.5 %
Aquila Capital European	1,155,487			
Hydropower Fund S.A.		50	21.3 %	21.3 %
ACEH Norway 1 B.V.	2,132,544	50	39.2 %	39.2 %
ACEH Norway 2 B.V.	1,279,432	50	23.5 %	23.5 %
ACEH Smakraft Amaranthine C.V.	84,110	50	1.5 %	1.5 %
Sum	5,437,317	50	100%	100%

*Includes not registered capital increase

Dividends

Amounts in EUR thousand	31.12.2024	31.12.2023
Ordinary dividends	15,000	37,192
Extraordinary dividends	0	0
Sum	15,000	37,192

Note 21 Borrowings and guarantees

Borrowings

Amounts in EUR thousand		Currency	31.12.2024	31.12.2023
Lenders				
Banks		NOK	51,073	51,431
Banks		EUR	175,876	168,613
Convertible debt from owners		EUR	-	3,659
Green Bond 3		EUR	74,500	50,000
Green Bond 2		EUR	50,000	50,000
US private placement 1		EUR	80,000	80,000
US private placement 2		EUR	40,000	40,000
Other debt		NOK	20	21
Capitalised loan expenses/ fees/ commissions		NOK	-2,599	-2,900
Total			468,869	440,824
Total long term debt			454,812	276,512
Total short term debt			14,057	164,312

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

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

Amounts in EUR thousand	31.12.2024	31.12.2023
Ingoing balance	440,824	434,067
Repayments/ downpayments:	-36,391	-120,504
New debt	61,273	123,474
Debt from purchased subsidiaries	4,051	6,185
Net capitalized transactions costs related to borrowings	-661	
Capitalised loan expenses/ fees/ commissions	827	
Capitalized contruction loan interest	1,402	
Currency exchange rate changes	-2,456	-2,398
Outgoing balance	468,869	440,824

Secured borrowings etc.

Amounts in EUR thousand	31.12.2024	31.12.2023
Borrowings from financial institutions and bondholders	471,449	443,703
Agent commission	-2,599	-2,900
Total	468,849	440,803

Carrying amount of pledged assets

Amounts in EUR thousand	31.12.2024	31.12.2023
Operating equipment	1,729	1,232
Accounts receivable	3,121	3,324
Power plants and related water lease agreements	557,001	557,131
Total	561,851	561,686

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

Note 22 Concessions

As of 31.12.2024, there are currently 21 power stations under construction representing an annual production of 289 GWh both owned by subsidiaries in the group and companies signed to be acquired.

In addition to this, Småkraft AS has concessions for additional 8 power plants with a potential annual production of approximately 85 GWh, where construction is not commenced.

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.

Amounts in EUR thousand	31.12.2024	31.12.2023
Loans to landowners	830	795
Minimum payments to landowners	5,562	5,668
Total	6,392	6,463
Amounts in EUR thousand	31.12.2024	31.12.2023
Receivables towards landowners, off balance	32,486	26,467
Total	32,486	26,467

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 a contingent asset to Småkraft, that according to IFRS is off balance. It represents a future benefit for the company contingent on future profits from the power plant.

Amounts in EUR thousand	31.12.2024	31.12.2023
Gros	4,280	5,137
Net	733	1,841
Fixed	125	173
Settlements	-41	-3,377
Total	5,097	3,774

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

Note 24 Related party transaction and balance items

Småkraft Group and its associates have sought to do transactions on commercial terms. These are shown in the table below. Associated companies are listed in note 17.

Amounts in EUR thousand	31.12.2024	31.12.2023
Sales of various goods and services	8	8
Purchase of services from related party	358	169
Interest income from loans	150	
Interest bearing loans	2,501	-
Liabilities at the end of the period	15	59

Alternative Performance Measures

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	2024	2023
Power revenue	54,433	67,758
Realized value change on energy derivatives	-7,252	-17,277
Adjusted power revenue	47,181	50,482
Amounts in EUR thousand	2024	2023
Operating profit (loss)	21,358	75,519
Depreciation, amortization, impairment	22,198	20,010
EBITDA	43,556	95,529
Change in unrealized value change on energy derivatives	-25,437	-73,133
Adjusted EBITDA	18,119	22,396

Annual accounts and notes Småkraft AS – parent company

Statement of income and statement of other comprehensive income

Amounts in EUR thousand	Note	2024	2023
Power revenue	<u>8</u>	23,487	30,392
Other income	<u>8</u>	-54	522
Fair value change on energy derivatives	<u>13</u>	18,185	55,857
<i>Unrealized value change on energy derivatives</i>		25,437	73,133
<i>Realized value change on energy derivatives</i>		-7,252	-17,277
Payroll and related costs	<u>9</u>	-4,172	-4,430
Depreciation and impairment of fixed assets and intangible assets	<u>14, 15, 16</u>	-8,116	-7,875
Other operating expenses	<u>10</u>	-10,960	-8,686
Operating profit/(loss)		18,370	65,780
Financial income	<u>11</u>	6,198	36,814
Net foreign exchange gain (loss)		-13,177	-16,709
Fair value changes on interest rate and currency derivatives	<u>7, 13</u>	-3,386	-5,906
Financial expenses	<u>11</u>	-12,844	-6,917
Net financial items		-23,208	7,281
Profit/(loss) before tax		-4,838	73,061
Tax income (expense)	<u>12</u>	1,198	-13,712
Profit (loss)		-3,641	59,348
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Currency translation differences		-18,635	-19,289
Total comprehensive income for the year		-22,275	40,059

Statement of financial position

Amounts in EUR thousand	Note	31.12.2024	31.12.2023
Intangible assets	<u>14</u>	21,057	21,875
Property, plant and equipment	<u>16</u>	178,467	191,753
Deferred tax assets	<u>12</u>	21,662	21,492
Investments in subsidiaries	<u>5</u>	376,949	367,428
Investments	<u>17</u>	1,051	623
Derivatives	<u>13</u>	2,995	-0
Other long-term receivables	<u>18</u>	58,965	53,517
Total non-current assets		661,145	656,688
Current assets			
Inventories		382	625
Trade receivables	<u>7</u>	1,635	1,240
Other receivables	<u>7</u>	1,685	730
Derivatives	<u>13</u>	1,367	4,128
Cash and Cash equivalents	<u>19</u>	12,789	18,582
Total current assets		17,857	25,305
Total assets		679,002	681,993

Statement of financial position, continued

Amounts in EUR thousand	Note	31.12.2024	31.12.2023
Share capital	<u>20</u>	22,898	23,046
Paid-in capital	<u>20</u>	399,196	402,500
Other equity		-37,365	-35,442
Total Shareholders equity		384,729	390,104
Non-current liabilities			
Borrowings	<u>21</u>	277,750	102,755
Derivatives	<u>13</u>	30	8,524
Other non-current liabilities	<u>7</u>	276	467
Total non-current liabilities		278,056	111,747
Current liabilities			
Accounts payable	<u>7</u>	650	1,700
Public duties payable	<u>7</u>	901	493
Derivatives	<u>13</u>	6,126	19,944
Borrowings	<u>21</u>	4,000	152,669
Other current liabilities	<u>7</u>	4,538	5,337
Total current liabilities		16,216	180,142
Total liabilities		294,272	291,889
Total equity and liabilities		679,002	681,993

Bergen, Norway, 25 March 2025

The Board of Directors, Småkraft AS

Member of the Board
Claudia Ahnert

Chairperson of the Board
Annette Malm Justad

Member of the Board
Oldrik Verloop

Member of the Board
Felix Renneke

CEO
Terje Vedeler

Statement of changes in equity

Amounts in EUR thousand	Note	Share capital	Paid-in capital	Foreign currency translation*	Retained earnings	Total equity
Equity at 01.01.2023		22,861	401,420	-17,406	-85,076	321,801
Net profit					59,348	59,348
Currency translation differences		-1,483	-25,382	-19,289	26,866	-19,289
Total comprehensive income for the period		-1,483	-25,382	-19,289	86,214	40,059
Capital increase	<u>20</u>	1,669	63,654			65,323
Effect from merger					111	111
Dividend			-37,192			-37,192
Equity at 31.12.2023		23,046	402,500	-36,695	1,250	390,104
Net profit					-3,641	-3,641
Currency translation differences		-1,102	-19,255	1,729	-7	-18,635
Total comprehensive income for the period		-1,102	-19,255	1,729	-3,648	-22,275
Capital increase current period	<u>20</u>	953	24,655			25,608
Capital increase current period not registered			6,295			6,295
Dividend			-15,000			-15,000
Equity at 31.12.2024		22,898	399,196	-34,966	-2,399	384,729

Statement of cash flow

Amounts in EUR thousand	Note	2024	2023
Cash flow from operations			
Profit (-loss) before income tax		-4,838	73,061
Depreciation, amortization, impairment	<u>14.16</u>	8,116	7,875
Dividends from investments in subsidiaries			-32,843
Net financial items		11,462	784
Cash settlement derivatives		-7,252	-17,277
Change in unrealized currency gains/losses		12,313	18,621
Change in unrealized derivatives	<u>13</u>	-14,799	-49,950
Change in working capital		-5,781	10,692
Net cash flow from operations		-780	10,963
Cash flow from investment activities			
Outflows due to purchases of fixed assets and intangibles		-3,997	-11,412
Outflows due to investments in subsidiaries	<u>5</u>	-27,179	-48,046
Outflows due to investments in other financial assets		-508	-42
Inflows from sale of other financial assets		0	1,452
Inflows from dividend from equity accounted investments		0	876
Inflows from dividend in subsidiaries		0	11,214
Outflows from loans to others		-22,264	-2,664
Inflows from loans to others		17,931	9,071
Net cash flow from investment activities		-36,017	-39,552
Cash flow from financing activities			
Capital increases	<u>20</u>	31,903	65,323
Dividend payments		-15,000	-37,192
Interest paid*		-11,445	-5,440
Inflows from loan raising	<u>21</u>	41,118	54,426
Outflows from loan payments	<u>21</u>	-14,658	-87,810
Net cash flow from financing activities		31,918	-10,693
Currency translation differences		-914	-4,551
Net change in bank deposits and cash		-4,879	-39,282
Bank deposits from merged companies		0	639
Bank deposits and cash at beginning of period		18,582	61,777
Bank deposits and cash at end of period		12,789	18,582

* Presentation of interest payments is changes from operating to financing cash flows in the 2024 financial statements.

Notes

Note 1 General information

Småkraft (the Company) is located in Bergen, Norway, with local offices in Harstad, Stjørdal, Dale, Førde, Hamar and Sandnes in Norway. The Company employs 31 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 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 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 01.01.2024:

- Supplier Finance Arrangements (Amendments to IAS 7 & IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)
- Non-current Liabilities with Covenants (Amendments to IAS 1)

None of the amendments listed above have had any significant 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 2024 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 the year-end, Småkraft has expanded its portfolio of power plants even further. On 31 January 2025, Småkraft completed the acquisition of 100% of the shares in Nye Grøvla Kraft AS, adding an operating power plant with a capacity of 7.3 GWh to its portfolio in Norway. Additionally, on 30 January Småkraft AB acquired Våmåns Kraft AB, including an additional power plant of 4 GWh in Sweden.

Note 5 Subsidiaries

Group companies	Date of acquisition/ Incorporation	Registered office	Ownership share	Voting share
Småkraft AS		Bergen		
Reinli Kraft AS	2005	Bergen	51%	51%
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%
Follsjå Kraft AS	2016	Bergen	82%	82%
Sigdestad Kraftverk AS	2018	Bergen	52%	52%
Holsen Kraft Norddøla AS	2020	Bergen	100%	100%
Ytre Kandal Kraft AS	2020	Sandane	61%	61%
Fossåa 1 K AS	2020	Sør- Fron	66%	66%
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	2023	Bergen	65%	65%
Småkraft Vekst 2025 AS	2023	Bergen	100%	100%
Småkraft Vekst 2026 AS	2023	Bergen	100%	100%
Glutra Kraft AS	2024	Bergen	100%	100%
Teitafossen Kraft AS	2024	Bergen	100%	100%
Småkraft Green Bond 1 AS	2018	Bergen	100%	100%
Saksenvik Kraft AS	2016	Bergen	96%	96%
Midt Kraft AS	2023	Bergen	100%	100%
Småkraft AB	2022	Uppsala	100%	100%
Småkraft Operations AB	2022	Uppsala	100%	100%

Note 6 Management of capital structure

The main aims 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	31.12.2024	31.12.2023
Total non-current assets	661,145	656,688
Interest-bearing liabilities, non-current	277,750	102,755
Interest-bearing liabilities, current	4,000	152,669
Cash and cash equivalents, excluding restricted cash	12,789	18,582
Net interest- bearing liabilities (NIB)	268,961	236,842
NIB/ Total non-current assets	41%	36%

Covenants

Småkraft group have various loan agreements with financial covenants requirements. As per 31 December 2024 all covenant requirements have been satisfied. Reference is made to Note 7 of the Consolidated Financial Statements.

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.

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

31.12.2024	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
Amounts in EUR thousand					
Assets					
Investments					
Long-term receivables		58,965			58,965
Trade receivables		1,635			1,635
Other receivables		1,685			1,685
Derivatives non-current	2,995				2,995
Derivatives current	1,367				1,367
Cash and cash equivalents		12,789			12,789
Liabilities					
Borrowings non-current			-277,750	-277,750	
Borrowings			-4,000	-4,000	
Accounts payable			-650	-650	
Other non-current liabilities			-276	-276	
Other current liabilities			-4,538	-4,538	
Derivatives non-current		-30			-30
Derivatives current		-6,126			-6,126
Net financial assets and liabilities	4,361	75,073	-6,156	-287,215	-213,937
31.12.2023	Financial assets at fair value	Financial assets at amortized cost	Financial liabilities at fair value	Financial liabilities at amortized cost	Total
Amounts in EUR thousand					
Assets					
Long-term receivables		53,517			53,517
Trade receivables		1,240			1,240
Other receivables		730			730
Derivatives non-current					
Derivatives current	4,128				4,128
Cash and cash equivalents		18,582			18,582
Liabilities					
Borrowings non-current			-102,755	-102,755	
Borrowings			-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

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:

Total hedged volume	Year 1	Year 2	Year 3
Amounts in GWh			
Pr. 31.12.2024	385	193	0
Pr. 31.12.2023	441	385	193

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 risk

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:

	31.12.2024	Functional currency of individual entity	
Amounts in EUR thousand			NOK
Net foreign currency financial assets / (liabilities)			
Currency			
NOK			-
EURO			-275,956
SEK			11,588
Total net exposure			-264,368
	31.12.2023	Functional currency of individual entity	
Amounts in EUR thousand			NOK
Net foreign currency financial assets / (liabilities)			
Currency			
NOK			-
EURO			-251,261
SEK			15,231
Total net exposure			-236,030

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:

	Year 1	Year 2	Year 3
Hedge ratio	46%	46%	54%

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, 2024, Småkraft has the following interest rate derivatives.

Interest rate derivatives							
Amounts in EUR thousand							
Maturity date	Currency	Amount	Fixed rate	MTM	Secured part	EUR equivalent	
24.06.2027	EUR	79,000	4.20%	801	50%	79,000	

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.

	Increase(decrease) in basis points	Effect on profit before tax	Effect on equity
31.12.2024	100	-2,818	-2,198
31.12.2023	100	-2,554	-1,992

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:

31.12.2024							
Amounts in EUR thousand	Carrying amount		Cash flows including interest				
		1 year	2 years	3 years	4 years	>5 years	
Borrowings	281,750	15,350	64,524	157,080	77,554	0	
Accounts payable	650	650					
Derivatives	6,156	6,156					
Other current liabilities	5,440	5,440					
Total	293,996	27,597	64,524	157,080	77,554		0

31.12.2023							
Amounts in EUR thousand	Carrying amount		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

Note 8 Power revenues and other income

Sale of electric energy

The revenues originate from the generation of hydropower.

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.

Disaggregation of revenues by price area

Amounts in EUR thousand		2024	2023
Price area NO1	Norway	1,440	1,730
Price area NO2	Norway	9,210	12,904
Price area NO3	Norway	3,706	3,806
Price area NO4	Norway	2,437	1,786
Price area NO5	Norway	5,650	7,840
Other green revenue		1,044	2,326
Power revenues		23,487	30,392

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	2024	2023
Guarantees of origin – change in inventory	-206	485
Other operating income	152	37
Other operating income	-54	522

Note 9 Payroll and related costs

Amounts in EUR thousand	2024	2023
Wages and salaries	3,218	3,247
Payroll tax	576	651
Pension costs	336	405
Other benefits	42	128
Sum	4,172	4,430
Number of full-time employees	31	30

Compensation to the Group Leadership Team

Amounts in EUR thousand							
Executive	Position, period	Year	Salaries	Pensions	Other Benefits	Total Compensation	
Terje Vedeler	CEO	2024	215	15	5	235	
		2023	320	14	6	341	
Pia Christine Helland	CFO, from 16.08.24	2024	110	6	1	117	
		2023					
David Inge Tveito	COO	2024	148	15	7	170	
		2023	169	14	10	192	
Bjarte Skår	CCO	2024	149	15	11	175	
		2023	130	14	13	157	
Erik Sterud	CFO, to 15.08.24	2024	98	10	1	110	
		2023	211	15	3	229	

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.

Amounts in EUR thousand	2024	2023
Statutory audit	422	368
Tax counselling	-	66
Other assurance services	21	0
Other services	-	-
Sum	443	433

Note 10 Other operating expenses

Amounts in EUR thousand	2024	2023
Water rights costs*	1,471	-415
EI-certs costs	0	-
Transmission costs	1,350	1,363
Property tax and licence fees	1,134	1,167
Telecommunications	55	51
Rent and related expenses	245	287
Transport	76	67
Purchase of various services	2,389	2,767
IT expenses	710	592
Repair/maintenance regarding equipment, machines etc.	427	360
Consultant services	1,355	967
Other operating expenses	1,748	1,482
Other operating expenses	10,960	8,686

*See also note 23.

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

Note 11 Financial items

Amounts in EUR thousand	2024	2023
Income from subsidiaries	2,194	32,843
Interest income	4,004	2,646
Other financial income	0	1,325
Total	6,198	36,814

Amounts in EUR thousand	2024	2023
Interest expense	11,953	5,950
Other financial expenses	891	968
Total	12,844	6,917

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	2024	2023
Profit/(loss) before tax	-4,838	73,061
Tax rate, percent	22%	22%
Expected tax expense (income)	-1,064	16,073
Effect on taxes of		
Permanent differences	-107	-2,361
Changes related to deferred tax on off-balance sheet items	-26	-
Tax expense (income)	-1,198	13,712
Effective tax rate	25%	19%
Taxes payable in the balance sheet		
Amounts in EUR thousand	31.12.2024	31.12.2023
Taxes payable in the balance sheet	-	-
Specification of temporary differences and deferred tax		
Amounts in EUR thousand	31.12.2024	31.12.2023
Fixed assets	5,981	8,082
Current assets/current liabilities	-	-1,702
Interest deduction carry forward	-1,353	-1,298
Unrealized derivatives	-1,026	-23,771
Profit and loss account	-314	-440
Other differences	-22	-
Temporary differences	3,267	-19,129
Losses carried forward	-99,647	-76,375
Differences not affecting deferred tax*	-2,085	-2,188
Basis for deferred tax	-98,465	-97,692
Net deferred tax assets (-)/liability (+) in the balance sheet, ordinary tax	-21,662	-21,492
Off-balance sheet deferred tax benefits	-	-
Deferred tax (assets)	-21,662	-21,492
*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 tax assets are capitalized due to surplus values related to the powerplants.		
Presentation		
Deferred tax assets	-21,662	-21,492
Deferred tax liabilities	-	-
Net	-21,662	-21,492

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 2025-2026, 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:

31.12.2024				
Amounts in EUR thousand	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net) 31.12.2023	-24,869	3,099	-2,570	-24,340
Additions/sale	-343	0	0	-343
Fair value changes	18,185	-2,183	-1,203	14,799
Cash settlement	7,252	0	0	7,252
Currency translation differences	813	-115	138	836
Sum	1,038	801	-3,635	-1,795
Classification				
Non-current asset	2,214	781	0	2,995
Current Asset	1,346	20	0	1,367
Total asset	3,560	801	0	4,361
Non-current liabilities	0	0	30	30
Current liabilities	2,522	0	3,604	6,126
Total liability	2,522	0	3,635	6,156

31.12.2023				
Amounts in EUR thousand	Energy derivatives	Interest rate swaps	Currency derivatives	Total
Opening balance (net) 31.12.2022	-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
Classification				
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

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 right Time-unlimited	Waterfall rights Time-limited*	Total
Cost at 1 January 2023	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	4,186	19,673	23,857
Reallocation	-379	379	-
Additions	-	585	585
Currency translation	-197	-832	-1,028
Cost at 31 December 2024	3,610	19,805	23,414
Acc. deprecations at 1 Jan. 2023	-	-1,525	-1,525
Amortisation charge	-	-548	-548
Currency translation	-	90	90
Acc. deprecations at 31 Dec. 2023	-	-1,983	-1,983
Amortisation charge	-	-371	-371
Currency translation	5	-8	-3
Acc. deprecations at 31 Dec. 2024	5	-2,362	-2,358
Balance at 1 January 2023	4,094	14,968	19,063
Balance at 31 December 2023	4,185	17,690	21,875
Balance at 31 December 2024	3,615	17,443	21,057

*Waterfall rights time-limited includes rights acquired as part of the acquisition of power plants and goodwill. Goodwill is as of 31 December 2024 EUR 2,316 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 6.6% compared to 6.3% 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	Infra-structure	Other	Plant under construction	Total
Cost at 1 January 2023	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
Additions, purchased, reallocations	429	1,061	12	914	997	3,412
Acquisition of subsidiaries						-
Effect of currency movements	-3,569	-3,503	-1,602	-74	-267	-9,015
Cost at 31 December 2024	106,040	95,900	46,217	4,520	6,732	259,410
Acc. depreciations at 1 January 2023	-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 Dec. 2023	-33,272	-23,828	-13,729	-2,101	-330	-73,259
Depreciation charge	-3,290	-2,266	-1,171	-522	-	-7,249
Impairment charge					-495	-495
Effect of currency movements	41	17	16	-6	-7	61
Acc. depreciations at 31 Dec. 2024	-36,522	-26,078	-14,883	-2,628	-832	-80,942
Balance at 1 January 2023	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
Balance at 31 December 2024	69,518	69,822	31,335	1,893	5,900	178,467
Acc. impairment charge at 31 Dec. 2024	-879	-353	-	-	-495	-1,727
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 2024 of EUR 254 thousand.

Note 17 Investments, recognized under the equity method

	Date of aquisition	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%
Gjerdalva Kraft AS	2022	Dale	50%	50%
Rullestad & Skromme Energi AS	2006/2024	Etne	50%	50%
Kraftanmelding AS *	2024	Skien	7.89%	7.89%

*) Investment in Kraftanmelding AS is not recognized under equity method.

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	31.12.2024	31.12.2023
Loans to associates:		
Loans to associates - R&S Energi AS	2,649	0
Other receivables:		
Deposit rent	101	102
Prepaid water right lease	5,817	5,958
Other long term receivables	1,101	1,081
Loan to subsidiaries	49,297	46,375
Total	58,965	53,517

Note 19 Cash and cash equivalents

Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2024. The company has established a bank guarantee for the payment of tax.

Note 20 Share capital and shareholder information

	No. of shares*		Share capital*	
	2024	2023	2024	2023
Ordinary shares				
Issued and fully paid 1 January	5,181,032	4,807,092	23,046	22,861
Issued new share capital	220,601	373,940	953	1,669
Currency presentation effect			-1,101	-1,483
31 December	5,401,633	5,181,032	22,898	23,046

* Number of shares not registered are 35 684 (2023: 81 635) and share capital TEUR 151 (2023:TEUR 363).

Ownership structure 31.12.2024*	No. of shares	Nominal amount NOK	Voting share	Ownership share
Aquila GAM Fund GmbH & Co.	785,744			
Geschlossene				
Investmentkommanditgessellschaft		50	14.5 %	14.5 %
Aquila Capital European	1,155,487			
Hydropower Fund S.A.		50	21.3 %	21.3 %
ACEH Norway 1 B.V.	2,132,544	50	39.2 %	39.2 %
ACEH Norway 2 B.V.	1,279,432	50	23.5 %	23.5 %
ACEH Smakraft Amaranthine C.V.	84,110	50	1.5 %	1.5 %
Sum	5,437,317	50	100%	100%

*Includes not registered capital increase

Dividend

Amounts in EUR thousand			12/31/2024	12/31/2023
Ordinary dividends			15,000	37,192
Sum			15,000	37,192

*Includes not registered capital increase.

Note 21 Borrowings and guarantees

Amounts in EUR thousand		Currency	31.12.2024	31.12.2023
Lenders				
Banks		NOK	-	150,000
Banks		EUR	158,000	2,669
Convertible debt from owners*		EUR	-	3,659
Green Bond 3		EUR	74,500	50,000
Green Bond 2		EUR	50,000	50,000
Other debt		NOK	20	21
Capitalised loan expenses/ fees/ commissions		NOK	-770	-924
Total			281,750	255,425

Amounts in EUR thousand		31.12.2024	31.12.2023
Long term debt		277,750	99,097
Convertible debt from owners		-	3,659
Short term debt		4,000	152,669
Total		281,750	255,425

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

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

Amounts in EUR thousand	31.12.2024	31.12.2023
Ingoing balance	255,425	273,503
Ingoing balance merged company		14,602
Repayments/ downpayments:	-14,658	-87,810
New debt	41,118	54,426
Net capitalized transactions costs related to borrowings	-458	-
Capitalised loan expenses/ fees/ commissions	570	-
Currency exchange rate changes	-248	703
Outgoing balance	281,750	255,425

Secured borrowings etc.

Amounts in EUR thousand	31.12.2024	31.12.2023
Borrowings from financial institutions and bondholders	282,500	252,669
Agent commission	-770	-924
Total	281,730	251,745

Carrying amount of pledged assets

Amounts in EUR thousand	31.12.2024	31.12.2023
Operating equipment	1,638	1,142
Accounts receivable	1,635	1,240
Power plants and related water lease agreements	180,549	194,350
Total	183,822	196,731

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 31.12.2024, Småkraft AS has concessions for additional 8 power plants with a total annual production of approximately 153 GWh. In addition to this, Småkraft AS was at 31 December 2024 responsible for the construction of 21 power stations under construction representing an annual production of 289 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	31.12.2024	31.12.2023
Loans to landowners	830	795
Minimum payments to landowners	4,987	5,163
Total	5,817	5,958
Amounts in EUR thousand	31.12.2024	31.12.2023
Receivables towards landowners, off balance	27,305	23,508
Total	27,305	23,508

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 a contingent asset to Småkraft, that according to IFRS is off balance. It represents a future benefit for the company contingent on future profits from the power plant.

Water rights cost

Amounts in EUR thousand	31.12.2024	31.12.2023
Gros	749	-2,198
Net	665	1,607
Fixed	87	100
Settlements	-30	76
Total	1,471	-415

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.

Amounts in EUR thousand			2024	
Counterpart	Sale	Purchase	Interest income	
Subsidiaries				
Norway	2,398	-	2,015	
Sweden	-	-	769	
Associated companies	19	23	150	
Sum	2,417	23	2,934	
Amounts in EUR thousand			31.12.2024	
Counterpart	Short term receivables	Long term receivables	Payables	
Subsidiaries				
Norway	74	37,866	95	
Sweden	-	11,432	-	
Associated companies	-	2,649	15	
Sum	74	51,946	109	
Amounts in EUR thousand			2023	
Counterpart	Sale	Purchase	Interest income	
Subsidiaries				
Norway	1,998		1,491	
Sweden			85	
Associated companies	8	181		
Sum	2,006	181	1,576	
Amounts in EUR thousand			31.12.2023	
Counterpart	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	

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.

Alternative Performance Measures

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	2024	2023
Power revenue	23,487	30,392
Realized value change on energy derivatives	-7,252	-17,277
Adjusted power revenue	16,235	13,117
Amounts in EUR thousand	2024	2023
Operating profit (loss)	18,370	65,780
Depreciation, amortization, impairment	8,116	7,875
EBITDA	26,486	73,655
Change in unrealized value change on energy derivatives	-25,437	-73,133
Adjusted EBITDA	1,048	521



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 2024, 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 consolidated statement of financial position as at 31 December 2024, the consolidated income statement and consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated 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 2024, 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 2024, 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 Småkraft AS for 8 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.

Key Audit Matters

Valuation of power plants and waterfall rights

The Group's largest assets are power plants and waterfall rights with a carrying value of TEUR 775 240 per 31 December 2024. The value constitutes a major part of total assets in the balance sheet for the Group. Impairment charge of TEUR 1 422 related to waterfall rights as well as TEUR 495 related to PPE was recognised for 2024.

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.

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.

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.

How our audit addressed the Key Audit Matter

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.

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.

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.

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.

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 Directors' report applies correspondingly to the statement on Corporate Governance.

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 5493001G13IP3OK19V41-2024-12-31-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 iXBRL 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/revisionsberetninger>

Bergen, 25 March 2025
PricewaterhouseCoopers AS

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

Revisjonsberetning

Signers:

Name	Method	Date
Olsen, Marius Kaland	BANKID	2025-03-26 18:10

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