Creating long- term values in a volatile world

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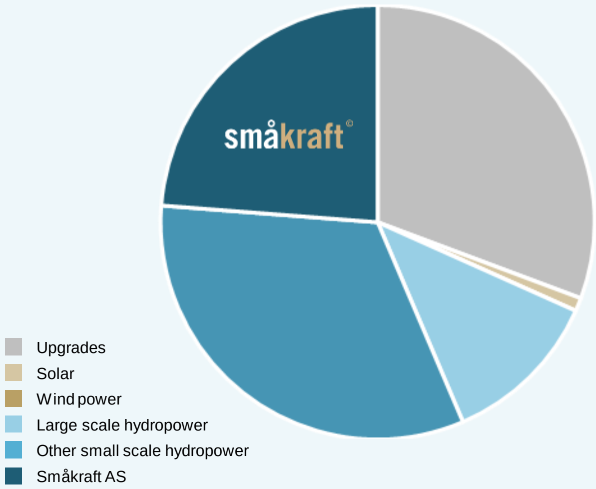
Småkraft AS is the largest small- scale hydropower operator in Europe with a portfolio exceeding 2,1 TWh

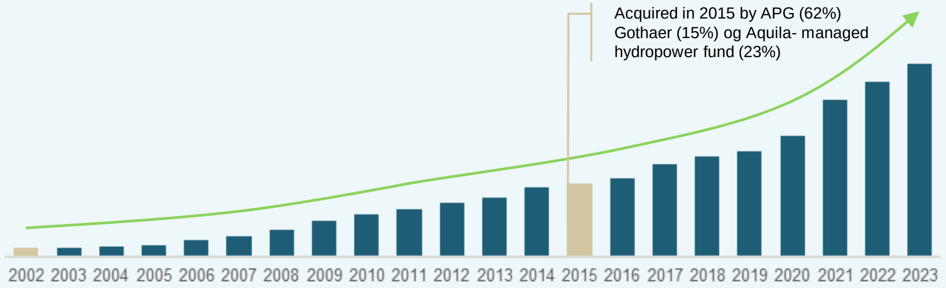
During 2023 Småkraft was constructing 269 GWh in Norway, which was 24% of all renewable energy being built at the time



22 power plants (317 GWh) under construction

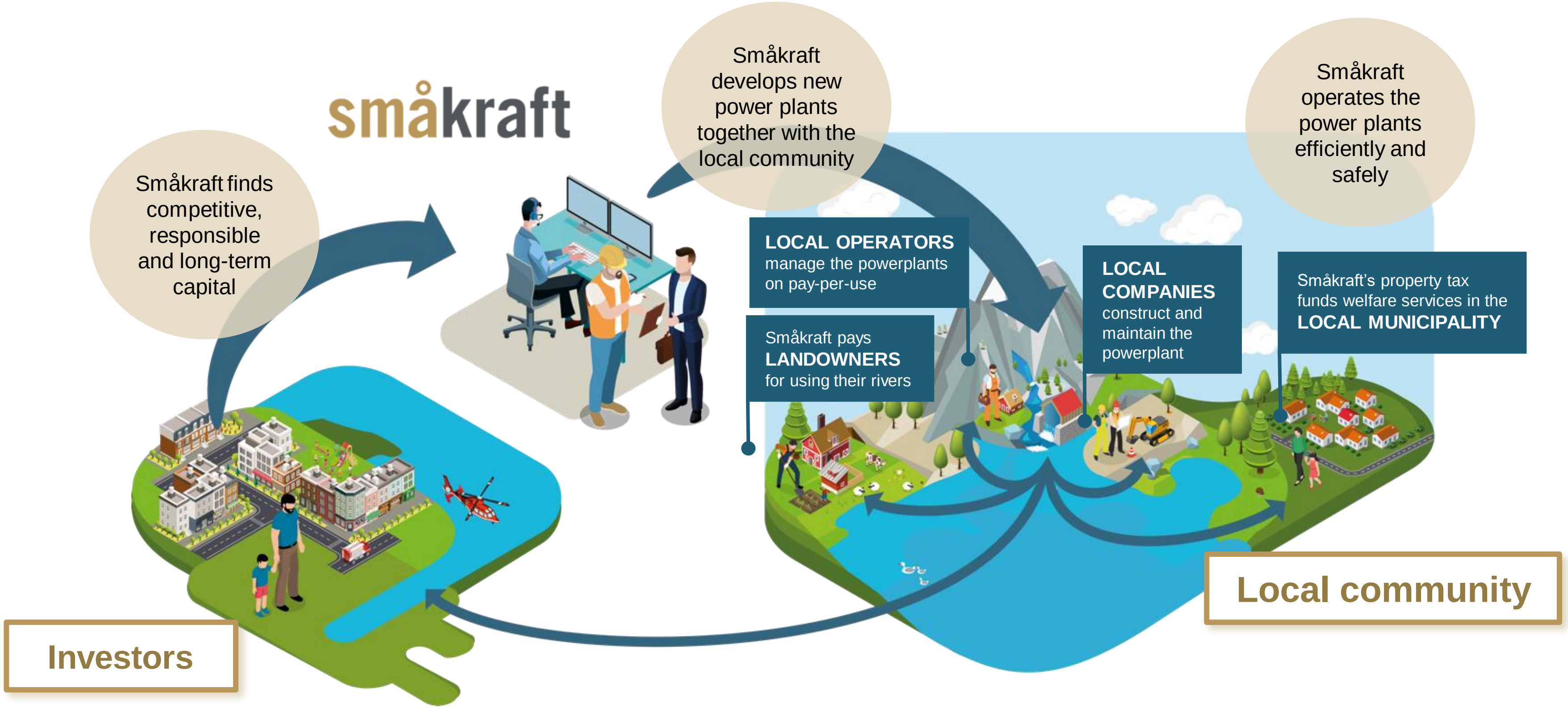
24 permits (269 GWh) applied

15 agreements signed (167 GWh)



1) NVE Q3 2023

We build our assets to last for decades, and our business model supports long- term value creation



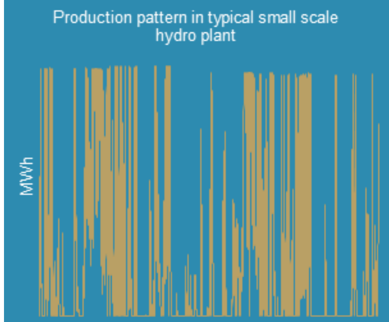
Small scale hydro is **volatile** short- term, but **stable** long- term

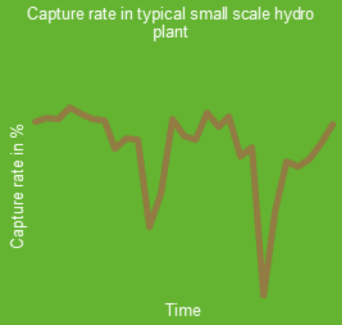
Small- scale hydropower

faces volatile production

with volatile capture rates

in a volatile market

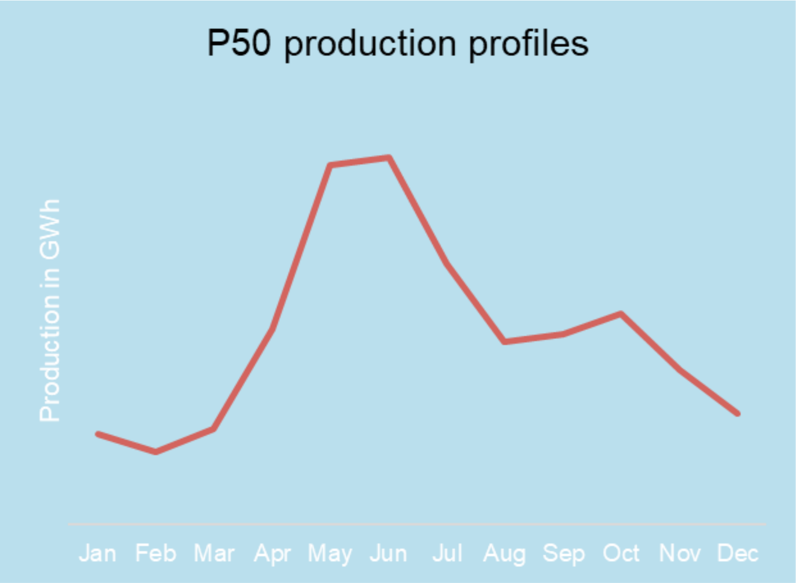




Revenue = Production × Capture rate × Market price

has an estimated lifetime of more than 100 years

The short- term and long- term perspectives differ.
You could loose a lot of value if you do not keep an eye on both



Investor- perspective

Both runoff and production have increased the last 60 years

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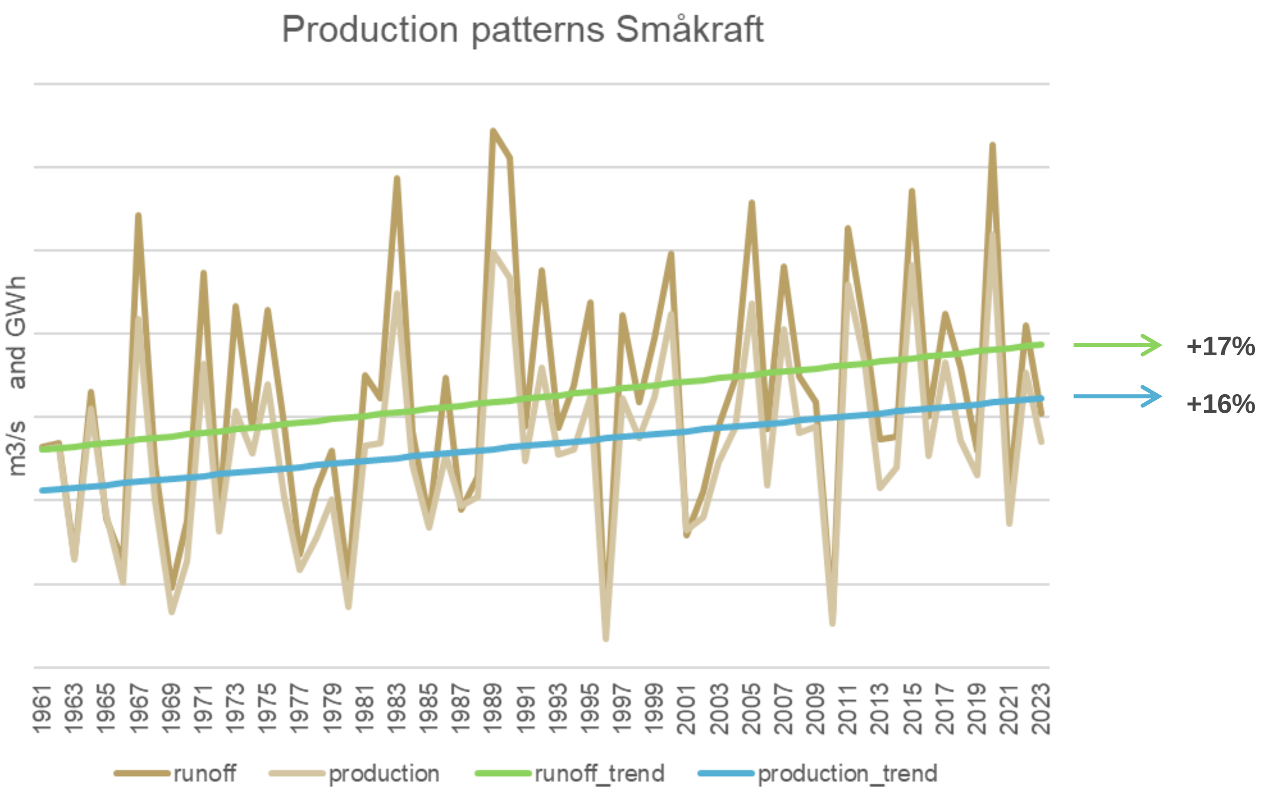


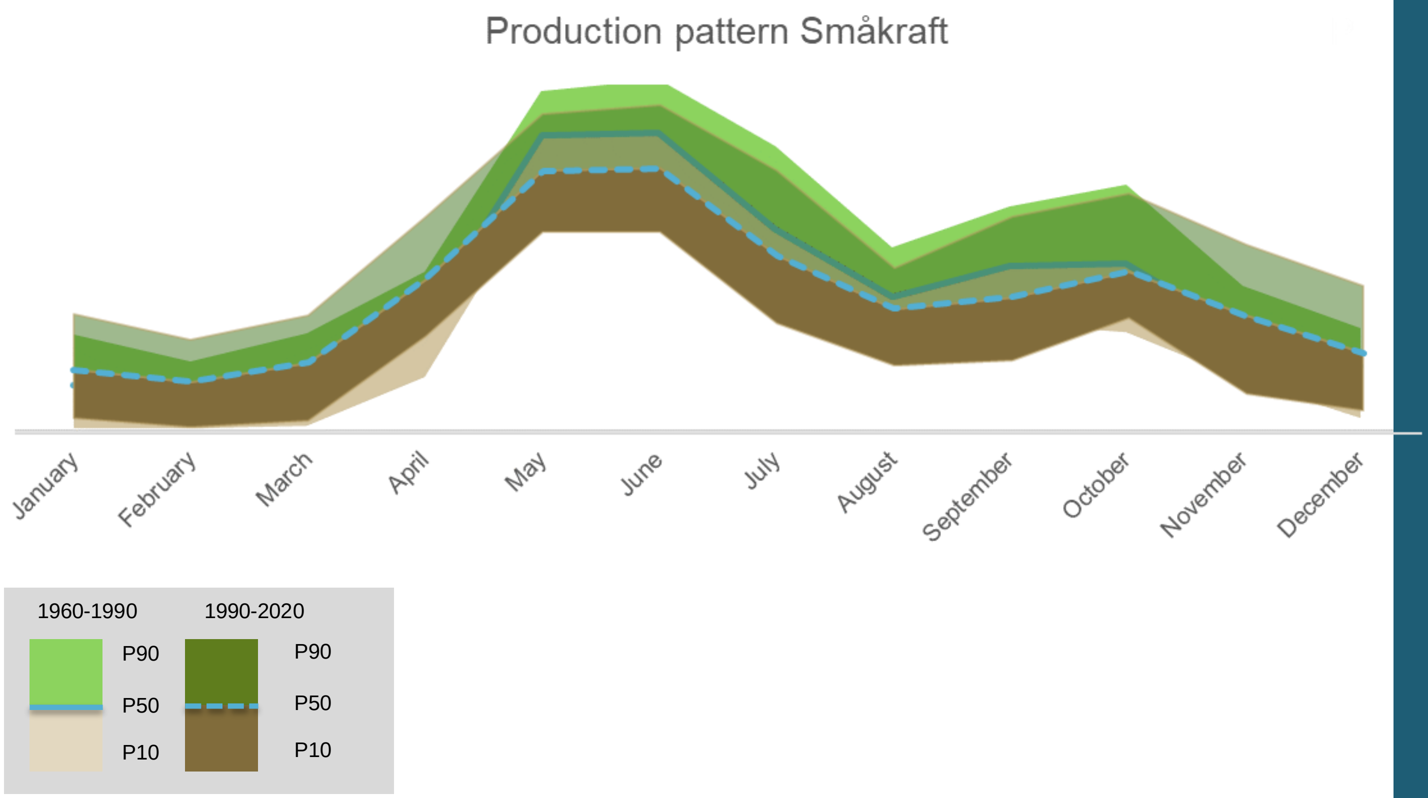
- Based on historical data for perception we have calculated run-off and production for our Norwegian powerplants from 1961 to 2023.

- During this period the run-off has increased by 17%.

- Based on the run- off figures and the technical specifications for our power stations, we have found a similar trend for production.

- This indicates that climate effect tends to strengthen the production from the plants currently in operation.

Climate change leads to seasonal shifts and higher monthly volatility



Conclusions:

1. More production during winter
2. Less production during spring
3. In total, production is increasing
4. Monthly volatility is increasing, as variance is increasing with 16%.
5. Increase in volatility is not statistical signifcant

We plan to invest in our own “batteries”

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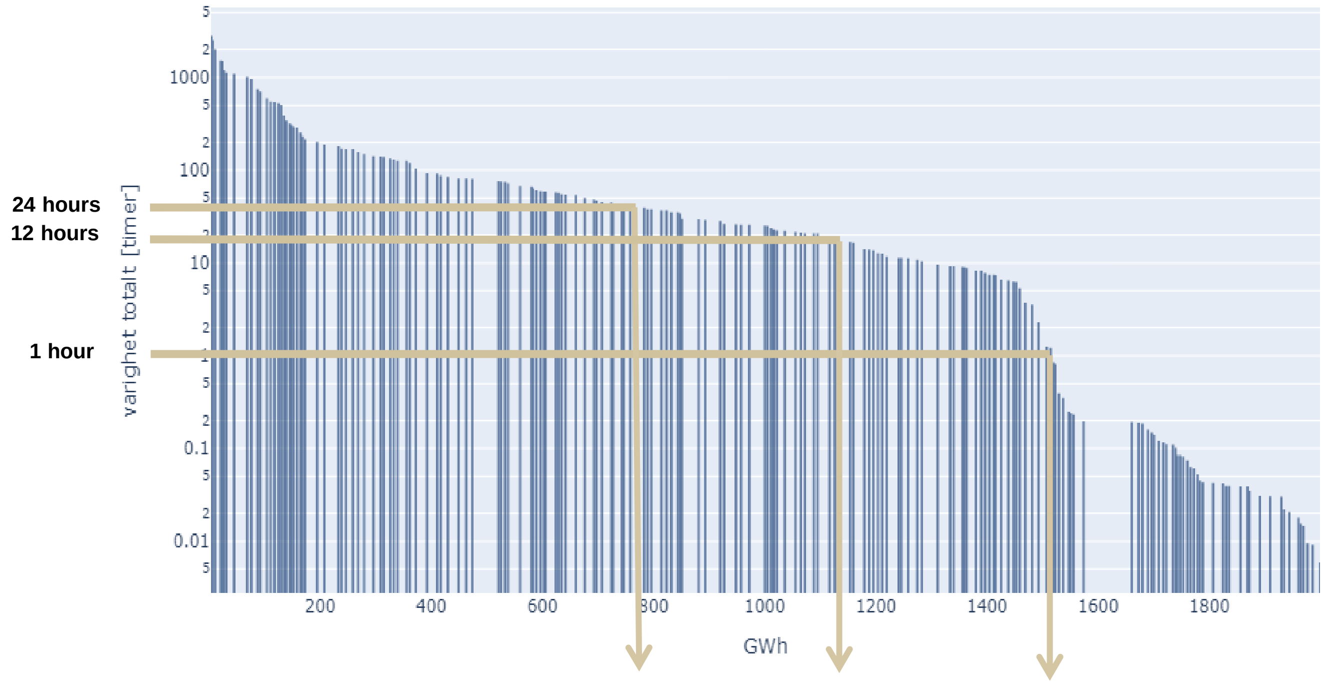
Storage capacity- potential in Småkrafts portfolio



- Increased price volatility leads to lower capture rate for renewable energy without storage capacity.
- With more sun and wind energy into the energy mix this is expected continue for the coming years
- Total potential reservoir capacity for each individual powerplant in Småkrafts portfolio is mapped
- Potential for increased capture rate by utilizing this capacity
- Some of this will require updated permits or significant investments.

Bodecker has supported us in operationalising «risk management» in a way that suits us

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Our Goal

Without destroying long- term value…

maintain positive cash- flows short- term in a volatile market

Our tasks

Understand our production volatiltiy better

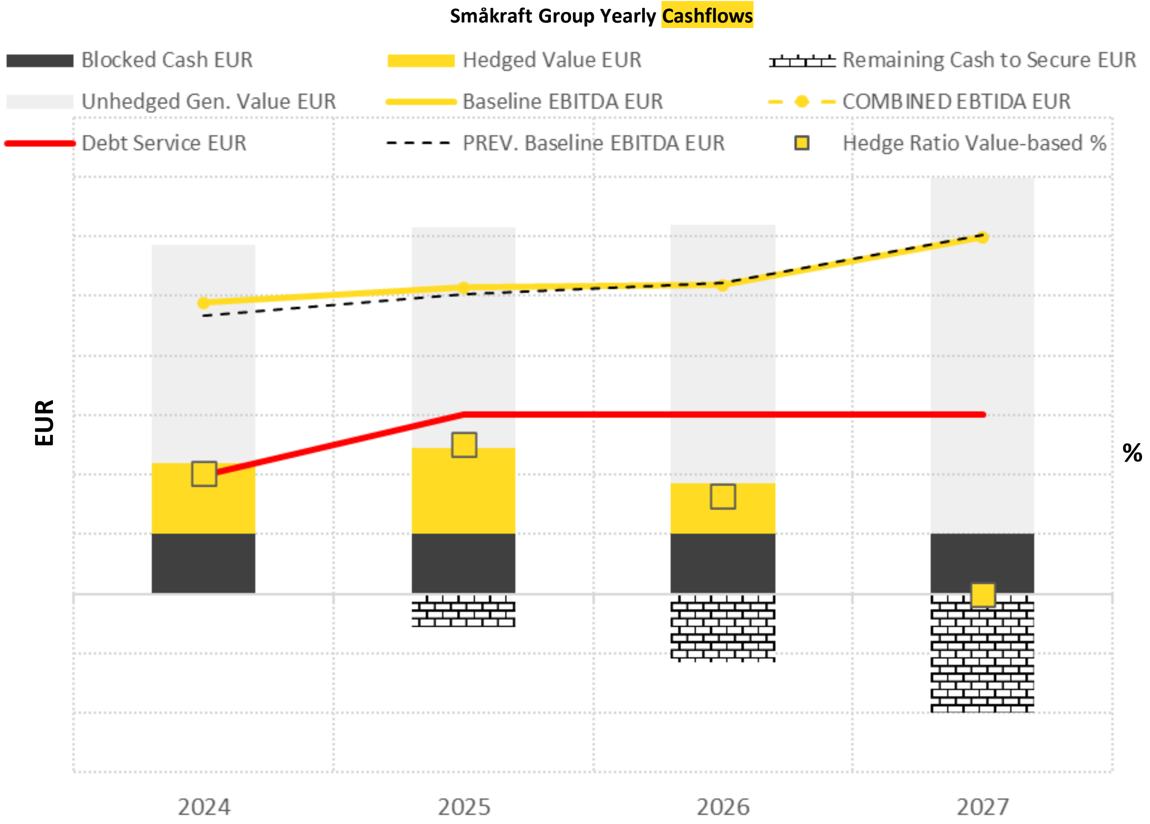
Understand potential in capture rate

Understand the fundamental changes in the Nordic Power market and new market risk

Change hedging policy fundamentally

Småkraft Risk Management cooperation with Bodecker Partners

Providing clear steer on securing cashflows

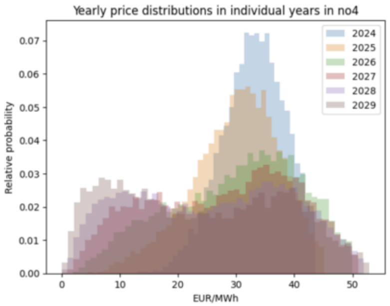


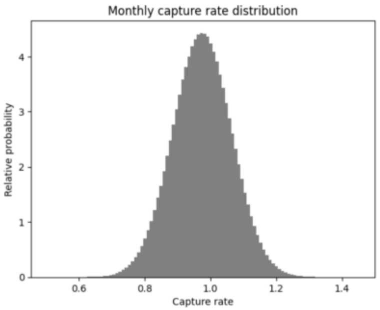
Key merits of Småkraft's Risk Management

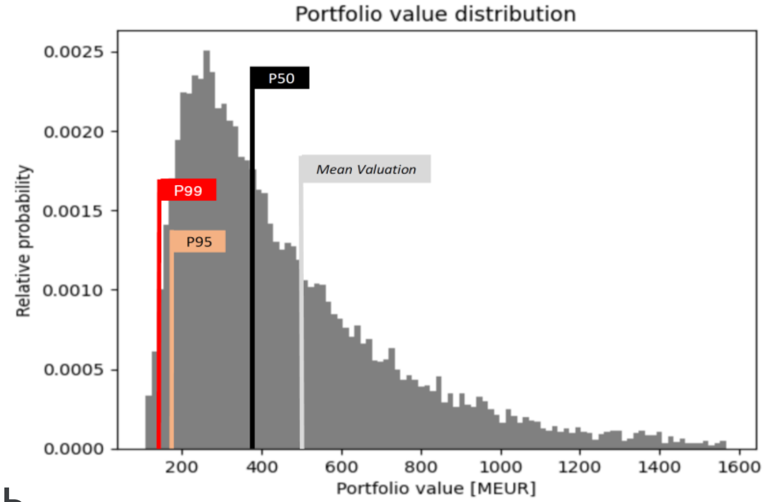
- ✔ Deliver at or above the red line!
- ✔ Focus on cashflows
- ✔ Instrument & market price "limit" neutral
- ✔ Triggers action (securing cash) based on risks and market events/views

- ✘ No steering (only monitoring) of volumetric hedge ratio %
- ✘ No "forced" PPAs, instead readiness in the event an attractive bid comes up

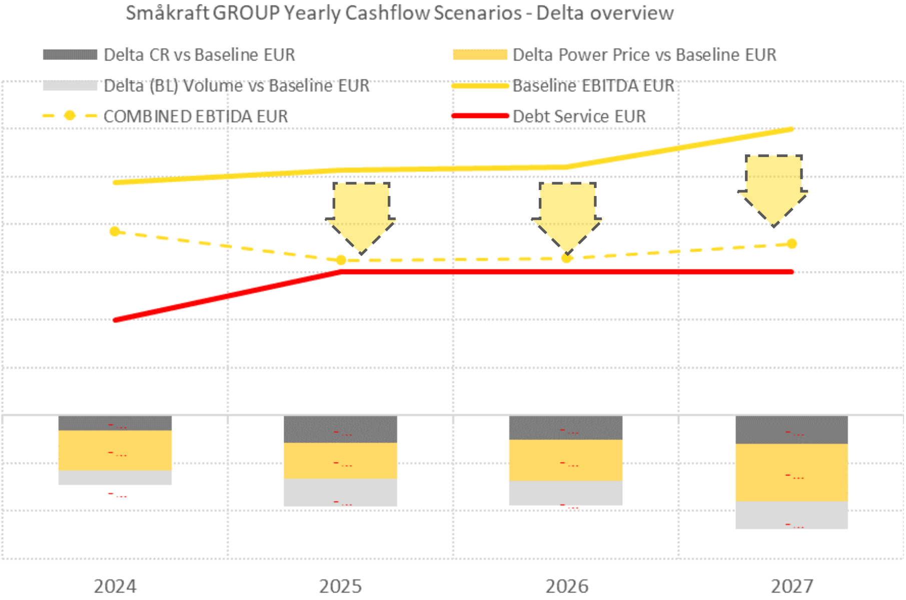
Translating what risks means in terms of securing cashflows







- ➔ Production 20% below P50, and
- ➔ Prices decrease 30% from current, and
- ➔ Capture rate 10 pct points lower than forecast



Conclusions Småkraft

Production has higher monthly volatility than before

Geographical diversification and size are very valuable

Capture rates are fundamentally changed.

Hedging volumes need to be much lower than before

New hedging concepts need to be introduced

Value creation over time

Treating cashflows, risks and hedging on a **portfolio basis** as opposed to individual SPV basis

Setup and support of 4-5 counterparties to hedge with

Full suite of instruments available: standard forwards, PPAs, European options, Asian options.

Focus on volume-neutral hedging preserving value

Risk Management incorporated into organizational manual, e.g. continuous risk evaluation and hedging b

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