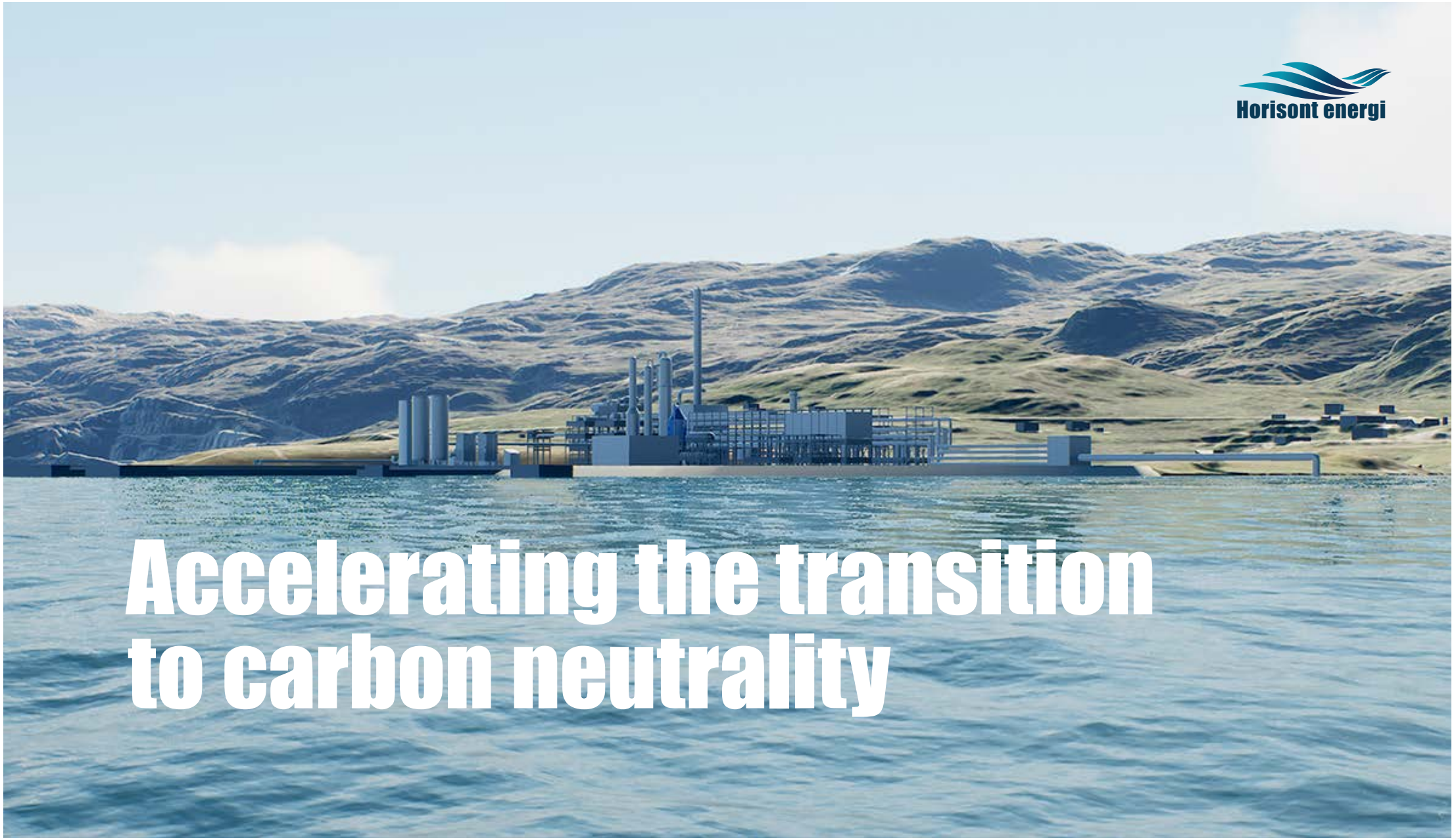


Horisont energi

Accelerating the transition to carbon neutrality

Annual Report 2021

www.horisontenergi.no

At Horisont Energi, sustainability stands at the core of our mission and our business strategy. Our purpose is to accelerate the transition to a carbon-neutral economy through the production of carbon-neutral ammonia and the provision of CO_2 storage.

Contents

About Horisont Energi

Horisont Energi provides clean energy and carbon transport and storage services. We will transform gas, water and renewable energy into cost-leading clean ammonia and hydrogen and offer CO_2 transportation and storage services using proprietary technology, paving the way for a low carbon economy.

As a company, we are committed to the energy transition. We support the UN Sustainability Development Goals as well as the Paris Agreement and its ultimate ambitions, and we will be part of a carbon-neutral future.

Within clean energy, Horisont Energi aims to be a pioneer in a field of pioneers. Horisont Energi is not alone in seeking to replace fossil fuels with carbon-neutral alternatives. But we have a new sense of urgency. We think big. We believe large-scale breakthrough projects are necessary to accelerate the green transition.

Our first project is Barents Blue, intended to become Europe's first large-scale production facility for clean ammonia, based on abundant natural gas from the Barents Sea. Barents Blue is a cooperation project with Equinor and Vår Energi. In addition, E.ON is a strategic investor and business partner of Horisont Energi.

The choice of ammonia production illustrates Horisont Energi's large-scale approach. Ammonia is one of the world's most prevalent industrial gases. It also has substantial potential as a CO_2-free energy carrier within transport and power production. However, traditional ammonia production from natural gas creates massive CO_2 emissions and is not sustainable.

Barents Blue is different. During the production process, carbon will be captured and permanently stored in the Polaris reservoir below the seabed off the coast of Finnmark in Northern Norway.

Horisont Energi will also pursue other large-scale projects within blue and green ammonia and hydrogen, carbon capture and storage and negative emissions.

The company was founded in 2019, and a number of senior managers and experts with decades of energy industry experience have since chosen to sign on and join our quest to accelerate the green transition through large-scale pioneering projects.

Horisont Energi is headquartered in Sandnes, Norway. The company's shares are listed on Euronext Growth Oslo with the ticker code HRGI.

What a year!

What a year 2021 was! In January, we raised capital and were listed on Euronext Growth. Later, we chose Hammerfest in Northern Norway as the site for Barents Blue, our initial project. This will become Europe's first large-scale production facility for clean ammonia, where carbon will be captured and stored in the Polaris reservoir beneath the seabed outside Northern Norway.

In the autumn, Barents Blue got another boost when we signed up Equinor and Vår Energi as partners for the project.

Towards the end of the year, Barents Blue was awarded a NOK 482 million grant to participate in the Important Projects of Common European Interest (IPCEI) Hydrogen program, where the EU realises its hydrogen strategy – from production to market. The program will provide us with a unique opportunity to link Barents Blue to other projects and value chains in the 23 participating European countries to create positive spillover effects and benefit from possible knowledge transfer, financing, markets and other economies of scale in Norway's first IPCEI participation. Demonstrating its importance, the EU recently communicated that the IPCEI Hydrogen will now be accelerated.

And a few days into 2022, we were able to announce yet another milestone for the company, which came as a result of a thorough process during 2021: The European energy major E.ON decided to invest NOK 371 million in Horisont Energi, becoming a strategic investor and partner in developing carbon capture, transport and storage services and value chains for clean ammonia and hydrogen.

2021 - an exciting year regarding policy development and market trends.

Clean hydrogen and ammonia are increasingly seen as crucial components of the green transition, which is firmly rooted in European policy. In July 2021, the EU launched "Fit for 55", a legislative package to implement a reduction of net emissions by at least 55 percent by 2030 and become the first climate-neutral continent by 2050. Among the legislative initiatives was the Carbon Border Adjustment Mechanism (CBAM), implementing a carbon toll at the borders of the EU, covering about 95 percent of all imported carbon. This will be a key step in creating a premium for low-carbon products in the EU market.

Markets are definitely responding to this trend. Carbon quota prices had already started to climb in previous years and accelerated in 2021. This trend makes clean hydrogen and ammonia increasingly competitive. As the EU taxonomy was implemented in 2021, the inner green market in the EU is finding its shape and form, creating a market where green companies can do business. From 2022, state aid will be linked to taxonomy compliance, as is the access to green financing.

Also, the price of ammonia, which we will produce from our planned Barents Blue facility, reached record levels in 2021.

In short, the momentum for Horisont Energi's products and services was excellent in 2021.

Looking ahead, 2022 will no doubt be another eventful year. The energy transition is all about change, and with the war in Ukraine, all Europeans will see changes in 2022. Energy is now being used as a weapon, leading to an energy crisis in Europe that needs to be managed. Current geopolitical realities have added a sense of urgency to the energy transition and energy independence agendas of many governments, both in Europe and globally. The Green Deal is not only about clean energy; it is also about energy independence. To further the independence from fossil fuels by introducing clean energy production in Europe is more important than ever, and so is the need for speed in getting it done.

We will continue to build our organisation, with many new employees in 2022. We will continue to mature the Barents Blue project towards a final investment decision expected in 2023.

In addition, we are exploring several additional business opportunities to further our growth and to speed up the green transition.

I believe we will take significant steps within green ammonia, meaning ammonia produced from renewable sources instead of natural gas.

We will work on a new offshore carbon storage facility intended for third parties. We will also work on European carbon capture and storage projects with E.ON and develop a joint end-to-end European CCS service for the industrial market.

I also hope we will reach important milestones on commercialising negative emissions, meaning that carbon is removed from the atmosphere, for instance through adding carbon capture and storage to bioenergy processes. A key milestone is the carbon removal directive from the EU expected in the fourth quarter of 2022.

These are all decisive steps that will take us towards our ambition: To become one of the major European forces within clean ammonia and carbon capture and storage.

Thanks for following us on the way to the carbon-neutral future!

Bjørgulf Haukelidsæter Eidesen
CEO & founder

OUR MISSION

Accelerating the transition to carbon neutrality through pioneering projects

Horisont Energi's first project is a world-scale clean ammonia facility in Finnmark in Northern Norway, consisting of an innovative hydrogen/ammonia plant and an offshore carbon storage facility Polaris. The complete project is called **Barents Blue**. Below are milestones for Barents Blue over the past year, following Horisont Energi and Equinor entering into a memorandum of understanding on Barents Blue towards the end of 2020.

Barents Blue milestones 2021

JANUARY
Horisont Energi raised capital and were listed on Euronext Growth.

FEBRUARY
Horisont Energi contracted Danish company Haldor Topsoe to provide process design for the ammonia plant, using its innovative SynCOR Ammonia technology.

MARCH
Barents Blue was selected by the Norwegian government-owned energy and climate technology organisation Enova as one of five hydrogen projects in Norway to be considered for a matchmaking process with other "Important Projects of Common European Interest" (IPCEI).

Baker Hughes and Horisont Energi signed a memorandum of understanding to explore the development and integration of technologies for Polaris.

APRIL
Horisont Energi and Knutsen Group signed a contract to complete the design for the transport of pressurized liquefied CO_2 for direct offloading offshore, a key part of the Polaris project.

Enova awarded Horisont Energi NOK 10 million to support the technology concept study for Barents Blue.

MAY
Horisont Energi and Equinor entered into an agreement to further mature Polaris.

The feasibility phase of the Barents Blue project is completed, laying the foundation for Europe's first large-scale carbon-neutral ammonia plant.

JUNE
Markoppneset, in the municipality of Hammerfest, is chosen as the preferred site for the planned ammonia plant.

Horisont Energi selects Saipem and Technip Energies for two independent concept studies for the full conceptual design of the Barents Blue ammonia plant.

SEPTEMBER
Horisont Energi, Equinor and Vår Energi enter a cooperation agreement for the Barents Blue ammonia plant. Equinor and Vår Energi are the two largest offshore oil and gas producers in the Barents Sea region.

The Norwegian Ministry of Petroleum and Energy announces the application process for a utilization permit for the storage of CO_2 in the Barents Sea, and Horisont announces its application for a license to establish Polaris.

OCTOBER
Horisont Energi enters into a framework agreement with leading global consulting and engineering company Wood for a broad suite of engineering services.

DECEMBER
Horisont Energi, Equinor and Vår Energi entered a joint agreement to collaborate on the development of Polaris. As part of the agreement, Equinor will be the operator of the project.

Barents Blue project was awarded a NOK 482 million grant from Enova to participate in the Important Projects of Common European Interest (IPCEI) Hydrogen program.

“Barents Blue can become a flagship project that is of great importance to Norway and Europe. ”

Nils Kristian Nakstad, CEO, Enova

Grey or clean? Blue or green? What does it all mean?

Ammonia can be produced through various methods, giving rise to several labels. Below, we outline the various types. In general, the same labels also apply to hydrogen.

Almost all ammonia production is currently based on fossil fuels, mainly natural gas, as raw material for a process in which hydrogen is created through a chemical process and then combined with nitrogen to form ammonia.

This has one major drawback: The production process creates substantial carbon emissions. In fact, ammonia production causes about 1 percent of total global greenhouse gas emissions.

This traditional method of producing ammonia based on natural gas is often labelled “grey”.

As opposed to the grey variant, “clean” ammonia is produced through processes designed to eliminate or minimize emissions of greenhouse gases.

Clean ammonia comes in two types: “blue” and “green”.

Blue ammonia is also produced from natural gas, but with one significant change to the process: Carbon released during hydrogen production is captured and permanently stored, thus eliminating or minimizing the emissions of climate gases. This method is the basis for Horisont Energi’s Barents Blue project. Here, carbon will be stored in an offshore reservoir called Polaris.

Green ammonia, on the other hand, is not produced from natural gas at all. Instead, the raw material is water. Through a process known as electrolysis, water is split into oxygen and hydrogen, which is then combined with nitrogen to form ammonia. If the energy source driving the electrolysis is renewable, the resulting ammonia is considered green.

Electrolysis does not in itself release greenhouse gases. However, for the process to be truly green, the electricity must come from renewable energy sources, such as solar, wind or hydro.

Green hydrogen can also be produced using other production technologies than electrolysis as long as the energy sources used are renewable. Horisont Energi will produce green hydrogen in the most cost effective and sustainable manner.

Horisont Energy is exploring opportunities within green ammonia and, in 2021, signed a memorandum of understanding with St1 Nordic to explore a green ammonia project in Northern Norway.

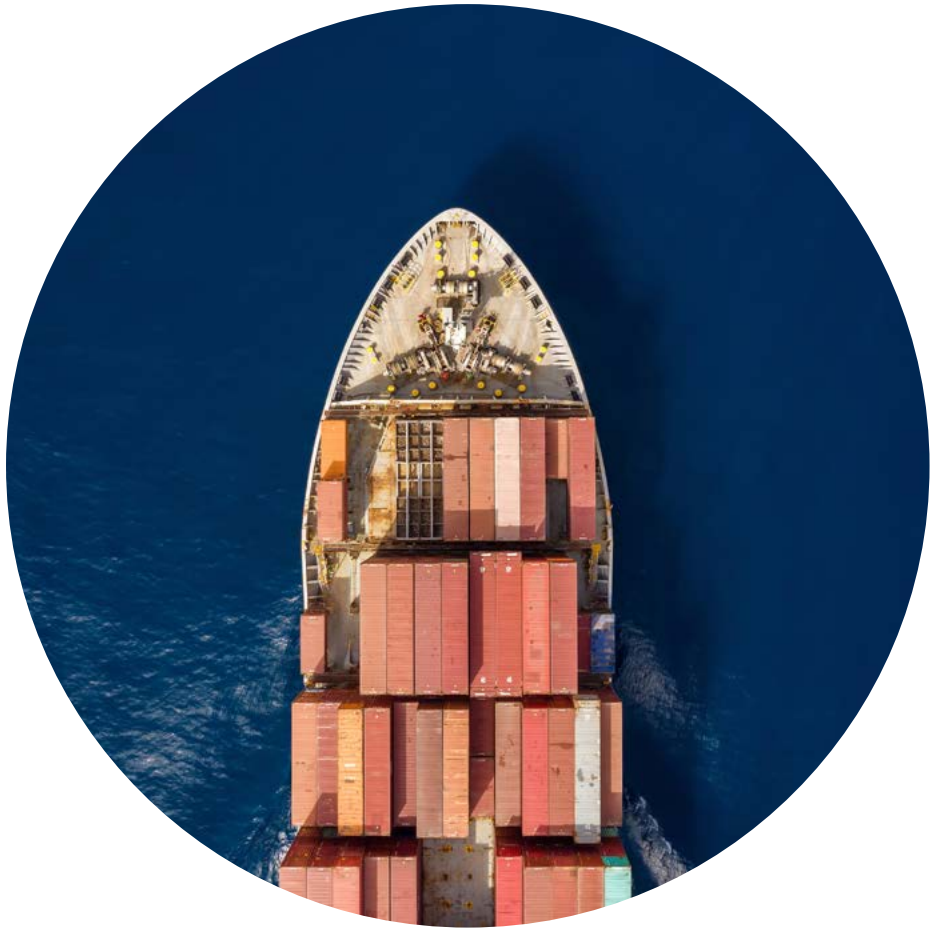
“Horisont Energy is exploring opportunities within green ammonia and, in 2021, signed a memorandum of understanding with St1 Nordic to explore a green ammonia project in Northern Norway.”

“There’s an important role for blue hydrogen if we want to realize the international climate ambitions. This is because, especially in the coming years, there will not be enough green hydrogen to meet the demand. We’ll need every possible solution. We therefore focus not only on green but also on blue, just as we don’t only look at local production but also at imports.”

Nico van Dooren, Director New Business, Port of Rotterdam

The relationship between hydrogen and ammonia

Ammonia and hydrogen are often mentioned together. For instance, in 2021, Horisont Energi's Barents Blue ammonia project was awarded a NOK 482 million grant to participate in a European R&D program called IPCEI Hydrogen.



The reason is that hydrogen and ammonia are closely related. Ammonia is a compound consisting of three hydrogen atoms and one nitrogen atom. So, on one level, producing hydrogen is an intermediate step in the production of ammonia, which is currently a major industrial gas and which in the future is likely to be used as a fuel in several areas.

However, the relationship is a little more complex than that. Of course, not all hydrogen is turned into ammonia. Hydrogen has several uses, for instance as a form of energy storage.

And, importantly, ammonia may be split back into nitrogen and hydrogen.

This means ammonia may be used to store and transport hydrogen. This has substantial advantages, as ammonia is easier to handle and transport than hydrogen. There is already massive infrastructure in place for ammonia transport, including a fleet of vessels transporting 20 million tons of ammonia around the globe annually.

We need energy carriers that do not release CO_2, and ammonia is the energy carrier that packs the most energy into a given unit of volume.

At Horisont Energi, we believe ammonia will be a key enabler of the future carbon-neutral society. It is easily scalable, and it is the simplest and most effective medium for the transport of clean hydrogen.

That is why we call ammonia the international hydrogen highway.

Why ammonia?

Barents Blue, Horisont Energi's first project, is a factory that will produce ammonia without releasing CO_2 into the atmosphere. But why ammonia?

1. Ammonia is a colourless gas with a distinct odour and is a combination of hydrogen and nitrogen. It occurs naturally, but is also produced in large quantities as an industrial gas. It is extensively used for fertilizer production and plays a vital role in food production.
2. Ammonia is also used for other industrial purposes, such as refrigeration.
3. In the future, ammonia is expected to play a major role as an energy medium due to its content of hydrogen, energy density, ease of transportation and scalability.
4. Even today, the global ammonia market is substantial. In total, about 175 million tons per year is produced, with a market value of about USD 70 billion.
5. Existing infrastructure is already available for the transportation of ammonia, both on land and at sea.
6. While ammonia is very useful, its production from natural gas also releases huge amounts of greenhouse gases. In fact, ammonia synthesis is by far the largest CO_2-emitting chemical industry process.
7. In order to reduce global emissions of greenhouse gases, decarbonising ammonia production is vital.
8. That's why Horisont Energi has chosen to focus its efforts on ammonia.

"Hammerfest is an industrial hub in Norway. The experiences from Melkøya have had major effects in terms of competence. These are important experiences to build on. Ammonia production with CO_2 capture and storage is a forward-looking initiative. "

Jonas Gahr Støre, Prime Minister of Norway

OVERVIEW OF 2021

2021 was a momentous year for Horisont Energi.

- Towards the end of 2020, Horisont Energi announced a memorandum of understanding with Equinor to explore a carbon-neutral ammonia facility in Finnmark, to be named Barents Blue.
- Early in 2021, the company raised capital and was listed on Euronext Growth.
- Towards the end of 2021, it was announced that the Barents Blue project was awarded NOK 482 million through an Enova grant for participation in the IPCEI Hydrogen program.
- Also towards the end of 2021, a license application for the Polaris offshore carbon storage facility was submitted.
- In January 2022, it was announced that the European energy major E.ON would become a strategic investor and partner of Horisont Energi.

Board of Directors' Report

Horisont Energi AS is a Norwegian energy company that will produce carbon neutral ammonia and provide CO_2 storage. We pave the way for a low-carbon economy by transforming natural gas and renewable energy into cost-leading ammonia and offer transportation and proprietary technology storage solutions for CO_2.

The company was founded in 2019 and is headquartered in Sandnes, Norway. Our first development is a world-scale clean ammonia project in Finnmark in Northern Norway, consisting of an innovative hydrogen/ammonia plant and an offshore carbon storage (Polaris). The complete project is called Barents Blue.

Financial accounts

The Board of Directors believes that the annual financial statements provide a true and fair view of the net assets, financial position and result of Horisont Energi AS for the year. The annual accounts have been prepared in compliance with the Accounting Act and Simplified IFRS.

Profit and loss

Horisont Energi had a total operating income of NOK 375 000 in 2021, compared to 0 in 2020. The company had an operating loss of NOK 52.3 million in 2021, compared to a loss of NOK 13.6 million in 2020. Annual net loss was NOK 52.3 million in 2021, compared to a loss of NOK 4.4 million in 2020. The loss reflects the phase the company is in, with substantial expenses incurred to realize the company's projects, which will not result in substantial revenues for several years.

Cash flow

Net cash flow from operating activities was negative NOK 52.5 million in 2021, compared to negative NOK 9.2 million in 2020. There was no cash flow from investing activities in 2021, the same as in 2020. Net cash flow from financing activities was positive NOK 141.7 million in 2021, compared to positive NOK 10.7 million in 2020.

The operating cash flow reflects the phase the company is in, with expenses incurred to realize the company's projects, which will not result in substantial revenues for several years. The main contributor to cash flow from financing activities was the equity raised prior to listing on Euronext Growth.

Balance sheet and liquidity

Total assets as of 31 December 2021 were NOK 143.7 million, compared to NOK 10.0 million a year earlier. At the same time, equity amounted to NOK 95.9 million, compared to negative NOK 0.6 million a year earlier, resulting in an equity ratio of 67 percent.

On 31 December 2021, the company had no interest-bearing debt, the same as a year earlier.

Cash and cash equivalents amounted to NOK 91.7 million, compared to NOK 2.4 million a year earlier.

The company has limited debt and sufficient liquidity for the current phase. At the beginning of 2022, additional equity was contributed by E.ON, supplemented by a subsequent offering. In the longer run, various options will be explored to finance the company's planned projects.

Events after the balance date

In January 2022, a private placement was carried out, through which E.ON subscribed for 5 706 495 new shares in the Horisont Energi, at a subscription price per share of NOK 65, with a total investment amount of NOK 370 922 175. This was followed by a subsequent offering, which resulted in a total of 769 230 new shares being subscribed at a price of NOK 65 per share, with a total investment amount of NOK 49 999 950.

On 1 April 2022, the company held an Extraordinary General Meeting where a new Board of Directors was elected.

Risk factors

The company is or may be exposed to currency risk, credit risk, interest rate risk, liquidity risk and price risk. Identification and management of financial risks are performed in our projects.

The company currently has one loan of NOK 2.4 NOK with no interest and no exchange risk. The company currently has limited exposure to currency risk.

The company's accounts receivables at year-end (NOK 26.7) are against project partners, which are major energy companies with minimal credit risk.

Horisont Energi's future business activities will involve exposure to several risks, such as uncertainty related to natural gas feedstock prices and ammonia sales prices. There will also be risks linked to the cost of the company's projects due to fluctuating prices of steel and other materials. The risk of project delays may also affect when projects become operational. In addition to market and price risk, the company will see growing exposure to cost of capital and foreign exchange fluctuations as the projects go into the execution phase.

Horisont Energi emphasizes establishing a solid project development model where risk identification, monitoring and control is central.

Sustainability
Sustainability is at the core of Horisont Energi. The company's mission is to accelerate the transition to carbon neutrality through large-scale pioneering projects.

Horisont Energi's Sustainability report for 2021 is presented in the Annual report and describes the company's approach in detail.

Organization
Horisont Energi had a total of 19 employees at the end of 2021. Of these, 12 were male and 7 were female. There was one part-time employee.

Horisont Energi does not discriminate based on ethnicity, gender, religion, sexual orientation or age.

During 2021, there were no serious work-related accidents. Sick leave was 0.68 percent in 2021.

Please refer to the Sustainability report for further details.

Environment
Horisont Energi is in a project development phase and does not pollute the external environment to any material degree.

Please refer to the Sustainability report for further details.

R&D
The company engages in a number of research and development activities, some involving external parties and others internally focused. The company intends to patent solutions that are developed internally. Horisont Energi has applied for a credit of NOK 4.75 million under the government's SkatteFUNN scheme for 2021. Total costs related to SkatteFUNN projects were NOK 53.9 million in 2021.

Corporate governance
The Board has a clear board instruction governing the work and responsibilities of the board and decision procedures. When dealing with different types of decisions the board has clear requirements with respect to which decisions require unanimity and which decisions only require a majority vote. Furthermore, the CEO has an instruction from the board that governs the work and responsibilities of the CEO both on a yearly and daily basis. The overall company has an authorization matrix defining responsibilities, accountabilities, and also consultation and information duties. The board and the CEO have clearly defined decision mandates, and the CEO also awards limited power of attorney's to leading employees. A code of conduct governs the ethical rules and principles of the company. The corporate governance also includes procedures and rules related to being a stock exchange listed company.

The Board of Directors and the CEO are covered by liability insurance.

Going concern
The board confirms that the conditions for the going concern assumption have been satisfied and that the financial statements for 2021 have been prepared on the basis of this assumption.

19

Employees at the end of 2021

0

Serious work-related accidents

0.68%

Sick leave

Outlook

EU's Green Deal target of 55% reduction by 2030 and carbon neutrality by 2050 established the framework for the coming years' regulations and activities, as well as future demand for carbon neutral products and carbon storage solutions.

Shipping will be a part of the EU's Emissions Trading System (ETS) quota system, further driving the transition to clean maritime fuels.

Through the carbon adjustment mechanism (CBAM), announced in July 2021, grey ammonia imported into the EU will be tolled at the border on equal terms as the EU's current grey ammonia production, which is already a part of the EU's ETS. With ETS quota cost doubling in 2021 to about 80 EUR/ton of CO_2, this is a significant contribution to the economics of clean fuels, such as carbon neutral ammonia from the Barents Blue project.

The CO_2 emissions in the EU amounted to more than 3 000 million tons in 2019. Present known planned storage capacity is less than 10 million tons in 2025 and around 20 million tons in 2030. From that perspective, the demand for carbon storage among industries and power plants in EU will far exceed known planned storage capacity, leaving great room for CO_2 storage companies delivering flexible and cost-effective solutions to European industry and power plants.

Allocation of profits

Dividend:	NOK 0
Transferred from other equity:	NOK 52.3 million
Total allocations:	NOK 52.3 million

Stavanger, 20 April 2022

Sign.

Rob Stevens
Chairman of The Board

Sign.

Øystein Stray Spetalen
Board Member

Sign.

Dr. Gabriel Clemens
Board Member

Sign.

Beatriz Malo de Molina Laborde
Board Member

Sign.

Rolf Magne Larsen
Board Member

Sign.

Bjørgulf Haukelidsæter Eidesen
CEO

Financial statements

Income Statement

For the year ended 31 December

Amounts in NOK	Note	2021	2020
Other income			
Other income	1	375 000	0
Total other income		**375 000**	**0**
Operating costs			
Salary and personnel costs	2	9 039 262	6 086 848
Depreciation	3	1 254 329	0
Other operating costs	2,3,4,5	43 064 695	7 410 853
Total operating costs		**53 358 286**	**13 497 701**
OPERATING PROFIT (LOSS)		**-52 983 286**	**-13 497 701**
Financial income and expenses			
Interest income		894 479	843
Interest expenses	3	-245 956	-65 327
Other financial income		300 546	1 947
Other financial expenses		-276 403	-5 213
Net financial income (expenses)		**672 666**	**-67 750**
PROFIT (LOSS) BEFORE INCOME TAX		**-52 310 620**	**-13 565 451**
Income tax expense	6	-14 904	-9 140 085
NET PROFIT (LOSS) FOR THE PERIOD	6	**-52 295 716**	**-4 425 366**

Balance Sheet

For the year ended 31 December

Amounts in NOK	Note	31/12/2021	31/12/2020	31/12/2019
Assets				
Non-current assets				
Right-of-use assets	3	2 759 525	0	0
Total non-current assets		**2 759 525**	**0**	**0**
Current assets				
Receivables				
Tax refund	5	0	7 280 355	0
Accounts receivables		26 698 986	0	0
Other receivables	4, 7	22 526 803	231 450	39 375
Total receivables		**49 225 789**	**7 511 805**	**39 375**
Cash and cash equivalents	8	**91 689 113**	**2 439 637**	**989 360**
Total current assets		140 914 902	9 951 442	1 028 735
TOTAL ASSETS		**143 674 427**	**9 951 442**	**1 028 735**

Amounts in NOK	Note	31/12/2021	31/12/2020	31/12/2019
Equity and liabilities				
Equity				
Paid-in equity				
Share capital	9, 10	158 502	73 901	56 607
Share premium	9	146 877 649	4 024 696	39 618
Other paid-in equity	9	5 916 653	0	0
Total contributed equity	9	**152 952 804**	**4 098 597**	**96 225**
Retained earnings (deficit)				
Retained earnings (deficit)	9	-57 031 342	-4 735 627	-310 260
Total retained earnings (deficit)		**-57 031 342**	**-4 735 627**	**-310 260**
Total equity	9	**95 921 462**	**-637 030**	**-214 035**
Liabilities				
Non-current liabilities				
Other long term liabilities	3,11	840 586	5 300 000	1 050 000
Liabilities to financial institutions	11	2 400 000	2 400 000	
Total non-current liabilities		**3 240 586**	**7 700 000**	**1 050 000**
Current liabilities				
Accounts payables		16 615 320	1 119 526	192 770
Public duties payable		5 309 249	791 987	0
Other current liabilities	3, 12	22 587 811	976 958	0
Total current liabilities		**44 512 380**	**2 888 472**	**192 770**
Total liabilities		**44 512 380**	**10 588 472**	**1 242 770**
TOTAL EQUITY AND LIABILITES		**143 674 427**	**9 951 442**	**1 028 735**

Stavanger, 20 April 2022

Sign.	Sign.	Sign.	Sign.	Sign.	Sign.
Rob Stevens Chairman of The Board	**Øystein Stray Spetalen** Board Member	**Dr. Gabriel Clemens** Board Member	**Beatriz Malo de Molina Laborde** Board Member	**Rolf Magne Larsen** Board Member	**Bjørgulf Haukelidsæter Eidesen** CEO

Cash flows

For the year ended 31 December

Amounts in NOK	2021	2020
Cash flow from operating activities		
Profit (loss) before income tax	-52 310 620	-13 565 451
Negative instalments tax	14 904	1 859 730
Tax refund received	7 280 355	
Depreciations	1 254 329	
Cost related to employee share options	143 754	-
Change in accounts receivables	-26 698 986	-
Change in accounts payables	15 974 294	926 756
Change in other short term receivables and payables	1 843 334	1 576 871
Net cash flow from operating activities	**-52 498 636**	**-9 202 095**
Cash flow fom investing activities		
Investments in fixed assets	-	-
Net cash used in investing activities	**-**	**-**
Cash flow from financing activities		
Capital contribution net of fees	142 931 952	4 002 372
Financing from financial institutions	-	2 400 000
Payments of lease debt including interest	-1 183 840	
Financing from SLIP (Startup Lead Investment Paper)	-	4 250 000
Net cash from financing activities	**141 748 112**	**10 652 372**
Net cash flow from discontinued operations		
Net change in cash and cash equivalents	89 249 477	1 450 277
Cash/cash equivalents at the beginning of period	2 439 637	989 360
Cash/cash equivalents at the end of period	**91 689 113**	**2 439 637**

Accounting principles and basis for preparation

The Company was established 27.08.2019

The Company converted to Simplified IFRS in 2021. This means that measurement and recognition criterias comply with international accounting standards (IFRS) and disclosure notes are in accordance with Norwegian Accounting Act and generally accepted accounting principles.

Horisont Energi's main activity in 2021 has been to mature the Blue Ammonia plant in Finnmark towards concept selection together with the project partners. In addition the Company has been developing plans for a new carbon storage project in the North Sea. In order to support these activities, the Company has focused on necessary organisational development and the securing of funding.

Cost sharing in accordance with cooperation agreements

The cooperation agreement between Horisont Energi, Equinor and Vår Energi is a cost sharing agreement covering all necessary work to bring the Barents Blue Project to FEED phase. The partners cover 70% of cost for Polaris and 60% of cost for Ammonia Plant. The partners' share of cost is booked as a reduction of salary and other operating cost.

Going concern

The annual accounts are prepared on the assumption of a going concern. This assumption is based on the Company's budget for the year 2022 including the Business Plan and the cash flow forecast.

Estimates

The preparation of financial statements in compliance with the Accounting Act requires the use of estimates. The application of the company's accounting principles also require management to apply assessments. Areas which to a great extent contain such assessments, a high degree of complexity, or areas in which assumptions and estimates are significant for the financial statements, are described in the notes.

Revenue/other revenue

Income consists of a grant from Innovasjon Norge. All recharges in accordance with the cooperation agreement is booked as a cost reduction for salaries and other expenses.

Defined contribution plan

With a defined contribution plan the company pays contributions to an insurance company. After the contribution has been made the company has no further commitment to pay. The contribution is recognised as payroll expenses.

Employee share options

Employee share options and other equity instruments granted to employees are measured by reference to the fair value of the warrants or other equity instruments at the date on which they are granted. The fair value of the warrants or other equity instruments is estimated on the grant date and expensed over the vesting period with a corresponding increase in equity. The vesting period is the period in which the performance conditions are fulfilled, ending on the date on which they become entitled to the award ('vesting date').

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long term receivables are, however, not classified as short term liabilities and current assets.

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at fair value and subsequently measured at amortised cost less provision for impairment.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Loans and borrowings

All loans and borrowings are initially recognised at cost as represented by the fair value of the consideration received net of issue costs and transaction costs associated with the borrowing. Following initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method”

Provisions

A provision is recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date. The amount of the provision is the present value of the risk adjusted cost expected to be required to settle the obligation, and is discounted by the estimated risk-free interest rate.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current tax assets against income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority/tax regime. Timing differences are considered. Deferred income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

For the years 2019 and 2020 taxes were calculated under the Petroleum Tax Act.

Oil companies operating on the Norwegian Continental Shelf under the offshore tax regime can claim a 78% refund of their exploration costs, limited to taxable losses for the year. After the amendments to the Petroleum Tax Act sanctioned in June 2020, other losses related to the petroleum activities (excluding exploration losses) are refunded, as negative tax instalments.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, and bank deposits.

Government grants

Government grants are recognized based on the attributed cost. If the grant are linked to operation the grant is recognised in the P/L. If the grants are linked to an asset the deduction are recognised in the balance sheet.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Impairment tests are carried out if there is indication that the carrying amount of an asset exceeds the estimated recoverable amount. The test is performed on the lowest level of fixed assets at which independent cashflows can be identified. If the carrying amount is higher than both the fair value less cost to sell and value in use (net present value of future use/ownership), the asset is written down to the highest of fair value less cost to sell and the value in use. Previous impairment charges, except writedown of goodwill, are reversed in later periods if the conditions causing the write-down are no longer present.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities

Lease liabilities are measured at the present value of remaining lease payments, discounted using the interest rate implicit in the lease contract, or if this is not available, the company's calculated borrowing rate per lease object. Lease payments are recognised as interest expense and a reduction of lease liabilities.

Note 1 Government grants

The company has recognized income of NOK 375 000 in government grants from Innovasjon Norge.

The company has been awarded 10 MNOK in grants from Enova under the "Forprosjekt energi- og klimateknologi i industrien" programme to cover cost for the Barents Blue Project. The grants have been accounted for as deduction in other operating expenses, and will be shared with project partners in accordance with the cooperation agreement.

Note 2 Payroll expenses, number of employees, remunerations, loans to employees, etc.

Payroll expenses

Amounts in NOK	2021	2020
The number of employees 31.12	19	13
Salaries/wages	15 262 766	5 134 597
Social security fees	2 419 663	864 339
Pension expenses	1 557 224	662 601
Other remuneration	1 430 057	680 312
Grants received	-	-1 255 000
Gross employee benefits expenses	**20 669 710**	**6 086 849**
Reimbursed from partners	-11 576 246	0
Salary and personnel costs	**9 093 464**	**6 086 849**

The company has a defined contribution scheme which covers all the employees. Total expensed in pension cost is NOK 1 557 224 (NOK 662 601 in 2020).

The company is liable to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act.

The company's pension schemes satisfy the requirements of this Act.

Remuneration to executives

Amounts in NOK	General manager	Board
Salaries/board fee	1 388 955	857 499
Pension expenses	0	0
Other remuneration	2 009	0

Neither the chairman of the Board, nor the general manager, has any bonus agreement, option agreement or any severance pay agreement.

Expensed audit fee

Amounts in NOK	2021	2020
Statutory audit (incl. technical assistance with financial statements)	232 320	62 500
Other assurance services	70 235	14 219
Tax advisory fee (incl. technical assistance with tax return)	349 497	30 844
Other services	433 203	0
Total audit fees	**1 085 255**	**107 563**

Employee share options scheme:
The Company has a employee share options program for some of its employees. A total of 340 000 options have been granted in 2021.

IFRS 2 Share-based Payment requires an entity to recognise share-based payment transactions (such as granted shares, share options, or share appreciation rights) in its financial statements, including transactions with employees or other parties to be settled in cash, other assets, or equity instruments of the entity. Specific requirements are included for equity-settled and cash-settled share-based payment transactions, as well as those where the entity or supplier has a choice of cash or equity instruments.

The assessed fair value at grant date of warrants granted was between NOK 5 and NOK 12.6 per option. The fair value at grant date was determined using a Black Scholes Model. The right of the Holder to exercise the Options is conditional upon the Holder being employed with the Company on the date of the Exercise Notice.

The most significant inputs and assumptions in determining fair value at grant date were:

- Exercise price between NOK 70 and NOK 117
- Share price at grant date between NOK 25 and NOK 69.
- Expected volatility 40%
- Risk free interest rate 1%
- Term of options between 1.5 - 4 years

NOK 143 754 have been recognised as salary costs in 2021 related to employee share options.

Note 3 Leases assets IFRS 16

Right-of-use assets
Leased assets includes offices and other buildings. Right-of-use assets are categorised and presented in the table below:

Amounts in NOK	2021 Offices	2020 Offices
Right-of-use assets		
Acquisition cost as at 01.01.	-	-
Addition of use-of-rights	4 013 854	-
Acquisition cost 31.12.	**4 013 854**	**-**
Depreciation and write-downs as at 01.01.	-	-
Depreciation for the year	1 254 329	-
Write-downs for the year	-	-
Depreciation and write-downs as at 31.12.	**1 254 329**	**-**
Book value right-of-use assets at 31.12.	**2 759 525**	**-**
Economic lifetime	24 months	
Depreciation method	Linear	

Amounts in NOK	2021 Offices	2020 Offices
Lease liability		
Liabilities and payment schedule		
Less than 1 year	2 127 721	-
1-2 years	812 674	-
2-3 years	-	-
3-4 years	-	-
4-5 years	-	-
More than 5 years	-	-
Total lease liabilities at 31.12.	**2 940 395**	**-**
Changes in lease liabilities	-	
Lease liabilities at 01.01.	-	-
New/recalculated liabilities this period	4 013 854	-
Downpayments of liabilities	-1 183 840	-
Interest payments	-	
Interest on lease liabilities	110 381	-
Total lease liabilities at 31.12.	**2 940 395**	**-**

Note 4 Government grants - SkatteFunn

The SkatteFUNN R&D tax incentive scheme is a government program designed to stimulate research and development (R&D) in Norwegian trade and industry. The incentive is a tax credit and comes in the form of a possible deduction from a company's payable corporate tax.

In order to be eligible, the company also needs to be incorporated in Norway and liable to pay corporate tax to Norway. If the tax credit for the R&D expenses is greater than the amount the firm is liable to pay in tax, the remainder will be paid out in cash to the firm. If the applying company does not generate a taxable income, the entire SkatteFUNN credit is paid out in cash.

The actual tax credit for costs associated with a given SkatteFUNN project is assessed and granted by the Norwegian Tax Administration.

The deduction/credit rate is 19 percent for all enterprises.

Total cost related to SkatteFUNN project in 2021 has been NOK 53.9 million. The SkatteFUNN R&D cost ceiling for R&D projects using in-house R&D resources is NOK 25 million per year. The company will apply for a possible credit of NOK 4.75 million in 2021.

Note 5 Other operating costs

The line "Other operating costs" in the P&L consists of the following costs:

Amounts in NOK	2021	2020
Office rentals and other office expenses	2 890 484	829 208
Consultants fee, studies etc.	87 634 234	6 515 855
Reimbursed from partners	-58 221 230	-
Grant from Enova	-4 000 000	-
Skattefunn	-4 750 000	-
Licenses, patents and royalties	16 566 772	-
Other expenses	2 944 436	65 790
Total	**43 064 695**	**7 410 853**

Cost related to maturing the projects have been expensed in 2021. The Company will start to capitalize cost incurred, when technical feasibility and commercial viability are demonstrable, and the decision to develop a particular project has been made.

Note 6 Taxes

Amounts in NOK	2021	2020
Income taxes recognised in the income statement		
Tax refund current year		-9 140 085
Tax payable adjustment previous year	-14 904	
Total taxes (-)/tax income (+) recognised in income statement	**-14 904**	**-9 140 085**
Specification of temporary differences and tax losses carried forward		
Right-of-use assets	2 759 525	0
Lease liabilities	-2 940 395	0
Tax losses carried forward	-66 143 303	-2 089 904
Total deferred tax assets (-liabilities)	**-66 324 173**	**-2 089 904**
Valuation allowance for deferred tax assets	66 324 173	2 089 904
Basis for deferred tax assets	**0**	**0**
Deferred tax assets (22%)	**0**	**0**

Deferred tax not included in the balance sheet.

Specification of tax refund receivable		
Tax refund current year	-	9 140 085
Instalments received	-	-1 859 730
Tax refund receivable in balance sheet	**-**	**7 280 355**

Deferred tax is calculated based on tax rates applicable on the balance sheet date. Based on uncertainties related to future utilization of tax losses, there has been made valuation allowance for deferred tax assets. There is no time limitation on the tax losses carried forward in Norway.

Note 7 Other receivables

Amounts in NOK	2021	2020
Advance payment to suppliers	0	50 000
Receivable Skattefunn	4 750 000	0
Prepaid costs	7 252 470	165 000
Prepaid insurance	0	16 450
Recharge to partners	10 524 333	0
Other receivables	**22 526 803**	**231 450**

Note 8 Cash and cash equivalents

Restricted cash related to tax witholding accounts amounts to NOK 1 183 262 in 2021 (NOK 403 698 in 2020).

Note 9 Share capital

Amounts in NOK	Share capital	Share premium	Other paid-in equity	Retained earnings (defictid)	Total equity
Balance 01.01.	73 901	4 024 696	0	-4 735 627	-637 030
Share issue related to private offering and listening on Euronext Growth	79 000	142 852 953			142 931 953[1]
Share issue related to warrants	354		478 146		478 500[2]
Share issue related to SLIP	5 247		5 294 753		5 300 000[3]
Cost related to employee share options			143 754		143 754[4]
Net profit (loss) for the period				-52 295 716	-52 295 716
Balance 31.12.	**158 502**	**146 877 649**	**5 916 653**	**-57 031 343**	**95 921 461**

There has been several share issues during 2021.

1. In January 2021, there was a capital increase of total NOK 150 million in relation to a private offering and listing on Euronext Growth, representing an increase in share capital of NOK 79 000 (7.9 million new shares), and increase in share premium of NOK 150 million. Cost related to the share issue is booked towards share premium

2. A board member excercised an option to convert debt to 35 392 shares.

3. The Company issued in 2020 a convertible SLIP (Startup Lead Investment Paper), where the lendors were granted the opportunity and the obligation to convert the debt to equity based on a future valuation (similar to a warrant).The SLIP contract holders had an right to convert the SLIP contracts into 524,737 shares. The convertion took place in January 2021.

4. The company has a share option programme for some employees. NOK 143 754 has been expensed related to the Company's share options programme in 2021.

Note 10 Share capital, subscription rights and shareholder information

The share capital consists of one class only:	Number	Par value	Share capital
Ordinary shares	15 850 255	0,01000	158 502

The 10 largest shareholders pr 31.12:	Shares	Ownership
FØNIKS INNOVASJON AS	5 125 000	32.33%
State Street Bank and Trust Comp	2 130 000	13.44%
SAGA PURE ASA	1 842 000	11.62%
SPESIALFONDET KLP ALFA GLOBAL ENER	1 577 500	9.95%
FERNCLIFF LISTED DAI AS	978 000	6.17%
DJ ADVISORS AS	552 515	3.49%
EITOR AS	550 000	3.47%
ZEVS HOLDING AS	268 011	1.69%
MOSOL INVEST AS	240 000	1.51%
NELLE MANAGEMENT AS	240 000	1.51%
Others	2 347 229	14.81%
Total number of shares	**15 850 255**	**100.00%**

All shares have the same voting rights in the company's general meeting.

The company's management and board members controls Føniks Inovasjon As, DJ Advisors AS, Eitor AS, ZEVS Holding AS, Mosol Invest AS and Nelle Management AS. The board member Øystein Stray Spetalen has direct and indirect ownership share in Saga Pure ASA, Tycoon Industier AS and Ferncliff Listed Dai AS.

There have been no transactions between the company and the shareholders.

There are no loans/debt between the company and the shareholders.

Note 11 Other long term liabilities

Debt that falls due more than five years after the balance sheet date

Amounts in NOK	2021	2020
1) Other long-term debt	0	5 300 000
2) Debt to Innovasjon Norge	2 400 000	2 400 000
3) Other long-term liabilities	840 586	0
Total	**3 240 586**	**7 700 000**

1. The Company issued in 2020 a convertible SLIP (Startup Lead Investment Paper), where the lendors were granted the opportunity and the obligation to convert the debt to equity based on a future valuation (similar to a warrant). The SLIP contract holders had an right to convert the SLIP contracts into 524,737 shares. The conversion took place in January 2021.
2. The company has a start up loan of NOK 2 400 000 from Innovasjon Norge. The loan is interest free until summer 2023.
3. Item includes: Recognised lease liability on leasehold contract for offices due >12 months from balance date, and calculated social tax on share options for employees, due when options are exercised.

Note 12 Other current liabilities

Debt that falls due more than five years after the balance sheet date

Amounts in NOK	2021	2020
Due holiday pay	1 619 766	590 743
Incurred costs	18 840 325	386 215
Other lease obligation with due date within 12 months	2 127 721	0
Other current liabilities	**22 587 811**	**976 958**

Note 13 Financial market risk

The company is or may be exposed to currency risk, credit risk, interest rate risk, liquidity risk and price risk. The identification and management of financial risks is performed in our projects.

The company currently has one loan of NOK 2.4 million with no interest and no exchange risk. The company currently has limited exposure to currency risk on its transactions.

The company's accounts receivables at year end (NOK 26.7 million) are against our project partners, which are major energy companies with minimal credit risk.

Horisont Energi's future business activities will involve exposure to several risks such as uncertainty related to natural gas feedstock prices and ammonia sales prices. There will also be risks linked to the cost of the company's projects due to fluctuating prices on steel and other materials. Risk of project delays may also affect when projects become operational. In addition to market and price risk the company will see growing exposure vs. cost of capital and foreign exchange fluctuations as the projects go into execution phase.

Horisont Energi puts strong emphasis on establishing a solid project development model where risk identification, monitoring and control is central.

The company is operating in the sustainable energy market where we experience very high attention and activity. Though we currently see very volatile energy prices, Horisont Energi regards its business as becoming ever more relevant for meeting the demand for clean energy at scale.

Note 14 Transition to IFRS

The company has decided to implement simplified IFRS standards from the fiscal year 2021. This means that for 2021 the company must present the transition from local GAAP to IFRS for the previous year, beginning with the equity as of 31.12.2019

Equity at 31.12.2019	-214 035
IFRS-adjustements 2019	0
Equity at 01.01.2020	-214 035

The Company has performed an examination of historical items in the balance sheet statement and the income statement to be able to identify any differences between NGAAP and simplied IFRS, with regards to recognition and measurement. Based on the examination, no differences related to recognition or measurement have been identified.

Note 15 Subsequent events and going concern

The financial statements have been prepared under the Going concern assumption.
In January 2022, there was a capital increase of total NOK 371 million related to an investment agreement with E.ON Energy Projects GmbH representing an increase in share capital of NOK 57 000 (5.7 million new shares), and increase in share premium of NOK 371 million. There were also a repair issue which increased the capital with NOK 50 million (769 230 new shares).

On 1 April 2022 the company held an Extraordinary General Meeting where a new Board of Directors was elected.


Horisont energi
Sustainability reporting

About sustainability reporting

For information about the sustainability reporting and its content, please contact Head of HSEQ and Drilling Ellen Braune at eb@horisontenergi.no. Comments and feedback are welcomed.

This report is prepared for Horisont Energi in accordance with the GRI Standards core option. This is Horisont Energi's first sustainability report. The report is issued annually. This report is for 2021. The Sustainability report has been reviewed and approved by the Board. The claims and data in this report have not been audited by a third-party.

Horisont Energi's approach to sustainability

At Horisont Energi, sustainability stands at the core of our mission and our business strategy. Our purpose is to accelerate the transition to a carbon-neutral economy through the production of carbon-neutral ammonia and the provision of CO_2 storage. We see ourselves as an enabler, supporting our customers on their journey towards developing sustainable business models for the future. Horisont Energi's Sustainability Strategy is centred around our overarching goals to be the Preferred provider of low-carbon technology solutions, to be Profitable and to be Pluralistic, celebrating diversity. Diversity is a prerequisite to succeed with the innovation required by the green energy transition.

Our ESG reporting and our sustainability strategy aim to reflect our most material sustainability impacts across the value chain, and the sustainability topics that are most significant to us and our stakeholders.

When assessing materiality, we consider the industry context, transparency and relevant reporting standards. We have evaluated our impacts across our own activities and business relationships. These include actual and potential, positive and negative impacts on people, the environment, society, and the economy. Relevant disclosure standards and reporting frameworks have informed our assessment, such as the GRI Standards, the Recommendations of the Task Force on Climate-related Financial Disclosures and the SASB Standards. The Paris Agreement and the United Nations Sustainable Development Goals, as well as the published EU Taxonomy criteria for Ammonia and Hydrogen, are the key external frameworks we use.

UN Sustainable Development Goals

The Sustainable Development Goals (SDGs), also known as the Global Goals, were adopted by the United Nations in 2015 as a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

Horisont Energi supports the UN SDGs and has identified 5 goals where we can contribute through our business activities.

GOAL NR. 7: ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL

- Target 7.2: By 2030, increase substantially the share of renewable energy in the global energy mix

GOAL NR. 8: DECENT WORK AND ECONOMIC GROWTH

- Target 8.5: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value
- Target 8.8: Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment

GOAL NR. 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE

- Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

GOAL NR. 12: RESPONSIBLE CONSUMPTION AND PRODUCTION

- Target 12.2: By 2030, achieve the sustainable management and efficient use of natural resources
- Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

GOAL NR. 13: CLIMATE ACTION

- Target 13.2: Integrate climate change measures into national policies, strategies and planning
- Target 13.3: Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning

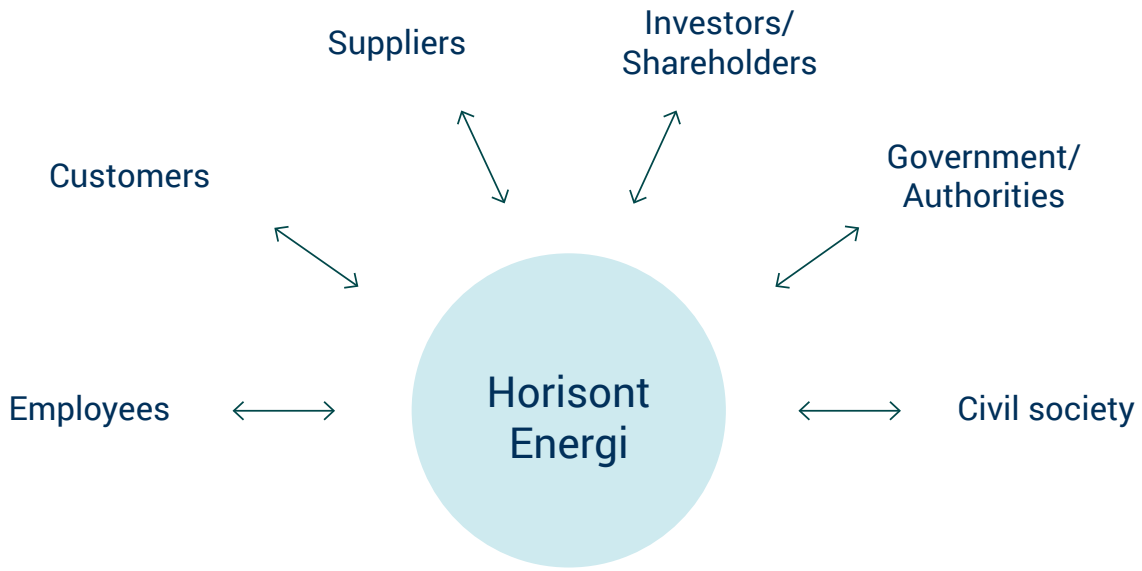
Stakeholder dialogue

Horisont Energi will seek to maintain an ongoing and systematic dialogue with key stakeholders on topics related to sustainability and the impact of our operations. Systematic stakeholder dialogue and regular ESG reporting are key tools to ensure the company operates within the expectations of its stakeholders, builds trust and maintains a license to operate. The first stakeholder dialogue for Horisont Energi was undertaken in 2021, where representatives from key stakeholder groups were interviewed about their expectations towards Horisont Energi's work and reporting on sustainability topics.

Other key inputs to ongoing and systematic stakeholder dialogue with key stakeholder groups are:

- Employee surveys
- Customer surveys and customer dialogue
- Community grievance mechanisms
- Whistleblowing channel

On the company and project level, environmental impact assessments and sustainability risk assessments are also a key input to our sustainability work, and the factual and quantitative basis upon which we base our decisions.

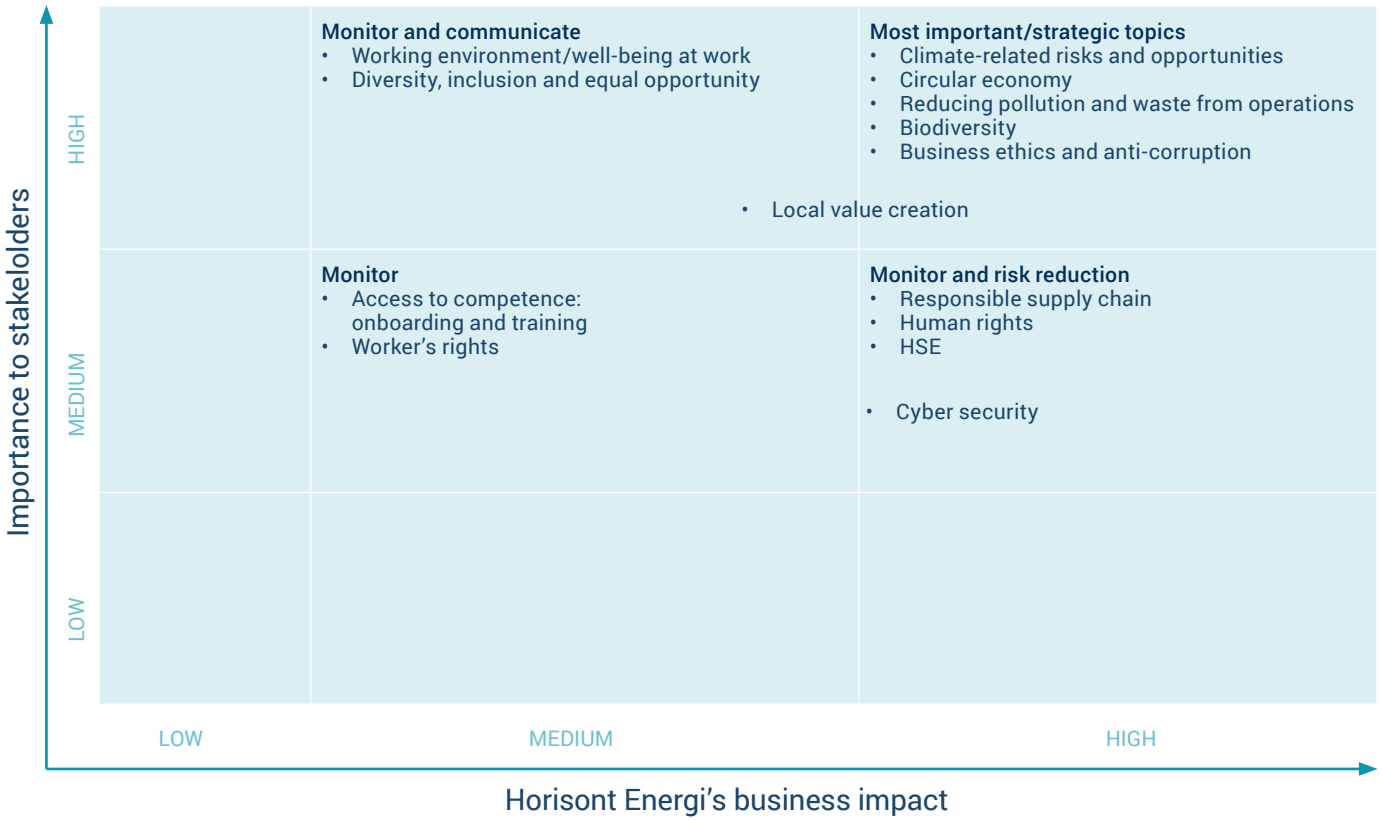


Materiality assessment

Based on stakeholder dialogue and impact assessments, Horisont Energi will prioritise its strategic sustainability work based on an updated materiality assessment. The materiality assessment should be updated whenever the company strategy, the sustainability context in which we operate or our defined business areas significantly changes and should be reviewed at least every 3 years.

The first materiality assessment for Horisont Energi was undertaken during the fall of 2021 based on the first round of stakeholder dialogue.

Based on the stakeholder input and priorities, as well as an assessment of Horisont's impact, the materiality of each suggested sustainability topic was considered. The results are presented in the below materiality matrix, with topics considered material for Horisont in the upper right section.



List of material topics:

- Climate change
- Circular economy, waste and pollution
- Biodiversity
- Well-being at work
- Business ethics and anti-corruption

Our Sustainability Roadmap

We have developed a Sustainability Roadmap towards 2030, which sets out the actions we will take in the short, medium and long-term to achieve our sustainability ambitions and deliver material growth in a safe, sustainable and responsible way. We will review these actions regularly, taking account of portfolio changes, stakeholder expectations, technological advances, regulatory changes and other factors.

Our roadmap is ambitious and to achieve it will require that we collaborate with governments, customers, partners, associations and industry sectors to speed up the pace of the energy transition and deliver solutions at scale.

Short-term sustainability goals and targets

By end of 2023, Horisont Energi aims to achieve the following goals:

An investment decision will have been reached on Barents Blue realizing CO_2 injection of 2 mill tons/year

- By mid-2022, Horisont Energy will have reached concept selection for its flagship project Barents Blue plant and by end of 2023, an investment decision to proceed with the construction of the plant will have been made.
- The first phase of the construction of Barents Blue will be financed through a combination of equity, debt and government support-schemes.
- Barents Blue will have been notified as a project admitted into the European Union's IPCEI Hydrogen program.

Horisont Energi will have expanded its CCS project portfolio on the NCS for a storage capacity of 100 million tons equity

- Horisont Energi and partners will have received an approval for the Polaris license application
- Horisont Energi will have submitted an application for operatorship of at least one additional reservoir on the NCS
- Horisont Energi aims to work in close collaboration with other industry players and the Norwegian authorities to ensure that the regulatory conditions are supportive of a thriving, innovative and cost-competitive clean ammonia and CCS industry in Norway.
- Signed agreements for storage of 3-5 million tons CO_2 per year.

Horisont Energi will have implemented a sustainability framework

- Processes for conducting life-cycle assessments for projects will be introduced
- All relevant policies and work processes for employees, suppliers and partners will be in place, including Suppliers' Code of Conduct
- Training of staff in relevant processes will have been initiated
- ESG will have been adopted as a screening criterion for every investment decision and into ERM (risk management)
- The company will initiate ESG reporting from 2021 based on established international reporting standards
- The company will build a pluralistic organization with a diverse workforce in an engaging working environment
- The company will be an engaged corporate citizen that takes social responsibility in the communities where we operate.

Mid-term sustainability goals and targets

In 2026, Horisont Energi aims to have achieved the following goals:

Barents Blue will have initiated production of clean ammonia

- Over the course of 2026, Barents Blue's train 1 will be operational, gradually increasing production to reach 400.000 tons (Horisont Energi's share) of clean ammonia per year.
- The Polaris storage complex will have demonstrated, with reasonable certainty, adequate capacity for 2 trains from the ammonia plant (i.e. 4 million tons CO_2 per year over 25 years)
- The plant will have been constructed according to circular economy principles as far as practically possible.
- Barents Blue will have top quartile HSEQ culture, with zero high impact incidents.
- The plant will have created approximately 75 jobs and will be viewed as an attractive employer with a strong positive impact on the local community in Hammerfest, Northern Norway. Diversity will be a criteria when hiring.

Horisont Energi will have been granted operatorship for several new reservoirs on the NCS

- Horisont Energi will have been granted operatorship by the Norwegian regulatory authorities for storage capacity of 200 million tons on the NCS.
- Signed agreements for storage of 10 million tons CO_2 per year from third-party customers in Europe.

Ambitions for negative emissions

- Together with relevant partners, Horisont Energi will be a driving force in developing a commercial and regulated carbon marketplace for trading of carbon removal credits in Europe
- One full scale project sanctioned

Horisont Energi will be actively reducing its environmental footprint and aims to be carbon-neutral by 2026 in its own operations / value chain

- Horisont Energi will have introduced climate accounting for all its operations
- We will have developed Science-Based targets, setting targets to reduce Scope 1,2 and 3 GHG emissions
- EU taxonomy goals climate goal for hydrogen production and production of anhydrous ammonia – 70% lower than the taxonomy requirements (per carbon footprint (kg CO_2e /kg NH3 produced and per kg CO_2 stored))
- 50gr/kg ammonia equivalent
- And less than 50g CO_2e/kg ammonia for Scope 1 and Scope 2 and LCA CO_2e footprint combined

Horisont Energi will actively engage our organization across all levels and functions in our sustainability work

- Training and awareness program for all employees with focus on continuous improvements in safety and sustainability
- Ensure a digitally supported management system is in place to enable safe and secure operations and reduce the risk of unwanted incidents
- Implement data security and data protection measures through technological and human factors and trainings

Horisont Energi will maintain dialogue with the society where we operate to share best practices, knowledge and awareness on sustainable business practices

- The company will share educational content on climate change, CO_2 emissions and the long-term storage of CO_2 as a climate solution.
- Horisont Energi will have in place mechanisms to receive feedback from the local communities about expectations, grievances and opportunities.
- Support for at least one project every year that has a strategic relevance for our organization in the broader perspective and the opportunity to make a positive contribution to societies where we operate.

Long-term sustainability goals and targets

By 2030, Horisont Energi aims to have achieved the following goals:

Barents Blue will be producing 2 million tons of clean ammonia per year and will be a global model for best practice clean ammonia plants

- By 2030, Horisont Energi's flagship project Barents Blue will have scaled up capacity with the initiation of the project's train 2, producing approximately 2 million tons of clean ammonia per year.
- The plant will have 99% CO_2 capture rate, zero pollution, light, or noise, and market-leading, energy-efficient operations.

Horisont Energi will have added new clean energy projects to its portfolio, in partnership with leading European energy companies

- The company will have at least one green ammonia project underway in Norway, based upon electrolysis using wind power, hydrogen from various green feedstocks, as well as new and alternative technologies in green ammonia production.

Horisont Energi has equity storage capacity of up to 500 million tons reservoirs on the NCS, having successfully made CCS commercially viable

- The Polaris reservoir will have reached operational excellence and proven the expected flow pattern.
- Horisont Energi will have doubled the annual injection volumes from 2026 targets of third-party CO_2 for commercial storage.
- Horisont Energi will report publicly on its achieved negative emissions according to renowned reporting schemes for Scope 4 emissions[1].

Horisont Energi will be carbon-neutral energy company by 2030

- Net-zero emissions for scope 1, 2 and 3.

Horisont Energi will be the preferred partner and employer in the communities where we operate

- The company will have created more than 100 jobs in the communities where we operate.
- We will maintain our zero-accident track-record.
- Sustainability and safety culture will be implemented and measured on all levels in the company – making Horisont Energi an attractive employer with employee well-being and belonging at the heart of our organisation.

1) Scope 4 is not yet established as a formal form for reporting.

Targets, activities and results 2021

Sustainability governance

Horisont Energi manages all its business activities through its Business Management System (BMS) which contains the company's management documents and policies, its core business processes and supporting processes and procedures.

The core processes in the BMS relevant to managing sustainability and impact are:

- Strategy and objectives
- Enterprise risk management
- Management review
- Sustainability strategy

Supported by the relevant policies and procedures, including:

- Code of conduct
- ESG Policy
- HSEQ Policy
- Audit and verification plan
- Emergency preparedness plan
- Employee handbook
- Stakeholder management plan
- Compliance register
- Modern Slavery Statement

How we develop our projects

When we develop our projects, we aim to set the standard for blue hydrogen and ammonia. Our clear goal is to develop the most carbon and energy efficient plant in the world, which means we must focus on sustainable solutions and circular practices in design from the drawing board to the end of life for our projects. Processes for conducting life-cycle assessments for projects will be introduced to ensure we and our suppliers can meet our ambitions for circular economy, climate neutrality and zero emissions.

Climate

Climate action by capturing and storing CO_2 and supplying clean energy is a part of our mission as a company – paving the way to a carbon neutral future. Horisont is contributing to creating new industry based on Hydrogen and ammonia and we are looking to remove and store 12 million tons of CO_2 per 2030.

Horisont Energi will introduce climate accounting for all its operations, and is currently reporting on Scope 1, Scope 2 and a limited Scope 3 for its business operations located in Sandnes, Norway.

GHG Emissions

Scope 1: Not applicable
Scope 2: Not applicable
Scope 3: For 2021 we have no Scope 1 and 2 emissions due to the fact that Horisont Energi is in the startup phase and our organization works from leased offices which means that electricity is accounted for as Scope 3 emissions. The company has no direct Scope 1 emissions from onsite combustion. We expect the emissions and sources of emissions from our operations to change as the company grows and develops.

GHG Scope & Category		2021 GHG Emissions (tCO_2e)
Purchased goods and services	Scope 3 Upstream Category 1	2 243
Upstream transportation and distribution	Scope 3 Upstream Category 4	3 019
Total	**Scope 3**	**5 262**

Greenhouse gas (GHG) emissions (in CO_2-equivalents) calculated and validated by Variable AS (https://variable.co), in accordance with the GHG Protocol.//

Pluralistic and safe workplace

To us, diversity is a goal in itself, as well as a key enabler for the level of innovation and performance that we seek to deliver. To be able to deliver on our sustainability and safety goals, with a zero vision for incidents and serious accidents, we need to go beyond merely a safety culture, and build a “sustainability culture” across all levels of our organisation.

In 2021 the company had 20 employees. The employee turnover was 0 and the absence due to illness was 0,5 percent. The company recorded 1 Lost Time Injury (LTI) in 2021. There were no serious work related accidents resulting in deaths or permanent injury in 2021. The company has not been involved in any legal proceedings regarding working environment in 2021.

In 2021 Horisont Energi employed 20 people. Based on the Norwegian Activity Duty for employers (Aktivitets- og redegjørelsesplikten, ARP), the company is reporting the following employee data for 2021:

Location	No. of employees 2020	Payroll (NOK million) 2020	No of employees 2021	Payroll (NOK million) 2021
Norway	11	4.55	19	13.5
Women	27%	0.82	37%	3.6
Men	73%	3.73	63%	9.9

Part-time employees, turnover and parental leave

	2020 (as per 31.12)			2021 (as per 31.12)		
	Men	Women	Total	Men	Women	Total
ORGANISATION						
Permanent employees	8	3	11	12	7	19
Temporarily hired	0	0	0	0	0	0
Part time employees	1	0	0	1	0	0
NEWLY HIRED						
Total number of newly hired employees	NA	NA	NA	4	4	8
EMPLOYEE TURNOVER						
Number of employees who have left the company	0	0	0	0	0	0
PARENTAL LEAVE						
Number of employees on parental leave	0	0	0	0	0	0

Breakdown of employees and board members by gender

	2020		2021	
	Men	Women	Men	Women
Organisation total	8	3	12	7
Board of Directors	3	0	5	0
Executive level management	5	1	5	1
Non-executive level management	0	0	0	0

Breakdown of employees and board members by age

	2020			2021		
	Under 30	30-49	50+	Under 30	30-49	50+
Organisation total	2	2	7	2	10	7
Board of Directors		1	2		1	4
Executive level management		1	5		1	5
Non-executive level management	0	0	0	0	0	0

Business ethics and Anti-corruption:

Horisont Energi does not tolerate and works against corruption in all its forms. We do not offer, give, accept, request or receive bribes or other improper advantages, whether directly or indirectly, for business or private gain, whether for ourselves or for others.

In 2021, there were no reports of breaches to the code of conduct and no reported incidents of suspected corruption. The company has not been involved in any legal proceedings concerning business ethics.

The company Whistleblower Policy will apply in cases where an employee genuinely and in good faith believes that one of a set of circumstances is occurring, has occurred or may occur within the Company. These policies are stated in the Employee Handbook document no HE-A-3001-PY and Code of Conduct document no HE-S-1005-PY.

Horisont Energy and the EU taxonomy

The EU taxonomy is a classification system, establishing a list of environmentally sustainable economic activities, plays an important role in helping the EU scale up sustainable investment and implement the European Green Deal. The relevant EU taxonomy criteria will be implemented in project and plant design specifications from Horisont Energi. When in operations, the company will report on relevant technical criteria for each applicable technology:

- Manufacturing of Hydrogen
- Manufacturing of Ammonia
- Storage of Hydrogen
- Carbon transportation
- Carbon storage

In 2022, we will undertake a comprehensive Taxonomy assessment for all relevant projects and activities which will be subjected to a third-party independent review.

As part of our project planning and supplier screening process, the Significant contribution criteria, the thresholds given in the EU taxonomy as well as the “do no harm” principle guides our technology and supplier choices. The company shall seek to give preference to suppliers who can deliver on the EU taxonomy sustainability criteria.

To the General Meeting of Horisont Energi AS

Independent Auditor's Report

Opinion

We have audited the financial statements of Horisont Energi AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, and statement of cash flows for the year then ended, and 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 2021, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

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 laws and regulations 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.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the other information. The purpose is to consider if there is material inconsistency between the other information and the financial statements or our knowledge obtained in the audit, or whether the other information appears to be materially misstated. We are required to report if there is a material misstatement in the other information. We have nothing to report in this regard.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, 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 unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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 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

Stavanger, 20 April 2022
PricewaterhouseCoopers AS

Arne Birkeland
State Authorised Public Accountant

(2)

Board of Directors

As of 05.04.2022

Rob Stevens
Chairman Of The Board

Rob Stevens is VP Ammonia Opportunities at Saga Pure, facilitating clean ammonia energy investments. He started his career at Yara in product and technology development for fertilisers. During his time in Yara, he has held several management positions related to ammonia production and use (Netherlands, Qatar, Norway, Australia). He brought forward ammonia energy as a General Manager at Yara Pilbara, Western Australia. He executed the clean ammonia energy agenda as VP Technology Scouting and VP Ammonia Energy and Shipping Fuel at Yara HQ (Corporate Innovation, Climate Neutrality), ultimately contributing to the establishment of the Yara Clean Ammonia business unit.

Now, Rob Stevens is VP Ammonia Opportunities at Saga Pure, facilitating clean ammonia energy investments and chairman of the board for Horisont Energi. Rob Stevens is the President of the Ammonia Energy Association.

Mr. Stevens is a Dutch citizen residing in Norway.

Beatriz Malo de Molina Laborde
Board Member

Beatriz Malo de Molina has held various management and advisory positions, including Head of M&A at Orkla ASA, Investment Director at Kistefos Private Equity, Associate Principal McKinsey & Co., Executive Director and Business Unit Manager at Goldman, Sachs & Co. and Analyst at EY. Ms. Malo de Molina currently chairs the board of Crux AS and Dynea AS, both privately-held companies, and is a member of the board of Nel ASA and Electromagnetic Geoservices ASA, both publicly-traded companies, where she is Chair of the Audit Committee. Ms. Malo de Molina is Founder and board member of the Oslo Philanthropic Exchange.

Ms. Malo de Molina graduated summa cum laude and Phi Beta Kappa from Georgetown University in Washington, D.C., and holds a Master's Degree in Philosophy from the University of Oslo's Faculty of Law.

Ms. Malo de Molina is a Spanish citizen residing in Norway.

Øystein Stray Spetalen
Board Member

Øystein Stray Spetalen is an independent investor. He has previously worked as chief investment officer at Kistefos and as an investment manager at Gjensidige Forsikring. He is a board member of a number of listed companies.

Øystein Stray Spetalen holds a master's degree in civil engineering for the Norwegian University of Science and Technology (NTNU).

Mr. Spetalen is a Norwegian citizen residing in Norway,

Rolf Magne Larsen
Board Member

Rolf Magne Larsen was for many years head of exploration at Statoil (now Equinor). Heading the company's country risk management and social responsibility unit, he led the work of producing Statoil's first Sustainability Report making the company a global front runner within the area.

Following retirement from Statoil, Rolf Magne Larsen has been advising energy companies through his own company. Today he holds board positions at Wellguard and Dream Investment.

Mr. Larsen is a Norwegian citizen residing in Norway,

Dr. Gabriel Clemens
Board Member

Gabriel Clemens is the CEO of Green Gas, E.ON SE, and Managing Director of E.ON Hydrogen GmbH. He represents E.ON on the board of Horisont Energi.

Dr. Clemens has held a number of senior management and board positions with energy companies such as VSE, RWE and Essent in Germany and the Netherlands. He also has a consultancy background from McKinsey & Co. Dr. Clemens holds a PhD degree in electrical engineering from RWTH Aachen, Germany

Dr. Clemens is a Dutch and German citizen residing in Germany.

Horisont energi

Accelerating the transition to carbon neutrality
through pioneering projects.

Horisont Energi AS

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