småkraft

SMÅKRAFT AS

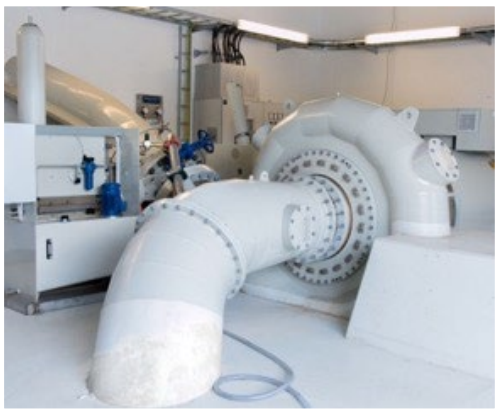
INTERIM REPORT

2ND HALF 2021

Ytre Alsåker power plant
Photo: Småkraft

WHAT WE DO

Ytre Alsåker power plant
Photo: Småkraft



Småkraft is a producer of renewable energy. Our fleet of 161 hydropower plants is spread across Norway and Sweden and delivers a mean annual production capacity of 1,7 TWh, making Småkraft Europe's largest owner and operator within its niche.

Small-scale hydropower borrows water which naturally flow in the river and utilizes the topography of the landscape to produce renewable and sustainable electricity. A minimum water level is maintained in the original river and the water used to produce electricity is returned once it passes through the turbine. The electricity grid transports and distributes our electricity out to consumers.

The values created are shared with our stakeholders including owners, creditors & debt investors, local landowners, local municipalities, local societies, and society in general. For more than 15 years, Småkraft has invested heavily in the generation of new renewable energy for the Nordic and European power markets. Our contribution to one of the biggest challenges of our time, the transformation to a renewable and sustainable society powered by renewable energy, is to continue our commitment to grow.

småkraft©

VISION

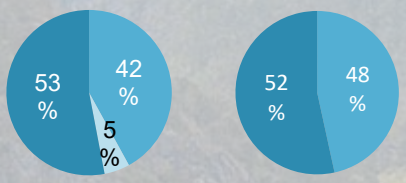
Create sustainable values for the next generation

Honest Sustainable Creative

Landowners on Årvik power plant
Photo: Småkraft

SMÅKRAFT AT A GLANCE

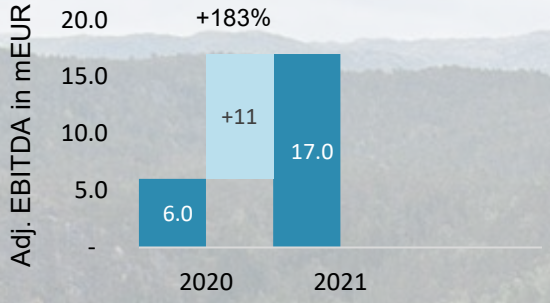
Stable and strong equity ratios, as growth financed by equity and issuance of second green bond



31.12.2020 31.12.2021

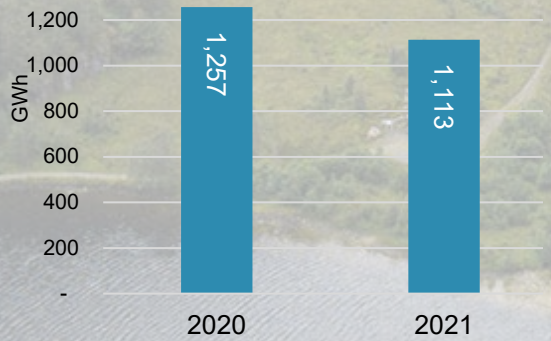
Equity
Subordinated Shareholder loan
Debt

Adj. EBITDA increased by 183% due to higher power prices and increased capacity



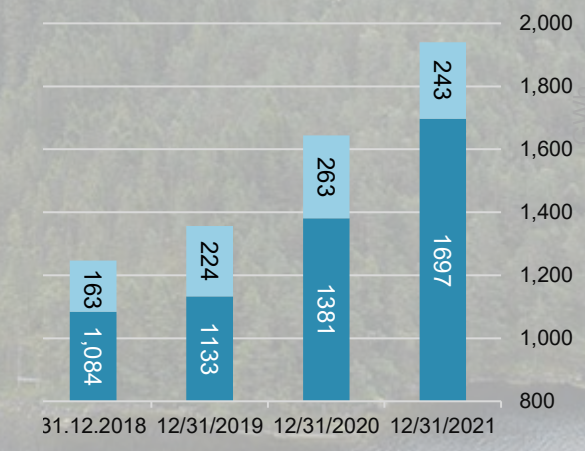
*Adj. EBITDA = operating profit + impairments + depreciations + unrealized hedge gain or loss

Low precipitation decreased production in 2021 compared to 2020 despite higher capacity



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

23% capacity growth in 2021



Signed contracts for new powerplants (GWh)
Current production capacity (GWh)

Blådalselva Power Plant

Photo: Heiko Kübler

HIGHLIGHTS 2ND HALF OF 2021

Renewable Power Production

Weak hydrology and low precipitation reduced production in 2021. Total production of 608 GWh in the second half year, 22% behind normalized production. In total Småkraft produced 1133 GWh renewable energy compared to 1257 GWh in 2020 despite growth in the portfolio in 2021.

Sustainability

Småkraft has achieved the highest score and is Sector leader in the annual Global ESG Benchmark (GRESB) sustainability assessment within its peer group. GRESB assessment are guided by what investors and the industry consider to be material issues in the sustainability performance of real asset investments.

During the reporting period, Småkraft experienced no material Health, Safety and Environmental-(HSE) incident.

Market update

Fueled by strong CO2- and gas prices, new inter-connectors and weak hydrology, the average monthly spot prices in the Nordics increased from 11 EUR/ MWh in 2020 to 62 EUR/ MWh. In December monthly spot price increased to all time high of 147 EUR/MWh.

Limited interconnector capacity from the Northern parts to the Southern parts also gave significant price differences between the Nordic price areas. The strongest price area had an average monthly spot price of more than 75 EUR/ MWh, while the weakest one had 41 EUR/ MWh. The difference between the price zones has never been higher.

Company Developments

During 2021, Småkraft has acquired and developed in total 34 powerplants of in total 316 GWh. 12 of the powerplants with a capacity of 43 GWh were acquired in Sweden. Småkraft's entry into Sweden extends Småkraft's ambitious and successful strategy in the consolidation of small hydro operations.

REPORT FROM THE BOARD OF DIRECTORS

Cash flow improvements as power prices increased, but large negative hedge effect and dry weather limited the upside
Because of dry weather, Småkraft produced 1113 GWh renewable energy in 2021, 11% down from 1257 GWh in 2020. The weak hydrology contributed to higher power prices, leading to a 370% increase in revenues to 56 mEUR in 2021, excluding hedges, from 11,9 mEUR in 2020. In 2H21 revenues, excluding hedging, came in at 37,7 mEUR compared to 3 mEUR in 2H20.

Småkraft sells forward contracts on power ("hedging") on about 1/4 of its production three to five years ahead. According to IFRS, these future hedge contracts (to be realized in the years to come) are recognized in the Financial Statements at market value at year end. However, production and revenue are not recognized before the date of production. Thus, the operating income includes unrealized hedge costs with no cash effect in 2021. Småkraft uses alternative performance indicators such as adjusted EBITDA, adjusted EBIT and adjusted ROACE to show underlying operational results in a better way.

Operating income includes a significant realized hedge loss of -19,5 mEUR and unrealized hedge loss of -33,4 mEUR in 2021. In 2H21 the unrealized hedge loss in operating income was -18,1 mEUR, compared to 2,2 mEUR in 2H20. Adjusting for unrealized hedge effects, adjusted EBITDA grew with 183% from 6 mEUR in 2020 to 17 mEUR in 2021. Adjusted EBITDA was 8,8 mEUR in 2H21, compared to -0,2 mEUR in 2H20.

Småkraft had a strong operational cash flow in 2021 of 20,8 mEUR. In 2H21 the operational cashflow was 13,6 mEUR.

Unrealized power price hedge effects pushed total comprehensive income into negative terrain
Because of the significant unrealized hedge movement, Småkraft faces large differences between the strong underlying operations and a negative total comprehensive income of –5,8 mEUR during 2021.

Record growth in capacity and "2by22" within reach
During 2021, Småkraft has successfully increased its production capacity by constructing new power plants together with its partners and joining forces with landowners on existing power plants. In total, Småkraft increased its production capacity with 23% from 1381 to 1697 GWh, manifesting the company as one of the largest producers of renewable energy in Norway.

Furthermore, Småkraft has expanded its short- and long- term pipeline of powerplants. Our long- term goal of reaching 2TWh production capacity within the end of 2022 is on track.

Hydrology and power price remain determinant risk factors
Main risk factors for the upcoming periods are the development in power prices and hydrology. Småkraft's financial statements may also be affected by currency exchange and interest rate changes. Please see annual report for full summary of risk factors.

Developments in 1H22
Early January, Småkraft finalized the acquisitions of Senneset, Stampaelva and Engesetelva power plants, adding 34,4 GWh. In February, Småkraft acquired 32 power plants in Sweden, increasing its installed capacity in Sweden to 96,6 GWh.

Småkraft has been able to operate its power plants safely and efficiently during the pandemic with zero lost time incidents for 36 consecutive months.

Oslo, Norway, 28th February 2022
The Board of Directors, Småkraft AS

Annette Beate Wacknitz Malm Justad
Chairman of the board

Claudia Ahnert
Member of the Board

Joakim Johnsen
Member of the Board

Oldrik Nicolaas Frits Verloop

Christian Heidfeld

Terje Vedeler

Consolidated Income Statement and Consolidated Statement of Other Comprehensive Income

Amounts in EUR thousand	*Note*	Unaudited 6 months ended 31.12.2021	Unaudited 6 months ended 31.12.2020	Unaudited 12 months ended 31.12.2021	12 months ended 31.12.2020
Revenue		37,737	3,056	56,168	11,926
Other operating income		-33,789	575	-50,200	19,215
Total operating income	4	**3,949**	**3,631**	**5,967**	**31,141**
Water rights costs		3,434	420	4,850	920
El-certs costs		64	94	922	3,892
Transmission costs		1,928	535	3,575	1,403
Payroll and related costs		1,909	1,693	3,088	2,686
Depreciation of fixed assets and intangible assets		8,447	5,922	15,561	11,454
Impairment of fixed assets and intangible assets		269	271	269	271
Property tax and licence fees		1,305	911	2,492	1,921
Other operating expenses		4,571	2,474	7,424	4,578
Total operating expenses		**21,928**	**12,320**	**38,181**	**27,124**
Operating profit/(loss)		**-17,979**	**-8,689**	**-32,214**	**4,017**
Financial income		8,835	1,913	19,788	3,061
Financial expenses		-4,054	10,200	-7,712	-20,066
Net financial items	6	**4,781**	**12,113**	**12,076**	**-17,004**
Profit/(loss) before tax		**-13,198**	**3,424**	**-20,138**	**-12,987**
Tax expense (income		2,243	-872	3,974	3,225
Profit (loss)		**-10,955**	**2,552**	**-16,164**	**-9,762**
Profit/(loss) is attributable to:					
Equity holders of the parent company		-11,470	2,838	-16,619	-9,186
Non-controlling interests		516	-286	456	-576
Other comprehensive income:					
Presentation currency effects		5,168	8,150	10,950	-11,732
Total other comprehensive income		**5,168**	**8,150**	**10,950**	**-11,732**
Total comprehensive income for the year		**-5,787**	**10,701**	**-5,214**	**-21,494**
Total comprehensive income is attributable to:					
Equity holders of the parent company		-6,559	10,642	-6,272	-20,764
Non-controlling interests		773	60	1,059	-730

Consolidated Statement of Financial Position

		Unaudited	
Non - current assets			
Amounts in EUR thousand	*Note*	**12/31/2021**	**12/31/2020**
Goodwill		7,924	7,605
Intangible Assets		155,062	77,775
Property, plants and equipment		479,919	384,341
Deferred tax assets		7,311	3,200
Investments, recognised under the eq.method		2,058	1,526
Long-term receivables		11,110	10,382
Total non-current assets		**663,384**	**484,829**
Current assets			
Inventory		150	67
Inventory EL certificates		149	162
Trade receivables		936	1,334
Other receivables		1,154	3,526
Derivatives	5	1,492	8,083
Other current assets		97	92
Cash and Cash equivalents		44,438	19,870
Total current assets		**48,415**	**33,135**
Total assets		**711,800**	**517,964**

		Unaudited	
Shareholders equity			
Amounts in EUR thousand	*Note*	**12/31/2021**	**12/31/2020**
Share capital		20,039	16,706
Other equity		74,159	-
Share-premium reserve		247,533	188,722
Retained earnings		-16,792	798
Total shareholders equity		**324,940**	**206,226**
Minority interests		14,270	11,796
Total equity		**339,209**	**218,022**
Non-current liabilities			
Deferred tax liability		122	1,564
Borrowings		316,047	82,431
Lease liability		2,545	-
Derivatives	5	99	287
Total non-current liabilities		**318,813**	**84,282**
Current liabilities			
Accounts payable		2,886	2,587
Taxes payable		1,506	-
Public duties payable		2,842	229
Derivatives	5	27,768	490
Borrowings		8,960	208,360
Other current liabilities		7,112	3,993
Total current liabilities		**53,777**	**215,660**
Total liabilities		**372,590**	**299,942**
Total equity and liabilities		**711,800**	**517,964**

Consolidated Statement of Equity (unaudited)

Amounts in EUR thousand	Share capital	Share premium	Not registered capital increase	Retained earnings	Total share-holders equty	Non-controlling interests	Total equity
Equity at 31.12.2019	**16,221**	**131,452**	**45,202**	**11,085**	**203,960**	**5,372**	**209,332**
Equity at 01.01.2019	**14,539**	**121,629**	**22,313**	**974**	**159,454**	**5,552**	**165,006**
Net profit				-9,186	**-9,186**	-576	**-9,762**
Currency presentation effect	-945	-9,294	-472	-867	**-11,578**	-154	**-11,732**
Total comprehensive income for the period	**-945**	**-9,294**	**-472**	**-10,053**	**-20,764**	**-730**	**-21,494**
Capital increase previous period registered current period	502	44,228	-44,730		**0**		**0**
Capital increase current period	928	22,336			**23,264**		**23,264**
Capital increase current period not registered					**0**	7,265	**7,265**
Dividend					**0**	-112	**-112**
Other changes				-235	**-235**	-	**-235**
Equity at 31.12.2020	**16,706**	**188,722**	**0**	**798**	**206,226**	**11,796**	**218,022**
Net profit first half 2021				-5,149	**-5,149**	-60	**-5,209**
Currency presentation effect	467	4,948	1	20	**5,436**	346	**5,782**
Total comprehensive income for the period	**467**	**4,948**	**1**	**-5,129**	**287**	**286**	**573**
Capital increase current period	2,065	57,525			**59,590**		**59,590**
Capital increase current period not registered			13,664		**13,664**		**13,664**
Other changes				-94	**-94**	-	**-94**
Equity at 30.06.2021	**19,238**	**251,196**	**13,665**	**-4,426**	**279,673**	**12,082**	**291,755**
Net profit second half 2021				-11,470	**-11,470**	516	**-10,955**
Currency presentation effect	362	4,837	-1	-287	**4,911**	257	**5,168**
Total comprehensive income for the period	**362**	**4,837**	**-1**	**-11,757**	**-6,559**	**773**	**-5,787**
Capital increase current period	439	13,225			**13,664**		**13,664**
Minority in acquired subsidiary					**0**	1,415	**1,415**
Capital increase current period not registered			60,495		**60,495**		**60,495**
Dividend		-21,724			**-21,724**		**-21,724**
Other changes				-609	**-609**		**-609**
Equity at 31.12.2021	**20,039**	**247,533**	**74,159**	**-16,792**	**324,940**	**14,269**	**339,209**

Consolidated Statement of cash flow (unaudited)

Amounts in EUR thousand	Unaudited 6 months ended 31.12.2021	Unaudited 6 months ended 31.12.2020	Unaudited 12 months ended 31.12.2021	12 months ended 31.12.2020
Cash Flow from operations				
Profit (-loss) before tax	-13,198	3,424	-20,138	-12,987
Taxes paid for the period	-	-98	-	-1,132
Depreciation, amortization, impairment	8,717	6,193	15,830	11,725
Change in unrealized currency gains/losses	-5,170	-9,995	-12,918	13,181
Change in unrealized derivatives	18,683	-1,050	33,443	-10,683
Change in inventory	-73	42	-58	851
Change in working capital	4,734	2,229	4,647	558
Net cash flow from operations	**13,692**	**744**	**20,806**	**1,513**
Cash flow from investment activities				
Outflows due to purchases of fixed assets	-4,952	-22,963	-15,146	-25,638
Outflows due to investments in subsidiaries	-58,205	-32,332	-101,183	-39,984
Outflows due to investments in others	-	-	-	-1,119
Outflows from loans to others	475	4,104	-	-91
Inflows from loans to others	1,249	11,211	1,249	11,211
Net cash flow from investment activities	**-61,433**	**-39,979**	**-115,080**	**-55,620**
Cash flow from financing activities				
Capital increases	72,966	18,802	145,561	23,172
Dividend payments	-18,692	-120	-18,692	-15,969
Inflows from loan raising	5,567	24,416	56,449	24,416
Outflows from loan payments	-20,332	-2,537	-65,843	-5,003
Net Cash Flow from financing activities	**39,509**	**40,561**	**117,475**	**26,616**
Currency translation effects	764	796	1,367	-3,610
Net change in bank deposits and cash	-8,232	1,326	23,201	-27,491
Bank deposits and cash at beginning of period	51,906	17,748	19,870	50,971
Bank deposits and cash at end of period	**44,438**	**19,870**	**44,438**	**19,870**

Oslo, Norway, 28th February 2022
The Board of Directors, Småkraft AS

Annette Beate Wacknitz Malm Justad
Chairman of the board

Claudia Ahnert
Member of the Board

Joakim Johnsen
Member of the Board

Oldrik Nicolaas Frits Verloop

Christian Heidfeld

Terje Vedeler

Notes (unaudited)

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1. Basis of preparations

The Småkraft group comprises Småkraft AS and the consolidated subsidiaries (Småkraft Group or the Group). Småkraft's head office is located in Bergen, with local offices in Harstad, Flatanger, Oslo and Uppsala. The Group employs 26 people. Småkraft is a supplier of renewable energy based on small scale hydro power plants situated in Norway.

The interim consolidated financial statements for the second half year 2021, ending 31 December 2021, were prepared in accordance with IAS 34 Interim Financial Reporting.

The interim consolidated financial statements need to be read together with the annual financial statements with notes for 2020 prepared in accordance with IFRS. If not stated here the accounting principles in this interim report follows the accounting principles described in the notes to the annual financial statements 2021.

The Board of Directors and the CEO authorised these interim IFRS financial statements for issue on 28th of February 2022.

2. Transactions and events in H2 2021

Acquisitions

Småkraft AS acquired 13 and 11 companies during first and second half respectively, 24 companies in 2021 in total:

Company	Purchase date	Voting rights/ share-holding acquired through the acquisition
Rk. Kraftverk AS*	5/2/2021	100%
Soks Kraftverk AS*	5/2/2021	100%
Veiåni Minikraftverk AS*	5/2/2021	100%
Joka Kraft AS*	5/2/2021	100%
Kaldåga Småkraftverk AS	26/2/2021	100%
Salvasskardelva Kraft AS	26/2/2021	100%
Veiski Kraft AS*	26/2/2021	100%
Harstveitbekken Kraft AS*	4/3/2021	100%
Åsedøla Kraft AS	26/3/20221	100%
Skinvik Kraftverk AS	7/4/2021	100%
Råssåfoss Kraft AS	19/4/2021	100%
Straume Kraftverk AS	30/4/2021	100%
Kråkenes Kraft AS**	10/6/2021	100%
Strømfallet Småkraft AB	16/6/2021	90.1 %
Støldalselva Kraftverk AS	6/7/2021	100%
Skyggelva Kraft AS	31/8/2021	100%
Deveggåe Kraft AS	31/8/2021	100%
Byrkjelo Kraftverk AS	7/9/2021	100%
Sagåna Kraft AS	30/9/2021	100%
Strømfallet AB***	1/10/2021	90.1 %
Strømfallet Tunafors AB***	1/10/2021	90.1 %
Streamgate North AB***	1/10/2021	90.1 %
Russvik Kraft AS	1/11/2021	100%
Hugla Kraft AS	1/12/2021	100%

** The company merged with Andvik Holding and deleted during second half 2021.
*** Owned 100% by 90.1%-owned Strømfallet Småkraft AB

3. Alternative Performance Measures (APM)

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. This APM was included as new APM during 2020.

Adjusted EBITDA is defined as operating profit (-loss) + depreciation of fixed assets and intangible assets + impairment of fixed assets and intangible assets – unrealized value change on energy derivatives. Småkraft uses this APM to measure performance from operational activities. Unrealized value on energy derivatives is deducted in the adjusted figures as the value change on these derivatives usually are negatively correlated to value changes in future power production that are not recognized, 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.

EBIT is defined as operating profit/ loss. This is an APM used to measure performance from operational activities and compare against similar companies in the same sector.

Adjusted EBIT is an APM used to measure performance from operational activities, excluding unrealized hedge effects. Småkraft sets up this APM, as some of its peers are using hedge accounting, which excludes unrealized hedge effects.

ROACE is operating profit/loss divided by capital employed. Capital employed is total assets excluding current liabilities. Småkraft uses this APM to measure performance and compare against similar companies in the same sector.

Adjusted ROACE is defined as operating profit/loss (adjusted EBIT) divided by capital employed. ROACE is calculated on a rolling 12 month average (LTM- Last-twelve- months) and is used to measure return from the operational activities as well as benchmarking performance. Småkraft uses this APM to measure performance and compare against similar companies uses hedge accounting.

Amounts in EUR thousand	H2 2021	H2 2020	2021	2020
Operating profit (loss)	-17,979	-8,689	-32,214	4,017
+ Depreciation of fixed assets and intangible assets	8,447	5,922	15,561	11,454
+ Impairment of fixed assets and intangible assets	269	271	269	271
EBITDA	**-9,263**	**-2,496**	**-16,384**	**15,742**
- Unrealised value change on energy derivatives	18,129	2,218	33,397	-9,698
Adjusted EBITDA	**8,866**	**-278**	**17,013**	**6,044**

TEUR	H2 2021	H2 2020	2021	2020
Operating profit (loss)	-17,979	-8,689	-32,214	4,017
EBIT	**-17,979**	**-8,689**	**-32,214**	**4,017**
+ Impairment of fixed assets and intagible assets	269	271	269	271
- Unrealised value change on energy derivatives	18,129	2,218	33,397	-9,698
Adjusted EBIT	**419**	**-6,200**	**1,452**	**-5,410**

TEUR	H2 2021	H2 2020	2021	2020
EBIT	-17,979	-8,689	-32,214	4,017
Average capital employed	634,316	363,415	480,163	296,572
ROACE	**-2.8 %**	**-2.4 %**	**-6.7 %**	**1.4 %**

TEUR	H2 2021	H2 2020	2021	2020
Adjusted EBIT	419	-6,200	1,452	-5,410
Average capital employed	634,316	363,415	480,163	296,572
Adjusted ROACE	**0.1 %**	**-1.7 %**	**0.3 %**	**-1.8 %**

4. Revenues and other income

Sale of electric energy
The revenues originate from the generation of hydropower.

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

Power derivatives
Småkraft uses financial hedging contracts and currency futures to hedge future revenue. The Group does not apply hedge accounting for the hedging of power revenues. Realised and unrealised changes in value related to these derivatives are recognised as Other operating income. See also Note 5 Financial instruments.

Amounts in EUR thousand	6 months ended 31.12.2021	6 months ended 31.12.2020	2021	2020
Power revenue	37,555	2,649	55,036	7,602
Elcertificates	11	94	858	3,892
Guarantees of origin	171	314	273	432
Revenues	**37,737**	**3,056**	**56,168**	**11,926**
Other operating revenues	144	227	1,936	206
Unrealized value change on energy derivatives	-18,129	-2,219	-33,397	9,698
Realized gains and losses on energyderivatives	-16,019	2,280	-19,524	8,712
Public grants, Elcertificates	215	287	785	599
Other operating income	**-33,789**	**575**	**-50,200**	**19,215**
Total operating income	**3,948**	**3,631**	**5,967**	**31,141**

5. Financial instruments

Borrowings

Amounts in EUR thousand

Lenders	Currency	12/31/2021	12/31/2020
Banks	NOK	43,892	213,898
Banks	EUR	182,724	2,662
Convertible debt from owners	EUR	-	25,000
Bond debt1	EUR	50,000	-
Bond debt2	EUR	50,000	50,000
Agent commission SEB/Nordea	NOK	-1,609	-769
Total		**325,007**	**290,791**
Total long term debt		316,047	82,431
Total short term debt		8,960	208,360

Maturity profile borrowings

2021

Amounts in EUR thousand	31.12.2021	1 year	2 years	3 years	4 years	5 years
Total	**325,007**	**18,037**	**14,105**	**213,306**	**3,910**	**70,984**

2020

Amounts in EUR thousand	31.12.2020	1 year	2 years	3 years	4 years	5 years
Total	**290,791**	**211,435**	**5,839**	**60,891**	**2,196**	**1,302**

Derivatives

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

31.12.2021	31.12.2021 Assets		31.12.2021 Liabilities		12 months ended 31.12.2021 P&L	6 months ended 31.12.2021 P&L
	Long term	Short term	Long term	Short term		
Over FVPL - Interest rates swaps	-	226	99	-	569	264
Over FVPL - Currency derivatives	-	1 237	-	-	-307	-857
Over FVPL - Power derivatives	-	30	-	27 768	-52 921	-34 148
Sum derivatives	**-**	**1 492**	**99**	**27 768**	**-52 659**	**-34 741**

6. Financial result

Financial income

Amounts in EUR thousand	**2021**	**2020**
Income from investments in associates	450	325
Agio on borrowings in foreign currency	12,918	-
Unrealized non-cash effect on interest swaps	569	182
Other financial income and agio	5,850	2,555
Total	**19,788**	**3,061**

Financial expenses

Amounts in EUR thousand	**2021**	**2020**
Interest expenses	6,541	4,907
Disagio on borrowings in foregin currency	-	13,181
Unrealized non-cash effect on foreign exchange forwa	-	1,057
Unrealized non-cash effect on interest swaps	307	-
Other financial expenses and disagio	864	921
Total	**7,712**	**20,066**

småkraft©

Postboks 7050, 5020 Bergen

post@smaakraft.no

smaakraft.no