

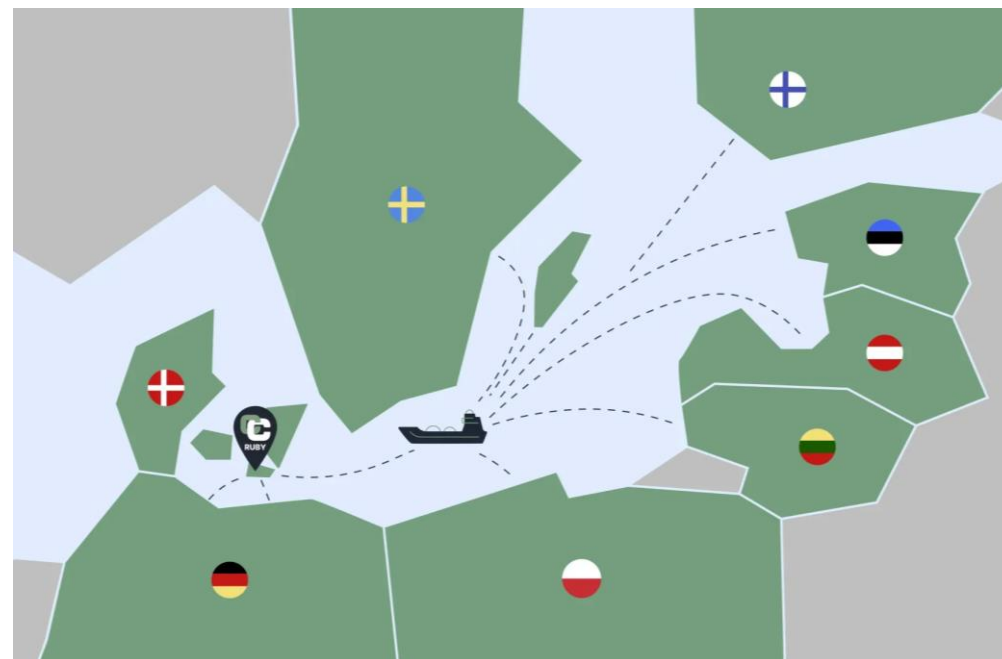


# Annual Report 2022

## CarbonCuts A/S

# Contents

- COMPANY INFORMATION** ..... 2
- MANAGEMENT REVIEW** ..... 3
  - OUTLOOK 2023 ..... 3
  - OUR BUSINESS ..... 4
  - LETTER FROM THE BOARD OF DIRECTORS ..... 5
- STATEMENT & REPORT** ..... 6
  - MANAGEMENT’S STATEMENT ..... 6
  - INDEPENDENT AUDITOR’S REPORT ..... 7
- FINANCIALS** ..... 9
  - ACCOUNTING POLICIES ..... 9
  - INCOME STATEMENT ..... 12
  - BALANCE SHEET ASSETS ..... 12
  - BALANCE SHEET EQUITY AND LIABILITIES ..... 13
  - STATEMENT OF CHANGES IN EQUITY ..... 13
  - NOTES ..... 14
  - LETTER OF FINANCIAL SUPPORT ..... 14



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## Company Information

The Company	CarbonCuts A/S Lyngby Hovedgade 10C 2800 Kongens Lyngby CVR-no: 43 46 13 70
Financial Year 2022	23.August – 31.December
Board of directors	ALLAN PLESNER SØNDERGAARD, CHAIR ERLING HALFDAN STENBY KEN WESNÆS
Executive board	KEN WESNÆS
Accountant	ECO-TEAM statsautoriseret revisionsanpartsselskab Blokken 90 3460 Birkerød

## Management Review

CarbonCuts A/S was established in 2022.

The company was officially established as a legal entity in August 2022 in the form of an A/S (public limited company). In October 2022 final contracts were made with energy company BlueNord for full financial support.

The purpose of the company is to contribute to the Paris Agreement's goal of arresting global warming.

Our core business is to build, own and operate permanent geological storage sites for carbon dioxide, CO<sub>2</sub>, with a vision to offer cost effective, flexible, and reliable reduction of our customers carbon footprint.

A specific project for geological storage at the island of Lolland on-shore Denmark is being matured, with a strong local foundation and a European perspective.

### Outlook 2023

The year of 2023 will be focused on maturing the first CO<sub>2</sub> storage project, hereunder delivering a license application to the Danish Energy Agency (Energistyrelsen) for at least one storage site in Denmark. In parallel the organisation and competences are being strengthened in preparation for the license award and full operatorship from early 2024.



CarbonCuts Management and Board of Directors



## Our Business

The cornerstone activity for CarbonCuts is geological storage of CO<sub>2</sub>.

Future revenue streams will come from contractual agreements with emitters to store their CO<sub>2</sub> emissions and participation in carbon offset markets, where companies purchase carbon credits to compensate for their emissions.

CarbonCuts are positioning ourselves in an emerging industry where it is important to engage and learn along the whole value chain from source to sink. The means by which we manage the interfaces to carbon capture, -utilisation, and -transport are described in the following.

### Carbon Storage

CarbonCuts' main activity and service to the Carbon Dioxide Removal (CDR) and Carbon Capture Utilisation and Storage (CCUS) value chains is the provision of permanent storage for carbon dioxide, CO<sub>2</sub>. The company is maturing a large geological storage site named Ruby.

The Ruby Project is situated on-shore at the island of Lolland, Denmark. The project involves building of a storage site for carbon dioxide by drilling wells into a more than 1000 meter deep saline aquifer. It also involves the construction of necessary infrastructure including a harbour terminal, intermediate storage, and pipelines connecting the components. The Ruby Project will provide an efficient and sustainable method for storing carbon dioxide emissions, making it an important component of Denmark's efforts to combat climate change. The site is in an ideal geographical location to receive carbon emissions from Denmark and the Baltic Sea region.

### Carbon Capture

CarbonCuts do not plan to currently enter capture projects. However, the company is actively engaging with local CO<sub>2</sub> emitters, as well as large-scale emitters in the Baltic region who are maturing capture projects and searching for a storage site. In the future CarbonCuts envisage to be engaged in DAC (Direct Air Capture).

### Carbon Utilisation

CarbonCuts has no plans to be engaged in carbon utilisation (also known as Power to X). However, we collaborate with the local Power to X developer since our facilities and infrastructure is a supporting element to feasible establishment of such industry in the vicinity to our storage sites by easier access to imported CO<sub>2</sub> and by acting as a buffer in periods of changing supply or down time.

### Transport

CarbonCuts engagement in transport is focused on infrastructure at and near our storage facilities and injection wells. It is our plan to build and operate harbour terminals if required, as well as connecting local pipelines to the terminal and the storage sites. In connection to the Ruby project a terminal at the large new harbour at Rødbyhavn and a 5-7 km pipeline is being scoped as part of this development. In the event that local emitters are installing capture plants, then further engagements in pipeline or truck transport may be part of the company scope.

## Letter from the Board of Directors

2022 saw the establishment of CarbonCuts.

In just months CarbonCuts have been formed with a strong, experienced team, a clear mission and purpose, and solid initial funding.

Focusing on local engagement and clear and honest messaging of who we are and of our intentions, we have been very well received locally, in the industry, and by authorities at all levels.

We are happy and proud to already have been part of several initiatives where we together with the Danish Ministry for Climate- Energy and Utilities and our colleagues in the emerging Danish CCS industry have represented Denmark as the future EU CO<sub>2</sub> storage hub.

As we are already well into 2023, we continue our dedicated work of maturing project Ruby, - our first CO<sub>2</sub> storage site on Lolland.

With revenue generation not being planned until 2027, and capitalisation largely consisting of long-term debt, equity as posted as of year-end 2022 is less than half of nominal share capital, which under the Danish Companies Act (art. 119) is deemed a loss of capital. Formalities notwithstanding, this is as budgeted and planned. Management has secured and will continue to secure adequate capital reserves to meet all obligations both in the short, medium and long term.



## Statement & Report

### Management's Statement

Today the Board of Directors and the Executive Board have discussed and approved the Annual Report of CarbonCuts A/S for the period 23. august - 31. December 2022.

The Annual Report has been prepared in conformity with the Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Company's assets, equity, liabilities, and financial position at 31. December 2022 and of its financial performance and cash flows for the period 23. august - 31. December 2022.

In our opinion the Management commentary includes a fair review of the matters described.

We recommend that the Annual Report be approved by the Annual General Meeting.

Kongens Lyngby, den 8. April 2023

### Executive board

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KEN WESNÆS

### Board of directors

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ALLAN PLESNER SØNDERGAARD  
CHAIR

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ERLING HALFDAN STENBY

---

KEN WESNÆS

Approved at the annual General Meeting of the Company on 30/5 2023

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ERIK ØSTERGAARD-NIELSEN  
CHAIR OF THE MEETING

## Independent Auditor's Report

### Conclusion

We have audited the Financial Statements of CarbonCuts A/S for the period 23. august - 31. December 2022, which comprise income statement, balance sheet and notes, including a summary of significant accounting policies. The Financial Statements are prepared under the Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31. December 2022, and of the results of the Company operations for the period 23. august - 31. December 2022 in accordance with the Danish Financial Statements Act.

### Basis for conclusion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of financial statements in conformity with the Danish Financial Statements Act. Management is also responsible for the internal control that it deems necessary

for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

### Auditor responsible for auditing 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 and the additional requirements applicable in Denmark 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, 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 in preparing the financial statements 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 company 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 contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance 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.

### Statement on the Management's review

Management is responsible for the Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, 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 Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's Review provides the information required under the Financial Statements Act.

Based on the work we have performed; we conclude that the Management's Review is in accordance with the financial statements and has been prepared in accordance with the requirements of the Financial Statements Act. We did not identify any material misstatements in the Management's review.

Birkerød, den 8. april 2023

**ECO-TEAM statsautoriseret revisionsanpartsselskab**

CVR-nr.: 27966675

Peter Lind  
statsautoriseret revisor  
mne10900

## Financials

### Accounting Policies

#### GENERAL INFORMATION

The financial statements of CarbonCuts A/S for the financial year 2022 have been prepared in conformity with the provisions of the Financial Statements Act on class B enterprises combined with a few rules on class C enterprises.

#### Recognition and measurement in general

The financial statements have been prepared under the historical cost convention.

Income is recognised in the income statement when earned. Value adjustments of financial assets and liabilities measured at fair value or amortised cost are also recognised in the income statement. Costs incurred to generate the earnings for the year are also recognised in the income statement, including amortisation, depreciation, impairment losses and provisions as well as reversals resulting from changed accounting estimates of amounts previously recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future financial benefits will flow to the Company and it is possible to obtain a reliable measurement of the individual assets.

Liabilities are recognised in the balance sheet when it is probable that future financial benefits will flow from the Company and it is possible to obtain a reliable measurement of the individual liabilities.

On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item.

Certain financial assets and liabilities are measured at amortised cost, whereby a constant effective interest rate is recognised over the life of the individual

asset or liability. Amortised cost is determined as original cost less any repayments and with the addition/deduction of the accumulated amortisation of the difference between cost and nominal amount.

Anticipated losses and risks arising before the presentation of the financial statements and confirming or disconfirming facts and circumstances known at the reporting date are taken into consideration at recognition and measurement.

The functional currency used is Danish kroner. All other currencies are considered foreign currencies.

#### Foreign currency translation

Foreign currency transactions are translated at the exchange rates ruling at the transaction dates. Gains and losses arising from movements between the exchange rates at the date of the individual transaction and the date of payment are recognised in the income statement as financial income or financial expenses.

## INCOME STATEMENT

### Gross profit

Gross profit is a combination of the items of 'Revenue', 'Change in inventories of finished goods, work in progress and goods for resale', 'Other operating income', 'Cost of raw materials and consumables' and 'Other external costs'.

### Revenue

Revenue from the sale of goods and services is recognised in the income statement if the goods and services have been delivered and the risk has passed to the buyer before year-end. Revenue is recognised exclusive of VAT and net of sales discounts.

### Other external expenses

Other external expenses include costs for sales, advertising, administration, premises, bad debts, rental expenses under operating leases, etc.

### Staff costs

Staff costs include wages, salaries and other pay-related costs, such as sickness benefits for enterprise employees less wage/salary reimbursement from the Government.

### Financial income and expenses

Financial income and expenses are recognised in the income statement based on the amounts which relate to the financial year. Financial income and expenses include interest revenue and expenses, finance charges in respect of finance leases, realised and unrealised capital gains and losses on securities, accounts payable and transactions in foreign currencies, repayment on mortgage loans, and surcharges and allowances under the tax prepayment scheme. Dividends from other equity investments are recognised as income in the financial year in which the dividends are declared.

### Tax on net profit for the year

Tax for the year comprises current tax and changes in deferred tax. The share attributable to the profit or loss for the year is recognised in the income statement, and the share attributable directly to equity is recognised directly in equity.

The Company is assessed for Danish tax purposes jointly with domestic Group enterprises. Foreign subsidiaries are not covered by the joint taxation scheme.

The Company and the other jointly taxed entities of the Group are jointly and severally liable for the payment of corporate income taxes and withholding taxes.

## BALANCE SHEET

### Development projects

Development costs comprise costs, including wages, salaries and amortisation, that are directly or indirectly attributable to the development activities of the enterprise and meet the recognition criteria.

Capitalised development costs are measured at cost on initial recognition and subsequently at the lower of cost less accumulated amortisation and the recoverable amount.

Capitalised development costs are amortised on a straight-line basis over the estimated economic life after completion of the development work. The amortisation period is usually 5-8 years, but not more than 10 years.

### Property, plant and equipment

Property, plant, and equipment is measured at cost on initial recognition and subsequently at cost less accumulated depreciation and impairment losses.

The depreciable amount is calculated taking into consideration the residual value of the asset at the end of its useful life, reduced by impairment losses, if any. The depreciation period and the residual value are determined at the date of acquisition. If the residual value exceeds the carrying amount of the asset, depreciation is discontinued. Land is not depreciated.

In case of changes in depreciation period or residual value, the effect of a change in depreciation period is recognised prospectively in accounting estimates.

Cost includes the purchase price and expenses directly related to the acquisition until the time when the asset is ready for use. The cost of self-constructed assets includes costs for materials, components, subcontractors, direct payroll costs and indirect production costs.

The cost of a composite asset is disaggregated into components, which are separately depreciated if the useful lives of the individual components differ.

	<u>User time</u>	<u>Residual value</u>
Tools and equipment	5 years	0 %

### Deposits

Deposits are measured at cost.

### Receivables

Receivables are measured at amortised cost, which normally corresponds to the nominal value. The value is reduced by an allowance for expected impairment losses.

Impairment of accounts receivable past due is established on individual assessment of receivables.

### Cash and cash equivalents

Cash and cash equivalents include deposits in banks with bank accounts as well as cash and cash equivalents.

### Payables

Other payables, comprising trade payables and amounts owed to Group enterprises and associates and other accounts payable, are measured at amortised cost, which normally corresponds to the nominal value.

## Income Statement

23. August – 31. December 2022

	Year 2022
GROSS PROFIT	<b>134.515</b>
Staff costs [Note 1]	-456.425
Amortisation, depreciation, and impairment losses - intangible assets and property, plant and equipment	-654
OPERATING PROFIT OR LOSS	<b>-322.564</b>
Other financial expenses	-9.464
PROFIT OR LOSS BEFORE TAX	<b>-332.028</b>
Tax on net profit for the year	72.067
PROFIT OR LOSS FOR THE YEAR	<b><u>-259.961</u></b>
PROPOSED DISTRIBUTION OF NET PROFIT	
Retained earnings	-259.961
SETTLEMENT OF DISTRIBUTION TOTAL	<b><u>-259.961</u></b>

## Balance Sheet ASSETS

at 31. December 2022

	Year 2022
Development projects in progress	<u>1.071.574</u>
Intangible assets	<b><u>1.071.574</u></b>
Other plant, fixtures and operating equipment	<u>22.874</u>
Property, plant and equipment	<b><u>22.874</u></b>
Deposits	<u>24.780</u>
Investments	<b><u>24.780</u></b>
NON-CURRENT ASSETS	<b><u>1.119.228</u></b>
Receivables from group enterprises	4.434
Corporate income tax	235.746
Other receivables	186.620
Accruals	<u>12.390</u>
Receivables	<b><u>439.190</u></b>
Cash	<b><u>5.072.564</u></b>
CURRENT ASSETS	<b><u>5.511.754</u></b>
ASSETS	<b><u>6.630.982</u></b>



## Balance Sheet EQUITY AND LIABILITIES at 31. December 2022

	Year 2022
Contributed capital	400.000
Reserve for development costs	1.071.574
Retained earnings	-1.331.535
<b>EQUITY</b>	<b>140.039</b>
Provision for deferred tax	163.679
<b>PROVISIONS</b>	<b>163.679</b>
Convertible and profit-sharing debt instruments	1.770.000
Other accounts payable	4.130.000
<b>Long-term payables</b>	<b>5.900.000</b>
Trade creditors	224.424
Other accounts payable	161.185
Payables to owners and management	41.655
<b>Short-term payables</b>	<b>427.264</b>
<b>PAYABLES</b>	<b>6.327.264</b>
<b>EQUITY AND LIABILITIES</b>	<b>6.630.982</b>

## Statement of changes in EQUITY

	Year 2022
Contributed capital opening	400.000
<b>Contributed capital closing balance</b>	<b>400.000</b>
Change for the year	1.071.574
<b>Reserve for development costs closing balance</b>	<b>1.071.574</b>
Profit or loss for the year	-259.961
Transferred reserve for development cost	-1.071.574
<b>Retained earnings closing balance</b>	<b>-1.331.535</b>
<b>EQUITY</b>	<b>140.039</b>

Notes

Note 1	Year 2022
<b>Staff costs</b>	
Number of people employed	1
<hr/>	
Wages and salaries	419.879
Pensions	36.194
Other social security costs	352
	<b><u>456.425</u></b>

Letter of financial support



**Letter of Financial Support**

Addressed to the Directors of:  
CarbonCuts A/S

5 May 2023

Dear Sirs,

**BlueNord ASA Support of CarbonCuts A/S**

This letter is confirmation of the intention of BlueNord ASA to continue to provide further financial and other support to CarbonCuts A/S, including not seeking repayment of amounts currently made available, for at least for the next twelve months from the date of this letter to enable it to meet its financial liabilities as they fall due and continue to trade.

Yours faithfully,

For and on behalf of **BlueNord ASA**



**Euan Shirlaw**  
Chief Executive Officer



**BlueNord ASA**  
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Norway

**Telephone**  
+47 22 33 60 00

**Website**  
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**Organisation Number**  
NO 987 939 237

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## Ken Wesnæs

Direktør

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## Ken Wesnæs

Bestyrelsesmedlem

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IP: 185.107.xxx.xxx

2023-06-28 18:46:16 UTC



## Erling Halfdan Stenby

Bestyrelsesmedlem

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## Allan Plesner Søndergaard

Bestyrelsesformand

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## Peter Begtrup Lind

Statsautoriseret revisor

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## Erik Gregers Østergaard-Nielsen

Dirigent

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