

CRI hf.

Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2023
USD



CRI hf.
Holtasmára 1
201 Kópavogi

Reg. no. 530306-0540

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Endorsement and Statement by the Board of Directors and the CEO

Carbon Recycling International (CRI) is the world leader in power to methanol technology.

The Company was founded in Iceland in 2006 around the idea of recycling carbon dioxide (CO₂) from unavoidable industrial emissions and utilizing it to make useful products. Out of our main office in Reykjavik we offer our Emissions-to-Liquids (ETL) technology solution for producing methanol from carbon dioxide and related services. The Company broke ground in Iceland in 2012 by producing the world's first green E-Methanol certified by ISCC. It has since continued to be leading in its field and the world's largest CO₂ to methanol facility operating on the Company's ETL technology was commissioned in 2022. The plant is designed to produce up to 110,000 tons of methanol, directly recycling up to 160,000 tons of CO₂ on an annual basis. CRI and its team is proud to provide solutions for a cleaner world to help industries transform into a sustainable future.

FUNDRAISING COMPLETED

The Company is pleased to announce the closing of a USD 30 million USD private equity fundraising round on the second quarter of 2023. Equinor Ventures led a group of investors which became the Company's latest shareholders in June. Equinor Ventures is Equinor's corporate venture capital arm dedicated to investing in ambitious early-phase and growth companies. Equinor is an international energy company headquartered in Norway. Equinor Ventures' co-investors are Gildi, Sjóvá and Lífeyrissjóður Vestmannaeyja. The Company is very pleased with the results of the fundraising efforts which will not only provide the it with fuel for its growth but it also brings in a strong strategic value to the next steps in the Company's journey.

The capital will be used to kick off the growth plan designed by the Company's strong leadership team. The investment will fund team expansion, the company's infrastructure, R&D, and early-stage project development.

CRI's leading position in its field is internationally recognised. The resources and expansion will allow the Company to work on more projects in parallel and expedite deployment of its products which are among other services: ETL technology packages, Project Development and the lifetime services of the CO₂ to methanol plants.

The Company has already delivered its first ETL core technology package and is in the process of finalizing the last deliverables of the second package. The second package will be complete before year-end 2023. In project development the Company utilizes its knowledge and long standing experience from its past development, execution and operation projects to bring added value into projects in their early stages, participating in the development to bring forward our solutions. Plant after services' product offering is being developed where the Company can support its customers over the lifetime of the ETL plants, providing a great value add with its operational and technology expertise.

All in all the USD 30 million will go to growth in resources, infrastructure, R&D, project development, strengthening of the balance sheet as well as the Company's debt which mounted to approximately USD 5 million has been repaid.

SALES PIPELINE AND COMMERCIAL OUTLOOK

The Company is experiencing stronger customer and investor interest in its core markets than ever before and has seen inbound enquiries multiply. The Company has actively harvested these leads and opportunities into a strong sales pipeline which continues to mature as the market strengthens and demand increases.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

The demand for low-carbon and green e-methanol along with need for decarbonization of industries are two of the strongest drivers in the demand for CRI's products and technology solutions. CRI's product offering connects those two strong markets driven by Government policy and the private sector looking for solutions to reduce pollution and greenhouse gas emissions, while increasing their profitability.

Furthermore, there has been a significant shift in the financial market climate, which demonstrates increased interest in investments which can have a positive impact on environmental, social and governance factors (ESG) and which contribute to progress towards meeting the UN's Social Development Goals (SDGs). CRI's core product and its projects thus fit extremely well with trends which are rapidly picking up pace in both financial and technology markets.

CURRENT PROJECTS

CRI completed its work for its first commercial client, Shunli, in 2022 with a successful start-up of the world's largest CO₂ to methanol plant. The startup of the Shunli plant in China marks a milestone not just for CRI but for the whole industry.

In 2021 CRI signed its second agreement for sales of Emissions-to-Liquids (ETL) technology in China, with Chinese petrochemicals corporation Jiangsu Sailboat Petrochemicals. The CRI team is now preparing for onsite work on the commissioning of the plant which will take place in the third and fourth quarters of this year. CRI estimates to complete its contractual obligations before year-end.

This second ETL plant in China will recycle approximately 150,000 metric tons of carbon dioxide from an ethylene oxide production unit and 20,000 metric tons of hydrogen per year from a propane dehydrogenation unit to produce 100,000 tons of methanol annually.

In the first six months of 2023 CRI performed more studies for its customers than ever before which is a testament of the increased maturity and interest in CO₂ to methanol facilities recognizing CRI as a leading technology provider. Revenues from these activities subsequently increased positively impacting CRI's revenues. CRI's commercial team continues to support the Company's customers towards realizing full-scale commercial CO₂ to methanol plants.

The Company continues its expansion into international markets. By the end of June 2023 the majority of the company's leads and opportunities were in Europe and, Asia and Pacific with increased activities in N-America as a result of the US' Inflation Reduction Act.

GRANTS AND AWARDS

In June 2023 the Company was granted the "Vöxtur" grant by The Icelandic Centre for Research which supports development of already established projects which have passed through the first gates of product development and have the potential to add value to the product offering.

The projects cover further development of the ready and scaled ETL Technology, with main focus on optimization, further technical and commercial adaptation of the ETL technology to flexible power availability and continuous development of internal modelling tools.

FINANCIAL PERFORMANCE

The Condensed Consolidated Annual Financial Statements for the six-month period ended 30 June 2023 comprise the financial statements of CRI hf. ("the Company") and its subsidiary CRI CN ehf. (together "the Group" or "CRI"). The Condensed Consolidated six-month Financial Statement is prepared in accordance with IFRS accounting standards.

Endorsement and Statement by the Board of Directors and the CEO, contd.:

FINANCIAL PERFORMANCE contd.:

According to the statement of comprehensive income, revenues amounted to USD 3,082 thousand and loss of the Group for the period amounted to USD 2,799 thousand. According to the statement of financial position, equity at the end of the period amounted to USD 48,426 thousand. The adjusted earnings before interest, tax, depreciation, and amortization (EBITDA) for the period amounted to USD 685 thousand.

The bridge between adjusted EBITDA as shown in the Consolidated Statement of Comprehensive Income is as follows:

	YTD	YTD
	2023	2022
Adjusted EBITDA	685	766
Share option expense	(434)	(302)
Irregular expenses	(1,365)	0
EBITDA	(1,114)	464

With the successful closing of its fundraising round in Q2 2023 the Company significantly strengthened its Balance sheet with strong Cash and Equity position.

Net cash provided by operating activities for the six months period ended 30 June 2023 amounted to USD 481 thousand (2022: USD -748 thousand). At 30 June 2023 net cash and cash equivalents amounted to USD 25,285 thousand (31 December 2022: USD 974 thousand).

The Company had no outstanding loans at the end of the six-month period ending 30 June 2023. The Company's Equity mounted to USD 48,426 thousand.

SHARE BUYBACK PROGRAM

At the Group's Annual General Meeting 17 March 2021 the shareholders approved The Board of Directors proposal to initiate a new share buyback program for up to 5.0% of the total issued share capital in the Company. The purpose of the buyback program is to reduce the Company's share capital and to meet the Company's obligations under share incentive programs with employees. The buyback program complies with the provisions of the Icelandic Act on Securities Transactions No. 108/2007, the appendix to the Icelandic Regulation on Insider Information and Market Manipulation No. 630/2005, Regulation No. 596/2014 of the European Parliament and of the Council on market abuse, and the Commission's delegated regulation 2016/1052

SHAREHOLDERS AND SHARE CAPITAL

The Company's share capital at period ended 30 June 2022 was ISK 7.5 million. At period end, shareholders in the Company are 10 nominee banks which held shares for over 120 Shareholders. The Company's shareholders are as follows :

J.P Morgan SE	32.7%
CLEARSTREAM BANKING S.A.	25.9%
Euroclear Bank S.A/N.V.	12.6%
Landsbankinn hf.	11.7%
Íslandsbanki hf.	6.9%
Citybank, N.A.	4.8%
Nordea Bank Abp	3.2%
NORDEA BANK ABP, FIL	1.7%
SIX SIS AG	0.3%
Saxo Bank A/S	0.2%

Endorsement and Statement by the Board of Directors and the CEO, contd.:

Reference is made to the financial statement regarding information on changes of equity.

STATEMENT OF THE BOARD AND CEO

To the best of our knowledge the Condensed Consolidated Annual Financial Statements give a true and fair view of the financial performance of the Group for the twelve months period ended 30 June 2023, its assets, liabilities, and consolidated financial position as at 30 June 2023 and its cash flows for the period then ended.

The Board of Directors and the CEO have today discussed the condensed consolidated financial statements of CRI hf. for the period 1 January to 30 June 2023 and confirm them by means of their signatures.

Kópavogur, 31 August 2023

The Board of Directors:

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Sigurlina Ingvarsdóttir
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DocuSigned by:
Laurent Van Wulpen
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DocuSigned by:
Xiang Fei
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DocuSigned by:
Halldór Jón Kristjánsson
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DocuSigned by:
Sivert Vist
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CEO:

DocuSigned by:
Björk Kristjánsdóttir
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Independent Auditor's Report

To the Board of Directors and Shareholders of CRI hf.

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of CRI hf. as at 30 June 2023, the condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six month period then ended, and notes to the interim financial information ("the condensed consolidated interim financial information"). Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34, 'Interim Financial Reporting'. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review


We conducted our review in accordance with International Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 "Interim Financial Reporting".

Reykjavík, 31 August 2023

KPMG ehf.

DocuSigned by:

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Consolidated Statement of Comprehensive Income for the six months ended 30 June 2023

	Notes	YTD 2023	YTD 2022
Revenues		3,023	2,963
Other income		59	234
Total revenues		3,082	3,197
Cost of sale		1,748	1,646
Share option expense	11	434	302
General operating expenses		2,014	785
Total expenses		4,196	2,733
EBITDA		(1,114)	464
Depreciation and amortization	5	(1,421)	(1,340)
Results from operating activities		(2,535)	(876)
Interest expenses		(257)	(562)
Net foreign exchange (loss) gain		(7)	(28)
		(264)	(590)
Profit before income tax		(2,799)	(1,466)
Income tax		0	0
Loss and comprehensive loss for the period		(2,799)	(1,466)
Loss per share			
Loss per share		(0.4)	(0.5)
Diluted loss per share		(0.4)	(0.5)

Consolidated Statement of Financial Position

as at 30 June 2023

	Notes	30.6.2023	31.12.2022
Assets			
Intangible assets	6	8,959	9,209
Operating assets	7	15,790	16,175
Right of use assets		129	187
Shares in other companies		657	657
Total non-current assets		25,535	26,226
Inventories		12	12
Work in progress		38	41
Trade receivables		358	1,182
Contract asset		224	224
Other receivables		56	63
Cash and cash equivalents		25,285	974
Total current assets		25,973	2,496
Total assets		51,508	28,722
Equity			
Share capital		59	49
Share premium		38,152	11,636
Restricted equity		8,039	7,366
Share option reserve		2,177	1,743
Total Equity	8	48,426	20,794
Non-current liabilities			
Lease liabilities		0	86
Total non-current liabilities		0	86
Current liabilities			
Trade payables		1,522	104
Other payables		799	761
Loans and borrowings	9	0	5,331
Lease liabilities		139	113
Contract liability		622	1,533
Total current liabilities		3,082	7,843
Total liabilities		3,082	7,929
Total equity and liabilities		51,508	28,722

Consolidated Statement of Changes in Equity for the six months ended 30 June 2023

	Share capital	Share options	Share premium	Reserves	Retained earnings	Total equity
Changes in equity from 1 January to 30 June 2022						
Equity 1 January 2022	48	1,133	13,348	6,435	0	20,964
Paid in share capital	1		3,235			3,236
Total comprehensive loss					(1,466)	(1,466)
Share options		302				302
Transferred			(1,466)		1,466	(0)
Equity 30 June 2022	49	1,435	15,117	6,435	0	23,037
Changes in equity from 1 January to 30 June 2023						
Equity 1 January 2023	49	1,743	11,633	7,366	0	20,791
Paid in share capital	9		29,991			30,000
Total comprehensive loss					(2,799)	(2,799)
Changes in reserve				673	(673)	0
Share options		434				434
Transferred			(3,472)		3,472	0
Equity 30 June 2023	59	2,177	38,152	8,039	(0)	48,426

Consolidated Statement of Cash Flows for the six months ended 30 June 2023

	Notes	YTD 2023	YTD 2022
Cash flows from operating activities			
Loss for the period	(2,799)	(1,466)
Operating activities not affecting cash:			
Depreciation and amortization	5	1,421	1,340
Net finance expense		264	590
Share option expense	10	434	302
Working capital provided by operating activities		<u>(681)</u>	<u>766</u>
Inventories and work in progress, decrease		3	95
Receivables, decrease (increase)		831	(886)
Current liabilities, increase (decrease)		<u>585</u>	<u>(161)</u>
Cash used in operations before interest and taxes		738	(186)
Interest income received			
Interest expenses paid		<u>(257)</u>	<u>(562)</u>
Net cash provided by operating activities		<u>481</u>	<u>(748)</u>
Cash flows used in investing activities			
Investment in intangible assets	6	<u>(720)</u>	<u>(801)</u>
Investing activities		<u>(720)</u>	<u>(801)</u>
Cash flows from financing activities			
Paid in share capital		30,000	3,235
Repayments of long term loans		<u>(93)</u>	<u>(884)</u>
Payment of lease liabilities		<u>(26)</u>	<u>(61)</u>
Short term loan, change		<u>(5,331)</u>	<u>(2,528)</u>
Cash flows to financing activities		<u>24,550</u>	<u>(238)</u>
Increase (decrease) in cash and cash equivalents		24,311	(1,787)
Cash at the beginning of the period		<u>974</u>	<u>1,128</u>
Cash at end of the period		<u>25,285</u>	<u>755</u>
Financing without cash flow effect			
Paid in share capital		0	3,235
Repayments of long term loans		0	(884)

Notes to the Consolidated Interim Financial Statements

1. Reporting entity

CRI hf. (the "Company") is a limited liability company incorporated and domiciled in Iceland. The address of the Company's registered office is Holtasmári 1, Kópavogur, Iceland. The condensed consolidated interim financial statements of the Company as at and for the six-month period ended 30 June 2023 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities". The main activity of the Group is developing and selling our ETL process technology for producing methanol from carbon dioxide emissions.

2. Basis of preparation and use of judgements and estimates

a. Statement of compliance and significant accounting policies

These condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financials Statements as adopted by the European Union. From 2021 the Group's financial statements have been presented in accordance with IFRS.

These Condensed Consolidated Interim Financial Statements do not include all the information and disclosures required for a complete set of IFRS financial statements, and should be read in conjunction with the CRI hf. annual financial statements 31 December 2022. Those financial statements are available on CRI website www.cri.is.

These Condensed Consolidated Interim Financial Statements are prepared on the historical cost basis.

These financial statements were approved by the Board of Directors of CRI hf. on 25 August 2023

b. Functional and presentation currency

The Condensed Consolidated Interim Financial Statements are presented in USD, which is the Group's reporting currency. All financial information presented in USD have been rounded to the nearest thousand.

c. Use of judgements and estimates

In preparing these Condensed Consolidated Interim Financial Statements management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the and the key sources of estimation and uncertainty where the same as those described in the Group Consolidated Interim Financial Statements for the period ended 30 June 2023.

d. Estimated impairment

The Group annually tests whether the financial and non-financial assets, including capitalized development cost and operating assets, where impaired in accordance with the Group's accounting policies. At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. There have been no material change on the estimates and underlying assumptions. The conclusions from year end 2022 remain unchanged.

3. Segment reporting

The Group does not present business nor geographical segments as revenues consist of selling the ETL process technology. The Group's intangible assets and fixed assets are primary used to further develop and sell the ETL process technology.

The majority of the Group's revenue is derived from commercial contracts related to the sales of CRI's ETL technology. Unrecognised revenues of the contracts amounts to USD 1.2 million and is expected to be recognised through profit or loss within the next year.

Notes, contd.:

4. Group entities

The following lists presents the subsidiaries that are part of the consolidated financial statements as per 30 June 2023, their country of incorporation and ownership interest.

	Country of incorporation	Ownership interest
CRI CN ehf.	Iceland	100%

5. Depreciation

Depreciation according to income statement is specified as follows:

	YTD 2023	YTD 2022
Amortisation of intangible assets	970	896
Depreciation of operating assets	384	384
Depreciation of right to use assets	67	60
Total depreciation and amortisation	1,421	1,340

6. Intangible assets

The Group's intangible assets are specified as follows:

	Development costs
Cost	
Balance at 1 January 2022	18,623
Additions	582
Balance at 31 December 2022	19,205
Additions	720
Balance at 30 June 2023	19,925
Amortisation and impairment losses	
Balance at 1 January 2022	8,065
Amortisation and impairment losses	1,931
Balance at 31 December 2022	9,996
Amortisation and impairment losses	970
Balance at 30 June 2023	10,966
Carrying amounts	
At 1 January 2022	10,558
At 31 December 2022	9,209
At 30 June 2023	8,959
Amortisation rate	10%

Notes, contd.:

7. Operating assets

Non current assets are specified as follows:

	Property	Equipment	Total
Cost			
Balance at 1 January 2022	17,285	4,520	21,805
Balance at 31 December 2022	17,285	4,520	21,805
Balance at 30 June 2023	17,285	4,520	21,805
Depreciation			
Balance at 1 January 2022	2,868	1,990	4,858
Depreciated during the year	459	309	768
Balance at 31 December 2022	3,327	2,299	5,630
Depreciated during the period	229	155	384
Balance at 30 June 2023	3,556	2,454	6,014
Carrying amounts			
At 1 January 2022	14,417	2,530	16,947
At 31 December 2022	13,958	2,221	16,174
At 30 June 2023	13,729	2,066	15,790
Depreciation rate	2-5%	7-20%	

8. Equity

(i) Share capital

The Company's share capital, according to its Article of Association amounts to ISK 7,544,565. One vote is attached to each ISK one share in the Company.

The Company issued 1,257,426 shares in June 2023 related to the completion of the Company's 30 million USD fundraising round. The authorisation was granted at the Company's Annual General Meeting on 19 June 2023.

There are no further authorisations in the Articles of Association to the Board to issue share capital in the Company.

(ii) Share options

At period-end 30 June 2023, a total of 506,839 options are outstanding in total. The average exercise price is USD 15.6 per share. Thereof, 352,219 are fully vested. The remaining options will vest over the next two to three years. A total of 249,241 share options were available and unallocated at the end of June 2023.

9. Loans and borrowings

Loans and borrowings are specified as follows:

	30.6.2023	31.12.2022
Non-current loans and borrowings		
Loans in USD, 8.8% weighted average interest rate 31.12.2022	0	5,331
Non-current loans and borrowings, incl. current portion	0	5,331
Current portion of long-term borrowings	0	(5,331)
Total non-current loans and borrowings	0	0
Less than 1 year	0	5,186
Total	0	5,186

Notes, contd.:

9. Loans and borrowings contd.:

Current loans and borrowings

Current portion of long-term borrowings	0	5,331
Total current loans and borrowings	0	5,331

All loans and borrowings have been paid in full on 30 June 2023.

10 Related parties

Identity of related parties

The Company has a related party relationship with its shareholders with significant influence, companies owned by them, subsidiaries and with its directors and executive officers and their spouses and dependent children.

Transactions with management and key personnel

Salaries and benefits paid to directors and management are specified as follows:

1.1.- 30.6.2023

	Salaries	Share options*	Defined contribution plan	Total salaries & benefits
Board of directors	50	0	6	56
CEO	215	158	31	404
Five other executive team members	384	475	49	908

* Further information on share options is provided in note 11.

1.1.- 30.6.2022

	Salaries	Share options	Defined contribution plan	Total salaries & benefits
Board of directors	36	0	5	41
CEO	101	35	21	157
Five other executive team members	402	333	72	807

Notes, contd.:

11. Share options

In 2Q 2021, the Group established share option programmes that entitles employees to purchase shares in the Company. Under these programmes, holders of vested options are entitled to purchase shares at USD 18.5 per share. The key terms and conditions related to the grants under these programmes are as follows; all options are to be settled by the physical delivery of shares. In 2Q 2023 the Group granted additional shares as a part of a bonus scheme associated with the Company's fundraising efforts. Prior to Q2 2021 the Group had issued share options to employees.

CEO

Issued share options to the CEO amounted to 31,914 shares. Thereof, 23,276 share options are fully vested. The remaining share options will vest over two years.

Five other executive team members

Issued share options to the five other executive team members amounted to 201,721. Thereof, 163,169 share options are fully vested. The remaining share options will vest over two years.

Other employees

Issued share options to other employees amounted to 235,704 shares. Thereof, 160,878 share options are fully vested. The remaining share options will vest over two to three years.

In total there are 506,839 share options outstanding. The weighted average exercise price of all share options is USD 15.6 per share. Share options issued have the exercise price of USD 18.5 per share.

The share option agreements are subject to the condition that the share option holder is and will continue to work for the company. Their fair value is assessed using the Black-Scholes method. Their valuation is calculated with average 54% volatility and risk-free interest rates was between 0.1% - 0.64% on an annual basis.

Share options granted will be recognised through profit or loss.

Unrecognised share option expense of prior share options amounts to USD 9 thousand will be recognised through profit and loss within one year.

13. Subsequent events

No subsequent events are reported.