

Quantafuel ASA

www.quantafuel.com

Second Quarter 2020

Consolidated financial statements

Quantafuel



Summary of the first half 2020

Quantafuel was in June qualified for material recycling by the Norwegian Environment Agency (Miljødirektoratet). This changes the price structure on raw material for our plant in Skive, and lays the foundation for a major European industrial roll-out fuelled by a NOK 250 million investment by KIRKBI.

The construction of the Skive plant has taken more time and resulted in higher costs than originally planned, and the Covid-19 pandemic has further affected progress through our access to internal project resources, equipment suppliers and external resources. Still, our team has done extraordinary efforts during the final stages of hot commissioning and have managed to maintain progress and a positive team spirit.

In August, key suppliers have arrived in Denmark, and we are now preparing to start commercial production with a key focus on safety. All systems, all critical parts of the production process and all safety measures have been tested repeatedly, at production temperature and with gas, and we are now looking forward to introducing plastic and starting production.

It has been a long and challenging process, as innovation of unique process technology often are, and we are soon embarking on the next stage in the development of Quantafuel as the leading provider of chemical recycling of plastic waste.

Skive is the place where we will demonstrate that plastic waste can be transformed into high quality products in a continuous production process, and the plant will become our first step towards a large-scale industrial roll-out. Chemical recycling of plastic waste using pyrolysis is expected to become a USD 70-80 billion market within ten years, and Quantafuel is committed to becoming a

leading player by creating a modular process design that can be rolled out in scale at multiple locations at the same time.

Executing on our growth strategy, we have engaged Ramboll, a leading engineering, design and consultancy company founded in Denmark in 1945 with 16.500 employees in 35 countries, to perform a FEED study for a new modular design that will become the standard for a new large scale plant in Denmark and other key locations across Europe.

Material recycling

Following the qualification received from Norwegian Environment Agency (Miljødirektoratet), we have signed a contract with Grønt Punkt Norge to take delivery of up to 10,000 tons of plastic packaging waste from private households. The plastic waste will be chemically recycled into raw materials to produce new plastic products.

Quantafuel Skive is a pioneering project in chemical recycling and will show Europe how to achieve the ambitious targets set in the EU for plastics recycling. Further, the commercial operation will be important for documenting chemical recycling in a sustainability perspective. Quantafuel will together with Grønt Punkt Norge map the origin of the plastic waste, the alternative use of the plastic and the percentage of the plastic waste that is processed into new raw material for new plastic products. The findings will be summarized in a report to the Norwegian Environment Agency, which also has been consulted in the project. The Agency has confirmed that chemical recycling, where the chemical feedstock goes into new plastic production, is defined as recycling on the same level as mechanical recycling.

In July, the European Council approved the implementation of a plastic tax to be effective from 1 January 2021, and the European Commission has stated that the contribution

to the EU budget is “designed to incentivize member states to increase recycling of plastic waste” (Plastic Today).

At Quantafuel, we find that the market forces will continue to benefit recycling of plastic waste, and that our chemical recycling solutions will bridge the technology gap currently seen in the petrochemical industry.

Norway

Growing Quantafuel has led to the establishment of partnership and contracts with companies like Grønt Punkt Norge and the recycling company Geminor. Early August, Quantafuel announced an investment for 49% of the Norwegian recycling company Replast AS. Based on combining existing mechanical sorting and recycling solutions, Quantafuel will build production capacity for chemical recycling of mixed waste plastic at Replast’s production site in Kristiansund, Norway.

Quantafuel’s chemical recycling technology is complementarity with mechanical recycling solutions and has the capability of processing post-consumer fractions that until now have been difficult or impossible to recycle. By combining these two technologies in one production facility, Quantafuel will secure the most efficient and highest possible recycling rate and the supply and control of feedstock for a new chemical recycling plant in Norway.

Quantafuel and Replast have the ambition to gradually build out a total processing capacity of 20,000 – 30,000 ton per year over the next 18 months in Kristiansund, and use the set-up as a model for a Scandinavian roll-out.

KIRKBI investment

In June, KIRKBI A/S, the Kirk Kristiansen family’s private holding and investment company, invested NOK 250 million into Quantafuel. In addition to Quantafuel’s cooperation with its existing partners, BASF

and Vitol, KIRKBI is supporting our ambition to further improve chemical recycling and showcase how mixed plastic waste can be recycled into new high-value quality materials. Together with our partners and investors, Quantafuel will demonstrate that chemical recycling is a sustainable and viable option to the global community and a technical solution suited for global scale.

In KIRKBI, the investment into Quantafuel is based on a wish to invest in companies that contribute to a sustainable development in the world. “Quantafuel is an interesting investment for KIRKBI. The development of chemical plastic recycling technology has proven a great challenge. Quantafuel however, has taken an innovative and scalable approach to solving this key problem resulting in a strong business potential while ensuring high environmental impact. We believe this approach could be an important step in the transition towards a more sustainable future,” said Thomas Lau Schleicher, Chief Investment Officer in KIRKBI, in the joint press release on 19. June 2020.

Health, Safety and Environment (HSE)

Quantafuel has a zero tolerance for injuries to persons, work related illness and environmental damage. Quantafuel remains committed to ensuring a safe working environment with a clear target to maintain our good HSE records of no major injuries in project or administrative organisation.

There have been no reported Lost Time Incidents at Quantafuel, neither of the subsidiaries, nor any of the contractors, in first half 2020.

Project cost

The total cost for the construction of the first plant from Quantafuel ASA to Quantafuel Skive ApS (Danish 76% owned subsidiary) is NOK 377 million. Estimated costs for commissioning is

NOK 58 million. Including local infrastructure cost of NOK 34 million, the estimated total capex for the Skive plant is NOK 469 million – unchanged from Q4 2019 and Q1 2020.

Outlook

Quantafuel's activities are in process of being classified as material recycling, which will broaden Quantafuel's access to raw material and have a significant impact on the economics of our plants.

Quantafuel is working with its strategic and industrial partners Vitol, BASF and KIRKBI, as well as other major players within the petrochemical industry, to roll-out large-scale production plants at key strategic locations in

Europe. This will be based on a modified, standardized design as soon as the plant in Skive is in production.

Quantafuel is planning to increase its activities in Denmark, and has identified location and is performing engineering for a plant with a capacity of 80,000 ton plastic waste per annum.

The construction and ownership of large plants remains a key priority to Quantafuel, but we are also evaluating a further growth in the Scandinavian market with mid-sized production plants based on our world-leading cleantech catalysators and process design.

Financial review

Income statement

Quantafuel Financial Highlights	Q2 2020	Q2 2019	First half 2020	First half 2019	Full year 2019
<i>unaudited figures in NOK if not stated otherwise</i>	Group	Group	Group	Group	Group
Operating income	5	-	5	472	497
EBITDA	-29 815	-12 607	-50 422	-20 842	-55 456
Net result	-100 830	-23 262	-127 028	-43 621	-100 400
Total assets	577 467	388 593	577 467	388 593	597 073
Cash & Cash equivalents	26 680	97 558	26 680	97 558	150 666

EBITDA in Q2 2020 was NOK -29.8 million and EBITDA for the first half year was NOK -50.4 million. Salary costs in Q2 2020 was NOK 18.7 million compared to NOK 7.4 million in Q1 2020, due to allocation of share-based payments/social security taxes of NOK 7.6 million. Other operating expenses in Q2 2020 was NOK 7.7 million compared to NOK 9.5 million in Q1 2020. The higher costs in Q1 2020 was related to legal and advisory costs in connection with the Merkur Market listing in February 2020.

The net financial items for the quarter reflects the change in the valuation of the BASF convertible loan (BASF Conversion rights), in addition to general currency fluctuations. Net financial items in the first half 2020 of NOK 59.6 million consists of NOK 40 million in financial expenses in relation to the BASF convertible loan, NOK 9 million in currency loss (due to weak NOK in first half) and NOK 9 million in interest expense in relation to the BASF convertible loan, DGI loan and leasing of offices/building.

Balance Sheet

Quantafuel Balance sheet	At 30 June 2020	At 30 June 2019	At 31 December 2019
<i>unaudited figures in NOK if not stated otherwise</i>	Group	Group	Group
Total non-current assets	542 867	267 320	429 839
Total current assets	34 600	121 273	167 234
Total assets	577 467	388 593	597 073
Total equity	155 700	143 906	278 090
Total non-current liabilities	340 416	113 455	223 258
Total current liabilities	81 352	131 232	95 726
Total equity and liabilities	577 467	388 593	597 073

As per 30 June 2020 the Group's equity is NOK 155.7 million. Cash and cash equivalents were NOK 26.7 million, of which NOK 1 million was restricted cash (employee tax advance account).

Total non-current assets in the end of first half 2020 was NOK 542.9 million due to increase of Plant of NOK 97 million and increase other non-current assets (deposit) of NOK 2 million

Please also refer to the note 6; subsequent events regarding the KIRKBI private placement of NOK 250 million on 3 July 2020.

QUANTAFUEL ASA
CONSOLIDATED INCOME STATEMENT

(Amounts in NOK thousands)

	Q2 2020 Group	Q2 2019 Group	First half 2020 Group	First half 2019 Group	Full year 2019 Group
Operating revenue	5	-	5	472	497
Cost of materials	727	21	2 119	48	862
Salaries and personnel costs	18 783	6 577	26 228	10 827	28 965
Depreciation and amortization	1 305	754	2 420	1 507	3 352
Other operating expenses	7 700	4 501	17 240	7 425	19 422
Operating profit (loss)	-28 510	-11 853	-48 002	-19 335	-52 104
Finance income	64	-	15 637	-	675
Finance expense	-65 883	-2 147	-75 230	-10 785	-18 047
Net financial items	-65 819	-2 147	-59 593	-10 785	-17 372
Profit (loss) before tax	-94 329	-14 000	-107 595	-30 120	-69 476
Income tax expense	-6 501	-9 262	-19 433	-13 501	-30 924
Profit (loss) for the period	-100 830	-23 262	-127 028	-43 621	-100 400
Attributable to:					
Equity holders of the parent	-103 125	-30 183	-139 180	-58 644	-152 157
Non-controlling interest	2 295	6 921	12 152	15 023	51 757

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in NOK thousands)

	Q2 2020 Group	Q2 2019 Group	First half 2020 Group	First half 2019 Group	Full year 2019 Group
Profit for the period	-100 830	-23 262	-127 028	-43 621	-100 400
Items that may be reclassified to profit (loss)					
Translation differences, net	-873		2 611		404
Total comprehensive profit (loss)	-101 703	-23 262	-124 417	-43 621	-99 996
Attributable to:					
Equity holders of the parent	-103 998	-30 183	-136 569	-58 644	-151 753
Non-controlling interest	2 295	6 921	12 152	15 023	51 757

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK thousands)

	At 30 June 2020 Group	At 30 June 2019 Group	At 31 December 2019 Group
ASSETS			
Deferred tax asset	3 568	0	3 217
Other intangible assets	20 230	14 967	20 040
Property plant and equipment	456 219	218 164	358 748
Right-of-use asset	57 234	31 009	44 602
Other non-current assets	5 616	3 180	3 232
Total non-current assets	542 867	267 320	429 839
Accounts receivable	-	4 000	-
Other receivables	7 920	19 715	16 568
Cash and cash equivalents	26 680	97 558	150 666
Total current assets	34 600	121 273	167 234
Total assets	577 467	388 593	597 073
EQUITY AND LIABILITIES			
Sharecapital	112	100	112
Other paid-in capital	499 901	384 829	497 874
Retained earnings	-423 245	-278 622	-286 676
Equity attributable to the owners of the parent	76 768	106 307	211 310
Non-controlling interests	78 932	37 599	66 780
Total equity	155 700	143 906	278 090
Deferred tax liabilities	84 110	44 750	64 677
Non-current interest bearing liabilities	204 364	42 377	117 440
Long-term leasing liability	51 942	26 328	41 141
Other non-current liabilities	-	-	-
Total non-current liabilities	340 416	113 455	223 258
Current interest bearing liabilities	1 656	-	1 046
Short-term leasing liability	7 399	5 333	4 366
Accounts payable	37 905	42 580	59 481
Other current liabilities	34 393	83 320	30 833
Total current liabilities	81 352	131 232	95 726
Total equity and liabilities	577 467	388 593	597 073

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in NOK thousands)

	Q2 2020	Q2 2019	First half 2020	First half 2019	Full year 2019
	Group	Group	Group	Group	Group
Profit (loss) for the period, before tax	-94 329	-14 000	-107 595	-30 120	-100 400
Depreciation and amortization	1 305	754	2 420	1 507	3 352
Income taxes paid	-	-	-	-	-
Share-based payment expense	879	45	1 567	1 344	6 597
Net financial items	65 819	2 147	59 593	10 785	17 372
Increase/(decrease) in net accounts receivable and payable	-32 162	9 411	-21 576	19 972	40 873
Increase/(decrease) in net other receivables and other payables	-3 706	-18 401	12 208	-23 988	34 898
Cash flows from operating activities	-62 194	-20 044	-53 383	-20 500	2 692
Purchase of property, plant and equipment	-25 409	-49 627	-97 193	-122 109	-263 955
Purchase of intangible asset	316	2 599	190	5 758	-10 874
Increase/(decrease) in other non-current assets	-1 654	12	-2 735	996	-
Interest income received	-	-	-	-	675
Deferred tax liability	-	-	-	-	-
Cash flows from investment activities	-26 747	-47 016	-99 738	-115 355	-274 154
Proceeds from issue of shares	-	-	460	149 488	238 866
Proceeds from borrowings	30 958	-	30 958	-	101 175
Payment of lease liabilities	-86	-1 064	-1 778	-2 128	-3 418
Interest expenses paid	-455	-	-505	-	-548
Cash flows from financing activities	30 417	-1 064	29 135	147 360	336 075
Net change in cash and cash equivalents	-58 524	-68 124	-123 986	11 505	64 613
Cash and cash equivalents at beginning of period	85 204	165 682	150 666	86 053	86 053
Cash at cash equivalents at end of period	26 680	97 558	26 680	97 558	150 666

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF CHANGES IN
EQUITY

(Amounts in NOK thousands)

	Share capital	Share premium	Retained earnings	Total	Non- controlling interests	Total equity
Equity at 31 December 2018	73	235 368	-142 769	92 672	15 023	107 695
Profit (loss)			-98 080	-98 080	-2 320	-100 400
Change in NCI share of plant excess value			-54 077	-54 077	54 077	-
Total comprehensive income	-	-	-152 157	-152 157	51 757	-100 400
Translation differences, net			404	404		404
Total OCI	-	-	-151 753	-151 753	51 757	-99 996
Increase in share capital	39	259 271	7 846	267 156		267 156
Currency gain in regards to equity increase		1 245		1 245		1 245
Share-based payments		1 990		1 990		1 990
Equity at 31 December 2019	112	497 874	-286 676	211 310	66 780	278 090
Profit (loss)			-121 408	-121 408	-5 620	-127 028
Change in NCI share of plant excess value			-17 772	-17 772	17 772	-
Total comprehensive income	-	-	-139 180	-139 180	12 152	-127 028
Translation differences, net			2 611	2 611		2 611
Total OCI	-	-	-136 569	-136 569	12 152	-124 417
Increase in share capital	0	460		460		460
Share-based payments		1 567		1 567		1 567
Equity at 30 June 2020	112	499 901	-423 245	76 768	78 932	155 700

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 ASA and its subsidiaries ('the Group') for the period ended 30 June 2020 were authorized for issue by the board of directors on 26 August 2020.

Quantafuel ASA was formed in 2014 and is a Norwegian public limited company listed on Oslo Stock Exchange Merkur Market. The group's head office is in Lilleakerveien 2C, 0283 Oslo, 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 plastic waste into environmentally friendly chemicals allowing for recycling of plastic waste.

Quantafuel currently has one plant under construction in Skive Denmark. The strategy is to expand the production footprint internationally in order to have a meaningful contribution to solve 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 of 31 December 2019.

The accounting policies used in preparation of the Statements are consistent with those used for preparation of the Group's annual financial statements for 2019. Due to change in accounting principles in fourth quarter 2019, second quarter 2019 and first half 2019 have been amended accordingly.

Note 2 Property plant and equipment

	Property and plant	Machinery and equipment	Assets under construction	Total
Period ended at 31 December 2019				
Cost		815	95 736	96 551
Additions		4 489	259 466	263 955
Accumulated depreciation		1 263		1 263
Net book value at December 2019		3 545	355 202	358 748
Period ended 30 June 2020				
Additions		341	96 852	97 193
Depreciation		220		220
Exchange differences		499		499
Net book value at 30 June 2020		4 165	452 054	456 219
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:

Financial assets other than cash:	30/06/2020	2019
Debt instruments at amortised cost:		
Trade and other receivables	7 920	16 568
Non-current deposits	5 616	3 232
Sum financial assets	13 536	19 800
Total current	7 920	16 568
Total non-current	5 616	3 232

Financial liabilities: Interest-bearing liabilities:

	Interest rate	Maturity	30/06/2020	2019
Current interest-bearing liabilities				
Loan from DGI	CIBOR+8.14%	2018-2028	1 656	1 046
Lease liabilities	8.5 %	2019-2034	7 399	4 366
Total current			9 055	5 412
Non-current interest-bearing loans:				
Loan from DGI	CIBOR+8.14%	2018-2028	45 472	15 685
Convertible loan ("CL") liability		2022	79 621	62 456
CL conversion right liability			79 271	39 299
Lease liabilities	8.5 %		51 942	41 141
Total non-current			256 306	158 581
Total interest-bearing liabilities			265 361	163 993

Other financial liabilities at amortized cost:

	30/06/2020	2019
Trade and other payables	37 905	59 481
Total current	37 905	59 481
Total non-current		-

Note 4 Share-based payments

Share options of the parent company have been granted to Directors of the Board, executive management and other employees. As of 30. June 2020, the Company had 567,500 options outstanding (pre-split). Each option gives the right to subscribe for one share. The options outstanding at the reporting date has an exercise price between NOK 46 – 190 per share (pre split), and with an exercise period that ends between 19. October 2021 and 25. May 2024.

Please also refer to the note 6; Subsequent events regarding the 1:10 share split that was completed on 7 July 2020.

The calculated value is recognized as a liability in the statement of position. The liability recognized at the reporting date is NOK 10.8 million and NOK 11.6 million for social security taxes. The change in the liability in the period is recognized as salaries and personnel costs in the income statement. Quantafuel 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.

Note 5 Share capital increase

Quantafuel increased its share capital by 10,000 shares at 0.01 per share at a subscription price of NOK 46. This capital increase was related to stock options being exercised. The new shares were registered in the Norwegian Register of Business Enterprise on 30. March 2020.

After the share capital increase, the total share capital of Quantafuel as of 30. June 2020 was NOK 111,774.67 divided on 11,177,467 shares of NOK 0.01 each.

Note 6 Subsequent events

On 3. July 2020, an Extraordinary General Meeting (EGM) approved the conversion of the company to a public limited liability company (ASA) and approved a 1:10 split of the Company's shares. Kasper Trebbien was also elected as a new member of the company's Board of Directors as Ragnar Sjøegaard decided retired from his position as Deputy Chair of the Board. Board has separately selected Board member Ann-Christin G. Andersen as the new Deputy Chair.

On 3. July 2020, the share capital increase following the NOK 250 million private placement to KIRKBI A/S was registered with the Norwegian Register of Business Enterprises.

On 6. July 2020, following approval by the EGM on 3 July 2020, the new share capital and the new number of shares, as well as the conversion of legal form and the corresponding change of the company's name, was registered with the Norwegian Register of Business Enterprises.

- Share capital: NOK 1,256,635.50
- Number of shares: 125,663,550
- Par value of each share: NOK 0.01
- New name of the company: Quantafuel ASA

On 7. July 2020, the shares in Quantafuel started trading ex split.

On 11. August 2020, Quantafuel announced the acquisition of a 49% ownership interest in Replast AS.

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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