

**Quantafuel AS**

(Merkur: **QFUEL-ME**)

*is a Norwegian technology based energy company  
converting under-utilised hydrocarbon resources  
into high-quality fuel products.*

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# Fourth Quarter 2019

Financial statement and review  
for Quantafuel AS

## *Summary of the Fourth quarter 2019*

**After a negotiation processes with three major chemical and petrochemical companies, Quantafuel entered into a broad investment- and development agreement with BASF in the 4<sup>th</sup> quarter. At the same time, the company is working hard to get the first commercial plant in operation, a costly and challenging process that is almost complete.**

In 2018, The European Union (EU) opened up the definition of material recycling to include chemical recycling. Months later, The EU increased the 2025 recycling target for packaging material to 55%, an ambitious target considering that the actual recycling rate for plastic waste in Europe today is approximately 10%. This has set the foundation for a new industry based on chemical recycling that, according to McKinsey and Goldman Sachs, is expected to grow to 80 million ton in capacity and between 70 and 80 bn USD in annual revenue by 2030.

As a frontrunner in this market, and with a unique technology to upgrade pyrolysis oil to a viable feedstock for plastics recycling, Quantafuel has received a considerable amount of attention from the industry, even before start of operations in Denmark.

### **Skive update**

Quantafuel embarked on commissioning of the Skive plant in the first quarter with the objective of achieving a safe and controlled start-up of the plant. System commissioning has been initiated with gradual handover of systems to the Start-Up team. It's a process of testing, error detection, correction and retesting to ensure that every single part of the factory works according to procedures and specifications prior to hot commissioning.

All Quantafuel employees and contractors have worked towards start of production at a fixed date in Q1. However due to matters beyond our control, as of end of February, it is unlikely that the pyrolysis reactors will be fully commissioned within Q1. Due to the CORVID-19 (Corona Virus), the commissioning team consisting of 7 engineers from the supplier, who were expected in Skive this week, have been placed under quarantine in Jinan, China,

We are evaluating the possibilities of commissioning of the pyrolysis reactors without their physical presence. This, however, is not a straightforward process as their presence is required for the contractual handover of the equipment.

Furthermore, is it necessary to submit documentation to Danish safety authorities before gas is used in the factory. Following a site inspection in February, we are requested to submit additional documentation which we are in the process of submitting as we complete the testing and commissioning schedule on the different parts of the production line.

We had set a fixed date in mid-March for start of operations with plastic in one reactor, but because we are in a process of finding an alternative way of commissioning the reactors and delivering documentation, we have not been in a position to set a new date. We are working diligently to solve these recent, new challenges and get to first oil as soon as possible, but it might be that we will not be able to produce first oil until the first part of Q2.

All delays are costly as we have had, and have, 60-130 workers on site at any given day. But with a sound financial position following the BASF investment, strong support from our strategic partners and the potential upside in being able to embark on an industrial roll-out in scale, we are confident that the available

resources will get us to the finish line as soon as practically possible.

Rework, changes in scope, double shift to finalise the building of the plant have resulted in a cost increase in the quarter of MNOK 45 (USD 5.0), In addition, accrual for commissioning in 2020 is estimated to be MNOK 22 (MUSD 2.5) against a budget of MUSD 1.7.

### **Collaboration and Partnership**

Quantafuel entered into a strategic partnership with BASF in 2019, that involved a 20 MEUR investment as well as a technical collaboration partnership with the mutual interest in rolling out production capacity in scale. BASF's demand of greater 10 million tons of naphtha globally each year, combined with their reach to more than 90.000 direct customers and all the chemical expertise needed to assist our growth, were key reasons for entering the collaboration. It was also an important aspect that the agreement with BASF is complementary to our longstanding strategic partnership with Vitol as all three parties see potential synergies moving forward.

While we are still working out the final details of a full collaboration agreement with BASF, the practical and operational relationship has already commenced. A team from BASF have supported the Quantafuel team to conduct and follow up a Readiness review of the plant. Their valuable experience is appreciated and supportive of the philosophy to conduct a safe and controlled start-up.

BASF communicated that all chemical recycled feedstock from Skive will be utilized to make new chemicals from recycled plastic materials in Ludwigshafen. This statement has been well received by the Environmental Protection

Agency (Miljøstyrelsen) in Denmark as well as local municipalities and waste management companies in Denmark. Utilizing the recycled product from the Skive site to make new Being plastic products is a strong message from European industry that using a circular economic approach will solve the waste problem in a financially viable way. The statement is as following:

“BASF will utilize the totality of Quantafuel's Skive production to produce plastics and other materials and substances. This process falls under the definition of “recycling” which will qualify as ‘recycled’ according to article 3.17 in the EU Waste Framework Directive. No part of Quantafuel's production will be used as fuels”.

### **Future Outlook**

Being classified as material recycling will broaden Quantafuels access to raw material for the process and have a significant impact on the economics of the plant.

Quantafuel plans to increase its activities in Danish market, and currently seeks to make a Final Investment Decision (FID) for a second plant with an expected capacity of 80.000-ton plastic waste per annum. Potential locations have been identified, and processes and procedures to obtain permits are ongoing.

Quantafuel is also working with the strategic partners and other major players within the petrochemical industry to roll-out capacity at key strategic location based on a modified, standardized design as soon as the plant in Skive is in production.

With regards to technology development, Quantafuel published a patent application in Q1 that, if granted, is expected to provide some protection for the concept of purifying and upgrading pyrolysis oil in the gas phase.



On the 13th of January 2020, Kyle and Kathinka from Norway and Johanna from Sweden together with Barney and the 'Last Degree' team completed their expedition to the South pole. Quantafuel is proud to have supported this expedition

During the expedition, the team used fuel from the Quantafuel pilot plant in Mexico. A great story of sustainability of plastic wastes from a landfill in Mexico to the south pole where the team flew the Quantafuel flag.



## Health Safety and the Environment

There has been no reported HSE incidents at Quantafuel, neither of the subsidiaries, nor any of the contractors in the period.

## Listing on Merkur

Quantafuel is proud to announce that as of 20<sup>th</sup> February, it is listed on the Merkur

## Logistics

Quantafuel is now receiving plastic waste directly from several industries that, prior to delivering to Quantafuel sent the waste for incineration. The interest in closing the loop by “up-cycling” and tracking the waste, the EU has taken another step towards waste reduction with a circular economy approach.

Quantafuel and Geminor signed a strategic collaboration agreement in 2019. Geminor has now opened a regional plastic storage in Ålborg to accommodate the increasing market interest in delivering plastics to Quantafuel. The storage is part of a planned strategy to introduce the alternative to incineration of plastics in Denmark.

It provides the partners opportunity to evaluate and test the different plastic suppliers and components to be well prepared for production start in Skive, as well as preparing logistics and sorting of waste plastics for the next large-scale plant in Europe. Local industry and municipalities with post-consumer plastics have started delivering to the storage, showing great interest in chemical recycling as a way to increase actual recycling rates in compliance with EU targets.

## Financial situation

The total cost estimate for the delivery of the first plant from Quantafuel AS to Quantafuel Skive ApS (Danish 76% owned subsidiary) is now MNOK 377 (MUSD 42.8), (Q319; MNOK 332 (MUSD 37.7).

## Financial review

### Income statement

Quantafuel Financial Highlights	Q4 2019	2019	Q4 2019	2019
unaudited figures in USD if not stated otherwise	Company	Company	Group	Group
Operating income	51,135	5,410,268		56,426
EBITDA	-5,732,254	-21,269,658	1,745,842	-5,601,002
Net result	-4,775,523	-22,759,880	-1,485,293	-11,607,151
Total assets	28,515,412	28,515,412	67,665,941	67,665,941
Cash & Cash equivalents	16,564,004	16,564,004	17,159,500	17,159,500

The Company has recognised an increased cost for concluding the Skive plant of MNOK 45 (MUSD 5) in Q4, which is booked in the Company accounts under Cost of sales. In total provisions of MNOK 272 (MUSD 31) is accounted for in the Company for the delivery (loss) of the Skive plant to the Danish subsidiary. In addition, MNOK 22 (MUSD 2.5) is budgeted and accrued for in relation to the commissioning of the plant in Skive in 2020. Earlier communicated budget for the commissioning & start-up has been MUSD 1.7.

In the Danish Subsidiary the cost for investment in local equipment & infrastructure is summed up to MDKK 26.5 (MUSD 4). Budget for this was MUSD 3.7.

Total investment on group level for the plant including local infrastructure in Denmark and provision for commissioning of the plant in 2020 is estimated to be MNOK 433 (MUSD 49.3)

On Group level the full value of the plant and supporting systems are recognised. As part of this, the 2018 accounts are re-stated and the write-down done on the asset is reversed (See note 1)

Payroll expenses for the quarter is MNOK 5.5 (MUSD 0.6)). As of 2019 the Company has done a change in the Accounting principle of employee option programme. The Company has up and including Q3 2019 used the intrinsic valuation methodology in accordance with IFRS 2. This is now changed to be based on the fair value principle where the option value is calculated using a Black & Scholes calculation model for the value of point of the option grant. The change is recognised in Q4 of where MNOK 29.0 (MUSD 3.2) is reversed on the P&L under "payroll expenses". The consequence of the equity is however minor, a reduction of MNOK 2.3 (See note 4)

Other operating expenses in the quarter was MNOK 6.8 (MUSD 0.75) (Q3 MNOK 4.5 (MUSD 0.5)). This represent a slight increase due to increased activity in the Company.

This gives an EBITDA of MNOK - 52.2 (MUSD - 5.7) (Company) and MNOK 15.9 (MUSD 1.8) for the Group.

Net financial items for the quarter include MNOK 13.3 in reversal of share issue cost which is booked directly against the equity .

#### Balance Sheet

As major changes in the quarter, the non-current assets on Group level have increased with MNOK 227, of which MNOK 57 is related to the 2018 reversal of the write-down and MNOK 120 to the progress of the building of the Skive plant. In addition, MNOK 44.6 is recognized as the value of leasing of the rented facility in Skive. On the liability side, the BASF convertible loan of MEUR 10 was received in October.

The Company's holding of cash and cash equivalents was MNOK 146 (MUSD 16.6) at the end of the period, and MNOK 151 (MUSD 17.2) at Group level.

<b>Quantafuel Balance sheet</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
unaudited figures in USD if not stated otherwise	<b>Unaudited</b>		<b>Unaudited</b>	<b>Restated</b>
	<b>Company</b>	<b>Company</b>	<b>Group</b>	<b>Group</b>
Total non-current assets	4.741	3.048	48.964	12,491
Total current assets	23.774	11.005	18.702	10,979
Total assets	28.515	14.053	67.666	23,469
Total equity	6.223	-1.770	32.816	13.757
Total non-current liabilities	11.509		24.348	3.737
Total current liabilities	10.783	15.823	10.502	5.975
Total equity and liabilities	28.515	14.053	67.666	23.469

**QUANTAFUEL AS**  
**CONSOLIDATED INCOME STATEMENT**  
**1 JANUARY - 31 DECEMBER**  
(Amounts in NOK thousands)

Quantafuel Statement of Operations	Q4 2019	2019	2018	Q4 2019	2019	2018
	Unaudited Company (kNOK)	Unaudited Company (kNOK)	Company (kNOK)	Unaudited Group (kNOK)	Unaudited Group (kNOK)	Restated Group (kNOK)
Revenues	466	47.134	31.011			102
Other income		497	121		497	121
<b>Total revenues and other income</b>	<b>466</b>	<b>47.630</b>	<b>31.132</b>	<b>-00</b>	<b>497</b>	<b>224</b>
Cost of materials	-69.318	-193.087	-167.599	351	-1.236	-90
Salaries and personnel costs	23.442	-23.271	-20.884	20.709	-29.038	-22.506
Depreciation	-1.112	-1.216	-540	-3.212	-3.352	-596
Other operating expenses	-6.835	-18.524	-11.433	-5.148	-19.533	-12.823
<b>Total operating expenses</b>	<b>-53.822</b>	<b>-236.098</b>	<b>-200.457</b>	<b>12.700</b>	<b>-53.159</b>	<b>-36.015</b>
<b>Operating profit (/loss)</b>	<b>-53.356</b>	<b>-188.467</b>	<b>-169.324</b>	<b>12.700</b>	<b>-52.662</b>	<b>-35.791</b>
Net financial items	9.831	-11.904	-12.731	8.845	-14.442	-15.389
<b>Net financial gain (/loss)</b>	<b>9.831</b>	<b>-11.904</b>	<b>-12.731</b>	<b>8.845</b>	<b>-14.442</b>	<b>-15.389</b>
<b>Profit (/loss) before taxes</b>	<b>-43.525</b>	<b>-200.371</b>	<b>-182.056</b>	<b>21.545</b>	<b>-67.103</b>	<b>-51.180</b>
Tax on ordinary result				-35.082	-35.082	-18.568
<b>Net profit (/loss)</b>	<b>-43.525</b>	<b>-200.371</b>	<b>-182.056</b>	<b>-13.537</b>	<b>-102.186</b>	<b>-69.748</b>
<b>Attributable to</b>						
Equity holders of the parent				13.264	<b>99.795</b>	-69.021
Non-controlling interest				2.391	2.391	727
Earnings per share, ordinary				-2,26	<b>-10,37</b>	-12,22
Earnings per share, diluted				-2,29	<b>-10,37</b>	-12,22

**QUANTAFUEL AS**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**1 JANUARY - 31 DECEMBER**  
(Amounts in NOK thousands)

<b>Profit for the period</b>	<b>Q4 2019 Unaudited Group (kNOK)</b>	<b>2019 Unaudited Group (kNOK)</b>	<b>2018 Restated Group (kNOK)</b>
Profit for the period	-13.537	-102.186	-69.748
Other comprehensive income			
Translation differences, net			
Total comprehensive profit (loss)	-13.264	-102.186	-69.748
Attributable to:			
Equity holders of the parent	13.264	99.795	69.021
Non-controlling interest	2.391	2.391	727

**QUANTAFUEL AS**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**1 JANUARY - 31 DECEMBER**  
(Amounts in NOK thousands)

Quantafuel Balance sheet	2019 Unaudited Company (kNOK)	2018 Company (kNOK)	2019 Unaudited Group (kNOK)	2018 Restated Group (kNOK)
<b>Assets</b>				
Property, plant and equipment	1.541	309	358.748	96.055
Right-of use asset	3.043		44.602	
Investment in Associates	17.156	17.156		
Intangible assets	19.892	9.018	23.339	9.209
Other non-current assets			3.232	3.262
<b>Total non-current assets</b>	<b>41.632</b>	<b>26.483</b>	<b>429.921</b>	<b>108.525</b>
Accounts receivables		18.282		914
Other receivables	63.305	6.730	13.540	8.422
Other current assets				
Cash and cash equivalents	145.437	70.601	150.666	86.053
<b>Total current assets</b>	<b>208.742</b>	<b>95.613</b>	<b>164.206</b>	<b>95.389</b>
<b>Total assets</b>	<b>250.374</b>	<b>122.095</b>	<b>594.127</b>	<b>203.914</b>
<b>Equity and Liabilities</b>				
Shareholders' equity	112	73	112	73
Premium reserve	502.481	235.368	502.481	235.368
Uncovered loss	-447.952	-250.820	-282.965	-133.774
-Non-controlling interests			68.510	17.863
<b>Total equity</b>	<b>54.641</b>	<b>-15.379</b>	<b>288.138</b>	<b>119.530</b>
Deferred tax			57.083	19.411
Loans to financial institutions	98.825		115.555	1
Long-term leasing liability	2.226		41.141	
Other non-current liabilities			-00	13.059
<b>Total non-current liabilities</b>	<b>101.051</b>	<b>-00</b>	<b>213.779</b>	<b>32.471</b>
Short-term leasing liability	933		4.366	
Accounts payable	61.806	15.044	59.481	18.608
Trace, other payables and provisions	3.587		10.481	
Finance debt				
Other current liabilities	28.355	122.431	17.882	33.304
<b>Total current liabilities</b>	<b>94.682</b>	<b>137.475</b>	<b>92.210</b>	<b>51.912</b>
<b>Total equity and liabilities</b>	<b>250.374</b>	<b>122.095</b>	<b>594.127</b>	<b>203.913</b>

**QUANTAFUEL AS**  
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**  
**1 JANUARY - 31 DECEMBER**  
(Amounts in NOK thousands)

Quantafuel Statement of Cash flow	2019	2018	2019	2018
	Company (kNOK)	Company (kNOK)	Group (kNOK)	Restated Group (kNOK)
<b>Cash flows from operation</b>				
<b>Net profit (/loss)</b>	<b>-200.371</b>	<b>-182.056</b>	<b>-102.186</b>	<b>-43.064</b>
Depreciations, amortisations and net impairment losses	201	540	3.352	596
Adjustments to net income	-63.123	-30.908		
Adjustments to Accrued expenses	-6.461	84.720	3.299	
Changes in inventories, accounts payable and receivables	27.305	-7.427	40.867	-1.118
Changes in other current balance sheet items	-10.515	-1.997	-24.457	7.233
<b>Cash flows provided by (/used in) operating activities</b>	<b>-252.964</b>	<b>-137.128</b>	<b>-79.125</b>	<b>-36.353</b>
<b>Cash flows from investing activities</b>				
Capital expenditures				
Net investments in tangible fixed assets	-4.476	-8.586	-256.173	-96.236
Purchase of intangible asset	-10.874		-10.831	-9.399
Other cash flows from investing activities		-780	82.274	-3.035
<b>Cash flows used in investing activities</b>	<b>-15.350</b>	<b>-9.366</b>	<b>-184.730</b>	<b>-108.670</b>
<b>Cash flows from financing activities</b>				
Issuing (/repurchase) of shares	263.794	177.305	260.516	169.151
Increase (/repayment) of finance debt	72.759	27.298	102.495	42.939
Dividends paid				
Payment of lease liabilities			-41.141	
Other cash flows from financing activities	6.597		6.597	-2.354
<b>Cash flows provided by (/used in) financing activities</b>	<b>343.150</b>	<b>204.603</b>	<b>328.467</b>	<b>209.736</b>
Effect of exchange rate changes				-00
<b>Cash balance</b>				
Net increase (/decrease) in cash and cash equivalents	74.836	58.109	64.612	64.713
Cash and cash equivalents at the beginning of the period	70.601	12.492	86.053	21.340
<b>Cash and cash equivalents at the end of the period</b>	<b>145.437</b>	<b>70.601</b>	<b>150.665</b>	<b>86.053</b>

**QUANTAFUEL AS**  
**CONSOLIDATED STATEMENT OF CHANGES IN**  
**EQUITY**

**1 JANUARY - 31 DECEMBER**

(Amounts in NOK thousands)

	Share capital	Share premium	Other paid reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>Equity at 31 December 2017</b>	41	41.926		-52.588	-10.621		
Correction				5.697	5.697		
<b>Equity at 1 January 2018</b>	41	41.926		-46.891	-4.924		-4.924
Profit (loss)				-69.020	-69.020	-727	-69.747
Other comprehensive income				345	345		345
<b>Total comprehensive income</b>				-68.675	-68.675	-727	-69.402
Increase in share capital	32	190.838			190.870		190.870
Share-based payments		2.604			2.604		2.604
					382	382	
<b>Equity at 31 December 2018</b>	73	235.368		-115.184	120.257	-727	119.530
Profit (loss)				-99.796	-99.796	-2.391	-102.187
Other comprehensive income							
<b>Total comprehensive income</b>				-99.796	-99.796	-2.391	-102.187
Increase in share capital	39	259.271	1.245	7.846	268.401		268.401
Share-based payments		6.596		-4.606	1.990		1.990
Effect on exchange rates				-1.048	-1.048		-1.048
<b>Equity at 31 December 2019</b>	112	501.235	1.245	-212.788	289.804	-1.664	288.138

## Notes to the interim condensed consolidated financial statements

### Note 1 Corporate information and basis for preparation

#### Corporate information

The interim condensed consolidated financial statements ('the Statements') of Quantafuel AS and its subsidiaries ('the Group') for the period ended 31 December 2019 were authorized for issue by the board of directors in their meeting on 27 February 2020.

Quantafuel AS was formed in 2014 and is a Norwegian limited liability company listed on Oslo Stock Exchange Merkur Market. The group's head office is in Vollsveien 13H, 1366 Lysaker, Norway.

Quantafuel is a Norwegian technology-based energy company with the purpose of ending wasteful and unsustainable handling of our planet's resources. By drawing on 50 years of industry experience and over 10 years of development, Quantafuel converts almost all kinds of plastic waste into environmentally friendly fuels and chemicals, replacing new oil production. Starting in Skive, Denmark in the first quarter next year, Quantafuel aims to rapidly build up production capacity on a global scale to have a meaningful impact on one of our times most pressing environmental challenges.

#### Basis of preparation

The Statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The Statements do not include all the information and disclosures required in the annual financial statements, and should be read together with the Group's annual consolidated financial statements as at 31 December 2018.

The accounting policies used in preparation of the Statements are consistent with those used for preparation of the Group's annual financial statements for 2018, except for IFRS 16 *Leases* that has been adopted from 1 January 2019, as further described below.

#### Restatement of 2018

In connection with the preparation of the 2019 consolidated financial statements the Group has made a thorough review of its accounting policies and practices and identified items that in accordance with IAS 8 *Accounting policies, changes in accounting estimates and errors* requires restatement of prior periods. The table below shows the changes made to the consolidated income statement and statement of financial position for 2018.

	Note	2018	Changes	Restated 2018
<b>Operating revenue</b>		<b>224</b>		224
Cost of materials	1	167.689	-167.599	90
Salaries and personnel costs		22.506		22.506
Depreciation and amortization		596		596
Other operating expenses		12.823		12.823
<b>Operating profit (loss)</b>		<b>-203.390</b>	<b>167.599</b>	<b>-35.791</b>
<b>Net financial items</b>		<b>-15.389</b>	-	<b>-15.389</b>
<b>Profit (loss) before tax</b>		<b>-218.779</b>	<b>167.599</b>	<b>-51.180</b>
Income tax expense	1	843	-19.411	-18.568
<b>Profit (loss) for the period</b>		<b>-217.936</b>	<b>148.188</b>	<b>-69.748</b>

**Attributable to:**

Equity holders of the parent	-217.209	148.188	-69.021
Non-controlling interest	-727		-727

	Note	2018	Changes	Restated 2018
<b>ASSETS</b>				
Other intangible assets		9.209	-	9.209
Property plant and equipment	1	38.732	57.323	96.055
Other non-current assets		3.262	-	3.262
<b>Total non-current assets</b>		<b>51.203</b>	<b>57.323</b>	<b>108.526</b>
Accounts receivable		914	-	914
Other receivables		17.935	-9.514	8.421
Cash and cash equivalents		86.053	-	86.053
<b>Total current assets</b>		<b>104.902</b>	<b>-9.514</b>	<b>95.388</b>
<b>Total assets</b>		<b>156.105</b>	<b>47.809</b>	<b>203.914</b>
<b>EQUITY AND LIABILITIES</b>				
Sharecapital		73	-	73
Other paid-in capital	2	235.368	-	235.368
Retained earnings		-270.178	136.404	-133.774
<b>Equity attributable to the owners of the parent</b>		<b>-34.737</b>	<b>136.404</b>	<b>101.667</b>
Non-controlling interests	3	727	17.136	17.863
<b>Total equity</b>		<b>-34.010</b>	<b>153.540</b>	<b>119.530</b>
Deferred tax liabilities	1	-	19.411	19.411
Non-current interest bearing liabilities		13.061	-	13.061
<b>Total non-current liabilities</b>		<b>13.061</b>	<b>19.411</b>	<b>32.472</b>
Current interest bearing liabilities	2		26.066	26.066
Accounts payable		18.608	-	18.608
Other current liabilities	1,2	158.446	-151.208	7.238
<b>Total current liabilities</b>		<b>177.054</b>	<b>-125.142</b>	<b>51.912</b>
<b>Total equity and liabilities</b>		<b>156.105</b>	<b>47.809</b>	<b>203.914</b>

Change number 1 is a restatement to present the ongoing plant construction in Skive, Denmark, at historic cost price for the Group, thereby increasing the carrying amount of property, plant and equipment with tNOK 57 323. In previous periods the plant has been carried at a value corresponding to the agreed transfer price between the parent company Quantafuel AS and its subsidiary Quantafuel Denmark ApS. Deferred tax is calculated on the group asset as it does not have a corresponding depreciable tax basis.

Change number 2 is to reclassify an interest bearing loan from Other current liabilities to the Current interest bearing loans.

Change number 3 is to restate the non-controlling interest share of the equity, including their share in the group asset.

**New standards, interpretations and amendments adopted by the Group**

The Group applies IFRS 16 Leases for the first time. The Group has applied the modified retrospective approach. Under this method the standard is applied retrospectively with the cumulative effect recognized at the date of initial application. The Group elected to use the practical expedient to not recognize a right-of-use-

asset or a lease liability for leases where the lease term ends within 12 months from the date of initial application and lease contracts for which the underlying asset is of low value. As the Group has recognized a right-of-use asset equal to the lease liability there was no impact on retained earnings of implementing IFRS 16.

The effect of adoption of IFRS 16 at 1 January 2019 is as follows:

	tNOK
<b>Assets</b>	
Right-of-use-assets	32.463
<b>Total assets</b>	<b>32.463</b>
<b>Liabilities</b>	
Long term leasing liability	28.207
Short-term leasing liability	4.256
<b>Total liabilities</b>	<b>32.463</b>
<b>Total adjustment on equity</b>	-

The Group has lease contracts for land and buildings related to its processing plant in Denmark and its head office in Norway and to various items of machinery, vehicles and other equipment. The lease contracts for items of machinery, vehicles and other equipment have been determined to be short-term or low value leases. Before the adoption of IFRS 16 the Group classified all its leases as operating leases. The group has recognized a right-of-use asset for all those leases previously classified as operating leases except for short-term and low value leases. Lease liabilities were recognized based on the present value of the remaining lease payments, discounted using the applicable entity's incremental borrowing rate at the date of initial application.

The lease liabilities at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2019 as follows:

	tNOK
<b>Operating lease commitments at 31 December 2018</b>	<b>50 962</b>
Weighted average incremental borrowing rate	8,48 %
<b>Discounted operating lease commitment at 1 January 2019</b>	<b>32 463</b>
<b>Lease liability at 1 January 2019</b>	<b>32 463</b>

### Summary of new accounting policies

Below are the new accounting policies of the group upon adoption of IFRS 16:

The Group has lease contracts for land and buildings related to its processing plant in Denmark, its head office in Norway and to various items of machinery, vehicles and other equipment.

The Group assesses at contract inception whether a contract is, or contains, a lease. The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property and plant	15 – 50 years
Machinery and equipment	3 – 10 years
Motor vehicles	3 – 5 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment.

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. To determine the incremental borrowing rate the Group, where possible, uses its recent third-party financing for the contracting entity as a starting point, adjusted to reflect subsequent changes or alternatively uses a build-up approach that starts with a risk-free interest rate adjusted for an estimate of credit risk relevant to the entity. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Long-term or Short-term leasing liabilities.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be below value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term. Low-value assets comprise IT equipment and small items of office furniture.

## Note 2 Property plant and equipment

	Property and plant	Machinery and equipment	Assets under construction	Total
<b>Period ended at 31 December 2018</b>				
<b>Cost</b>		<b>629</b>	<b>25.241</b>	<b>25.870</b>
Additions		186	70.495	70.681
Disposals				
Accumulated depreciation		496	-	496
<b>Net book value at December 2018</b>		<b>319</b>	<b>95.736</b>	<b>96.055</b>
<b>Period ended 31 December 2019</b>				
Additions			259.466	-
Disposals				
Depreciation		1.263		1.263
Exchange differences				
<b>Net book value at December 2019</b>		<b>3.545</b>	<b>355.202</b>	<b>358.748</b>
Useful life	15-50 years	3-10 years	No depreciation	
Depreciation	Straight line	Straight line		

Quantafuel is currently in the final stage of building its first commercial plant in Skive, Denmark, and the cost of the plant is presented as assets under construction until operation is started. At full operation, the plant will have a yearly capacity to transform 20,000 ton of plastic waste into 16,000 ton of high value products.

## Note 3 Financial assets and financial liabilities

Below is an overview of financial assets and liabilities, other than cash, held by the group:

	12/31/2019	12/31/2018
<b>Debt instruments at amortised cost:</b>		
Trade and other receivables	13.540	9.335
Non-current deposits	3.232	3.262
<b>Sum financial assets</b>	<b>16.772</b>	<b>12.597</b>
<b>Total current</b>	<b>13.540</b>	<b>9.335</b>
<b>Total non-current</b>	<b>3.232</b>	<b>3.262</b>
<b>Financial liabilities: Interest-bearing liabilities:</b>		
	2019	2018
<b>Current interest-bearing liabilities</b>		
Loan from DGI	3.670	3.824
Loan from Vitol		26.066
Lease liabilities	4.366	
<b>Total current</b>	<b>8.036</b>	<b>29.890</b>

<b>Non-current interest-bearing loans:</b>		
Loan from DGI	13.061	13.061
Loan from BASF	98.825	
Lease liabilities	41.141	
<b>Total non-current</b>	<b>153.027</b>	<b>13.061</b>
<b>Total interest-bearing liabilities</b>	<b>161.063</b>	<b>42.951</b>
Other financial liabilities at amortized cost:		
	<b>2019</b>	<b>2018</b>
Trade and other payables	87.838	25.846
<b>Total current</b>	<b>87.838</b>	<b>25.846</b>
<b>Total non-current</b>		-

#### Note 4 Share-based payments

In connection with the year-end close the company has reviewed all accounting policies and practices. Based on this, the company has made changes to the accounting principles for share-based payments. The effect of this change is recognized in 2019. The change is recognised in Q4 of where MNOK 29.0 (MUSD 3.2) is reversed on the P&L under “payroll expenses”. The consequence of the equity is however minor, a reduction of MNOK 2.3

Share options of the parent company are granted to board members, management and other selected employees. The Group may at any time resolve to terminate all issued options against a cash consideration equal to the market value of the option shares as the time of the termination, less the exercise price for such options. As of the date of this report, the Company has 495,500 options outstanding. Each option gives the right to subscribe for one share

The options outstanding at the reporting date with an exercise price between NOK 46 – 175 per share, and with an exercise period that ends between 19 October 2021 and 15 March 2022. The calculated value is recognized as a liability in the statement of position. The liability recognized at the reporting date is tNOK 9 200 for options and tNOK 7 346 for social security taxes. The change in the liability in the period is recognized as Salaries and personnel costs in the income statement.

#### Note 5 Share capital increase

The Company had an equity increase of NOK 150 000 000 in February 2019, inviting both existing shareholders and investors to participate. The share capital was increased with 2 727 272 shares at 0,01 NOK per share at a subscription price of 55 NOK per share.

On 25 September 2019, the Company signed the BASF Investment and Convertible Loan Agreement. The share capital increase pertaining to the EUR 10 million BASF Investment was registered with the Norwegian Register of Business Enterprises on 15 November 2019. The share capital increased with 846 864 shares at 0,01NOK per share at a subscription price of NOK 118 per share.

Pursuant to a framework agreement dated 23 March 2018, and as amended on 30 April 2018, Vitol S.A granted the Group a 12-month loan of USD 3 million. At 25 September 2019 it was agreed that the outstanding debt including interest is converted to share capital in Quantafuel AS. The share capital was increased with 301 375 shares at 0.01 NOK per share at a subscription price of NOK 98.

The company also had a share capital increase with 24 000 shares at 0,01 per share at a subscription price of NOK 46 and 68. This capital increase was in relations to exercising of options granted to employees and board members previously. Registered on 21 November 2019 in the Norwegian Register of Business Enterprise

After the share capital increase the total share capital of Quantafuel AS is NOK 111 674,67 divided on 11 167 467 shares of NOK 0.01 each.

#### **Note 6 Events after the balance sheet date**

Quantafuel was listed on Merkur 20 February 2020.

## Forward looking statement

This report contains certain forward-looking statements that involve risks and uncertainties. In some cases, we use words such as "ambition", "continue", "could", "estimate", "expect", "believe", "focus", "likely", "may", "outlook", "plan", "strategy", "will", "guidance" and similar expressions to identify forward-looking statements. All statements other than statements of historical fact, including, among others, statements regarding plans and expectations with respect to Quantafuel's development and returns, balance sheet and long-term underlying earnings growth; market outlook and future economic projections and assumptions; capital expenditure guidance; production guidance; development and construction activities; projected unit of production cost; accounting decisions and policy judgments, ability to put new plants into profitable production, and the impact thereof; expected dividend payments; estimated provisions and liabilities; implementation of IFRS, and the impact thereof; planned acquisitions and investments; and the projected impact or timing of administrative or governmental rules, standards, decisions or laws, including with respect to and future impact of legal proceedings are forward-looking statements.

You should not place undue reliance on these forward-looking statements. Our actual results could differ materially from those anticipated in the forward-looking statements for many reasons.

These forward-looking statements reflect current views about future events and are, by their nature, subject to significant risks and uncertainties because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including levels of industry product supply, demand and pricing; price and availability of alternative fuels; currency exchange rate and interest rate fluctuations; the political and economic policies of operating countries; general economic conditions; political and social stability and economic growth in relevant areas of the world; global political events and actions; economic sanctions, security breaches; changes or uncertainty in or non-compliance with laws and governmental regulations; the timing of bringing new plants on stream; an inability to exploit growth or investment opportunities; material differences from reserves estimates; an inability to find and develop new plants; ineffectiveness of crisis management systems; adverse changes in tax regimes; the development and use of new technology; geological or technical difficulties; operational problems; operator error; inadequate insurance coverage; the lack of necessary transportation infrastructure when a field is in a remote location and other transportation problems; the actions of competitors; the actions of partners; the actions of governments; counterparty defaults; natural disasters and adverse weather conditions, climate change, and other changes to business conditions; an inability to attract and retain personnel; relevant governmental approvals; industrial actions by workers and other factors discussed elsewhere in this report.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot assure you that our future results, level of activity, performance or achievements will meet these expectations. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by applicable law, we undertake no obligation to update any of these statements after the date of this report, whether to make them either conform to actual results or changes in our expectations or otherwise.



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