



Half-year report 2021

Horisont Energi

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Horisont Energi is a Norwegian energy company that will produce carbon neutral ammonia and provide CO₂ storage. We pave the way for a low-carbon economy by transforming natural gas and renewable energy into cost-leading ammonia and offer transportation and proprietary technology storage solutions for CO₂. Our first development is a world-scale clean ammonia project in Finnmark in Northern Norway, consisting of an innovative hydrogen/ammonia plant and an offshore carbon storage (Polaris). The complete project is called Barents Blue.

The plant facility will produce hydrogen and ammonia based on natural gas from the nearby Equinor-operated LNG plant at Melkøya. In addition to being an important industrial gas, ammonia is an

effective hydrogen carrier, enabling hydrogen to be cost-effectively transported and utilised.

The produced ammonia will be transported to the market by vessels. The captured CO₂ will be transported and stored safely in the offshore Polaris subsurface sandstone reservoir. By combining the two processes, we will produce ammonia with close to zero emission of CO₂.

The plan is to produce 1 million tonnes of ammonia and capture and store approximately 2 million tonnes of CO₂ per year from start-up in 2025. The Polaris reservoir will have an estimated storage capacity in excess of 100 million tons below the seabed offshore Finnmark, which is equivalent to twice Norway's annual greenhouse gas emissions.

CEO Letter

During the first two quarters of 2021, the world has seen dramatic consequences of climate change, including the extreme heat waves in Canada, the flooding in Germany, fires in Turkey and the ever-more frequent extreme weather. The effects of global warming have become real and dangerous.

Key global institutions such as the UN have issued clear warnings about the climate crisis, most notably in the recently published sixth IPCC report. Back in May this year, the IEA issued a clear statement to the world, saying that all new developments of oil and gas must stop if we are to have any chance of reaching the 1.5-degree target. The EU Commission is showing bold climate leadership by transforming the EU through politics and speed of new legislations. The EU is also pushing forward on its hydrogen strategy, having launched the EU-wide IPCEI Hydrogen project in the first half of 2021.

During the first half of 2021, Horisont Energi continued building a strong and competent team with long experience from the energy business. The common denominator has been “delivery and speed”. We have delivered on all our promises made at the IPO on Euronext Growth Oslo. This has positioned Horisont Energi as a European clean ammonia and carbon storage company, and more specifically positioned the Barents Blue project as a key hydrogen project. We are excited that our project is under consideration for the prestigious Important Projects of Common European Interest (IPCEI). Participating in this process has opened many new doors and potential partnerships for Horisont Energi, while positioning the Barents Blue project as a key contributor to the EU’s hydrogen strategy.

The Barents Blue project will make Northern Norway one of the largest production regions for

merchant and clean ammonia. Through the partnership with the Port of Rotterdam, we plan to open a supply hub targeting the European shipping and industrial markets.

As stated during the IPO, we are developing our carbon transport and storage business. The Polaris offshore project will store CO₂ from the ammonia production and potentially offer capacity for 3rd party use. We are looking further into developing additional carbon storage assets offshore Norway. In the second half of 2021, we expect to announce more news concerning the development of this business.

The partnership with Equinor to develop Barents Blue was a milestone for Horisont Energi, giving the project the competence and resources required to progress according to our ambitious plans.

I will emphasise that ensuring a sustainable business model through the whole value chain is key to Horisont. We plan to present our first ESG report as part of the 2021 annual report. This report will be in line with EU’s taxonomy. The work is ongoing and KPIs will be presented in the report and followed up on the following years.

All in all, we have made great strides during the first half of 2021, and we will continue to push hard in the second half. We do so with the firm conviction that decarbonising the economy through large-scale industrial investments is not only necessary, but also provides excellent and profitable business opportunities.

Bjørgulf Haukelidsæter Eidesen
CEO

Highlights first half: Building a company and delivering on projects

The first half year of 2021 was characterised by rapid progress in building the company and entering strategic partnerships:

- Listed on Euronext Growth Oslo in January
- Signed cooperation agreement with Equinor May 19th for the Polaris offshore storage project
- Developed a novel system design for the first world-scale blue ammonia plant in Europe together with Haldor Topsoe
- Signed EPC Onshore Concept Studies with Saipem and Technip Engines
- Entered into various agreements with industry-leading companies such as Baker Hughes, Knutsen Group and TGS
- Selected Markoppneset, in Hammerfest municipality, as the preferred site for the Barents Blue plant. This will be confirmed at decision gate 2 (concept selection, expected February 2022)
- Initiated pre-FEED studies for Barents Blue with an Enova grant of NOK 10 million to contribute to the development of the innovative clean ammonia system
- Matured our carbon removal business, which will contribute to EU's carbon removal strategy. We have entered into several partnerships in this field, and also developed a legislative proposal for sustainable carbon capture and storage
- Signed letters of intent with major European companies for commercial carbon storage

Highlights after the end of the period:

- Signed memorandum of understanding with Port of Rotterdam to set up a corridor for transport of blue ammonia from Norway
- Signed memorandum of understanding with St1 Nordic Oy for the joint development of a green ammonia project in Finnmark, Northern Norway

Financial

Horisont Energi is in a project development phase and consequently has no income. The operating result shows a net loss of NOK 16.4 million. All costs incurred in first half of 2021 are expensed, except capitalised office equipment of NOK 0.25 million.

The total cost of NOK 16.4 million during the first 6 months has been used to build the organisation, conduct project studies for the Polaris offshore CO₂ storage and the Barents ammonia plant, including project execution strategy. In addition, activities related to transportation and marketing of ammonia have been conducted. Finally, Horisont Energi has worked on building a new CO₂ storage business.

The company has a solid financial position with a total of NOK 117 million in cash and expects to have sufficient resources to bring the Barents Blue project up to investment decision by end of 2022, based on current plans.

Regarding funding of the investments, we are currently maturing our project financing strategy, considering capital sources such as new equity, bank loans, infrastructure funds, and public grants and guarantees.

For more information about our half-year accounts, please see the financial accounts section of this report.

Project development

Horisont Energi is committed to ensuring the health and safety of all who work for and with us, protecting the environment in which we work, and to delivering top performance within health, safety, and environment across all our activities. We also insist that all our contractors maintain the same high standards.

The Barents Blue project has made excellent progress through the first half of 2021. At Horisont Energi the total project, both offshore and onshore, passed the decision gate 1 (DG1 - feasibility) by the

end of May. Concept studies have been initiated in all main work streams. The concept selection (DG2) is planned for February 2022.

Haldor Topsoe has been selected as the main technology provider for the ammonia plant. Onshore concept study agreements have been entered into with Saipem and Technip Energies. Baker Hughes has been selected as a partner for the Polaris storage development studies, Subsea 7 for pipeline studies and Oceaneering for other subsea engineering and design work studies.

Organisational development

At present, the organisation consists of 17 employees, as well as a number of consultants.

Over the course of the year, Horisont Energi has strengthened the organisation with people with

expertise and experience from defined key areas such as geology, project development, ammonia plant technology, contracts, shipping and logistics. We will continue to build the team by adding expertise and capacity in the coming months.

Market Outlook

EU's Green Deal target of 55% reduction by 2030 and carbon neutrality by 2050 established the framework for the coming years' regulations and activities, as well as future demand for carbon neutral products and carbon storage solutions:

- Shipping will be a part of the EU's Emissions Trading System (ETS) quota system, further driving the transition to clean maritime fuels.
- Through the carbon adjustment mechanism (CBAM), announced in July, grey ammonia imported into the EU will be tolled at the border on equal terms as the EU's current grey ammonia production, which is already a part of the EU's ETS. With ETS quota cost above 50 EUR/ton of CO₂, this is a significant

contribution to the economics of clean fuels, such as carbon neutral or clean ammonia from the Barents Blue project.

- The CO₂ emissions in the EU amounted to more than 3,000 million tons in 2019. Present known planned storage capacity is less than 10 million tons in 2025 and around 20 million tons in 2030. In that perspective, the demand for carbon storage among industries and power plants in EU will far exceed known planned storage capacity, leaving great room for CO₂ storage companies delivering flexible and cost-effective solutions to European industry and power plants.

2021 Half Year Accounts

Income statement

<i>Amounts in NOK</i>	Note	1H 2021	2020
		Unaudited	Audited
Total operating income		0	0
Salary and personnel costs	1, 2, 3	(2 511 131)	(6 086 849)
Depreciation of fixed assets	4	(22 213)	0
Other operating expenses	5	(13 811 024)	(7 410 852)
Sum operating expenses		(16 344 368)	(13 497 701)
Result of operations		(16 344 368)	(13 497 701)
Net financial items		(69 559)	(67 750)
Operating result before tax		(16 413 926)	(13 565 451)
Tax on ordinary result	6	0	9 140 085
Operating result		(16 413 926)	(4 425 366)
Results of the year		(16 413 926)	(4 425 366)

Balance sheet

<i>Amounts in NOK</i>	Note	1H 2021	2020
		Unaudited	Audited
ASSETS			
Fixed assets			
Tangible fixed assets			
Fixtures and fittings, tools, office machinery, etc	4	227 336	0
Total tangible fixed assets		227 336	0
Total fixed assets		227 336	0
Current assets			
Receivables			
Other debtors		24 539 147	7 511 805
Total receivables		24 539 147	7 511 805
Bank deposits, cash in hand, etc	7	117 207 951	2 439 637
Total bank deposits, cash in hand, etc		117 207 951	2 439 637
Total current assets		141 747 098	9 951 442
Total assets		141 974 434	9 951 442

Balance sheet

Amounts in NOK	Note	1H 2021	2020
		Unaudited	Audited
EQUITY AND LIABILITIES			
Equity			
Paid-in capital			
Share capital	8, 9	158 502	73 901
Share premium reserve	9	152 650 547	4 024 696
Total paid-in capital		152 809 049	4 098 597
Retained earnings			
Losses from previous years	9	(21 149 553)	(4 735 627)
Total retained earnings		(21 149 553)	(4 735 627)
Total equity	9	131 659 496	(637 030)
Liabilities			
Other long-term liabilities			
Liabilities to financial institutions	10	2 400 000	2 400 000
Other long-term liabilities	10	0	5 300 000
Total other long-term liabilities		2 400 000	7 700 000
Total long-term liabilities		2 400 000	7 700 000
Current liabilities			
Trade creditors		4 883 114	1 119 526
Public duties payable		887 166	791 987
Other short-term liabilities		2 144 656	976 958
Total current liabilities		7 914 937	2 888 472
Total liabilities		10 314 937	10 588 472
Total equity and liabilities		141 974 434	9 951 442

Board of Directors, 25 August 2021

Kåre Johannes Lie
Chairman of the Board

Rolf Magne Larsen
Board Member

Øystein Stray Spetalen
Board Member

Rob Matheus Maria Stevens
Board member

Bjørulf Haukelidsæter Eidesen
CEO

Notes

Accounting principles and basis for preparation

The annual accounts have been prepared in compliance with the Accounting Act and accounting principles generally accepted in Norway for small companies.

The Company was established 27.08.2019.

Classification of balance sheet items

Assets intended for long term ownership or use have been classified as fixed assets. Assets relating to the trading cycle have been classified as current assets. Other receivables are classified as current assets if they are to be repaid within one year after the transaction date. Similar criteria apply to liabilities. First year's instalment on long term liabilities and long-term receivables are, however, not classified as short-term liabilities and current assets.

Debtors

Trade debtors are recognised in the balance sheet after provision for bad debts. The bad debts provision is made on basis of an individual assessment of each debtor and an additional provision is made for other debtors to cover expected losses. Significant financial problems at the customers, the likelihood that the customer will become bankrupt or experience financial restructuring and postponements and insufficient payments, are considered indicators that the debtors should be written down.

Other debtors, both current and long term, are recognised at the lower of nominal and net realisable value. Net realisable value is the present value of estimated future payments. When the effect of a writedown is insignificant for accounting purposes this is, however, not carried out. Provisions for bad debts are valued the same way as for trade debtors.

Foreign currencies

Assets and liabilities in foreign currencies are valued at the exchange rate on the balance sheet

date. Exchange gains and losses relating to sales and purchases in foreign currencies are recognised as operating income and cost of goods sold.

Liabilities

Liabilities, with the exception of certain liability provisions, are recognised in the balance sheet at nominal amount.

Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is

calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carryforward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carryforward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net.

Deferred tax is reflected at nominal value.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Cash flow statement

The cash flow statement has been prepared according to the indirect method. Cash and cash equivalents include cash, and bank deposits.

Government grants and joint venture

Government grants and cost reimbursed from partners are recognised and deducted for the costs they are meant to recover.

Note 1 – Payroll expenses, number of employees, remunerations etc.

Payroll expenses

<i>Amounts in NOK</i>	1H 2021	2020
Salaries/wages	5 208 105	5 134 597
Social security fees	841 147	864 339
Pension expenses	735 128	662 601
Other remuneration	465 726	680 312
Reimbursable cost to joint venture partners	(2 792 975)	0
Grants received	(1 946 000)	(1 255 000)
Total	2 511 131	6 086 849

Number of employees	17	13
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The company has a defined contribution scheme which covers all the employees. Total expensed pension cost is NOK 735 128.

The company's pension schemes meet the requirements of the law on compulsory occupational pension.

The company has received NOK 375 000 in grants from Innovasjon Norge and commitment for NOK 10 000 000 in grants from Enova. The grants have been accounted for as deduction in payroll expenses and other operating expenses, NOK 1 946 000 and NOK 8 429 000 respectively.

Note 2 – Remuneration to senior executives

Remuneration to executives

<i>Amounts in NOK</i>	General manager	Board
Salaries/board fee	643 954	359 165
Pension expenses	93 228	0
Other remuneration	2 196	0

Neither the chairman of the Board, nor the general manager, have any bonus agreement or any severance pay agreement.

Note 3 – Loans to employees

No loans or guarantees have been given to senior executives.

Note 4 Specification of fixed assets

<i>Amounts in NOK</i>	Total
Original purchase cost per 01.01	0
Additions	249 549
Disposals	0
Acc. Depreciation/write down	(22 213)
Accounting value 30.06	227 336

Note 5 – Other operating expenses

Other operating expenses

<i>Amounts in NOK</i>	1H 2021	2020
Other operating expenses	26 876 024	7 442 352
Reimbursable cost to joint venture partners	(4 636 000)	0
Grants received	(8 429 000)	(31 500)
Total	13 811 024	7 410 852

Horisont Energi AS and Equinor ASA have entered into an agreement to further mature the carbon transportation and storage project Polaris, off the coast of Northern Norway. As part of the agreement the parties have agreed to share project costs.

Note 6 – Taxes

Income taxes recognized in income statement

<i>Amounts in NOK</i>	1H 2021	2020
Change in deferred taxes	-	0
Tax refund current year	-	9 140 085
Total taxes (-)/ tax income (+) recognised in income statement	-	9 140 085

Specification of tax effects on temporary differences and tax losses

Fixed assets	(22 212)	
Tax losses carried forward onshore 22%	18 481 617	(2 089 904)
Valuation allowance (unrecognised deferred tax asset)	(18 481 617)	2 089 904
Total deferred tax assets/liabilities (-) recognised	-	-

Specification of tax refund receivable

Tax refund previous year	7 280 355	
Tax refund current year	-	9 140 085
Instalments received	-	(1 859 730)
Tax refund receivable in balance sheet	7 280 355	7 280 355

Note 7 – Bank deposits

The item for bank deposits includes a separate account for restricted tax withholding funds of NOK 522 189.

Note 8 – Shared capital, subscription rights and shareholder information

The share capital consists of one class only:

	Number	Per value	Share capital
Ordinary shares	15 850 255	0,01	158 502
Total	15 850 255		158 502

Shareholders

	Shares	Ownership	Share class
FØNIKS INNOVASJON AS	5 125 000	32,33 %	Ordinary shares
STATE STREET BANK AND TRUST COMP	2 130 000	13,44 %	Ordinary shares
SAGA PURE ASA	1 842 000	11,62 %	Ordinary shares
SPESIALFONDET KLP ALFA GLOBAL ENER	1 578 500	9,96 %	Ordinary shares
TYCOON INDUSTIER AS	854 000	5,39 %	Ordinary shares
DJ ADVISORS AS	552 515	3,49 %	Ordinary shares
EITOR AS	550 000	3,47 %	Ordinary shares
ZEVS HOLDING AS	268 011	1,69 %	Ordinary shares
MOSOL INVEST AS	240 000	1,51 %	Ordinary shares
NELLE MANAGEMENT AS	240 000	1,51 %	Ordinary shares
Other shareholders	2 470 199	15,58 %	Ordinary shares
Total	15 850 225	100 %	Ordinary shares

All shares have the same voting rights in the company's general meeting.

The company's management control Føniks Innovasjon AS, DJ Advisors AS, Eitor AS, ZEVS Holding AS, Mosol Invest AS and Nelle Management AS. The Board member Øystein Stray Spetalen has direct and indirect ownership share in Saga Pure ASA, Tycoon Industrier AS and Ferncliff Listed Dai AS.

Note 9 – Share capital

<i>Amounts in NOK</i>	Share capital	Share premium	Retained earnings (deficit)	Total equity
Balance 01.01.2021	73 901	4 024 696	(4 735 627)	(637 030)
Share issue	84 601	148 625 851		148 710 452
Net profit (loss) for the period			(16 413 926)	(16 413 926)
Balance 30.06.2021	158 502	152 650 547	(21 149 553)	131 659 496

Note 10 – Other long term liabilities

<i>Amounts in NOK</i>	30.06.2021	31.12.2020
Liabilities to financial institutions	2 400 000	2 400 000
Other long-term liabilities	0	5 300 000



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