

An aerial photograph of a mountain valley. A river flows through the center of the valley, surrounded by lush green grass. The mountainsides are steep and rocky, with patches of green vegetation. In the foreground, there are several small, simple houses or huts. The sky is filled with dramatic, grey clouds, suggesting an overcast day.

småkraft<sup>®</sup>

SMÅKRAFT AS

# ANNUAL REPORT

Translated version - English

01.01.2018 – 31.12.2018

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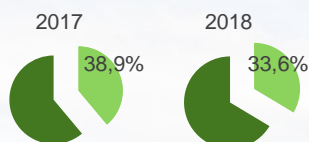
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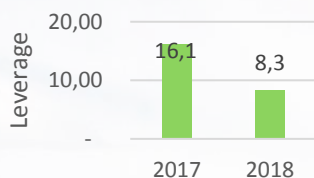
# SMÅKRAFT AT A GLANCE

## Equity ratio



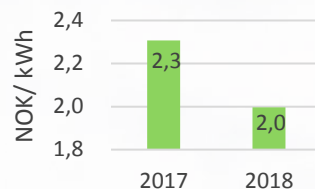
Excluding the effects from the Green Bond- issue, the equity ratio would have been 37,4%.

## NIBD/ EBITDA



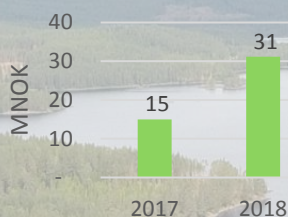
NIBD: Net interest-bearing debt  
EBITDA: Operating profit + depreciations + impairments

## NIBD/ production capacity



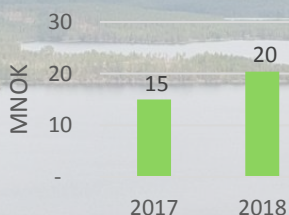
NIBD: Net interest-bearing debt  
Production capacity: Our mean annual production capacity.

## Payments to land owners



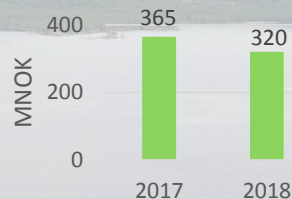
Payments to landowners based upon the respective accounting period.

## Payments to municipalities



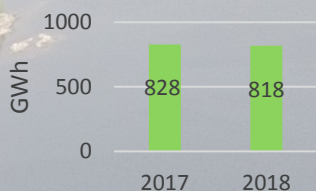
Property tax payments directly to the municipalities hosting the power plants.

## Investments in powerplants



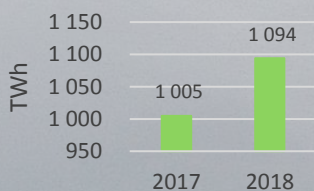
Accumulated paid amounts to the sellers of the powerplants.

## Production



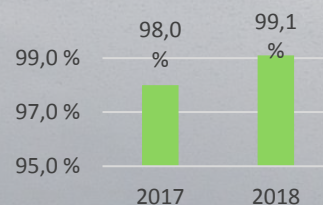
Production is defined as the amount of produced energy delivered into the grid.

## Production Capacity



Total estimated annual mean production in all partly or fully owned powerplants.

## Uptime



Estimated time the power plant is producing, provided that there is enough water in the river

**THIS IS SMÅKRAFT**



# KEY FIGURES SMÅKRAFT GROUP

From the profit and loss	Definition	2018	2017*
Total revenue (kNOK)		478 424	260 090
EBITDA (kNOK)	1	340 744	135 874
Cash EBITDA (kNOK)	2	270 504	131 810
Operating Profit (kNOK)		229 464	32 977
Profit (- or loss) before taxation (kNOK)		-48 345	-205 206
Profit (- or loss) for the period (kNOK)		-49 669	-163 977

From the balance	Definition	2018	2017*
Total assets (kNOK)		4 878 964	3 971 173
Equity (kNOK)		1 641 541	1 545 582
Interest bearing debt (kNOK)		2 753 532	2 312 642
Employeed capital (kNOK)	3	4 395 073	3 858 223
Liquidity (kNOK)	4	702 503	184 438
Net interest bearing debt (kNOK)	5	2 252 254	2 128 204

From the cash flow	Definition	2018	2017*
Net operational cash flow (kNOK)		181 017	121 831
Paid dividend (kNOK)		25 000	0

Key numbers	Definition	2018	2017*
Cash EBITDA (kNOK)	2	270 504	131 810
Actual production (GWh)		818	828
Production capacity (GWh)	6	1 095	1 004
Equity ratio	7	33,6%	38,9%
Net interest bearing debt / cash EBITDA		8,3	15,7
Net interest bearing debt / production capacity		2,0	2,3

## Definitions:

- 1) EBITDA: Operating profit + depreciations + impairments
- 2) Cash EBITDA: EBITDA +/- realized hedges
- 3) Employed Capital: Equity + interest bearing debt
- 4) Liquidity: Cash reserves on bank accounts
- 5) Net interest bearing debt: Interest bearing debt – liquidity + dividend not yet paid out
- 6) Production Capacity: Estimated mean annual production capacity on fully and partly owned plants
- 7: Equity Ratio: Equity / Total assets

\* To make numbers comparable, we have amended 2017- numbers in line with changed accounting principle. This may differ from interim report H2 2018, where the 2017- numbers were not amended.

# NATURE OF THE BUSINESS

By year end 2018 Småkraft owns, or has ownership in, 106 small-scale hydropower plants across Norway. 104 of these are operated in cooperation with local landowners and -service personnel. Small-scale hydropower borrows water which naturally flow in the river and utilizes the topography of the landscape to produce renewable and sustainable electricity.

Except for 15 plants, the rivers used by us for hydropower production are owned by landowners locally. We have signed land lease agreements between us and based on these, Småkraft pays the land owners a yearly fee. The agreements have been set up in a way that give the land owners a part of the value generated by our hydropower stations.

By the end of 2018, Småkraft had 19 employees.



# BOARD OF DIRECTORS STATEMENTS

## 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 2018 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

In accordance with the Norwegian Accounting Act § 3-3, it is hereby confirmed that the conditions for continued operations are met. The company is in a healthy position, economically and financially.

## Operating Power Plants

By year end 2018 Småkraft had 106 operating hydropower plants (100 at year end 2017), with a total accumulated production capacity of 1 094 GWh (1 004).

## Results, financing, and liquidity (2017 numbers) – Småkraft Group

The Småkraft Group produced 818 GWh of green energy in 2018 (828 GWh). Despite higher production capacity, the Småkraft Group had lower production in 2018 compared to 2017, as 2018 was an exceptional dry year in most of Norway. This gave power revenues of 328,8 MNOK (200,2 M), at an average price excluding hedging of 401 NOK/MWh (242).

The Småkraft Group in 2018 issued el-certificates on most of its power plants, returning revenues of 124,0 MNOK (38,4).

In total, the revenues from energy sales have increased by 84% from 260,1 to 478,4 MNOK, year on year. The growth in revenue comes from improved prices on power, el- certificates and Guarantees of Origin.

Småkraft Groups' total operating costs were 249,0 MNOK (227,1), giving an operating profit of 229,5 MNOK (33).

A total of 111,3 MNOK (102,8) 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) or they relate to projects that we no longer believe will be realized.

The company's operating profit is positive before depreciations and impairments, with an EBITDA of 340,7 MNOK (135,9). EBITDA increased by 150% from 2017 to 2018.

The Småkraft Group is leveraged by three currency loans in Euros and several loans on subsidiary level in Norwegian kroner. Due to currency fluctuations in 2018, the Småkraft group has booked a non- cash disagio in its financial expenses of 20,6 MNOK (151,6).

The Småkraft Group has hedged power prices on about 1/3 of its production over the next three to five years. As the prices have increased during 2018, Småkraft has booked a non- cash loss on these hedge instruments of -135,9 MNOK (-31,1), since the expected future prices are higher than the hedged prices.

Because of the effects mentioned above, the result after taxes in the Småkraft Group shows a loss of -54,4 MNOK (-138,4).

The Småkraft Group has an equity share of 33,6% (38,9%). By year end 2018, the funds from the Green Bond were still on escrow awaiting fulfillment of certain conditions. This represents a significant extension of the balance. If the funds had been free, the equity ratio would have been 37,4%.

Investments in new power plants equals 320,0 MNOK in 2018 (365,0). The Småkraft Group has financed these investments by capital increases of total 344,4 MNOK. In connection with the acquisitions, Småkraft has issued a Green Bond of in total 50,0 MEUR. The Småkraft Group used this debt to refinance existing debt in the group and to pay out dividend. Småkraft did this to ensure that the gearing of the group remained more or less unchanged after the acquisitions. Accumulated, the net debt compared to the mean annual production capacity has been reduced during the year.

The liquidity in the Småkraft Group is very high at year end. This was reduced after the balance sheet

date, as the Green Bond Funds were freed to escrow, the debt was refinanced and the dividend paid out.

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 (2017 numbers) – Småkraft AS**

The parent company, Småkraft AS, has, at the end of 2018, 89 operating powerplants. During the year, Småkraft merged 8 fully owned subsidiaries into the parent. The mergers have tax and accounting effect from 1<sup>st</sup> of January 2018. Småkraft AS total energy production was 576 GWh in 2017 (567).

This gave power revenues of 237,4 MNOK (146,1), at an average price excluding hedging of 412 NOK/MWh (257,7). In total, the revenues from energy sales have increased with 86% from 173,6 to 323,5 MNOK, year on year. The rapid growth in revenue comes mainly from higher power- and elcert prices.

Småkraft AS total operating costs were 193 MNOK (162), giving an operating profit of 155,1MNOK (27,3).

Småkraft AS' operating profit is positive before depreciations and impairments, with an EBITDA of 239,8 MNOK (103,8).

Småkraft AS is leveraged by a currency loan in Euro and a Green Bond in EUR. Due to currency fluctuations in 2018, the group has booked a non-cash disagio in its financial expenses of -18,5. Furthermore, the Småkraft group has non-cash accounting effects on hedge instruments of 31,1 MNOK.

Småkraft has hedged power prices on about 1/3 of the Group's expected production over the next three to five years. As the prices have increased during 2018, Småkraft AS has booked a non-cash loss on these hedge instruments of -135,9 MNOK (-31,1), as the expected future prices are higher than the hedged prices. The unhedged production will also achieve higher expected future prices, but this effect is not shown in the Financial Statements.

Consequently, the result after taxes in Småkraft AS shows a loss of -71,9 MNOK (-120,7).

The company's equity share, as per 31.12.2018, is 36,8% (41,6%). Per year end 2018, the funds from the Green Bond were still on escrow awaiting fulfillment of certain conditions. This represents a significant extension of the balance. If the funds had been free, the equity ratio would have been 41,6%.

### **Risks**

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

A certain level of the budgeted production volumes has been hedged with 5 year contracts for power and el-certificate revenues. These contracts are in EUR. To reduce the cash effect of currency exchange rates, Småkraft AS 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 AS has an interest rate swap 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 to full value, 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 decrease in 2019 compared to 2018, and the market expects the same for el-certificate 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.

One work related injury to personnel has been recorded in 2018 resulting in Lost Time Frequency Rate of 31,7 LTIF.

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	2018	2017	2016
Full time employees at year end	19	19	24
Sick leave	0,9%	1,9%	2,5%
Injuries	1	1	0
Lost time injuries	1	1	0

## Gender equality

Småkraft AS 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, has over time been dominated by men. Småkraft has an ambition to work against this imbalance. Previously, we have tried to encourage female candidates to apply for positions in the company, but we have observed that male applicants far outweigh the female ones. This also holds true for informal requests for employment. As a result, Småkraft now works on introduction/trainee

programs for graduating candidates. This combined with our strategy to increase our visibility, we believe will improve diversity and gender equality. Of the company's 20 full time employees, two are women. 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.

## Subsequent events

In January and February 2019, Småkraft fulfilled its remaining commitments to free the Funds from the Green Bond. The funds were used to repay debt and pay out dividend in line with the Bond terms.

# SIGNING PAGE

Oslo, 31.12.2018  
18.03.2019



Tor Sørve Syverud  
Chairman of the Board



Jan Erik Schulien



Oldrik Nicolaas Frits Verloop



Annette Beate Wacknitz Malm Justad



Lutz Christian Lötgers



Halle Aslaksen  
Managing Director

# PROFIT AND LOSS

Group		Profit and Loss (in kr)				Parent	
2 018	2 017	Note		Note	2 018	2 017	
477 795 449	249 439 948		Energy sale		347 761 085	182 968 220	
628 104	10 650 234	5,11	Other operating revenue	5,11	628 104	10 448 123	
<b>478 423 553</b>	<b>260 090 182</b>	<b>2</b>	<b>Total revenue</b>	<b>2</b>	<b>348 389 189</b>	<b>193 416 343</b>	
1 938 141	1 963 355		Capitalized personnel expenses		2 254 390	1 963 355	
-31 228 037	-14 898 524		Water right lease		-13 896 574	-14 410 547	
-26 508 427	-20 638 192		Transmission costs		-20 876 946	-17 067 756	
-584 344	-9 371 070	5	Cost of goods sold	5	-503 794	-7 567 192	
-24 838 067	-20 139 155	3	Payroll and related costs	3	-24 775 680	-20 082 971	
-104 606 906	-90 599 181	6,7	Depreciation of fixed assets and intangible rights	6,7	-78 046 929	-64 360 968	
-6 673 533	-12 297 442	6,7	Impairment of fixed assets and intangible rights	6,7	-6 673 533	-12 103 099	
-20 490 824	-15 008 738		Property tax and licence fees		-15 655 737	-12 084 366	
-35 967 914	-46 123 814	3,4	Other operating expenses	3,4	-35 119 302	-36 458 889	
<b>-248 959 911</b>	<b>-227 112 761</b>		<b>Total operating expenses</b>		<b>-193 294 105</b>	<b>-182 172 433</b>	
<b>229 463 642</b>	<b>32 977 421</b>		<b>Operating profit /(-loss)</b>		<b>155 095 084</b>	<b>11 243 910</b>	
-	-	9	Income from subsidiaries	9	11 485 951	11 286 809	
-	473 956		Income from associated companies		-	-	
-	-	8	Interest income from group companies	8	6 545 181	6 056 541	
32 701 508	5 295 607	7,11	Other financial income	7,11	17 884 222	2 684 899	
393 382	-		Other interest income		-	-	
-16 296 906	-		Other interest expenses		-	-	
-294 607 028	-243 953 179	24	Other financial expenses	24	-277 654 719	-208 355 678	
<b>-277 809 044</b>	<b>-238 183 616</b>		<b>Net financial items</b>		<b>-241 739 365</b>	<b>-188 327 429</b>	
<b>-48 345 402</b>	<b>-205 206 195</b>		<b>Profit (loss) before taxation</b>		<b>-86 644 281</b>	<b>-177 083 519</b>	
-1 323 895	41 229 244	14	Tax expenses	14	14 713 190	36 720 646	
<b>-49 669 297</b>	<b>-163 976 951</b>		<b>Profit (-loss) for the period</b>		<b>-71 931 091</b>	<b>-140 362 873</b>	
4 723 374	-288 530		The minorities share				
-44 945 923	-164 265 481		The majority share				
<b>Dispositions</b>							
-	-		Dividends		-	-	
-49 669 296	-163 976 951		Transferred to/ from retained earnings		-71 931 091	-140 362 873	
<b>-49 669 296</b>	<b>-163 976 951</b>		<b>Total dispositions</b>		<b>-71 931 091</b>	<b>-140 362 873</b>	

# BALANCE

Group		ASSETS (in kr)				Småkraft AS	
2 018	2 017	Note		Note	2 018	2 017	
<b>Non- current assets</b>							
<b>Intangible Assets</b>							
32 057 753	25 887 753	6	Water rights	6	32 057 753	25 887 753	
53 369 504	56 061 351	14	Deferred tax assets	14	90 695 444	99 755 646	
379 505 890	266 553 497	6	Other intangible assets	6	98 703 891	8 338 989	
60 036 702	48 972 614	6	Goodwill	6	26 710 975	14 442 578	
<b>524 969 849</b>	<b>397 475 215</b>		<b>Total intangible assets</b>		<b>248 168 063</b>	<b>148 424 966</b>	
<b>Fixed assets</b>							
3 454 990 979	3 247 695 149	7	Property, plants and equipment	7	2 365 703 729	1 970 799 535	
<b>3 454 990 979</b>	<b>3 247 695 149</b>		<b>Total fixed assets</b>		<b>2 365 703 729</b>	<b>1 970 799 535</b>	
<b>Financial non- current assets</b>							
-	-	9	Investments in subsidiaries	9	769 731 003	690 994 449	
2 931 269	2 931 269	8	Investments in associates	8	500 000	500 000	
8 086 434	8 000 000	10,11	Loans to associates	10	8 086 434	8 000 000	
60 016 607	49 948 606	10,11	Other long- term receivables	10	58 726 510	45 817 459	
323 840	377 455		Investments in market based securities		316 997	377 455	
-	-		Loans to subsidiaries		136 811 583	399 508 646	
<b>71 358 150</b>	<b>61 257 330</b>		<b>Total financial non- current assets</b>		<b>974 172 527</b>	<b>1 145 198 009</b>	
<b>4 051 318 978</b>	<b>3 706 427 694</b>		<b>Total non- current assets</b>		<b>3 588 044 319</b>	<b>3 264 422 510</b>	
<b>Current assets</b>							
<b>Inventory</b>							
873 985	500 477		Operational materials and supplies		873 985	500 477	
<b>873 985</b>	<b>500 477</b>		<b>Total inventory</b>		<b>873 985</b>	<b>500 477</b>	
<b>Receivables</b>							
16 033 148	35 684 890	11	Accounts receivables	11	10 179 183	29 396 092	
-	-		Group receivables		31 563 914	12 915 758	
107 271 300	43 177 128		Other receivables		97 658 746	39 555 585	
<b>123 304 448</b>	<b>78 862 018</b>		<b>Total receivables</b>		<b>139 401 843</b>	<b>81 867 435</b>	
963 654	945 660		Investments in current market based securities		-	-	
702 503 135	184 437 506	16	Cash and cash equivalents	16	586 938 580	111 313 700	
<b>827 645 222</b>	<b>264 745 661</b>		<b>Total current assets</b>		<b>727 214 408</b>	<b>193 681 612</b>	
<b>4 878 964 200</b>	<b>3 971 173 355</b>		<b>Total Assets</b>		<b>4 315 258 727</b>	<b>3 458 104 122</b>	

# BALANCE

Group		Equity and Liabilities (in kr)			Småkraft AS	
2 018	2 017	Note		Note	2 018	2 017
<b>Shareholders Equity</b>						
<b>Paid- in capital</b>						
144 634 550	139 592 700	12	Share capital	12	144 634 550	139 592 700
221 979 735	-		Not registered capital increase		221 979 735	-
1 210 002 638	1 292 627 130		Share Premium Reserve		1 210 002 638	1 292 627 130
<b>1 576 616 923</b>	<b>1 432 219 830</b>		<b>Total paid- in capital</b>		<b>1 576 616 923</b>	<b>1 432 219 830</b>
<b>Retained earnings</b>						
11 451 553	90 684 491		Retained earnings		13 473 151	118 670 783
<b>11 451 553</b>	<b>90 684 491</b>		<b>Total retained earnings</b>		<b>13 473 151</b>	<b>118 670 783</b>
<b>1 588 068 476</b>	<b>1 522 904 321</b>		<b>Total majority</b>		<b>1 590 090 074</b>	<b>1 550 890 613</b>
53 472 502	22 677 404		Minority interests		-	-
<b>1 641 540 978</b>	<b>1 545 581 725</b>	<b>13</b>	<b>Total Equity</b>	<b>13</b>	<b>1 590 090 074</b>	<b>1 550 890 613</b>
<b>Liabilities</b>						
<b>Other long term liabilities</b>						
15 699 148	2 963 847	14	Deferred tax	14	-	-
<b>Non- current interest bearing liabilities</b>						
2 256 117 125	2 312 641 694	17,18	Debt to financial institutions	17,18	1 794 419 169	1 820 699 806
497 415 000	-	24	Bond debt	24	497 415 000	-
<b>2 753 532 125</b>	<b>2 312 641 694</b>		<b>Total non- current liabilities</b>		<b>2 291 834 169</b>	<b>1 820 699 806</b>
<b>Current liabilities</b>						
-	-		Accounts payable to group companies		-	3 188 250
15 722 091	21 037 753		Accounts payable		9 523 459	16 745 318
12 443 986	4 674 947	14	Taxes payable	14	-	-
21 612 466	17 487 284		Public duties payable		14 234 120	15 338 450
201 225 000	-		Dividend		200 000 000	-
217 188 406	66 786 105	20	Other current liabilities	20	191 410 357	51 241 685
-	-		Other financial intercompany		18 166 548	-
<b>468 191 949</b>	<b>109 986 089</b>		<b>Total current liabilities</b>		<b>433 334 484</b>	<b>86 513 703</b>
<b>3 237 423 222</b>	<b>2 425 591 630</b>		<b>Total liabilities</b>		<b>2 725 168 653</b>	<b>1 907 213 509</b>
<b>4 878 964 200</b>	<b>3 971 173 355</b>		<b>Total shareholders equity and liabilities</b>		<b>4 315 258 727</b>	<b>3 458 104 122</b>

**SIGNING PAGE**

Oslo, 31.12.2018  
18.03.2019



Tor Sørve Syverud  
Chairman of the Board



Jan Erik Schulien



Oldrik Nicolaas Frits Verloop



Annette Beate Wacknitz Malm Justad



Lutz Christian Lötgers



Managing Director  
CEO

## CASH FLOW

Småkraft Group		Cash Flow (in kr)		Småkraft AS	
2 018	2 017	Note	Note	2 018	2 017
<b>Cash Flow from operations</b>					
-48 345 401	-205 206 196	Profit (-loss) before taxation		-86 644 280	-177 083 519
-4 674 947	-4 407 861	Taxes paid for the period		-8 964	-90 267
111 280 439	102 896 623	Depreciation, amortization, impairment		84 720 462	64 360 968
-	-473 956	Income from associated companies without cash effect		-	-
-	-	Gain from sale of fixed assets		-	12 103 099
20 210 736	146 984 569	Unrealized currency gain-loss		18 101 788	130 395 809
-373 508	-356 576	Change in inventory		-373 508	-356 576
102 919 865	82 394 670	Change in other assets and liabilities		85 466 333	82 010 513
<b>181 017 184</b>	<b>121 831 273</b>	<b>Net cash flow from operations</b>		<b>101 261 831</b>	<b>111 340 027</b>
<b>Cash flow from investment activities</b>					
-	-	Cash flow from investment activities		-	-
-	40 979 494	Inflows from sale of fixed assets		-	40 979 494
-53 615	54 383	Net inflows from sale of shares and market based securities		-	-
17 997 380	35 396 644	Cash in acquired companies		-	-
-107 913 432	-84 157 348	Outflows due to purchases of fixed assets		-39 463 076	-70 605 625
-6 170 000	-	Outflows due to purchases of intangible assets		-6 170 000	-
-246 195 241	-	Outflows due to investments in subsidiaries		-433 898 590	-365 549 161
-	-365 171 706	Inflows from loan to subsidiaries		47 692 440	-242 220 755
-10 154 435	-144 657 391	Outflows from loans to others		-9 176 920	-
<b>-352 489 343</b>	<b>-517 555 924</b>	<b>Net cash flow from investment activities</b>		<b>-441 016 146</b>	<b>-637 396 047</b>
<b>Cash flow from financing activities</b>					
344 397 093	451 396 702	Capital increases		344 397 093	451 396 702
-126 735 305	-10 504 676	Change in current liabilities		-29 404 127	-10 458 840
-25 539 000	-	Dividend payments		-25 000 000	-
497 415 000	105 700 034	Net loan raising		497 415 000	195 251 979
-	-	Change in non-current liabilities		-	-
<b>689 537 788</b>	<b>546 592 060</b>	<b>Net Cash Flow from financing activities</b>		<b>787 407 966</b>	<b>636 189 841</b>
518 065 629	150 867 409	Net change in bank deposits and cash		447 653 651	110 133 821
-	-	Bank deposits in merged companies		27 971 229	-
184 437 506	33 570 103	Bank deposits and cash at beginning of period		111 313 700	1 179 879
<b>702 503 135</b>	<b>184 437 512</b>	<b>Bank deposits and cash at end of period</b>		<b>586 938 580</b>	<b>111 313 700</b>

# NOTES

## Notes to the accounts, Småkraft AS

### Note 1 Accounting policies

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway.

The Småkraft group comprises Småkraft AS and the subsidiaries listed in note 9. Previously, Småkraft was a part of the consolidated financial statement of the ultimate parent company, Statkraft AS. In accordance with the Norwegian Accounting Act § 3-7, the company has therefore been exempted for the obligation to prepare a consolidated financial statement. The company has prepared a consolidated financial statements since 2015. Comparative figures are shown for 2017.

The accounting policies are described below.

### Consolidation principles

The consolidated financial statement consists of Småkraft AS and companies where Småkraft AS has a controlling interest. Controlling interest normally exists when the group owns more than 50 percent of the shares and can exercise actual control. All material transactions and group inter-company balances are eliminated. The consolidated financial statements are prepared in accordance with uniform accounting policies for uniform transactions in all companies included in the consolidated financial statements. The acquisition method is applied in business combinations. Companies acquired or sold during the year are consolidated from the date control is achieved and until control ceases.

### Merger and demerger

During 2018, Småkraft AS merged with 8 of its subsidiaries.

### Valuation and classification of assets and liabilities

Assets intended for permanent ownership or use in the business are classified as non-current assets. Other assets are classified as current assets.

Receivables due within one year are classified as current assets. The classification of current and non-current liabilities is based on the same criteria. Fixed assets are carried at historical cost. Impairment of fixed and tangible assets is considered when there are indications of a decline in the value.

Fixed assets with a limited economic life are depreciated on a systematic basis in accordance with a reasonable depreciation schedule. Other long-term liabilities, as well as short-term liabilities, are valued at nominal value. Current assets are valued at the lower of historical cost and fair value. Debt is not revalued to fair value due to interest rate changes.

### Estimates

When preparing the consolidated accounts in accordance with the Norwegian Accounting Act, management of the company must exercise judgement and prepare estimates. Areas that requires a high degree of judgement, has a high degree of complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed in the notes.

### Receivables

Trade receivables and other receivables are recognised at nominal value, less expected losses of receivables. The accrual for losses is based on an individual assessment of each receivable.

Other receivables, both current assets and fixed assets, are valued at the lower of historical cost and fair value. Fair value is the present value of expected future payments. The discount rate will not be changed if the impact of the change is immaterial. The accrual for losses is assessed the same way as for accounts receivables.

### Revenues

Revenues from el spot sale are recognised when power is delivered.

The revenue is calculated on the basis of the individual power plant's production, multiplied by the spot price.



Småkraft AS receives el-certificates, which is sold on an ongoing basis in accordance with the current market price. Revenues from el-certificates are recognised when received, and are included in the company's energy sale.

Other operating revenue mainly consists of internal sale of services and revenues related to construction contracts. Revenues from sale of services are not accrued, but are billed on an ongoing basis. For construction contracts, revenue is recognized continually based on the stage of completion of the project.

## **Taxes**

The tax expense in the income statement comprises taxes payable and changes in deferred tax liabilities/assets. Taxes payable are calculated on the basis of the taxable income for the year. Payable income tax is recognized in the balance sheet under current liabilities.

Deferred tax liabilities/assets are calculated on the basis of temporary differences between the accounting and tax values and the tax effect of losses carried forward. A positive difference means that the company has a future tax liability, resulting in a deferred tax liability in the balance sheet. A negative difference means that the company has a future tax asset, resulting in a deferred tax asset in the balance sheet. Negative and positive temporary differences offset each other if they are reversed within the same period.

A tax rate of 22% is used when calculating deferred tax liabilities/assets in 2018.

Deferred tax assets are recognized in the balance sheet to the extent that it is probable that the assets will be realised.

## **Resource rent tax**

The Småkraft Group has per 31.12.2018 one power plant with a capacity above 10.000 kVA.

Resource rent tax is calculated with 37,3 % of the resource rent income for each power plant. Negative resource rent tax is carried forward against future positive resource rent tax including interest. Negative resource rent tax is included in the deferred tax asset, together with temporarily differences regarding the power plant. Deferred tax assets related to negative resource rent tax and temporarily differences is capitalized 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/ deferred tax asset related to resource rent tax is calculated with a tax rate of 37,3 %.

## **Natural resources tax**

Natural resources tax consists of NOK 0,013 per kwh to the municipality and NOK 0,002 per kwh to the county. Natural resources tax is calculated based on average production for the last seven years, and it is coordinated with corporate income tax. If the natural resources tax exceeds the corporate tax it is carried forward with interest. Prepaid natural resources tax is capitalized if it is probable that it will be utilized. Småkraft AS has per 31.12.2017 one power plant with a capacity above 10.000 KVA.

## **Foreign currency**

Transactions from operations in foreign currency are translated to the spot exchange rate on the transaction date. All balance sheet items denominated in foreign currencies are translated into NOK at the exchange rate prevailing at the balance sheet date. Changes in exchange rates are recognised in the income statement when incurred.

## **Financial instruments**

Småkraft AS has entered into forward contracts for power and el-certificates. These positions hedges part of the production against price movements. Futures are valued at the lower of historical cost and fair value at the balance sheet date. Changes in value is recognised as other financial expenses in the income statement.

Småkraft has entered interest rate swap for part of the loan to promote stability, and reduce fluctuations in the financial statement related to changes in EURIBOR. Hedge accounting is applied for the interest swap and unrealized changes in value of the hedging instrument is not recognized.

## **Water right lease agreements**

The Group will implement IFRS during H1 2019. As part of the IFRS- transition, Småkraft AS has changed its accounting policy with regards to land lease. The changed principles makes the cash effect of land lease more transparent. The principle change has a negative effect on the equity of approximately 123,0 MNOK.

Småkraft enters water right lease agreements with landowners, which entitles the company to utilize the water in the rivers. The agreement typically has a period varying from 40 to 75 years, starting when the power plant is put into commercial operation.

Småkraft mainly has three types of water land lease agreements:

1) Gross agreement/ revenue-based agreements: Småkraft pays landowner based upon the yearly powerplant- revenue. Upon the 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.

2) Fixed amount- agreement: Småkraft pays landowner a yearly fixed amount. Upon the expiration of the agreement the landowner have the right to purchase the powerplant with all rights and technical installations based on certain specific conditions.

3) Profit share agreements: Småkraft shares the yearly powerplant- profit with the land owner. Negative yearly profits (losses) accumulates and needs to be offset against profits before one pays out. Upon the 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.

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

1) Småkraft has a gross land lease agreement, giving the land owners the immediate right to a % of the revenue.

2) Småkraft has a fixed amount agreement, giving the land owners the immediate right to a certain payment.

3) Småkraft has a profit share agreement, giving the land owners the immediate right to a % of the profit, and the landowner agreement has an accumulated profit over the lifetime of the powerplant.

In the case that Småkraft has a profit share 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 recognize as an asset. Any positive or negative changes in these off- balance items, will not be recognized 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 recognized as normal loans in Småkrafts Financial Statements.

## **Pensions**

Småkraft AS has liquidated the prior defined benefit plan for the company's employees. With effect from 01.06.2017, a defined contribution plan has been established for the company's employees.

The scheme comprises 16 employees as of 31 December 2018.

## **Shares in subsidiaries**

Subsidiaries are companies where Småkraft AS has controlling interest over financial and operating policies. Controlling interest normally exists when the company owns more than 50 percent of the voting capital.

## **Shares in associates**

Investments in companies where the group has significant influence (associate companies) are treated in accordance with the equity method in the consolidated financial statements. Significant influence normally exists when the group owns between 20 and 50 percent of the voting capital.

## **Construction contracts**

For construction contracts, revenue is recognized continually based on the stage of completion of the project (the percentage of completion method). The stage of completion is calculated from the incurred costs on the balance sheet day as a percentage of total estimated costs. For construction contracts expected to yield a loss, an accrual is made for the net costs of the remaining contractual production.

## **Tangible fixed assets and depreciation**

Fixed assets are recognised at historical cost, less accumulated depreciation. Depreciation is calculated on a straight-line basis over assets' expected useful economic lives, and is charged from the time the assets are available for use.

Capitalized costs from own investments are recognised at manufacturing cost. Interest during the period of construction are capitalized. Interest rates are calculated as an average of the company's borrowing costs. Investment projects that are not granted a concession are expensed.

## **Maintenance**

Periodic maintenance is capitalized and depreciated over the timeline to next maintenance. Periodic maintenance materiality is NOK 0.5 million

Ordinary maintenance is expensed when they occur, since they are expected to be incurred evenly

over the assets' lifetime. Expenses that increase future earnings are capitalized and depreciated over their expected lifetime.

#### **Intangible fixed assets**

Småkraft AS has perpetual water rights. These are not amortized. Intangible assets that are bought separately are recognised in the balance sheet at historical cost. Intangible assets with limited economic lifetime are amortized on a systematic basis. If the carrying value of intangible assets are

lower than the expected economic advantages, the asset are written down to recoverable amount.

#### **Statement of cash flow**

The cash flow statement has been prepared using the indirect method. Cash and cash equivalents include cash, bank deposits on other short-term, highly liquid investments that instantly can be converted into known amounts of cash with maturities less than three months from the acquisition date.

## Note 2 – Operating revenues

	Småkraft AS		Group	
	2018	2017	2018	2017
Power revenue	237 406 952	146 142 803	328 791 903	200 206 021
El-certificates	86 109 016	27 487 686	123 976 928	38 423 093
<b>Energy sales</b>	<b>323 515 967</b>	<b>173 630 489</b>	<b>452 768 831</b>	<b>238 629 114</b>
Guarantees of origin	4 702 846	1 076 748	5 421 046	379 554
Other operating revenue*	20 170 376	18 709 106	20 233 676	21 081 517
<b>Total operating revenue</b>	<b>24 873 222</b>	<b>19 785 854</b>	<b>25 654 722</b>	<b>21 461 071</b>
<b>Total</b>	<b>348 389 189</b>	<b>193 416 343</b>	<b>478 423 553</b>	<b>260 090 182</b>

\* Other operating revenues includes revenues from construction contracts with NOK 76.906 in 2018 and 7.643.415 in 2017. Construction contract are described in further detail in note 5.

**Note 3 - Payroll costs, number of employees, loans to employees, etc.**

	Småkraft AS		Group	
	2018	2017	2018	2017
Wages and salaries	17 964 225	16 251 832	18 019 089	16 302 559
Payroll tax	3 061 438	3 794 073	3 067 254	3 799 458
Pension costs	-	-		
Other benefits	3 750 017	37 065	3 751 725	37 138
<b>Sum</b>	<b>24 775 680</b>	<b>20 082 971</b>	<b>24 838 067</b>	<b>20 139 155</b>
<b>Number of full-time employees as of 31.12</b>	<b>20</b>	<b>19</b>	<b>20</b>	<b>19</b>

Directors' remuneration 2018	Managing director
Salaries	1 822 157
Pensions	137 693
Other benefits	25 224

The CEO's pension is included in the company's pension scheme.  
The company has not issued any loans or guarantees in favor of the CEO, directors or shareholders.

One of the Board Members has a consultant agreement based upon a fixed monthly retainer and hourly based compensation based

upon actual work as Board Member in the Company.

Fees paid to external auditors	Småkraft AS		Group	
	2018	2017	2018	2017
Statutory audit	240 000	370 050	562 870	692 042
Tax counselling	47 000	36 000	102 000	97 000
Other assurance services	581 699	375 400	585 699	375 400
<b>Sum</b>	<b>868 699</b>	<b>781 450</b>	<b>1 250 569</b>	<b>1 164 442</b>

**Note 4: Other operating expenses**

	Småkraft AS		Group	
	2018	2017	2018	2017
Materials	0	0	0	0
Telecommunication	316 134	349 445	316 134	349 445
Rent and related expenses	2 786 815	2 140 715	2 786 815	2 140 715
Transport	154 227	126 219	154 227	126 219
Travel expenses	2 305 128	1 554 957	2 305 128	1 554 957
Purchase of various services	8 191 552	13 001 493	8 191 552	13 113 543
IT expenses	2 256 003	2 207 754	2 256 003	2 207 754
Repair/maintenance regarding equipment, machines, etc	4 398 271	232 272	4 398 271	232 272
Consultant services	4 897 707	7 590 603	4 897 707	7 590 603
Marketing	0	30 000		30 000
Other operating expenses	9 813 465	9 225 431	10 662 078	18 778 306
<b>Other operating expenses</b>	<b>35 119 302</b>	<b>36 458 889</b>	<b>35 967 914</b>	<b>46 123 814</b>

**Note 5: Construction contracts**

	Småkraft AS		Group	
	2018	2017	2018	2017
Recognized income on current construction contracts	76 906	7 643 415	76 906	7 643 415
Costs related to recognized income / loss provisions	60 047	7 464 652	60 047	7 464 652
<b>Net income for construction contracts in progress</b>	<b>16 859</b>	<b>178 763</b>	<b>16 859</b>	<b>178 763</b>

Completion	2017
Midtlægre Kraftverk	100 %
Mannsberg	100 %

The stage of completion is calculated from the incurred cost on the balance sheet day as a percentage of total estimated costs. "Fjærlandsprosjektene" was transferred to Småkraft Utbygging AS in 2017 and the income and costs from constructions contracts was reduced as a consequence of the demerger.

## Note 6: Intangible assets

### Småkraft AS

	Water right *	Goodwill	Intangible assets	Totalt
<b>Cost 01.01.2018</b>	<b>25 887 753</b>	<b>16 867 220</b>	<b>9 259 966</b>	<b>52 014 939</b>
Additions through merger with subsidiaries	-	13 032 048	93 478 656	106 510 704
Additions	6 170 000	-	-	6 170 000
Capitalized personnel expenses	-	-	-	-
Transferred from plant under construction	-	-	-	-
Capitalised loan expenses	-	-	-	-
<b>Cost at 31 Desember 2018</b>	<b>32 057 753</b>	<b>29 899 268</b>	<b>102 738 622</b>	<b>164 695 643</b>
<b>Acc. depreciation at 01 Jan 2018</b>	<b>-</b>	<b>2 424 642</b>	<b>920 977</b>	<b>3 345 619</b>
Additions through merger with subsidiaries	-	152 591	1 301 832	1 454 423
Current year depreciation	-	611 062	1 811 928	2 422 990
Current year impairment	-	-	-	-
<b>Accumulated depreciation and impairment at 31 Dec. 2018</b>	<b>-</b>	<b>3 188 295</b>	<b>4 034 737</b>	<b>7 223 032</b>
<b>Balance at 31 December 2018</b>	<b>32 057 753</b>	<b>26 710 975</b>	<b>98 703 891</b>	<b>157 472 611</b>
Economic life (years)		40	5-44	
Depreciation method		Straight line	Straight line	

### Group

	Water right	Goodwill*	Intangible assets	Totalt
<b>Cost 01.01.2018</b>	<b>25 887 753</b>	<b>51 779 257</b>	<b>270 983 983</b>	<b>348 650 993</b>
<b>Additions</b>	<b>6 170 000</b>	<b>12 014 106</b>	<b>117 795 393</b>	<b>135 979 499</b>
Capitalized personnel expenses	-	-	-	0
Transferred from plant under construction	-	-	-	0
Capitalised loan expenses	-	-	-	0
<b>Cost at 31 Desember 2018</b>	<b>32 057 753</b>	<b>63 793 363</b>	<b>388 779 376</b>	<b>484 630 492</b>
<b>Acc. depreciation at 01 Jan 2018</b>	<b>-</b>	<b>2 806 643</b>	<b>4 430 486</b>	<b>7 237 129</b>
<b>Current year amortisation charge</b>	<b>-</b>	<b>950 020</b>	<b>4 843 003</b>	<b>5 793 023</b>
<b>Current year impairment charge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0</b>
<b>Accumulated depreciation and impairment at 31 Dec. 2018</b>	<b>-</b>	<b>3 756 663</b>	<b>9 273 489</b>	<b>13 030 152</b>
<b>Balance at 31 December 2018</b>	<b>32 057 753</b>	<b>60 036 702</b>	<b>379 505 890</b>	<b>471 600 340</b>
Economic life		39-100	39-100	
Depreciation method		Straight line	Straight line	



\*The difference between deferred tax valued at nominal and discounted amounts is recognized as goodwill. It is recognized when new companies are acquired and arises because deferred tax is valued at nominal amounts whereas discounted amounts are reflected in the purchase amount.

The "interest" goodwill is therefore depreciated over the same time-period as the other immaterial values recognized in the purchase. The economic lifetime is valued equal to the water right period.

The "interest" goodwill and other intangible assets recognized are connected to the following purchases:

<b>Aquired company</b>	<b>"Interest" Goodwill</b>	<b>Other intangible assets</b>	<b>Economic lifetime</b>
Nyvikelva Kraftverk AS	823 377	7 932 838	39
Nybuelve og Tverråne Kraftverker AS	3 012 670	23 481 804	55
Holmen Kraft AS	18 675 809	109 213 509	100
Middøla Kraft AS	388 178	3 739 904	39
Røneid Kraft AS	1 534 894	15 282 888	39
Sørdalselva Kraft AS	-316 441	0	40
Bergen Småkraft AS	6 936 778	42 244 777	100
Kvernåi Kraftverk AS	1 663 409	11 496 337	75
Liaelva Kraftverk AS	191 756	1 884 156	40
Mela Kraft AS	176 154	1 745 158	40
Tysseelva Kraft AS	1 505 717	14 854 962	40
Jordalen Kraft AS	1 051 647	10 361 352	40
Saksenvik Kraft AS	42 173	343 459	51
Follsjå Kraft AS	1 234 912	11 701 699	40
Kvemma Kraft AS	-2 861 117	0	66
Grytendal Kraftverk AS	3 323 704	30 654 728	55
Sandneselva Kraftverk AS	561 868	6 062 050	40
Fiskløysa Kraftverk AS	2 746 878	23 042 980	60
Sigdestad Kraftverk AS	5 333 087	57 539 213	40
<b>Balance at 31 December 2018</b>	<b>46 025 453</b>	<b>371 581 814</b>	

## Note 7: Property, plant and equipment

Småkraft AS				
	Buildings	Power plants	Transmission installation	Inlet and waterway
<b>Cost at 1 January 2018</b>	<b>192 844 407</b>	<b>899 428 824</b>	<b>137 683 801</b>	<b>934 586 288</b>
Additions through merger with subsidiaries	0	403 750 686	3 252 447	16 697 241
Additions, purchased	691 027	28 805 610	0	18 562 642
<b>Cost at 31 Desember 2018</b>	<b>193 535 434</b>	<b>1 331 985 120</b>	<b>140 936 248</b>	<b>969 846 171</b>
<b>Acc. depreciation at 01 Jan 2018</b>	<b>-31 415 686</b>	<b>-220 341 328</b>	<b>-22 827 722</b>	<b>-126 651 471</b>
<b>Acc impairment charge 01 Jan 2018</b>	<b>0</b>	<b>-194 343</b>	<b>0</b>	<b>-3 707 109</b>
Additions through merger with subsidiaries	0	-7 535 899	-975 742	-1 251 933
Current year depreciation charge	-5 021 136	-35 917 299	-4 078 307	-27 335 660
Current year impairment charge *)	0	0	0	0
<b>Accumulated depreciation and impairment at 31 Dec. 2018</b>	<b>-36 436 822</b>	<b>-263 988 869</b>	<b>-27 881 771</b>	<b>-158 946 173</b>
<b>Balance at 31 December 2018</b>	<b>157 098 612</b>	<b>1 067 996 251</b>	<b>113 054 477</b>	<b>810 899 998</b>
Accumulated impairment charge 31 Desember 2018	0	-194 343		-3 707 109
Percentage	2,50 %	1,25 - 6,67%	1,25 - 2,85%	1,25 - 2,5%
Economic life (years)	40	15 - 80	35 - 80	40 - 80
Depreciation method	Lineær	Lineær	Lineær	Lineær

\*) In 2017 plants under construction was been impaired with MNOK 10. Småkraft AS has a significant development portfolio that is capitalized. A share of these projects will not be realized due to refusal of concession, concession terms, lack of distribution lines or expected unprofitability.

Access facility	Investment contribution	Vehicles	Fixtures and fittings	Plant under construction	Land	Total
<b>168 227</b>						<b>2 411 117</b>
<b>665</b>	<b>14 802 798</b>	<b>1 478 295</b>	<b>4 191 093</b>	<b>53 246 236</b>	<b>4 627 776</b>	<b>183</b>
19 897						
956	0	0	0	4 856 335	135 500	448 454 665
1 527 313	3 049 056	339 000	2 475 102	-13 827 905	0	41 621 845
<b>189 652</b>						<b>2 901 329</b>
<b>934</b>	<b>17 851 854</b>	<b>1 817 295</b>	<b>6 666 195</b>	<b>44 274 666</b>	<b>4 763 276</b>	<b>193</b>
<b>-20 735</b>						<b>-426 599</b>
<b>349</b>	<b>-717 032</b>	<b>-821 961</b>	<b>-3 089 095</b>		<b>0</b>	<b>645</b>
<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-10 010 895</b>	<b>0</b>	<b>-13 912 347</b>
-891 775	0	0	0	0	0	-10 655 349
-4 220 776	-574 659	-161 614	-475 140	0	0	-77 784 591
0	0	0	0	-6 673 533	0	-6 673 533
<b>-25 847</b>						<b>-535 625</b>
<b>900</b>	<b>-1 291 690</b>	<b>-983 575</b>	<b>-3 564 235</b>	<b>-16 684 428</b>	<b>0</b>	<b>464</b>
<b>163 805</b>						<b>2 365 703</b>
<b>034</b>	<b>16 560 165</b>	<b>833 720</b>	<b>3 101 959</b>	<b>27 590 238</b>	<b>4 763 276</b>	<b>729</b>
	0	0	0	-16 684 428	0	-20 585 880
1,25 - 2,5%	2,12 - 2,5%	12,50 %	20,00 %			
40 - 80	40 - 47	8	5			
Lineær	Lineær	Lineær	Lineær			

**Note 7: Property, plant and equipment, continued**

**Group**

	<b>Buildings</b>	<b>Power plants</b>	<b>Transmission installation</b>	<b>Inlet and waterway</b>
<b>Cost at 1 January 2018</b>	<b>192 844 407</b>	<b>2 118 033 725</b>	<b>239 335 954</b>	<b>971 689 408</b>
Additions, purchased	691 027	293 183 416	1 527 313	18 562 642
<b>Cost at 31 Desember 2018</b>	<b>193 535 434</b>	<b>2 411 217 141</b>	<b>240 863 267</b>	<b>990 252 050</b>
<b>Acc. depreciation and impairment at 31 Dec 2018</b>	<b>-31 415 686</b>	<b>-281 230 240</b>	<b>-22 261 063</b>	<b>-133 136 782</b>
Current year depreciation charge	-5 021 136	-57 354 234	-5 318 961	-27 714 064
Current year impairment charge *)				
<b>Accumulated depreciation and impairment at 31 Dec. 2018</b>	<b>-36 436 822</b>	<b>-338 584 474</b>	<b>-27 580 024</b>	<b>-160 850 846</b>
<b>Balance at 31 December 2018</b>	<b>157 098 612</b>	<b>2 072 632 667</b>	<b>213 283 243</b>	<b>829 401 204</b>
Accumulated impairment charge 31 Desember 2018	0	-6 500 000	0	-3 707 109
Percentage	2,50 %	1,2-20%	1,25 - 2,85%	1,25 - 2,5%
Economic life	40	5-75	35 - 80	40 - 80
Depreciation method	Straight-line	Straight-line	Lineær	Lineær

\*) In 2018 plants under construction was impaired with MNOK 6,7. Småkraft AS has a significant development portfolio that is capitalized. A share of these projects will not be realized due to refusal of concession, concession terms, lack of distribution lines or expected unprofitability.

Access facility	Investment contribution	Vehicles	Fixtures and fittings	Construction	Plant under construction	Land	Total
<b>140 936</b>						<b>4 763</b>	
<b>248</b>	<b>14 802 798</b>	<b>1 478 295</b>	<b>4 191 093</b>	<b>0</b>	<b>66 265 333</b>	<b>276</b>	<b>3 754 340 537</b>
2 710 270	3 049 056	400 792	2 475 102		(7 032 959)		315 566 659
<b>143 646</b>							
<b>518</b>	<b>17 851 854</b>	<b>1 879 087</b>	<b>6 666 195</b>	<b>0</b>	<b>59 232 374</b>	<b>4 763 276</b>	<b>4 069 907 196</b>
<b>-24 585</b>							
<b>294</b>	<b>-717 032</b>	<b>-821 961</b>	<b>-3 089 095</b>	<b>0</b>	<b>-10 010 895</b>		<b>-507 268 048</b>
-4 353 798	-574 659	-162 644	-475 140	0			-100 974 636
					-6 673 533		-6 673 533
<b>-28 939</b>							
<b>092</b>	<b>-1 291 691</b>	<b>-984 605</b>	<b>-3 564 235</b>	<b>0</b>	<b>-16 684 428</b>	<b>0</b>	<b>-614 916 217</b>
<b>114 707</b>							
<b>426</b>	<b>16 560 163</b>	<b>894 482</b>	<b>3 101 960</b>	<b>0</b>	<b>42 547 946</b>	<b>4 763 276</b>	<b>3 454 990 979</b>
0	0	0	0	0	-16 684 428	0	-26 891 537
1,25 - 2,5%	2,12 - 2,5%	12,50 %	20,00 %				
40 - 80	40 - 47	8	5				
Lineær	Lineær	Lineær	Lineær				

## Note 8: Associated companies

### Småkraft AS

Associated company	Date of acquisition	Registered office	Ownership share %
Luster Småkraft AS	2005	Gaupne	50 %
Rullestad & Skromme AS	2006	Etne	35 %

The voting share equals the ownership share

### Group

Associated company	Luster Småkraft AS	Rullestad & Skromme AS	Total
Companies are recorded using the equity method:			
Acquisition cost	503 250	38 500	541 750
Share of equity at the time of aquisition	503 250	38 500	541 750
Excess over book value	0	0	0
Closing balance at 31 December 2017	2 931 269	0	2 931 269
Current year impairment charge			
Share of current year net income			
<b>Closing balance at 31 December 2018</b>	<b>2 931 269</b>	<b>0</b>	<b>2 931 269</b>

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.

The current year's share in net income in Luster Småkraft AS is not computed because the accounts are not ready yet. It is supposed to have only a minor effect on the accounts of Småkraft AS.

## Note 9: Subsidiaries

### Småkraft AS

Subsidiary	Date of acquisition/ Establishment	Registered office	Ownership share	Voting share
Holmen Kraft AS	2016	Bergen	100 %	100 %
Follsja Kraft AS	2016	Notodden	82 %	82 %
Muoidejohka Kraft AS	2010	Beiarn	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 %
<b>Subsidiaries owned by Småkraft Green Bond 1 AS</b>				
Jordalen Kraft AS	2017	Notodden	100 %	100 %
Kvemma Kraft AS	2013	Lærdal	66 %	66 %
Tysseelva Kraft AS	2017	Bergen	100 %	100 %
Mela Kraft AS	2017	Bergen	100 %	100 %
Røneid Kraft AS	2017	Notodden	100 %	100 %
Saksenvik Kraft AS	2016	Bergen	96 %	96 %
Grytendal Kraftverk AS	2018	Oslo	100 %	100 %
Fiskløysa Kraftverk AS	2018	Oslo	100 %	100 %
Sandneselva Kraftverk AS	2018	Oslo	100 %	100 %

In 2018 Småkraft AS transferred some of its subsidiaries to Småkraft Green Bond 1 AS in exchange with shares in Småkraft Green Bond 1 AS. The subsidiaries were transferred at cost since Småkraft Green Bond 1 AS is a wholly owned subsidiary of Småkraft AS.

In the consolidated accounts, these subsidiaries are recorded with continuity in valuations from Småkraft AS initial recognition.

The subsidiaries that are acquired in 2018, are included in the consolidated financial statement from the date of transaction.

These subsidiaries have started their production in 2018 and the consolidated profit and loss account of Småkraft AS for 2017 would therefore be unchanged had the subsidiaries been bought in 2017.

There has been a merger between Småkraft AS and the former subsidiaries Hølera Kraft AS, Nyvikelva Kraftverk AS, Sjørdalselva Kraftverk AS, Nybuelve og Tverråne Kraftverker AS, Liaelva Kraftverk AS, Kvernåi Kraftverk AS and Middøla Kraftverk AS. The accounts are merged from 01.01.2018. The merger is recorded with continuity in valuations in the Group consolidated accounts.

**Note 10: Receivables; amounts due after more than one year**

	Småkraft AS		Group	
	2018	2017	2018	2017
Loans to associates	8 086 434	8 000 000	8 086 434	8 000 000
Deposit rent	997 789	959 078	997 789	959 078
Prepaid water right lease	56 671 938	43 801 597	57 890 468	47 932 744
Other long term receivables	1 056 784	1 056 784	1 128 350	1 056 784
<b>Total</b>	<b>66 812 945</b>	<b>53 817 459</b>	<b>68 103 041</b>	<b>57 948 606</b>

Småkraft AS has granted a subordinated loan of MNOK 8 to Luster Småkraft AS

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.

**Loans to subsidiaries**

	Småkraft AS	
	2018	2017
Muoidejohka Kraft AS	53 243 902	54 521 797
Småkraft Green Bond 1 AS	69 718 336	0
Røsdalskraft	71 567	0
Hølera Kraft AS	0	17 960 075
Nybuelve og Tverråne Kraftverker AS	0	58 000 000
Middøla Kraft AS	0	38 269 679
Sørdalselva Kraft AS	0	32 285 357
Kvernåi Kraftverk AS	0	31 000 000
Liaelva Kraftverk AS	0	19 000 000
Mela Kraft AS	0	50 382 355
Tyssselva Kraft AS	0	49 742 944
Saksenvik Kraft AS	0	28 788 996
Kvemma Kraft AS	0	4 488 000
Reinli Kraft AS	13 777 778	15 069 444
<b>Total</b>	<b>136 811 583</b>	<b>399 508 646</b>

Småkraft AS has given subordinated shareholder loans to several subsidiaries. The loans have conditions based on the subsidiary's independent financial ability and are either based on fixed interest or NIBOR + margin.



**Note 11: Related party transaction and balance items.**

As of 31 December 2018, Aquila Capital European Hydropower Fund GmbH has a ownership share of 30.10%, ACE Hydro Norway S.a.r.l. has a ownership share of 53.49% and Hydro GAM Invest S.a.r.l has a ownership share of 16.41%.

Transactions between Småkraft and its subsidiaries and associates are on commercial basis. 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 & Skomme 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.

Group			Småkraft AS
Related party	Transaction / transaction group	Related accounting line	Related party
1 434 204	Purchase of services from related party	Other operating cost	1 434 204
67 657 685	Purchase of energy	Costs	67 657 685
<b>69 091 889</b>	<b>Total</b>		<b>69 091 889</b>
3 907 987	Sales of various goods and services Invoiced for construction work	Other operating revenue Sales	3 907 987
<b>3 907 987</b>	<b>Total</b>		<b>3 907 987</b>

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

Kvitåi Kraftverk and Grøslandselva Kraftverk were bought from Småkraft Utbygging AS as at 30.06.2018 and 15.12.2018. The power plants were valued at market value computed with Småkraft's ordinary valuation- methods

Group			Småkraft AS		
Short term receivables			Short term receivables		
2018	2017	Counterpart	Relationship to the counterpart	2018	2017
		Muoidejohka Kraft AS	Subsidiary	1 541 074	670 020
		Reinli Kraft AS	Subsidiary	2 166 647	532 962
		Middøla Kraft AS	Subsidiary in 2017	0	381 942
		Nybuelve og Tverråne Kraftverker AS	Subsidiary in 2017	0	260 818
		Kvernåi Kraftverk AS	Subsidiary in 2017	0	72 912
		Hølera Kraft AS	Subsidiary in 2017	0	69 749
		Kvemma Kraft AS	Subsidiary in 2017	0	48 851
		Liaelva Kraftverk AS	Subsidiary in 2017	0	45 786
		Tysseelva Kraft AS	Subsidiary in 2017	0	37 674
		Nyvikelva Kraftverk AS	Subsidiary in 2017	0	31 529
		Jorda Kraft AS	Subsidiary	583 050	17 773
		Follsjå Kraft AS	Subsidiary	51 134	0
		Småkraft Green Bond 1 AS	Subsidiary	2 481 843	0
		Mela Kraft AS	Subsidiary of subsidiary	2 451 038	0
		Tyssselva Kraft AS	Subsidiary of subsidiary	1 358 576	0
		Saksenvik Kraft AS	Subsidiary of subsidiary	919 654	0
		Sandneselva Kraft AS	Subsidiary of subsidiary	61 860	0
		Fiskløysa Kraft AS	Subsidiary of subsidiary	62 760	0
		Røneid Kraft AS	Subsidiary of subsidiary	2 056 882	0
		Jordalen Kraft AS	Subsidiary of subsidiary	3 818 001	0
		Holmen Kraft AS	Subsidiary of subsidiary	14 175 867	0
		Sigdestad Kraft AS	Subsidiary of subsidiary	75 272	0
		Kvemma Kraft AS	Subsidiary of subsidiary	96 737	0
		Receivables, group companies		31 563 914	2 170 015
0	0	Rullestad & Skromme AS	Associated company	49 297	0
	184 780	Luster Småkraft AS	Associated company	0	184 780
0	184 780	Receivables, associates		49 297	184 780
<b>0</b>	<b>184 780</b>	<b>Sum</b>		<b>31 613 211</b>	<b>2 354 795</b>

Group Long tem Receivables				Småkraft AS	
2018	2017	Counterpart	Relationship to the counterpart	Long tem Receivables	
				2018	2017
0	0	Agder Energi	Former owner	0	0
0	0	Receivables		0	0
		Røsdalskraft AS		71 567	
		Muoidejohka Kraft AS	Subsidiary	53 243 902	54 521 797
		Hølera Kraft AS	Subsidiary in 2017	0	17 960 075
		Nybuelve og Tverråne Kraftverker AS	Subsidiary in 2017	0	58 000 000
		Middøla Kraft AS	Subsidiary in 2017	0	38 269 679
		Sørdalselva Kraft AS	Subsidiary in 2017	0	32 285 357
		Kvernåi Kraftverk AS	Subsidiary in 2017	0	31 000 000
		Liaelva Kraftverk AS	Subsidiary in 2017	0	19 000 000
		Mela Kraft AS	Subsidiary in 2017	0	50 382 355
		Tysselva Kraft AS	Subsidiary in 2017	0	49 742 944
		Saksenvik Kraft AS	Subsidiary in 2017	0	28 788 996
		Kvemma Kraft AS	Subsidiary in 2017	0	4 488 000
		Reinli Kraft AS	Subsidiary	13 777 778	15 069 444
		Småkraft Green Bond 1 AS	Subsidiary	69 718 336	0
				136 811	
		Loans to subsidiaries		583	399 508 646
8 086 434	8 000 000	Luster Småkraft AS	Associated company	8 086 434	8 000 000
8 086 434	8 000 000	Loans to associates		8 086 434	8 000 000
<b>8 086 434</b>	<b>8 000 000</b>	<b>Sum</b>		<b>144 898 017</b>	<b>407 508 646</b>

## Note 12: Share capital and shareholder information

### Småkraft AS

Ownership structure 31.12.18	Number	Nominal amount	Voting share	Ownership share
Aquila Capital European Hydropower Fund GmbH	870 747	50	30,10 %	30,10 %
ACE Hydro Norway S.a.r.l.	1 547 241	50	53,49 %	53,49 %
Hydro GAM Invest S.a.r.l.	474 703	50	16,41 %	16,41 %
<b>Sum</b>	<b>2 892 691</b>	<b>50</b>	<b>100,00 %</b>	<b>100,00 %</b>

Voting share is equivalent with ownership share.

## Note 13: Equity

### Småkraft AS

	Share capital	Share premium	Not registered capital increase	Other paid-in capital	Retained equity	Total equity
<b>Equity at 31.12.2016</b>	<b>66 000 000</b>	<b>148 030 315</b>			<b>434 097 112</b>	<b>648 127 427</b>
Demerger Småkraft Utbygging AS	-7 302 864	-12 297 889				-19 600 753
Demerger Mela Kraft AS, Tysseelva Kraft AS og Sjørdalselva Kraft AS	-2 227 420	-4 995 843			-21 637 557	-28 860 820
Merger Norsk Grønnkraft AS	42 212 668	449 567 362		221 924 813	-39 627 354	674 077 489
Fund emission	19 452 141				-19 452 141	0
Shareholder loans converted to equity	2 463 405	57 996 440				60 459 845
Cash issue	18 994 770	432 401 932				451 396 702
Remeasurement of pension obligations 2017					2 737 339	2 737 339
Net profit					-120 710 373	-120 710 373
<b>Equity at 31.12.2017</b>	<b>139 592 700</b>	<b>1 070 702 317</b>		<b>221 924 813</b>	<b>235 407 026</b>	<b>1 667 626 856</b>
Correction of other paid in capital from 2016		221 924 813		-221 924 813		0
Change in accounting principle					-116 736 243	-116 736 243
<b>Equity at 31.12.2017 adjusted</b>	<b>139 592 700</b>	<b>1 292 627 130</b>	<b>0</b>	<b>0</b>	<b>118 670 783</b>	<b>1 550 890 613</b>
Merger Hølera Kraft AS					-1 155 553	-1 155 553
Merger Sjørdalselva Kraft AS					333 031	333 031
Merger Nyvikelva Kraftverk AS					131 779	131 779
Merger Nybuelve og Tverråne Kraftverker AS					255 067	255 067
Merger Liaelva Kraftverk AS					-378 472	-378 472
Merger Kvernåi Kraftverk AS					1 218 414	1 218 414
Merger Bergen Småkraft AS					-5 772 596	-5 772 596
Merger Middøla Kraft AS					-2 509 137	-2 509 137
Capital increase	5 041 850	117 375 508				122 417 358
Not registered capital increase			85 788 524			85 788 524
Not registered capital increase			136 191 211			136 191 211
Additional dividend					-25 000 000	-25 000 000
Other changes					-389 075	-389 075
Dividend		-200 000 000				-200 000 000
Net profit					-71 931 090	-71 931 090
<b>Equity at 31.12.2018</b>	<b>144 634 550</b>	<b>1 210 002 638</b>	<b>221 979 735</b>	<b>0</b>	<b>13 473 151</b>	<b>1 590 090 074</b>

**Småkraft Group**

			Not registered capital increase		Minority interests	Retained equity	Total equity
<b>Equity at 31.12.2016</b>	<b>66 000 000</b>	<b>148 030 315</b>			<b>9 846 970</b>	<b>434 097 112</b>	<b>657 974 397</b>
Demerger Småkraft Utbygging AS	-7 302 864	-12 297 889					-19 600 753
Demerger Mela Kraft AS, Tysseelva Kraft AS og Sjørdalselva Kraft AS	-2 227 420	-4 995 843				-21 637 557	-28 860 820
Merger Norsk Grønnkraft AS	42 212 668	449 567 362		221 924 813		-39 627 354	674 077 489
Consolidating daughters Norsk Grønnkraft AS as at 01.01.2017					14 996 584	-1 844 314	13 152 270
Fund emission	19 452 141					-19 452 141	0
Shareholder loans converted to equity	2 463 405	57 996 440					60 459 845
Cash issue	18 994 770	432 401 932					451 396 702
Extraordinary dividend							0
Remeasurement of pension obligations 2017						2 737 339	2 737 339
Net profit					354 034	-143 072 075	-142 718 041
<b>Equity at 31.12.2017</b>	<b>139 592 700</b>	<b>1 070 702 317</b>	<b>0</b>	<b>221 924 813</b>	<b>25 197 588</b>	<b>211 201 010</b>	<b>1 668 618 428</b>
Change in accounting principle					-2 520 184	-120 516 519	-123 036 703
Correction of other paid in capital from 2016		221 924 813		-221 924 813			0
<b>Equity at 01.01.2018</b>	<b>139 592 700</b>	<b>1 292 627 130</b>	<b>0</b>	<b>0</b>	<b>22 677 404</b>	<b>90 684 491</b>	<b>1 545 581 726</b>
Capital increase	5 041 850	117 375 508					122 417 358
Minority in acquired subsidiary					27 836 871		27 836 871
Not registered capital increase			85 788 524				85 788 524
Not registered capital increase			136 191 211				136 191 211
Additional dividend						-25 000 000	-25 000 000
Other changes					-1 147	159 732	158 585
Dividend		-200 000 000			-1 764 000		-201 764 000
Net profit					4 723 374	-54 392 670	-49 669 296
<b>Equity at 31.12.2018</b>	<b>144 634 550</b>	<b>1 210 002 638</b>	<b>221 979 735</b>	<b>0</b>	<b>53 472 502</b>	<b>11 451 553</b>	<b>1 641 540 979</b>

**Note 14: Taxes**

The merger and demerger is completed under the concept of consistency both by book value and for tax purposes.

	Småkraft AS					Group	
	Change	2018	2017			2018	2017
<b>The tax expense in the income statement</b>							
Income tax payable		0			0	2 300 388	674 963
Natural resource tax used		0			0	-230 611	0
Taxes on ground rent		0			0	10 374 209	4 071 786
Change in deferred income tax		-11 462 116			-36 720 646	-11 120 091	-45 975 993
Tax on group contribution		-3 247 661			0	0	0
Other tax expenses		-3 410			0	0	0
<b>Tax expense in the income statement</b>		<b>-14 713 187</b>			<b>-36 720 646</b>	<b>1 323 895</b>	<b>-41 229 244</b>
<b>Reconciliation of nominal tax rate and effective tax rate</b>							
Profit before tax							-205 206
Tax rate		-86 644 280			-177 083 519	-48 345 450	193
Expected tax expense		23 %			24 %	23 %	24 %
<b>Effect on taxes of</b>		-19 928 184			-42 500 045	-11 119 454	-49 249 486
Permanent differences		-253 226			2 643 883	-1 111 541	1 089 797
Taxes on ground rent		0			0	10 374 209	4 038 787
Other changes		-3 410			0	-84 099	0
Changes related to deferred tax on off-balance sheet items		1 592 500			56 205	1 206 139	1 854 227
Change in tax rates		3 879 132			3 079 311	2 058 640	1 037 430
<b>Tax expense</b>		<b>-14 713 190</b>			<b>-36 720 646</b>	<b>1 323 895</b>	<b>-41 229 245</b>
Effective tax rate		17 %			20 %	-3 %	20 %
<b>Taxes payable in the balance sheet</b>							
Income tax exceeding natural resource tax		0			0	2 069 777	603 161
Taxes on ground rent		0			0	10 374 209	4 071 786
<b>Taxes payable in the balance sheet</b>		<b>0</b>			<b>0</b>	<b>12 443 986</b>	<b>4 674 947</b>
<b>Specification of temporary differences and deferred tax</b>							
<b>Ordinary Income</b>	<b>Change</b>	<b>2018</b>	<b>01.01.2018</b>	<b>Merger and change in accounting principle</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Fixed assets	2 832 622	135 200 000	138 032 622	107 153 028	30 879 594	431 388 192	304 604 173
Current assets/current liabilities						-165 453	
Pension obligations	133 007 461	-165 379 361	-32 371 900	0	-32 371 900	949	-31 093 338
Interest deduction	0	1 056 784	1 056 784	0	1 056 784	1 056 784	1 056 784
Construction contracts	0	-13 965 688	-13 965 688	0	-13 965 688	-13 965 688	-13 965 688
Accrued income	-1 684 570	0	0	0	0	0	0
Capitalized finance expenses	1 043 960	3 981 738	2 297 168	0	2 297 168	3 981 739	2 297 168
Unrealized currency gain	1 043 960	17 422 552	18 466 512	0	18 466 512	17 422 552	18 466 512
Long term receivables	0	0	0	0	0	0	0
Excess value demerger 2016	0	0	0	-144 213 196	144 213 196	0	0
Other differences	2 540 003	0	2 540 003	2 540 003	0	-1 072 014	-5 530 567
Gains and losses account	-429 692	-1 718 782	-2 148 474	0	-2 148 474	-1 718 782	-2 148 474
Notes receivables	74 588	-74 588	0	0	0	0	0
Temporary differences	137 384 372	-23 477 345	113 907 027	-34 520 165	148 427 192	271 638 834	273 686 570
Losses carried forward						-395 683	-469 686
	-63 759 376	-364 435 820	-428 195 196	-10 180 189	-418 015 007	539	467
<b>Basis for deferred tax</b>	<b>73 624 996</b>	<b>-387 913 165</b>	<b>-314 288 169</b>	<b>-44 700 354</b>	<b>-269 587 815</b>	<b>-124 044 705</b>	<b>-195 999 897</b>
Tax rate		22 %	23 %	23 %	23 %	22 %	23 %
Net deferred tax benefit (-)/liability (+) in the balance sheet, ordinary income	-13 054 616	-85 340 896	-72 286 279	-10 281 081	-62 005 197	-27 289 835	-45 079 976
Off-balance sheet deferred tax items	1 592 500	-5 354 548	-6 947 047	-4 065 865	-2 881 182	-11 256 208	-9 198 188
Off-balance sheet deferred tax benefits						368 003	510 978
Fixed assets						1 372 121	1 567 976
EI -certificates							307 884
Sum						1 372 121	1 875 860
Deferred ground rent tax						507 685	669 681
<b>Net deferred tax benefit (-)/liability (+) in the balance sheet, ordinary income</b>	<b>-11 462 116</b>	<b>-90 695 444</b>	<b>-79 233 326</b>	<b>-14 346 946</b>	<b>-64 886 379</b>	<b>-37 670 355</b>	<b>-53 097 505</b>

**Note 15: Pension costs, assets and liabilities**

Småkraft AS has liquidated the prior defined benefit plan for the company's employees. With effect from 01.06.2017, a defined contribution plan has been established for the company's employees. The scheme comprises 17 employees as of 31 December 2018. In 2018, NOK 979 352 was paid to the defined contribution plan. Balance on deposit funds as at 31 December 2018 was NOK 1,056,784



**Note 16: Cash and cash equivalents**

Bank deposits, cash etc. does not include restricted tax deduction funds as of 31.12.2018

Småkraft issued a Green Bond during the period, As the funds from the bond were settled after the balance sheet date during January and February 2019, this affects the cash positions and the debt positions significantly per year end 2018. Per year end 2018, EUR 50.000.000,- of funds from the Green Bond issue was restricted on an escrow account. In January and February 2019, Småkraft fulfilled its remaining commitments to free the Funds from the Green Bond. The funds were used to repay debt and pay out dividend in line with the Bond terms.

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

## Note 17: Secured borrowings and guarantees

	Småkraft AS		Group	
	2018	2017	2018	2017
<b>Secured borrowings etc</b>				
Borrowings from financial institutions	1 794 419 169	1 820 699 806	2 256 117 125	2 312 641 694
Agent commission	-17 422 552	-18 466 512	-17 422 552	-18 466 512
<b>Total</b>	<b>1 776 996 617</b>	<b>1 802 233 294</b>	<b>2 238 694 573</b>	<b>2 294 175 182</b>
<b>Carrying amount of pledged assets</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Operating equipment	3 935 679	3 981 966	3 935 679	1 758 331
Accounts receivable	10 179 183	29 396 092	10 179 183	31 268 466
Power plants and related water lease agreements	2 172 315 923	1 969 572 026	2 771 725 925	2 517 913 606
<b>Total</b>	<b>2 186 430 786</b>	<b>2 002 950 084</b>	<b>2 785 840 787</b>	<b>2 550 940 403</b>

The bank has pledged security in operating equipment, bank account 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 of MNOK 2.1 to Agder Energi Vannkraft AS, regarding the construction of Lislevatn power plant.

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 MNKO 5, related to whether Knutfoss makes a profit over the next 7 years. Based on current projections, it is considered likely that the debt will be settled.

## Note 18: Interest-bearing debt

<b>Småkraft AS</b>		
<b>Lenders</b>	<b>2018</b>	<b>2017</b>
Loan Sparebank1 MidtNorge	5 000 000	5 000 000
SEB/Nordea/DNB	1 771 419 169	1 797 699 806
SEB Revolving facility	18 000 000	18 000 000
Agent commission SEB/Nordea	-12 005 502	-18 466 512
<b>Total long-term interest-bearing debt</b>	<b>1 782 413 667</b>	<b>1 802 233 294</b>

There was in 2017 established a revolving facility in NOK with an available amount of MNOK 50 with a balance of MNOK 18 as of 31.12.2018. loan is in NOK, and interests are determined every 6 months, as NIBOR plus a margin

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 has been two installments in 2018. The loans are due or should be refinanced in 2020. There has been one installment in 2017 and will be two installments in 2018. The loans are in EURO, and interests are determined every 6 months, as EURIBOR plus a margin. It is a requirement that the loans are secured against interest rate changes and changes in the power- and el-cert prices. Commission and fees are capitalized and amortized over 3 years (or the remaining period of the loan).

There is a conditional waiver of debt from the bank amounting to MNOK 5, related to wheter Knutfoss power plant makes a profit over the next 7 years. Based on current projections, it is considered likely that the debt will be settled, and the loan is therefore included in the long- term interest- bearing debt.

<b>Group</b>	<b>2018</b>	<b>2017</b>
<b>Lenders</b>		
Loan Sparebank1 MidtNorge	5 000 000	5 000 000
SEB/Nordea (3 years maturity)	1 771 419 169	1 797 699 806
Valutalån Sparebanken Vest	210 838 462	215 803 471
Sparebanken 1 Telemark	39 749 724	41 642 584
Sparebanken Vest	49 525 000	
Sparebanken Sogn og Fjordane		50 500 000
Mortgage loan Sparebanken Vest		20 000 000
Mortgage loan Sparebanken Vest	42 166 665	43 633 333
Mortgage loan Sparebank 1 Gudbrandsdal	18 562 500	19 312 500
Mortgage loan Sparebanken Vest	100 855 605	101 050 000
SEB Revolving facility	18 000 000	18 000 000
Agent commission SEB/Nordea	-17 422 552	-18 466 512
<b>Sum langsiktig gjeld</b>	<b>2 238 694 573</b>	<b>2 294 175 182</b>

**Note 19: Concessions**

As of 31.12.2018, Småkraft AS has concessions for additional 19 power plant with a total annual production of approximately 272 GWh.

## Note 20: Financial Derivatives

	Småkraft AS	
<b>Energy derivatives valued at the lower of historical cost and fair value</b>	<b>2018</b>	<b>2017</b>
Unrealized losses recognised in the income statement	-171 555 870	-32 371 900
<b>Total financial liabilities</b>	<b>-171 555 870</b>	<b>-32 371 900</b>

For the period 2018- 2022, Småkraft AS has hedged part of the stimated 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.

During the year, the power prices increased. The effect, current year value changes, is recognized in the income statement under other financial expenses.

The company utilizes hedge accounting for the interest rate swap. This derivative is effective.

**Note 21: Financial Risk**

Long-term bank loans is in EURO and the interest is EURINOR pluss a margin. A part of the loan is hedged against changes in EURIBOR. Changes in EURIBOR can result in higher finance costs. The loan is partly hedged against changes in the EUR/ NOK exchange rate in 2018, so the currency risk related to the loan which is reduced.

Småkraft AS has hedged parts of future income from power and el certificates through derivatative price instruemnts. (refer to note 20)

Changes in future prices will result in gain or loss from these hegding instruments.

## Note 22: Water land lease agreements

The Group will implement IFRS during H1 2019. As part of the IFRS- transition, Småkraft AS has changed its accounting policy with regards to land lease.

Småkraft enters water right lease agreements with landowners, which entitles the company to utilize the water in the rivers. The agreement typically has a period varying from 40 to 75 years, starting when the power plant is put into commercial operation.

Småkraft mainly has three types of water land lease agreements:

- 1) Gross agreement/ revenue-based agreements: Småkraft pays landowner based upon the yearly powerplant- revenue. Upon the 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.
- 2) Fixed amount- agreement: Småkraft pays landowner yearly based upon a fixed amount. Upon the expiration of the agreement the landowner have the right to purchase the powerplant with all rights and technical installations based on certain specific conditions.
- 3) Profit share agreements: Småkraft shares the yearly powerplant- profit with the land owner. Upon the 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.

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

- 1) Småkraft has a gross land lease agreement, giving the land owners the immediate right to a % of the revenue.
- 2) Småkraft has a fixed amount agreement, giving the land owners the immediate right to a certain payment.
- 3) Småkraft has a profit share agreement, giving the land owners the immediate right to a % of the profit, and the landowner agreement has an accumulated profit over the lifetime of the powerplant.

In the case that Småkraft has a profit share 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 recognize as an asset. This asset will be off- balance. Any positive or negative changes in these off- balance items, will not be recognized 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 recognized as normal loans in Småkrafts Financial Statements.

	Småkraft AS		Group	
	2018	2017	2018	2017
Loans to landowners	17 573 076	18 588 773	17 573 076	18 588 773
Minimum payments to landowners	39 098 862	32 605 137	40 317 392	32 605 137
<b>Booked loans to landowners</b>	<b>56 671 938</b>	<b>51 193 910</b>	<b>57 890 468</b>	<b>51 193 910</b>

	Småkraft AS		Group	
	2018	2017	2018	2017
Receivables towards landowners, off balance	169 621 548	183 341 597	177 392 544	191 524 012
<b>Booked loans to landowners</b>	<b>169 621 548</b>	<b>183 341 597</b>	<b>177 392 544</b>	<b>191 524 012</b>

## Note 23: Bond loan

	31.12.2018	31.12.2017
<b>Bond loan</b>	<b>497 415 000</b>	<b>0</b>
Amortization of borrowing costs	-5 417 050	0
<b>Total long-term debt</b>	<b>491 997 950</b>	<b>0</b>

The average annualized borrowing rate in 2018 is 1,5%.

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. The aim is to be listed on the Oslo Stock Exchange and the annual accounts must be published no later than 180 days after 31.12.2018

As of 31 December 2018, not all conditions in the loan agreement for the release of the proceeds / funds were met. For this reason, the client funds were on a escrow account. This has a large impact on the balance sheet as of 31.12.2018. The proceeds / funds have been released after the balance sheet date and before the presentation of the accounts as of January 18, 2019 and February 18, 2019.

As of 31 December 2018, the company is not in breach of any of the above-mentioned terms of the bond agreement.R

### Repayment Profile (in EUR)

The bond loan has a five-year maturity and follows the repayment profile as shown below.

2018	2019	2020	2021	2022	2023
0	0	0	0	0	50 000 000



**Note 24: Financial expenses**

	Småkraft Group		Småkraft AS	
	2018	2017	2018	2017
Interest expenses	-47 041 801	-47 430 660	-31 205 972	-28 524 339
Unrealized non- cash disagio effect on EUR- loans	-20 586 004	-146 984 569	-18 509 712	-130 395 809
Unrealized non- cash value change on energy derivatives	-135 934 251	-31 158 102	-135 934 251	-31 158 102
Realized loss on commodity hedges	-70 240 390	-4 063 929	-70 240 390	-4 063 929
Other financial expenses and amortizations	-20 804 582	-14 315 919	-21 764 394	-14 213 499
<b>Total financial expenses</b>	<b>-294 607 028</b>	<b>-243 953 179</b>	<b>-277 654 719</b>	<b>-208 355 678</b>