



To the General Meeting of Småkraft AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

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

- The financial statements of the parent company Småkraft AS (the Company), which comprise the statement of financial position as at 31 December 2020, the statement of profit and loss, statements of changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Småkraft AS and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2020, the statements of income and other comprehensive income, statements of changes in equity and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in



accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

The company's business activities are largely unchanged compared to last year. We have not identified regulatory changes, transactions or events that qualified as new Key Audit Matters. Our areas of focus are therefore unchanged from the previous year.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Valuation of power plants and waterfall rights</i></p> <p>The group's largest assets are power plants and waterfall rights with a carrying value of EUR 469 720 161 per 31 December 2020. Value in use was applied as basis for the determination of recoverable amount for power plants and waterfall rights. The key assumptions used by the management when calculating the value in use were future prices of power, future prices of power certificates, future level of production and cost level involved in operation and maintenance investments and required rate of return.</p> <p>We have focused on the valuation of power plants and waterfall rights due to the vital importance of these assets for the value creation of the enterprise and the degree of judgement that management had to exercise in the valuation. An impairment, if any, may have substantial impact on the investors' assessment of net earnings. Impairments of EUR 270 617 have been made during the year.</p> <p>For further information about the judgements exercised by the management and the impairment assessments we refer to the group's note 18 to the financial statements dealing with property, plant and equipment, note 16 intangible assets, note 3 important accounting estimates</p>	<p>We obtained management's model for impairments and assessed whether it contained the key elements required. We challenged management's assessment of the indications of a need for impairment or reversal of any previous impairments for these assets.</p> <p>In order to consider management's use of key assumptions in the impairment model we compared the applied future prices for power and power certificates to comparable price information from independent sources. We found that the prices corresponded to the information from independent sources. We reviewed volume used in the valuation report against actual historical production volume and expected production capability. We compared future cost level used in the impairment model to historical costs and discussed material differences with management. We discussed the principles for assessment of future maintenance requirements and cost estimates with management and compared these to historical levels and estimates provided from independent sources. Our tests show that management's cost estimate is supported by reliable documentation.</p> <p>We compared calculated market values in the valuation report to historical transaction prices of comparable power plants obtained from independent sources in the market and found a reasonable resemblance. We reviewed the applied discount rate by comparing the applied assumptions to data from relevant internal and external sources. We found the discount rate to be within an acceptable interval. We tested whether the models used to determine recoverable amount make</p>



and judgements and note 17 impairment testing.

mathematical calculations as assumed without finding errors.

We also reviewed the information in note 3, 16, 17 and 18 regarding the impairment assessment of power plants and found that it provided appropriate information in accordance with accounting regulations.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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



As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a



matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 12 March 2021

PricewaterhouseCoopers AS

Pål Bakke
State Authorised Public Accountant

(This document is signed electronically)

Auditor's report

Signers:

<i>Name</i>	<i>Method</i>	<i>Date</i>
Bakke, Pål	BANKID_MOBILE	2021-03-12 14:55



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