

Interim report Q4 2022

About CO2 Capsol

Accelerating the transition to a carbon negative future

CO2 Capsol is a carbon capture technology provider offering energy efficient, cost competitive and environmentally friendly carbon capture solutions. The company's goal is to help accelerate the transition to a carbon negative future. The technology is licensed out either directly to customers or through industrial partners globally. Key target segments include cement, biomass, energy-from-waste, power generation and large industrial. CO2 Capsol is listed on Euronext Growth Oslo, Norway (ticker: CAPSL).

Carbon capture technologies to support all industries



CapsolGo® demonstration units

700 tonnes CO₂/year

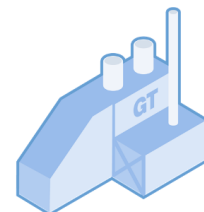
Mobile carbon capture demonstration unit with an all-inclusive package. First unit in operation in Sweden, second unit on two 6-month campaigns in Germany from Q1 2023.



Capsol EoP™ (End-of-Pipe)

100,000+ tonnes CO₂/year

A full capture system for large-scale CO₂ emitting industries. First large-scale project won for BECCS (bio-energy carbon capture and storage) project in Sweden.



CapsolGT® for gas turbines

12,000 to 400,000+ tonnes CO₂/year

A carbon capture solution for open-cycle gas turbines, enabling additional electricity generation. Also applicable when turbines are used for other industrial applications.

Highlights in period

- Revenues of NOK 6.9 million in Q4-22, an increase of 78% from Q3-22. Pre-tax profit of NOK -9.3 million, compared with NOK -7.4 million in the previous quarter.
- Successful CapsolGo® demonstration campaign for Öresundskraft in Sweden, proving that the technology is well-suited for Energy-from-Waste. Investment decision expected in 2025.
- Entering Germany with two CapsolGo® 6-month demonstration campaigns won with large German energy company and opening of Berlin office during Q1-23.
- Increased engineering capacity through partnership with US-based Eickmeyer (CATACARB®), a company with experience from over 150 plants in 33 countries.
- Entered into partnership with Sumitomo SHI FW, a company with 1,800 employees in 14 countries, considered an important step towards building market leading position.
- "Green loan" debt financing secured from DNB for the first two CapsolGo® units. Fully funded to deliver on current business plan.
- Market outlook developing positively with the Inflation Reduction Act in the US, which increases tax refund for carbon capture, and EU's upcoming Green Deal Industrial Plan with simple tax-break models and targeted aid for production facilities.

Comment from CEO Jan Kielland

“Demand for carbon capture is currently at an inflection point and is expected to be further fuelled this year by new incentives in the US and EU. In 2022, CO2 Capsol took several important steps towards developing into a leading global carbon capture tech provider. With the demonstration campaign for Öresundskraft successfully completed recently we proved that our solution works and we booked our first revenue. We also won our first large scale project with Stockholm Exergi. Additionally, the organisation was strengthened with key recruitments within product development and sales, and we entered partnerships enabling us to scale our safe and energy-efficient carbon capture technology towards our long-term goal of a 5% market share.”

Key figures Q4 2022

(NOK million)	Q4 2022	Q3 2022	2022	2021
Total operating income	6.9	3.9	10.8	0.1
Pre-tax profit	-9.3	-7.4	-33.7	-25.3
Net cash flow from operating activities	-12.9	-5.2	-33.4	-15.0
Net cash flow from investment activities	-3.5	-9.4	-22.1	-3.0
Net cash flow from financing activities	23.0	9.0	32.0	102.4
Cash and cash equivalents at the end of the period	61.4	54.7	61.4	84.9

Operational review

Projects

CapsolGo® campaign at Filbornaverket (Öresundskraft):

The first CapsolGo® demonstration unit started operation on flue gas at Öresundskraft's Energy-from-Waste (EfW) plant Filbornaverket in Helsingborg, Sweden, during October 2022. The project achieved a capture rate of more than 90%, proving that the technology is well-suited for EfW. Öresundskraft is expecting a final investment decision related to Filbornaverket in 2025 with a full-scale deployment of 210,000 tonnes CO₂ per year.

Stockholm Exergi Värtaverket: Patent licence agreement for use of CO₂ Capsol's EoP technology at the biomass powered Combined Heat and Power (CHP) plant Värtaverket in Stockholm, Sweden, signed in July 2022. Värtaverket will be Europe's first large-scale negative emissions plant with a full-scale deployment of 800,000 tonnes CO₂ per year. The timing of final investment decision is indicated by the operator to early 2024.

New contracts

CO₂ Capsol has signed a 12-month contract for the delivery of two CapsolGo® demonstration campaigns, one at an EfW and one at a biomass-fired CHP plant, both of a major German energy company. The demonstration campaigns are expected to start operations in Q1/Q2-23.

Sales pipeline

Currently CO₂ Capsol has ~100 active leads totaling more than 25 million tonnes of CO₂. The majority – 90 projects – is in sales engineering, while the company is conducting paid engineering studies on 3 projects totalling 1.2 million tonnes of CO₂. In addition, the company has 3 CapsolGo® projects (0.6 million tonnes of CO₂) which are designed to accelerate the customer's decision process towards a full-scale plant.

Technology

CO₂ Capsol is developing new solutions for capturing carbon dioxide from gas turbines, called

CapsolGT®, a solution for open cycle gas turbines 4-100+ Mwe (12,000 to 400,000+ tonnes CO₂ per year). The technology has been developed based on learnings from ongoing projects, in collaboration with large international players, offering a solution which generates additional electricity while capturing more than 95% CO₂ from exhaust gases of open-cycle gas turbines, and introducing carbon capture as a revenue source.

Organisation

To ensure efficient processes around the increasing sales pipeline and maximise win-rate for the right projects, Johan Jungholm was promoted to Chief Commercial Officer in October 2022. Philipp Staggat, former Head of CapsolGo®, was promoted to Chief Product Officer to lead the development of the company's offering in October 2022.

During Q1-23, the company will establish an office in Berlin, Germany. The office will be led by Moritz Köpcke who brings with him substantial experience from previous positions as CO₂ capture technology expert in Scandinavia and Germany, and from project management, construction, and operation of biogas plants.

Partnerships

On 13 December 2022, CO₂ Capsol signed a collaboration agreement with Eickmeyer & Associates Inc. (Eickmeyer), a company providing, under the CATACARB® brand, process design and engineering services for carbon capture plants utilising hot potassium carbonate (HPC). Through this agreement, CO₂ Capsol has secured increased capacity to serve a growing global client base.

On 22 December 2022, CO₂ Capsol entered into a cooperation agreement with Sumitomo SHI FW, part of the Japanese Sumitomo Heavy Industries Group with more than 24,000 employees, to develop and deliver standardised carbon capture plants focused on Waste-to-Energy (WtE) and biomass-fuelled combined heat and power (CHP) facilities.

Through this cooperation, CO2 Capsol has taken an important step towards its long-term goal of a 5% market share.

Financial review

Summary of profit and loss (figures in NOK million)	Q4 2022	Q3 2022	2022	2021
Revenue	6.9	3.9	10.8	0.0
Total operating income	6.9	3.9	10.8	0.1
Operating profit/loss	-9.6	-7.2	-33.8	-25.2
Net financial items	0.3	-0.3	0.1	-0.1
Pre-tax profit	-9.3	-7.4	-33.7	-25.3
Net profit/loss	-9.3	-7.4	-33.7	-25.3

Profit and loss Q4 2022

Total operating income amounted to NOK 6.9 million in Q4 2022, up 78% compared to Q3 2022. The increase was driven by the company's first CapsolGo® demonstration campaign generating revenue for a full quarter.

Total operating expenses increased by 50% to NOK 16.5 million in the quarter mainly due to increased activity level and investments in growth, contributing to an operating loss of NOK -9.6 million compared to NOK -7.2 million in the previous quarter. In addition, Q4 had costs related to adjustments of soft funding.

Net financial items was positive by NOK 0.3 million in Q4 2022 compared to NOK -0.3 million in the previous quarter.

Pre-tax profit amounted to NOK -9.3 million compared to NOK -7.4 million in Q3 2022, as increased revenue was offset by higher operating expenses.

Profit and loss 2022

2022 marked the first year with revenue for CO2 Capsol, as the company received payments from its first CapsolGo® demonstration campaign. The campaign had a positive contribution to pre-tax profit.

Full-year operating income for 2022 amounted to NOK 10.8 million, up from NOK 0.1 million in 2021.

Pre-tax profit for 2022 was NOK -33.7 million compared to NOK -25.3 million, due to increased cost level driven by investments in growth and early phase activities related to projects.

Cash flow summary

(figures in NOK million)

	Q4 2022	Q3 2022	2022	2021
Net cash flow from operating activities	-12.9	-5.2	-33.4	-15.0
Net cash flow from investment activities	-3.5	-9.4	-22.1	-3.0
Net cash flow from financing activities	23.0	9.0	32.0	102.4
Net change in cash and cash equivalents	6.7	-5.7	-23.5	84.4
Cash and cash equivalents at start of period	54.7	60.4	84.9	0.5
Cash and cash equivalents at end of period	61.4	54.7	61.4	84.9

Cash flow Q4 2022

Net cash flow from operating activities was NOK -12.9 million in Q4 2022, with the difference between the pre-tax profit for the quarter mainly being related to build-up of working capital in line with increased activity level. The comparable figure for the previous quarter was NOK -5.2 million, which was lower than the pre-tax profit due to cost recognition of the company's employee option program and asset depreciation.

Net cash flow from investment activities was NOK -3.5 million in Q4 2022, related to the company's CapsolGo® demonstration units, compared to NOK -9.4 million in the previous quarter.

Net cash flow from financing activities in Q4 2022 was related to the issuance of a "green loan" from DNB, while in Q3 2022 the amount related to execution of the final outstanding options (not including employee options).

Net change in cash and cash equivalents was NOK 6.7 million in the quarter, and the company held NOK 61.4 million in cash and cash equivalent by the end of Q4 2022.

Cash flow 2022

Net change in cash and cash equivalents amounted to NOK -23.5 million in 2022, mainly driven by investments in the organisation, early phase activities related to projects and two CapsolGo® demonstration units. Net change in cash and cash equivalents for 2021 was NOK 84.4 million, mainly driven by proceeds from an equity issue.

Financial position

Total assets by year-end 2022 was NOK 102.8 million, of which NOK 6.5 million in patents, licences, trademarks and similar rights, NOK 24.8 million in plant and equipment and NOK 61.4 millions in cash and bank deposits.

Current receivables amounted to NOK 10.1 million.

Total equity was NOK 72.3 million, corresponding to an equity ratio of 70.3%. Long-term debt amounted to NOK 23.0 million, which was related to the loan agreement with the Norwegian bank DNB for financing of CapsolGo® unit 1 and unit 2. The “green loan” was verified by DNV as an independent third party. Total short-term debt amounted to NOK 7.5 million.

Share information

Per 31 December 2022, the company had 53 533 395 issued shares, divided between 791 shareholders.

The closing price for the company's share was NOK 11.50 per share as per 31 December, which corresponds to a market capitalization of NOK 615 million.

20 largest shareholders 31 December 2022

Shareholder	Number of shares
Rederiaktieselskapet Skrim	9 522 665
Seoto As	5 172 677
Carbon Transition Investment As	3 636 363
Middelborg Invest As	3 554 974
Mp Pensjon Pk	2 166 800
T.D. Veen As	2 093 202
Redback As	1 849 769
Oppkuven As	1 836 200
Dnb Bank Asa	1 437 866
Øystein Mathisen	1 410 578
Carnegie Investment Bank Ab	1 365 082
F2 Funds As	1 198 243
As Clipper	1 179 352
Engelsviken Fryseri As	1 143 891
Daimyo As	1 030 000
Q Capital As	948 490
F1 Funds As	808 461
Odd Næss	717 795
Tone Bekkestad As	717 118
Camecc As	713 789
Total	

ESG

Contributing towards the UN's Sustainability Development Goals (SDG) through bringing carbon capture solutions to market that can mitigate climate change is at the core of CO2 Capsol's business. This is an important commitment to society at large, and a crucial contribution to minimising the negative environmental and social impact of CO₂ emissions.

CO2 Capsol's goal is to capture as much carbon dioxide as possible with state-of-the art carbon

capture technologies, with the SDG 13 "Climate Action" Goal being a key part of the company's long-term strategic processes.

CO2 Capsol performed its first materiality assessment in 2022. The materiality assessment was linked to how the company is impacted by and can impact the UN SDGs.

Market developments

Carbon capture is a technology that enables industrial facilities to remove CO₂ from flue gas for permanent storage. The carbon capture market is still in its infancy but is expected to grow rapidly driven by the world's need to combat climate change and avoid irreversible damage to the planet.

To be on track for net zero in 2050, carbon capture capacity needs to grow by 50% annually to 1.2 billion tonnes per year towards 2030 according to the International Energy Agency (IEA). By 2050, the capacity will need to reach 6.1 billion tonnes of CO₂, according to IEA's net zero emissions scenario.

Key market drivers include increasing costs of CO₂ emissions driven by regulation including carbon tax,

as well as government subsidies making it more attractive to capture CO₂. In addition, the development of a robust carbon capture value chain to facilitate capacity growth, and industrial scaling that reduces cost through standardization and economies of scale.

In North America and Europe demand is fuelled by new incentives. The Inflation Reduction Act in the US, approved in August 2022, increases tax refund from 50 to 85 USD per tonnes CO₂ for carbon capture. EU's Green Deal Industrial Plan will propose simple tax-break models and targeted aid for production facilities in strategic clean-tech value chains, including carbon capture and storage (CCS).

Outlook

Over the next eight years, IEA's path to net zero calls for minimum EUR 21 billion of carbon capture technology capex to be sanctioned based on CO2 Capsol's estimates.

Based on its highly competitive technology that is relevant for all kind of emitters and its go-to-market strategy, CO2 Capsol is targeting a long-term 5%

market share, EUR 7-12/tonnes in technology licensing revenue and 40-60% pre-tax margin.

Key de-risking milestones include commercial success through direct sales and through current partners, additional partnerships to expand reach, final investment decisions on projects where CO2 Capsol's technology has been selected and

successful development of additional technologies to increase relevance across market segments.

The company follows a strategic roadmap where revenue is reinvested to build a leading market position in 2026 and beyond.

Based on CO2 Capsol's current liquidity position, contracted net revenue of NOK 35 million and committed spend for 2023, the company estimates its capital buffer for the year to be approximately

NOK 30 million. However, with reference to the current project pipeline, the company expects both revenue and costs to increase in the period. Employees and technical services are the main cost drivers, which to a large extent can be adjusted based on the commercial activity level.

The company expects to reach break-even on technology licensing in 2024 and considers its current business plan to be fully funded.

Transactions with related parties

During the ordinary course of business, the company may engage in certain arm's length transactions with related parties. There were no transactions with related parties during the period.

Subsequent events

On 2 February 2023, CO2 Capsol announced it will establish an office in Berlin, Germany, during Q1-23. The initiative is in line with the company's strategy to expand its geographical footprint according to market demand, both organically and by partnering with leading industrial groups.

Risks and uncertainties

CO2 Capsol operates in a global market which is influenced by government subsidies, CO₂ taxes, customer preferences, and willingness to adapt to new technology and solutions; the introduction and commercialization, and timing, of new technologies, products, and services by others; changes in regulation; and other market conditions, in addition to internal factors such as financial and operational risks.

CO2 Capsol is continuously monitoring, managing, and mitigating potential risks and negative impacts for the company. Examples of key risks and mitigating actions are described below.

One of the key risks is related to CO2 Capsol being a small company with large competitors in a global market. Mitigating actions include the company's business model being based on technology licensing, which is highly scalable even with limited

resources. Additionally, the company's go-to-market strategy is to combine direct sales with partnerships with large global companies to extend reach, capacity and capabilities. Further, CO2 Capsol has built a highly capable and incentivized team, and it follows a strategic roadmap for organic growth with an opportunistic approach to inorganic growth opportunities.

Another key risk factor is that competitors could develop better technologies. Firstly, the company has a clear strategy for proving cost competitiveness and implementing learnings from executed projects. A strategy for patent protection is implemented and the company continues to invest in R&D to maintain cost leadership. Additionally, the company has an opportunistic approach to acquiring promising new technologies.

Interim financial statements

Statement of Profit and Loss

Summary of result

(NOK)	Q4 2022	Q4 2021	2022	2021
Revenue	6 898 630	0	10 766 762	37 950
Other operating income	0	0	21 666	29 624
Total operating income	6 898 630	0	10 788 428	67 574
Cost of materials	1 771 492	0	1 771 492	0
Personnel expenses	7 544 445	8 588 028	25 629 471	13 186 306
Depreciation	394 192	215 897	718 038	431 794
Other operating expenses	6 787 734	6 899 167	16 452 898	11 632 253
Total operating expenses	16 497 863	15 703 092	44 571 899	25 250 353
Operating profit/loss (EBIT)	-9 599 233	-15 703 092	-33 783 471	-25 182 780
Interest income	0	0	0	1
Other financial income	726 372	4 126	919 364	4 126
Interest expenses	0	0	0	1 486
Other financial expenses	433 399	50 409	844 891	73 639
Net financial items	292 973	-46 283	74 473	-70 998
Profit/loss before tax	-9 306 260	-15 749 375	-33 708 998	-25 253 778
Tax expense	0	0	0	0
Net profit/loss	-9 306 260	-15 749 375	-33 708 998	-25 253 778

Statements of financial position

(NOK)	31 Dec 2022	31 Dec 2021
Assets		
Patents, licences, trademarks and similar rights	6 476 912	6 908 706
Plant & equipment	24 803 826	2 964 720
Investments in subsidiaries	1	1
Investments in other companies	9 000	0
Loan to group companies	52 543	44 143
Total non-current assets	31 342 282	9 917 570
Accounts receivables	1 995 475	0
Other short-term receivables	8 075 582	2 034 746
Cash and bank deposits	61 412 023	84 944 575
Total current assets	71 483 080	86 979 321
Total assets	102 825 362	96 896 891
Equity and liabilities		
Share capital	53 533 395	50 582 776
Share premium reserve	81 072 850	75 064 800
Other paid in capital	14 467 512	4 425 610
Retained earnings	0	0
Uncovered loss	-76 776 373	-43 067 375
Total equity	72 297 384	87 005 811
Debt to financial institutions	23 000 000	0
Total non-current liabilities	23 000 000	0
Trade creditors	1 282 809	5 323 105
Public duties payable	1 128 417	729 277
Liabilities to group companies	99 900	99 900
Other current debt	5 016 852	3 738 798
Total current liabilities	7 527 978	9 891 080
Total liabilities	30 527 978	9 891 080
Total equity and liabilities	102 825 362	96 896 891

Statement of cash flow

(NOK)	Q4 2022	Q4 2021	2022	2021
Cash flow from operations				
Profit/loss before tax	-9 306 260	-15 749 375	-33 708 998	-25 253 778
Ordinary depreciation	394 192	215 897	718 038	431 794
Change in accounts receivable	184 566	0	-1 995 475	49 050
Change in accounts payable	-2 814 547	5 032 189	-4 040 296	1 351 703
Share based compensation scheme without cash impact	2 344 080	4 425 610	10 041 902	4 425 610
Change in other accrual items	3 681 428	1 787 340	-4 381 041	3 953 663
Net cash from operating activities	-12 879 397	-4 288 339	-33 365 870	-15 041 958
Cash flow from investment activities				
Investments in plant and equipment	-3 454 450	-2 964 720	-22 125 351	-2 964 720
Net cash from investment activities	-3 454 450	-2 964 720	-22 125 351	-2 964 720
Cash flow from financing activities				
Proceeds from the issuance of new long-term liabilities	23 000 000	0	23 000 000	0
Net proceeds from share issue	0	64 157 660	8 958 669	102 418 540
Net cash from financing activities	23 000 000	64 157 660	31 958 669	102 418 540
Net change in cash and cash equivalents	6 666 153	56 904 601	-23 532 552	84 411 862
Cash and cash equivalents at the start of the period	54 745 870	28 039 974	84 944 575	532 713
Cash and cash equivalents at the end of the period	61 412 023	84 944 575	61 412 023	84 944 575

Selected notes to the quarterly financial statements

Note 1 Accounting Principles

The interim financial statements have been prepared in accordance with the Norwegian Accounting Act and generally accepted accounting principles in Norway. All amounts are stated in Norwegian Kroner.

For full information of applied accounting principles we refer to note 1 to the audited financial statements as of 31 December 2021.

Note 2 Equity capital

	Share capital	Share premium	Other paid in capital	Net loss	Total equity
Equity at 30.09.2022	53 533 395	81 072 850	12 123 432	-67 470 113	79 259 564
Result Q4 2022				-9 306 260	-9 306 260
Share based compensation			2 344 080		2 344 080
Equity at 31.12.2022	53 533 395	81 072 850	14 467 512	-76 776 373	72 297 384

Potential dilution:

Shares, subscription rights, warrants, options	Share premium	Other paid in capital	Net loss	Total equity
Issued shares as of 31 December 2022	53 533 395	53 533 395		
Share-based compensation ¹	5 000 000	4 645 000	11,11	51 605 950
Total as of 31 December 2022	58 533 395	58 178 395		51 605 950

Issued shares as of 31 December 2022 amounted to 53,533,395 shares. With additional shares potentially subscribed for under Subscription rights scheme 1 and shares potentially exercised under the Share based compensation arrangement, the total number of shares potentially issued would 58 533 395 shares.

¹ On December 31 2022, 4 645 000 options out of the 5 000 000 share based compensation program have been granted to board and employees. 355 000 options have not yet been allocated.



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Our vision is to accelerate the worlds
transition to a carbon negative future

