SIEMENS energy

Annual report 2022

Siemens Energy AS
Org. nr. 915 826 946

siemens-energy.com

The annual report for Siemens Energy AS has been produced, audited, and signed in Norwegian language. This document in English language is a translation of the original.

ANNUAL REPORT 2022
Siemens Energy AS

Social responsibility and sustainability

Siemens Energy AG has a global energy capacity of over 92 000 employees, represented in less than 100 countries. Siemens Energy AS ("the Company") represents the Norwegian business located in Oslo, Trondheim, Bergen, Stavanger, Kongsberg and Bømlo. Siemens Energy AS in Norway supplies equipment, solutions and services for future transmission, industrial applications (including Offshore, Marine and Subsea) and Gas Services. At the end of the fiscal year the Norwegian business had 1 001 employees.

Sustainability is at the core of our business activities and expertise. "Ideas alone have little value. An innovation's importance lies in its practical implementation." said Siemens' founder Werner von Siemens. One sixth of the world's electricity is based on products and technology from Siemens Energy AG. Through innovation and technology, Siemens Energy AG contributes in solving the sustainability challenges, faced by society and our customers.

Siemens Energy AG has a goal of becoming climate neutral in its own business by 2030 and would like to meet 100% of its own power needs from green electricity by 2023. The Company contributes to the oil, gas and power industry in Norway through its innovative and emission-reducing solutions, which helps in reducing CO2 emissions. Electrification, electric shipping and digitization play an important role in the Company.

Siemens Energy AG owns 67% of Siemens Gamesa Renewable Energy AG ("SGRE") - one of the world's leading suppliers of windpower solutions. SGRE operates over 107 gigawatts of installed windpower capacity worldwide, which has enabled our customers to reduce their global CO2 emissions by around 300 million tons per year. In May 2022, Siemens Energy AG submitted a takeover bid to acquire the remaining shares in SGRE, delist it from the Spanish stock exchange and integrate it 100% into Siemens Energy.

Siemens Energy AS is obliged to report its due diligence assessments in accordance with the Transparency Act. As part of a global group, we have a particular responsibility to respect and safeguard human rights, both within the business and in business relationships in general. We have committed ourselves to ensure that the business is conducted in line with the OECD's guidelines for multinational companies and the UN's sustainability goals, Global Compact principles and guiding principles for business and human rights.

Our goal is to have an open and inclusive working environment for everyone regardless of ethnic origin, worldview, age, disability, gender, and sexual orientation, and we strive to ensure that all our employees have equal opportunities. The Company commits to follow collective agreements and minimum wage requirements and expects its suppliers to do the same.

Through our ethical guidelines (Code of Conduct), our suppliers are commited to follow high ethical requirements. The guidelines are based on the ten principles of the UN Global Compact, and set special requirements for the environment, work, and compliance across all countries. We work actively and continuously to identify risks in the supply chain through evaluations, remote audits, and audits at suppliers' locations.

More information about our due diligence assessments in accordance with the Transparency Act and how we ensure respect for basic human rights and decent working conditions can be found in the Sustainability Report (https://www.siemens-energy.com/global/en/company/sustainability.html) prepared by the Siemens Energy Group. Siemens Energy AS performs its due diligence assessments and decides on measures based on the guidelines and procedures mentioned in the Group sustainability report.

Business review

The positive trend in the oil and gas sector was challenged throughout 2020 due to the corona pandemic and lower oil prices, which led to several projects being postponed or cancelled. The strengthened oil price throughout 2021 and 2022. The expectations of higher demand generally has led to an increased demand for our services, which is expected to continue throughout 2023 and 2024.

The Company is also experiencing a strong aftermarket. The life cycle of existing installations is sought to be extended, probably driven by some uncertainty related to the consequences of the "green shift". Interest in digital solutions is still strong and growing, also in the aftermarket.

A sustained and strengthened demand to reduce emissions on a global basis means that the energy sector is also experiencing an increasing demand for sustainable and energy-efficient solutions, including the utilization of alternative energy sources for coal, oil and gas. This also affects Siemens Energy AS's operations in Norway, which in future will strengthen the Company's opportunities in new areas. Here, there are developments in electrification, hydrogen and offshore wind, which will be central themes.

The trend of zero-emission vessels in the marine sector in Norwegian waters continues in full force, with battery solutions, as well as the development of solutions for other energy sources and energy carriers such as hydrogen. There has also been a clear demand among power companies for solutions that replace the environmentally harmful greenhouse gas SF6 with technically clean air. Siemens Energy is the market leader for this area.

The market situation for new deliveries of rotating equipment to the oil and gas sector is still challenging and is expected to continue in the coming years. The Company's development of alternative environmental friendly fuel (e.g. hydrogen) for our turbines will be an important factor for new opportunities in this area going forward.

Technology development

Globally, Siemens Energy AG invests around EUR 1,2 billion annually in research and development, which includes almost 5 000 employees worldwide. In total, this has resulted in approximately 18 300 patents.

The Company is well positioned with a modern portfolio of solutions that address the market demand to cope with today's climate and environmental challenges.

In collaboration with the global organization, the Company develops solutions in power electronics, energy distribution, sensors for Subsea oil production, as well as automation and equipment packages for offshore installations, including control of platforms from land. The Company also develops diesel-electric and fully electric propulsion systems for ships and ferries that contribute to reducing fuel consumption and emissions. These battery and propulsion systems are delivered from the Company's fully digitized factory in Trondheim to both the Norwegian and the global maritime market. The Company also invests heavily in the development of digital solutions to streamline operations and reduce emissions from both installations and vessels in the offshore business. These are solutions that will also be made available to global market.

The increase in electricity consumption also entails the need to utilize the electricity grid more efficiently. The Company offers digital solutions to contribute to this and keeps working to further develop these solutions to better manage the energy infrastructure in Norway. In addition, the Norwegian and global market have a strong focus on the development within the area of alternative fuel (e-fuel) together with electrification that forms fertile ground for next-generation solutions.

The Company invests large sums annually in research and development, and it is a clear strategy for the Company that these funds are prioritized for solutions and products that will contribute positively to the environmental accounts. In the fiscal year 2022, the Company invested NOK 67,6 million in research and development.

Employees of Siemens Energy AS

Our values - Caring, Agile, Respectful and Responsible - are the foundation for our corporate culture. Our values and our culture are reflected in our behavior and indicate the direction in which we develop the Company. We have a strong focus on listening to our customers, quick and efficient decisions, openness and inclusion, as well as building strong partnerships.

The key to business success is our employees. In the fiscal year 2022, we have had a strong focus on the dialogue between manager and employee and on giving continuous feedback. At the same time, we seek to bring in new expertise in line with growing needs. Digitization of our work tools is an important factor in realizing the business strategy, and in building competence in IT, cyber security and digitalization. A key in this work is our managers who focus on change and development of their employees.

Throughout the year, Siemens Energy has prepared a major organizational change, aiming at emphasizing the focus on the customer and greatly simplifying the organizational structure. The number of levels in the organization has been reduced from twelve to a maximum of six, and in Siemens Energy AS the number of management positions has been reduced by 30%. There are no downsizings because of the structural change.

At fiscal year end, the Company had 1 001 employees, of which 18% were women. In addition, there were 7 apprentices in vocational training. The average age in Siemens Energy AS was 44,8 years. In fiscal year 2022 the Company had 20 part-time employees, of which 7 were women. We are not aware of any involuntary part-time work in the Company. There were 63 temporary employees, of which 14 were women. 16 of our employees took parental leave in 2022; 5 women with an average of 29 weeks, and 11 men with an average of 18 weeks.

Mapping of wage-differences
According to changes in the Norwegian Equality Act, gender differences in pay must be reported for Norwegian companies with more than 50 employees from and including the fiscal year 2021. The reporting is based on salary data as of 31 December 2021, and is based on the "Directorate for Children, Youth and Families" ("BUFDIR") guidance on activity and reporting obligations for employers. The survey was carried out for all employees in Siemens Energy AS who receive a monthly salary.

	Gender distribution		**Wage differences****	
Level*	**Women**	**Men**	**Sum of taxable benefits in kind**	**Sum of cash benefits*****
1	2	9	-	-
2	30	134	85,7 %	85,7 %
3	13	105	82,1 %	107,0 %
4	47	59	113,4 %	91,9 %
5	25	273	95,5 %	81,0 %
6	39	105	89,6 %	82,3 %
7	16	70	134,5 %	99,4 %
Sum	**172**	**755**	**91,7 %**	**82,4 %**

* Level 1: group management and CEO, Level 2: middle managers, Level 3: senior subject specialists, Level 4: administrative support functions, Level 5: senior engineers, Level 6: engineers, Level 7: production employees
** Women's share of men's wages is given as a percentage
*** Sum of cash benefits includes fixed salary, irregular supplements, bonus and overtime pay

For the calculation of wage and salary differences, we have looked at fixed salaries and various supplements, bonuses and benefits for the business year 2021. We have also assessed equal work and work of equal value by categorizing into different job levels. The design of the job levels is based on existing job categories in the business and an assessment of which jobs are included in the various levels. Siemens Energy uses Siemens AG's Global Reward Infrastructure Program (GRIP) as an evaluation tool for categorizing and grouping the positions in the business. Where there are five or fewer of each gender at each level, figures (-) are not reported, but they are still included in the total figures.

The analysis shows that cash benefits for women in 2021 were 82,4 % of total cash benefits for men at the total level. There were too few people in level 1 to include the figures in the statistics, but the differences in cash benefits were smaller between the sexes for this group than the average for the Company. The differences are relatively larger within the engineering groups (levels 5 and 6). In comparison to other groups, there are more male employees in this group who travel on site and commissioning work, where sometime large overtime bonuses are paid. We are an international, high-tech company with a full value chain and many specialized positions that cannot be directly compared across the business. Salary formation in the company is also affected by factors such as seniority, age, and education, which makes the work of identifying salary differences complicated even when deep dive into the data using statistical tools.

The results from the pay survey will be analyzed further by the company to map if and where there is any difference in pay between equivalent positions. We work systematically to ensure there are equal conditions for new hires. This year we have also carried out statistical analyzes to identify differences in the payroll that can be explained by gender. We have further used these analyzes in our ordinary salary settlement process and carried out an extraordinary salary review in the business units in spring 2022. Furthermore, we will set up a separate committee to assess our position structure, processes for salary determination and propose measures to correct any differences.

Inclusion and diversity
Siemens Energy AS continues to work on improving diversity in the organization as part of realizing our long-term strategy. In 2022, we have continued the strong spotlight on inclusion and diversity both globally and locally. Through systematic work, we want to promote equality and prevent discrimination due to gender, ethnicity, religion, belief, disability or sexual orientation, prevent harassment and ensure the inclusion of all groups. In Norway, our council for inclusion and diversity is an advisory body for the Company in this goal. We are continuing with the measures in our action plan within recruitment, development and learning and succession planning and appointments.

In 2022 we have increased the proportion of female managers from 18% to 22%, which is a big step on the way to our goal; 25% female managers by 2025. We have focused on assessing candidates of both sexes in all managerial appointments and this year 46% of all promotions have been women. Due to great competition on the labor market we have not been able to increase the share of female engineers, which now stands at 12%.

We have held six events in 2022 to raise awareness and build an inclusive culture with acceptance of diversity. We communicate in both English and Norwegian, which is in line with including employees with background in a foreign language. We also focus on inclusion and diversity by having it as a theme at general meetings. We participate in external networks to gather ideas that give us valuable insight into what others are working on, and which gives us confidence that we are moving in the right direction. The direction of the Company's diversity and inclusion efforts is firmly anchored within management. The Council for Inclusion and Diversity has, in collaboration with the management group, started an analysis of which specific challenges Siemens Energy AS has in the field of inclusion and diversity, and how we can best work with these. We have carried out an equal pay analysis which shows that the average salary for women is below the average salary for men. We will, together with representatives of our employees, set up a committee to assess our processes regarding salary determination and propose measures to correct any differences.

The start of 2022 was also marked by Covid-19, with continued extensive use of home offices. Despite the pandemic, we have managed to maintain high productivity, and employees and managers have shown great creativity and willingness to maintain business operations. In parallel, a #BetterTogether strategy has been developed, in which a framework has been established for how we are to organize work in a changed workday with a greater degree of flexibility. For us, it is important to facilitate the opportunity to combine work and family life, and our new strategy makes this possible to a greater extent. The office will still be the most important base for collaboration, but there is a greater flexibility with regard to where the work is carried out as long as this is in line with the Company's needs and is agreed between the manager and the employee. After the pandemic, the Company's various units have adapted their working patterns accordingly.

Health Safety and Environment
Siemens Energy AS focuses on a zero-injury philosophy to prevent accidents and ensure that no work-related injuries, illnesses, or accidents are ignored. We work continuously to prevent injuries and accidents. The safety of each employee is taken seriously by both the manager and the employees themselves.

The Company's injury ratio (number of lost-time injuries per million hours worked) amounted to 1,6 in 2022 compared to 0,5 in 2021. In 2022, 3 injuries resulted in sick leave with absence, one of which led to a longer period of sick leave. Absence due to sickness in the financial year 2022 was 3,3% for the Company, while it was 2,7% in 2021. The increase, mainly during the winter months, was mainly due to the reopening after Covid-19.

The Company causes no direct pollution of the air, water or soil, and generally uses few polluting chemicals in its production. The Company is a member of Renas and Batteriretur, which handle returned electrical and electronic items. The Company is also a member of Grønt Punkt, which handles recycling schemes for several types of packaging.

Income Statement review
During the financial year 2022, Siemens Energy AS signed contracts worth NOK 3 684 million, compared with NOK 3 724 million in 2021. In total, the Company shows a reduction in incoming orders of 1,1% in 2022. The decline is mainly due to postponed projects. The business year ended with an order reserve in the Company of NOK 3,923 million.

Total sales revenue in 2022 ended at NOK 3,125 million, an increase of NOK 80,9 million or 2,7%, compared to the previous financial year. The increase in sales revenue is primarily the result of a stronger aftermarket. The operating result in 2022 was NOK 102,5 million, NOK 54,2 million higher than in 2021. The annual result after tax in 2022 amounted to NOK 80,9 million, an increase of NOK 38,0 million compared with NOK 42,9 million in the previous fiscal year.

The Board of Directors supports the measures taken to develop the Company in line with market changes and better results. The Board would like to thank all employees for their dedication and efforts in a challenging year.

Financial conditions
Equity as of 30 September 2022 amounts to 11,8% of the total balance sheet. The Company has adequate equity and satisfactory liquidity.

Because of its international operations, the Company faces a currency risk regarding the value of future cash flows and balance sheet positions in foreign currencies. The risk is handled through Siemens Energy Global GmbH & Co. KG, which manages the currency risk for the entire Siemens Energy Group and serves as a counterparty to the Company's foreign exchange contracts.

The Company's financing is carried out through the Siemens Energy Group's internal bank and external bank. As of 30 September 2022, the Company has a commitment of NOK 36,4 million to Siemens Energy AG concerning the Group cash pooling facility. The balance on the external account amounted to NOK 92,9 million. As of 30 September 2022, the board sees low risk related to the Company's future liquidity situation.

Cash flow
Cash flow from operations in 2022 amounted to NOK 268,7 million, an improvement of NOK 9,2 million from the previous year. The Company is part of a Group cash pooling system. The Company's available funds in this system are not defined as cash, but as current receivables in the Group cash pooling facility. In practice, these funds can be regarded as deposits.

Insurance coverage Board of Directors
Siemens Energy AG has taken out a global directors' liability insurance that covers possible claims that may arise against the Board or its members as a result of their position. The insurance basically covers the Company's liability towards third parties and the liability towards Siemens Energy AS as an employer.

Continued operations
The Board of Directors confirms that the basis for continued operations is present, cf. Section 3-3a of the Norwegian Accounting Act. The annual financial statements are presented based on the going concern assumption and in the view of the Board of Directors present a true and fair view of the Company's development and results for the financial year and its financial position as of 30 September 2022.

Allocation of the result for the year
In the financial year 2022, Siemens Energy AS achieved a result of NOK 80,9 million after tax. The Board of Directors proposes the following allocations (in NOK million) from the accounts for the year to the annual general meeting:

Transferred to other equity	80,9
Result for the year	80,9

Oslo, 06.12.2022
The board of Siemens Energy AS

Joakim Lagerholm chairman of the board	Bjørn Einar Brath member of the board/General Manager	Elin Nyblom member of the board
Gunnhild Konstanse Hoff member of the board	Erlend Ingebrigtsen Grande member of the board	Hans Ove Aunan member of the board

STATEMENT OF COMPREHENSIVE INCOME

Siemens Energy AS

01.10. - 30.09. **(Amounts in 1 000 NOK)**	**Note**	**2022**	**2021**
Revenue	2	3 124 807	3 043 934
Other operating revenue	3	37 562	42 681
Total operating revenue		**3 162 369**	**3 086 616**
Cost of sales	4	1 273 851	1 256 331
Payroll expenses	5	1 198 220	1 172 483
Depreciation and amortisation	6, 7, 8	89 815	97 254
Bad debts	9	-5 481	1 199
Other expenses	5, 10	503 486	511 105
Total expenses		**3 059 891**	**3 038 372**
Operating profit		**102 478**	**48 243**
Net interest and other financial income	**11**	**1 512**	**6 317**
Profit before tax		**103 990**	**54 560**
Income tax expense (-) / income (+)	12	-23 128	-11 702
Net profit for the year	**13**	**80 862**	**42 858**
Items that cannot be reclassified through the income statements of later periods			
Items that may be reclassified through the income statements of later periods			
Change in the fair value of hedging instruments related to cash flow hedges	14	-30 906	13 993
Tax related to items that can be reclassified	12	6 799	-3 079
Total other revenue and expenses	**13**	**-24 107**	**10 915**
TOTAL COMPREHENSIVE INCOME		**56 755**	**53 773**

BALANCE SHEET
Siemens Energy AS

Assets as of 30.09. (Amounts in 1 000 NOK)	**Note**	**2022**	**2021**
Non-current assets			
Goodwill		223 839	223 839
Total non-current intangible assets	**6**	**223 839**	**223 839**
Right-of-use assets	7	108 016	154 181
Land, buildings and other real estate	8	87 724	94 137
Plant and machinery, and plant under construction	8	56 472	57 153
Fixtures and fittings, equipment and tools	8	20 209	30 395
Total non-current tangible assets		**272 421**	**335 867**
Deferred tax assets	12	56 967	73 296
Long-term subleasing receivables	7	25 623	29 073
Other non-current receivables	14, 15	6 919	7 583
Total non-current financial assets		**89 509**	**109 952**
Total non-current assets		**585 769**	**669 658**
Current assets			
Inventories	**4**	**221 257**	**174 128**
Accounts receivables	9, 14	334 806	437 053
Other current receivables	14, 17	324 445	245 343
Short-term subleasing receivables	7	14 144	15 210
Other current receivables from Group companies		550	0
Total receivables		**673 945**	**697 606**
Cash and deposits	16	92 866	72 877
Total current assets		**988 068**	**944 611**
Total assets		**1 573 837**	**1 614 269**

BALANCE SHEET

Siemens Energy AS

Equity and liabilities as of 30.09. (Amounts in 1 000 NOK)	**Note**	**2022**	**2021**
Equity			
Share capital		87 877	87 877
Share premium reserve		18 831	18 831
Other equity		78 654	21 899
Total retained earnings		**78 654**	**21 899**
Total equity	**13**	**185 362**	**128 608**
Liabilities			
Pension premium / liabilities	18	2 043	2 739
Total provisions for liabilities		**2 043**	**2 739**
Long-term lease liabilities	7	159 625	206 825
Other non-current liabilities	14, 19	135 342	104 147
Total non-current liabilities		**294 967**	**310 973**
Trade payables	14	235 038	223 991
Public duties payable		68 051	84 284
Short-term lease liabilities	7	61 206	55 251
Advances from customers	14	46 902	37 465
Guarantee provisions	25	31 635	35 215
Current liabilities to Group companies	14, 16	38 799	101 477
Other current liabilities	14, 20	609 834	510 651
Accrual for Group contributions		0	123 615
Total current liabilities		**1 091 465**	**1 171 950**
Total liabilities		**1 388 475**	**1 485 662**
Total equity and liabilities		**1 573 837**	**1 614 269**

BALANCE SHEET

Siemens Energy AS

Oslo, 06.12.2022
The board of Siemens Energy AS

Joakim Lagerholm chairman of the board	Bjørn Einar Brath member of the board/General Manager	Elin Nyblom member of the board
Gunnhild Konstanse Hoff member of the board	Erlend Ingebrigtsen Grande member of the board	Hans Ove Aunan member of the board

CASH FLOW STATEMENT

Siemens Energy AS

01.10. - 30.09. (Amounts in 1 000 NOK)	Note	**2022**	**2021**
Cash flows from operating activities			
Profit before tax		103 990	54 560
Ordinary depreciation/amortisation	6, 7, 8	89 815	97 254
Loss/gain on disposal of leases	7	-123	-3 478
Loss/gain on disposal of fixed assets		-3 216	578
Changes in inventory, acc. receivable and acc. payable	4, 9	66 165	217 191
Differences between expensed pensions and contributions/		16 894	0
disbursements in pension schemes	18	-696	-926
Changes in other accruals	6, 16, 19	-4 086	-105 608
Net cash flow from operating activities		**268 743**	**259 571**
Cash flows from investing activities			
Proceeds from sale of tangible assets		414	0
Acquisitions of tangible assets	8	-19 718	-6 672
Cash collections of subleasing receivables	7	14 749	13 280
Net cash flow from investing activities		**-4 555**	**6 608**
Cash flows from financing activities			
Change in intra-Group balances in Group cash pooling system	16	-62 678	-156 183
Repayment of lease liabilities	7	-57 906	-70 045
Payment of Group contributions		-123 615	-112 852
Net cash flow from financing activities		**-244 199**	**-339 080**
Net change in cash and cash equivalents		**19 989**	**-72 901**
Cash and cash equivalents at 01.10.		72 877	145 778
Cash and cash equivalents at 30.09.		**92 866**	**72 877**

Note 1 Accounting principles

General

The Company prepares the annual accounts in accordance with Section 3-9 of the Norwegian Accounting Act and the Regulation on simplified application of International Financial Reporting Standards (IFRS) established by the Ministry of Finance on 3 November 2014. This in principle entails that recognition and measurement follow International Financial Reporting Standards (IFRS) and the presentation and disclosures in the notes are in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

The annual accounts consist of the statement of comprehensive income, balance sheet, cash flow statement and disclosures in the notes. The annual report and financial statements consist of the report from the Board of Directors, financial statements and auditor's report.

Siemens Energy AS uses a non-calendar financial year that runs to 30 September. All figures are stated in thousands of NOK, unless otherwise specified.

Simplified IFRS

The Company has made use of the right to deviate from the measurement and recognition rules in Section 3-4 of the regulations on simplified application of IFRS by accounting for dividends and Group contributions in accordance with the provisions of the Norwegian Accounting Act. Apart from this, the Company has not applied any simplifications from the recognition and valuation rules in IFRS.

Basis for preparation of the annual accounts

The Company accounts have been prepared under the historical cost convention, with the exception of the following accounting items: Financial instruments at fair value through the income statement, financial instruments available for sale that are reported at fair value. Dividends are recorded in the period when they are adopted.

Currencies

Foreign currency transactions are translated using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated to NOK at the exchange rates on the balance sheet date. Non-monetary items that are recorded at historical exchange rates expressed in foreign currency are translated to NOK using the exchange rate prevailing on the transaction dates. Non-monetary items that are recorded at fair value expressed in foreign currency are translated using the exchange rates determined on the balance sheet date. Exchange rate fluctuations are recognised in the income statement on an ongoing basis and are presented in the accounts as financial income or financial expenses.

Principles for revenue recognition

General

Revenue recognition is based on the fundamental principle that companies must recognise revenue so that the expected remuneration is recognised according to a pattern which reflects the transfer of goods or services to the customer. Sales revenues are disclosed net of value added tax and discounts. Revenue from sale of goods is recognised when the delivery liabilities have been fulfilled, i.e. when control of the contracted goods or services has been transferred to the customer. On the sale of services and long-term manufacturing projects, control is transferred over time, and income is recognised in step with deliveries to the customer. See the separate section concerning accounting of long-term manufacturing contracts. Interest income is recognised on the basis of the effective interest method as it is earned.

Long-term manufacturing contracts

Siemens Energy AS' activities mainly consist of ongoing projects with a duration ranging from a few months to three or four years. Revenues and expenses are recognised through the income statement based on the percentage of completion of the project. This is calculated as the expenses accrued as a percentage of the total estimated expenses. Expenses and profit are estimated on an accruals basis and the percentage of completion is updated for each accounting period, which at Siemens Energy AS means on a monthly basis. In the event of doubt, a best estimate is used.

The relevant share of the expected profit is recognised through the income statement on an accruals basis using the best estimate principle. The profit for individual projects is estimated each month prior to recognising the accrued share of the expected profit. For projects that are expected to result in a loss, the entire loss is charged as soon as it is known. Balance sheet items related to manufacturing contracts are presented as gross amounts in the balance sheet. Contract income which has not been billed is shown as contract assets under other receivables.

Expenses in manufacturing contracts that, as of the balance sheet date, are not included in the calculation of the percentage of completion, are carried as an asset in the balance sheet under other receivables. Advance invoicing is calculated as the accrued income in the contract less invoicing. Advance invoicing of contracts is presented as a contract liability under other current liabilities and is not netted against other receivables.

When they are signed, additional orders that are not deemed to be a separate contract are taken into account in the contract's planned revenue. For projects where there is an liability to continue working, expenses incurred on unsigned, but probable, additional orders are recognised temporarily as an asset in the balance sheet. If there is significant uncertainty regarding a customer's solvency, costs are recognised as they are accrued and revenue is only recognised when payment has been received.

Provisions are made for guarantee work and other areas of uncertainty. Past experience tells us that for some projects, disagreement with the customer may arise with regard to the interpretation of contracts and additional work. In such cases, claims and counter-claims are made which are usually settled through negotiation, court cases or arbitration. These cases are included in the accounts at best estimate.

Other contracts
For projects that are not defined as long-term manufacturing contracts, the "completed contract method" is applied to income recognition. Accrued costs are then capitalised as contract assets under other receivables and are recognised together with revenue when the customer gains control of the product or service.

Service contracts
Service contracts are recognised as the services are provided.

Borrowing costs
Borrowing costs are recognised as an expense when incurred. Borrowing costs are capitalised to the extent that they are related directly to the production of a fixed asset. Interest expenses accrue during the construction period of the fixed asset and the asset is recognised in the balance sheet. Borrowing costs are capitalised until the date on which the fixed asset is ready for use. If the cost price exceeds the fair value of the fixed asset, the value will be written down.

Classification of balance sheet items
Assets and liabilities relating to the business cycle, and items that fall due for payment within one year of the balance sheet date, are classified as current assets or current liabilities. Current assets and current liabilities are measured at the lower/higher of cost and fair value. The fair value of current assets is defined as the estimated future selling price less the anticipated cost of disposal. Other assets are classified as fixed assets. Fixed assets are valued at cost.

Fixed assets with a limited useful life are depreciated over their expected useful life. Fixed assets are written down to fair value in the event of a reduction in value that is not expected to be temporary. Write-downs are reversed if the reason for the write-down no longer exists.

Receivables
Accounts receivable are valued at their face value at the balance sheet date less provisions for estimated losses. The Company uses the simplified write-down model to calculate expected credit losses over the useful life of accounts receivable, contract benefits and leasing receivables.

Inventories
Inventories of purchased goods are valued at the lower of average cost or expected net selling price. Obsolete goods are written down to expected future selling price. Raw materials and goods in process, as well as work in progress, are booked at the lower of the complete manufacturing cost or expected net selling price. The manufacturing cost includes direct and indirect costs, including the share of fixed manufacturing costs.

Use of estimates
On preparing the financial statements management are required to make judgements, estimates and assumptions when applying the Company's accounting principles. Even though the estimates are based on management's best judgement at the relevant time, the actual results may deviate from these estimates and underlying assumptions. Larger estimates relate to risk provisions on projects, determining useful lives for

possession of non-current tangible and intangible assets, as well as recognised provisions, and on determining pension liabilities. The basis for the estimates is described in more detail in these accounting principles and elsewhere in the pertinent notes to the annual accounts.

Contingent outcomes
Contingent losses that are more likely than not and measurable are expensed.

Forward currency contracts
Siemens Energy AS hedges cash flows from contracts signed in foreign currency as part of its risk management strategy. Forward contracts are measured at fair value on the balance sheet date. The effectiveness of the hedging is monitored continuously and documented in accordance with the rules for hedge accounting. If the requirements for the use of hedge accounting are no longer met, the hedged item and the hedging instrument are measured separately using the relevant accounting rules.

When hedging cash flows (Cash Flow Hedge Accounting) unrealised gains and losses on the hedging instrument are recognised in equity. Deferred tax on the provision is recognised directly in equity. Fair Value Accounting is used for other hedging contracts. Unrealised gains and losses on the hedging instrument are recognised through the income statement on a monthly basis.

Tangible and intangible fixed assets
Tangible and intangible assets are measured at cost less accumulated depreciation and write-downs. Tangible and intangible assets are assessed at the lower of cost and fair value. Plant and equipment with a useful life of less than three years or a cost price of under NOK 15 000 are expensed in the acquisition year. Costs relating to normal maintenance and repairs are expensed as they arise under operating expenses. The cost of significant improvements to an asset, which are expected to increase future value and profit, are capitalised and depreciated over the anticipated useful life of the asset. Assets are depreciated on a straight-line basis over their useful lives, starting from the date on which they were first put into use.

Development costs are capitalised to the extent that a future economic benefit associated with the development of an identifiable intangible asset can be identified and the costs can be measured reliably. Otherwise, such costs are expensed as they are incurred. Capitalised development costs are depreciated on a straight line basis over their useful lives. Research costs are expensed as they are incurred.

Lease contracts
Siemens Energy as lessee
IFRS 16 Leases requires the lessee to recognise lease agreements in the balance sheet so that the value of the right-of-use asset and the corresponding lease liability are shown in the balance sheet. The lease liability is measured at the present value of the lease payments, and the right-of-use asset is derived from this calculation. Upon subsequent measurement, the right-to-use asset shall be depreciated, while the lease liability is reduced by instalments. Leases that fall under the definition of ”low value assets” are not recognised in the balance sheet. For short-term leases where the non-cancellable lease period is less than 12 months, lease expenses are also recognised directly in the income statement.

Several of the Company’s leases include other services and components, such as communal costs, fuel and taxes. Non-lease components are separated from the lease agreement and recognised as an operating expense in the income statement.

In order for an agreement to fall within the requirements of IFRS 16, the agreement must meet the definition of a lease, including that the assets must be identifiable, and the lessee must have the right to control the use of the assets in a given period. Significant agreements in Siemens Energy AS mainly relate to leases associated with buildings other real estate and vehicles that will be included in the standard.

Several Siemens Energy leases include options for extension or termination. It is the non-cancellable lease term that forms the basis for the lease liability. The period covered by the extension or termination option is shown if the extension options are considered reasonably certain to be exercised.

The present value of the lease payments shall be discounted by the lessee's marginal borrowing rate when the implicit interest rate for the lease agreement cannot easily be determined. The method for determining the Company's marginal borrowing rates is applied consistently and reflects

1. The borrowing rate for the asset class in question and

2. The length of the lease term

Siemens Energy AS as sublessor
For contracts where Siemens Energy is the lessor, each individual lease agreement is classified as either an operating lease or a finance lease. A lease agreement is classified as a finance lease if it substantially transfers all the risks and benefits associated with ownership of an underlying asset. A subleasing agreement is regarded as a finance lease if the asset, or parts thereof, is subleased for the majority of the remaining lease term in the main agreement.

Siemens Energy has several subleasing agreements that are classified as finance subleasing agreements. Upon recognition, a proportion of the right-to-use asset, which is subleased, is derecognized and a subleasing receivable is recognised. Gains and losses upon recognition are presented in the result as other financial income or expenses. The subsequent measurement presents subleasing income in the result as interest income and reduced amortisation of the right-to-use assets.

For operating leases, the Company recognises lease payments as other operating income.

Pension costs and pension liabilities
Siemens Energy AS has a defined contribution-based occupational pension scheme (defined contribution plan) for its employees. The pension cost for the period consists of paid contributions and employer's contributions. The contribution level is 5% of the pension base up to 7.1G plus 13% of the pension base up to 12G.

Employees' options and share programme
Siemens Energy AG, the parent company of Siemens Energy AS, has issued stock awards to staff in seniormanagement positions at Siemens Energy AS. In addition, all employees may participate in a savings agreement related to the purchase of Siemens Energy AG shares. For every three shares that the employee purchases, Siemens Energy AS will give one share. Both of these options are measured at fair value on the date of issue. The fair value on the date of issue is expensed on a straight-line basis over the duration of the option.

Government grants
Government grants are recognised as deferred income at fair value when there is reasonable assurance that the conditions for the grant will be complied with, and that the grant will be disbursed. Grants that become receivable as compensation for expenses on an ongoing basis are systematically recognised in the income statement for the period in which the expenses are recognised. Grants in which the Group is compensated for the acquisition cost of an asset are recognised in the income statement over the useful life of the asset.

Tax expense
Taxes consist of tax payable and changes in deferred tax. Tax payable is calculated on the basis of the profit or loss for tax purposes. Changes in deferred tax are calculated on the basis of changes in taxable and tax-deductible temporary differences.

Group contributions
Group contributions are recognised in accordance with the rules of the Norwegian Accounting Act. This means that Group contributions are recognised as an accrual in the balance sheet.

Cash flow statement
Siemens Energy AS uses the indirect model for presentation of the cash flow statement in accordance with Simplified IFRS for cash flow statements. The indirect model shows gross cash flows from investing and financing activities, while the accounting profit is reconciled with the net cash flow from operating activities. Siemens Energy AS participates in a Group corporate cash pooling system, in which the funds are defined as intra-Group receivables and liabilities.

Note 2 Sales revenue

Sales revenues by business area	2022	2021
Industrial Applications incl. Subsea and Marine	2 661 616	2 439 872
Transmission	463 191	604 062
Total sales revenue	**3 124 807**	**3 043 934**

Most of the Company's sales revenue comes from activities in Norway. Exports in the financial year 2022 amounted to NOK 832,8 million which is a decrease of approximately 17% from the 2021 financial year. Exports comprise 27% of total revenues.
The largest export markets in the financial year 2022 are the USA, Great Britain, China and Spain, which account for 14%, 13%, 13% and 12%, respectively, of total exports.

The Siemens Energy group decided that the company will carry out an internal restructuring in the fiscal year 2023 (cf. annual report). Large parts of *Industrial Applications* including *Subsea* and *Marine* will, from next fiscal year onwards, form *Transformation of In*dustries, while a small part will be reported as Gas Services. The unit *Transmission* will turn into *Grid Technologies.*

Note 3 Other operating revenue

Other operating revenue	2022	2021
Rental income from real estate*	34 205	42 681
Gevinst ved salg av virksomhet og driftsmidler	3 357	0
Total other operating income	**37 562**	**42 681**

* Rental income from real estate consists of operating rental income.

Note 4 Inventories

Inventories	2022	2021
Inventories, gross	262 250	206 253
Provisions for obsolete goods	40 993	32 125
Sum inventories, net	**221 257**	**174 128**
Inventories of raw materials and purchased semi-finished products	32 513	23 776
Inventories of goods in process	11 783	11 755
Inventories of purchased goods for resale	176 961	138 597
Sum inventories, net	**221 257**	**174 128**
Cost of goods for the year	1 273 851	1 256 331

Note 5 Salary expenses, number of employees, remuneration, loans to employees, etc.

Salary expenses	2022	2021
Salaries	947 496	940 276
Employer's NICs	146 992	139 771
Net pension cost*	68 134	65 300
Other expenses	35 598	27 137
Total salary expenses	**1 198 220**	**1 172 483**
Average number of employees	989	994

* In 2022, net pension costs comprise a defined contribution scheme of NOK 53,5 million excluding Employer's NICs, and a new AFP scheme of NOK 14,6 million excluding Employer's NICs.

Information concerning the Board of Directors and the CEO

Remuneration

Directors' fees for the Board of Directors of Siemens Energy AS totaled NOK 30 000 in the financial year 2022. The Chair of the Board did not receive any Directors' fees during the period. Upon resignation, board members did not receive remuneration.

In the financial year 2022, the CEO's salary was NOK 3 191 192. Of this, the bonus amounts to NOK 878 547. Other reportable compensation totaled NOK 10 944.

Pension entitlements

The CEO is covered by the pension scheme for senior management at Siemens Energy AS. The regular deposits to the new pension scheme amounted to NOK 93 478 in the financial year 2022.

Share-based remuneration

The gain on stock awards depends on the share price of Siemens Energy AG measured against the redemption price at the time of redemption. Awarded stock awards can be exercised at a rate of 25% of the originally awarded stock awards over a period of four years. Exercise presupposes that the person in question is still employed by the Company. As of 30 September 2022 the CEO holds stock awards with a value of NOK 440 970. None of the other board members have been awarded stock awards.

In connection with the IPO of Siemens Energy, Building Siemens Energy Incentive share programs were created for management. The CEO will receive gift shares worth 3% of the base salary (Total Target Cash) at the end of the vesting period in September 2023. The number of shares transferred to the CEO at the end of the vesting period is linked to the development of the Siemens Energy share price during this time. The better the share price develops, the more shares the CEO will receive. As of 30 September 2022, the CEO holds stock awards belonging to the Building Siemens Energy Incentive program to a value of NOK 773 204.

Loans and provision of security

Neither the Chair of the Board nor the CEO had loans from Siemens Energy AS as of 30 September 2022. The management has not received any payments or financial benefits from other companies in the same Group, other than those shown above. No additional remuneration has been given for special services beyond the normal functions of a manager.

Information concerning other employees

Loans and provision of security

Other employees have loans from the Company totaling NOK 1,3 million. The loans are repayable over a maximum of 8 years. A standard interest rate is charged on the loans. No particular security has been provided for the loans, other than the issue of promissory note.

Fees to auditor	2022	2021
Proposed fees for statutory audit for the year	1 413	1 496
Other certification services	0	77
Other services	0	11
Total fees to auditor	**1 413**	**1 584**

Value added tax is not included in the audit fees.

Note 6 Intangible assets

	Goodwill
Acquisition cost 01.10.2021	224 104
Acquisition cost 30.09.2022	**224 104**
Acc. depreciation and write-downs	-265
Book value 30.09.2022	**223 839**

Siemens Energy AS carries out annual impairment tests of goodwill. These tests are performed more frequently in the event of any indications of impairment of goodwill. The impairment test was carried out in September 2022 and is based on provisional company figures from August 2022. Capitalised goodwill in the Company as of 30 September 2022 is NOK 223,8 million and is mainly derived from the following acquisitions:

Bennex AS	FY 2011
Poseidon Group AS	FY 2011
Matre Instruments AS	FY 2013

Siemens Energy AS is in its entirety one cash-generating unit (CGU). The Company has used the value-in-use to determine the recoverable amount. The model is based on expected division- and unit-specific cash flows for the next five years. Siemens Energy AS has used a weighted average cost of capital (WACC). The value-in-use is the current value of estimated cash flows before tax, with a discount factor which reflects the timing of the cash flows and the anticipated risks. The impairment test in the Company showed that the discounted value-in-use is significantly higher than the book value.

The cash flows in the calculations are based on long-term budgets for the years 2023 to 2027. Cash flows after 2027 will be derived using a long-term growth rate which is equivalent to the anticipated long-term national inflation.

Central criteria used in utility value calculations

The calculation of the value in use for the cash-generating unit (CGU) is based to a great extent on central criteria linked with:

- future cash flows
- growth rate, final value (net)
- weighted average cost of capital (WACC)

Regarding the calculation of the value in use for the CGU, the key assumptions are sensitive to changes in oil prices and the future demand for the unit's product lines. In connection with the impairment test of goodwill, the Company has carried out a sensitivity analysis which has looked at the consequences of a change in various assumptions on the recoverable amount. It is not probable that changes in the assumptions for the impairment test will cause the value-in-use of the CGU to be lower than the book value.

Note 7 IFRS 16 Leases

The leasing agreements in Siemens Energy AS mainly apply to the lease of offices and production/ warehouse facilities at various locations in the country. The leasing agreements included under IFRS 16 have a 1-7 year lease term.

Right-of-use asset, leasing liability and subleasing claims
The movement of right-of-use assets since implementation is presented below.

	Buildings and other property	Vehicles	Total
Acquisition cost 01.10. 2021	256 765	1 946	258 711
Additions of capitalised leases	6 811	1 566	8 377
Disposals - capitalised leases	0	-1 825	-1 825
Acquisition cost 30.09.2022	**263 576**	**1 687**	**265 263**
Acc. depreciation and amortisation 01.10.2021	-103 848	-681	-104 529
Impairments	-34 869	-579	-35 448
Write-downs *	-17 783	0	-17 783
Disposals - acc. depreciation and amortisation	0	513	513
Acc. depreciation and amortisation 30.09.2022	**-156 500**	**-747**	**-157 247**
Book value 30.09.2022	**107 076**	**940**	**108 016**

* The write-down of right-of-use assets in 2021 is mainly related to the market value of potential subleasing agreements and vacant area.

Movement of the lease liability	**Lease liability**
Book value 01.10.2021	262 076
Error earlier years	3 827
Additions	16 662
Disposals	0
Interest expense / Interest income subleasing	6 001
Rental payments / Subleasing payments	-67 735
Book value 30.09.2022	**220 831**
Non-current liabilities	159 625
Current liabilities	61 206

Movements of the subleasing receivable	**Subleasing receivables**
Book value 01.10.2021	44 283
Additions	10 233
Disposals	0
Interest expense/ Interest income subleasing	1 009
Rental payments / Subleasing payments	-15 758
Book value 30.09.2022	**39 767**
Non-current receivables	25 623
Current receivables	14 144

Future undiscounted lease payments	**Lease payments**
Within 1 year	70 081
2-3 years	108 072
4-5 years	56 612
After 5 years	368
Total	**235 133**

Future undiscounted lease payments	Sublease income
Within 1 year	14 833
2-3 years	16 054
4-5 years	10 482
After 5 years	0
Total	**41 369**

The income statement has recognised the following amounts related to leases.

	2022	2021
Income from operating subleasing agreements	12 814	21 574
Costs relating to leases outside IFRS 16	-4 008	-4 813
Depreciation of right-of-use assets	-35 448	-36 561
Impairment of right-of-use assets	-17 783	-17 365
Interest income on subleasing receivables	1 009	1 073
Interest expenses on lease liabilities	-6 001	-6 031
Profit on the recognition of the subleasing agreement	592	6 905
Loss on the recognition of the subleasing agreement	0	-726

Note 8 Fixed assets

	Land/ buildings	Plant and machinery	Company equipment, fixtures and fittings	Buildings under construction	Sum
Acquisition cost 01.10.2021	191 933	148 353	153 992	948	495 227
Acquisitions during the year	383	2 984	7 604	8 747	19 718
Disposals during year (cost price)	-1 406	-817	-4 469	0	-6 693
Acquisition cost 30.09.2022	**190 910**	**150 520**	**157 127**	**9 695**	**508 253**
Acc. depreciation / write-downs	-103 186	-103 743	-136 918	0	-343 847
Book value 30.09.2022	**87 724**	**46 777**	**20 209**	**9 695**	**164 406**
Depreciation/ write-downs for the year	6 647	12 305	17 633	0	36 585
Depreciation method	Straight-line	Straight-line	Straight-line		
Useful life	50 years*	10 years	3 - 5 years		

* Land retains its value and is therefore not depreciated.

Note 9 Accounts receivable

Accounts receivable	2022	2021
Gross accounts receivable	335 191	443 054
Provision for losses on accounts receivable	-385	-6 001
Net accounts receivable	**334 806**	**437 053**
Losses on accounts receivable	0	1 639
Change in provisions for losses on accounts receivables	-5 615	1 116
Changes in provisions for losses on other current receivables	134	-1 556
Net bad debt	**-5 481**	**1 199**

Outstanding receivables older than 60 days comprise approximately 4,7% of gross receivables (compared with 11,3% in 2021). Siemens Energy AS continuously follows up and evaluates risks. The Company believes that the provisions for bad debt are adequate, based on an evaluation of the receivables.

Note 10 Specification of operating expenses according to type

	2022	2021
Shipping and transport expenses	14 129	16 271
Rental of premises *	4 008	4 813
Lighting and heating	2 306	1 256
Energy and fuel, etc. relating to production	4 373	3 950
Refuse collection, wastewater, cleaning, etc.	5 638	6 052
Rental of machinery, equipment, etc.	726	514
Equipment, fixtures, and fittings (may not be capitalised)	12 359	7 449
Building repairs and maintenance	33 769	32 376
Other repairs and maintenance	8 283	16 361
Office expenses	6 252	6 808
Contracted workers	167 673	154 612
Fuel, maintenance, insurance, and taxes on means of transport	783	781
Travel and subsistence expenses	43 323	30 384
Sales and advertising expenses	9 242	2 623
Entertainment expenses	785	270
Subscriptions and gifts	2 638	2 287
Insurance premiums	12 872	2 072
Warranty and service expenses	11 897	31 544
Licence, patent costs and royalties	31 480	31 771
Other expenses	130 950	158 909
Total operating expenses	**503 486**	**511 105**

Siemens Energy AS presents its income statement based on the content of the revenues and expenses. Operating expenses comprise all operational expenses that are not related to projects, payroll expenses and the cost of capital in the form of depreciation. The main elements of other operating expenses have been grouped in the above table.

The position *rental of premises* of NOK 4,0 million includes short-term leases and low-value leases that fall outside of IFRS 16 Leases, cf. Note 7.

Licences, patent costs and royalties relate to software costs from external suppliers and internal licences and royalty costs invoiced by Siemens AG. The ”other expenses” item mainly consists of general administration costs such as personnel administration, communication administration, purchasing, research and development, IT, legal, finance, strategic planning, and general administration.

Research and development	**2022**	**2021**
Total expenses for research and development	67 699	80 437

It is assumed that the total expected earnings from ongoing research and development correspond to the total expenses. The company’s development programmes are mainly related to products and systems for Subsea application. Other important areas of development are power systems for ships and drilling vessels, advanced IT solutions for the oil and gas market, maritime battery systems, low-emission solutions for ships and shore-side power solutions. The Company has extensive research collaboration with universities, colleges, and external and internal research centres and partners.

Note 11 Specification of interest items and other financial items

	2022	2021
Interest income from companies in the same Group	657	1
Other interest income	2 786	1 619
Other financial income	592	6 905
Exchange rate gains	56 109	13 219
Total interest income and other financial income	**60 144**	**21 745**
Interest expenses from companies in the same Group	-480	-917
Other interest expenses	-6 388	-7 952
Other financial expenses	-132	-817
Exchange rate losses	-51 632	-5 742
Total interest expenses and other financial expenses	**-58 632**	**-15 427**
Net interest items and other financial items	**1 512**	**6 317**

Note 12 Tax

Taxable profit	**2022**	**2021**
Profit before tax	103 990	54 560
Permanent differences/other differences	1 149	-1 365
Changes in taxable/tax-deductible temporary differences	-152 541	56 427
Impact of items recognised in equity	-30 906	13 993
Total	**-78 308**	**123 615**
22% tax payable	0	27 195
Tax payable in the tax expense	**0**	**27 195**

Tax expense for the year	**2022**	**2021**
Tax payable on the profit for the year	0	27 195
Change in deferred tax	16 329	-12 415
Change in deferred tax recognised directly in equity *	6 799	-3 079
Total	**23 128**	**11 701**

Tax payable in the balance sheet	**2022**	**2021**
Tax payable on the profit for the year	0	0
Tax fund (previous year) **	0	-4 750
Total	**0**	**-4 750**

Taxable / deductible differences that offset each other	**2022**	**2021**
Non-current assets / liabilities	-501 605	-490 476
Current assets / liabilities	366 186	159 515
Total taxable / tax-deductible diff. that offset each other	**-135 419**	**-330 961**
Accumulated tax los carry forward	-78 308	0
Items recognised directly in equity **	-45 215	-2 205
Total basis for deferred tax	**-258 942**	**-333 166**
22% Deferred tax (+) / Deferred tax asset (-)	-56 967	-73 296
Change in deferred tax	16 329	-12 415
of which without effect on tax expenses	0	3 079

* Changes in capitalised financial instruments and pensions, as well as deferred tax relating to these items, are partly recognised directly in equity.

** The tax fund is recognised in the balance sheet against other short-term receivables.

Calculation of effective tax rate	**2022 Tax expense**	**as a % of profit before tax**
Tax calculated as an average nominal tax rate	22 876	22
Effect of permanent differences	252	0
Tax expense according to income statement	**23 128**	**22**

Note 13 Equity

	Share capital	**Share premium**	**Cash flow hedging reserve**	**Retained equity**	**Total equity**
As of 30.09.2021	87 877	18 831	4 565	17 333	128 608
Total comprehensive income	0	0	-24 107	80 862	56 755
As of 30.09.2022	**87 877**	**18 831**	**-19 542**	**98 195**	**185 362**

As of 30 September 2022, the Company's share capital consists of 140 000 shares, each with a nominal value of NOK 627,70. All of the Company's shares are owned by Siemens Energy Holding BV, which in turn is wholly owned by Siemens Energy AG.

Note 14 Currency derivatives and financial instruments

Based on current guidelines, 75-100% of future cash flows and positions in foreign currencies must be hedged using forward contracts and options. Financial instruments are used for hedging purposes where there is an offsetting item in the underlying cash flows from operations.

Siemens Energy AS has significant currency exposure relating to purchases and sales in EUR, USD, GBP, and SEK. In addition, options may be used to hedge against fluctuations during the bid phase of projects. All hedging is undertaken through Siemens Energy Global GmbH & Co.KG. The Company has no financial instruments linked to interest rate exposure.

The following amounts relating to currency hedging contracts are recognised as financial income/expenses for the financial year	**2022**	**2021**
Realised gain / loss (-) from expired hedging contracts	21 371	10 891
Accumulated gain / loss (-) not reversed from equity	30 703	8 861

The following amounts related to currency hedging contracts are recognised against other income and expenses (adj. for deferred tax)	**2022**	**2021**
Unrealised gain / loss (-) recognised in the financial year	-24 107	10 915
Accumulated gain / loss (-) not reversed from equity	-19 540	4 567

List of unrealised currency forward contracts as of 30 September 2022

Currency forward contracts (counter position NOK)	**Amount in foreign currency**	**Amount in NOK**	**Agreed average rate**	**Price as of 30.09.2022**	**Average remaining term in days**
Sales EUR	150 192	1 545 171	10,2880	10,5838	130
Purchase EUR	155 685	1 600 852	10,2826	10,5838	160
Sales GBP	445	5 220	11,7221	11,9862	46
Purchase GBP	807	9 533	11,8172	11,9862	224
Sales SEK	47 020	45 291	0,9632	0,9711	73
Purchase SEK	49 610	48 031	0,9682	0,9711	213
Sales USD	19 371	190 515	9,8353	10,8574	123
Purchase USD	11 942	120 496	10,0905	10,8574	63

Fair value of derivatives recognised in the balance sheet as of 30.09.	**2022**	**2021**
EUR	2 149	2 477
GBP	-5	-2
SEK	-187	22
USD	-9 675	-1 963
Total	**-7 718**	**535**
Positive holdings: Short-term portion	62 514	22 985
Positive holdings: Long-term portion	5 667	5 660
Negative holdings: Short-term portion	-66 400	-21 535
Negative holdings: Long-term portion	-9 498	-6 576
Total	**-7 718**	**535**

(See the table for currency derivatives and financial instruments.)

The fair value of hedging instruments is determined by multiplying the difference between the exchange rate on the balance sheet date and the agreed exchange rate by the hedged amount in foreign currency and applying a discount rate. An administration fee is included for the issuer of the hedging instrument (Siemens Energy Global GmbH & Co. KG).

In the income statement, the valuation and settlement of hedging contracts are entered under financial expenses and income. In the balance sheet, the values of open hedging contracts are recognised in other current or non-current receivables or other current or non-current liabilities. The share of long-term positive holdings amounts to NOK 5,7 million and long-term negative holdings amounts to NOK -9,5 million.

Siemens Energy AS uses Cash Flow Hedge Accounting for significant cash flows. The purpose of hedge accounting is to avoid any impact on the income statement from unrealised gains and losses on the hedging instrument. The effectiveness of the hedging is monitored continuously and documented in accordance with the rules for hedge accounting. If the requirements for the use of hedge accounting are no longer met, the hedged item and the hedging instrument are measured separately using the relevant accounting rules.

On hedging cash flows (Cash Flow Hedge Accounting) unrealised gains and losses on the hedging instrument are recognised in equity. Deferred tax on the provision is recognised directly in equity. Other hedging contracts that are not classified as hedge accounting are recorded at fair value to the income statement.

As of 30 September 2022 there are no material ineffective hedges.

Periods during which hedged cash flows in foreign currencies, classified as Cash Flow Hedge Accounting, are assumed to affect the income statement.

Year in which hedged cash flows are expected to be reclassified from equity to the income statement	**2023**	**2024**	**2025**
Amount in 1 000 NOK	-13 747	-11 598	0

Financial instruments according to category

Assets as of 30.09.2022	**Loans and receivables**	**Derivatives used for hedging purposes**	**Total**
Other non-current receivables	1 252	5 667	6 919
Long-term subleasing receivables	25 623	0	25 623
Accounts receivable	334 806	0	334 806
Other current receivables	261 931	62 514	324 445
Short-term subleasing receivables	14 144	0	14 144
Total assets as of 30.09.2022	**637 756**	**68 181**	**705 936**

Assets as of 30.09.2021	**Loans and receivables**	**Derivatives used for hedging purposes**	**Total**
Other non-current receivables	1 923	5 667	7 583
Long-term subleasing receivables	29 073	0	29 073
Accounts receivable	437 053	0	437 053
Other current receivables	222 359	22 985	245 343
Short-term subleasing receivables	15 210	0	15 210
Total assets as of 30.09.2021	**705 617**	**28 652**	**734 262**

Liabilities as of 30.09.2022	**Other financial liabilities**	**Derivatives used for hedging purposes**	**Total**
Other non-current liabilities	125 844	9 498	135 342
Long-term lease liabilities	159 625	0	159 625
Accounts payable	235 038	0	235 038
Current liabilities to Group companies	38 799	0	38 799
Advances from customers	46 902	0	46 902
Other current liabilities	543 433	66 400	609 834
Short-term leases liabilities	61 206	0	61 206
Total liabilities as of 30.09.2022	**1 210 848**	**75 898**	**1 286 744**

Liabilities as of 30.09.2021	**Other financial liabilities**	**Derivatives used for hedging purposes**	**Total**
Other non-current liabilities	97 572	6 576	104 147
Long-term lease liabilities	206 825	0	206 825
Accounts payable	223 991	0	223 991
Current liabilities to Group companies	101 477	0	101 477
Advances from customers	37 465	0	37 465
Other current liabilities	489 116	21 535	510 651
Short-term leases liabilities	55 251	0	55 251
Total liabilities as of 30.09.2021	**1 211 698**	**28 110**	**1 239 809**

Note 15 Other non-current receivables

Other non-current receivables	2022	2021
Loans to employees (cf. Note 5)	1 252	1 923
Other non-current receivables	5 667	5 660
Total other non-current receivables	**6 919**	**7 583**

The list shows the book value of receivables falling due later than one year after the balance sheet date.

Note 16 Means of payment

Siemens Energy AS has no restricted liquid assets. Siemens Energy AS has a bank guarantee worth NOK 65,0 million to cover tax liabilities.

Banking activities are undertaken through Siemens Energy Global GmbH & Co. KG and an external bank. The Company has low liquidity risk since the Company is part of the Siemens Energy corporate cash pooling system.

Holdings via the Group cash pooling system amounted to NOK -36,4 million as of 30 September 2022 and are classified as short-term liabilities. Holdings via the external bank amounted to NOK 92,9 million as of 30 September 2022 and are classified as bank deposits.

Note 17 Other current receivables

Other current receivables	2022	2021
Accrued, unbilled revenues from production contracts (cf. Note 21)	170 016	125 084
Other accrued, unbilled revenues	79 787	72 178
Currency derivatives (cf. Note 14)	62 514	22 985
Other current receivables	12 128	25 096
Total other current receivables	**324 445**	**245 343**

Note 18 Pension cost and pension liabilities

Siemens Energy AS is obliged to provide an occupational pension scheme in accordance with the Norwegian Mandatory Occupational Pensions Act and has a defined contribution-based occupational pension scheme which satisfies the requirements of this Act. Siemens Energy AS has closed defined benefit plans, both funded and unfunded, as well as a defined contribution plan.

Defined contribution plans
Siemens Energy AS has a defined contribution-based occupational pension scheme. The contribution level is 5% of the individual employee’s qualifying salary from the first NOK up to 7.1G, and 13% of the qualifying salary up to 12G. NOK 53,5 million was paid in contributions in 2022.

The Norwegian Parliament resolved that AFP will be a life-long scheme as from 1 January 2011, in which the employee can decide when to receive the pension after reaching the age of 62. The payments will be influenced by the qualifying period and expected remaining lifetime of each individual employee. This AFP scheme is a defined benefit-based multi-employer pension scheme that is financed through premiums that are determined as a percentage of salary. As there is no current reliable method of calculating the liability, the scheme is accounted for as a defined contribution-based scheme in which the premium payments are expensed on an ongoing basis. NOK 14,6 million was paid in contributions to this scheme in 2022.

As of 1 January 2016, the Company’s previous additional defined benefit-based pension scheme for active senior managers was terminated and replaced with a defined contribution-based additional pension scheme. The qualifying salary for the scheme is the fixed annual salary in excess of 12G.

Defined benefit plans – unfunded schemes
In addition to the funded occupational pension scheme, Siemens Energy AS has unfunded defined benefit-based pension liabilities. These operational pension plans comprise pension liabilities to retired senior managers.

Note 19 Other non-current liabilities

Other non-current liabilities	2022	2021
Staff provision for long period of service	12 470	15 731
Guarantee provision	63 323	55 673
Other non-current liabilities	59 549	32 743
Total other non-current liabilities	**135 342**	**104 147**

The list shows the book value of liabilities falling due more than one year after the balance sheet date.

Note 20 Other current liabilities

Other current liabilities	2022	2021
Salaries and holiday pay	164 527	166 726
Service contracts billed in advance	3 548	1 873
Provisions for liabilities	25 366	30 132
Production projects billed in advance (cf. Note 21)	311 674	267 477
Currency derivatives with negative value (cf. Note 14)	66 400	21 535
Restructuring provisions	393	4 045
Other current liabilities	37 926	18 863
Total other current liabilities	**609 834**	**510 651**

Provisions for liabilities	Onerous contracts	Other	Total
As of 01.10.2021	2 436	27 695	30 132
Deferred	5 040	16 880	21 920
Reversed	-1 707	-14 118	-15 825
Used provision	-2 213	-8 647	-10 860
As of 30.09.2022	**3 556**	**21 810**	**25 366**

Note 21 Long-term manufacturing contracts

Work in progress	2022	2021
Recognised	3 091 618	3 516 972
Expenses	-2 616 923	-3 080 110
Net effect on profit	**474 695**	**436 862**
Revenue from projects (applies to the reporting year)	1 777 026	2 030 700
Estimated remaining production costs for loss-making projects	56 661	17 418
Earned, unbilled revenue included under other current receivables from manufacturing projects where the percentage of completion method is used (cf. Note 17)	170 016	125 084
Production billed in advance, included in other current liabilities from manufacturing projects where the percentage of completion method is used (cf. Note 20)	311 674	267 477

The entire expected loss on these projects is charged as a provision, which is reduced in parallel with the progress of the project or realisation of the losses.

Project risk and uncertainty
Siemens Energy AS mainly has long-term contracts, of which many are fixed-price contracts based on bids. Delays, quality issues or increases in project costs can result in costs which are not covered by the revenues from the project in question. If a project is identified as loss-making, a provision is made for expected future losses. For accounting purposes, the recorded loss is the best estimate at the end of the financial period. Circumstances and information can change in subsequent periods and the final outcome may therefore be better or worse than the assessment made at the time the accounts were prepared.

Note 22 Financial market risk

Siemens Energy AS uses financial forward contracts through Siemens Energy Global GmbH & Co. KG to hedge against exposure to currencies. However, Siemens Energy AS does not use financial instruments linked to interest-bearing items. As a result of the strong liquidity of Siemens Energy AG, Siemens Energy AS has a low liquidity risk. Accounts receivables are assessed continuously on the basis of changes in market conditions and the management’s assessment. We consider this to be taken into account in the provisions for losses on receivables (cf. Note 9).

Currency risk and the use of financial instruments are described in Note 14.

Note 23 Transactions with related parties

Sales		2022	2021
Siemens Energy Co, Ltd, Kina	SE company	75 898	31 478
Siemens Energy Inc USA	SE company	69 403	46 536
Siemens Energy Pte, ltd. Singapore	SE company	16 970	36 124
Siemens Energy Global GmbH & Co.Tyskland	SE company	16 770	15 682
Siemens Energy Brasil Ltd	SE company	15 592	8 915
Siemens Energy S.A, Spania	SE company	13 216	4 510
Siemens Energy Limited, Storbritannia	SE company	10 042	13 066
Siemens Energy W.L.L, Qatar	SE company	8 810	20 877
Siemens Energy A/S, Danmark	SE company	8 411	2 226
Siemens Sanayi ve Ticaret Anonim S, Tyrkia	SE company	8 162	13 472
Siemens Energy Ltd., Israel	SE company	5 407	0
Siemens Energy Ltd. Liability Partner, Kazakhstan	SE company	4 129	502
Siemens Energy, S. de R.L. de C.V., Mexico	SE company	3 940	0
Siemens Energy Electric Equipment; Kina	SE company	2 174	0
Others	SE companies	8 368	20 036
Total sales		**267 292**	**213 424**

Purchases		2022	2021
Siemens Energy Global GmbH & Co KG, Tyskland	SE company	495 766	183 268
Koncar-Energetski Transformatori, Kroatia	SE company	159 705	142 070
Siemens Energy Austria GmbH, Østerrike	SE company	44 292	3 643
Siemens Energy AB, Sverige	SE company	37 384	76 105
Trench Italia S.r.l Savona, Italia	SE company	13 284	20 630
Siemens Energy Limited, Storbritannia	SE company	11 199	18 362
Siemens Energy BV, Nederland	SE company	11 040	4 418
Industrial Turbine Company Limited, Storbritannia	SE company	7 755	10 039
Siemens Limited, India	SE company	3 429	4 222
Siemens Energy Brasil Ltda.	SE company	3 059	0
Dresser-Rand AS, Norge	SE company	2 929	3 080
Siemens Energy Ltd., Kroatia	SE company	2 751	1 817
Siemens Energy A/S, Danmark	SE company	2 122	2 526
Trench Austira GmbH, Østerrike	SE company	2 056	928
Others	SE companies	8 507	14 691
Total purchases		**805 278**	**485 799**

SE company = Siemens Energy company

Purchases and sales to related parties are regarded as commercial transactions. Purchases and sales between related parties principally take place in connection with project collaboration, some are cost allocations in connection with the use of common services in the Group.

Siemens Energy AS has no intra-Group balances relating to liabilities and receivables, since purchases and sales are paid for directly from the Group cash pool (cf. Note 16). The consolidated financial statements of Siemens Energy AG can be obtained using the following address: Siemens Energy AG, Otto-Hahn-Ring 6, D-81739 Munich, Germany.

Note 24 Government grants

Energix

In 2018, Siemens Energy AS was allocated a government grant by the Research Council of Norway in connection with the ENERGIX programme. The ENERGIX programme is a research programme in which the main objective is to support long-term sustainable development of the energy system, which promotes Norwegian competitive business and contributes to restructuring in a low-emission society. Pilot E is one of the financing offers in Energix and was established by the Research Council of Norway, Innovation Norway and Enova. The scheme will help Norwegian industry players to scale solutions within environmentally friendly energy technology into a national and international market more rapidly.

The project is owned by Siemens Energy AS, Offshore & Marine Center division and extends for a four-year period (2018-2021). The grant for the financial year 2022 amounted to NOK 1,3 million. The project's key objective is to use the existing infrastructure in Norway's power grid by developing the smart charging stations of the future for electrical ferries. The project has been completed.

ZeroKyst

In 2022, Siemens Energy AS was awarded a grant in connection with Zerokyst from Innovation Norway. ZeroKyst will create a rapid technology change for all vessel types within the seafood industry. The project will develop and demonstrate a zero-emission powertrain, a new zero-emission vessel, 10 vessels prepared for conversion, services for conversion and maintenance, as well as a complete solution for flexible supply of electricity and green hydrogen as maritime fuel. This will contribute to a 50% reduction in emissions from fishing and aquaculture vessels by 2030. A hybrid zero-emission solution, consisting of battery and fuel cell technology, will have a long range and a short bunkering time. The project will also develop new solutions for flexible and cost-effective hydrogen production, distribution, and filling, as well as develop and test charging infrastructure with efficient solutions and utilization of the power grid. The main project will demonstrate scalable solutions aimed at both national and international markets. The skills project will develop the necessary knowledge to achieve the goal of reducing emissions in the entire seafood industry.

The consortium comprises the complete value chain for the emission-free fishing and aquaculture vessels of the future. The partners include, among others, powertrain developers, shipbuilders and shipyards, shipping companies, energy and infrastructure suppliers, a research institute, and a university.

The project extends over a four-year period (2021-2024). The size of the grant from Innovasjon Norge to Siemens Energy AS is NOK 8,8 million. In the financial year 2022 the Company received 30% of the allocated amount. The project is ongoing.

DCX

In the business year 2022, Innvasjon Norge has granted the Company a grant for an innovation project to develop new DC-DC converters with galvanic isolation. The project is part of Siemens Energy's contribution to the green shift. The goal is to be able to offer complete ship supply systems with fuel cells and still be a total supplier of electrical and control from bridge to propeller for small and medium-sized ships. The new converters will connect fuel cells to various DC supply systems for ships in a simple and reliable way. The product will be produced in two industrial units, one for large ship plants with many fuel cells, and a smaller one for use in smaller vessels. The control system shall be adapted to Siemens Energy's overall energy management system.

The grant allocated to the DCX project is NOK 5,7 million. The project extends over a three-year period (2021-2023). In fiscal year 2022, Siemens Energy AS received 30% of the allocated amount.

SkatteFUNN

The company has been approved for three projects in the SkatteFUNN scheme. The subsidy received in fiscal year 2022 was NOK 2,9 million. The grant has been accounted for as a reduction of other operating expenses.

Note 25 Other off-balance-sheet liabilities

Guarantees	2022	2021
Guarantees issued by external financial institutions	405 118	550 297
Guarantees issued by Siemens Financial Services GmbH	9 814	49 673
Guarantees issued by Siemens AG	588 867	1 154 171
Total	**1 003 799**	**1 754 141**

In addition to a guarantee liability of NOK 31,6 million the Company has off-balance-sheet guarantee liabilities of NOK 1 003,8 million where the guarantees are issued by external financial institutions and the Siemens Group. The guarantees concern liabilities to the authorities and contractual parties.

Note 26 Share-price-based compensation

Senior executives in Siemens Energy AS are granted options from Siemens Energy AG. Awarded stock awards can be exercised at rates of 25% of the originally awarded stock awards over a period of four years. Exercise presupposes that the person in question is still employed by the Company.

The costs of the options are included in the accounts of Siemens Energy AS. Siemens Energy AS is charged the expected monthly cost of the options by Siemens Energy AG on the date of the allocation. The cost builds up a liability in Siemens Energy AS to Siemens Energy AG. The cost is based on the fair value of the options as of the balance sheet date. At the point when the options are exercised, their actual value is used. This forms the basis for the final cost billed from Siemens Energy AG.

The Norwegian marginal tax is calculated and paid to the Norwegian tax authorities, while the remainder of the amount is paid to the employee by Siemens Energy AS. The total cost of these options is charged to payroll expenses. In the financial year 2022, this amounted to NOK 3,8 million. The book value of the liabilities amounts to NOK 5,1 million.

	2022		2021	
	Share price*	**Options**	**Share price***	**Options**
As of 01.10.		**19 024**		**0**
Awarded	22,20	18 852	25,82	19 484
Lapsed	26,25	-2 136	25,25	-460
Exercised	25,99	-4 675		0
Settled	22,20	-1 800		0
As of 30.09.		**29 265**		**19 024**

* Average share price in EUR

Share options granted to employees
Every financial year, all Siemens Energy Group employees are offered the opportunity to purchase Siemens Energy AG shares through The Direct Match Plan. Employees who enter into this agreement have an amount of up to 5% of their gross salary deducted over the course of two months. The amount is invested in Siemens Energy AG shares in the following month. In addition to the purchased shares, employees will directly receive matching shares in a ratio of 3:1. This means that for every 3 shares purchased, employees will receive 1 extra matching share. As soon as all shares have been allocated to the employees' account, a 12-month lock-in period begins, after which they can freely dispose of all their shares. Siemens Energy AS s billed quarterly for the administration of the Direct Match Plan in addition to the fourth share the employee is granted. For the fiscal year 2022 these costs amounted to NOK 3,1 million.

In connection with the listing of Siemens Energy, Employee Spin-Off Incentive share programs were established for all employees, including management. Employees who signed up for the All employee spin off incentive program by 31 March 2020 will receive gift shares worth 3% of their base salary (Total Target Cash) at the end of the vesting period in September 2023. The number of shares transferred to the employee at the end of the vesting period is related to the development of the Siemens Energy share price during this period. The better the share price develops, the more shares the employees will receive. At best, the employees will receive shares worth 18% of their base salary from 1 September 2020. The total costs for the options related to the Employee Spin Off Incentive programs are accounted for as salary expense. In fiscal year 2022, this amounted to NOK 8,7 million. Book liability amounts to NOK 20,6 million.

	2022		2021	
	Share price*	**Options**	**Share price***	**Options**
As of 01.10.		**192 528**		**0**
Correction	14,94	198		0
Awarded		0	15,70	195 645
Lapsed	14,94	-11 679	14,94	-3 117
Exercised		0		0
Settled	14,94	-2 169		0
As of 30.09.		**178 878**		**192 528**

* Average share price in EUR

Statsautoriserte revisorer
Ernst & Young AS

Dronning Eufemias gate 6a, 0191 Oslo
Postboks 1156 Sentrum, 0107 Oslo

Foretaksregisteret: NO 976 389 387 MVA
Tlf: +47 24 00 24 00

www.ey.no
Medlemmer av Den norske Revisorforening

INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Siemens Energy AS

Opinion

We have audited the financial statements of Siemens Energy AS (the Company), which comprise the balance sheet as at 30 September 2022, the statements of comprehensive income and 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 legal requirements and give a true and fair view of the financial position of the Company as at 30 September 2022 and its financial performance and 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 in accordance with the requirements of the 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.

Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the General Manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and 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 or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act, 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

Building a better working world

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, 6 December 2022
ERNST & YOUNG AS

Leiv Aschehoug
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared for information purposes only.)