



IceBear

CIRCULAR PRODUCTION

ICEBEAR STEENWIJK B.V. INTERIM FINANCIAL REPORT

31 December 2022



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ABOUT ICEBEAR

IceBear Steenwijk B.V. (IceBear) is a private limited liability company, incorporated and domiciled in the Netherlands. The Company is located in Steenwijk, the Netherlands, and is registered in the Trade Register at the Dutch Chamber of Commerce under number 63993880.

IceBear is a Dutch subsidiary of Snowflake Capital Partners AS (SCP) (formerly Kvitebjørn Energi AS (KEAS)), which owns 100% of the Company. SCP is a Norwegian company that invests in renewable energy and sustainable businesses and is part of the Daimyo Group. The ultimate parent of the Company is Peak XV AS from Norway.

IceBear owns and operates a 12.5 MW Combined Heat and Power plant (CHP) fuelled by virgin wood chips that produces green energy in the form of electrical power, steam, and hot water. IceBear has invested in production lines to make composite pallet blocks from recycled waste wood and the green energy from the CHP. Surplus energy (electricity and thermal) after the production of pallet blocks is sold to the grid or as hot water to external companies. Hot water is sold locally for environmentally friendly weed control and other purposes.

IceBear is part of the circular and sustainable economy and uses recycled wood to make new products. Following the completion of the composite pallet block production lines, the company utilizes more than 90% of its energy production for composite pallet block production and is a major contributor to reducing CO2 emissions and transforming recycled wood into sustainable products.



MANAGEMENT COMMENTARY

REPORTING PERIOD

The reporting period is 1 October 2022 to 31 December 2022.

FINANCIAL REVIEW

Financial results

EUR	Fourth quarter		Year to Date	
	2022	2021	2022	2021
Revenue	3,094,473	158,159	9,028,771	248,807
Other income	10,430	82,750	306,359	83,200
Expenses (excluding depreciation)	-5,161,315	-1,164,467	-12,932,401	-2,820,009
EBITDA*	-2,056,412	-923,558	-3,597,271	-2,488,002
Depreciation of tangible fixed assets	-1,093,849	-287,218	-2,030,576	-1,090,716
Operating result	-3,150,261	-1,210,775	-5,627,847	-3,578,718
Net result	-4,558,618	-1,366,341	-6,888,271	-3,650,686

*Earnings before interest tax, depreciation and amortisation. Calculated as total income, less operating expenses, excluding depreciation.

Total revenue in Q4 ended at kEUR 3.094, in line with Q3 revenues at kEUR 3,080. Total block sales were 11.998 m3, up from 9.449 m3 in Q3. Average block price delivered at customer for Q4 ended at EUR 239/m3 vs EUR 299/m3 in Q3. EBITDA for Q4 ended at kEUR -2.056 vs. kEUR -32 in Q3.

Financial position

EUR	31 December 2022	31 December 2021
Property, plant & equipment	59,413,157	47,736,483
Right of use assets	848,219	275,798
Cash and cash equivalents	4,350,784	4,545,132
Shareholders' equity	23,603,091	20,700,328
Working capital	2,082,750	6,702,921
Working capital (excluding restricted cash and cash equivalents)	-2,268,034	1,833,789
Return on equity ((Net loss) / Shareholders' equity)	-0.292	-0.176
Solvency ratio (Shareholders' equity / Total assets)	0.338	0.331

COVENANT RATIOS

IceBear is in compliance with both its financial covenants as of the reporting date:

- Minimum liquidity of EUR 1.35m. As of the reporting date liquidity was EUR 7.4 million
- Equity to total assets ratio of minimum 20%. As of the reporting date the ratio was 33.8%

The covenant ratios are unaudited.



COMMERCIAL ACTIVITIES

IceBear's Q4 results were impacted hard by the softening of demand, reduction in end product prices, high raw material prices, and ramp-up challenges. Prices for composite pallet blocks dropped from an average of €299/m³ in Q3 to an average of €239/m³ delivered at customer. Prices for raw materials such as glue and emulsion remained high throughout Q4 due to high energy prices and a shortage of main components such as urea, melamine, and methanol. As a consequence of these market conditions, IceBear faced a more significant reduction in gross margin than anticipated in the Q3 report and the investor update of November 2022.

Ramp-up of pallet block production continued in full force during the reporting period, but the company is still behind its revised ramp-up plan presented in November. Total production for the period was 11,998 m³ in Q4, up 25% from Q3 but behind target.

The company has identified few technical issues, as well as soft factors such as staffing and competence development, standardization and technical improvement support as the main bottlenecks for reaching design capacity. Several improvement activities have been performed, and others are ongoing to reach the target of nominal capacity as soon as possible. By the end of Q1-23, management now expects to reach 80% of nominal capacity to then proceed towards reaching design capacity by year-end.

The Combined Heat and Power plant (CHP) has been in operation during the entire period, supplying energy to the pallet block lines and selling excess electricity to the net. Prices of biomass continue to rise, making energy production more expensive. At the current energy price level, the production of energy with the CHP is not subsidized. The availability of biomass is still acceptable based on existing contracts, but at higher prices.

PROJECT ACTIVITIES

The project for the main production facility was completed with acceptance on 7th September 2022. Sub suppliers continued to work throughout the quarter to close remaining activities. Some of these activities and the implementation of improvements have led to additional downtime in the production line. By the end of the quarter, the new feedstock line for the storage and feeding of biomass was passing first material. In addition, work is proceeding at the expanded degassing facility and alternative glue facility. These projects are expected to be completed during Q1-2023.

HEALTH, SAFETY, ENVIRONMENTAL AND QUALITY

IceBear has developed and implemented a HESQ regime to live up to the Company's target of zero incidents. During Q4, the company had four incidents involving minor injuries. The company operates under environmental permits that



determine the number of truck movements, noise and emission levels allowed. The company has faced issues related to emissions, especially dust and noise, as well as concerns on formaldehyde levels. The emissions situation has gotten media and political attention in the local community. Addressing these issues has been a priority involving research, consultancy, legal advice, and investments. For example, a new bag filter was installed making significant improvement on dust emissions. The company continuously monitors the situation and assesses countermeasures in close cooperation with suppliers and advisors to make sure that Company is managing its activities within permits and legislation.

The Company has appointed a HESQ Manager starting 1. January 2023. We expect that this step will further strengthen the development and focus on HESQ.

BUSINESS OUTLOOK

In spite of Q4 results being lower than anticipated due to weak market conditions and slower ramp-up, the outlook for overall performance in 2023 has improved significantly since the investor update on November 16th. The company now expects 2023 to give improved EBITDA and become cash positive overall.

Note 13 and other notes provide additional information.

Oslo and Steenwijk, 28th February 2023,

.....
C. den Doelder
CEO

.....
A. Ombustvedt
Director

.....
N. Lucciarini
Director

.....
J. R. Tveit
Director



IceBear

CIRCULAR PRODUCTION

ICEBEAR STEENWIJK B.V. INTERIM FINANCIAL STATEMENTS

31 December 2022



STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS (UNAUDITED)

EUR	Note	Fourth quarter		Year to Date	
		2022	2021	2022	2021
Revenue	4	3,094,473	158,159	9,028,771	248,807
Other income	4	10,430	82,750	306,359	83,200
Total operating income		3,104,903	240,909	9,335,130	332,007
Expenses					
Expenses of raw materials and consumables		-2,136,275	-168,556	-5,723,595	-325,854
Employee expenses		-801,674	-414,916	-2,803,181	-1,050,200
Other operating expenses		-2,234,458	-580,994	-4,393,906	-1,443,955
Impairment losses on receivables and contract assets		11,092	-	-11,719	-
Depreciation of tangible fixed assets	5	-1,093,849	-287,218	-2,030,576	-1,090,716
Total operating expenses		-6,255,164	-1,451,684	-14,962,977	-3,910,725
Operating loss		-3,150,261	-1,210,775	-5,627,847	-3,578,718
Interest expenses	8	-2,913,187	-176,233	-3,409,727	-680,929
Other financial income / (expenses)		-2,694	11,010	-4,071	-35,472
Net financial expenses		-2,915,881	-165,223	-3,413,798	-716,401
Net loss before tax		-6,066,142	-1,375,998	-9,041,645	-4,295,119
Income tax	9	1,507,524	9,657	2,153,374	644,433
Net loss after taxation		-4,558,618	-1,366,341	-6,888,271	-3,650,686
Net loss attributable to:					
Owners of the Company		-4,558,618	-1,366,341	-6,888,271	-3,650,686
Other comprehensive loss:					
<i>Items that might be subsequently reclassified to profit or loss:</i>		-	-	-	-
<i>Item that are not reclassified to profit or loss:</i>		-	-	-	-
Total comprehensive loss for the year		-4,558,618	-1,366,341	-6,888,271	-3,650,686
Total comprehensive loss attributable to:					
Owners of the Company		-4,558,618	-1,366,341	-6,888,271	-3,650,686

The accompanying notes are an integral part of these Interim Financial Statements.



STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Before appropriation of results)

EUR	Note	31 December 2022	31 December 2021
ASSETS			
Tangible fixed assets			
Property, plant & equipment	5	59,413,157	47,736,483
Right of use assets		848,219	275,798
Total tangible fixed assets		60,261,376	48,012,281
Non-current assets			
Restricted cash deposit - long term	6	3,000,000	6,000,000
Total non-current assets		3,000,000	6,000,000
Current assets			
Inventories		1,301,986	110,246
Restricted cash deposit - short term	6	-	3,232,000
Trade receivables		577,673	11,510
Other current receivables		378,588	557,538
Total current assets		2,258,247	3,911,294
Cash and cash equivalents	6	4,350,784	4,545,132
Total current assets		6,609,031	8,456,426
TOTAL ASSETS		69,870,407	62,468,707

The accompanying notes are an integral part of these Interim Financial Statements.



STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)

(Before appropriation of results)

EUR	Note	31 December 2022	31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital		125,000	125,000
Share premium reserve		19,149,046	9,856,012
Other reserve		1,224,250	726,250
Revaluation reserve		14,700,301	15,915,655
Retained earnings / (accumulated deficit)		-4,707,235	-2,271,902
Unappropriated results		-6,888,271	-3,650,687
Total equity	7	23,603,091	20,700,328
Non-current liabilities			
Deferred tax liability	9	2,155,739	4,309,113
Bond loan	8	36,225,879	34,689,096
Loans payable		2,002,786	-
Non-current portion of lease liabilities		701,617	260,916
Other liabilities		655,015	755,749
Total non-current liabilities		41,741,036	40,014,874
Current liabilities			
Amounts due to related parties		-	2,495
Current portion of lease liabilities		147,916	27,929
Trade creditors		2,119,141	1,125,581
Tax liability		-	167,743
Other current liabilities		2,259,223	429,757
Total current liabilities		4,526,280	1,753,505
Total liabilities		46,267,316	41,768,379
TOTAL EQUITY AND LIABILITIES		69,870,407	62,468,707

The accompanying notes are an integral part of these Interim Financial Statements.



STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

EUR	Share capital	Share premium reserve	Other reserve	Revaluation reserve	Retained earnings	Unappropriated results	Total
Balance at 1 January 2022	125,000	9,856,012	726,250	15,915,655	-2,271,902	-3,650,687	20,700,328
<i>Comprehensive income for the year</i>							
Unappropriated results	-	-	-	-	-	-6,888,271	-6,888,271
Total comprehensive income for the year	-	-	-	-	-	-6,888,271	-6,888,271
<i>Transactions with owners of the Company</i>							
Appropriation of results	-	-	-	-	-3,650,687	3,650,687	-
Depreciation on revalued assets	-	-	-	-399,709	399,709	-	-
Allocation of legal and statutory reserves	-	-	-	-815,645	815,645	-	-
Conversion of loan to share premium	-	5,943,034	-	-	-	-	5,943,034
Contribution by shareholder	-	3,350,000	-	-	-	-	3,350,000
Share-based compensation	-	-	498,000	-	-	-	498,000
Total transactions with owners of the Company	-	9,293,034	498,000	-1,215,354	-2,435,333	3,650,687	9,791,034
Balance at 31 December 2022	125,000	19,149,046	1,224,250	14,700,301	-4,707,235	-6,888,271	23,603,091
Balance at 1 January 2021	125,000	6,191,650	228,250	17,129,635	-917,313	-2,568,569	20,188,653
<i>Comprehensive income for the year</i>							
Unappropriated results	-	-	-	-	-	-3,650,687	-3,650,687
Total comprehensive income for the year	-	-	-	-	-	-3,650,687	-3,650,687
<i>Transactions with owners of the Company</i>							
Appropriation of results	-	-	-	-	-2,568,569	2,568,569	-
Depreciation on revalued assets	-	-	-	-535,833	535,833	-	-
Allocation of legal and statutory reserves	-	-	-	-678,147	678,147	-	-
Contribution by shareholder	-	2,700,000	-	-	-	-	2,700,000
Conversion of loan to share premium	-	964,362	-	-	-	-	964,362
Share-based compensation	-	-	498,000	-	-	-	498,000
Total transactions with owners of the Company	-	3,664,362	498,000	-1,213,980	-1,354,589	2,568,569	4,162,362
Balance at 31 December 2021	125,000	9,856,012	726,250	15,915,655	-2,271,902	-3,650,687	20,700,328

Note

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The accompanying notes are an integral part of these Interim Financial Statements.



STATEMENT OF CASH FLOWS (UNAUDITED)

EUR	Note	Year to Date	
		2022	2021
Cash flows from operating activities			
Profit (loss) before tax		-9,041,645	-4,295,119
<i>Adjustments for</i>			
Depreciation	5	2,030,576	1,118,161
Net financial expenses		3,424,117	716,401
Foreign exchange		-10,319	-
Share-based compensation	12	498,000	498,000
Book result on disposal of property, plant and equipment		-	-25,469
<i>Change in operating assets and liabilities</i>			
Change in trade receivable and other receivables		-387,210	1,368,309
Change in trade and other payables		2,552,054	-689,554
Change in inventories		-1,191,740	-110,246
Income tax received (paid)		-	-
Net cash inflow from operating activities		-2,126,167	-1,419,517
Cash flows from investing activities			
Investment in property, plant and equipment	5	-11,203,392	-6,967,852
Sale of property, plant and equipment		-	59,000
Investment in right of use assets		-28,200	-
Net cash (outflow) from investing activities		-11,231,592	-6,908,852
Cash flows from financing activities			
Contribution from shareholder	8	3,350,000	2,700,000
Proceeds from borrowings	8	7,500,000	920,000
Transaction costs on bond modification		-303,022	-
Release from escrow accounts	6	6,232,000	3,808,000
Repayments of borrowings, lease liabilities		-171,042	-44,178
Interest paid	8	-3,444,525	-3,450,907
Net cash inflow from financing activities		13,163,411	3,932,915
Net increase/(decrease) in cash and cash equivalents		-194,348	-4,395,455
Cash and cash equivalents 1 January		4,545,132	8,940,587
Cash and cash equivalents at the end of the period		4,350,784	4,545,132
Cash and bank balances		972,784	2,713,132
Escrow accounts included as cash and cash equivalents		3,378,000	1,832,000
Cash and cash equivalents at the end of the period	6	4,350,784	4,545,132

The accompanying notes are an integral part of these Interim Financial Statements.



NOTES TO THE INTERIM FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

IceBear Steenwijk B.V. is located in Steenwijk, the Netherlands and is registered in the Trade Register at the Chamber of Commerce under number 63993880.

IceBear Steenwijk B.V. is a Dutch subsidiary of Snowflake Capital Partners AS (formerly Kvitebjørn Energi AS) (hereafter “SCP”). SCP is a Norwegian company that invests in renewables and sustainable businesses and is part of the Daimyo Company. The ultimate parent of the Company is Peak XV AS in Norway.

Reporting entity

These Interim Financial Statements (hereafter: “interim financial statements”) comprise the Company (referred to as the Company).

Financial reporting period

These interim financial statements cover the twelve months of 2022, ending on 31 December 2022.

Going concern

These interim financial statements of the Company have been prepared on the basis of the going concern assumption.

NOTE 2 GENERAL ACCOUNTING PRINCIPLES

The general accounting policies applied in the preparation of these interim financial statements are set out below.

Basis of preparation

The interim financial statements for the twelve months of 2022, ending on 31 December 2022, were prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2021 (‘last annual financial statements’). They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

The interim financial statements are presented in Euros (EUR) and have been rounded to the nearest Euro unless otherwise stated. As a result of rounding adjustments, amounts and percentages may not add up to the total.



These interim financial statements were authorised for issue by the Company's board of directors on 28th February 2023.

Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements and estimates applied in the preparation of these interim financial statements are the same as those followed in the Company's last annual financial statements.

Significant accounting policies

The significant accounting policies applied in the preparation of these interim financial statements are the same as those followed in the Company's last annual financial statements. These accounting policies have been applied consistently to all years presented, unless otherwise stated.

Changes in accounting policies and new pronouncements

The IASB issued the following amendments which are effective 1 January 2022:

- Annual Improvements to IFRS: 2018-2020 Cycle
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use).

The above-mentioned amendments does not have a significant effect for the Company's financial reporting.

None of the already issued, but not yet effective accounting standards or amendments to such standards are expected to have significant effects for the Company's financial reporting.

NOTE 3 SIGNIFICANT EVENTS AND TRANSACTIONS

Interest bearing debt, modification of bond loan

Refer to note 8 for further details on the modification of the bond loan and conversion of shareholders loan to equity.

Construction in progress, additions to items of property, plant and equipment

Refer to note 5 for further details on the construction in progress.



Related party transactions

Refer to note 12 for further details on the related party transactions.

Seasonality

The Company's operations are not subject to any significant fluctuations due to seasonality.

Segment reporting

EUR	Fourth quarter 2022				Fourth quarter 2021			
	CHP	Palletblocks	Unallocated	Total	CHP	Palletblocks	Unallocated	Total
Revenue	173,624	2,856,315	64,534	3,094,473	248,807	-90,648	-	158,159
Net financial expenses	-	-2,913,187	-2,694	-2,915,881	-	-176,233	11,010	-165,223
Depreciation of tangible fixed assets	-57,082	-621,557	-415,210	-1,093,849	-54,842	-	-232,376	-287,218
Net result before tax	-771,322	-2,523,006	-2,771,814	-6,066,142	28,923	-266,881	-1,138,040	-1,375,998
Income tax	199,001	650,936	657,587	1,507,524	-153,967	-273,744	437,368	9,657
Assets	22,755,877	38,193,009	8,921,521	69,870,407	6,245,621	31,725,748	24,497,338	62,468,707
Liabilities	1,490,088	38,228,665	6,548,563	46,267,316	957,217	34,689,096	6,122,066	41,768,379

EUR	Year to Date 2022				Year to Date 2021			
	CHP	Palletblocks	Unallocated	Total	CHP	Palletblocks	Unallocated	Total
Revenue	1,098,336	7,865,901	64,534	9,028,771	248,807	-	-	248,807
Net financial expenses	-	-3,409,727	-4,071	-3,413,798	-	-680,929	-35,472	-716,401
Depreciation of tangible fixed assets	-225,438	-780,399	-1,024,739	-2,030,576	-219,939	-	-870,777	-1,090,716
Net result before tax	-1,324,519	-287,727	-7,429,399	-9,041,645	-293,472	-680,929	-3,320,718	-4,295,119
Income tax	341,726	74,234	1,737,414	2,153,374	-73,368	-170,232	888,033	644,433
Assets	22,755,877	38,193,009	8,921,521	69,870,407	6,245,621	31,725,748	24,497,338	62,468,707
Liabilities	1,490,088	38,228,665	6,548,563	46,267,316	957,217	34,689,096	6,122,066	41,768,379

Company main source of revenue in 2022 is Pallet blocks and secondly sale of excess energy from CHP. Comparing the segment revenues between 2022 and 2021, the pallet block production was not in production in 2021, hence CHP generating the main revenue in 2021.

NOTE 4 TOTAL INCOME

EUR	Fourth quarter		Year to Date	
	2022	2021	2022	2021
Electricity	163,636	158,159	1,009,672	158,159
Pallet block	2,856,315	-	7,865,901	-
Hot water	9,987	-	88,663	90,648
Other services	64,535	-	64,535	-
Total revenue	3,094,473	158,159	9,028,771	248,807
Other income	10,430	82,750	306,359	83,200
Total other income	10,430	82,750	306,359	83,200
Total income	3,104,903	240,909	9,335,130	332,007



NOTE 5 PROPERTY, PLANT AND EQUIPMENT

EUR Cost	Land	Buildings	Plant and equipment	Construction in-progress	Other	Total
Cost at 1 January 2022	1,631,365	1,137,586	25,806,315	22,493,748	183,144	51,252,158
Additions	-	18,553	-	11,119,915	64,924	11,203,392
Disposals	-	-	-	-	-	-
Transfers	-	-	30,360,163	-30,360,163	-	-
Capitalised borrowing costs	-	-	-	2,350,185	-	2,350,185
Cost at 31 December 2022	1,631,365	1,156,139	56,166,478	5,603,685	248,068	64,805,735
Depreciation and impairment losses						
Accumulated at 1 January 2022	-	-485,093	-2,990,254	-	-40,331	-3,515,678
Depreciation	-	-83,655	-1,750,232	-	-43,013	-1,876,900
Accumulated at 31 December 2022	-	-568,748	-4,740,486	-	-83,344	-5,392,578
Carrying amount						
At 31 December 2021	1,631,365	652,493	22,816,061	22,493,748	142,813	47,736,480
At 31 December 2022	1,631,365	587,391	51,425,992	5,603,685	164,724	59,413,157

At 31 December 2022, property, plant and equipment with a carrying amount of EUR 53.6 million (31 December 2021: EUR 25.10 million) were pledged as collateral against its secured bond loan.

Construction in progress

Construction in progress relates to the construction of a feeding line and storage of biomass for the CHP and the automated drying and packaging process for the block production. The Company has contracted a developer to deliver the equipment to the project through a turnkey contract, whereas local entrepreneurs are contracted locally for civil works. As at 31 December 2022 EUR 0.38 million (31 December 2021: EUR 4.74 million) related to the turnkey contract remains to be paid. In addition Company estimates around 0.60 million on other contractors to be paid to complete the project. During the year an additional EUR 2.3 million of borrowing costs were capitalised, cumulating in a total of EUR 6.5 million (31 December 2021: EUR 3.96 million). Capitalisation was halted once the production line was ready for its intended use. The Company used a capitalisation rate of 83% (2021: 83%) to determine the amount of borrowing costs eligible for capitalisation.

EUR 0.38 million is held in escrow for the project which has been classified as restricted cash (refer to note 6 for additional details).



NOTE 6 CASH AND CASH EQUIVALENTS

EUR	31 December 2022	31 December 2021
Cash and cash equivalents	4,350,784	4,545,132
Total cash and cash equivalents	4,350,784	4,545,132
Restricted cash	3,000,000	9,232,000
Total restricted cash	3,000,000	9,232,000

Restricted cash

The Company has restricted cash of the amount of EUR 6.38 million (31 December 2021: EUR 10.74 million) that is not immediately accessible. The change is due to release of payment of EUR 4.49 million related to Acceptance. EUR 3.38 million of the balance is due in less than 3 months and has therefore been classified as cash and cash equivalents.

EUR	31 December 2022	31 December 2021
Restricted cash deposit - long term	3,000,000	6,000,000
Restricted cash deposit - short term	-	3,232,000
Restricted cash deposit included in cash and cash equivalents	3,378,000	1,508,000
Total cash and cash equivalents	6,378,000	10,740,000

EUR 0.38 million of the funds related to the Company's construction project can be withdrawn during 2022 upon meeting the construction project milestones (refer to note 5).

EUR 6 million (31 December 2021: EUR 3 million) remains in an escrow account at year end. Amended terms in the bond agreement (refer to note 8), approves release of 3 million on acceptance of the terms with Nordic Trustee. Additionally, the amended terms also gives the opportunity to release up to 2 million to cover for interest payments, conditionally that shareholders inject the equivalent amount of equity (refer to note 13).

NOTE 7 EQUITY

As per 31 December 2022, equity contains an amount of EUR 14.7 million (31 December 2021: EUR 15.9 million) related to the revaluation of property, plant and equipment held by the Company, which is blocked for distribution under Dutch law.



NOTE 8 INTEREST BEARING DEBT

Bond loan

In September 2020, the Company issued a senior secured bond loan of EUR 35 million. The bond carries a coupon of EURIBOR 3 Month + 9.5%, with a floor of zero for EURIBOR 3 Month. The bond has been listed on the Oslo Stock Exchange (Oslo Børs) as per 4 March 2021.

On 19 December 2022 the terms of the bond loan were amended. The following amendments were made:

- the maturity date of the bond is extended 12 months from 7 September 2023 to 7 September 2024;
- the financial covenant requiring the Company to maintain a minimum liquidity of EUR 6 million is reduced to EUR 1.35 million;
- EUR 3 million of the EUR 6 million restricted cash balance can be utilised for liquidity purposes, EUR 3 million is required to remain restricted;
- of the remaining EUR 3 million restricted cash, EUR 2 million may be released towards the payment of interest;
- the redemption price includes a call option right for the Company at any time:
 - a) Until 7 September 2023 (the original maturity date), no adjustments will be made to the redemption price;
 - b) From 7 September to 7 January 2024 the redemption price shall be set to 101% of the outstanding amount;
 - c) From 7 January 2024 to 7 May 2024 the redemption price shall be set to 103% of the outstanding amount; and
 - d) From 7 May 2024 to, and including 7 September 2024 (the new maturity date), the redemption price shall be set to 105% of the outstanding amount.
- Any default existing at 19 December is waived.

The amendments were conditional on a cash contribution from the shareholders of EUR 3.35m and conversion of the aggregate shareholder loans and interest, excluding a balance of EUR 2.0 million which remained as a shareholder loan.

The Company performed a qualitative and quantitative assessment on the amended bond terms and determined that the modification was not considered to be substantial. As a result the bond loan was not derecognised and a modification adjustment has been recognised in the profit or loss.

The amortised cost of the bond loan at the modification date was EUR 34,929,034 and the revised amortised cost calculated using the new cashflows was EUR 36,072,748. Correspondingly a modification loss of EUR 1,446,735 has been recognised in the profit or loss.



The Company also determined that the redemption price call option right is 'closely related' to the bond loan and therefore has not been accounted for as a separate embedded derivative.

Interest expense on the bond for the twelve months ending 31 December 2022 was EUR 3.834 million (full year ending 31 December 2021: EUR 3.647 million), of which EUR 2.277 million (full year ending 31 December 2020: EUR 3.022 million) was capitalised given the borrowing costs were directly attributable to the construction in progress.

EUR	31 December 2022	31 December 2021
Opening balance, net of transaction costs	34,689,096	34,412,890
Cash movements:		
Transaction costs	-303,022	-
Interest paid on loan	-3,440,454	-3,371,180
Total change from financing cash flows	-3,743,476	-3,371,180
Non-cash movements		
Interest expenses	3,833,524	3,647,386
Modification of bond loan	1,446,735	-
Closing balance, net of transaction costs	36,225,879	34,689,096

Covenant requirements

Under the terms of the bond agreement, the Company is required to maintain a minimum liquidity of not less than EUR 1.35 million and an equity ratio not below 20 percent. All of the covenant requirements were complied with during the reporting period.

Loans from parent company

In February, March, April, June, August and October the parent company, SCP, provided loans to the Company for EUR 1.4 million, EUR 1.1 million, EUR 1.5m, EUR 1.5 million, EUR 1.25 million and EUR 0.75 million respectively, to fund costs in relation to the construction project, measures to mitigate emissions and the buildup of working capital. The loans issued February to June bear an interest rate of 10.0% per annum on the loan balance. The loan provided in August and October bear an interest rate of 11.0% and 12.5% respectively per annum on the loan balance. As part of the bond loan amendments in December 2022, EUR 5,943,034 of the outstanding loan balance was settled by way of a share premium contribution.

The remaining outstanding loan balance of EUR 2 million will incur an interest rate of EURIBOR plus 3.5%. The loan and interest become repayable on demand after the bond maturity date of 7 September 2024.



The interest incurred was partially capitalised until the project Acceptance as the borrowing costs are directly attributable to the construction in progress.

EUR	31 December 2022	31 December 2021
Opening balance, net of transaction costs	-	-
Cash movements:		
Proceeds from parent company	7,500,000	920,000
Total change from financing cash flows	7,500,000	920,000
Non-cash movements		
Conversion of loan to share premium	-5,943,034	-964,362
Interest expenses	445,820	44,362
Closing balance, net of transaction costs	2,002,786	-

NOTE 9 INCOME TAXES

Income tax

EUR	Fourth quarter		Year to Date	
	2022	2021	2022	2021
Current tax expense	-	-252,442	-	-
Deferred tax income / (expense)	1,507,524	262,099	2,153,374	644,433
Income tax expense (income)	1,507,524	9,657	2,153,374	644,433

Deferred tax balances

EUR	31 December 2022	31 December 2021
Tax losses carried forward	-2,979,579	-1,474,392
ECL	-3,024	-
Bond Loan timing differences	-321,611	-
Lease liabilities	-219,180	-74,522
Right of use assets	218,841	71,156
Property, plant and equipment	5,460,292	5,786,871
Carrying value deferred tax liabilities	2,155,739	4,309,113



NOTE 10 FINANCIAL RISK MANAGEMENT

Risk management in the Company is carried out by the CEO under policies approved by the board of directors. Potential risks are evaluated on a regular basis, and the CEO determines appropriate strategies related to how these risks are to be handled within the Company under the approved policies.

Among others, the Company is exposed to operational, market-, credit-, liquidity- and government grant risk. The current macroeconomic environment is challenging with high inflation, raising interest risk, weaker business environment. The company can face liquidity issues as market prices changes and ramp-up is behind plan. Grants can be reduced when energy prices are high.

The financial risk management applied in the preparation of these interim financial statements are the same as those applied in the Company's last annual financial statements with the exception of credit risk.

The Company has recognised an expected credit loss related to its trade receivables using the simplified approach. The following table provides information about the ECLs for trade receivables at 31 December 2022:

31 December 2022 EUR	Days past due					Total	
	Current	<30 days	30-60 days	61-90 days	91-120 days		>120 days
Gross carrying amount	456,320	165,011	29,597	8,608	-	9,278	668,814
Weighted average loss rate	0.00%	1.00%	1.99%	2.99%	19.90%	99.50%	
Loss allowance	-	1,642	589	257	-	9,231	11,719

To further manage the credit risk on trade receivables, the Company insures up to 90% of the trade receivables balance, reducing the exposure to credit risk.

Fair Values of Financial Instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities
- Level 2: other techniques for which inputs that have a significant effect on the recorded fair value are observable, directly, or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data

The carrying amounts of trade and other receivables, cash and cash equivalents, as well as trade and other payables approximates their fair values because they are short term in nature.

The carrying value of the Bond loan as at 31 December 2022 is EUR 36.23 million (31 December 2021: EUR 34.69 million). The carrying amount of the bonds



approximates its fair value based on recent trades in the bond which has happened at, or close to, par.

The carrying value of the loans from the parent company at the reporting date is EUR 2.0 million (31 December 2021: EUR nil). The carrying amount of the loans approximates their value.

While there reporting period was affected by a challenging business environment no adjustments have been made regarding the fair value of the Company's financial assets and financial liabilities. A new consideration has been made as a part of the preparations of the Q4 report, showing no need to reduce the fair value of the company. The result of the impairment test is not yet audited and will be confirmed for the audited accounts in the annual reporting.

NOTE 11 COMMITMENTS

The Company is subject to commitments and contingencies, which occur in the normal course of business. The Company plans to fund these commitments and contingencies out of existing facilities and internally generated funds. The main shareholder has provided liquidity as not sufficient operational cash flow has been generated. See note 13 for additional information.

Capital expenditure

Commitments in respect of expansion project contracts placed for capital expenditure at 31 December 2022 amount to EUR 1.77 million (31 December 2021: EUR 5.84 million).

Assets pledged as collateral

At 31 December 2022, property, plant and equipment with a carrying amount of EUR 53.6 million (31 December 2021: EUR 25.10 million) were pledged as collateral against its secured bond loan.

NOTE 12 RELATED PARTIES

The Company's controlling parties included in these interim financial statements are the same as those in the Company's last annual financial statements.

Key management remuneration

Key management includes the Company's Board of Directors and Named Executive Officers.



EUR	Fourth quarter		Year to Date	
	2022	2021	2022	2021
Short-term employee benefits	81,104	223,191	228,543	373,510
Share-based compensation	124,500	124,500	498,000	498,000
Total key management remuneration	205,604	347,691	726,543	871,510

Share-based compensation

The terms and conditions as well as the method of determining the fair value of the share-based compensation are the same as those in the Company's last annual financial statements. The plan is being recognised on a straight-line basis over the vesting period of 3 years.

Transactions with related parties

The terms and conditions applicable to related party balances and transactions are the same as those in the Company's last annual financial statements with the exception of the lease agreement with LB4a B.V.

The Company entered into a new property lease agreement in January 2022 with LB4a B.V., the lease term is 5 years with extension options for additional 5 year periods. The Company does not intend to exercise the extension option at the end of the current period.

Statement of financial position items

Balances with related parties included in the statement of financial position are as follows:

EUR		31 December	31 December
Related party	Transaction	2022	2021
Snowflake Capital Partners AS	Shareholder loan	-	-2,495
LB4A B.V.	Lease liability	-392,833	-

Statement of profit or loss and other comprehensive income or loss items

Balances with related parties included in the statement of comprehensive income are as follows:

EUR	Related party	Transaction	Fourth quarter		Year to Date	
			2022	2021	2022	2021
	Snowflake Capital Partners AS	Interest expense	177,878	15,394	177,878	44,362
	LB4A B.V.	Interest expense of lease liability	3,887	-	16,598	-

NOTE 13 EVENTS AFTER THE REPORTING PERIOD

Following the closing of the Q4 reporting period, the Company have in January received the approval of the amended terms of the bond agreement, hence 3.0 million has been released from the escrow account to free cash.



The Company have also made changes in the organisation as a part of the restructuring process and as reported to the market 1st February 2023 Mr. Christian den Doelder has replaced Mr. Halbe Pomper as CEO. In addition changes has been made to the board of directors where Mr. John Ragnar Tveit replaced Mr. Espen Aubert.

Market developments are moving in a positive direction where we see the drop in the energy prices (gas and electricity) have contributed positively on the activity level in the process industry. This is giving a significant change in availability of raw materials, hence close to 30% drop in main cost drivers. Market for A/B-wood and biomass is still overheated due to the quarterly pricing based on ending of 2022, but we expect a softening in these prices from next quarter onwards. Wood indexes has been low in the start of Q1-23, but we are now seeing indexes changing again to allow increased prices for blocks. Overall, this is encouraging for increased gross margin.

Ramp up of factory is progressing and during Q1-23 new records have been reached a few times on both daily production records and weekly records. When operating stably, we see that the plant can perform at design capacity.

SIGNATURES

Oslo and Steenwijk, 28th February 2023,

.....
C. den Doelder
CEO

.....
A. Ombustvedt
Director

.....
N. Lucciarini
Director

.....
J. R. Tveit
Director



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