Øyfjellet Wind Investment AS

Tveråvegen 370, 8658 Mosjøen, Norway
Business Registration No. 927 378 779

Interim consolidated financial statements 30 June 2023

Contents

Parent Company Details

Parent Company
Øyfjellet Wind Investment AS
Tveråvegen 370
8658 Mosjøen
Norway

Business Registration No.: 927 378 779
Registered office: Tveråvegen 370, 8658 Mosjøen, 0154 Oslo, Norway

Date of incorporation: 01.06.2021
Financial year: 01.01.2023 – 31.12.2023

Board of Directors:
Joakim Brønner Johnsen, Chair
Erik Mortensen
Bernhard Gierke

Executive Board
-

Auditors
PricewaterhouseCoopers AS
Dronning Eufemias gate 71
0194 Oslo
Norway

Responsibility Statement

Today, the Board of Directors reviewed and approved the Øyfjellet Wind Investment AS interim consolidated report as of June 2023.

To the best of our knowledge, we confirm that:

- The Øyfjellet Wind Investment AS interim consolidated report as of June 2023 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union (EU), and additional Norwegian disclosure requirements in the Norwegian Accounting Act, and that
- The report has been prepared in accordance with applicable financial reporting standards, and that
- The information presented in the financial statements gives a true and fair view of the Group's assets, liabilities, financial position and results for the period viewed, and that
- The report, together with the yearly report, gives a true and fair view of the development, performance, financial position, principle risks and uncertainties of the Group.

The interim financial consolidated report has not been audited or reviewed by auditors.

Oslo, 31 August 2023

Executive Board

Joakim Johnsen   Erik Mortensen

Board of Directors

Joakim Brønner Johnsen	Erik Mortensen	Bernhard Gierke
Chair		

Management Report

Major events in 2023

With the takeover of the Turbine Supply Agreement from Nordex on 4 November 2022 and completion of the EPCM Agreement on 31 March 2023, the operational phase of the wind farm has started. During the ramp-up phase several technical defects on gearboxes, anti-acing system and earth faults still required substantial repair works. Together with low wind volume during the first six months of the year, the recorded production was 28% below expectations. The aforementioned effects are considered to be temporary and are not expected to negatively impair the long-term production capacity of the project.

While remaining construction and repair works are ongoing, the project contracts include several provisions to reimburse Øyfjellet Wind from unexpected additional costs and lost production.

The utilized turbines have the latest wind turbine technology and provide renewable energy with no CO2 emissions and the least possible impact on the surrounding natural environment. The wind park has a capacity of 400MW with an expected production volume of 1,300 GWh.

Risk factors

Power price uncertainty

91.22% of the electricity generated by the wind park is sold to a local off-taker through a power purchase agreement at a fixed price until 2036. However, as the risk management strategy foresees to only hedge 70% of the total volume, the group has entered into a swap agreement to reduce the hedged amount by 21.22%. Short-term fluctuations in the electricity spot market can therefore indirectly impact 30% of the generated volume.

Currency fluctuations

There can be a difference in currency regarding revenues, loans, procurement and construction invoices. The main currency exposure relates to fluctuations between NOK, and EUR. Based on the currency hedging policy, the Group mitigates this risk by strictly controlling and monitoring currency exposure, as well as balancing revenues and costs in the same currency.

Financing and interest rates

The construction of large energy projects is capital intensive. Corporate funding and guarantee lines make interest payments a significant expense and an important factor in the cost of energy projects. The Group has secured the long-term financing through the issuance of bonds and receiving shareholder loans. There are no significant fluctuations expected as the interest rate for bonds and the shareholder loans are fixed. The utilised bonds include options which allow for a repayment of previously drawn down amounts including compensation for the net present value of underlying hedges. The Group currently does not intend to exercise such options.

Delay and construction costs overrun

Completion of all outstanding works under the snaglist might be further delayed due to the current weather conditions. In addition, capital expenses for outstanding construction works could further exceeded the initial construction budget. While the construction risk is borne by the EPCM provider, Øyfjellet Wind is directly handling completion of parts of the open snaglist items.

Operations

Together with its suppliers, Øyfjellet Wind is focused on solving various ramp-up issues during 2023, such as repairs on the anti-icing system and gearbox replacements. These repairs are expected to be completed before the winter season and resulting production losses are subject to a market standard availability guarantee in the O&M agreements. To mitigate the effects of bad weather, Øyfjellet Wind AS has prepared a winter operation concept together with the company's technical advisor and increased the budget for operating expenses.

Interim consolidated financial statements

Interim financial statements

Notes to the interim consolidated financial statements

Interim consolidated statement of comprehensive income

TEUR	Note	30 June 2023	30 June 2022
Revenue	2	14,334	3,097
Other income		(122)	11,308
Other operating expenses		(8,655)	(2,048)
Depreciation and amortization expenses	3,4	(10,266)	(9,981)
Operating profit/(loss) before tax		**(4,709)**	**2,377**
Financial income		1,722	10,266
Financial expenses		(17,226)	(12,095)
Profit/(loss) before tax		**(20,213)**	**548**
Income tax expense		3,530	1,478
Profit/(loss) after tax		**(16,683)**	**2,026**
Other comprehensive income		-	
Profit/(loss) and total comprehensive income for the financial year		**(16,683)**	**2,026**

Interim consolidated statement of financial position

ASSETS

TEUR	Note	30 June 2023	31 December 2022
Intangible assets		27,132	27,734
Property, plant and equipment	3	463,251	472,959
Right-of-use asset	4	6,816	6,968
Prepayments		3,476	3,197
Deferred tax asset		4,898	1,357
Other non-current financial assets	5	22,330	22,972
Total non-current assets		**527,903**	**535,186**
Trade receivables		3,599	3,560
Prepayments		9,955	9,945
Other current receivables		1,138	1,289
Cash and cash equivalents		45,693	52,873
Total current assets		**60,385**	**67,667**
Total assets		**588,288**	**602,854**

EQUITY AND LIABILITIES

TEUR	Note	30 June 2023	31 December 2022
Share capital	6	2,958	2,958
Share premium		27,521	27,521
Accumulated losses		(38,380)	(21,698)
Total equity		**(7,901)**	**8,781**
Loans and borrowings	5	532,714	534,534
Lease liabilities	4	6,248	7,024
Other non-current financial liabilities	5	0	-
Provision for decommissioning		6,665	8,208
Total non-current liabilities		**545,627**	**549,765**
Trade and other payables		7,866	10,346
Loans and borrowings	5	40,076	31,889
Lease liabilities	4	323	216
Other current liabilities		2,297	1,856
Total current liabilities		**50,562**	**44,307**
Total liabilities		**600,375**	**594,073**
Total equity and liabilities		**588,288**	**602,854**

Interim consolidated statement of changes in equity

TEUR	Share capital	Share premium	Accumulated losses	Total equity
Equity at 1 January 2023	2,958	27,521	(21,698)	8,781
Net profit/(loss) for the period	-	-	(16,683)	(16,683)
Total comprehensive income	-	-	-	-
Balance at 30 June 2023	**2,958**	**27,521**	**(38,381)**	**(7,902)**

TEUR	Share capital	Share premium	Accumulated losses	Total equity
Equity at 1 January 2022	**2,958**	**27,521**	**(11,178)**	**19,301**
Net profit/(loss) for the period	-	-	(10,520)	(10,520)
Balance at 31 December 2022	**2,958**	**27,521**	**(21,698)**	**8,781**

Interim consolidated statement of cash flows

TEUR	Note	30 June 2023	30 June 2022
Operating profit/loss		(4,709)	2,377
Depreciation	3,4	10,265	9,981
Fair value adjustments on derivatives		122	(1,547)
Change in provisions		(1,542)	18
Change in operating receivables		103	(9,479)
Change in trade payables and other payables		(2,040)	(12,573)
Cash flow from operating activities before financial income and expenses		**(2,199)**	**(11,223)**
Interest received		1,183	416
Interest paid		(5,031)	(12,751)
Income taxes, received/(paid)		0	0
Cash flow from operating activities		**(3,847)**	**(23,668)**
Acquisition of financial assets		(1,516)	416

Acquisition of plant, property and equipment	(386)	(12,751)
Net cash flows from investing activities	**(1,903)**	**(12,335)**
Proceeds from loans	0	0
Repayment of loans	(2,000)	(1,000)
Payment of principal portion of lease liabilities	0	0
Cash flow from financing activities	**(2,000)**	**(1,000)**
Cash and cash equivalents, beginning of the period	52,873	116,086
Net (decrease)/increase in cash and cash equivalents	(5,551)	(37,003)
Foreign exchange differences on cash	(1,630)	(620)
Cash and cash equivalents at 31 December	**45,693**	**78,463**
Cash and cash equivalents in the cash flow statement comprise:		
Cash and cash equivalents	45,693	78,463

The figures in the cash flow statement cannot be directly derived from the figures in the balance sheet.

Notes to the interim consolidated financial statements

Note 1 Basis of reporting

Basis of preparation

The interim consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with IAS 34 (Interim Financial Reporting) and additional Norwegian disclosure requirements in the Norwegian Accounting Act. The accounting policies implemented are consistent with those of the annual financial statements for the group for the year end 31 December, 2022. The amendments to IAS 1 and IFRS practice Statement 2 – Accounting policy disclosure has been adobpted as of 01.01.2023

Øyfjellet Wind Investment AS is a financing entity with the sole purpose to own shares in Øyfjellet Wind AS. Øyfjellet Wind AS is a wholly owned subsidiary established to construct and operate the Øyfjellet Wind Farm.

The interim consolidated financial statements are presented in Euros thousands (TEUR). Euros is the functional currency of both Øyfjellet Wind Investment AS and Øyfjellet Wind AS.

Materiality in financial reporting

For the preparation of the interim consolidated financial statements, Management aims to focus on the information considered to be material and relevant for the understanding of the Group's performance for the reporting period.

If a financial statement line item is not individually material, it is aggregated with other financial statement items of a similar nature in interim consolidated financial statements or in the disclosure notes.

Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these interim consolidated financial statements.

Key accounting estimates and judgements

As part of the preparation of the interim consolidated financial statements, Management makes a number of accounting estimates and assumptions as a basis for recognising and measuring the Company's assets, liabilities, income and expenses as well as judgements made in applying the Group's accounting policies. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility.

Evaluation of power purchase agreement

To secure cash flows from the wind farm the Group has entered into a power purchase agreement (PPA) with Alcoa Norway. The PPA is guaranteed by the Norwegian state through GIEK ("Garantiinstituttet for Eksportkreditt"). GIEK guarantees that if Alcoa defaults under the PPA, a portion of the payment obligations will still be fulfilled. The Group has analysed the agreements and concluded that the PPA agreement is not in scope of IFRS 16, as it is a predetermined asset and customer does not operate the asset nor has the customer designed it. However, the PPA is in scope of IFRS 15 due to the physical delivery to a balancing party.

Fair value of long-term power swap agreement

The Group has entered into a counter-hedging plan whereby the Group purchases up to 21.22% of annual production at spot reducing the effective hedge position. Assumptions used for measuring fair value were replacement price for the PPA amounting to 26,45 EUR/MWh (31 December 2022: 30 EUR/MWh), PPA volume of 275,86 GWh/a and a discount rate of 3,88%. Refer to note 5 for further information.

Assessment of embedded derivatives and valuation of put option

In 2021, the Group issued EUR 235 million bonds primarily to US investors. The contract has an embedded prepayment option. If the Group chooses to prepay a portion or the full notional of the loan the Group should compensate the investor(s) in terms of the discounted remaining payments including a potential net gain/loss from designated hedging instruments (e.g. FX swaps). It is not within the Group's business plan to exercise the prepayment option.

A derivative embedded in a loan contract (i.e. a host) is separated and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the loan contract is not measured at fair value through profit or loss.

Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

Assumptions used for measuring the fair value include the hedge ratio of the investors (0%, 50%, 75%, 100%), foreign currency rate changes by 5% up and down and the rating of the Group. Based on these main assumptions the fair value was calculated by the likelihood of the option being exercised multiplied with the payoff (prepayment of loan plus/minus net settlement of one or more swaps in dollars).

Provision for decommissioning

The Group has recognised a provision for decommissioning obligations associated with the wind turbines erected on leased land. In determining the best estimate of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to dismantle and remove the wind farm from the site and the expected timing of those costs. Additional assumptions used for the calculation were long-term inflation rate of 2%, a risk-free interest rate and the useful life of the underlying assets. The carrying amount of the provision as at 30 June 2023 was TEUR 6.512.

Note 2 Revenue

Set out below is the disaggregation of the Group's revenue:

	30 June 2023	30 June 2022
TEUR		
Revenue		
Fixed price	11,752	2,719
Variable price	2,582	147
Breakdown of "Variable Price"		
Electricity, spot	936	125
Cost deductions BRP	-	-9
Sale of Guarantee of origin certificate	1,558	31
Total revenue from customers	**14,334**	**2,866**

Other income includes the changes in fair value relating to the power swap agreement, for further information refer to note 5.

Seasonality of operations

According to historical measurements, the changing meteorological conditions of the area where the wind farm is located expose operations to seasonality. This entails variability of the net energy yields generated by the wind farm, which may lead to revenue fluctuations across the year. Specifically, higher revenues can be expected in the autumn and winter months, as most of the annual energy yield is expected to be generated between September and March. Conversely, revenues are expected to trend downwards in spring and summer, between March and September, due to a lower expected energy yield contribution. This information provides more granularity into the aggregate results and confers a more holistic view on the wind farm´s expected future performance. However, Management has concluded that this is not 'highly seasonal' in accordance with IAS 34.

Note 3 Property, plant and equipment

TEUR	**Plant and machinery**
2023	
Cost at 1 January	495,498
Additions	558
Cost at 30 June	**496,056**
Depreciation at 1 January	(22,539)
Depreciation during the period	(10,266)
Depreciation at 30 June	(32,805)
Carrying amount at 30 June	**463,251**

TEUR	**Plant and machinery**
2022	
Cost at 1 January	446,137
Additions	49,361
Transfer	0
Cost at 31 December	**495,498**
Depreciation at 1 January	(1,527)
Depreciation during the year	(21,012)
Depreciation at 31 December	(22,539)
Carrying amount at 31 December	**472 959**

In 2020 and 2021, Øyfjellet Wind AS has 72 wind turbines under development located in the Vefsn municipality. All 72 wind turbines (towers and wind turbines) were finished and put in operation as per 31 December 2022. After the mechanical milestone was reached, management concluded that the construction phase was finalised after all turbines were installed. Depreciation started according to Group accounting policies.

The expected useful lives are as follows:

Machinery & Equipment	5 years
Plant (Windfarm)	25 years

The windfarm is depreciated over the period of the concession, which is 25 years.

Note 4 Leases

TEUR	**Land**
2023	
Cost at 1 January	7,309
Additions	-
Disposals	-
Adjustments and revaluations	-
Cost at 30 June	**7,309**
Depreciation at 1 January	(341)
Reversals regarding disposals	-
Depreciation during the year	(152)
Depreciation at 30 June	**(493)**
Carrying amount at 30 June	**6,816**

TEUR	Land
2022	
Cost at 1 January	7,695
Additions	-
Disposals	-
Adjustments and revaluations	(655)
Cost at 31 December	**7,309**
Depreciation at 1 January	(37)
Reversals regarding disposals	-
Depreciation during the year	(304)
Depreciation at 31 December	**(341)**
Carrying amount at 31 December	**6,968**

Carrying amounts of lease liabilities and movements during the period:

TEUR	30 June 2023	31 December 2022
At 1 January	7,240	7,795
Additions	-	-
Accrual of interest	108	241
Payments	-	(127)
FX gain / loss	(776)	(338)
Adjustments	-	(331)
At reporting date	**6,571**	**7,240**
Non-current	**6,248**	**6,871**
Current	**323**	**368**

Leases

The Group leases the land where the wind farm is built on.

The right-of-use asset is depreciated on a straight-line basis over the shorter of the lease term and the useful life of the asset which is 25 years.

Note 5 Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities held by the Group as at 30 June 2023 and 31 December 2022 including a comparison of the carrying amounts and fair values. Carrying amounts of financial assets and liabilities measured at amortised costs are a reasonable approximation of fair values:

	30 June 2023		31 December 2022	
TEUR	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Financial assets measured at amortized cost:				
Trade receivables	3,599	3,599	3,560	3,560
Deposits	2,353	2,353	2,353	2,353
Financial assets at fair value through profit or loss:				
Interest rate derivatives	9,914	9,914	11,144	11,144
Power swap derivatives	8,626	8,626	9,280	9,280
Embedded derivatives	44	44	194	194
Total financial assets	**24,497**	**24,497**	**28,119**	**28,119**

	30 June 2023		31 December 2022	
TEUR	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair Value**
Financial liabilities measured at amortized cost:				
Trade and other payables	7,866	7,866	10,346	10,346
Loans and borrowings				
Notes	227,988	232,003	229,932	232,823
Bonds	79,709	79,802	79,605	79,672
Shareholder loans	265,049	252,150	256,886	248,256
Lease liabilities	6,571	6,571	7,240	7,240
Financial liabilities at fair value through profit or loss:				
Power swap derivatives	-	-	-	-
Total financial liabilities	**587,183**	**578,392**	**584,009**	**578,337**

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 30 June 2023:

TEUR	**Total**	**Level 1**	**Level 2**	**Level 3**
Financial assets measured at fair value:				
Interest rate derivatives	9,914	-	9,914	-
Power swap derivatives	8,626	-	-	8,626
Embedded derivatives	44	-	-	44
Total	**20,172**	-	**9,914**	

The following table provides the fair value measurement hierarchy of the Group's financial assets and financial liabilities as at 31 December 2022:

TEUR	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Interest rate derivatives	11,144	-	11,144	
Embedded derivatives	194	-		194
Total	**11,338**	-	**11,144**	**194**
Financial liabilities measured at fair value:				
Power swap derivatives	9,280	-	-	9,280
Total	**9,280**	-	-	**9,280**

	Interest rate	Maturity	30 June 2023	31 December 2022
EUR				
Loans and borrowings				
Notes	2,12 %	Sep. 2045	223,988	225,932
Bond loan	2,75 %	Sep. 2026	79,709	79,605
Shareholder loans	7,25 %	Aug. 2023	228,974	228,997
Lease liabilities	3,28 %	Nov. 2045	6,248	7,024
Non-current			**538,918**	**541,558**
Notes	2,12 %	Sep. 2045	4,000	4,000
Bond loan	2,75 %	Sep. 2026	-	-
Shareholder loans	7,25 %	Aug. 2023	36,076	27,889
Lease liabilities	3,28 %	Nov. 2045	323	216
Current			**40,399**	**32,105**
Total financial liabilities			**579,317**	**573,663**

Management considers that the Group has so far fulfilled all covenants required in the borrowing agreements and expects to fulfil the convenance as well in the next financial year

Financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost includes trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss under financial income and expenses. This category includes derivative instruments.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings or payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables and loans and borrowings.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

• In the principal market for the asset or liability, or
• In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value of derivatives is mainly within level 2 of the fair value hierarchy and is calculated based on observable market data as of the end of the reporting period. Fair value of level 3 assets and liabilities is primarily based on the present value of expected future cash flows. A reasonably possible change in the discount rate is not estimated to affect the Group's profit or equity significantly. For further information on assumptions used for the valuation refer to note 1.

Note 6 Share capital

The share capital comprises 3,000,000 shares of NOK 10 each (2022: 3,000,000). The shares are all authorised, issued and fully paid. No shares carry any additional special rights. The Group continuously assesses the need for adjustment of the capital structure.

Note 7 Related parties

Transactions with related parties

Balances and transactions between the Company and its subsidiary, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The major transactions with related parties are in connection with the shareholder loan received from Øyfjellet Wind Holding AS (open balance 30 June 2023). For further information please refer to note 6.

There were no transactions with the Board of Directors, besides remuneration.
Breakdown of remuneration is as follows:

TEUR	**Salary**	**Benefits and other related expenses**	**Total**
30 June 2023:			
Board of Directors	47	6	53
Total	**47**	**6**	**53**

TEUR	**Salary**	**Benefits and other related expenses**	**Total**
31 December 2022:			
Board of Directors	37	5	42
Total	**37**	**5**	**42**

Note 8 Commitments and contingencies

At 30 June 2023, the Group had commitments of EUR 3.6M in relation to payments for acquisition of property, plant and equipment.

Note 9 Events after the reporting period

No significant events occurred after the reporting period.