Brønnøysundregistrene

ÅRSREGNSKAPET FOR REGNSKAPSÅRET 2023 - GENERELL INFORMASJON

Enheten

Organisasjonsnummer:	918 980 946
Organisasjonsform:	Aksjeselskap
Foretaksnavn:	KISTOS ENERGY (NORWAY) AS
Forretningsadresse:	Strandveien 50 1366 LYSAKER

Regnskapsår

Årsregnskapets periode:	01.01.2023 - 31.12.2023

Konsern

Morselskap i konsern:	Nei

Regnskapsregler

Regler for små foretak benyttet:	Nei
Benyttet ved utarbeidelsen av årsregnskapet til selskapet:	Regnskapslovens alminnelige regler

Årsregnskapet fastsatt av kompetent organ

Bekreftet av representant for selskapet:	Olav Haugland
Dato for fastsettelse av årsregnskapet:	31.05.2024

Grunnlag for avgivelse

År 2023: Årsregnskapet er elektronisk innlevert

År 2022: Tall er hentet fra elektronisk innlevert årsregnskap fra 2023

Det er ikke krav til at årsregnskapet m.v. som sendes til Regnskapsregisteret er undertegnet. Kontrollen på at dette er utført ligger hos revisor/enhetens øverste organ. Sikkerheten ivaretas ved at innsender har rolle/rettighet for innsending av årsregnskapet via Altinn, og ved at det bekreftes at årsregnskapet er fastsatt av kompetent organ.

Brønnøysundregistrene, 03.06.2025

Resultatregnskap

Beløp i: NOK	Note	2023	2022
RESULTATREGNSKAP			
Inntekter			
Total operating revenue		649 818 120	628 966 680
Sum inntekter		**649 818 120**	**628 966 680**
Kostnader			
Endring i beholdning av varer under tilvirkning og ferdig tilvirkede varer		-61 628 562	18 927 839
Production costs		289 257 053	244 967 020
Exploration costs		17 152 021	938 635
Decommissioning costs		24 327 943	35 418 304
Employee benefit expense		77 610 732	41 624 691
Ordinary depreciation		300 326 587	190 391 226
Impairment		17 500 000	744 616 713
Other operating expenses		67 579 125	31 511 478
Sum kostnader		**732 124 899**	**1 308 395 906**
Driftsresultat		**-82 306 779**	**-679 429 226**
Finansinntekter og finanskostnader			
Annen renteinntekt		33 282 534	7 248 006
Sum finansinntekter		**33 282 534**	**7 248 006**
Annen rentekostnad		261 350 092	233 329 601
Net other financial expenses		135 961 832	44 416 703
Net foreign exchange loss		59 851 249	130 520 039
Sum finanskostnader		**457 163 173**	**408 266 343**
Netto finans		**-423 880 639**	**-401 018 337**
Ordinært resultat før skattekostnad		**-506 187 418**	**-1 080 447 563**
Income tax		-106 515 831	-192 721 170
Ordinært resultat etter skattekostnad		**-399 671 587**	**-887 726 393**
Årsresultat		**-399 671 587**	**-887 726 393**

Resultatregnskap

Beløp i: NOK	Note	2023	2022
Overføringer og disponeringer			
Udekket tap		-399 671 587	-887 726 393
Sum overføringer og disponeringer		**-399 671 587**	**-887 726 393**

Balanse

Beløp i: NOK	Note	2023	2022
BALANSE - EIENDELER			
Anleggsmidler			
Immaterielle eiendeler			
Capitalized exploration wells		58 468 869	66 237 022
Other intangible assets		2 311 804	5 352 199
Sum immaterielle eiendeler		**60 780 673**	**71 589 221**
Varige driftsmidler			
Production facilities		5 334 745 913	3 935 742 809
Other PPE		296 091	374 010
Sum varige driftsmidler		**5 335 042 004**	**3 936 116 819**
Finansielle anleggsmidler			
Other financial assets		6 228 684	14 476 863
Sum finansielle anleggsmidler		**6 228 684**	**14 476 863**
Sum anleggsmidler		**5 402 051 361**	**4 022 182 903**
Omløpsmidler			
Varer			
Inventory and underlift		78 556 730	13 360 560
Sum varer		**78 556 730**	**13 360 560**
Fordringer			
Trade and other receivables		114 350 672	91 542 692
Other current assets		92 221 900	103 834 632
Tax receivable		903 152 197	837 720 412
Sum fordringer		**1 109 724 769**	**1 033 097 736**
Bankinnskudd, kontanter og lignende			
Cash and cash equivalents		164 274 035	241 980 857
Sum bankinnskudd, kontanter og lignende		**164 274 035**	**241 980 857**
Sum omløpsmidler		**1 352 555 534**	**1 288 439 153**
SUM EIENDELER		**6 754 606 895**	**5 310 622 056**

Balanse

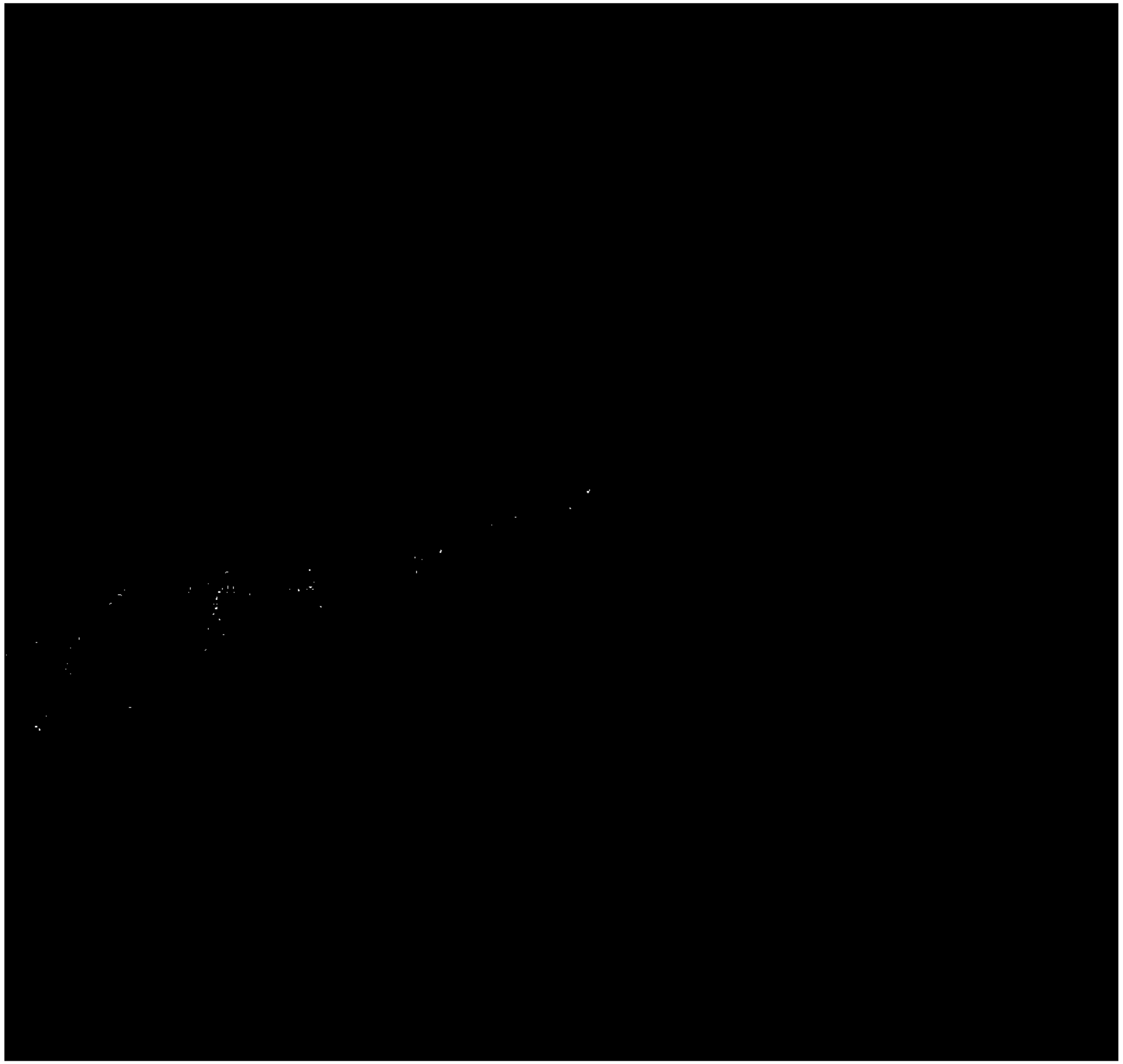
Beløp i: NOK	Note	2023	2022
BALANSE - EGENKAPITAL OG GJELD			
Egenkapital			
Innskutt egenkapital			
Share capital		11 916 725	11 916 725
Overkurs		1 179 748 158	1 179 748 158
Sum innskutt egenkapital		**1 191 664 883**	**1 191 664 883**
Opptjent egenkapital			
Retained earnings		-1 205 324 799	-805 653 214
Other equity		344 146 754	
Sum opptjent egenkapital		**-861 178 045**	**-805 653 214**
Sum egenkapital		**330 486 838**	**386 011 669**
Gjeld			
Langsiktig gjeld			
Utsatt skatt		2 769 670 920	1 969 274 200
Other long term liabilities		238 150 247	4 172 401
Asset retirement obligation		846 538 144	573 408 469
Sum avsetninger for forpliktelser		**3 854 359 311**	**2 546 855 070**
Annen langsiktig gjeld			
Obligasjonslån		2 387 441 903	2 143 786 038
Sum annen langsiktig gjeld		**2 387 441 903**	**2 143 786 038**
Sum langsiktig gjeld		**6 241 801 214**	**4 690 641 108**
Kortsiktig gjeld			
Leverandørgjeld		31 133 722	59 728 303
Tax payable			0
Public duties payable		2 848 411	6 407 857
Other current liabilities and overlift		148 336 710	167 833 119
Sum kortsiktig gjeld		**182 318 843**	**233 969 279**
Sum gjeld		**6 424 120 057**	**4 924 610 387**

Balanse

Beløp i: NOK	Note	2023	2022
SUM EGENKAPITAL OG GJELD		**6 754 606 895**	**5 310 622 056**

KISTOS

Kistos Energy (Norway) AS



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Board of Directors' Report 2023

Business Review

Description of business

Kistos Energy (Norway) AS (KENAS) (formerly Mime Petroleum AS) is a private limited company incorporated and domiciled in Norway, with its main office in Bærum, Norway. The Company was incorporated on 3 May 2017.

The Company is focused on hydrocarbon development and production on the Norwegian Continental Shelf (NCS).

On 23 May 2023, the Company announced that Kistos Holdings plc (Kistos LSE: KIST) had acquired all of the outstanding shares in Mime Petroleum AS (Mime) from its sole shareholder Mime Petroleum S.à r.l.

Business model and strategy

The Company's business model is to be a development and production company, participating in the discovery, appraisal, development and production of oil and gas resources on the NCS. The Company targets upsides in and around proven fields with access to processing and transportation capacity.

Demonstrating strong geological, geophysical and reservoir competence, the organisation consists of 14 employees who have gained extensive experience from project execution on the NCS.

KENAS is a non-operator.

Operations and main events in 2023

KENAS holds 10% ownership interest in the Balder/Ringhorne field, and a 7.4% ownership interest in the Ringhorne Øst Unit. The operator ensured a safe working environment on the Balder floating production unit (FPU) and the Ringhorne platform throughout 2023, delivering a total net production of 790 thousand barrels (kbbl) to KENAS. Production efficiency for the year was 86.8%, improving as the year progressed and reaching 98% in the final quarter. A turnaround was conducted in August. In addition, there was a temporary shut-in of a gas lift riser. The Ringhorne platform drilling rig delivered two new wells and performed two work-overs and one intervention during 2023. In addition, the rig performed initial plug and abandonment activities.

During the summer, maintenance and modification work commenced at the Balder FPU. During this high activity period (HAP) from May to August, c.140,000 workhours of safe operations were carried out. The HAP offshore contributed to improved production efficiency in H2 2023. Havtil (Norwegian Ocean Industry Authority) gave consent for continued use of the Balder FPU until 2030 in March 2021.

The Balder Future development project, which was approved by the Ministry of Energy in June 2020, is targeting further development in the Balder and Ringhorne area. The Balder Future development project includes refurbishing and relocating the Jotun floating production storage offloading vessel (FPSO), installation of new subsea production systems and the drilling of 14 new production wells and one new water injection well.

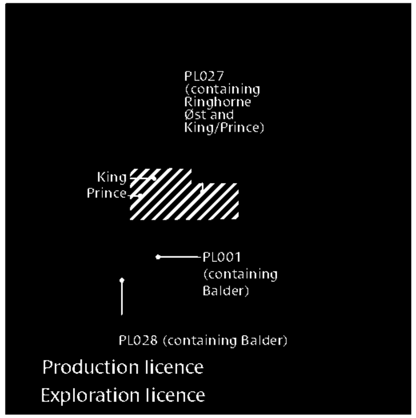
The project will extend the life of the Balder area beyond 2045. The FPSO will be located between the Ringhorne platform and Balder FPU, to accommodate the tie-ins of the new Balder Future subsea production wells.

Due to the negative impacts from COVID-19 related to equipment deliveries and workforce availability, continued engineering and market challenges, the first oil date has moved towards year-end 2024. The operator currently assumes sail away in August 2024, followed by offshore installation and riser hookup and production start late in Q4 2024.

The Balder Future drilling operations are scheduled to be completed in Q3 2024. Six free well slots in the Balder Future subsea development project (Balder Phase V) are being matured, and drilling is likely to commence in 2025.

KENAS' unaudited 2P reserves estimate stands at approximately 22 MMboe per 31 December 2023. Balder Phase V has been included as 2P reserves per 31 December 2023.

Except for the operations at the Balder and Ringhorne, the Company is currently not directly involved in any offshore activities.



This licence area includes both production and exploration

Financial Review

Key financial figures 2023

Operating revenue for the year amounted to NOK 650 million (2022: NOK 629 million), whereas the operating loss for the year amounted to NOK 82 million (2022: NOK 679 million including impairment). Average net production was 2,164 barrels of oil per day (boepd) (2022: 1,854 boepd), and the average realised oil price net of hedging was USD 79.96/bbl (2022: USD 90.31/bbl).

Net financial costs of NOK 424 million relate to interest expenses on the long-term bond debt, accretion expenses on asset retirement obligations (AROs) and a net currency loss on long-term debt (2022: net financial expenses of NOK 401 million).

The Company's tax income for 2023 was NOK 119 million (2022: NOK 193 million).

Net loss after taxes for the period amounted to NOK 400 million (2022: NOK 888 million).

On 31 December 2023, total assets amounted to NOK 6,755 million (2022: NOK 5,311 million). Hereof, the total investments in Balder Unit and Ringhorne Øst Unit amounted to NOK 5 335 million (2022: 3 936 million). Cash and cash equivalents amounted to NOK 164 million (2022: NOK 242 million).

In September 2023, the operator, Vår Energi ASA (Vår), provided an update on the Balder X development, which includes the ongoing Balder Future project and Ringhorne Phase IV drilling. The total cost estimate for the project was increased by approximately NOK 4 billion (100%, pre-tax), bringing the total estimated gross project cost to NOK 42.4 billion. Further, in February 2024, the operator moved the targeted Balder Future start-up to Q4 2024, assuming inshore sail away in August 2024.

The impairment test showed that the post-tax NPV9 for both Balder joint venture (JV) and Ringhorne Øst Unit exceeded the post-tax book value. As a result, no impairment charge has been recognised as of 31 December 2023. The carrying amounts of property, plant and equipment (PP&E) assets are considered fully recoverable based on the estimated future cash flows generated by these assets. The assumptions employed in the impairment test have been evaluated and are deemed reasonable and reflective of current market conditions.

Net cash flow for 2023 was negative NOK 77.7 million (2022: negative NOK 541 million). Total cash flow from operational activities amounted to NOK 1,001 million in 2023 (2022: NOK 872 million), mainly due to a refund of tax losses during the year. Cash flow used for investment activities amounted to NOK 1,453 million (2022: NOK 1,182 million). Investments in 2023 were driven by capital expenditure related to the Balder Future project. Net cash inflow from financing activities amounted to NOK 374 million, related to refinancing of the KENO01 bonds and interest costs (2022: NOK 231 million).

On 31 December 2023, the Company's long-term interest-bearing debt amounted to NOK 2 387 million (including a net unrealised revaluation loss of NOK 61 million). The financial covenant for the Company's debt was within the applicable threshold at year end.

Strategic review process and financial restructuring

A refinancing process was closed in March 2023. Super Senior bonds of USD 120 million were issued (KENO02) and USD 45 million of the outstanding bonds under KENO01 (MIME02) were converted into subordinated Hybrid Bonds without any enforcement rights.

The maturity date for KENO01 (MIME02) bonds was extended by one year to November 2027.

On 19 April 2023, the Company announced that Kistos Holdings plc ('Kistos') had reached conditional agreement with the sole shareholder of the Company, Mime Petroleum S.à r.l., to acquire all of the outstanding shares of Mime. The closing of the transaction was subject to approval (which was subsequently received) by the bondholders in KENO01, the Super Senior bonds (KENO02) and the Hybrid Bonds, and included various changes, waivers and amendments.

The transaction was also dependent on approval from the Ministry of Petroleum and Energy as per the Petroleum Act Section 10-12, which was obtained on 16 May 2023. Upon closing of the transaction, which took place on 23 May 2023, the Company changed its name to Kistos Energy (Norway) AS (KENAS).

Following the change of control, the bond terms for KEN001, the Super Senior bonds (KENO02) and the Hybrid Bonds have been amended and restated. As part of the amended and restated terms, the Company repaid in total USD 75 million to the bondholders at closing of the transaction with Kistos. In addition, a new revolving credit facility (RCF) of up to USD 100 million was made available to the Company by Kistos plc, securing sufficient liquidity in the medium term. Amounts drawn down under the RCF during the year were fully repaid by 31 December 2023.

Governance and Risk Management

Risk factors and risk management

Kistos Energy (Norway) AS (KENAS) is subject to various controllable and uncontrollable risks, associated with the oil and gas industry and operations. The Company's main approaches to risk management are based on the understanding and analysis of the actual risks, focusing on identifying, preventing and effectively mitigating potential adverse effects of such risks.

The internal control procedures and systems reflect the Company's core values, ethical guidelines and social responsibility policy.

The Board is responsible for overseeing the implementation of the risk strategies, by making sure that the framework is in line with industry standards, such that adequate systems and procedures are in place to address these risks. A review of the risks and system is conducted on a regular basis by management and the Board of Directors.

Operational and project risk

The Board recognises the risks associated with the operation of the Company's assets. The regulation of activities on the NCS provides a sound framework for handling these risks, and the Company takes an active and responsible approach as a partner. However, drilling, development, production and decommissioning activities will never be completely free from risk. Projects are associated with risks relating to delays and cost exposure. Ongoing development projects involve multidiscipline engineering, extensive procurement activities, manufacturing and construction work to be carried out under various contract packages at different locations onshore. The magnitude of such development projects makes them sensitive to circumstances that may affect the planned progress or sequence of the various activities.

The Balder Future project has experienced significant delays and cost over-run in the past. The Company is assuming that the development project will be completed according to the updated schedules; however, there is a risk of further delays and cost over-runs may incur. Estimated licence costs are subject to many assumptions that may not prove to be correct. Any inability to explore, appraise, develop or decommission petroleum operations or incorrect assumptions regarding licence costs may have an adverse effect on the Company's growth ambitions, future business and revenue, operating results, financial condition and cash flow.

Furthermore, there are risks related to the integrity of the Company's assets, risks associated with the reported reserves and resources, and risks associated with third-party contractors or operators, as the Company's assets are non-operated. Costs and scheduling of development projects or exploration efforts are also uncertain. As a result of these risks, the Company may incur costs that could adversely affect the Company's financial position or its reputation as a player on the NCS.

The Company aims at being a prudent, responsible and technically competent partner across the whole spectrum of activities in its operations. KENAS works actively together with operators and has established mitigating actions to reduce the possibility of operational incidents occurring. In addition, the Company's emergency response management policy includes contingency plans to minimise the potential impact if an operational incident should occur.

Evaluation of reserves and resources

The Company's reserves are defined as the volume of hydrocarbons that are expected to be produced from known accumulations in production, under development or with development committed in accordance with the Society of Petroleum Engineers' (SPE) Petroleum Resources Management System (PRMS). The unaudited disclosed reserves are based on estimates from the operator of the relevant production licences and the Company's own assessments of the reserves. Reserves and resources are by their nature uncertain in respect of the inferred volume range.

There is uncertainty in the evaluation of estimates of economically recoverable reserves and is related to the ability to bring estimates into actual production. The estimated reserves, resources and cash flows embedded in such evaluations could be reduced to the extent that such activities do not achieve the expected value creation, and such reductions may have a material adverse effect on the Company's business, results of operations, cash flows and financial condition.

Many of the factors in respect of which assumptions are made when estimating reserves and resources are beyond the Company's control and therefore these assumptions may prove to be incorrect over time. Moreover, different geoscientists and reservoir engineers may make different estimates of reserves based on the same available data. Also, effects of regulations adopted by governmental agencies, future operating costs, royalties, tax on the extraction of commercial volumes, development costs and work-over and remedial costs represent further variables and assumptions that will further influence the estimation of reserves and resources.

The Company allocates substantial resources to analysing and understanding its reservoirs and continuously monitors, updates and stress tests its resource models. Furthermore, the Company applies a set of project decision criteria to ensure that assets are as robust as possible before making investment decisions.

Governance and Risk Management

Diversification risk

The Company's current production of hydrocarbons comes from one joint field area with integrated use of facilities, infrastructure and export routes. If mechanical or technical problems, extreme weather events, shutdowns or other events or problems affect the current or future production on any of the Company's fields, it may have a direct and significant impact on the whole or a substantial portion of the Company's production and this may result in material adverse effects for the Company, including on the Company's ability to fulfil its obligations, make new investments and raise further financing. In particular, the facilities on the Company's fields have been producing for several years, increasing the risks related to production and subsequent sensitive cash flow, losing key wells, infrastructure robustness with regards to harsh environments, metocean conditions, corrosion, wear, technical integrity of critical systems, equipment and ageing/obsolescence of systems, instruments, equipment and automated (IT) systems.

HSE risk

The Company's health, safety and environmental (HSE) policy requires that all operations are completed without harm to the people involved, with minimum impact on the environment and without damaging assets.

There are inherent risks embedded in oil and gas exploration and production activities. These risks are controlled to an acceptable level by a proactive organisation and tailor-made risk management system, the as low as reasonably practicable (ALARP) principle. KENAS has a robust risk management system to identify, analyse, evaluate, treat and monitor risks. The system is used for all operations and projects that the Company is participating in.

Financial risks

Through risk management, KENAS evaluates hedging instruments, liquidity considerations and insurance coverage. The Company has insured its pro-rata exposure on the NCS in line with the best industry practices and has offshore insurance programmes covering loss of production, physical damage, control of well and third-party liability (non-exhaustive).

The Company is exposed to market fluctuations in commodity prices and foreign exchange rates. The interest rates on the issued bonds are fixed. The Chief Financial Officer (CFO) of the Company is responsible for monitoring, managing and reporting on the Company's financial risks. The management team and the Board of Directors are involved in the decision making when derivative contracts are entered into.

Risk of changes in taxation and regulations

There is no assurance that future political conditions in Norway will not result in the Government adopting different policies for petroleum taxation. In the event of changes to this tax regime, it could lead to new investments being less attractive and challenge further growth of the Company. Furthermore, the amounts of taxes could also change significantly because of new interpretations of the relevant tax laws and regulations or changes to such laws and regulations. In addition, tax authorities could review and question the Company's tax returns leading to additional taxes and tax penalties that could be material. Changes to the petroleum tax act may result in changes that could affect our current and future tax positions, net income after tax and financial condition.

Commodity price risk

KENAS operates in the crude oil market and will, to a limited extent, operate in the natural gas markets when Balder Future comes onstream. Fluctuations in hydrocarbon commodity prices can consequently influence the Company's revenue.

The Company has recognised a gain from commodity price hedging in 2023 of NOK 15.8 million, recognised as 'Other revenue' (2022: loss of NOK 45.6 million).

Currency risk

Currency risks arise from multi-currency cash flows within the Company. The Company is exposed to foreign currency exchange risk related to its operating and capital expenditures, including financing costs. As revenues are denominated in USD, while investments and operating costs generally accrue in NOK, currency rate fluctuations represent both a direct and an indirect financial risk for the Company. However, the Company's net currency exposure was estimated to be approximately neutral following the temporary tax changes as the Company is receiving NOK denominated tax refunds. Consequently, the Company did not have any foreign exchange contracts at 31 December 2023. New positions may be entered into going forward.

Governance and Risk Management

Interest rate risk

The interest rate for the USD 225 million bonds (KENO01) is fixed at 10.25%, whereas the Super Senior USD 120 million bonds issued in March 2023, carry a fixed rate at 9.75%. Currently, the Company does not have any borrowings issued with floating interest rate conditions exposing the Company to interest rate risk.

Credit risk

The Company considers its credit risk to be low, as its licence partners are creditworthy oil companies and cash and cash equivalents are receivables from banks.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet the obligations of financial liabilities when they become due. The Company's future capital requirements depend on several factors.

If significant cash flow drivers develop negatively, the Company may need additional funds, debt or equity to support the Company's long-term strategy and/or to manage short-term liquidity risks. The Company carries out short-term (3–12 months) and long-term liquidity forecasts. These forecasts are updated regularly, for various scenarios and form an integrated part of the Company`s management and the Board's decision basis.

From FY2022, the tax value of losses in the special tax basis will be refunded as a yearly payment, payable in December the year after. As of 31 December 2023, the Company has calculated a tax receivable of NOK 903 million.

Following the financial restructuring process and factoring in that the financial support provided by the parent company is available to draw upon, the Company has sufficient liquidity to complete the Balder Future project.

Portfolio risk

The Company continues to be an active and responsible partner in driving value in high-quality assets on the NCS. As part of this, the Company actively searches for and evaluates opportunities to make value-accretive investments (eg through acquisitions, farm-ins, swaps or other).

The Company has pursued field acquisition and mergers and acquisitions (M&A) opportunities offered in the market in structured processes as well as unsolicited bilateral approaches to companies with attractive fields and portfolios. Following the unprecedented number of new projects being launched with Plans for Development and Operation (PDO) in the last few years, the Company expects more opportunities in the M&A and business development (BD) markets in the coming years. The ongoing consolidation on the NCS is also expected to continue.

External risks

The business environment in which the Company operates can change rapidly. The risks of fluctuations in commodity prices are addressed under financial risks. The Company also faces other external risks that could affect its financial position over time.

Recent years have shown how important and valuable energy is to society. Ongoing conflicts worldwide present potential threats to global political and economic stability. Such conflicts may exert influence on energy markets both directly through disruptions to supply and demand, through government-imposed sanctions and changes in global trading patterns and indirectly through changes in market behaviour caused by increased uncertainty.

The Company's results will depend on future developments, which are highly uncertain and difficult to predict.

There can be no assurance that legislation, including tax regulations, will not be changed in a manner that could adversely affect the Company. There is also potential exposure from the response to climate change and environmental, social and governance (ESG) initiatives. The Company aims to develop a portfolio of assets that remains resilient as the Government's response to climate change evolves.

IT security and cyber security risk

As in all industries, there is potential for cyber intrusion leading to financial loss, information data loss, data privacy infringement and system irregularities. International conflicts, such as the ongoing war in Ukraine, could potentially lead to increased risk of cyberattacks. Technological development and artificial intelligence are providing new means of criminal acts.

The Company is applying IT policies and practices as advised by the external IT service provider. IT and cyber security are a priority at KENAS, phishing being an area of repeated training and awareness. No IT or cyber security breaches were recorded in 2023.

Corporate governance and ESG

Requirement for continued operation

The Board of Directors believes that the financial statements give a true picture of KENAS' assets and liabilities, financial position and results.

With regards to the Norwegian Accounting Act, Section 3-3a, the Board of Directors has performed an assessment of the Company's cash flows and its financial and liquidity position and prospects. Section 3-4 of the Private Limited Liability Companies Act requires that companies at all times must have sufficient equity and adequate liquidity.

The ultimate parent company, Kistos Holdings plc, has indicated that due to the potential for one or more of reasonably plausible downside scenarios to occur, a material uncertainty exists that may cast significant concern on the Group's and the parent company's ability to continue as a going concern. Reference is made to the Consolidated Financial Statements for Kistos Holdings plc, note 1.2.

KENAS is dependent upon the parent company (Kistos plc) providing liquidity to fund the ongoing activities, including the availability of the established revolving credit facility (RCF) of USD 100 million. Therefore, there is a material uncertainty related to going concern for KENAS.

The Balder Future project has experienced significant delays and cost over-run in the past. The Company is assuming that the development project will be completed according to the updated schedules; however, there is a risk of further delays of the first oil date beyond Q4 2024 and cost overruns in excess of NOK 42.4 billion may incur.

However, the Board considers the cash flow from operations, combined with the total available liquidity, including the parent company's financial support, to be sufficient to finance the Company's commitments in 2024. Further, the Board believes that the conditions for continued operations as a going concern are present and the annual financial statements for 2023 have been prepared on this basis.

The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern. Our auditors included an 'emphasis of matter' paragraph in its audit report drawing attention to this material uncertainty.

The Board of Directors does not know of any other important matters regarding the Company's financial statement and business that are not reflected in the profit and loss and balance sheet statements.

The Board of Directors proposes that the net loss is allocated to retained earnings/ uncovered loss.

Working environment and employees

KENAS follows the regulation pursuant to the Norwegian Working Environment Act. The working environment and general welfare are considered to be good. No incidents or reporting of work-related accidents, resulting in significant material damage or personal injury, occurred during the year. The sickness absence in 2023 was 0.7% (2022: 0.7%), which is significantly lower than the national average of 6.7% (2022: 4.5%) in Norway. No substantial risks related to the Company working environment are identified.

The turnover in the Company is considered low, with one full-time equivalent (FTE) having left the Company in 2023 (6.7%). A Company process ensures that each employee is supported in the development of competence and experience. Each employee is essential to the Company's success and deliveries, and the Company recognises the importance of providing a stimulating work environment to attract and retain people with the right skills and attitudes.

Equal opportunities and discrimination

The Company aims to be a workplace with equal opportunities. Our policies and procedures include regulations to prevent gender discrimination related to salary, promotion and recruiting. At the end of 2023, the Company had 14 regular employees, of which four are women. The Company is committed to being an attractive employer for all groups of prospective employees. Working-hour arrangements and salaries within the Company follow are independent of gender.

Health, safety and environment

KENAS has a zero HSE incident policy. The Company, together with Vår as operator for the Balder JV and Ringhorne Øst Unit, works actively to ensure safe operations. The safety of individuals, the environment and physical assets are an integral part of the Company's asset management. The Company's health, safety, environment and quality (HSE&Q) activities are set out to ensure that the JV activities follow the comprehensive HSE&Q regulations, including risk management and monitoring systems, run by the field operator. The operator is responsible for reporting discharge emissions to air and water.

KENAS has fulfilled its HSE&Q duties ('see to it' duty) as a participant in the Balder/Ringhorne licences during the period, conducting verifications independently and jointly with the operator.

For KENAS JV activities (Balder Unit offshore operations and Balder Future project), KENAS experienced no major accidents in 2023.

For operational and project incidents reported in 2023, a total of four incidents were defined as serious. The year-end 2023 Total Recordable Injury Frequency (TRIF)[1] was 0.7 for the offshore operations (2022: 2.6). For the Balder Future project, TRIF was 2.5 (2022: 4.3). By comparison, the 2023 NCS TRIF average for offshore activities was 5.0 (2022: 5.7).

For KENAS corporate activities, no incidents or reporting of work-related accidents or environmental spills, resulting in significant damage or personal injury, occurred during the year.

1. TRIF (Total Recordable Injury Frequency) – Incident frequency of medical treatment cases, restricted workday cases and lost workdays cases per million workhours.

Governance and Risk Management

The Company's activities in 2023 have not adversely affected the environment.

KENAS is fully committed to a fair and sustainable future. The Company's policy states commitments within the area of ESG. KENAS acknowledges the negative impact of our activities on the environment with respect to the emissions of greenhouse gases (GHGs) to air, emitted as part of the crude oil production process. KENAS is committed to the emissions targets from production on the NCS announced by Offshore Norge through the Konkraft alliance: 50% reduction by 2030, 70% reduction by 2040 and net zero by 2050 (with reference/comparison to the 2005 level).

In 2023, the average CO_2 emission intensity (preliminary estimate) from KENAS' non-operated assets was 18.4 kg/boe.

KENAS actively evaluates the CO_2 emission footprint as an integral part of our activities and policies. This principle is reflected in decision making related to potential acquisitions (M&A) and is also included as part of ongoing operational and project decisions.

Governance, sustainability, social responsibility and supply chain management

The foundation of good corporate governance is rooted in a sound company culture supported by adequate operational and financial control systems. The objective of corporate governance is to regulate the division of roles between shareholders, the Board and executive management more comprehensively than is required by legislation. The Board of Directors recognises and sponsors implementing efficient and effective governance to ensure long-term benefits for all the Company's stakeholders.

A Directors' and Officers' Liability Insurance is in place for the Board of Directors and the Chief Executive Officer (CEO) to cover legal liabilities based on their past, present and future actions, and omissions, including defence and legal costs. The cover also includes employees in managerial positions or employees who become named in a claim or investigation.

The Company's ultimate owner is Kistos Holding plc, listed on LSE (KIST). Further, the Company has two bonds listed on the Nordic alternative bond market (Nordic ABM). This is a list of registered bonds, the rules for which are determined by Euronext Oslo in consultation with market participants.

The Company encourages transparency and aims for fair and equal treatment of all existing and future stakeholders. It will seek to provide all existing and future investors with the necessary details to assess the fair value of the Company and the risks it faces.

The Company is subject to the Transparency Act. The Act shall promote enterprises' respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public has access to information regarding how enterprises address adverse impacts on fundamental human rights and decent working conditions. The Act sets out an obligation for KENAS to conduct due diligence of its supply chain (*aktsomhetsvurderinger*). The due diligence shall be risk based and proportionate and shall comprise KENAS' potential high-risk suppliers. As preserved in our ESG Policy, KENAS is committed to respect the Bill of Human Rights and the International Labour Organization (ILO) conventions, including setting respectable labour standards and decent work for woman and men. This includes living wages in KENAS' associated operations and no acceptance of child labour or indecent labour conditions. Social sustainability and the respect for human rights is anchored at the top of our organisation and at Board level. Further, the Company has implemented a separate supplier due diligence process that outlines a suitable work process ensuring adherence to the Transparency Act. The process includes inter alia background check of suppliers and negotiating human rights contract clauses in agreements with suppliers that may entail an inherent exposure to human rights breaches.

The Company regularly conducts risk assessment of its supply chain, and its supplier due diligence process is used as a tool to identify human rights risk factors associated with new suppliers.

Vår as operator of Balder Unit and Ringhorne Øst Unit, conducts sourcing to the field operations on behalf of the licensees, including KENAS. During 2023, KENAS reviewed Balder JV operator's supply chain management with respect to the Transparency Act. The operator openly shared risk evaluations and the operator's management of identified improvement areas. The requirement for risk assessment is an important step to increase transparency and gain an insight into all stages of the Company's supply chain, with the aim of safeguarding people who may be impacted by the Company's business.

Research and development

Through the licence participation in the Balder Unit and Ringhorne Øst Unit, the Company contributes to research and development (R&D) in accordance with the licence participating agreement.

Anti-corruption and bribery

The Company has a zero tolerance for bribery and corruption. This is not only a cultural and moral commitment to the Company, but also a legal requirement. The Company policies for anti-bribery and corruption and the Code of Business Conduct (the Code) are held in high regard by the Company. All employees and in-house consultants are required to sign the policies. It is the responsibility of each signatory to comply with both the letter and intent of these policies.

The Code of Business Conduct is the roadmap that puts values into action, ensures continued success and safeguards the Company's reputation. It provides a benchmark for acting responsibly and with integrity, respecting the laws and regulations, traditions and cultures of the countries in which we operate.

KENAS welcomes and encourages reporting of any concerns about Company activities or practices, including those of contractors and industrial partners who are, or appear to be, in breach of the Code. For breaches or violations of the policies, reporting lines are described in detail in our Company procedures. No reports on policy breaches or violations were made in 2023.

With respect to risk of corruption and bribery, all the Company's contractors, service providers and vendors are reputable, and most are Norway-based companies.

Payments to governments

According to the Norwegian Accounting Act Section 3-3d pertaining to companies in the extractive industry, the Company is required to disclose payments to governments per country and project annually. The Company made the following payments to the Norwegian authorities in 2023:

- Area fee per licence paid by operators to Norwegian Petroleum Directorate authorities on behalf of the JVs (the Company's net share figures): 2023: NOK 651,650 (2022: NOK 644,504).
- Tax payments made to Norwegian authorities in 2023: nil (2022: 1,330,312).

Future challenges and outlook

Over time Norway has nurtured the oil and gas industry well – stable framework conditions, regulations promoting low emissions production, combined with continued access to new exploration acreage – with strong backing from Parliament and Government and industry and labour organizations. This provides a competitive advantage on the global stage and makes the NCS ideal for long-term investments in this industry.

In an unstable and polarised world, reliable access to energy is top of the geopolitical agenda. The stability Norway provides, combined with an untapped resource potential, is fundamental to this. Furthermore, the ability to produce oil and gas safely and responsibly is paramount to sustain economic growth and social welfare, in Norway and abroad.

The world needs oil and gas for the long term, both as an energy source and to sustain a growing demand for petrochemical products. We do, however, acknowledge the need to reduce emissions and decarbonise our value chain. Together with the operator, we aim to take a leading ESG position, including reducing CO_2 emissions by more than 50% by 2030. The safety of people and the integrity of our assets lies at the core of everything we do.

Completion of Balder X is in sight and the operator is currently targeting first oil by end of 2024. The project has suffered from several delays and the current schedule does come with risks of further delay. Unfortunately, the project has reported further cost increases during 2023, now forecasting a total project development cost of NOK 42.4 billion (100%). The Jotun FPSO refurbishment and life extension is still the main cause for the reported increases.

The medium-term outlook for the energy markets remains uncertain. Some of the immediate pressures from the global energy crisis have eased during the year, but energy markets, geopolitics and the global economy remain volatile. The risk of further disruption is ever present, although fossil fuel prices are down from their 2022 peaks.

The development of oil and gas prices is influenced by several factors, including geopolitical dynamics, macroeconomic variables, evolving policies and regulations, and new technologies. The year began with expectations of a rise in oil demand by 1.9 million barrels per day MMboepd reaching a record 101.7 MMboepd. The demand was partly driven by China lifting its COVID-19 restrictions. Despite an initial forecast of price increases due to EU sanctions on Russian oil, the year saw a mix of price adjustments influenced by global oil supply dynamics and geopolitical tensions. High interest rates, rising material costs and geopolitical tensions, also have a significant impact on oil and gas supply, demand and investment dynamics. The emergence of new technologies and evolving policies worldwide, particularly those aimed at energy transition, also significantly impacts the oil and gas sector. Investments in renewable energy and efficiency improvements are expected to shape future demand and supply patterns.

The Company operates on the NCS and markets its petroleum products to customers in Europe. While not directly exposed to Russia's invasion of Ukraine, there is still uncertainty regarding the potential impact on safe and reliable energy supply, potential interruptions of supply chains and third-party services, as well as to the market prices of oil, gas and other commodities that may impact future operations and results.

KENAS remains committed to being an active and responsible partner participating in the development of oil and gas resources on the NCS to the benefit of its shareholders, its employees and the Norwegian society.

Lysaker, 28 May 2024

Andrew Austin
Chairman of the Board

Sverre Skogen
Board member/CEO

Audited Financial Statements With Notes

Financial Statements

Income statements

NOK '000	Note	2023	2022
Sale of crude oil		636,058	664,765
Sale of dry gas		–	–
Other revenue		13,760	-35,799
Total operating revenue	2	**649,818**	**628,967**
Production cost	3	(289,257)	(244,967)
Exploration costs	3	(17,152)	(939)
Changes in inventory and over/underlift		61,629)	(18,928)
Decommissioning cost	3, 15	(24,328)	(35,418)
Ordinary depreciation	9	(300,327)	(190,391)
Impairment	11	(17,500)	(744,617)
Employee benefit expenses	4	(77,611)	(41,625)
Other operating and administrative expenses	5	(67,579)	(31,511)
Total operating expense		**(732,125)**	**(1,308,396)**
Profit/(loss) from operating activities		**(82,307)**	**(679,429)**
Interest income		33,283	7,248
Interest expenses		(261,350)	(233,330)
Net foreign exchange gain/(loss)		(59,851)	(130,520)
Net other financial income/(expenses)		(135,962)	(44,417)
Net financial items	6, 14	**(423,881)**	**(401,018)**
Profit/(loss) before income tax		**(506,187)**	**(1,080,448)**
Income tax	7	106,516	192,721
Net profit/(loss)		**(399,672)**	**(887,726)**
Allocation of net profit/(loss):			
Uncovered loss		**(399,672)**	**(887,726)**

Balance sheets

NOK '000	Note	31 December 2023	31 December 2022
Assets			
Fixed assets			
Intangible fixed assets			
Capitalised exploration wells	8	58,469	66,237
Other intangible assets	8	2,312	5,352
Total intangible fixed assets		**60,781**	**71,589**
Tangible fixed assets			
Production facilities	9	5,334,746	3,935,743
Other property, plant and equipment	9	296	374
Total tangible fixed assets		**5,335,042**	**3,936,117**
Financial fixed assets			
Other financial assets	17	6,229	14,477
Total financial fixed assets		**6,229**	**14,477**
Total fixed assets		**5,402,051**	**4,022,183**
Current assets			
Inventory and underlift		78,557	13,361
Trade and other receivables	10	114,351	91,543
Tax receivable	7, 10	903,152	837,720
Other current assets	11	92,222	103,835
Cash and cash equivalents	12	164,274	241,981
Total current assets		**1,352,556**	**1,288,439**
Total assets		**6,754,607**	**5,310,622**

Financial Statements

Balance sheets continued

NOK '000	Note	31 December 2023	31 December 2022
Equity and liabilities			
Equity			
Paid-in capital			
Share capital		11,917	11,917
Share premium		1,179,748	1,179,748
Total paid-in capital		**1,191,665**	**1,191,665**
Retained earnings/(uncovered loss)		(861,178)	(805,653)
Total equity	13	**330,487**	**386,012**
Non-current liabilities			
Deferred tax liability	7	2,769,671	1,969,274
Interest bearing loans and borrowings	14	2,387,442	2,143,786
Other long-term liabilities		238,150	4,172
Asset retirement obligation	15	846,538	573,408
Total non-current liabilities		**6,241,801**	**4,690,641**
Current liabilities			
Trade payables	16	31,134	59,728
Public duties payable		2,848	6,408
Other current liabilities and overlift	16	148,337	167,833
Total current liabilities		**182,319**	**233,969**
Total liabilities		**6,424,120**	**4,924,610**
Total equity and liabilities		**6,754,607**	**5,310,622**

Lysaker, 28 May 2024

Andrew Austin
Chairman of the Board

Sverre Skogen
Board member/CEO

Statement of changes in equity

NOK '000	Share capital	Other paid-in capital	Total paid-in capital	Retained earnings	Total equity
Equity at 31 December 2022	**11,917**	**1,179,748**	**1,191,665**	**(805,653)**	**386,012**
Equity at 1 January 2023	**11,917**	**1,179,748**	**1,191,665**	**(805,653)**	**386,012**
Net profit/(loss) for the year 2023	–	–	–	(399,672)	**(399,672)**
Hybrid equity	–	–	–	330,684	**330,684**
Debt forgiveness directly against equity	–	–	–	13,463	**13,463**
Equity at 31 December 2023	**11,917**	**1,179,748**	**1,191,665**	**(861,178)**	**330,487**

Financial Statements

Statements of cash flows

NOK '000	Note	31 December 2023	31 December 2022
Cash flows from operating activities			
Profit/(loss) before income tax		(506,187)	(1,080,448)
Adjustments:			
Income tax received		837,406	593,055
Depreciation, depletion and amortisation		300,327	190,391
Impairment	9, 11	(17,500)	744,617
Forgiven receivable against Mime Petroleum S.à r.l.	17	10,304	–
Expensed exploration costs previously capitalised		8,043	–
Interest and fees on borrowings	14	228,032	229,752
Accretion expense	14, 15	164,093	43,035
Foreign exchange on long-term debt	14	68,428	232,976
Change in trade and other receivables		(90,976)	(73,256)
Change in trade and other payables		(599)	(7,798)
Net cash flows from/(used) in operating activities		**1,001,370**	**872,325**
Cash flows from investing activities			
Investment in oil and gas assets		(1,451,648)	(1,174,688)
Investment in exploration and evaluation assets		(275)	(6,456)
Other investments		(1,429)	(1,174)
Investment in furniture, fixtures and office machines		(104)	–
Net cash flows from/(used) in investing activities		**(1,453,456)**	**(1,182,318)**
Cash flows from financing activities			
Proceeds from borrowings	14	469,755	–
Interest and fees on borrowings	14	(95,376)	(229,878)
Loans to shareholder		–	(1,368)
Net cash flows from/(used) in financing activities		**374,379**	**(231,246)**
Net increase/(decrease) in cash and cash equivalents		**(77,707)**	**(541,239)**
Cash and cash equivalents at the beginning of period		241,981	783,221
Cash and cash equivalents at the end of the period	12	**164,274**	**241,981**

Notes to the Financial Statements

General information

Kistos Energy (Norway) AS (KENAS) is a private limited company incorporated and domiciled in Norway, with its main office in Bærum. The Company's address is Strandveien 50, 1366 Lysaker. The Company was incorporated on 3 May 2017.

The Company is focused on hydrocarbon development and production on the Norwegian Continental shelf (NCS).

Summary of significant accounting policies

Basis for preparation

The financial statements for 2023 have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway (NGAAP).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. The subtotals and totals in some of the tables may not equal the sum of the amounts shown due to rounding.

The financial statements have been prepared under the assumption of going concern and on a historical cost basis, with some exceptions as detailed in the accounting policies set out below.

The financial statements of KENAS were approved by the Board of Directors and CEO on 28 May 2024.

Business segments

The Company's only business segment is development and production of oil and gas on the NCS. Based on this, no segment note is presented and this is in accordance with management's reporting.

Foreign currency

The functional currency of the Company is Norwegian Kroner (NOK). Transactions in foreign currency are translated at the rate applicable on the transaction date. Monetary assets and liabilities denominated in other currencies than NOK are translated into NOK using the exchange rate applicable on the balance sheet date. Exchange gains and losses are recognised as financial items in the income statement. Non-monetary assets that are measured at historical cost are translated using the exchange rate at the dates of the transactions. Equity transactions are translated at the exchange rate on the transaction date.

As of 31 December 2023, the relevant exchange rates were USD/NOK 10.1724 and GBP/NOK 12.9342 (31 December 2022: USD/NOK 9.9573 and GBP/NOK 11.8541).

Notes to the Financial Statements

Interests in oil and gas licences

The Company's interests in oil and gas licences on the NCS are recognised by including the Company's share of the joint ventures' (JVs) assets, liabilities, income and expenses on a line-by-line basis with similar items in the Company's financial statements.

Business combinations

Determining whether an acquisition meets the definition of a Business Combination requires judgement to be applied on a case-by-case basis.

Business Combinations are accounted for by using the acquisition method. Identifiable assets, liabilities and contingent liabilities are measured at fair value at the date of the transaction. The acquisition date is the date on which the acquirer achieves control over the acquire/business and is set to be the completion date.

The valuation is based on currently available information on fair values at the acquisition date. Calculation of fair value has been obtained by discounting cash flows from future operations to get to the net present value (NPV). If new information becomes available within 12 months from the acquisition date, the Company may change the fair value assessment in the purchase price allocation.

Transfer of interests in petroleum licences on the NCS require approval from the Ministry of Petroleum & Energy (MPE) and the Ministry of Finance (MOF). Under such transactions the sale and purchase price are generally considered to be post tax as the consideration is not taxable for the seller and not deductible for the buyer. Thus, Business Combinations are accounted for after tax in accordance with Section 10 in the Norwegian Petroleum Tax Act (PTA). Technical goodwill and deferred taxes are consequently not recognised.

Upstream activities in the production phase will typically represent a business, whereas those at the exploration stage will typically represent an asset purchase. Projects that are at the development stage will require consideration of the stage of development and other relevant factors.

Use of estimates

The preparation of financial statements in accordance with the Norwegian Accounting Act and NGAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Financial statements are based on available information at the time of finalising the annual accounts. Actual results/outcomes may differ from the estimates. The estimates and the underlying assumptions are reviewed on an ongoing basis. The effect of changes in accounting estimates is recognised in the same period as the estimates are changed.

Key areas where judgement, estimates and assumptions are applied:

- Acquisition of interests in JVs – fair value measurement

  Acquisition accounting is subject to substantive judgement by the management.

  The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability. The fair value of oil fields in production and development phase is normally based on discounted cash flow (DCF) models, where the determination of inputs to the model may require significant judgement, as described in the section regarding impairment.

- Oil and gas reserves and resources

  Oil and gas reserves and resources have been estimated on the basis of industry standards. The estimates are based on internal information and information received from the operator. Proven and probable oil and gas reserves consist of the estimated quantities of crude oil, natural gas and condensates shown by geological and technical data to be recoverable with reasonable certainty from known reservoirs under existing economic and operational conditions, ie on the date that the estimates are prepared. Current market prices are used in the estimates, except for existing contractual future price changes.

  Reserves are used to calculate the depreciation of oil and gas fields by applying the unit-of-production (UoP) methodology. These estimates are also used as basis for impairment testing of licence-related assets. Changes in petroleum prices and cost estimates may change reserve estimates and accordingly economic cut-off, which may impact the timing of assumed decommissioning and removal activities. Reserve estimates can also change over time due to revised and updated production and reservoir information. Future changes in oil and gas reserves can have a material effect on depreciation, life of field, impairment of licence-related assets and operating results.

- Provisions for future decommissioning and removal expenditures

  The Company has obligations to decommission and remove offshore installations at the end of the production period. Estimating the costs of decommissioning/removal activities is challenging, and relevant risks and uncertainties, as well as potential changes to technology and regulations, need to be considered. Most of the removal activities are expected to take place many years into the future and removal technology and costs are constantly changing. As a result, estimating decommissioning obligations involves significant judgement.

  Estimates used in establishing a provision for future decommissioning and removal expenditures are based on current legal and constructive requirements as well as current technology and price levels for removal of facilities and plugging and abandonment of wells. As a result, the initial recognition of the liability, the capitalised cost associated with decommissioning and removal obligations and the subsequent adjustment of these balance sheet items involve the application of significant judgement.

Notes to the Financial Statements

- Income taxes

  The Company is mainly subject to income taxes under the Norwegian Petroleum Tax jurisdiction. Judgement is required in determining the provision for income taxes. During the ordinary course of business, transactions and calculations occur for which the ultimate tax effect is uncertain. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. In cases where the final outcome of such issues differs from the amounts initially recognised the differences are recognised in the income tax and deferred tax provisions in the period when the final tax assessment has been resolved.

  The accounting of deferred income tax assets relies upon the management's judgement of the Company's ability to generate future positive taxable income in each respective jurisdiction.

- Impairment testing of production and processing facilities

  For the purpose of determining a provision for impairment, the estimated recoverable amount, based on a DCF analysis, is based on estimated future performance of operations, discounted at an appropriate discount rate. Key assumptions relate to prices and estimated future costs, based on forward curves and long-term corporate assumptions, as well as expected production volumes. Assumptions are typically those prevailing at the balance sheet date unless information subsequent to the balance sheet date provides additional evidence of a potential change to the asset's value or condition that existed at the reporting date.

  The underlying assumptions and the judgement of management based on these are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates, and the discount rate applied is reviewed throughout the year.

Significant judgement – presumption of going concern

These financial statements have been prepared in accordance with the going concern basis of accounting. The forecasts and projections made in adopting the going concern basis take into account forecasts of commodity prices, production rates, operating and general and administrative (G&A) expenditure, committed and sanctioned capital expenditure, foreign exchange rates and the timing and quantum of future tax payments and receipts.

The ultimate parent company, Kistos Holdings Plc, has released the consolidated Annual Report and Accounts for 2023. In the Annual report it's indicated that due to the potential for one or more of reasonably plausible downside scenarios, a material uncertainty exists that may cast significant concern on the Group's and the parent company's ability to continue as a going concern.

To assess the Group's ability to continue as a going concern, Group management has evaluated cash flow forecasts for the period to June 2025 (the going concern period), by preparing a base case forecast and considering reasonably plausible sensitivities and mitigating actions that could be undertaken by the Group. Reference is made to the Consolidated Financial Statements for Kistos Holdings plc, note 1.2. (https://kistosplc.com).

KENAS is dependent upon the parent company (Kistos plc) providing liquidity to fund the ongoing activities, including the availability of the established revolving credit facility (RCF) of USD 100 million. Therefore, there is material uncertainty related to going concern for KENAS.

The Balder Future project has experienced significant delays and cost over-run in the past. The Company is assuming that the development project will be completed according to the updated schedules; however, there is a risk of further delays of the first oil date beyond Q4 2024 and cost overruns in excess of NOK 42.4 billion may incur.

Measurement and classification of assets and liabilities

Current assets and current liabilities consist of receivables and payables due within one year, items related to the inventory cycle and assets not determined for permanent ownership and use. Other balance sheet items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognised at nominal value at the time of the transaction.

Fixed assets are recognised at historic cost less depreciation and any impairment losses. Long-term liabilities are recognised at nominal value.

Revenue recognition

Revenues associated with the sale and transportation of petroleum products are recognised when the risk passes to the customer, which normally is when title passes at the point of delivery of the goods, based on contractual terms of the agreements. For crude oil the point of delivery is at the offshore loading point or at shipment from a terminal. The point of delivery for gas is at the gas receiving terminal onshore.

Revenues from oil and gas licences, in which the Company is a partner, are recognised on the basis of volumes lifted and sold to customers during the period. Lifting or offtake arrangements for oil and gas produced in the Company's jointly owned operations are such that each participant may not receive and sell its precise share of the overall production in each period. When the Company has lifted and sold more than the ownership interest, an accrual is recognised for the production cost of the overlift. When the Company has lifted and sold less than the ownership interest, costs are deferred for the underlift.

'Other revenue' is recorded at the time of delivery.

Notes to the Financial Statements

Exploration and R&D costs

Exploration costs are accounted for in accordance with the Successful Efforts (SE) method. Exploration costs will, for example, include costs for geographical and geophysical (G&G) studies, costs related to undeveloped areas, cost of drilling exploration/exploration appraisal wells and evaluation costs. Under the SE method, all costs associated with the exploration of licences/exploration wells are expensed as incurred, with the exception of drilling and testing costs. Costs related to exploration wells in progress are capitalised as intangible assets pending the evaluation of the potential existence of oil and gas reserves. If reserves are not found, or discoveries are assessed not to be commercially recoverable, the drilling costs are expensed as exploration expenses.

Exploration costs can remain capitalised for more than one year. The main criterion for continued capitalisation is that there must be specific plans for future drilling in the licence, a development decision is expected in the near future or the well is pending capacity on existing infrastructure. Other exploration and research and development (R&D) costs are expensed as incurred.

Property, plant and equipment

Oil and gas assets

All offshore development costs are capitalised from the time when a discovery is deemed to give future commercial production. Development costs are depreciated in accordance with the UoP method, based on the ratio between annual production quantity and the proven and probable reserves. Certain future investments are required to produce the remaining estimated producible reserves, and these future investments are included in the depreciation base. The resulting UoP depreciation charge is estimated to be equal to the depreciation of current investments over the reserves exploitable from the current investments. The reserve basis used for depreciation purposes is updated at least annually. Any changes in the reserves and/or cost estimates that affect the UoP depreciation rates are accounted for prospectively.

Oil and gas assets are tested for impairment if there are indicators of a loss of value. Indications of impairment may be a decline in oil price, a change in future investments or changes in reserve estimates. The assessment is performed on a cash-generating unit (CGU) level, which is typically the field or licence level. If the carrying value exceeds the estimated recoverable amount, the asset is written down to the recoverable amount in the event of impairment that is not expected to be of a temporary nature. The recoverable amount is the greater of the net realisable value and value in use (VIU). The VIU is determined by reference to discounted future net cash flows expected to be generated by the asset. Previous impairment is reversed if the basis for impairment is no longer present.

Costs for ordinary maintenance and repairs are expensed as incurred, whereas costs for improving and upgrading production facilities are added to the acquisition costs and depreciated together with the related asset.

Other intangible assets

Costs related to other intangible assets (such as software and seismic licences) are capitalised and depreciated over the anticipated economical lifetime according to the straight-line method.

Furniture, fixture and office machines

Other assets are depreciated over the anticipated economical lifetime according to the straight-line method.

Leases (as lessee)

Leases, where the Company assumes most of the risk and rewards of ownership, are classified as financial leases. The Company does currently not have any such leases.

Leases in which most of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Leasing expenses under operating leases are charged to the income statement as current operating costs when incurred.

The Company has commitments pertaining to its ownership in partner-operated oil and gas fields where the operator has entered into lease agreements for rigs and supply vessels in the licence. These commitments are not recognised in the Company's statement of financial position. Please refer to note 19 in the financial statements for further details.

Trade and other receivables

Current receivables are recognised at nominal value, less provisions for expected losses. Provisions for expected losses are based on individual assessments of the different receivables.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other short-term highly liquid investments with original maturities of three months or less.

Cost of equity transactions

Transaction costs directly linked to equity transactions are recognised directly in equity.

Interest-bearing debt

All loans and borrowings are initially recognised at transaction price, being the fair value of the consideration received net of costs directly associated to the establishment of the loan or issuance of debt. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the consideration received net of transaction costs and the redemption value is recognised in the income statement over the term of the loan.

Notes to the Financial Statements

Taxes

Income taxes include current tax payables, adjustment of prior years' payable taxes and changes in deferred taxes.

Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. Current tax is tax that is to be paid or received for the year in question and includes adjustments of current tax attributable to previous periods. Deferred income tax is a non-cash charge provided, using the full liability method, on temporary differences and their carrying values. Temporary differences can occur for example where investment expenditure is capitalised for accounting purposes but the tax deduction is accelerated, or where site restoration costs are provided for in the financial statements but not deductible for tax purposes until they are actually incurred.

Deferred tax assets and liabilities are calculated on the basis of existing temporary differences between the carrying amounts of assets and liabilities in the financial statement and their tax bases, together with tax losses carried forward at the balance sheet date. Deferred tax assets and liabilities are calculated based on the tax rates and tax legislation that are expected to exist when the assets are realised or the liabilities are settled, based on the tax rates and tax legislation that have been enacted or substantially enacted on the balance sheet date.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits/or tax increasing temporary differences will be available against which a deferred asset can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that is no longer probable that the deferred tax asset can be utilised. Deferred tax assets are recognised as intangible assets.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity.

Companies engaged in petroleum production and pipeline transportation on the NCS are subject to the special provisions of the PTA. Taxable profits from activities on the NCS are liable to ordinary corporate tax and a special petroleum tax (SPT).

On 17 June 2022, the Norwegian Parliament adopted amendments to the PTA to convert the special tax for petroleum activities to a cash flow tax. The revised legislation entails immediate expense of capital expenditures incurred for development of production facilities and pipelines in the special tax base, whereas the six-year linear depreciation rules are continued in the ordinary tax base.

The amendments were effective 1 January 2022. Since a calculated 22% corporation tax is deductible in the special tax basis, the special tax rate has been increased from 56% to 71.8%[1] from 2022. The overall tax rate is maintained at 78%.

1. $(0.56/(1-0.22)) = 0.718$

Tax depreciation

Investments can be immediately deducted in the special tax base. In the ordinary corporate tax base, tax depreciation of investments in pipelines and offshore production facilities are depreciated straight-line over six years ($16\frac{2}{3}\%$ annually). Tax depreciation commences when the expenses are incurred. When a field stops producing, any remaining tax values may be deducted in that year.

Financial items

For tax purposes, interest expenses on interest-bearing debt are distributed between onshore and offshore activities. The tax allowance for offshore debt interests in the SPT is calculated as interest expense multiplied by 50% of the ratio between the tax value of the offshore assets (in the SPT basis) and the average interest-bearing debt. The remaining net financial expenses are allocated to the onshore ordinary tax basis. Uncovered losses in the onshore jurisdiction resulting from the distribution of net financial items can be reallocated to the offshore jurisdiction (corporate tax basis only). Only 50% of other losses in the onshore jurisdiction are permitted to be reallocated to the offshore jurisdiction as deductions in the corporate tax basis. The reduced tax value of fixed assets following the immediate expense of capital expenditures will reduce the deduction for financial costs in the special tax base.

Tax losses

As a consequence of the changes in the PTA effective from 1 January 2022, the cessation refund is no longer applicable. Any tax losses in the special tax scheme is reimbursed on a yearly basis in connection with the ordinary tax assessment (ie tax value of SPT loss originating in 2022 was refunded in 2023). As a transitional rule, existing tax losses in both the ordinary and special tax basis, as well as unused uplift incurred up to and including FY2019, were also refunded in 2023. Further, companies subject to special tax may, without time limitations, carry forward losses in the corporate tax basis. Deferred tax assets that are based on offshore and onshore tax losses carried forward are therefore normally recognised in full.

The tax position can be transferred on realisation of the Company or in case of a merger.

Tax rates currently adopted for 2023 are used when calculating deferred tax per 31 December 2023.

Pensions

The Company is required to have a pension scheme in accordance with the Norwegian law (*lov om obligatorisk tjenestepensjon*).

The Company has established defined contribution plans for its employees. The contributions are expensed as they are incurred.

Notes to the Financial Statements

Net profit interest

The Norwegian State has large holdings in oil and gas licences on the NCS through the State's Direct Financial Interest (SDFI). The Balder, Ringhorne and Ringhorne Øst fields are subject to an agreement of net profit interest (NPI), as these fields are located in some of the first licences awarded on the NCS. Petoro, which is a state-owned limited company, manages the SDFI in the Norwegian oil and gas sector.

Calculation of the net profit interest (NPI) is based on quarterly cash flows. Losses in a quarter can be offset against profits in subsequent quarters. NPI related to abandonment costs incurred after the production has ceased will be refunded by Petoro.

Inventories

Inventories consist of spare parts and equipment for drilling of exploration and production wells and are valued at weighted average cost (ie according to cost distributed through the joint interest billing for the licence). Provisions for obsolete stock are made when deemed necessary, based on information from the operator.

Over/underlift of petroleum

Overlift of petroleum products is valued at production cost, whereas underlift is valued at the lower of production cost and sales value.

Financial instruments

From time to time, the Company makes use of different financial instruments to control the financial risks.

Hedge accounting is applied for hedges that meet the criteria for hedge accounting. Realised gains or losses on hedging instruments are recognised when the underlying transaction is realised and presented on the same line as the underlying transaction in the income statement. Unrealised gains and/or losses on hedging instruments are not recognised in the financial statements on the reporting date. See further information in note 18.

Provisions

Provisions are recognised when an obligation arises, legal or constructive, as a result of a past event, and it is more likely than not that an outflow of resources is required to settle the obligation and a reliable estimate can be made of the amount.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised under interest and other financial expenses in net financial items in the income statement.

Contingent liabilities

Contingent liabilities are not recognised in the financial statements. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Asset retirement obligations

Annual provisions are made to meet future costs for decommissioning, abandonment and removal of installations. Asset retirement obligations (AROs) are calculated at NPV in accordance with NRS 13 Contingent Liabilities and Contingent Assets.

Cost is estimated based on current regulations and technology, considering relevant risks and uncertainties.

The NPV of the asset retirement costs is entered in the balance sheet as part of the acquisition cost of the tangible asset and depreciated as part of this. The provision corresponds to the NPV of the ARO over the total economic lifetime of the asset. The discount rate used in the calculation of the NPV of the ARO is determined using a risk-free rate adjusted for the relevant time horizon of the underlying cash flows. Changes in the time element (accretion expense) of the ARO are expensed annually as a financial item and increase the ARO in the balance sheet. Any changes in cost estimates are recorded as an adjustment to the liability and the corresponding asset.

Statements of cash flow

The statements of cash flow are prepared and presented using the indirect method. Cash and cash equivalents include bank deposits and other short-term cash deposits.

Events after the balance sheet date

The financial statements are adjusted to reflect events after the balance sheet date that provide evidence of conditions that existed at the balance sheet date (adjusting events). The financial statements are not adjusted to reflect events after the balance sheet date that are indicative of conditions that arose after the balance sheet date (non-adjusting events). Non-adjusting events are disclosed if significant.

Notes to the Financial Statements

Financial risk management

Kistos Energy (Norway) AS (KENAS) activities expose the Company to market risk (including commodity price risk, currency risk and interest rate risk), liquidity risk and credit risk. The Company's approach to risk management includes assessing and managing risk with focus on achieving the highest risk adjusted returns for the shareholders.

Commodity price risk

The Company operates in the crude oil market and is exposed to fluctuations in hydrocarbon commodity prices that can affect revenues. Commodity price risks represent one of the Company's critical risks going forward. From time to time, cash flows from the sale of crude oil are secured through commodity price hedging in order to manage this risk.

Currency risk

Currency risks arise from multi-currency cash flows within the Company. KENAS is exposed to foreign currency exchange risk on its purchase and sales, including financing costs that are denominated in currencies other than NOK. Currency risks can be secured through the use of hedging instruments such as forward sales/purchase contracts. The Company did not have any foreign exchange contracts at 31 December 2023. New positions may be entered into going forward.

Interest rate risk

The current USD bonds carry a fixed interest. See note 14 for information about the interest rate conditions on long-term debt.

See note 18 for further information about any commodity price hedging, currency risk hedging and/or interest rate hedging.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations when they become due. The purpose of liquidity management is to make certain that the Company always has sufficient funds available to cover its financial liabilities. To identify current and future financing needs, the Company carries out short- (next weeks), mid- (6–12 months) and long-term forecasts to plan the Company's liquidity. These forecasts are regularly updated for various scenarios and form part of the decision basis for the Company's management and Board of Directors.

At year end, the Company's debt financing include senior secured bonds of in total USD 242 million and USD 45 million of subordinated bonds subject to conditional repayment. The Company also has access to short-term liquidity through an intercompany revolving credit facility (RCF) limited to USD 100 million. At year end, the Company had no drawdowns under the RCF agreement. In addition, the Company had cash balances at NOK 164 million. For further information, see notes 14 and 18 in the financial statements.

Credit risk

Credit risk arises from cash and cash equivalents, contractual cash flows of debt investments carried at amortised cost and deposits with banks and financial institutions. There are also minor credit exposures related to trade receivables and overcall in JVs.

The Company considers its credit risk to be low, as its licence partners are creditworthy oil companies and cash and cash equivalents are receivables from banks.

Climate-related risk

Since production started on the NCS in the early 1970s, the oil and gas sector has grown into Norway's largest industry measured by government revenues, investment and export value. Petroleum activities have contributed significantly to economic growth in Norway and to financing the Norwegian welfare system. Activity on the NCS will continue to be vital to the national economy in the years ahead. While global energy demand is expected to grow significantly over coming decades, emissions need to be materially reduced in order to meet the goals of the Paris Agreement.

Joint operating agreements are particularly common in the oil and gas industry. In a production licence (PL), one company is assigned the status of the operator, and each partner holds a percentage of equity as a licensee. This distinction is important, since the operator is responsible for the day-to-day management of activities within the licence, while the licensees have a reduced level of control. However, licensees on the NCS have a 'see to it' duty – an obligation to ensure that the operator carries out its work in accordance with the regulatory requirements. Licensees who have been awarded PLs on the NCS are carefully assessed in advance and prequalified by the Norwegian regulators – in part on the basis of their expertise, capacity and willingness to discharge the responsibilities of a licensee. The JV structure enables experience transfer, supervision of the operator's activities and enhanced decision-making.

A licensee on the NCS has a responsibility to take action if it identifies conditions that fail to comply with Norway's health, safety and environmental (HSE) regulations for the petroleum sector. It also has an independent duty to secure adequate information and to audit the operator as necessary. The licensee must take a risk-based approach in observing this 'see to it' duty and establish a management system to structure its supervisory work in a systematic manner.

Kistos takes its responsibility as a licensee very seriously and aims to be recognised as an active and responsible partner. The company has established a comprehensive HSE management system that requires competent employees and contractors to deliver compliant operations through rigorous planning and execution. It is also a system for effective risk management.

Notes to the Financial Statements

Climate-related risk can be divided into two major categories:

- Transition risk related to anticipated transition to a lower-carbon economy; and
- Physical risk related to the physical impacts of climate change.

KENAS assesses physical risks from climate change as less material to its business and more manageable. Transition risk is deemed most relevant for financial reporting.

In order to minimise the exposure to transition risk, KENAS is committed to the CO_2 emissions reduction targets from production on the NCS, announced by Offshore Norge through the Konkraft industry cooperation in 2021. The industry target is 50% reduction by 2030, 70% reduction by 2040 and net zero by 2050 (year 2005 as baseline).

The Company has put in place the following actions to align with the industry targets:

- The refurbishment of Jotun floating production storage and offloading vessel (FPSO), including preparation to import power from shore or offshore wind.
- Reduction of the environmental footprint on Balder Future by re-using existing infrastructure.
- Energy management and reduced flaring.
- Implementation and promotion of new, low-carbon technologies in operations and business activities.

Although the mitigating actions above could limit the exposure, the Company's financial reporting may be significantly impacted by the transition risk.

The results of the development of initiatives to limit climate changes, and the degree to which KENAS' operations will be affected by them, are sources of uncertainty. Estimating global energy demand and commodity prices towards 2050 is a challenging task, as this comprises assessing the future development in supply and demand, technology change, taxation, tax on emissions, production limits and other important factors. The assumptions may change over time, which could materialise in different outcomes from the current projected scenarios.

Note 1: Significant transactions

There have not been any significant transactions affecting the financial statements in 2023, nor in 2022.

Note 2: Revenues

During 2023, the Company's crude oil production was sold to ENI Trading & Shipping on a long-term contract, in total 0.74 million barrels (2022: 0.72 million).

NOK '000	Norway	Other	2023	2022
Revenue from crude oil sales	636,058	–	636,058	664,765
Revenue from gas sales	0	–	–	–
Total petroleum revenue	**636,058**	**0**	**636,058**	**664,765**
Gain/(loss) on derivatives	15,283	-	15,283	(45,568)
Other revenue	(2,168)	644	(1,523)	9,769
Total revenue	**649,174**	**644**	**649,818**	**628,967**

Revenue is split by place of delivery.

Key operational figures		2023	2022
Production	boe[1]	789,708	676,854
Average production per day	boe[1]	2,164	1,854
Average oil price, net of hedging	USD/bbl[2]	79.95	90.31
Volumes sold	boe[1]	741,909	720,512

1. boe – barrel of oil equivalent.
2. bbl – barrel of oil.

Note 3: Exploration and operating expenses

NOK '000	2023	2022
Production cost	260,722	215,883
Environmental taxes	17,145	12,008
Offshore insurance	11,749	11,689
Other production costs	(359)	5,387
Production cost	**289,257**	**244,967**
Over/underlift and physical stock adjustment	(61,629)	18,928
Decommissioning cost	24,328	35,418
Total production and decommissioning expenses	**251,956**	**299,313**

Notes to the Financial Statements

Decommissioning costs comprise incurred plugging and abandonment costs for Ringhorne Phase III wells.

NOK '000	2023	2022
Expensed cost, geological and geophysical	813	896
Expensed cost, seismic and studies	9,137	43
Expensed cost, other	7,202	–
Total exploration expenses	**17,152**	**939**

Drilling and testing costs for wells where discovery is deemed successful and/or the status of discovery is pending has been capitalised (credit of NOK 0.8 million in 2023 due to operators' adjustment of incurred costs (2022: credit of NOK 0.3 million)).

Note 4: Salary and personnel costs, number of employees and audit fees

NOK '000	2023	2022
Payroll expenses	58,572	31,503
Social security tax	10,410	5,084
Pension costs	4,715	4,208
Board fees	3,026	–
Other personnel expenses	887	829
Total employee benefit expenses	**77,611**	**41,625**
Average number of full-time equivalents	14.75	15.0

Salaries include bonuses in addition to base salary and holiday pay. The increase in payroll expenses in 2023 is mainly attributable to one-off costs related to payment of various transaction bonuses.

If certain objectives are met, all employees are granted an annual bonus as a percentage of their total base salary in the range of 0–50%. It is up to the Board to decide whether to pay bonuses on the basis of the previous year's performance. In 2023, an accrual has been made for the annual bonuses amounting to NOK 7.4 million, including the employer's fee. The annual bonuses for 2023 were disbursed in January 2024.

Pensions

The Company has a defined contribution pension plan for its employees which satisfies the statutory requirements in Norwegian law. The Company has a commitment to pay an annual contribution for each employee of 7% of the base salary up to 7.1 times the base amount (G) in accordance with the Norwegian Social Security Act, and 25.1 % of the base salary between 7.1 and 12 times the base amount. In addition, the Company has set up a disability insurance arrangement.

As of 31 December 2023, the Company's defined contribution scheme had 14 members (31 December 2022: 15 members). Costs related to the defined contribution plan amounted to NOK 3,251,562 in 2023 (2022: NOK 3,103,303).

The Company also has a funded pension scheme for employees with salaries in excess of 12 times the base amount. Qualified employees are entitled to a yearly contribution to the funded pension scheme of 25% of the base salary that exceeds 12 times the base amount. The future pension liability for the Company is limited to the total yearly contributions. Costs related to the funded pension scheme in excess of 12G amounted to NOK 1,427,716 in 2023 (2022: NOK 1,260,798).

Remuneration to CEO/Executive Chairman and Board of Directors

NOK '000	2023	2022
Salary including bonus	9,860	1,978
Pension scheme costs	277	261
Other remuneration	35	33
Total remuneration to CEO	**10,172**	**2,272**

The CEO is part of the bonus scheme with annual benefit ranging from 0–50% of base salary, depending on certain performance-related criteria. In the event of a reorganisation and/or downsizing process, the CEO is entitled to a severance payment if the employment is terminated on the basis of circumstances relating to the Company or an acquiring company.

Following the financial restructuring in Q1 2023, a new Board of Directors was elected at the Annual General Meeting (AGM) in April 2023. The external members of this Board received in total NOK 3.026 million in Board remuneration in 2023. Members of the Board received no remuneration in 2022.

No loans/guarantees have been given to the CEO/Chairman of the Board or other Board members.

Notes to the Financial Statements

Salaries and other remuneration related to participation in licences

Salaries charged to the Company's income statement through licences where the Company has an ownership share are not classified as salaries but are included in exploration and production expenses or capitalised as part of developments.

Remuneration to auditors

Expensed remuneration to the auditors is as follows (excluding VAT):

NOK '000	**2023**	2022
Statutory audit	1,553	565
Other services	137	46
Total	**1,690**	**611**

The audit expense has increased in 2023 following the transaction with Kistos plc and changes in reporting requirements.

Note 5: Other operating and administrative expenses

NOK '000	**2023**	2022
Travel and transportation costs	744	887
Rental and lease expenses	2,620	2,413
IT expenses	3,437	2,316
Legal services	7,348	5,964
Other consultancy services	51,078	18,317
Other operating costs	2,351	1,614
Total other operating and administrative expenses	**67,579**	**31,511**

Other consultancy services mainly relate to external services required for Balder/Ringhorne and Ringhorne Øst operations, corporate assistance and in connection with business development processes.

Note 6: Financial income and costs

NOK '000	**2023**	2022
Interest income	34,250	7,248
Total financial income	**34,250**	**7,248**
Interest expenses	(261,350)	(233,330)
Amortised loan costs	(135,423)	(14,548)
Accretion expenses	(28,670)	(28,487)
Net other financial income/(expenses)	27,164	(1,381)
Total financial expense	**(398,279)**	**(277,746)**
Realised foreign exchange gain/(loss)	(95,570)	6,660
Net unrealised exchange gain/(loss)	35,719	(137,180)
Net financial items	**(423,881)**	**(401,018)**

Interest income relates to interest on bank deposits and tax receivable.

Interest expenses in 2023 mainly relate to paid and accrued interest on the remaining USD 225 million KENO01 (MIME02) bonds (issued in November 2021) and the USD 120 million Super Senior bonds (KENO02) issued in March 2023.

Accrued interest related to the derecognised parts of KENO01 (MIME02) from the last interest payment date on 10 November 2022, has according to the amended and restated agreements been forgiven. In total, interest costs related to KENO01 accrued before 1 January 2023 have been reduced by USD 1,776,662, booked directly against equity.

Interest on the remaining part of KENO01 is payable in kind by issuance of new KENO01 bonds at the interest payment date. In total, USD 11,808,877 of new KENO01 bonds were issued on 15 December 2023, hereof USD 10,254,290 expensed in 2023. Interest for the remaining period of 2023 has been accrued.

The interest on the Super Senior bonds (KENO02) is payable quarterly, partly in cash and partly in kind by issuance of new KENO02 bonds on the interest payment date. According to the amended and restated agreement, the USD 30 million roll-up from KENO01 to KENO02 carried interest under the KENO02 agreement from 17 March 2023.

The subordinated bonds are non-interest bearing.

Following finalisation of the restructuring process, the loan agreement with Mime Petroleum S.à r.l., entered into in April 2018 and renewed in December 2021, has been terminated. The outstanding amount under the agreement, in total USD 1,045,363 including accrued interest, has been forgiven due to the debtor's inability to repay the loan. The amount is included in net other financial expenses.

Notes to the Financial Statements

The increase in amortised loan costs in 2023 is mainly explained by derecognition of capitalised loan costs on KENO01, in addition to amortised costs related to the hybrid liability.

The realised exchange loss mainly relates to the derecognition of the USD 45 million from KENO01, repayment of in total USD 75 million on the bonds and the roll-up of USD 30 million, whereas the net unrealised exchange loss mainly relates to revaluation of the long-term debt in USD offset by unrealised currency gains on cash deposits in other currencies than NOK.

Note 7: Taxes

Income taxes recognised in the income statement

NOK '000	2023	2022
Current tax payable/(income tax credit)		
Current tax payable previous years	314	2,150
Change in deferred tax	(106,830)	(194,871)
Total tax payable (receivable) recognised in the income statement	**(106,516)**	**(192,721)**

Reconciliation of income tax

NOK '000	2023	2022
Profit/(loss) before income tax	**(506,187)**	**(1,080,448)**
Expected income tax at nominal tax rate (22%)	(111,361)	(237,698)
Expected petroleum tax (56%/56.004%)	(283,485)	(605,094)
Tax effect of:	–	
Permanent differences	97,596	601,029
Financial items	177,045	180,310
Uplift	–	(138,948)
Other changes	22,249	(17,840)
Onshore items	(8,559)	25,520
Total income tax recognised in the income statement	**(106,516)**	**(192,721)**
Effective income tax rate	**21.0 %**	**17.8 %**

Specification of tax effects on temporary differences, tax losses and uplift carried forward

NOK '000	Change through income statement	2023	2022
Fixed assets	(1,145,373)	(3,726,237)	(2,580,864)
Asset retirement obligations	213,052	660,334	447,282
Other items	(42,752)	(39,686)	3,066
Tax loss offshore receivable	71,863	903,152	831,290
Tax loss offshore receivable, adjusted	(12,926)	12,926	25,852
Tax losses carried forward, offshore (22%)	187,603	322,993	135,390
Tax losses carried forward, offshore (56%)	(6,431)	–	6,431
Total deferred tax assets/(liabilities)	**(734,966)**	**(1,866,518)**	**(1,131,553)**
Effect of offshore tax loss receivable	837,720	(903,152)	(837,720)
Recognised directly in equity	4,074	–	–
Total deferred tax assets/(liabilities) recognised	**106,830**	**(2,769,671)**	**(1,969,273)**

Reconciliation of tax receivables

NOK '000	31 December 2023	31 December 2022
Tax receivable at 1 January	**837,720**	**596,534**
Net refund from Skatteetaten for prior year	(837,406)	(596,534)
Tax receivable from current year tax losses	903,152	831,290
Tax receivable from previous year tax losses	(314)	6,431
Tax receivables at 31 December	**903,152**	**837,720**

The tax value of any losses in the special tax base will be refunded in the following year, whereas any losses in the ordinary corporation tax base (22%) must be carried forward without interest.

At year end, the Company has recognised a tax receivable of NOK 903.2 million (short-term receivable), equal to the tax value of the incurred loss in the special tax basis for 2023. The refund is due in Q4 2024 and will be paid inclusive of interest equal to the monetary policy key interest rate as set by Norges Bank as of 1 January 2024.

Notes to the Financial Statements

Note 8: Intangible assets

NOK '000	Capitalised exploration costs	Licensing of seismic	Software	Total
2023				
Cost at 1 January 2023	66,237	14,651	1,102	81,990
Additions	–	–	–	–
Expensed	(7,768)	–	–	(7,768)
Cost at 31 December 2023	**58,469**	**14,651**	**1,102**	**74,222**
Accumulated depreciation and impairment at 1 January 2023	–	(10,011)	(389)	(10,400)
Depreciation for the year	–	(2,930)	(110)	(3,040)
Accumulated depreciation and impairment at 31 December 2023	**–**	**(12,941)**	**(499)**	**(13,441)**
Carrying amount at 31 December 2023	**58,469**	**1,710**	**603**	**60,781**
2022				
Cost at 1 January 2022	59,781	14,651	1,102	75,534
Additions	6,456	–	–	6,456
Disposals	–	–	–	–
Cost at 31 December 2022	**66,237**	**14,651**	**1,102**	**81,990**
Accumulated depreciation and impairment at 1 January 2022	–	(7,081)	(279)	(7,360)
Depreciation for the year	–	(2,930)	(110)	(3,040)
Accumulated depreciation and impairment at 31 December 2022	**–**	**(10,011)**	**(389)**	**(10,400)**
Carrying amount at 31 December 2022	**66,237**	**4,640**	**713**	**71,589**

Expensed exploration costs relate to previously capitalised study costs deemed to be obsolete based on a renewed assessment.

Note 9: Property, plant and equipment

NOK '000	Oil and gas assets	Furniture, fixtures and office machines	Total
2023			
Cost at 1 January 2023	5,163,503	1,205	5,164,709
Additions	1,451,648	104	1,451,752
Asset removal obligation – change in estimate	244,459	–	244,459
Cost at 31 December 2023	**6,859,610**	**1,310**	**6,860,920**
Accumulated depreciation and impairment at 1 January 2023	(1,227,760)	(832)	(1,228,592)
Depreciation for the year	(297,104)	(182)	(297,286)
Impairment loss	–	–	–
Accumulated depreciation and impairment at 31 December 2023	**(1,524,864)**	**(1,014)**	**(1,525,878)**
Carrying amount at 31 December 2023	**5,334,746**	**296**	**5,335,042**
2022			
Cost at 1 January 2022	4,013,635	949	4,014,585
Additions	1,174,688	257	1,174,945
Asset removal obligation – change in estimate	(24,820)	–	(24,820)
Cost at 31 December 2022	**5,163,503**	**1,205**	**5,164,709**
Accumulated depreciation and impairment at 1 January 2022	(296,012)	(613)	(296,624)
Depreciation for the year	(187,132)	(219)	(187,351)
Impairment loss	(744,617)	–	(744,617)
Accumulated depreciation and impairment at 31 December 2022	**(1,227,760)**	**(832)**	**(1,228,592)**
Carrying amount at 31 December 2022	**3,935,744**	**374**	**3,936,117**

Additions of property, plant and equipment (PP&E) are related to development and production assets, including changes in estimate of asset retirement costs, and other furniture, fixtures and office machines.

Production facilities are depreciated according to Up method. Furniture, fixtures and office equipment are subject to linear depreciation over three or five years.

The Company has performed an impairment test based on the underlying conditions that existed at 31 December 2023. Several external and internal indicators may impact the value in use of the assets. At the end of Q4 2023, we observed changes to the future costs, the estimated production forecast and the remaining reserves compared to the Q4 2022 evaluation.

Notes to the Financial Statements

In September 2023, the operator, Vår Energi ASA (Vår), provided an update on the Balder X development, which includes the ongoing Balder Future project and Ringhorne Phase IV drilling. With basis in a tighter supplier market, scheduled risk and to improved construction productivity, the capex estimate for the project was increased by approximately NOK 4 billion (100%, pre-tax), bringing the total estimated gross project cost to NOK 42.4 billion.

There are still uncertainties concerning the volumes, costs and schedule related to the development and production of the 2C resource base. Maturation of 2C volumes is still ongoing as part of a continuous development of the wider Balder Area.

The impairment testing performed was based on discounted future after tax cash flows. The expected future cash flow is discounted to the net present value (NPV) by applying a discount rate after tax that reflects the current market valuation of the time value of money and the specific risk related to the asset. The discount rate is derived from the weighted average cost of capital (WACC). Cash flows are projected for the estimated lifetime of the fields.

Inflation and discount rate

The assumed cost inflation rate is based on a normalised Consumer Price Index (CPI) level of 2% in line with Norges Bank's inflation target for the foreseeable future. This assumption reflects the anticipated increase in costs associated with the PP&E assets.

The post-tax nominal discount rate used is 9.0%. This rate reflects the Company's WACC and incorporates the risks associated with the specific PP&E asset being tested for impairment.

Reserves and future expenditure

As of 31 December 2023, the cost and production estimates are based on a representative outlook for the future. The estimates consider the operator's budget for 2024, long-term forecasts and management's assumptions. Exploration costs are excluded from these estimates as they currently do not factor into potential profits.

Foreign exchange and price assumptions

Future price level is a key assumption and has a significant impact on the NPV. Forecasted oil and gas prices are based on management's estimates and available market data. Information about near-term market prices can be derived from the futures contract market. The information about future prices is less reliable on a long-term basis as there are fewer observable market transactions going forward. Foreign exchange (FX) assumptions have been utilised to assess the impact of currency fluctuations on the carrying amounts of PP&E assets. These assumptions are based on current market trends and economic forecasts, considering any significant exposure to foreign currency risk.

The detailed assumptions for oil and gas prices, as well as the assumed USD/NOK rate, is provided in the table below.

Year	Oil price ($/bbl nominal)	Gas price ($/mcf nominal)	USD/NOK
2024	83.7	13.0	10.5
2025	80.0	13.1	10.0
2026	77.4	10.6	9.5
2027	75.9	10.7	9.5
2028	78.4	11.6	9.5
2029	79.4	11.8	9.5
2030	81.1	12.0	9.5
From 2031	+2% p.a.	+2% p.a.	9.5

In the impairment testing, the Company used a compilation of market forecasts for the Brent price from 31 December 2023, covering 2023 to end 2030 and a long-term oil price of USD 81 per barrel (bbl) from 2030 onwards.

The same methodology is applied for the gas prices as for the Brent price but are of less relevance due to minor gas exports in the business case. A long-term gas price of USD 12.0 per thousand cubic feet (mcf) is assumed from 2030 and onwards. No natural gas liquids (NGLs) are assumed to be sold in the business case for the relevant CGUs.

The Company's long-term assumption for the USD/NOK rate is 9.50 and is assumed from 2026.

The impairment test showed that the post-tax NPV for both Balder JV and Ringhorne Øst Unit (RHE) exceeded the post-tax-book value. As a result, no impairment charge has been recognised as of 31 December 2023. The carrying amounts of PP&E assets are considered fully recoverable based on the estimated future cash flows generated by these assets. The assumptions employed in the impairment test have been rigorously evaluated and are deemed reasonable and reflective of current market conditions.

The Company remains committed to regularly reviewing the carrying amounts of its PP&E assets and will adjust its impairment testing assumptions as necessary to ensure compliance with accounting standards and to accurately represent the financial position of the Company.

Notes to the Financial Statements

Note 10: Trade and other receivables

NOK '000	2023	2022
Trade receivables	78,976	37,173
Working capital, receivables and prepayments, joint venture	20,952	16,967
Overcall, joint ventures	6,796	–
Prepayments	7,061	12,688
Other short-term receivables	566	24,715
Total trade and other receivables	**114,351**	**91,543**
Tax receivable	903,152	837,720

The trade receivables consist of receivables from financially solid oil and gas companies. No allowances for doubtful debts have been made, and no loss has been recognized during the year. Trade receivables are non-interest bearing. Other short-term receivables relate to VAT receivable.

The tax receivable represents the tax value of the estimated special tax loss FY2023, payable to the Company in December 2024. See also note 7.

Note 11: Other current assets

NOK '000	2023	2022
Stock of spare parts and consumables held by operators	43,058	54,213
Stock of drilling equipment held by operators	49,164	49,621
Total other current assets	**92,222**	**103,835**

At year end, a provision of NOK 17.5 million (31 December 2022: nil provision) has been made for obsolescence, based on information from the operator of the JVs the Company is partner in. The provision was recognised as an impairment of inventory in the income statement.

Note 12: Cash and cash equivalents

NOK '000	2023	2022
Bank deposits, unrestricted	162,639	237,576
Bank deposits, restricted	1,635	4,405
Total cash and cash equivalents	**164,274**	**241,981**

Cash and cash equivalents consist of deposits in ordinary bank accounts. Restricted bank deposits consist of employee withholding tax.

Note 13: Equity, share capital and shareholder information

	Number of A shares	Number of B shares	Ordinary shares	Total number of shares	Share capital
Shares/share capital at 1 January 2023	26,062,028	1,165,610,425	(1,191,672,453)		
Merger of share classes	(26,062,028)	(1,165,610,425)	1,191,672,453	1,191,672,453	11,916,725
Shares/share capital at 31 December 2023	**0**	**0**	**1,191,672,453**	**1,191,672,453**	**11,916,725**
Shareholders as of 31 December 2023					
Kistos plc			1,191,672,453	1,191,672,453	11,916,725

Kistos Energy (Norway) AS (KENAS) (former Mime Petroleum AS) was incorporated by Blue Water Energy LLP (BWE) and the founders in May 2017.

On 19 April 2023, the Company announced that Kistos plc ('Kistos') had reached conditional agreement with the sole shareholder of the Company, Mime Petroleum S.à r.l., to acquire all of the outstanding shares of Mime Petroleum AS (Mime). The closing of the transaction was subject, inter alia, to approval by the bondholders in Mime 10.25% USD 300,000,000 senior secured callable bonds 2021/2026 (ISIN NO 0011142036), Mime 13.00% Super Senior secured USD 180,000,000 bonds 2023/2025 (ISIN NO 0012867318) and Mime hybrid callable bonds 2023/2083 (ISIN NO 0012867326 and ISIN NO 0012867334) of various changes, waivers and amendments as further set out in a summons for written resolution published on 19 April 2023, and also dependent on approval from the Ministry of Energy as per the Petroleum Act Section 10-12, which was obtained on 16 May. The transaction was closed on 23 May 2023.

Following the acquisition, A and B shares were merged to one class of ordinary shares. All shares have a nominal value of NOK 0.01/share. The Company does not own any treasury shares. Each share gives one vote in the Company's General Meeting. There are no rights that may result in the issuing of new shares. The transfer of shares is not subject to approval by the Company.

Based on the 2023 financial statements, the Board is not proposing any distribution of dividends.

Note 14: Interest-bearing loans and borrowings and other long-term liabilities

NOK '000	31 December 2023	31 December 2022
Long-term interest-bearing debt – KENO01	1,188,229	2,217,893
Long-term interest-bearing debt – KENO02	1,269,383	–
Capitalised loan fees	(70,171)	(74,106)
Total long-term interest-bearing debt	**2,387,442**	**2,143,787**
Pension liability	6,229	4,172
Hybrid Bonds, liability part	231,922	–
Other long-term liabilities	**238,151**	**4,172**

On 17 March 2023, the Company issued USD 120 million of Super Senior secured bonds (ISIN NO 0012867318, KENO02). The KENO02 bonds carry a coupon of 9.75% p.a. and mature in September 2026. The interest is payable quarterly, partly in cash (4.50%) and partly in kind (5.25%) by issuance of new bonds (ISIN NO 0012867318). The KENO02 bonds were listed on Nordic alternative bond market (ABM) on 11 August 2023.

Following the financial restructuring and the sale of the shares in the Company to Kistos plc in May 2023, the bond agreements were restated and certain amendments were made to the KENO01 (MIME02) bonds (USD 225 million with a fixed interest at 10.25% and five-year maturity (2026)). The main amendments are:

- The maturity date of the KENO01 (MIME02) bonds is extended by 12 months to 10 November 2027.
- KENO01 interests are payable annually on 15 December each year by issuance of additional bonds (previously semi-annually payment in cash).
- USD 45 million of KENO01 converted into new Hybrid Bonds on 21 March 2023. The Hybrid Bonds mature in 2083 but are subject to mandatory early redemption dependent on offload and sales threshold related to the Jotun FPSO (see below) and do not carry any interest.

According to the amended and restated agreement, USD 45 million of the outstanding bonds under KENO01 has been derecognised and recognised as new, subordinated, non-interest-bearing Hybrid Bonds at fair value at the transaction date. Thus, the discounted liability component of the Hybrid Bonds has been recognised as a long-term liability, and the difference between nominal and fair value has been classified as an equity component. According to the restated agreements, certain amounts of the Hybrid Bonds will be cancelled for nil consideration if certain offload and sales thresholds related to the Jotun FPSO are not met, starting 31 December 2024. In a situation where no crude oil has been lifted and sold from Jotun FPSO by 31 May 2025, all the outstanding Hybrid Bonds are cancelled for nil consideration. In this case, the bondholders in ISIN NO0012867326 are eligible to receive certain warrants issued and delivered by Kistos Holdings plc, the ultimate parent of KENAS.

Following the change in control, and as part of the amended and restated terms, the Company repaid in cash in total USD 75 million to the bondholders at closing of the transaction with Kistos plc. Subscribers in KENO02 received exchange rights to roll-up of up to USD 30 million of existing KENO01 (MIME02) bonds into KENO02 subject to certain conditions. This Roll-Up Exchange Right entitled holders to convert one KENO01 bond per four roll-up exchange rights. A roll-up of USD 29,999,729 in total was executed during June 2023.

According to the relevant financial covenants in KENO01 and KENO02 bond agreements, the Company should maintain a minimum liquidity of USD 5 million from the issue date until 31 December 2023, and thereafter USD 10 million until the Balder Future first oil date (after which there is no minimum liquidity requirement).

A new intercompany RCF in the amount of USD 100 million has been made available to the Company, securing sufficient liquidity in the medium term. At year end, drawdowns made during the period June–November 2023 have been repaid and the balance was nil. The RCF carries interest at a rate of 5.5%, compounding quarterly.

Kistos plc has issued a parent company guarantee (PCG) of USD 100 million in favour of the bondholders to secure the bonds. The guaranteed amount under the PCG will, from time to time, be adjusted down by the amount outstanding under the RCF at such time. In the event that KENAS utilises its option to carry out a tap issue of the KENO02 bond, then the amount of the PCG shall increase correspondingly.

For further information and details about the amended and restated bond terms, please see the summons for a written solution released on NewsWeb on 19 April 2023.

NOK '000	KENO01	KENO02	Hybrid liability[1]	31 December 2023 Total	31 December 2022 KENO01
Total interest-bearing debt at start of the year	2,143,786			2,143,786	1,893,777
New loans with cash effect		1,290,240		1,290,240	
Derecognition/new loans without cash effect	(787,478)	315,072	141,722	(330,684)	
Interest paid in kind through issuance of new bonds (new loan without cash effect)	123,521	50,422		173,943	
Down payments loans	(492,291)	(328,194)		(820,485)	
Capitalised loan costs (with cash effect)		(41,287)		(41,287)	
Amortisations (no cash effect)	33,402	11,821	90,200	135,423	16,482
Effects of changes in foreign currency rate through profit and loss (no cash effect)	126,585	(58,157)		68,428	233,528
Total long-term debt at 31 December	**1,147,525**	**1,239,917**	**231,922**	**2,619,363**	**2,143,786**

1. NOK 330 million has been classified as hybrid equity.

Notes to the Financial Statements

Note 15: Asset retirement obligations

At the termination of production or expiration of a licence, the Norwegian Government may require the Company to remove offshore installations. Given reserve estimates at licence expiry, the Company finds it unlikely that the Norwegian Government will exercise its option to take over the installations.

It is also required to close down all production and injection wells as their use is completed. The Company has no removal obligations related to Gassled pipelines and installations.

If the Norwegian Government should require dismantlement and removal of the installations, removal costs will be fully tax deductible for the licensees when incurred.

The Company has based its estimated asset retirement costs on cost estimates prepared by the operator of the licences.

NOK '000	**2023**	2022
Total obligation at 1 January	573,408	569,740
Effect of changes in underlying estimates	46,593	10,599
Effect of changes in the discount rate	222,195	
Accretion expense	28,670	28,487
Actual decommissioning expenditure	(24,328)	(35,418)
Total obligation at 31 December	**846,538**	**573,408**

In the calculation of NPV at yearend 2023, an inflation rate of 2% and a nominal discount rate of 3.41% (2022: 5.00%) are used for estimating the abandonment retirement obligations. The increase in estimated ARO is mainly due to changes in the applied discount rate.

There are significant uncertainties inherent in the calculations of abandonment and decommissioning costs, which are dependent upon future technology levels and the degree of removal required. The Company obtains abandonment and decommissioning cost estimates from the operator. The estimates are based on complete removal and onshore disposal of any installations above or on the seabed. Pipelines will be cleaned and left buried.

Future deposit requirements

According to the Norwegian Petroleum Act Section 5-3 (3), Vår is secondarily financially responsible for the asset removal obligation related to the licences acquired by the Company. Vår is in accordance with the Sale and Purchase Agreement (SPA) required to repay, without any delay, the entire deposit in an event where the seller's liability does not materialise (ie KENAS fulfils the asset retirement commitments for the acquired interests according to plan).

As part of the SPA with Vår from March 2019, it was agreed that the Company should deposit to the seller a post-tax amount of USD 12.7 million on 1 January 2022. Based on a revision of this agreement in February 2021, the timing of the deposit was changed to three months after Balder Future first oil through Jotun FPSO, or at the latest 1 July 2023. As the Balder Future first oil through Jotun FPSO has been further delayed, the parties have agreed to amend the timing and further postpone the payment of the deposit to three months after the date of the first oil produced from the Balder/Ringhorne fields over the Jotun FPSO. Interest shall accrue at Libor (or substitute) + 3% p.a. for the period from 1 January 2022 until payment and shall be settled at the same time.

The future deposit requirement does not satisfy the definition of a liability as the future payment is not an obligation at the transaction date. The deposit is considered only to be a part of the agreement due to the requirements in the Petroleum Act Section 5-3 (3) and not part of the pricing and valuation of the transaction between the parties. KENAS' obligation is already indirectly included under the ARO liability related to assets and liabilities from the transaction with Vår.

Note 16: Trade and other payables

NOK '000	**2023**	2022
Trade creditors	1,796	3,466
Working capital, trade creditors, joint venture	29,338	56,262
Trade payables	**31,134**	**59,728**
Working capital, accruals, joint venture	114,072	112,547
Undercall, joint venture	–	31,458
Overlift	18,202	14,634
Other accrued expenses	16,063	9,194
Other current liabilities	**148,337**	**167,833**

Trade payables are non-interest bearing and are normally settled within 30 days. All other payments are scheduled to be settled as they fall due.

Note 17: Transactions with related parties

During the 2023 financial year, the Company had the following transactions with related parties:

a) Key management, CEO/Executive Chairman and Board of Directors

The Company has no other agreements in which a Board member or the management has a substantial interest.

Remuneration to the CEO/Executive Chairman and the Board is presented in note 4.

b) Intercompany loan agreement with Mime Petroleum S.à r.l.

In April 2018, the Company entered into a five-year loan agreement with at the time its sole shareholder Mime Petroleum S.à r.l. Under this loan agreement, the Company made available to Mime Petroleum S.à r.l. a loan facility of a maximum of USD 650,000. In December 2021, this agreement was extended until 2026 and the maximum loan facility increased to USD 2 million. The loan was unsecured and ranked pari passu with all other unsecured and unsubordinated debts of Mime Petroleum S.à r.l.

On 31 December 2022, the outstanding receivable amounted to USD 1.045 million including accrued interest. On 16 March 2023, the total outstanding receivable including accrued interest was forgiven based on an overall assessment that the claim was lost due to the debtor's inability to pay.

c) Intercompany loan agreement with Kistos plc

Following the change of control in May 2023, the Company entered into a multi-currency RCF agreement with its sole shareholder Kistos plc. The facility has a limit of USD 100 million and a term until November 2027. Drawdowns under the agreement carry an interest of 5.5% p.a., compounding quarterly. The interest rate has been agreed with the bondholders in KENO01 and KENO02.

During the period May–December 2023, total drawdowns amounted to NOK 657.6 million. The total outstanding amount was repaid in full, including accrued interest on 5 December 2023.

d) Parent company guarantee

Kistos plc has issued a PCG in the amount of USD 100 million in favour of the bondholders to secure the external bonds. The guaranteed amount under the PCG will, from time to time, be adjusted down by the amount outstanding under the RCF at such time. In the event that KENAS utilises its option to carry out a tap issue of the KENO02 bonds, the amount of the PCG shall increase correspondingly.

e) Intercompany service agreement

Following the transaction with Kistos plc, the Company has entered into an intercompany agreement related to sale and purchase of technical and administrative services throughout the Kistos Group.

During 2023, KENAS has provided subsurface assistance and HSE/environmental, social and governance (ESG) services to other companies in the Kistos Group. Service recipients are charged hourly rates, which are set on an arm's-length basis. The total charge made to Group companies in 2023 amounted to NOK 0.6 million, reported as part of 'Other revenue'.

The Company has not purchased any services from other Group companies in 2023.

Note 18: Financial instruments

Prior to its acquisition by Kistos plc, the Company was focused on securing liquidity and entered into hedging transactions to reduce the cash flow risk and has had an oil price hedging programme to reduce the cash flow risk related to oil prices. The oil price hedging programme was considered to qualify for hedge accounting.

At 31 December 2022, the Company had Brent swap contracts of 16,000 barrels per month (96,000 bbl in total) at an average price of USD 98.11/bbl for Q1 and Q2 2023. The Q1 and Q2 contracts for 2023 represented an after-tax hedging ratio of about 80% given the 2023 production outlook at year-end 2022 for Q1 and Q2 2023. On 20 February 2023, the Company sold all its remaining Brent swaps for the period February 2023 to June 2023, amounting to 80,000 barrels in total. The transaction realised a gain of USD 1.2 million or NOK 15 million due to the positive mark-to-market value for the Brent swaps.

This net gain has been recognised as 'Other revenue'.

Additional positions may be added to the programme going forward; however, the structure, amounts and levels of any further hedging will depend on how the market for commodity derivatives develops.

As revenues and bond debt are denominated in USD, while investments and operating costs generally accrue in NOK, currency rate fluctuations represent both a direct and an indirect financial risk for the Company. The Company had no open foreign exchange contracts at 31 December 2023 as the currency exposure had been minor after the temporary tax changes ensuring refund of tax losses.

Note 19: Lease agreements and other commitments

As of 31 December 2023, the Company has no financial leases. The Company has entered into operating leases for office premises, parking, software and IT equipment.

The rental agreement for the current office location in Strandveien 50 started 1 July 2019, and the rental period is five years. The rent is adjusted annually in accordance with the CPI. The total leasing cost for office properties, equipment and software amounted to NOK 3.6 million in 2023 (2022: NOK 3.1 million). The rental agreement for the offices was extended in January 2024 for a period of three years, until 30 June 2027. Other terms and conditions remain unchanged.

As a partner in fields under development and operation, the Company has leasing commitments (operating leases) for drilling rigs and helicopter services to secure planned activities, in total NOK 224 million for the period 2024 to 2026.

The future minimum rents related to non-cancellable leases and subleases fall due as follows:

NOK '000	**2023**	2022
Within one year	95,720	146,299
One to five years	136,208	291,111
After five years	0	0
Total	**231,928**	**437,410**

As a licence holder on the NCS, the Company has unlimited liability to damages, including environmental damage. The Company has insurance coverage for its pro rata liability, in line with the industry practice for the NCS.

Note 20: Pledged assets and joint mortgage security

The Company's participating interest in licences related to Balder Unit and Ringhorne Øst Unit are pledged as security for the listed bonds. In addition, according to the bond agreements, all trade receivables, cash at hand and oil entitlement are also pledged as security for the listed bonds.

Note 21: Oil and gas reserves (unaudited by BDO)

The reserve numbers are the estimated total producible remaining reserves in the currently producing and developing fields at the end of 2023. The estimates represent the Company's share of proven and probable reserves (2P). Estimates of proven and probable reserve quantities are uncertain and change over time as new information becomes available.

Reserves are classified in accordance with the Norwegian Petroleum Directorate's requirements and based on Revised National Budget (RNB) 2024 numbers received from the operator. The closing reserves position as at 31 December 2023, being 2P reserves of 21.9 MMboe (net to KENAS) has been aligned with the quantities as reported by the operator in their Annual Statement of Reserves. The equivalent number as reported by the operator as at 31 December 2022 was MMboe 23.6 (net to KENAS).

The Company has interests in the following production licences on the NCS:

Production licences	Block(s)	Expiry year	Producing fields	Operator	Interest
001	25/11	2030	Balder	Vår Energi ASA	10%
027	25/8	2030	Balder, Ringhorne Øst[1]	Vår Energi ASA	10%
027C	25/8	2030	Balder	Vår Energi ASA	10%
027HS	25/8	2030	Balder	Vår Energi ASA	10%
028	25/10	2030	Balder	Vår Energi ASA	10%
028S	25/10	2030	Balder	Vår Energi ASA	10%

1. Ownership share in Ringhorne Øst Unit is 7.4%.

A revised Plan for Development and Operation (PDO) for the Balder field was approved by the Ministry of Petroleum and Energy (MPE) on 18 June 2020. The revised PDO aims to prolong the licence expiry to 2045.

Note 22: Subsequent events

Balder Future updates

On 13 February 2024, the operator (Vår) released a statement related to the Balder X project stating that the project is making solid progress towards completion; however, targeted first oil is postponed from Q3 2024 to Q4 2024, based on inshore sail away in August 2024. The estimated corresponding increase in investment costs was equal to the optional amount in the 2024 budget earmarked for a potential delay.

The reported delay will affect the timing of production from 2024 onwards, while also increasing the investment costs for 2024. The post-tax NPV for the Balder JV when assuming Q4 2024 start-up for Balder Future is NOK 58 million below book value at 31 December 2023. The post-tax NPV of Ringhorne Øst Unit is not affected by this and remains unchanged.

Independent Auditor's Report

BDO AS
Munkedamsveien 45
PO Box 1704 Vika
0121 Oslo
Norway

Independent Auditor's Report

To the annual general meeting of Kistos Energy (Norway) AS

Opinion

We have audited the financial statements of Kistos Energy (Norway) AS.

The financial statements comprise:

- The balance sheet as at 31 December 2023
- The income statement for 2023
- Statement of cash flows for the year that ended 31 December 2023
- Notes to the financial statements, including a summary of significant accounting policies

In our opinion:

- The financial statements comply with applicable statutory requirements, and
- The financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company as required by relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty regarding the Company's ability to continue as a going concern

We draw attention to the notes to the financial statements section *Summary of significant accounting policies*, where the Company states that the Company is dependent upon the parent company (Kistos plc) providing liquidity to fund the ongoing activities, including the availability of the established revolving credit facility (RCF) of USD 100 million. These conditions, along with other matters as set forth in note section *Summary of significant accounting policies* and the Board of Directors' report, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

The Board of Directors (management) are responsible for the other information. The other information comprises the Board of Directors' report. Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on the Board of Directors' report

Based on our knowledge obtained in the audit, in our opinion the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable statutory requirements.

Responsibilities of the Board of Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

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

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to:
https://revisorforeningen.no/revisjonsberetninger

BDO AS
Børre Skisland
State Authorised Public Accountant
(This document is signed electronically)

PENNEO

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur". De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Skisland, Børre
Statsautorisert revisor
Serienummer: no_bankid:9578-5998-4-872903
IP: 188.95.xxx.xxx
2024-05-31 09:44:04 UTC

bankID

Penneo Dokumentnøkkel: WUGI0-HI7E8-YZ7KZ-CHH5D-FX56L-KJF1O

KISTOS

Kistos Energy (Norway) AS
Strandveien 50
1366 Lysaker
Norway

Skatteetaten

Vår dato	Din dato	Saksbehandler
02.07.2018	30.05.2018	Jeanette Munkvold Skovholt
800 80 000	Din referanse	Telefon
Skatteetaten.no	Øyvind Hammerstad	90076012
Org.nr	Vår referanse	Postadresse
996250318	2018/772130	Postboks 9200 Grønland 0134 Oslo

TMF NORWAY AS
Postboks 2334
3003 DRAMMEN

Tillatelse til å utarbeide årsregnskap og årsberetning på engelsk språk for Mime Petroleum, org.nr. 918 980 946

Vi viser til deres brev av 30. mai 2018 der det søkes om dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk for Mime Petroleum AS, samt senere e-post korrespondanse i sakens anledning.

Skattedirektoratet gir på bakgrunn av en konkret vurdering Mime Petroleum AS dispensasjon fra kravet til å utarbeide årsregnskap og årsberetning på norsk språk, jf. regnskapsloven § 3-4 tredje ledd. Dispensasjonen gjelder så lenge opplysningene som vedtaket baserer seg på ikke endres vesentlig.

Kopi av dette brevet må sendes Regnskapsregisteret i Brønnøysund sammen med årsregnskapet. Det påligger den regnskapspliktige å dokumentere ved dette brev at tillatelsen er gitt.

Bakgrunn
Fra søknaden gjengis:

> *Mime Petroleum AS er ett olje— og gass selskap som fokuserer på produksjon av petroleumsprodukter på norsk sokkel.*
>
> *Selskapets arbeidsspråk er engelsk. Selskapet opererer i tillegg innen oljebransjen, der engelsk er det klart dominerende språket. Selskapets finansieringsavtale er også utformet på engelsk. Videre skjer det meste av korrespondansen med eiere og ansatte på engelsk.*

I e-post av 21 juni 2018 bekreftes det at selskapet er eid 98,54% av Mime Petroleum (UK) Limited, og de øvrige aksjene eies av av ledelsen. Kundene er hovedsaklig av internasjonal karakter. En norsk oversettelse vil kun ha til formål å oppfylle regnskapslovens språkkrav.

Skattedirektoratets vurdering
Etter regnskapsloven § 3-4 tredje ledd skal *"årsregnskapet og årsberetningen ... være på norsk. Departementet kan ved ... enkeltvedtak bestemme at årsregnskapet og/eller årsberetningen kan være på et annet språk."*

I Ot. prp. nr. 42 (1997-1998) Om lov om årsregnskap m.v., er det uttalt følgende om regnskapslovens formål, jf. pkt. 1.1:

"Regjeringen har som siktemål at regnskapsloven skal bidra til informative regnskaper for ulike grupper av regnskapsbrukere. Regnskapsbrukerne er dels investorer og kreditorer som tilfører kapital til foretakene, og dels andre grupper som har interesse av å vite hvordan foretaket drives, f.eks. de ansatte og lokalsamfunnet. Informasjonen til kapitalmarkedet skal gi grunnlag for riktig prising av finansielle objekter. Riktig prisdannelse på aksjer er en forutsetning for at ressursbruken i samfunnsøkonomien skal bli best mulig. Gode regnskaper vil også gjøre det vanskeligere for markedsdeltakere å ta ut spekulasjonsgevinster med basis i skjevt fordelt informasjon."

Det fremgår således at et av hovedformålene med regnskapsloven er å bidra til *"informative regnskaper for ulike grupper av regnskapsbrukere"*. Regnskapsbrukere vil omfatte, jf. uttalelsen i proposisjonen, blant andre investorer, kreditorer, ansatte og lokalsamfunnet.

Det er etter Skattedirektoratets vurdering derfor avgjørende ved vurdering av om dispensasjon fra kravet til å utarbeide årsregnskap og/eller årsberetning på norsk kan gis, at det ikke foreligger mulige brukere av regnskapsinformasjon som blir vesentlig berørt negativt ved en eventuell dispensasjon.

Det er særlig hensynet til brukerne av regnskapsinformasjon som skal vurderes ved en dispensasjonssøknad. I denne vurderingen har Skattedirektoratet lagt vekt på at selskapet hovedsaklig er eid av ett utenlandsk selskap. Eierkretsen er begrenset. Arbeidsspråket er engelsk. Videre er det vektlagt at alle sentrale aktører og samarbeidspartnere innen denne bransjen behersker og benytter engelsk.

Vennligst oppgi vår referanse ved henvendelse i saken.

Med hilsen

Kari-Alice Frønsdal
underdirektør
Rettsavdelingen, foretaksskatt
Skattedirektoratet

Jeanette Munkvold Skovholt

Dokumentet er elektronisk godkjent og har derfor ikke håndskrevne signaturer.