



**BASELOAD
CAPITAL**

INTERIM REPORT Q1 2020

1 January – 31 March, 2020

During the first quarter of 2020, the company continued to develop projects in Japan, Taiwan and Iceland. Covid-19 has so far had limited effect on the company, the impact on ongoing projects has led to some delays in some of the projects, but the work has largely been able to proceed as planned. However, travel restrictions mean temporarily less focus on business development.

- During the first quarter, work continued on commissioning the first project in Japan, Waita. After the end of the quarter, at the end of April, the power plant went into operation. In the second quarter, the next project, Midori, is expected to be completed.
- In Taiwan, work is ongoing on a number of projects, where the first power plant is expected to be commissioned during the first half of 2021.
- In Iceland, a couple of new power plants are expected to be commissioned during the year.
- The terms of the green bond issued by the company during the first quarter of 2019 have been renegotiated and changed to better suit the company's business model. All covenants that the company must comply with were met during the quarter.
- During the quarter, the parent company Baseload Capital Holding AB raised a convertible loan of SEK 94.2 million from the principal owners in order to strengthen liquidity.

CEO's comments

Although the first quarter of 2020 was characterized by Covid-19, Baseload managed to continue its work with project development in Japan, Taiwan and, through Varmaorka, in Iceland.

Baseload continuously evaluates new markets, but with current travel restrictions, it is natural with less business development focus at the moment. Fortunately, Taiwan and Japan have been relatively spared from Covid-19 compared to many other countries. That being said, we have experienced some delays in the projects due to the pandemic. This is because it is more difficult to move staff between projects, more difficult to make contact with decision-makers and generally more challenging to run project processes.

In February, the parent company Baseload Capital Holding AB raised a convertible loan from the principal owners of SEK 94.2 million to strengthen liquidity.

During the quarter, we made changes to the bond terms to better fit into the business model. The company changed the covenant "Operational Projects Investments to EBITDA" from 6: 1 to 10: 1 to create broader opportunities, mainly for projects that are already partially developed (so-called "brown field" projects). The idea of brown field projects is to take less risk regarding hot water resources and permits, but at a higher initial cost. The total will be a lower return, but at a lower risk, and hopefully a shorter time to electricity generation. In the future, Baseload will evaluate both green field (new) projects and acquire brown field assets.

We changed the limit on bond financing in projects before the first electricity was produced in Japan from 50% to 67%. We also extended the entry deadline for the bond to May 22, 2020 (from March 22).

We have begun the implementation of a new GIS tool that will facilitate the exploration and evaluation of projects. This tool combines geological data with different layers of information about, for example, electricity grids, roads and infrastructure to enable us to analyze interesting areas more quickly.

In the short term, we try to adapt to current conditions, both in terms of project design and business development (finding new projects and markets). Our employees' health and the local regulations regarding the pandemic are prioritized. We follow the development and adapt the business based on prevailing circumstances.

PROJECT UPDATE

Japan

The Japanese market has great potential for low and medium geothermal energy production of more than 10 GW. A very small part of this potential has been developed. This is largely due to the fact that low temperature technology has not been effective enough, but also because spa owners have been worried about how it might affect their business model. Through new technology and a structured way of working and education of local players, we can penetrate the market faster. Selected projects in the construction phase:

Kitsune (Midori)

We are building a pilot project in the Gifu Prefecture. This project is expected to be completed in Q2 2020. The project has been delayed due to a rebuilding of the river bank during the autumn and winter, but also by the pandemic.

Shika (Waita)

Waita is a "bottoming cycle" pilot project in Kyushu. We will use the residual heat from an existing geothermal power plant to increase the efficiency of the entire power plant. This project is a pilot, and we expect more and larger projects after the first completion. The Commercial Operation Date (COD) was April 24, 2020.



Figure 1 The existing Waita power plant in Kyushu.

Iwana (Okue)

Okue is a project with a potential of up to 1.9 MW with contracts in place regarding lease and grid capacity. Drilling is expected to begin during Q4 2020 and completion is planned for Q4 2021. Total expected investment until completion is around SEK 220 M.

We are in the start-up phase for a number of projects, primarily in Kyushu, but also in other parts of Japan, and expect to start planning in Q3 2020.

Taiwan

The potential in Taiwan amounts to more than 1GW, but only a 100 kW geothermal power plant exists in the market. The Taiwan government looks very favorably at geothermal energy and wants to get away from fossil energy sources from which most of the electricity comes today. The low geothermal establishment in the market is a great opportunity for Baseload, while it also means that local entrepreneurs do not have the necessary knowledge in the area, so they must come from other markets such as Philippines.

One of the projects under construction in Taiwan:

Tiger

Tiger is a project where we will start drilling in June 2020. The goal is to have the project completed in the first half of 2021. Total expected capacity is 1 MW.



Figure 2 The mighty river near the Tiger project.

Iceland (Varmaorka)

In Iceland, Varmaorka has identified 40 MW of potential projects that can be developed within a few years. However, many of these resources are located on municipal land and it has taken longer than expected to be able to conclude agreements with them to start developing the projects. To accelerate the rollout, Baseload is evaluating, together with Varmaorka, to drill additional wells on existing projects and scale up these power plants. The most prioritized projects in Iceland:

Efri Reykir

At Efri Reykir, Varmaorka is building a power plant in combination with a local district heating plant. The project is expected to be completed in the fourth quarter of 2020. The delay is partly due to the fact that the agreement with the local heating company has been delayed.

Reykholt

At Reykholt, Varmaorka is building a power plant at an existing well. The project is expected to be completed during the second quarter of 2020.

Fludaorka (extension)



Figure 3 Fludaorka in winter.

At Varmaorka's first power plant, a new pump will be installed during the second quarter. The pump was scheduled to be installed during Q1 but is delayed due to covid-19. Depending on the water flow after the pump change, additional production capacity may be installed. Further, Varmaorka is looking at the possibility of drilling additional wells in the immediate area.

Stockholm in May 2020

Alexander Helling
CEO Baseload Capital

Significant events during the quarter

INVESTING ACTIVITIES

During the first months of the year, the company invested an additional SEK 16.0 M (183 MJPY) in Japan and SEK 4.8 M (15.1 MTWD) in Taiwan.

FINANCING

In February 2020, the parent company Baseload Capital Holding AB raised a convertible loan of SEK 94.2 million from the principal owners.

Furthermore, the terms of the bond loan have been renegotiated and changed to better suit the business opportunities.

COVID-19

The impact of the Covid-19 outbreak, which was officially declared a pandemic by the WHO on March 11, is difficult to foresee in the short and long term. The company notes that the work in Japan and Taiwan is currently continuing largely as usual. Baseload Capital's employees have the opportunity to work from home to the extent possible and take the precautionary measures advocated by the respective country's authorities. However, with new international travel regulations, it will be more difficult for employees in Sweden to visit and follow up existing and new potential markets on the spot. Furthermore, there are obvious risks of project delays if national travel bans were imposed in Japan and Taiwan, respectively. Project delays would, in turn, postpone cash flows from projects, both in terms of investment and revenue. Baseload Capital monitors the situation in each country, follows the new directives that may be introduced and puts employees' health first. At present, we can only note a few minor project delays, but are aware that the projects can be delayed at short notice for a variety of reasons.

Significant post-closing events

INVESTING ACTIVITIES

Since the end of the quarter, the company has invested an additional SEK 18.2 M (195 MJPY) in Japan and SEK 7.6 M (23.7 MTWD) in Taiwan. Furthermore, SEK 55.3 million has been deducted from the bond loan, which corresponds to what has been invested so far in the development of project Okue in Japan.

During May, SEK 40.5 million was disbursed from the bond account for investment in Vimmerby Power INC (project "Tiger") in Taiwan. The money will be used for initial project investments such as preparation for drilling, drilling and purchasing of modules and peripherals for the planned power plant.

Green bond covenants

In connection with the company issuing a green bond during the first quarter of 2019, a number of covenants were set that the company must fulfill. The covenants were renegotiated and changed during the year, which are presented below.

MINIMUM CASH (Liquidity covenant)

At the end of the quarter, the parent company Baseload Capital Sweden AB (publ) had SEK 16.9 million in free liquid funds and SEK 488.9 million in the bond escrow account.

Baseload Capital Holding AB (guarantor for the bond loan) had SEK 45.7 million in liquid funds at the end of the quarter.

At the end of the quarter, Baseload Power Japan (guarantor of the bond loan) had SEK 1.4 million (14.7 MJPY) in liquid funds.

In total, the liquidity, in free funds, for the three companies totaled SEK 64.0 million, which exceeds the minimum requirement of 12 months interest payments. With the current bond coupon of 8.55%, total interest payments 12 months ahead will be approximately SEK 43 million.

OPERATIONAL PROJECT INVESTMENTS TO EBITDA

The covenant measures invested bond funds over EBITDA at project level for projects that have been completed. To meet the covenant, a ratio of 10: 1 is required.

As no projects have been completed where bond funds have been used, the covenant cannot currently be measured. If the covenant cannot be measured, it is considered as fulfilled.

ADJUSTED EQUITY RATIO

The covenant measures equity over total assets adjusted for cash and cash equivalents (including cash and cash equivalents in the bond account). The ratio should be at least 20%.

The parent company's equity at the end of the quarter was SEK 180.4 million. Total assets were SEK 887.4 million. Cash and cash equivalents amounted to SEK 505.8 million. The quota at the end of the quarter was 47.3%, and the covenant is therefore considered to be fulfilled.

Other information

PRELIMINARY FINANCIAL CALENDAR

Interim report second quarter 2020
Augusti 28, 2020

Interim report third quarter 2020
November 27, 2020

Interim report forth quarter 2020
Februari 24, 2021

CONTACT PERSONS

Alexander Helling, CEO
+46 737 72 40 20
alexander.helling@baseloadcap.com

Johan Edin, CFO
+46 764 66 69 21
johan.edin@baseloadcap.com

CONTACT INFORMATION

Baseload Capital Sweden AB (publ)
Ingmar Bergmans gata 2, 114 34 Stockholm
Reg.nr: 559143-5051
www.baseloadcap.com

PERSONNEL AND ORGANIZATION

The average number of employees during the period January to March was 8 (4), of which 3 women and 5 men. At period-end the number of employees amounted to 8 (5).

MATERIAL RISKS AND FACTORS OF UNCERTAINTY

Material financial risks and uncertainties of the company include project risk, interest rate risk, currency risk, liquidity- and refinancing risk, operational risk and counterparty risk. A detailed presentation of the company's material Financial risks is found in the section *Financial risk management* in the annual report for 2019.

SIGNIFICANT ASSESSMENT ITEMS FOR THE FINANCIAL REPORTING

Since Baseload Capital is an Investment Entity and thus reports investments at fair value through the income statement, the assessment of the fair value of financial instruments is significant for the financial reporting. Assessment of financial instruments fair value primarily consists of assessing the market value of invested capital and loans to portfolio companies, i.e. companies that design, build and operate geothermal power plants.

The company has developed a model for assessing the fair value of shares and loans, which is described in the section *Significant assessment items for the financial reporting* in the annual report for 2019.

REVIEW

This interim report has not been reviewed by the auditors of the company.

This report has been published in a Swedish and an English version. The Swedish version shall prevail in the event of differences between the two.

Accounting principles

APPLIED RULES

This interim report is prepared in accordance with IAS 34, Interim report. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) as adopted by the EU and with application of RFR 1 Supplementary Accounting Rules for Groups. The report for the Parent Company has been prepared in accordance with the Swedish Annual Accounts Act (Årsredovisningslagen (1995:1554)) and with application of RFR 2 Accounting for Legal Entities. The most important accounting policies applied are specified below.

PRINCIPLES OF CONSOLIDATION

Baseload Capital Sweden AB (publ) is an Investment Entity according to IFRS 10, which is characterized by the fact that the company has external investors to whom investment services are carried out in order to provide a return on the investor's capital. The company has a clear investment and exit strategy and takes an active role, in the form of board representation and financial advice, in the companies in which it invests. The company monitors all investments and reports the investments at fair value. As an Investment Entity, subsidiaries and associated companies that are investments (portfolio companies) are not consolidated but instead valued continuously at fair value. The New Zealand subsidiary Baseload Power New Zealand Limited is not followed up or valued at fair value by Baseload Capital Sweden AB (publ). For these reasons Baseload Capital Sweden AB (publ) consolidates the legal person, and the subsidiary Baseload Power New Zealand Limited traditionally i.e. not according to IFRS 10.

PARENT COMPANY REPORTING

The Parent Company reports shares in subsidiaries, associated companies and other holdings that constitute portfolio companies at market value. Long-term loans to subsidiaries, associated companies and other companies are also reported at market value. The result of the sale of shares is calculated accordingly.

FOREIGN CURRENCY

The Group's and Parent Company's functional currency is Swedish kronor (SEK), which is also the reporting currency. Transactions in foreign currency are translated to the functional currency using the exchange rates in effect on the transaction date. Assets and liabilities in foreign currency are translated into the functional currency at the closing day rate. When translating items in foreign currencies as of March 31, 2020, the following exchange rates have been used:

SEK/EUR	11.08
SEK/JPY	0.0929
SEK/NZD	6.04
SEK/TWD	0.33
SEK/USD	10.08

ACCRUED INTEREST

With the introduction of the new interest deduction limitation rules in 2019, the company chooses to report accrued interest, with the aim that the accounting in the income statement should better reflect the accounting in the tax return. The portion of loans to subsidiaries, associated companies and other companies that comprise accrued interest is reported as Financial Income in the income statement from 2019. Other changes in value of loans are reported as Revaluation of financial instruments in the income statement. Earlier, accrued interest was also reported under Revaluation of financial instruments.

REPORTING OF FINANCIAL ASSETS AND LIABILITIES

Financial assets and liabilities are classified in the following measurement categories: financial assets and liabilities at amortized cost, and financial assets and liabilities at fair value through profit and loss. The classification of financial assets is based on for which purpose the financial item was acquired. Purchases and sales of financial instruments are reported as per the transaction date.

EMPLOYEE COMPENSATION

Pensions

The Group has defined pension plans. Costs for defined contribution pension plans are expensed in pace with payment of premiums.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include, in addition to cash and bank balances, short-term financial investments with remaining terms of less than three months.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is reported at cost less accumulated depreciation and any impairment losses. Depreciation is recognized on a straight-line basis over the asset's estimated useful life, which estimated to be three to five years. Estimation of an asset's residual value and useful life is done yearly.

LEASES

Beginning in 2019, IFRS 16 is applied, which means that the leasing rent is divided between amortization of the asset and interest expenses on the lease debt, which is reported as a financial expense in the income statement. The lease debt is recognized in the balance sheet.

Financial Statements in brief

GROUP

INCOME STATEMENT

	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
TSEK			
Sales of investment services	111	511	1 184
Revaluation of financial instruments	11 475	11 776	52 122
Management cost	-6 503	-4 114	-20 805
Operating profit/loss	5 084	8 173	32 500
Financial income	3 547	1 774	9 918
Financial costs	-16 898	-15	-39 950
Profit before tax	-8 267	9 931	2 468
Tax	-	-	-
Profit/loss for the period	-8 267	9 931	2 468

TOTAL PROFIT/LOSS FOR THE PERIOD

Profit/loss for the period	-8 267	9 931	2 468
Total profit/loss for the period	-8 267	9 931	2 468

STATEMENT OF FINANCIAL POSITIONS

	2020	2019	2019
	March 31	March 31	December 31
TSEK			
ASSETS			
Shares in subsidiaries	137 344	89 959	143 211
Shares in associated companies	27 669	23 497	26 116
Long term receivables on subsidiaries	181 811	49 787	144 331
Long term receivables on associated companies	-	27 715	-
Other long term receivables	-	14 914	-
Right to use assets	1 474	1 220	1 535
Total non-current assets	348 298	207 092	315 193
Short term receivables on group companies	1 579	-	1 579
Short term receivables on associated companies	22 145	-	20 576
Short term receivables on other companies	8 123	-	7 564
Tax receivables	6	-	-
Other short term receivables	757	1 090	713
Cash and cash equivalents	506 865	496 241	498 303
Total current assets	539 476	497 331	528 735
TOTAL ASSETS	887 774	704 422	843 928

EQUITY AND LIABILITIES

Share capital	5 038	5 038	5 038
Other capital contributions	225	225	225
Retained earnings/loss	183 531	181 062	181 062
Profit/loss for the period	-8 267	9 931	2 468
Total equity	180 526	196 256	188 793
Long term liabilities to group companies	209 218	15 434	158 001
Financial leasing liabilities	1 474	1 220	1 535
Long term interest bearing liabilities	492 654	490 206	492 042
Total long term liabilities	703 346	506 859	651 579
Current liabilities to group companies	-	-	-
Short term interest bearing liabilities	-	-	-
Accrued expenses and prepaid income	2 321	498	2 243
Other current liabilities	1 581	809	1 314
Total short term liabilities	3 902	1 307	3 557
TOTAL EQUITY AND LIABILITIES	887 774	704 422	843 928

CHANGES IN EQUITY

TSEK	Share capital	Other capital contributions	Retained profit/loss	Profit/loss for the period	Total equity
Shareholders equity as per December 31, 2018	5 038	225	95 000	86 062	186 325
Profit/loss for the period	-	-	-	9 931	9 931
Total profit/loss for the period	-	-	-	9 931	9 931
Transfer of previous year's profit/loss	-	-	86 062	-86 062	-
Shareholders equity as per March 31, 2019	5 038	225	181 062	9 931	196 256
Profit/loss for the period	-	-	-	-7 463	-7 463
Total profit/loss for the period	-	-	-	-7 463	-7 463
Shareholders equity as per December 31, 2019	5 038	225	181 062	2 468	188 793
Profit/loss for the period	-	-	-	-8 267	-8 267
Total profit/loss for the period	-	-	-	-8 267	-8 267
Transfer of previous year's profit/loss	-	-	2 468	-2 468	-
Shareholders equity as per March 31, 2020	5 038	225	183 530	-8 267	180 526

CASHFLOW STATEMENT

TSEK	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
OPERATING ACTIVITIES			
Sales of investment services	111	511	1 184
Management cost paid	-5 535	-4 023	-20 456
Other items affecting cash flow	444	-303	-1 530
Cash flow from operating activities before financial items	-4 980	-3 815	-20 802
Interest received	28	-	1 714
Interest paid and set up fees	-13 618	-	-34 263
CASH FLOW FROM OPERATING ACTIVITIES	-18 571	-3 815	-53 351
INVESTING ACTIVITIES			
Purchase/sales of shares	-	-	-10 660
CASHFLOW FROM INVESTING ACTIVITIES	-	-	-10 660
FINANCING ACTIVITIES			
Loans raised and amortization of debt	-	490 199	492 042
Share issue	-	-	-
Shareholders contribution	-	-	-
Change in financing of group- and associated companies	28 075	7 138	67 553
Change in financing of other companies	-942	-	-
CASHFLOW FROM FINANCING ACTIVITIES	27 133	497 337	559 595
NET CASH FLOW FOR THE PERIOD	8 562	493 522	495 583
Cash and cash equivalents at start of the period	498 303	2 719	2 719
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	506 865	496 241	498 303

PARENT COMPANY

INCOME STATEMENT

	2020	2019	2019
	Jan-Mar	Jan-Mar	Jan-Dec
TSEK			
Sales of investment services	111	511	1 184
Revaluation of financial instruments	11 475	11 776	52 122
Management cost	-6 536	-4 114	-20 890
Operating profit/loss	5 050	8 173	32 416
Financial income	3 547	1 774	9 918
Financial costs	-16 898	-15	-39 931
Profit before tax	-8 301	9 931	2 403
Tax	-	-	-
Profit/loss for the period	-8 301	9 931	2 403

TOTAL PROFIT/LOSS FOR THE PERIOD

Profit/loss for the period	-8 301	9 931	2 403
Total profit/loss for the period	-8 301	9 931	2 403

STATEMENT OF FINANCIAL POSITIONS

	2020	2019	2019
	March 31	March 31	December 31
TSEK			
ASSETS			
Shares in subsidiaries	137 344	89 959	143 212
Shares in associated companies	27 669	23 497	26 116
Long term receivables on subsidiaries	183 018	49 787	145 590
Long term receivables on associated companies	-	27 715	-
Other long term receivables	-	14 914	-
Right to use assets	1 474	1 220	1 535
Total non-current assets	349 505	207 092	316 453
Short term receivables on group companies	1 579	-	1 579
Short term receivables on associated companies	22 145	-	20 576
Short term receivables on other companies	8 123	-	7 564
Tax receivables	6	-	-
Other short term receivables	282	1 090	695
Cash and cash equivalents	505 752	496 241	497 701
Total current assets	537 888	497 331	528 115
TOTAL ASSETS	887 392	704 422	844 569
EQUITY AND LIABILITIES			
Other short term receivables	5 038	5 038	5 038
Other capital contributions	225	225	225
Retained earnings/loss	183 465	181 062	181 062
Profit/loss for the period	-8 301	9 931	2 403
Total equity	180 427	196 256	188 727
Long term liabilities to group companies	209 218	15 434	158 001
Financial leasing liabilities	1 474	1 220	1 535
Long term interest bearing liabilities	492 654	490 206	492 042
Total long term liabilities	703 346	506 859	651 579
Current liabilities to group companies	-	-	938
Short term interest bearing liabilities	-	-	-
Accrued expenses and prepaid income	2 321	498	2 243
Other current liabilities	1 299	809	1 082
Total short term liabilities	3 620	1 307	4 263
TOTAL EQUITY AND LIABILITIES	887 392	704 422	844 569

CASHFLOW STATEMENT

TSEK	2020 Jan-Mar	2019 Jan-Mar	2019 Jan-Dec
OPERATING ACTIVITIES			
Sales of investment services	111	511	1 184
Management cost paid	-6 506	-4 023	-19 836
Other items affecting cash flow	903	-303	-1 530
Cash flow from operating activities before financial items	-5 491	-3 815	-20 182
Interest received	28	-	1 714
Interest paid and set up fees	-13 618	-	-34 244
CASH FLOW FROM OPERATING ACTIVITIES	-19 082	-3 815	-52 712
INVESTING ACTIVITIES			
Purchase/sales of shares	-	-	-10 661
CASHFLOW FROM INVESTING ACTIVITIES	-	-	-10 661
FINANCING ACTIVITIES			
Loans raised and amortization of debt	-	490 199	492 042
Share issue	-	-	-
Shareholders contribution	-	-	-
Change in financing of group- and associated companies	28 075	7 138	66 312
Change in financing of other companies	-942	-	-
CASHFLOW FROM FINANCING ACTIVITIES	27 133	497 337	558 355
NET CASH FLOW FOR THE PERIOD	8 051	493 522	494 982
Cash and cash equivalents at start of the period	497 701	2 719	2 719
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	505 752	496 241	497 701