

SMÅKRAFT AS
ANNUAL REPORT
2020

Intake Årvik power plant
Photo: Småkraft

A family of four is sitting on a rocky ledge in front of a large waterfall. The father is wearing a high-visibility yellow and black jacket, the mother is wearing a blue jacket, and the two children are wearing casual clothing. They are all looking towards the left side of the frame. The waterfall is a powerful cascade of water over dark rocks, creating a misty spray at the bottom. The scene is set in a natural, rugged environment.

småkraft®

VISION

**Create sustainable values
for the next generation**

Honest Sustainable Creative

Årvik power plant
Photo: Småkraft

WHAT WE DO



Ytre Alsåker power plant
Photo: Småkraft

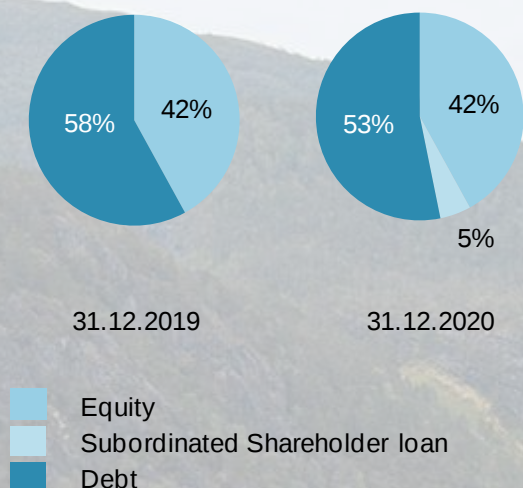
Småkraft is a producer of renewable energy. Our fleet of 128 hydropower plants is spread all across Norway, and delivers a mean annual production capacity of 1,4 TWh, making Småkraft Europe's largest owner and operator within its niche.

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.

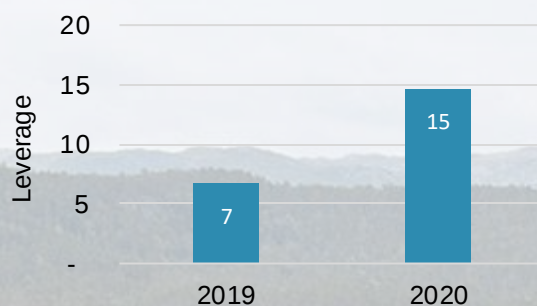
SMÅKRAFT AT A GLANCE

Robust financing structure



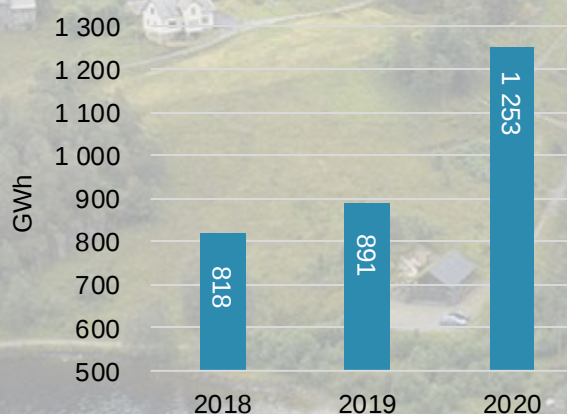
Most acquisitions finalized in 2020 financed fully with equity and shareholder loans.

Weak power prices increased leverage



Net debt:
 $(\text{IB Debt net cash} + \text{CB Debt net cash}) / 2$
 EBITDA:
 Operating profit + depreciations + impairments
 Ratios are on a rolling twelve months basis
 Please see APM for cash EBITDA.

High precipitation and new power plants increased production significantly



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

Portfolio continues to grow. "2by22" within reach



HIGHLIGHTS 2020



Renewable Power Production

We observed a mild and wet winter which led to very high precipitation levels all over Norway. With a lot of water in our rivers and reservoirs, Småkraft achieved record production of 1253 GWh, compared to 891 GWh in 2019. In total, the production increase was 41% year on year. 4% of the increased production came on new powerplants, while we achieved 37% more production on the existing powerplants.



Market update

The average NordPool system price during 2020 was 10,9 EUR/MWh, compared to 39,0 EUR/ MWh in 2019. The main reason for this 72%- price reduction was a warm, wet and windy winter which led to a very strong hydrological balance. After year end, both the spot- and forward prices for 2021 have increased significantly.

The yearly future el- cert prices are stable at low levels.



Sustainability

Småkraft issued its second Sustainability Report. Our Climate Risk Reporting was acknowledged internationally. In September, Småkraft for the second time gained 5 out of 5 stars in the Sustainability-benchmark study by GRESB.

During the reporting period, Småkraft experienced no material Health, Safety and Environmental- (HSE) incident. We have experienced zero minor Health-incidents.



Company Objectives

During a challenging Covid-19 pandemic, Småkraft has managed to continue its pace, consolidate, and continue to grow. Småkraft has secured funding from its owners of 300 mEUR in the period, securing funding for the growth plans in the coming years. Furthermore, Småkraft has significantly strengthened its team, and five highly skilled employees have joined the company.

New powerplants on stream and acquisitions increased the yearly production capacity with 248 GWh.

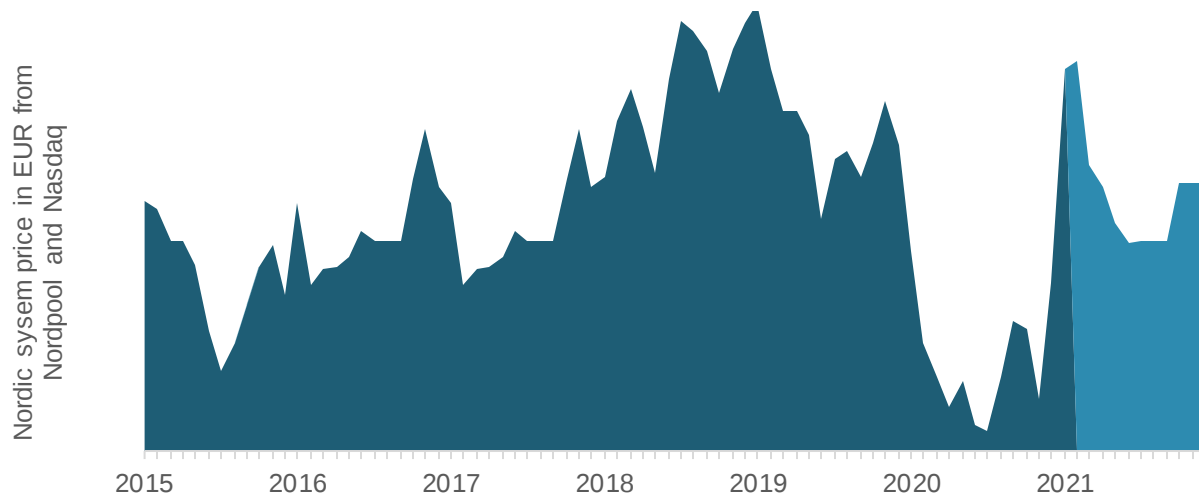


Record high production, record low prices

2020 started off with a particularly mild and wet winter in Norway. High precipitation filled the rivers with water, and hydro producers like Småkraft were able to produce at record levels. In fact, Småkraft exceeded its previous production record by more than 40%.

However, the hydrological surplus also led to a price collapse in the Nordic power market. The system price fell with more than 70% compared to 2019.

2020 had very low prices compared to previous years.



Robust protection to dampen price volatility

The global shift to renewable energy and consensus from the analytics, indicate that Norway needs to generate an additional 50TWh renewable energy by 2050, further substantiating the strong potential for Småkraft. In the short term, however, our business can exhibit volatility. Both production and power prices may move rapidly. Our financial set-up mitigates such effects through geographical diversification, landowner risk sharing, and financial instruments that dampen cash flow and value volatility if prices decrease. As in 2020 when the power prices fell by 72%, our EBITDA only decreased by 47%. Confident about our downside protection, we use the lessons learned from 2020 to improve our approach to hedging further.

Through the storm with head held high

Early March 2020, the Covid-19 pandemic broke out. Since then, many of our employees have worked remotely from home and have had travel restrictions, but we are very pleased that no Covid related fall-out among our employees nor partners were recorded.

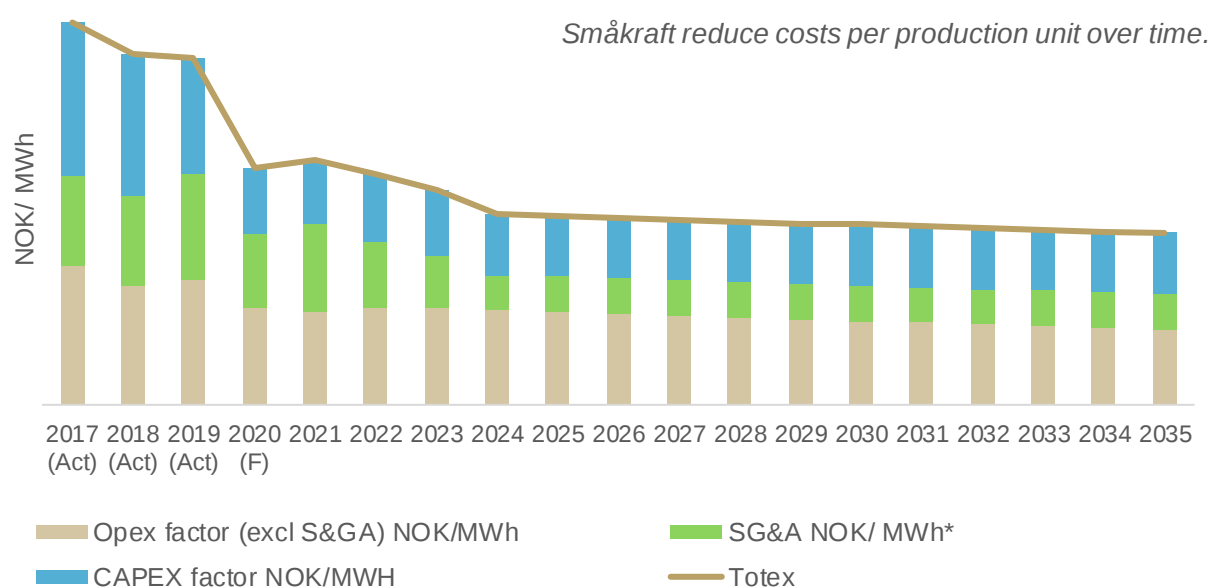
The pandemic has also led to significant market volatility in the power and financial markets, which has opened additional opportunities for us in 2020.

2TWh production by 2022 and beyond

Being the largest operator of small hydro power plants in Europe, we are well established with strong operational team.

We have already secured close to 1,7TWh production capacity. Furthermore, we see new market opportunities both for organic growth and acquisitions in the years to come.

Småkraft has had an outstanding development in cost base in 2020. We expect this path to continue, as we consolidate, digitalise and standardise our operations.



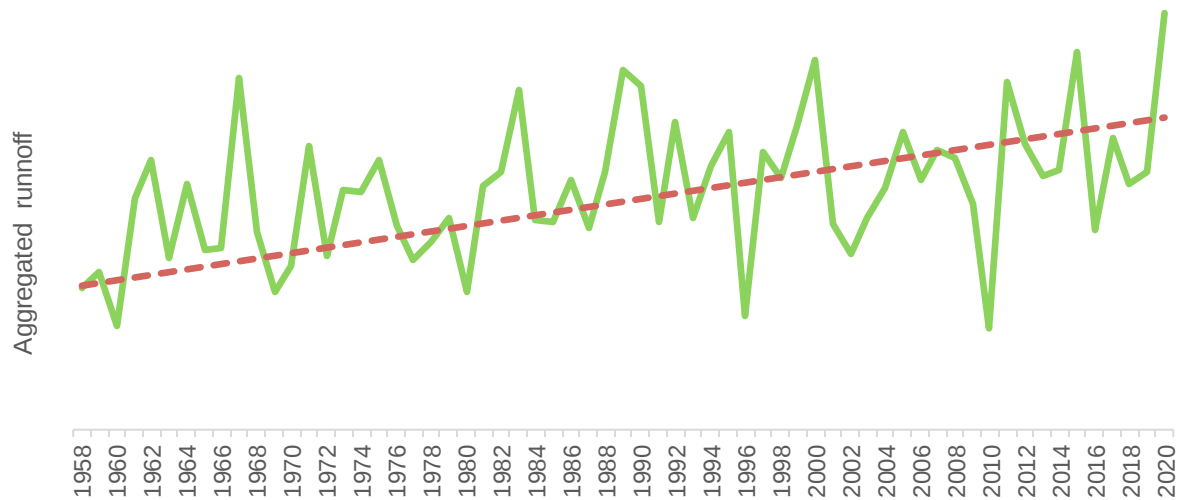
Unmatched expertise in small scale hydro

To sustain and accelerate our growth, Småkraft looks towards broadening the capabilities and skillset of its employees and partners. The last year we have strengthened our organisation within the operations and technical departments while reinforcing management lines.

Climate change is upon us

Over the last 60 years, we witness new weather and increased precipitation patterns affecting our production.

Climate changes has led to more water in our precipitation areas.



In our 2019 Sustainability Report, we were able to visualize how climate changes may affect production patterns and our installations in the years to come.

CEO Terje Vedeler

REPORT FROM THE BOARD OF THE DIRECTORS

Nature of the business

Established in 2002, Småkraft AS is a power company, which invests, develops, and operates small-scale, hydropower plants in cooperation with local landowners.

The Board of Directors is of the opinion that the Directors Report for 2020 is a fair representation of the company's equity and debt, and financial situation and result.

"Småkraft AS" refers to the parent company Småkraft AS, and "Småkraft Group" refers to the consolidated group of companies controlled by Småkraft AS.

Continued operations

It is hereby confirmed that the conditions for going concern are met. The company is in a healthy position, economically and financially.

Operating Power Plants

By year end 2020 Småkraft had 128 operating hydropower plants (110 at year end 2019), with a total accumulated production capacity of 1 381 GWh (1 133).

Results, financing, and liquidity (2019 numbers) – Småkraft Group

The Småkraft Group produced 1 253 GWh of green energy in 2020 (891 GWh). New power plants that came onstream late 2019 and during 2019 contributed to the increased production, but most of the production increase came because of very strong hydrology.

This gave power revenues excluding hedging of 7 602 mEUR (31 557), at an average price excluding hedging of 6,3 EUR/ MWh (35,4 EUR/ MWh)

The Småkraft Group in 2020 issued el-certificates on most of its power plants, returning revenues of 3,9 mEUR (8,4).

In total, the revenues from energy sales have dropped by 70% from 40,2 MEUR to 11,9 MEUR, year on year. The reduced revenue comes from a sharp decline in prices on power. However, Småkraft's hedge strategy mitigated some of the price decline. Småkraft had a realized gain on energy derivatives of 8,7 mEUR (-4,2), and an unrealized value change of 9,7 mEUR (12,2). Average price including hedging was 13,6 EUR/ MWh (31,6).

Despite the 80% price decline, the total operating income decreased with only 40% from 51,9 mEUR to 31,1 mEUR.

Småkraft Groups' total operating costs were 27,1 mEUR (34,9), giving an operating profit of 4,0 (17,0).

A total of 11,7 mEUR (12,4) in depreciations and impairments were included in the operating costs. The impairments relate to accrued project costs on projects that have received final rejection on their license to operate (concession) to projects that we no longer believe will be realized. And to one specific power plant where new information about market value of the power plant was lower than the book value.

The company's operating profit is positive before depreciations and impairments, with an EBITDA of 15,7 MEUR (29,4). EBITDA decreased by 47% from 2019 to 2020. Adjusting for unrealized value change on energy derivatives, adjusted EBITDA is 6 mEUR (17,2 mEUR).

Currency effects – Småkraft Group

Småkrafts cost base mainly is in Norwegian kroner (NOK). Revenues come from the Nordic electricity market and may be noted in NOK and EUR. Småkraft acquires and constructs power plants with agreed settlement in NOK. The Småkraft Group is leveraged by three currency loans in Euros and several loans on subsidiary level in NOK. Because of all the various financial positions being subject to translation differences between NOK and EUR, changed EUR/ NOK exchange rate will lead to several effects that aggregated may have significant influence on Småkraft's Profit & Loss and Total Comprehensive Income. The effects are recognized in financial income, financial expenses in the Profit & Loss, and presentation currency effects in the total other comprehensive income.

The covid- 19 pandemic led to large fluctuations in the currency market, particularly in the first half of 2020. Because of the effects mentioned above, Småkraft has recognized large currency effects in its Financial Statements. In 2020, the Småkraft group has booked a non- cash agio (-disagio) in its net financial expenses of 13,1 mEUR (0). The Småkraft group has negative presentation currency effects in the total other comprehensive income of -11,6 mEUR (+1,3 mEUR).

Because of the effects mentioned above, the result after taxes in the Småkraft Group shows a loss of mEUR -9,8 (profit of 10,2). Total comprehensive income for the year was mEUR – 21,5 (profit 11,5).

The Småkraft Group has an equity share of 42,0% (42,6%). Including the subordinated shareholder, the equity share is 47,0%

Investments in power plants equals 65,6 MNEUR in 2020 (8,4). The Småkraft Group has financed these investments by capital increases and subordinated loans 38,6 MEUR (50,3) and loans in acquired subsidiaries of 24.4 MEUR.

The liquidity in the Småkraft Group of 19,9 MEUR at year end is good (51,0). Most of Småkraft Groups external debt is classified as short- term, as it matures in September 2021. However, Småkraft Group has signed credit approved terms with a group of banks at the date of the financial settlement.

To the best knowledge of the Board of Directors, no significant events with impact on the financial results has taken place subsequently to year end.

Results, financing, and liquidity (2019 numbers) – Småkraft AS

The parent company, Småkraft AS, has, at the end of 2020, 88 operating powerplants. Småkraft AS total energy production was 786 GWh in 2020 (596).

This gave power revenue of mEUR 5,2 (22,3). In total, total operating income decreased year on year from mEUR 39,7 to 27,8. The decrease in total operating income comes mainly power price reductions. Gains on the hedges and increased production mitigated the reduction in other operating income.

Småkraft AS total operating costs were 20,5 (26,9), giving an operating profit of 7,3 (12,8). Småkraft AS operating profit is positive before depreciations and impairments, with an EBITDA of mEUR 15,1 (21,7).

Net financial items include non- cash changes related to currency exchange rate fluctuations and landed at MEUR -14,1 (1,5). Consequently, the total comprehensive income was at mEUR -16,7 (10,1).

Risks

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

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

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

Around 1/3 of the expected mean production have been hedged with fixed price contracts for power and el-certificate revenues over the next 4 to 5 years. These contracts are in EUR. To reduce the cash effect of currency exchange rates, the Småkraft Group is financed by currency loans in EUR. Changes in the fair value of the EUR loan will offset the changes in the fair value in the hedge. The company does not use hedge accounting, and as a result, these effects are not shown in the financial statements. That exposes the operating result to changes in the currency exchange rates.

Småkraft Group has several interest rate swaps to reduce the risk related to interest rate changes.

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

Regulatory risks include changes in tax and fee schemes for producers of electrical power.

Future development

The forward prices in the energy market expects that the power prices will increase in 2021 compared to 2020. The market expects stable low prices for el- cert prices. The production capacity is expected to increase in line with more power plants in operation for the entire year and new added plants during the year. The Småkraft Group pursues a growth strategy and plans to invest further in new production capacity over the next years. The company's Board of Directors would like to emphasize the predictions about the future always carry uncertainties.

Work environment and personnel

Småkraft AS seeks to be an attractive employer focused on employee retention and a good working environment.

Småkraft has not recorded any lost time incidents to personnel for the last 23month at the end of 2020.

Småkraft has an internal control system, which focuses on the operation of power plants. The system sets the requirements for own employees, subcontractors, and entrepreneurs with regards to health, safety and environment.

Key figures	2020	2019	2018	2017
Full time employees at year end	20	20	19	19
Sick leave	1,3%	3,9%	0,9%	1,9%
Lost time injuries	0	1	1	1

The Småkraft Group is committed to provide equal opportunities for men and women. The company acknowledges that women are under-represented in the corporation, as well as in the industry. The power sector in general, and specifically the small- scale hydropower sector, has over time been dominated by men. Småkraft has an ambition to work against this imbalance. Two out of six new employees in Småkraft are female. In total, 25% of Småkraft's full time employees and one out of four in Småkraft's top management are female. The Board has five Directors, out of which four are men.

Environment

The company's main activity is based on hydropower, which is a clean, environmentally friendly, and renewable source of energy. The consumption of electric power has no negative environmental consequences.

The construction of hydroelectric power plants could affect the environment in the surrounding area. Småkraft AS' power plants take advantage of natural river conditions to produce power in the most effective way, and with the least intervention. These small-scale hydro plants affect the environment less than larger hydropower projects.

No new projects are in the pipeline with out-of-norm environmental effects.

Corporate governance

Småkraft adheres to the Norwegian Code of Practice for Corporate Governance (NUES) within the framework established by the company's organisation and ownership. Småkraft is subject to reporting requirements relating to corporate governance according to Section 3-3b of the Accounting Act. See separate Corporate Governance Report for more information about corporate governance, including corporate audit, internal control of financial reporting and the work of the Board of Director.

Covid 19- effects

The Covid 19 pandemic has had limited effect on Småkraft's operations. The Nordic power market has faced high volatility in the reporting period, but this is mainly due to very high precipitation. Travel restrictions at times have reduced mobility among qualified personnel and technical equipment necessary to operate or construct power plants. We have been able to mitigate most restrictions well within the infection control measures without significant negative impact on operations.

Subsequent events

After year end, Småkraft has agreed terms with a syndicate of banks about refinancing of its main facility. Småkraft has acquired eight power plants with in total 77 GWh production capacity. On 14th of January, Småkrafts shareholders increased the equity in the company with 25 mEUR.

Bergen, Norway, 12 March 2020

The Board of Directors

Småkraft AS



Chairman of the Board
Tor Syverud



Member of the Board
Annette Malm- Justad



Member of the Board
Joakim Johnsen



Member of the Board
Oldrik Verloop



Member of the Board
Christian Heidfeld



Managing Director
Terje Vedeler

ANNUAL ACCOUNTS AND NOTES SMÅKRAFT GROUP

Consolidated Statement of Income and Consolidated Statement of Other Comprehensive Income

<i>Amounts in EUR thousand</i>	<i>Note</i>	12 months ended 31.12.2020	12 months ended 31.12.2019
Revenue	10	11 926	40 169
Other operating income	10	19 215	11 751
Total operating income		31 141	51 919
Water rights costs		920	2 439
El-certs costs		3 892	8 390
Transmission costs		1 403	2 543
Payroll and related costs	11	2 686	2 275
Depreciation of fixed assets and intangible assets	16,18	11 454	11 610
Impairment of fixed assets and intangible assets	16,18	271	759
Property tax and licence fees		1 921	2 068
Other operating expenses	12	4 578	4 822
Total operating expenses		27 124	34 906
Operating profit/(loss)		4 017	17 013
Financial income	15	3 061	3 161
Financial expenses	15	-20 066	-6 417
Net financial items		-17 004	-3 256
Profit/(loss) before tax		-12 987	13 757
Tax expense (income)	23	3 225	-3 544
Profit (loss)		-9 762	10 213
Profit/(loss) is attributable to:			
Equity holders of the parent company		-9 186	10 120
Non-controlling interests		-576	94
Other comprehensive income:			
Presentation currency effects		-11 732	1 257
Total other comprehensive income		-11 732	1 257
Total comprehensive income for the year		-21 494	11 470
Total comprehensive income is attributable to:			
Equity holders of the parent company		-20 764	11 329
Non-controlling interests		-730	142

Consolidated Statement of Financial Position

<i>Amounts in EUR thousand</i>	<i>Note</i>	31.12.2020	31.12.2019
Goodwill	16	7 605	6 541
Intangible Assets	16	77 775	44 225
Property, plants and equipment	18	384 341	353 214
Deferred tax assets	23	3 200	2 767
Investments, recognised under the eq.method	19	1 526	51
Long-term receivables	20	10 382	23 837
Total non-current assets		484 829	430 635
Current assets			
Inventory		67	64
Inventory EL certificates	13	162	1 104
Trade receivables	14	1 334	2 576
Other receivables		3 526	2 457
Derivatives	14	8 083	3 454
Other current assets	14	92	98
Cash and Cash equivalents	24	19 870	50 971
Total current assets		33 135	60 724
Total assets		517 964	491 359

Shareholders equity

<i>Amounts in EUR thousand</i>	<i>Note</i>	31.12.2020	31.12.2019
Share capital	22	16 706	16 221
Other equity		-	45 201
Share-premium reserve		188 722	131 452
Retained earnings		798	11 086
Total shareholders equity		206 226	203 960

Minority interests		11 796	5 372
--------------------	--	--------	-------

Total equity		218 022	209 332
---------------------	--	----------------	----------------

Non-current liabilities

Deferred tax liability	23	1 564	1 537
Borrowings	14	82 431	75 984
Derivatives	14	287	271
Total non-current liabilities		84 282	77 792

Current liabilities

Accounts payable		2 587	1 509
Taxes payable		-	1 231
Public duties payable		229	1 066
Lease liability		-	186
Dividends		-	17 235
Derivatives	14	490	7 040
Borrowings	14	208 360	171 211
Other current liabilities		3 993	4 759
Total current liabilities		215 660	204 236

Total liabilities		299 942	282 028
--------------------------	--	----------------	----------------

Total equity and liabilities		517 964	491 359
-------------------------------------	--	----------------	----------------

Bergen, Norway, 12 March 2020
The Board of Directors
Småkraft AS



Chairman of the Board
Tor Syverud



Member of the Board
Oldrik Verloop



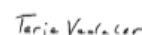
Member of the Board
Annette Malm-Justad



Member of the Board
Christian Heidfeld



Member of the Board
Joakim Johnsen



Managing Director
Terje Vedeler

Consolidated Statement of changes in Equity

	Share capital	Share premium	Not registered capital increase	Retained earnings	Total share- holders equity	Non- controllin g interests	Total equity
<i>Amounts in EUR thousand</i>							
Equity at 31.12.2018	14 539	121 629	22 313	974	159 454	5 552	165 006
Net profit				10 120	10 120	94	10 213
Currency presentation effect	124	896	192	-3	1 209	48	1 257
Total comprehensive income for the period	124	896	192	10 117	11 329	142	11 470
Capital increase previous period registered current period	1 558	26 016	-22 504		5 069		5 069
Capital increase current period not registered			45 201		45 201		45 201
Dividend		-17 088			-17 088	-323	-17 412
Other changes				-5	-5	2	-3
Equity at 31.12.2019	16 221	131 452	45 202	11 085	203 960	5 372	209 332
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		-
Capital increase current period	928	22 336			23 264		23 264
Minority in acquired subsidiary					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

Consolidated statement of cash flow

<i>Amounts in EUR thousand</i>	12 months ended 31.12.2020	12 months ended 31.12.2019
Cash Flow from operations		
Profit (-loss) before tax	-12 987	13 757
Taxes paid for the period	-1 132	-1 232
Depreciation, amortization, impairment	11 725	12 370
Change in unrealized currency gains/losses	13 181	-1 094
Change in unrealized derivatives	-10 683	-12 149
Change in inventory	851	4 485
Change in working capital	558	-5 054
Net cash flow from operations	1 513	11 082
Cash flow from investment activities		
Outflows due to purchases of fixed assets	-25 638	-5 228
Outflows due to investments in subsidiaries	-39 984	-3 224
Outflows due to investments in others	-1 119	-
Outflows from loans to others	-91	-24 700
Inflows from loans to others	11 211	-
Net cash flow from investment activities	-55 620	-33 152
Cash flow from financing activities		
Capital increases	23 172	50 327
Dividend payments	-15 969	-20 568
Inflows from loan raising	24 416	-
Outflows from loan payments	-5 003	-27 962
Net Cash Flow from financing activities	26 616	1 797
Currency translation effects	-3 610	628
Net change in bank deposits and cash	-27 491	-20 272
Bank deposits and cash at beginning of period	50 971	70 615
Bank deposits and cash at end of period	19 870	50 971

Notes

1. General information	19
2. General accounting policies	19
3. Key accounting estimates and judgements	26
4. Subsequent events	26
5. Purchase of subsidiaries	27
6. Management of capital structure	30
7. Market risk	31
8. Credit risk and liquidity risk	31
9. Alternative Performance Measures (APM)	32
10. Revenues and other income	34
11. Payroll costs, number of employees, loans to employees, etc.	35
12. Other operating expenses	36
13. EI certificates inventory	36
14. Financial instruments	36
15. Financial result	42
16. Intangible assets	43
17. Impairment testing	43
18. Property, plant and equipment	45
19. Associated companies	46
20. Receivables; amounts due after more than one year	47
21. Related party transaction and balance items.	48
22. Ownership structure	48
23. Taxes	49
24. Cash and cash equivalents	51
25. Secured borrowings and guarantees	51
26. Concessions	51
27. Water and lease agreements	52

1. General information

The Småkraft group comprises Småkraft AS and the consolidated subsidiaries (Småkraft Group or the Group). Småkraft is located in Bergen, Norway, with local offices in Harstad, Flatanger and Oslo, and the Group employs 20 people. All of Småkraft's business is in Norway. Småkraft is a supplier of renewable energy based on small scale hydro power plants.

The group consist of Småkraft AS and 35 fully or partly owned subsidiaries.

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

The statement of comprehensive income, statement of financial position, statement of equity, statement of cash flow and notes provide comparable information in respect of the previous period. The financial statements have been prepared on a historical cost basis except for certain assets, liabilities and financial instruments 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 Group accounting policies.

The functional currency of Småkraft AS is the Norwegian krone (NOK). The Group accounts are presented in EUR. Småkraft AS presents the financial statement in EUR, as the main revenue is noted in EUR, its debt is mainly in EUR and its owners are EUR-based.

2. General accounting policies

Basis of Consolidation

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

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

Investments in joint ventures

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

Equity method

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

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity. Unrealised gains on transactions between the Group and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the group.

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

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.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Foreign currency translation

Functional and presentation currency

All entities of the Group have NOK as its functional currency. 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.

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.

The segment information is reported in accordance with the reporting to board of directors (chief operating decision makers), and is consistent with financial information used for assessing performance and allocating resources. EBITDA is defined as segment profit or loss (please see page 32 of this report for definitions of Alternative Performance Measures including EBITDA).

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Periodic maintenance is capitalised and depreciated over the period until next maintenance. All other 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' residual values and useful lives are reviewed annually, and adjusted if appropriate. Gains and losses on disposals are determined by comparing actual proceeds with the carrying amount. Gains and losses on disposal are included in profit or loss.

Intangible assets

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

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

Goodwill

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

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 utilise the water in the rivers. The agreement typically has a period varying from 40 to 75 years, starting when the power plant is put into commercial operation.

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

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

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

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

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

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

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

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

Other leases

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

Right-of-use assets

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

Lease liabilities

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

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

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

Financial instruments

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

Financial assets

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

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

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

For financial assets measured at fair value, gains and losses will be recorded in profit or loss.

Financial assets recognised at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Gains or losses arising from changes in the fair value of the financial instruments at fair value through profit or loss, including interest and

dividends, are recognised in the income statement. Derivatives are always measured at fair value through profit or loss.

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

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

Cash and cash equivalents

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

Accounts receivables and accrued revenue

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

Financial liabilities

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

Accounts payables and other financial payables

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

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

Borrowings

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

that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates. Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any noncash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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

Taxes

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

Income taxes

Income tax is calculated in accordance with ordinary tax rules and by applying the adopted tax rate. The tax expense in the statement of comprehensive income comprises taxes payable and changes in deferred tax liabilities and deferred tax assets. Taxes payable are calculated on the basis of the taxable income for the year. Deferred tax liabilities and deferred tax assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. Temporary differences that arise from the initial recognition of goodwill and assets which is not a business combination is not recognised as a deferred tax liability. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

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

Natural resource tax

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

Resource rent tax

Resource rent tax is a profit-dependent tax levied on the net resource rent revenue generated by each power plant. Resource rent tax is calculated with 37% 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 37%.

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 group has applied the following standards and amendments for the first time for the reporting period commencing 01.01.2020:

- Amendments to IFRS 3: The definition of "business" in IFRS 3 Business Combinations changed with effect from 01.01.2020. Småkraft has therefore made a new assessment on the accounting treatment of additions of new power plants through purchase of companies. It has been concluded that such purchases normally have the characteristics of being "purchase of assets", rather than business combinations. This new conclusion is considered for all purchases from 01.01.2020 and onwards.
- Definition of Material – amendments to IAS 1 and IAS 8
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – amendments to IFRS 16

None of the amendments listed above have had any impact on the amounts recognised in prior periods and are not expected to significantly affect the future periods.

Standards and amendments issued but not yet effective

Changes in IAS 1 with regards to classification of short term and long-term debt will not have significant effects on Småkraft AS' Financial Statements.

3. Key accounting estimates and judgements

Introduction

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

Areas of significant estimates

Long term price forecast for power

One of the key assumptions used by management in making business decisions is Småkraft's long term price forecasts for power. These assumptions are critical in management related to financial statement process such as:

- Allocation of fair value in purchase of power plants , note 5
- Impairment testing of property, plant and equipment, note 18
- Impairment testing of intangible assets, note 16

Småkraft updates its long- term price forecasts continuously, based on market developments. Sensitivity analysis are disclosed in impairments, note 16.

Fair value measurement

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. Where fair value measurement cannot be derived from publicly available information, they are estimated using models and other valuations methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions do often not exist. In such cases Småkraft's management is required to make market based assumptions, see note 14.

Application of accounting policy

Due to Småkraft's business activities, management must apply judgements in determining the appropriate accounting policy in areas where these policies may have a material impact on how amounts are reported in the financial statements. Such areas include:

- Classification of energy contracts, see note 14
- Classification of energy and other revenue, see note 10
- Classification of power purchase agreements, see note 14

4. Subsequent events

After year end, Småkraft has agreed terms with a syndicate of banks about refinancing of its main facility. Småkraft has acquired eight power plants with in total 77 GWh production capacity. On 14th of January, Småkrafts shareholders increased the equity in the company with 25 mEUR .

5. Purchase of subsidiaries

Småkraft did 16 acquisitions of companies during 2020:

Company	Purchase date	Voting rights/ share-holding acquired through the acquisition
Tesjolo Kraftverk AS	31.01.2020	100 %
Andvik Holding AS/Svartdalen AS*)	30.04.2020	100 %
Løkkebø Kraftverk AS	01.07.2020	100 %
Ytre Kandal Kraft AS	09.07.2020	51 %
Valdra Kraftverk AS	06.10.2020	100 %
Kvamselva Kraftverk AS	07.10.2020	100 %
Bordalselva Kraftverk AS	30.11.2020	100 %
Gosland Kraft AS	22.12.2020	66 %
Fivelandselva Kraft AS	18.12.2020	100 %
Gryta Kraft AS	27.11.2020	100 %
Svartefoss Invest AS	22.12.2020	100 %
Venna Kraft AS	27.11.2020	100 %
Foldsæ Bergsål	09.12.2020	100 %
Skræi & Skrede Kraft AS	02.12.2020	100 %
Holsen Kraft Nordøla AS	22.12.2020	100 %
Fossåa 1 K AS	31.12.2020	66 %

*) Småkraft AS purchased 100% of Andvik Holding AS which owned 55.2% of Svartdalen Kraft AS per 30.04.2020. At 31.12.2020, Småkraft AS purchase the 44% ownership in Svartdalen Kraft AS. Hence Småkraft AS controls both Andvik Holding AS and Svartdalen Kraft AS 100%.

Based on revised IFRS 3 Business Combinations definitions of purchase of entities and assets, Småkraft decided to change the accounting treatment of purchase of single purpose companies with power plants from "business combinations" to "purchase of assets". The change had effect from 1.1.2020. Hence all acquisition in 2020 are treated as purchase of assets, except from Andvik Holding AS with its subsidiary Svartdalen Kraft AS, which is, because of its nature, treated as business combination.

Total allocations of cost price for business combinations in 2020:

<i>Amounts in EUR thousand</i>	Total
Consideration	
Cash	9 039
Total acquisition cost	9 039
Book value of net acquired assets (see table below)	-116
Identification of excess value, attributable to:	
Intangible assets	9 803
Interest goodwill	1 368
Gross excess value	11 171
Deferred tax on excess value	-2 015
Net excess value	9 155
Fair value of net acquired assets, exluding goodwill	9 039
Of which	
Controlling interests	9 039
Total	9 039
Total acquisition cost	9 039
Fair value of net acquired assets, excluding goodwill (controlling interest)	9 039
Goodwill	-0
Book value of net acquired assets	
<i>Amounts in EUR thousand</i>	Total
Intangible assets	
Property, plant and equipment	6 563
Deferred tax assets	97
Non-current assets	6 661
Cash and cash equivalents	332
Current assets	332
Aquired assets	6 992
Interest bearing liabilities, non-current	-7 023
Other interest-free liabilities	-85
Net value of acquired assets	-116
Total acquisition cost	9 039
Considerations and cost in cash and cash equivalents	9 039
Cash and cash equivalents in acquired companies	332
Net cash payments in connection with the acquisition	8 708
Contribution to gross operating revenue since acquisition date	35
Contribution to net profit since acquisition date	-149

Total purchase of assets in 2020:

<i>Amounts in EUR thousand</i>	Total
Consideration	
Cash	23 796
Total acquisition cost	23 796
Book value of net acquired assets (see table below)	6 173
Identification of excess value, attributable to:	
Intangible assets	25 063
Gross excess value	25 063
Deferred tax on excess value	-
Net excess value	25 063
Fair value of net acquired assets	31 235
Of which	
Controlling interests	23 796
Total	23 796
Total acquisition cost	23 796
Fair value of net acquired assets	23 796
Net	0

Book value of net acquired assets

<i>Amounts in EUR thousand</i>	Total
Property, plant and equipment	31 264
Deferred tax assets	19
Non-current assets	31 283
Cash and cash equivalents	6 459
Receivables	689
Current assets	7 148
Acquired assets	38 431
Interest bearing liabilities, non-current	-31 602
Other interest-free liabilities	-657
Net value of acquired assets	6 173
Total acquisition cost	23 796
Non-cash elements of acquisition cost	-
Considerations and cost in cash and cash equivalents	23 796
Cash and cash equivalents in acquired companies	6 459
Net cash payments	17 337
Contribution to gross operating revenue since acquisition date	95
Contribution to net profit since acquisition date	267

6. Management of capital structure

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

Overview of capital included in management of capital structure

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Interest-bearing liabilities, non-current	82 431	75 984
Interest-bearing liabilities, current	208 360	171 211
Cash and cash equivalents, excluding restricted cash	19 870	50 971
Net interest- bearing liabilities	270 921	196 223

Småkraft has several debt covenants, which include:

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

7. Market risk

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 and commodities, 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 1/3 of the expected annual production capacity for the next four to five years have such contracts to reduce the residual risk after land lease and minority interests. Småkraft has set risk-limits within which trading activities are allowed. Both realized cash effects and unrealized non-cash effects from trading are presented as a part of other revenue in the profit and loss statement.

Description of foreign exchange and interest rate 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 NOK and EUR. Småkraft settlement currency at the Nordic power exchange Nord Pool is EUR and NOK, and all power contracts traded in the Nordic power exchange Nasdaq are denominated in EUR. In addition, most of 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.

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

8. Credit risk and liquidity risk

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

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

9. 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 is 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 – 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.

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 in the same sector that uses hedge accounting.

	2020	2019
Operating profit (loss)	4 017	17 035
+Depreciation of fixed assets and intangible assets	11 454	11 610
+Impairment of fixed assets and intangible assets	271	759
EBITDA	15 742	29 404

	2020	2019
Operating profit (loss)	4 017	17 035
+Depreciation of fixed assets and intangible assets	11 454	11 610
+Impairment of fixed assets and intangible assets	271	759
-Unrealised value change on energy derivatives	- 9 698	-12 209
Adjusted EBITDA	6 044	17 195

	2020	2019
Operating profit (loss), twelve months rolling	4 017	17 035
EBIT	4 017	17 035

	2020	2019
Operating profit (loss), twelve months rolling	4 017	17 035
+Impairment of fixed assets and intangible assets	271	759
-Unrealised value change on energy derivatives	-9 698	-12 209
Adjusted EBIT	- 5410	5 585

	2020	2019
EBIT	4 017	17 035
Average capital employed	296 572	448 819
ROACE	1,35%	3,8%

	2020	2019
Adjusted EBIT	-5 410	5 585
Average capital employed	296 572	448 819
Adjusted ROACE	-1,82%	1,2%

	2020	2019
Equity Ratio	42%	42%
Equity Ratio including Shareholder Loan	47%	42%

10. Revenues and other income

Sale of electric energy

The revenues originate from the generation of hydropower. With regards to revenue recognition, the production per powerplant is measured per hour and allocated the hourly spot price for the specific price region. Småkraft sells its product electricity to Nordpool via a broker. Småkraft thus not have regular customers. Småkraft sells el- certs and guarantees of origin via multiple brokers.

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. When EL-certificates are generated they are measured at fair value and recognised as a government grant within "Other operating income" and inventory. Upon subsequent sales of the certificates, the sales price is recognised within "Revenues". Inventory of EL-certificates are measured at fair value with adjustments to "Other operating income".

Power and currency 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 14 Financial instruments.

<i>Amounts in EUR thousand</i>	2020	2019
Power revenue	7 602	31 557
Elcertificates	3 892	8 390
Guarantees of origin	432	221
Revenues	11 926	40 169
Other operating revenues	206	191
Unrealized value change on energy derivatives	9 698	12 209
Realized gains and loss on energy derivatives	8 712	-4 243
Public grants, Elcertificates	599	3 593
Other operating income	19 215	11 751
Total operating income	31 141	51 919

11. Payroll costs, number of employees, loans to employees, etc.

<i>Amounts in EUR thousand</i>	2020	2019
Wages and salaries	1 778	1 619
Payroll tax	357	383
Pension costs	482	203
Other benefits	68	71
Sum	2 686	2 275

Number of full-time employees as of 31.12	20	20
---	----	----

The company is obliged to have a mandatory pension scheme for its employees in line with the Norwegian Company Act § 7-30a. The company has a pension scheme that satisfies these requirements.

Managing Director's remuneration

<i>Amounts in EUR thousand</i>	2020	2019
Salaries	159	206
Pensions	13	15
Other benefits	3	31
Sum	175	252

The numbers relate to the current CEO during 2020, Terje Vedeler. The former CEO, Halle Aslaksen resigned in December 2019. All 2019- numbers relate to him. The CEO's pension is included in the company's pension scheme. The CEO has a bonus agreement limited up to 5 times his monthly salary.

The company has not issued any loans or guarantees in favour of the CEO, directors or shareholders. The Board of Directors do not receive any remuneration for its positions as Board Members. One of the Board Members has a consultant agreement based upon a fixed monthly retainer and hourly based compensation based.

Fees paid to external auditors

<i>Amounts in EUR thousand</i>	2020	2019
Statutory audit	94	123
Tax counselling	22	15
Other assurance services	15	64
Sum	131	202

12. Other operating expenses

<i>Amounts in EUR thousand</i>	2020	2019
Telecommunications	53	56
Rent and related expenses	137	180
Transport	26	15
Travel expenses	171	253
Purchase of various services	2 524	2 548
IT expenses	221	158
Repair/maintenance regarding equipment, machines etc.	484	510
Consultant services	412	534
Other operating expenses	549	567
Other operating expenses	4 578	4 822

13. EI certificates inventory

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
EI-certificates at fair value	162	1 104

The holding of received electricity certificates in the power generation business is presented as inventory in the statement of financial position and is measured at fair market value at the end of the reporting period.

14. Financial instruments

This note provides information about the group's financial instruments, including an overview of all financial instruments held by the group.

The group holds the following financial instruments

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Financial assets		
Financial assets at amortized costs		
Other long term receivables	10 382	23 837
Trade receivables	1 334	2 576
Other short term receivables	3 526	2 457
Assets and liabilities held to fair value through profit and loss		
Short term investment in marked based securitites	92	98
Derivative financial instruments		
Used for hedging without hedge accounting	8 083	3 454

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Financial liabilities		
Financial liabilities at amortized costs		
Convertible debt	25 000	
Debt to financial institutions	215 791	197 195
Bond debt	50 000	50 000
Trade and other payables*	6 580	6 453
Derivative financial instruments		
Used for hedging without hedge accounting	778	7 040

* excluding non-financial liabilities

There are no significant differences between booked and fair value of the group's financial instruments.

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

<i>Amounts in EUR thousand</i>	2020	2019
Ingoing balance	247 194	275 033
Repayments/ downpayments:	-5 003	-24 700
New debt	24 416	-
Debt from purchased subsidiaries	23 798	-
Currency exchange rate changes	385	-3 139
Outgoing balance	290 790	247 194

Accounts receivables and accrued revenue

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Accounts receivables at amortized costs	172	741
Loss allowance	-	-229
Earned revenue, not invoiced	1 162	2 064
Sum	1 334	2 576

Accrued revenue are accruals for power delivered yet not invoiced. Typically, power revenue for the last month is invoice in the upcoming month.

Borrowings:

Amounts in EUR thousand

Lenders	Maturity	Currency	31.12.2020	31.12.2019
Sparebank1 Telemark	30.06.2023	NOK	3 555	3 876
Sparebanken Vest	23.08.2023	NOK	4 367	4 828
Sparebanken Sogn og Fjordane	25.06.2049	NOK	6 129	-
DnB	12.12.2028	NOK	4 042	-
Sparebank 1 SMN	10.07.2044	NOK	2 393	-
Sparebanken Sogn og Fjordane	23.04.2043	NOK	1 098	-
Sparebanken Vest	25.08.2023	NOK	1 433	-
SEB/Nordea/DNB	01.09.2021	EUR	162 380	167 005
Rindal Sparebank	04.12.2039	NOK	1 084	-
Sparebanken Vest	15.06.2021	EUR	20 088	20 456
Sparebank1 Gudbrandsdalen	31.12.2043	NOK	1 665	1 806
Sparebanken Sogn og Fjordane	01.11.2043	NOK	2 020	-
Sparebanken Vest	15.02.2024	NOK	997	-
Sparebank1 Telemark	19.09.2046	NOK	1 383	-
DnB	24.06.2022	NOK	3 448	-
Sparebank1 MidtNorge	30.06.2025	NOK	478	507
Subtotal			216 561	198 479
Convertible debt from owners		EUR	25 000	-
Bond debt		EUR	50 000	50 000
Agent commission SEB/Nordea		NOK	-769	-1 284
Total			290 791	247 195
Total long term debt			82 431	75 984
Total short term debt			208 360	171 211

Total borrowings of kEUR 290,791 consists out of kEUR 108,323 borrowings included in total non-current liabilities and kEUR 182,468 included in total current liabilities, please see maturity profiles on page 30.

Loan Sparebank1 MidtNorge

There is a conditional waiver of debt from the bank amounting to MNOK 5, related to Knutfoss power plant. The bank waived this repayment, if the power plant was not able to generate profits over the next 7 years from the time of the waiver. Based on the current projections, it is considered likely that the power plant will generate such profit. The debt will then likely be settled within 2025, and the loan is therefore included in the long-term interest-bearing debt.

SEB/Nordea/ DnB EUR- loan

The long-term debt is a EUR- loan, and interests are determined every 6 months, as EURIBOR plus a margin, with a repayment period of 40 years. There have been two instalments in 2020, and two in 2019. The loans will be refinanced in 2020. In the period after 31st of December 2020, Småkraft AS has agreed terms with three banks about a syndicated 160 mEUR loan. The loan will have a 40 years repayment profile and it matures during 2024. Both Småkraft AS and the banks will have options to extend this loan with further two years. It is a requirement that the loans are hedged against interest

rate changes and changes in the power- and el-cert prices. The loan has first lien security in most of the power plants in Småkraft AS.

Sparebanken Vest EUR loan

The long-term debt is a EUR-loan, and interests are determined every 6 months, as LIBOR + interest charge + margin. The repayment profile is over 40 years. There has been four instalments in 2019 and four in 2020. This loan expires in June 2021.

Loans in subsidiaries

The loans to Sparebanken Vest Telemark, several local Sparebank 1-banks, Sparebanken Vest and DnB are NOK-based loans in subsidiaries. These loans have repayment profiles over 30 years. They mature at different dates shown in the maturity table above. Interests are determined every three months, as NIBOR + margin. All these loans have security in the power plants in the respective subsidiary.

Revolving facility

There was in 2017 established a revolving facility in NOK with an available amount of MNOK 50. The loan is in NOK, and interests are determined every 6 months, as NIBOR plus a margin of 1,6 percent. Late 2019, this facility was fully repaid, and it has not been utilized since.

Bond

The EUR bond loan was established in 2018 and has a five-year maturity. The average annualized borrowing rate in 2019 was around 1,5% the same for 2020. The bond loan of EUR 50 million is secured by a mortgage on 8 of the Group's hydropower plants and a mortgage on shares in companies that own another three power plants. Mortgages, insurance and bank accounts are linked to the same power plants. Furthermore, the shares in all the subsidiaries of Småkraft Green Bond 1 AS and a bank account in Småkraft AS have been pledged. There are special conditions attached to the bond loan, where, among other things, (i) Småkraft Green Bond 1 AS or any of its subsidiaries shall not provide or maintain a mortgage or other form of security in assets or assets, and (ii) book equity in the total Småkraft Group must be at least 30% of the total capital.

Maturity profile for financial liabilities

The tables shows undiscounted cash flows for each interval and shows only payments of principal:

2020

Lenders	Amount	Maturity	1 year	2 years	3 years	4 years	After 31.12.2025
Sparebank1 Telemark	3 555	2023	209	209	3 403	-	-
Sparebanken Vest	-	2021	-	-	-	-	-
Sparebanken Vest	4 367	2023	291	291	4 113	-	-
Sparebanken Sogn og Fjordane	6 129	2049	225	225	225	225	5 996
DnB	4 042	2028	297	297	297	297	3 460
Sparebank 1 SMN	2 425	2044	158	158	158	158	2 098
Sparebanken Sogn og Fjordane	1 098	2043	-	54	80	80	995
Sparebanken Vest	1 433	2023	48	84	1 409	-	-
Bond debt	50 000	2023	750	750	50 750	-	-
SEB/Nordea/DNB	162 380	2021	163 679	-	-	-	-
Sparebank1 MN	478	2025	96	96	96	96	96
Rindal Sparebank	1 084	2039	107	107	107	107	790
Sparebanken Vest	20 088	2021	20 289	-	-	-	-
Sparebank1 Gudbrandsdalen	1 665	2043	113	113	113	113	1 421
Sparebanken Sogn og Fjordane	2 020	2043	139	139	139	139	1 718
Sparebanken Vest	997	2024	25	56	56	959	-
Sparebank1 Telemark	1 370	2046	87	87	87	87	1 193
DnB	3 484	2 022	232	3 426	-	-	-
Total	266 616		186 744	6 091	61 033	2 260	17 766

2019

Lenders	Amount	Maturity	1 year	2 years	3 years	4 years	After 31.12.2024
Sparebank1 MN	507	2025	101	101	101	101	101
SEB/Nordea/DNB	167 005	2020	169 302				
Sparebanken Vest	20 456	2021	1 249	20 230			
Sparebank1 Telemark	3 876	2020	4 012				
Sparebanken Vest	4 828	2023	362	362	4 612		
Sparebank1 Gudbrandsdalen	1 806	2043	139	139	139	139	1 628
Bond debt	50 000	2023	950	950	950	50 950	
Total	248 478		176 115	21 782	5 802	51 190	1 729

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.

For the period 2018- 2022, 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 Group has entered financial currency swaps from EUR to NOK. The Group has entered these contracts to make sure that the future capital increases in EUR will fully cover future acquisitions in NOK.

The Group 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:

31.12.2020	31.12.2020 Assets		31.12.2020 Liabilities		12 months ended 31.12.2020	
	Long term	Short term	Long term	Short term	P&L	Tax effect
Over FVPL - Interest rates swaps	-	-	287	144	182	-40
Over FVPL - Currency derivatives	-	1 823	-	346	-1 057	233
Over FVPL - Power derivatives	-	6 260	-	-	18 410	-4 050
Sum derivatives	-	8 083	287	490	17 535	-3 858
31.12.2019	31.12.2019 Assets		31.12.2019 Liabilities		12 months ended 31.12.2019	
	Long term	Short term	Long term	Short term	P&L	Tax effect
Over FVPL - Interest rates swaps	-	-	271	385	464	-102
Over FVPL - Currency derivatives	-	687	-	-	-319	70
Over FVPL - Power derivatives	-	2 767	-	6 655	7 966	-1 753
Sum derivatives	-	3 454	271	7 040	8 111	-1 784

Fair value

Fair value is the price that would have been achieved by the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value hierarchy:

Fair value measurements are classified according to the following levels:

- Level 1: Fair value is based on the quoted prices for identical assets or liabilities in active markets.

- Level 2: 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
- Level 3: The valuation is based on unobservable data inputs for the asset or liability.

The Group tries to maximise the use of observable data insofar as possible.

Interest-bearing liabilities

Fair values of interest-bearing liabilities are based on quoted prices where available. Fair value is determined by discounting future cash flows when there is no quoted market price on an active market. The market interest curve is used for discounting future cash flows. The market interest curve is calculated based on available swap rates. Book values is a reasonable approximation to fair values.

Trade receivables and other current and non-current financial assets

For trade receivables and other current receivables, the carrying amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is immaterial for this class of financial instruments.

Trade payables and other non-interest-bearing financial liabilities

For trade payables and other non-interest-bearing financial liabilities, the carrying amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is insignificant for this class of financial instruments.

Equity investments

Fair values for listed shares are based on quoted prices at the end of the reporting period. Fair value of unlisted shares is estimated by using commonly used valuation techniques or measured at cost if the investment does not have a quoted market price in an active market and the fair value cannot be reliably measured.

Cash and cash equivalents

The fair value for this class of financial instruments is assessed to be equal to the nominal amount.

Derivatives

For currency futures, interest and currency swap agreements, and interest rate swaps, the estimated present value is compared with valuations from the other party to the contract to determine how reasonable it is.

31.12.2020					
<i>Amounts in EUR thousand</i>					
Financial assets measured at fair value	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Currency derivatives		1 823		1 823	1 823
Power derivatives		6 260		6 260	6 260
Total financial assets measured at fair value	-	8 083	-	8 083	8 083
Financial liabilities measured at fair value					
Interest rate derivatives		432		432	432
Currency derivatives		346		346	346
Power derivatives		-		-	-
Total financial liabilities measured at fair value	-	778	-	778	778

31.12.2019					
<i>Amounts in EUR thousand</i>					
Financial assets measured at fair value	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Currency derivatives		687		687	687
Power derivatives		2 767		2 767	2 767
Total financial assets measured at fair value	-	3 454	-	3 454	3 454
Financial liabilities measured at fair value					
Interest rate derivatives		656		656	656
Currency derivatives		-		-	-
Power derivatives		6 655		6 655	6 655
Total financial liabilities measured at fair value	-	7 310	-	7 310	7 310

15. Financial result

Financial income

<i>Amounts in EUR thousand</i>	2020	2019
Income from investments in associates	325	-
Agio on borrowings in foreign currency	-	1 094
Unrealized non-cash effect on interest swaps	182	464
Other financial income and agio	2 555	1 603
Total	3 061	3 161

Financial expenses

<i>Amounts in EUR thousand</i>	2020	2019
Interest expenses	4 907	5 049
Disagio on borrowings in foreign currency EUR/ NOK	13 181	-
Unrealized non-cash effect on foreign exchange forwards	1 057	319
Other financial expenses and disagio	921	1 049
Total	20 066	6 417

16. Intangible assets

<i>Amounts in EUR thousand</i>	Water right	Goodwill	Intangible assets	Total
Cost 01.01.2019	3 274	6 228	39 809	49 311
Additions 2019	0	359	3 225	3 584
Cost at 31 December 2019	3 274	6 587	43 034	52 895
Additions 2020	1 026	1 409	35 184	37 619
Cost at 31 December 2020	4 300	7 996	78 218	90 514
Acc. depreciation at 01 Jan 2019	-	-	-955	-955
Amortisation charge 2019	0	0	-722	-722
Acc. depreciations at 31 Dec. 2019	-	-	-1 676	-1 676
Effect of currency movements	-24	-46	-382	-452
Balance at 31 December 2019	3 250	6 541	40 976	50 767
Amortisation charge 2020	0	0	-943	-943
Acc depreciations at 31 Dec. 2020	-	-	-2 619	-2 619
Effect of currency movements 2020	-164	-345	-1 555	-2 064
Balance at 31 December 2020	4 112	7 605	73 662	85 379

Goodwill

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

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Småkraft AS	2 609	2 770
Holmen Kraft AS	1 802	1 913
Andvik/Svartdalen Kraft AS	1 434	-
Småkraft Greenbond 1 AS	707	751
Sigdestad Kraftverk AS	513	544
Grytendal Kraftverk AS	317	337
Other entities	222	227
At the end of the period	7 605	6 541

17. Impairment testing

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

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

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

Cash generating unit

Power plants that are located in the same watercourse and jointly managed are regarded as a single cash-generating unit. Impairment tests are carried out by calculating the present value of future cash flows from the cash-generating unit, which are then tested against associated carrying amounts. Goodwill and intangible assets that are subject for testing is related to the following cash generating units:

- Jordal and Ryssdal Powerplants
- Osvatn, Tøsse, Møllefossen, Måren, Tverrgjuvlo and Takle
- Kvernåi
- Liaelva
- Nybuelve and Tverråne
- Holmen powerplant
- Småkraft green bond- powerplants
- Sigdestad powerplant
- Grytendal powerplant
- Røfsdalselva powerplant
- Spilling powerplant
- Kvemma powerplant

Budget

The impairment tests carried out for 2020 are based on the budget for 2021 and up to a 100 year period prior to setting the terminal value. If the power plant has a terminal clause in the land lease agreement, the period of time up until the date of the clause is used. The power prices used in the forecast are a mix between the actual power prices traded in the Nordic power market for the first years and power curves from three independent power consultancies for the entire remaining time period. Småkraft uses longer than 5 years forecast- periods, because the nature of our business is long- term with land- lease periods ranging from 40 to 100 years.

Discount rate

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

Sensitivity

The Group has carried out sensitivity analyses examining the consequences of changes in various assumptions for the recoverable amount on some of the power plants. For all of the CGUs with goodwill, the difference between the carrying amounts and the recoverable amounts are significant. The recoverable amount is particularly sensitive to changes in long- term power prices and changes in the discount rate. The sensitivities vary among the CGUs, but all CGUs with goodwill have significant headroom. For the CGU with lowest difference between recoverable amount, the following sensitivities apply. If the long-term power price curve increases with 10%, the fair value of the typical CGU increases with approximately 15%, while it decreases with approximately 15% with 10% price reduction. If the discount rate increases with 0,1%- point, the fair value of the typical CGU decreases with approximately 3%, while it increases with approximately 3% with similar discount rate reduction. All of the CGUs with goodwill have significantly more than 15% headroom between recognized amounts and recoverable amounts.

18. Property, plant and equipment

Amounts in EUR thousand	Buildings	Power plants	Transmission installation	Inlet and waterway	Access facility	Investment contribution	Vehicles	Fixtures and fittings
Cost at 1 January 2019	17 948	153 927	16 274	169 161	23 929	7 735	183	735
Additions, purchased 2019	4 211	4 483	0	5 267	219	-87	41	-4
Cost at 31 Desember 2019	22 159	158 410	16 274	174 428	24 148	7 648	223	731
Additions, purchased 2020	156	17 499	173	6 002	2 090	649	29	10
Cost at 31 Desember 2020	22 315	175 909	16 447	180 431	26 238	8 297	253	741
Acc. depreciations at 1 Jan. 2019	-3 866	-21 888	-2 747	-17 132	-2 959	-392	-99	-378
Depreciation and impairment charge 2019	-542	-4 982	-461	-3 826	-579	-212	-21	-89
Accu. depreciations at 31 Dec. 2019	-4 408	-26 870	-3 208	-20 957	-3 539	-604	-119	-467
Effect of currency movements	151	1 116	111	1 302	175	60	1	2
Balance at 31 December 2019	17 902	132 656	13 176	154 773	20 785	7 104	105	266
Reclassifications	0	-1 581	0	0	0	0	0	0
Depreciation charge 2020	-519	-4 874	-425	-3 647	-566	-212	-22	-84
Impairment charge 2020		-271						
Acc. depreciations at 31 Dec. 2020	-4 926	-33 596	-3 633	-24 604	-4 105	-816	-141	-551
Effect of currency movements	-1 056	-7 804	-772	-8 964	-1 222	-410	-6	-16
Balance at 31 December 2020	16 483	137 206	12 152	148 164	21 086	7 131	106	176
Accumulated impairment charge 31 Desember 2	0	-898	0	-354	0	0	0	0
Percentage	2,50 %	1,2-20%	1,25 - 2,85%	1,25 - 2,5%	1,25 - 2,5%	2,12 - 2,5%	12,50 %	20,00 %
Economic life	40	5-75	35 - 80	40 - 80	40 - 80	40 - 47	8	5
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line

Amounts in EUR thousand	Plant under constructi	Land	Leased assets	Total
Cost at 1 January 2019	7 951	483	352	398 677
Additions, purchased 2019	515	0	0	14 645
Cost at 31 Desember 2019	8 465	483	352	413 322
Additions, purchased 2020	35 053	4	0	61 665
Cost at 31 Desember 2020	43 518	487	352	474 987
Accumulated depreciation at 1 Jan. 2019	-1 970	-	-	-51 432
Depreciation and impairment charge 2019	-759	0	-178	-11 648
Accumulated depreciation at 31 Dec. 2019	-2 729	-	-178	-63 080
Effect of currency movement	49	4	1	2 971
Balance at 31 December 2019	5 785	487	176	353 214
Reclassifications	1 581	0	0	0
Depreciation charge 2020	0	0	-163	-10 512
Impairment charge 2020				-271
Accumulated depreciation at 31 Dec. 2020	-1 148	-	-341	-73 862
Effect of currency movement	537	-28	-12	-19 756
Balance at 31 December 2020	41 374	463	-	384 341
Accumulated impairment charge 31 Desember 2020	0	0	0	-1 252

19. Associated companies

<i>Amounts in EUR thousand</i>	Luster Småkraft AS	Rullestad & Skromme AS	Total
Companies are recorded using the equity method			
Acquisition cost	51	4	55
Share of equity at the time of acquisition	51	4	55
Excess over book value	-	-	-
Closing balance at 31 December 2019	51	0	51
Investments current year	1 119	0	1 119
Share of prior years net income	442	0	442
Share of current year net income	-117	0	-117
Effect of currency movements	31	0	31
			1
Closing balance at 31 December 2020	1 526	-	526

Småkraft AS owns 50% of Luster Småkraft AS. The remaining 50% is owned by Luster Energi AS. Luster Småkraft AS develops and operates small- scale power plants in the Luster area. Per end of 2020, the company has successfully constructed the 3 small- scale hydro power plants: Kvåle, Holen and Vanndøla. Combined they have a normalized annual production of about 50 GWh.

Småkraft AS owns 35% of Rullestad & Skromme AS, and 65% of this company is owned by local landowners. The company is established to build small scale hydropower in Rullestad and Skromme, Etne, Hordaland. The company has water rights in 4 different projects in the area, with a possible annual production up to approximately 77 GWh. There are no employees in the company.

20. Receivables; amounts due after more than one year

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Loans to associates:		
Loans to associates - Luster Småkraft AS	764	811
Loans to associates - R&S Energi AS	899	937
Loans to associates - Utbygging Holding AS	3 228	3 346
Loans to associates - Småkraft Utbygging AS	0	12 185
Provisions for loss on loans to associates	-845	-915
Other receivables:		
Deposit rent	100	106
Prepaid water right lease	5 949	7 106
Other long term receivables	287	260
Total	10 382	23 837

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 27 for further details about prepaid water right lease.

21. Related party transaction and balance items.

Småkraft and its subsidiaries and associates have sought to do transactions on commercial terms. The companies also have business transactions regarding the corporate account. These are shown in the table below. Transactions and balance items between Småkraft AS and its subsidiaries are eliminated in the consolidation and are hence not presented under "Group" in this note.

Luster Småkraft AS og Rullestad & Skormme AS are associated companies (note 19). The individuals stated in note 3 are also related parties of Småkraft AS. Apart from the transactions specified in this note and note 3, there are no significant related party transactions or balance items. The table only shows related party transactions above NOK 100 000.

Transaction / transaction group	Related accounting line	2020	2019
Joint ventures			
Interest bearing loans	Receivables	1 663	1 748
Total		1 663	1 748
Other related parties/ sister companies			
Purchase of services from related party	Other operating cost	11	370
Total		11	370
Sales of various goods and services	Other operating revenue	83	239
Total		83	239
Interest bearing loans	Receivables	3 228	15 531
Total		3 228	15 531

22. Ownership structure

Ownership structure 31.12.2020	Number	Nominal amount	Voting share	Ownership share
Aquila GAM Fund GmbH & Co. Geschlossene Investmentkommanditgesellschaft	538 981	50	15,4 %	15,4 %
Aquila Capital European Hydropower Fund S.A.	988 652	50	28,3 %	28,3 %
ACEH Norway 1 B.V.	1 871 815	50	53,5 %	53,5 %
ACEH Norway 2 B.V.	98 843	50	2,8 %	2,8 %
Sum	3 498 291	50	100 %	100 %

23. Taxes

Amounts in EUR thousand

The tax expense in the income statement	2020	2019
Income tax payable	-259	712
Resource rent tax payable	-236	557
Natural resource tax payable	60	49
Natural resource tax offset income tax payable	0	-86
Change unused deduction in natural resource tax	-60	0
Change in deferred resource rent tax	-19	-14
Change in deferred income tax	-2 712	2 326
Tax expense in the income statement	-3 225	3 544
Reconciliation of nominal tax rate and effective tax rate	2020	2019
Profit before tax	-12 987	13 757
Tax rate, percent	22 %	22 %
Expected tax expense	-2 857	3 027
Effect on taxes of		
Permanent differences	38	41
Taxes on resource rent payable	-236	557
Deferred resource rent tax	-19	-15
Changes related to deferred tax on off-balance sheet items	-202	-62
Other changes	51	-4
Tax expense	-3 225	3 544
Effective tax rate	25 %	26 %
Taxes payable in the balance sheet	2020	2019
Receivable tax at deficit from 2020	-265	0
Income tax payable	0	711
Taxes on ground rent payable	-241	557
Natural resource tax payable	62	0
Used natural resource tax	0	-37
Taxes payable in the balance sheet	-445	1 231

Specification of temporary differences and deferred tax

	2020	2019
Fixed assets	76 414	45 472
Current assets/current liabilities	-18	0
Pension obligations	101	107
Interest deduction carry forward	-1 334	-1 416
Construction contracts	0	154
Capitalized finance expenses	769	1 284
Unrealized currency gain	0	1 848
Unrealized derivatives	7 587	-2 827
Deferred capital gains	-105	-139
Other differences	-4	-257
Temporary differences	83 410	44 226
Losses carried forward	-59 270	-44 079
Differences not affecting deferred tax*	-31 082	-5 909
Basis for deferred tax	-6 941	-5 762
Tax rate	22 %	22 %
Net deferred tax benefit (-)/liability (+) in the balance sheet, ordinary tax	-1 527	-1 267
Off-balance sheet deferred tax benefits	17	
Deferred tax benefit	-1 510	-1 267

Specification of deferred taxes on ground rent

	2020	2019
Fixed assets	42	101
Sum	42	101
Tax rate	37 %	37 %
Deferred ground rent tax	16	37
Natural rent tax carried forward	-141	0
Net deferred tax benefit (-)/liability (+) in the balance sheet, all tax	-1 636	-1 230

Presentation

	2020	2019
Deferred tax benefit	3 200	2 767
Deferred tax	1 564	1 537
Net	1 636	1 230

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

24. Cash and cash equivalents

The company has established a bank guarantee for the payment of tax. Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2020.

25. Secured borrowings and guarantees

Secured borrowings etc.

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Borrowings from financial institutions	291 560	198 479
Agent commission	-769	-1 284
Total	290 791	197 195

Carrying amount of pledged assets

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Operating equipment	95	233
Accounts receivable	15	462
Power plants and related water lease agreements	205 701	244 162
Total	205 811	244 857

As of 31 December 2020, Småkraft AS has a bank loan in EUR amounting to mEUR 162,38. The bank has 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 tax deduction. Småkraft AS has a deposit regarding rent in a restricted bank account amounting to TNOK 297. According to the shareholders agreement with Luster Småkraft AS, Småkraft AS is obligated to make capital available to Luster Småkraft AS.

26. Concessions

As of 31.12.2020, Småkraft AS has concessions for additional 15 power plants with a total annual production of approximately 250 GWh.

27. Water and lease agreements

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

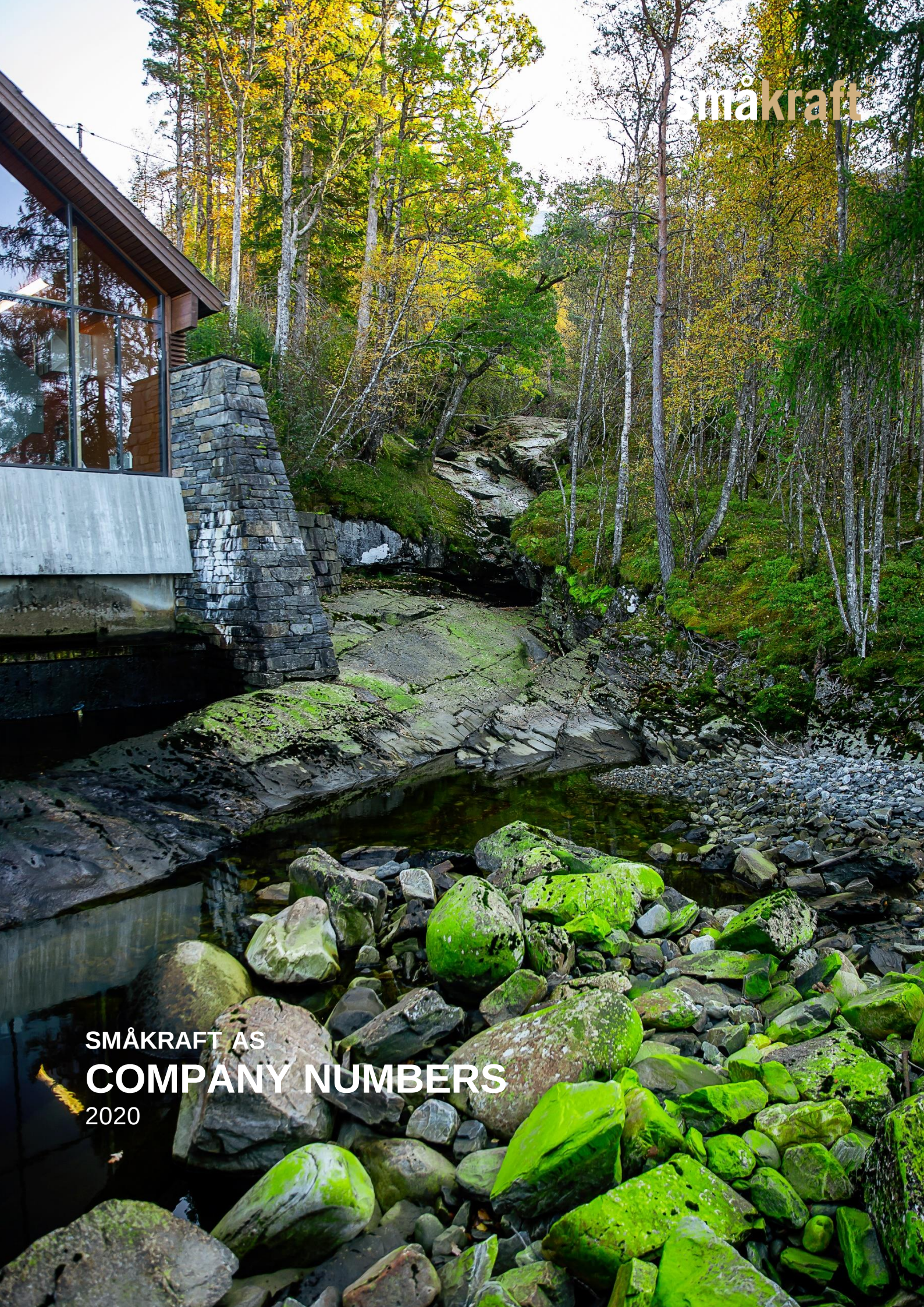
The loans are normally interest-bearing loans. The minimum payments are interest bearing payments to the landowners that will be offset against future land lease profits.

Loans from Småkraft AS to landowners:

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Loans to landowners	931	1 858
Minimum payments to landowners	5 018	5 249
Total	5 949	7 106

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Receivables towards landowners, off balance	24 290	19 430
Total	24 290	19 430

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



Småkraft®

SMÅKRAFT AS
COMPANY NUMBERS
2020

ANNUAL ACCOUNTS AND NOTES

SMÅKRAFT AS

STATEMENT OF PROFIT AND LOSS

<i>Amounts in EUR thousand</i>	<i>Note</i>	12 months ended 31.12.2020	12 months ended 31.12.2019
Revenue	9	8 985	29 545
Other operating income	9	18 848	10 111
Total operating income		27 833	39 656
Water rights costs		296	1 240
El-certs costs	9	3 555	6 828
Transmission costs		1 071	1 970
Payroll and related costs	10	2 643	2 269
Depreciation of fixed assets and intangible assets	15,17	7 569	8 137
Impairment of fixed assets and intangible assets	15,17	271	759
Property tax and licence fees		1 230	1 450
Other operating expenses	11	3 895	4 206
Total operating expenses		20 530	26 860
Operating profit/(loss)		7 303	12 796
Financial income	14	3 885	3 637
Financial expenses	14	-17 978	-5 162
Net financial items		-14 092	-1 525
Profit/(loss) before tax		-6 789	11 271
Tax expense (income)	23	1 456	-2 456
Profit (loss)		-5 333	8 815
Profit/(loss) is attributable to:			
Equity holders of the parent company		-5 333	8 815
Other comprehensive income:			
Presentation currency effects		-11 435	1 215
Total other comprehensive income		-11 435	1 215
Total comprehensive income for the year		-16 768	10 030

STATEMENT OF FINANCIAL POSITION

Non - current assets

<i>Amounts in EUR thousand</i>	<i>Note</i>	31.12.2020	31.12.2019
Goodwill	15	2 609	2 770
Intangible Assets	15	14 770	13 144
Property, plants and equipment	17	237 395	235 920
Deferred tax assets	23	7 844	6 743
Investments in subsidiaries	5,19	111 190	81 331
Loans to subsidiaries	21	45 795	36 503
Loans to associates	20,21	4 892	17 279
Investments in associates	18	1 194	51
Long-term receivables	20	5 089	6 238
Total non-current assets		430 778	399 981

Current assets

Inventory		67	64
Inventory EL certificates	12	146	1 040
Trade receivables	13	1 288	2 310
Other receivables		2 959	2 671
Derivatives	13	8 077	3 450
Cash and Cash equivalents		9 576	40 340
Total current assets		22 113	49 875
Total assets		452 891	449 856

Shareholders equity

<i>Amounts in EUR thousand</i>		31.12.2020	31.12.2019
Share capital	22	16 706	16 221
Other equity		-	45 201
Share-premium reserve		188 722	131 452
Retained earnings		4 244	10 301
Total shareholders equity		209 672	203 175
Total equity		209 672	203 175

Non-current liabilities

Borrowings	13	49 912	49 899
Total non-current liabilities		49 912	49 899

Current liabilities

Accounts payable		1 884	1 153
Public duties payable		209	882
Lease liability		-	186
Dividends		-	17 235
Derivatives	13	490	7 040
Borrowings	13	187 176	166 329
Other current liabilities		3 548	3 958
Total current liabilities		193 307	196 782
Total liabilities		243 219	246 681
Total equity and liabilities		452 891	449 856

Bergen, Norway, 12.3.2021
The Board of Directors
Småkraft AS



Chairman of the Board
Tor Syverud



Member of the Board
Annette Malm- Justad



Member of the Board
Joakim Johnsen



Member of the Board
Oldrik Verloop



Member of the Board
Christian Heidfeld



Managing Director
Terje Vedeler

STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Not registered capital increase	Retained earnings	Total equity
<i>Amounts in EUR thousand</i>					
Equity at 31.12.2018	14 539	121 629	22 313	1 482	159 963
Net profit				8 815	8 815
Currency presentation effect	124	896	192	3	1 215
Total comprehensive income for the period	124	896	192	8 818	10 030
Capital increase previous period registered current period	1 558	26 016	-22 504		5 069
Capital increase current period			45 201		45 201
Dividend		-17 088			-17 088
Equity at 31.12.2019	16 221	131 452	45 202	10 300	203 175
Equity at 01.01.2020	16 221	131 452	45 202	10 300	203 175
Net profit				-5 333	-5 333
Currency presentation effect	-945	-9 294	-472	-724	-11 435
Total comprehensive income for the period	-945	-9 294	-472	-6 057	-16 768
Capital increase previous period registered current period	502	44 228	-44 730		0
Capital increase current period	928	22 336			23 264
Equity at 31.12.2020	16 706	188 722	0	4 244	209 672

STATEMENT OF CASHFLOW

<i>Amounts in EUR thousand</i>	12 months ended 31.12.2020	12 months ended 31.12.2019
Cash Flow from operations		
Profit (-loss) before taxation	-6 789	11 271
Depreciation, amortization, impairment	7 840	8 896
Change in unrealized currency gains/losses	12 017	-905
Change in unrealized derivatives	-10 713	-12 170
Change in inventory	808	3 904
Change in working capital	1 479	4 422
Net cash flow from operations	4 642	15 419
Cash flow from investment activities		
Outflows due to purchases of fixed assets and intangibles	-24 958	-26 208
Outflows due to investments in subsidiaries	-33 762	-3 339
Outflows due to investments in others	-1 119	
Outflows from loans to others	-19 304	-22 666
Inflows from loans to others	19 285	-
Net cash flow from investment activities	-59 859	-52 213
Cash flow from financing activities		
Capital increases	23 172	50 327
Dividend payments	-15 857	-20 299
Inflows from loan raising	24 416	-
Outflows from loan payments	-4 277	-12 520
Net Cash Flow from financing activities	27 453	17 508
Currency translation effects	-3 001	628
Net change in bank deposits and cash	-27 764	-19 286
Bank deposits and cash at beginning of period	40 340	58 999
Bank deposits and cash at end of period	9 576	40 340

Notes to the accounts, Småkraft AS

Note 1: General information

Småkraft (the Company) is located in Bergen, Norway, with local offices in Harstad, Flatanger and Oslo, and employs 20 people. All of Småkraft's business is in Norway. Småkraft is a supplier of renewable energy based on small scale hydro power plants.

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 certain assets, liabilities and financial instruments 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 the main revenue is noted in EUR, its debt is mainly in EUR and its owners are EUR-based.

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

Transactions and balances

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

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- certs and guarantees of origin on the Nordic power market.

The segment information is reported in accordance with the reporting to board of directors (chief operating decision makers), and is consistent with financial information used for assessing performance and allocating resources. EBITDA is defined as segment profit or loss (please see page 32 of this report for definitions of Alternative Performance Measures including EBITDA).

Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. Periodic maintenance is capitalised and depreciated over the period until next maintenance. All other 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' residual values and useful lives are reviewed annually, and adjusted if appropriate. Gains and losses on disposals are determined by comparing actual proceeds with the carrying amount. Gains and losses on disposal are included in profit or loss.

Intangible assets

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

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

Goodwill

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

Leases

The Company's main lease type of agreements are related to water rights. The rights are considered intangible assets. Småkraft has elected to not 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 utilise the water in the rivers. The agreement typically has a period varying from 40 to 75 years, starting when the power plant is put into commercial operation.

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

4. *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.

5. *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.

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

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

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

Other leases

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

Right-of-use assets

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

Lease liabilities

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

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

Estimates and Judgment when calculating Land lease:

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

Financial instruments

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

Financial assets

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

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

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

For financial assets measured at fair value, gains and losses will be recorded in profit or loss.

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

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

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

Cash and cash equivalents

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

Accounts receivables and accrued revenue

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

Financial liabilities

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

Accounts payables and other financial payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of

period which are unpaid. They are recognised at fair value. Småkraft does not subsequently measure at amortised cost using the effective interest method, as the difference is insignificant. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Financial guarantee contracts

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of:

- the amount determined in accordance with the expected credit loss model under IFRS 9 Financial Instruments and
- the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of IFRS 15 *Revenue from Contracts with Customers*.

The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where guarantees in relation to loans or other payables of associates are provided for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of the investment.

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.

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 Company has applied the following standards and amendments for the first time for the reporting period commencing 01.01.2020:

- Definition of Material – amendments to IAS 1 and IAS 8
- Interest Rate Benchmark Reform – amendments to IFRS 9, IAS 39 and IFRS 7
- Revised Conceptual Framework for Financial Reporting
- Covid-19-Related Rent Concessions – amendments to IFRS 16

None of the amendments listed above have had any impact on the amounts recognised in prior periods and are not expected to significantly affect the future periods.

Standards and amendments issued but not yet effective

Changes in IAS 1 with regards to classification of short term and long-term debt will not have significant effects on Småkraft AS' Financial Statements.

Note 3: Key accounting estimates and judgements

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

Long term price forecast for power

One of the key assumptions used by management in making business decisions is Småkraft's long term price forecasts for power. These assumptions are critical input for management related to financial statement process such as:

- Allocation of fair value in purchase of power plants , note 5
- Impairment testing of property, plant and equipment, note 18
- Impairment testing of intangible assets, note 16

Småkraft updates its long- term price forecasts continuously, based on market developments. Sensitivity analysis are disclosed in impairments, note 16.

Fair value measurement

Significant estimates are applied in the valuation of the Company'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. Where fair value measurement cannot be derived from publicly available information, they are estimated using models and other valuations methods. To the extent possible, the assumptions and inputs used take into account externally verifiable inputs. However, such information is by nature subject to uncertainty, particularly where comparable market-based transactions do often not exist. In such cases Småkraft's management is required to make market based-assumptions, see note 14.

Application of accounting policy

Due to Småkraft's business activities, management must apply judgements in determining the appropriate accounting policy in areas where these policies may have a material impact on how amounts are reported in the financial statements. Such areas include:

- Classification of energy contracts, see note 14
- Classification of energy and other revenue, see note 10
- Classification of power purchase agreements, see note 14

Note 4: Subsequent events

After year end, Småkraft has agreed terms with a syndicate of banks about refinancing of its main facility. Småkraft has acquired eight power plants with in total 77 GWh production capacity. On 14th of January, Småkrafts shareholders increased the equity in the company with 25 mEUR .

Note 5: Management of capital structure

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

Småkraft has several debt covenants, which include:

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

Note 6: Market risk**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 and commodities, 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 1/3 of the expected annual production capacity for the next four to five years have such contracts to reduce the residual risk after land lease and minority interests. Småkraft has set risk-limits within which trading activities are allowed.

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

Description of foreign exchange and interest rate 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 NOK and EUR.

Småkraft settlement currency at the Nordic power exchange Nord Pool is EUR and NOK, and all power contracts traded in the Nordic power exchange Nasdaq are denominated in EUR. In addition, most of 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.

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

Note 7: Credit Risk and Liquidity risk

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

Note 8: Alternative Performance Measures

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 is 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 – 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.

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.

	2020	2019
Operating profit (loss)	7 303	12 796
+Depreciation of fixed assets and intangible assets	7 569	8 137
+Impairment of fixed assets and intangible assets	271	759
EBITDA	15 143	21 692

	2020	2019
Operating profit (loss)	7 303	12 796
+Depreciation of fixed assets and intangible assets	7 569	8 137
+Impairment of fixed assets and intangible assets	271	759
-Unrealised value change on energy derivatives	-9 698	-12 209
Adjusted EBITDA	5 445	9 483

	2020	2019
Operating profit (loss), twelve months rolling	17 035	-484
EBIT	17 035	-484

	2020	2019
Operating profit (loss), twelve months rolling	7 303	12 79
+Impairment of fixed assets and intangible assets	271	759
-Unrealised value change on energy derivatives	-9 698	-12 209
Adjusted EBIT	- 2 124	1 346

Note 9 – Operating revenues

<i>Amounts in EUR thousand</i>	2020	2019
Power revenue	5 173	22 344
Elcertificates	3 555	6 828
Guarantees of origin	258	110
Revenues	8 985	29 283
Other operating revenues	118	191
Unrealized value change on energy derivatives	9 698	12 209
Realized gain and loss on energy derivatives	8 712	-4 243
Public grants, Elcertificates	319	2 216
Other operating income	18 848	10 373
Total operating income	27 833	39 656

Note 10 - Payroll costs, number of employees, loans to employees, etc.

<i>Amounts in EUR thousand</i>	2020	2019
Wages and salaries	1 739	1 614
Payroll tax	354	382
Pension costs	482	203
Other benefits	68	71
Sum	2 643	2 269

Number of full-time employees as of 31.12	20	20
---	----	----

Managing Directors' remuneration

<i>Amounts in EUR thousand</i>	2020	2019
Salaries	159	206
Pensions	13	15
Other benefits	3	31
Sum	175	252

The numbers relate to the current CEO during 2020, Terje Vedeler. The former CEO, Halle Aslaksen resigned in December 2019. All 2019- numbers relate to him. The CEO's pension is included in the company's pension scheme.

The company has not issued any loans or guarantees in favour of the CEO, directors or shareholders. The Board of Directors do not receive any remuneration for its positions as Board Members. One of the Board Members has a consultant agreement based upon a fixed monthly retainer and hourly based compensation based.

Fees paid to external auditors

<i>Amounts in EUR thousand</i>	2020	2019
Statutory audit	50	123
Tax counselling	9	15
Other assurance services	14	64
Sum	72	202

Note 11: Other operating expenses

<i>Amounts in EUR thousand</i>	2020	2019
Telecommunications	48	53
Rent and related expenses	123	138
Transport	26	15
Travel expenses	171	252
Purchase of various services	1 889	1 931
IT expenses	194	136
Repair/maintenance regarding equipment, machines etc.	418	430
Consultant services	405	530
Other operating expenses	620	720
Other operating expenses	3 895	4 206

Note 12: EI certificates

The holding of received electricity certificates in the power generation business is presented as inventory in the statement of financial position and is measured at fair market value at the end of the reporting period.

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
EI-certificates at fair value	146	1 040

Note 13: Financial instruments

This note provides information about the company's financial instruments, including an overview of all financial instruments held by the Company:

Småkraft holds the following financial instruments

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Financial assets		
Financial assets at amortized costs		
Shares in subsidiaries	111 190	81 331
Investments in associates	1 194	51
Loans to subsidiaries	45 795	36 503
Long term loans	4 892	17 279
Other long term receivables	9 980	6 238
Trade receivables	1288	2 310
Other short term receivables	2 959	2 671
Derivative financial instruments		
Used for hedging without hedge accounting	8 077	3 450

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Financial liabilities		
Financial liabilities at amortized costs		
Convertible debt	25 000	
Debt to financial institutions	162 089	166 228
Bond debt	50 000	50 000
Trade and other payables*	4 457	3 959
Derivative financial instruments		
Used for hedging without hedge accounting	490	7 040

* excluding non-financial liabilities

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

<i>Amounts in EUR thousand</i>	2020	2019
Ingoing balance	216 227	228 623
Repayments/ downpayments:	-4 277	-14 296
New debt	24 416	-
Currency exchange rate changes:	723	1 900
Outgoing balance	237 088	216 227

Accounts receivables and accrued revenue

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Accounts receivables at amortized costs	437	846
Loss allowance	-	-8
Earned revenue, not invoiced	851	1 471
	1 288	2 310

Accrued revenue are accruals for power delivered yet not invoiced. Typically, power revenue for the last month is invoice in the upcoming month.

Borrowings

<i>Amounts in EUR thousand</i>				
Lenders	Maturity	Currency	31.12.2020	31.12.2019
SEB/Nordea/DNB	01.09.2021	EUR	162 380	167 005
Sparebank1 MidtNorge	30.06.2025	NOK	478	507
Subtotal			162 858	167 512
Convertible debt from owners		EUR	25 000	-
Bond debt		EUR	50 000	50 000
Agent commission SEB/Nordea		NOK	-769	-1 284
Total			237 089	216 228
Total long term debt			49 912	49 899
Total short term debt			187 176	166 329

Loan Sparebank1 MidtNorge

There is a conditional waiver of debt from the bank amounting to MNOK 5, related to Knutfoss power plant. The bank waived this repayment, if the power plant was not able to generate profits over the next 7 years from the time of the waiver. Based on the current projections, it is considered likely that the power plant will generate such profit. The debt will then likely be settled within 2025, and the loan is therefore included in the long- term interest- bearing debt.

SEB/Nordea/ DnB EUR- loan

The long- term debt is a EUR- loan, and interests are determined every 6 months, as EURIBOR plus a margin, with a repayment period of 40 years. There have been two instalments in 2020, and two in

2019. In the period after 31st of December 2020, Småkraft AS has agreed terms with three banks about a syndicated 160 mEUR loan. The loan will have a 40 years repayment profile and it matures during 2024. Both Småkraft AS and the banks will have options to extend this loan with further two years. It is a requirement that the loans are hedged against interest rate changes and changes in the power- and el-cert prices. The loan has first lien security in most of the power plants in Småkraft AS.

Revolving facility

There was in 2017 established a revolving facility in NOK with an available amount of MNOK 50. The loan is in NOK, and interests are determined every 6 months, as NIBOR plus a margin of 1,6 percent. Late 2019, this facility was fully repaid and it has not been utilized since.

Bond

The EUR bond loan was established in 2018 and has a five-year maturity. The average annualized borrowing rate in 2019 was around 1,5% the same for 2020. The bond loan of EUR 50 million is secured by a mortgage on 8 of the Company's hydropower plants and a mortgage on shares in companies that own another three power plants. Mortgages, insurance and bank accounts are linked to the same power plants. Furthermore, the shares in all the subsidiaries of Småkraft Green Bond 1 AS and a bank account in Småkraft AS have been pledged. There are special conditions attached to the bond loan, where, among other things, (i) Småkraft Green Bond 1 AS or any of its subsidiaries shall not provide or maintain a mortgage or other form of security in assets or assets, and (ii) book equity in the total Småkraft Group must be at least 30% of the total capital.

Maturity profile for financial liabilities

The table shows undiscounted cash flows for each interval and shows only payments of principal:

2020

Lenders	Amount	Maturity	1 year	2 years	3 years	4 years	After 31.12.2025
Bond debt	50 000	2023	750	750	50 750	-	-
SEB/Nordea/DNB	162 380	2021	163 679	-	-	-	-
Total	212 380		164 429	750	50 750	-	-

The table shows undiscounted cash flows for each interval and shows only payments of principal.

2019

Lenders	Amount	Maturity	1 year	2 years	3 years	4 years	After 31.12.2024
Bond debt	50 000	2023	950	950	950	50 950	
SEB/Nordea/DNB	167 005	2020	169 302				
Total	217 005		170 252	950	950	50 950	-

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 2019- 2024, Småkraft AS has hedged part of the estimated production against price fluctuations. End of last year, 2018 to 2022 was partly hedged. 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:

31.12.2020	31.12.2020 Assets		31.12.2020 Liabilities		12 months ended 31.12.2020	
	Long term	Short term	Long term	Short term	P&L	Tax effect
Over FVPL - Interest rates swaps	-	-	-	144	213	-47
Over FVPL - Currency derivatives	-	1 823	-	346	-1 057	233
Over FVPL - Power derivatives	-	6 254	-	-	18 410	-4 050
Sum derivatives	-	8 077	-	490	17 566	-3 865

31.12.2019	31.12.2019 Assets		31.12.2019 Liabilities		12 months ended 31.12.2019	
	Long term	Short term	Long term	Short term	P&L	Tax effect
Over FVPL - Interest rates swaps	-	-	-	385	280	-62
Over FVPL - Currency derivatives	-	687	-	-	-319	70
Over FVPL - Power derivatives	-	2 763	-	6 655	7 966	-1 753
Sum derivatives	-	3 450	-	7 040	7 927	-1 744

Fair value

Fair value is the price that would have been achieved by the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

31.12.2020 <i>Amounts in EUR thousand</i>					
Financial assets measured at fair value	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Currency derivatives		1 823		1 823	1 823
Power derivatives		6 254		6 254	6 254
Total financial assets measured at fair value	-	8 077	-	8 077	8 077
Financial liabilities measured at fair value					
Interest rate derivatives		144		144	144
Currency derivatives		346		346	346
Power derivatives		-		-	-
Total financial liabilities measured at fair value	-	490	-	490	490

31.12.2019 <i>Amounts in EUR thousand</i>					
Financial assets measured at fair value	Level 1	Level 2	Level 3	Total fair value	Carrying amount
Currency derivatives		687		687	687
Power derivatives		2 763		2 763	2 763
Total financial assets measured at fair value	-	3 450	-	3 450	3 450
Financial liabilities measured at fair value					
Interest rate derivatives		385		385	385
Currency derivatives		-		-	-
Power derivatives		6 655		6 655	6 655
Total financial liabilities measured at fair value	-	7 040	-	7 040	7 040

The fair value hierarchy:

Fair value measurements are classified according to the following levels:

- Level 1: Fair value is based on the quoted prices for identical assets or liabilities in active markets.
- Level 2: 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
- Level 3: The valuation is based on unobservable data inputs for the asset or liability.

The Company tries to maximise the use of observable data insofar as possible.

Interest-bearing liabilities

Fair values of interest-bearing liabilities are based on quoted prices where available. Fair value is determined by discounting future cash flows when there is no quoted market price on an active market. The market interest curve is used for discounting future cash flows. The market interest curve is calculated based on available swap rates.

Trade receivables and other current and non-current financial assets

For trade receivables and other current receivables, the carrying amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is immaterial for this class of financial instruments.

Trade payables and other non-interest-bearing financial liabilities

For trade payables and other non-interest-bearing financial liabilities, the carrying amount is assessed to be a reasonable approximation of fair value. The effect of not discounting is insignificant for this class of financial instruments.

Equity investments

Fair values for listed shares are based on quoted prices at the end of the reporting period. Fair value of unlisted shares is estimated by using commonly used valuation techniques or measured at cost if the investment does not have a quoted market price in an active market and the fair value cannot be reliably measured.

Cash and cash equivalents

The fair value for this class of financial instruments is assessed to be equal to the nominal amount.

Derivatives

For currency futures, interest and currency swap agreements, and interest rate swaps, the estimated present value is compared with valuations from the other party to the contract to determine how reasonable it is.

Note 14: Financial result

Financial income

<i>Amounts in EUR thousand</i>	2020	2019
Income from investments in subsidiaries	122	160
Interest income from subsidiaries	1 024	745
Agio on borrowings in foreign currency	-	905
Unrealized non-cash effect on interest swaps	213	280
Other financial income and agio	2 527	1 547
Total	3 885	3 637

Financial expenses

<i>Amounts in EUR thousand</i>	2020	2019
Interest expenses	3 884	3 795
Disagio on borrowings in foreign currency		
EUR/ NOK	12 017	-
Unrealized non-cash effect on foreign exchange forwards	1 057	319
Other financial expenses and disagio	1 020	1 048
Total	17 978	5 162

Note 15: Intangible assets

<i>Amounts in EUR thousand</i>	Water right	Goodwill	Intangible assets	Totalt
Cost 01.01.2019	3 274	3 072	10 679	17 024
Additions 2019	0	0	0	0
Cost at 31 December 2019	3 274	3 072	10 679	17 024
Additions 2020	1 026	0	1 493	2 519
Cost at 31 December 2020	4 300	3 072	12 172	19 543
Acc. depreciation at 01 Jan 2019	-	-246	-282	-529
Amortisation charge 2019	0	0	-112	-112
Acc. depreciation at 31 Dec. 2019	-	-246	-395	-641
Effect of currency movements	-24	-55	-390	-469
Balance at 31 December 2019	3 250	2 770	9 894	15 914
Amortisation charge 2020	0	0	-188	-188
Acc. depreciation at 31 Dec. 2020	-	-246	-582	-829
Effect of currency movements 2020	-163	-161	-542	-866
Balance at 31 December 2020	4 113	2 609	10 657	17 379

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

Note 16: Impairment testing

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

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

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

Cash generating unit

Power plants that are located in the same watercourse and jointly managed are regarded as a single cash-generating unit. Impairment tests are carried out by calculating the present value of future cash flows from the cash-generating unit, which are then tested against associated carrying amounts. Goodwill and intangible assets that are subject for testing is related to the following cash generating units:

- Jordal and Ryssdal Powerplants
- Osvatn, Tøsse, Møllefossen, Måren, Tverrgjuvlo and Takle
- Kvernåi
- Liaelva

Budget

The impairment tests carried out for 2020 are based on the budget for 2021 and up to a 100 year period prior to setting the terminal value. If the power plant has a terminal clause in the land lease agreement, the period of time up until the date of the clause is used. The power prices used in the forecast are a mix between the actual power prices traded in the Nordic power market for the first years and power curves from three independent power consultancies for the entire remaining time period. Småkraft uses longer than 5 years forecast-periods, because the nature of our business is long-term with land-lease periods ranging from 40 to 100 years.

Discount rate

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

Sensitivity

The Company has carried out sensitivity analyses examining the consequences of changes in various assumptions for the recoverable amount on some of the power plants. For all of the CGUs with goodwill, the difference between the carrying amounts and the recoverable amounts are significant. The recoverable amount is particularly sensitive to changes in long-term power prices and changes in the discount rate. The sensitivities vary among the CGUs, but all CGUs with goodwill have significant headroom. For the CGU with lowest difference between recoverable amount, the following sensitivities apply. If the long-term power price curve increases with 10%, the fair value of the typical CGU increases with approximately 15%, while it decreases with approximately 15% with 10% price reduction. If the discount rate increases with 0,1%- point, the fair value of the typical CGU decreases with approximately 3%, while it increases with approximately 3% with similar discount rate reduction. All of the CGUs with goodwill have significantly more than 15% headroom between recognized amounts and recoverable amounts.

Note 17: Property, plant and equipment

Amounts in EUR thousand	Buildings	Power plants	Transmission installation	Inlet and waterway	Access facility	Investment contribution	Vehicles	Fixtures and fittings
Cost at 1 January 2019	20 013	113 331	13 928	105 509	17 194	1 889	183	667
Additions 2019	0	1 959	0	2 239	266	-114	41	3
Cost at 31 Desember 2019	20 013	115 290	13 928	107 748	17 460	1 775	223	670
Additions 2020	0	834	0	954	17	0	20	4
Disposals 2020	0	0	0	0	0	0	0	0
Cost at 31 Desember 2020	20 013	116 124	13 928	108 702	17 477	1 775	244	674
Acc. depreciations at 1 Jan. 2019	-3 678	-18 311	-2 494	-14 324	-2 381	-135	-99	-360
Depreciation	-504	-3 731	-394	-2 565	-428	-52	-21	-79
Impairment charge 2019								
Acc. depreciations at 31 Dec. 2019	-4 183	-22 042	-2 888	-16 889	-2 809	-187	-119	-439
Effect of currency movements	141	816	98	782	127	15	1	3
Balance at 31 December 2019	15 971	94 064	11 138	91 640	14 778	1 603	105	233
Depreciation charge 2020	-464	-3 464	-362	-2 393	-394	-45	-22	-74
Impairment charge 2020		-271						
Acc. depreciations at 31 Dec. 2020	-4 646	-25 777	-3 251	-19 282	-3 202	-232	-141	-514
Effect of currency movements	-936	-5 518	-654	-5 343	-865	-94	-6	-15
Balance at 31 December 2020	14 571	85 644	10 122	84 858	13 537	1 464	97	147
Accumulated impairment charge 31 Desember 2020	0	-898	0	-354	0	0	0	0
Percentage	2,50 %	1,2-20%	1,25 -2,85%	1,25 -2,5%	1,25 -2,5%	2,12 -2,5%	12,50 %	20,00 %
Economic life	40	5-75	35 -80	40 -80	40 -80	40 -47	8	5
Depreciation method	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line	Straight-line

Amounts in EUR thousand	Plant under construction	Land	Leased assets	Total
Cost at 1 January 2019	6 395	479	450	280 036
Additions 2019	37	0	53	4 484
Cost at 31 Desember 2019	6 432	479	503	284 520
Additions 2020	22 653	0	0	24 481
Disposals 2020	-2 042	0	0	-2 042
Cost at 31 Desember 2020	27 042	479	503	306 959
Acc. depreciations at 1 Jan. 2019	-	-	-150	-41 934
Depreciation	0	0	-178	-7 951
Impairment charge 2019	-759			-759
Acc. depreciations at 31 Dec. 2019	-759	-	-328	-50 645
Effect of currency movements	56	4	3	2 044
Balance at 31 December 2019	5 728	483	178	235 920
Depreciation charge 2020	0	0	-163	-7 382
Impairment charge 2020				-271
Acc. depreciations at 31 Dec. 2020	-759	-	-491	-58 297
Effect of currency movements	161	-28	-14	-13 312
Balance at 31 December 2020	26 500	455	-0	237 395
Accumulated impairment charge 31	0	0	0	-1 252

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

Note 18: Associated companies

Associated company	Date of acquisition	Registered office
Luster Småkraft AS	2005	Gaupne
Rullestad & Skromme AS	2006	Etne

Note 19: Subsidiaries

Subsidiary	Date of acquisition/ Establishment	Registered office	Ownership share	Voting share
Holmen Kraft AS	2016	Bergen	100 %	100 %
Follsjå Kraft AS	2016	Notodden	82 %	82 %
Muoidejohka Kraft AS	2010	Beiam	60 %	60 %
Reinli Kraft AS	2005	Sør-Aurdal	51 %	51 %
Jorda Kraft AS	2012	Nord-Fron	51 %	51 %
Sigdestad Kraftverk AS	2018	Oslo	52 %	52 %
Småkraft Green Bond 1 AS	2018	Bergen	100 %	100 %
Gulen Kraft AS	2019	Bergen	100 %	100 %
Nordåna og Dalaåna AS	2019	Bergen	100 %	100 %
Spilling Kraft AS	2019	Bergen	100 %	100 %
Røfsdalskraft AS	2019	Bergen	100 %	100 %
Tesjolo Kraftverk AS	2020	Bergen	100 %	100 %
Andvik Holding AS/Svartdalen AS*)	2020	Bergen	100 %	100 %
Løkkebø Kraftverk AS	2020	Bergen	100 %	100 %
Ytre Kandal Kraft AS	2020	Sandane	51 %	51 %
Valdra Kraftverk AS	2020	Bergen	100 %	100 %
Kvamselva Kraftverk AS	2020	Bergen	100 %	100 %
Bordalselva Kraftverk AS	2020	Bergen	100 %	100 %
Gosland Kraft AS	2020	Voss	66 %	66 %
Fivelandselva Kraft AS	2020	Bergen	100 %	100 %
Gryta Kraft AS	2020	Bergen	100 %	100 %
Svartefoss Invest AS	2020	Bergen	100 %	100 %
Venna Kraft AS	2020	Snillfjord	100 %	100 %
Foldsæ Bergsål	2020	Bergen	100 %	100 %
Skræi & Skrede Kraft AS	2020	Vråliosen	100 %	100 %
Holsen Kraft Nordøla AS	2020	Bergen	100 %	100 %
Fossåa 1 K AS	2020	Sør- Fron	66 %	66 %
Bergsål Kraft AS	2020	Bergen	100 %	100 %
Rysna Småkraftverk AS	2020	Bergen	100 %	100 %
Tokheim Kraft AS	2020	Bergen	100 %	100 %

Subsidiaries owned by Småkraft Green Bond 1 AS

Kvemma Kraft AS	2013	Lærdal	66 %	66 %
Saksenvik Kraft AS	2016	Bergen	96 %	96 %
Grytendal Kraftverk AS	2018	Oslo	100 %	100 %

Note 20: Receivables; amounts due after more than one year

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Loans to associates:		
Loans to associates - Luster Småkraft AS	764	811
Loans to associates - R&S Energi AS	899	937
Loans to associates - Utbygging Holding AS	3 228	3 346
Loans to associates - Småkraft Utbygging AS	0	12 185
Provisions for loss on loans to associates	-862	-915
Other receivables:		
Deposit rent	100	106
Prepaid water right lease	5 750	6 940
Other long term receivables	101	107
Total	9 980	23 517

Note 21: Related party transaction and balance items.

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

Transaction / transaction group	Related accounting line	2020	2019
Joint ventures			
Interest bearing loans	Receivables	1 663	1 748
Total		1 663	1 748
Other related parties/ sister companies			
Purchase of services from related party	Other operating cost	11	370
Total		11	370
Sales of various goods and services	Other operating revenue	327	239
Total		327	239
Interest bearing loans	Receivables	3 228	15 531
Total		3 228	15 531

Luster Småkraft AS og Rullestad & Skromme AS are associated companies (note 8). The individuals stated in note 3 are also related parties of Småkraft AS. Apart from the transactions specified in this note and note 3, there are no significant related party transactions or balance items.

The table above only shows related party transactions outside the Småkraft above NOK 100 000.

Short tem Receivables

Counterpart	Relationship to the counterpart	2020	2019
Muoidejohka Kraft AS	Subsidiary	132	153
Reinli Kraft AS	Subsidiary	126	137
Småkraft Green Bond 1 AS	Subsidiary	24	68
Holmen Kraft AS	Subsidiary	2	1 321
Røfsdalskraft AS	Subsidiary	12	9
Other		30	14
Short term receivables, group companies (incl. in other receivables)		327	1 702

Long tem Receivables

Counterpart	Relationship to the counterpart	2020	2019
Reinli Kraft AS	Subsidiary	1 069	1 266
Holmen Kraft AS	Subsidiary	96	-
Løkkebø Kraftverk AS	Subsidiary	2 674	-
Muoidejohka Kraft AS	Subsidiary	4 844	5 269
Røfsdalskraft AS	Subsidiary	6 781	6 793
Småkraft Green Bond 1 AS	Subsidiary	16 936	21 931
Gulen Kraft AS	Subsidiary	5	-
Fivelandselva Kraft AS	Subsidiary	3 699	-
Nordåna og Dalaåna Kraft AS	Subsidiary	430	51
Bordalselva Kraftverk AS	Subsidiary	2 388	-
Spilling Kraft AS	Subsidiary	1 172	1 193
Tesgjolo Kraft AS	Subsidiary	2 500	-
Andvik Holding Kraft AS	Subsidiary	651	-
Svartdalen Kraft AS	Subsidiary	134	-
Valdra Kraftverk AS	Subsidiary	2 417	-
Loans to subsidiaries		45 795	36 503
Luster Småkraft AS	Associated company	764	811
Rullestad og Skromme Energi AS	Associated company	899	937
Utbygging Holding AS	Associated company	3 228	3 346
Småkraft Utbygging AS	Associated company	-	12 185
Loans to associates		4 892	17 279
Sum		50 687	53 782

Note 22: Share capital and shareholder information

Ownership structure 31.12.20	Number	Nominal amount	Voting share	Ownership share
Aquila GAM Fund GmbH & Co. Geschlossene Investmentkommanditgesellschaft	538 981	50	15,4 %	15,4 %
Aquila Capital European Hydropower Fund S.A.	988 652	50	28,3 %	28,3 %
ACEH Norway 1 B.V.	1 871 815	50	53,5 %	53,5 %
ACEH Norway 2 B.V.	98 843	50	2,8 %	2,8 %
Sum	3 498 291	50	100 %	100 %

Note 23: Taxes*Amount in EUR thousand*

The tax expense in the income statement	2020	2019
Change in deferred income tax company values	-1 483	2 456
Other tax expenses	27	0
Tax expense in the income statement	-1 456	2 456
Reconciliation of nominal tax rate and effective tax rate	2020	2019
Profit before tax	-6 789	11 271
Tax rate, percent	22 %	22 %
Expected tax expense	-1 494	2 480
Effect on taxes of		
Permanent differences	37	5
Changes related to deferred tax on off-balance sheet items	0	-29
Tax expense	-1 456	2 456
Effective tax rate	21 %	22 %
Specification of temporary differences and deferred tax	2020	2019
Fixed assets	9 745	12 393
Pension obligations	101	107
Interest deduction, carry forward	-1 334	-1 416
Accrued income	0	154
Capitalized finance expenses	769	1 284
Unrealized currency gain	0	1 659
Unrealized derivatives	7 587	-2 598
Deferred capital gains	-105	-139
Other differences	3	-16
Temporary differences	16 766	11 428
Losses carried forward	-50 070	-39 587
Differences not affecting deferred tax	-2 349	-2 493

Basis for deferred tax	-35 653	-30 652
Tax rate	22 %	22 %
Net deferred tax benefit(-)/liability(+), ordinary taxation	-7 844	-6 743
Deferred tax benefit	-7 844	-6 743
Presentation	2020	2019
Deferred tax benefit	7 844	6 744
Deferred tax	0	0
Net	7 844	6 744

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

Note 24: Cash and cash equivalents

Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2020.

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

Note 25: Secured borrowings and guarantees

Securec borrowings etc.

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Borrowings from financial institutions	162 858	167 512
Agent commission	-769	-1 284
Total	162 089	166 228

Carrying amount of pledged assets

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Operating equipment	244	515
Accounts receivable	962	1 925
Power plants and related water lease agreements	198 273	215 246
Total	199 479	217 687

As of 31 December 2020, Småkraft AS has a bank loan in EUR amounting to mEUR 162,9. The bank has pledged security in operating equipment, bank accounts and accounts receivable, in addition to 1. priority pledge in the power plants and related water lease agreements. The bank has pledged security in the shares in Småkraft AS and Småkraft AS' shares in Reinli Kraft AS and Muoidejohka Kraft AS.

Småkraft AS has provided a bank guarantee as a security for the payment of tax deduction. Småkraft AS has a deposit regarding rent in a restricted bank account amounting to TNOK 297. According to the shareholders agreement with Luster Småkraft AS, Småkraft AS is obligated to make capital available to Luster Småkraft AS.

There is a conditional waiver of debt from the bank amounting to MNOK 5, related to whether Knutfoss AS makes a profit over the next 7 years. Based on current projections, it is considered likely that the debt will be settled.

Note 26: Concessions

As of 31.12.2020, Småkraft AS has concessions for additional 15 power plant with a total annual production of approximately 250 GWh.

Note 27 Water land lease agreements

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

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

Loans from Småkraft AS to landowners:

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Loans to landowners	931	1 858
Minimum payments to landowners	4 819	5 083
Total	5 750	6 940

<i>Amounts in EUR thousand</i>	31.12.2020	31.12.2019
Receivables towards landowners, off balance	22 923	19 430
Total	22 923	19 430

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

RESPONSIBILITY STATEMENT

In the best judgement of the Board and the CEO, annual the financial statements for 2020 have been prepared in accordance with current applicable accounting standards, and the information in the financial statements provide a true and fair view of the assets, liabilities, financial position and profit or loss of the parent company and the group taken as a whole. In the best judgement of the Board and the CEO the Board of Directors' Report includes a true and fair view of the development and performance of the business and the position of the parent company and the group, together with a description of the principal risks and uncertainties facing the parent company and the group.



Chairman of the Board
Tor Syverud



Member of the Board
Annette Malm-Justad



Member of the Board
Joakim Johnsen



Member of the Board
Oldrik Verloop



Member of the Board
Christian Heidfeld



Managing Director
Terje Vedeler





smaakraft®

Postboks 7050, 5020 Bergen
post@smaakraft.no
smaakraft.no