

Quantafuel ASA

www.quantafuel.com

Third Quarter 2020

Consolidated financial statements

Quantafuel ASA



SUMMARY OF THE FIRST NINE MONTHS 2020

Quantafuel reached an important milestone in the company's history in September 2020 when we started transforming plastic waste into liquid products at our plant in Skive, Denmark. Liquids produced to date are within specifications received from BASF at this stage and will improve further over time when we continue the adjustment process to bring the first production line and then the whole factory to nameplate capacity.

This technical and operational break through has brought Quantafuel to a position where we can further progress on our European strategic growth plans, including production plants in Denmark and Norway – as well as the initiation of studies for plants in Netherlands and Belgium.

Quantafuel also successfully raised NOK 852 million in equity and is selectively pursuing M&A opportunities in the circular economy value chain.



First oil from Skive showing the three fractions

As part of this strategy, we have agreed to purchase the outstanding shares in Replast AS. In Kristiansund, we will establish a combined and unique mechanical and chemical process facility with a capacity of minimum 20,000 ton per year, that we aim to have fully operational in 2022.

We have also agreed to purchase certain IP- and licensing rights from our catalyst

development partner Hulteberg and establish a new Quantafuel R&D centre in Malmø, Sweden.

SKIVE OPERATION

The core focus for the Quantafuel organisation remains on getting Skive up to full production. During the first week, we reached an important milestone of 48 hours continuous operation and positive test results of the first liquids. Safety has been priority number one in the start-up process, and we are pleased to see how the control-, safety- and emergency systems have worked as designed, and flawlessly during operations.

As the plant in Skive consist of four identical, parallel lines, the most important milestone is to get one line up to full capacity, with expected yield and quality. We are pleased to see how the proprietary Quantafuel technology is working, and that the quality of liquid produced is as expected at this stage. Our focus is now dedicated on reaching the important milestone of full capacity on one line.



A reactor train in Skive

The Skive plant consists of two separate reaction steps that are connected into one processing line. The first part is the pyrolysis reactor that we have purchased from a third party and the second part is the upgrading and purification system that constitutes the unique proprietary Quantafuel technology. The plant

also includes feed, storage, and distillation units, but the above two are the heart of the operation.

During the design of the plant, the start-up philosophy of each production line has been to ramp up the plastic feed from an initial, low rate and up to nameplate capacity. Since we started production with feeding plastic in September, a high rate of non-condensable gas (NCG) has been produced in the pyrolysis reactor. The reason for the high NCG rate is that the initial small amount of plastic is exposed to a reactor energy being too high compared to the feed rate. A secondary effect is that less plastic into the reactor increases the residence time of the pyrolysis gas in the reactor. This in turn leads to the formation of longer and more complicated new molecules that may offset as wax further down in the production line when gas temperature drops. When that happens, the production is interrupted for cooldown, necessary cleaning, and re-heating.

We expect that with full infeed load, the problem will correct itself as a larger amount of plastic will naturally cool the first part of the reactor and the increased amount of pyrolysis gas will shorten the residence time in the reactor. So far however, the large production of NCG in the build-up phase has overrun the capacity of the downstream pump, causing to high reactor pressure triggering automatic shutdowns, as our safety systems are set to execute.

There are several ways to address this, and every adjustment needs to be monitored and the effect noted before further adjustments can be made. This is a time-consuming effort. Initially the production of NCG has been close to 80%, but has gradually been reduced to approximately 40% following implementation of changes in our plant start-up procedure. Other measures to further reduce the NCG are embedded in the production plan, with some elaborated in the section below.

We are also making some physical adjustments and modifications to the production process as

part of the start of operations. We have among others made drainage systems for potential wax to increase stability, increased the tolerance of the process for gas production to allow for more non-condensable gas in periods and we are taking additional steps to address the kinetics of the pyrolysis step.



Operation monitoring in Skive

Together with suppliers and development partners we are confident that these and other steps will take us up to full capacity. As expected, and communicated many times before, ramping up is a time-consuming process, as every adjustment takes days. Corrective measures are implemented methodically however it is hard to determine how long each process takes, but we are confident of a successful outcome.

We have many tools at our disposal to upgrade the products and are working diligently to move towards target parameters. While we expect to see further improvements in quality when we get up to the right mass-balance, what we have produced to date is within the received specifications from BASF at this stage and will be transformed to new high-quality plastic products.

And that is what really matters now – that our proprietary technology can reduce impurities like ash particles, chlorine, sulphur and that our products can be sent to Ludwigshafen and further processed to new high-quality plastics. And the answer is – yes it can.

We continue to work closely with our partners, even though COVID-19 measures are making

physical movement of humans very challenging now.

Quantafuel will not provide full operational data on a continuous basis, but we plan to present our next operational update in December. If there are any major deviations to the project or operation, we will make a separate notice to the stock exchange.

The cost of the plant in Skive has increased with NOK 33 million compared to previously announced cost estimates. This is partly due to the extended period with employees, consultants, and suppliers on site, and smaller or larger adjustments as discussed above. In addition, we have planned for a modification project taking place over the next period that is estimated to NOK 45 million including approximately NOK 10 million in contingency. Some of the modifications are not critical at this stage, but they will secure even more stable production, whilst some modifications are due to recommendations from Danish authorities. In total this will bring the cost of the plant up NOK 548 million.

REPLAST AND HULTEBERG

We have agreed to purchase the outstanding shares in Replast AS, Kristiansund Norway. Replast has over the last couple of years established a process for mechanical recycling and stabilising of undetermined plastic material streams in Kristiansund.

Quantafuel has now decided to upgrade this plant to a full scale combined mechanical and chemical recycling facility with a yearly capacity of minimum 20,000 ton. There are many reasons for this strategically important acquisition. First of all, Replast has built up extensive experience and knowledge in mechanical recycling, and successfully tested and sorted the most difficult household waste fractions with a wide range of origin, that now has been further processed by Quantafuel into acceptable products for producing new plastic.

Sorted, separated, and cleaned plastic waste fractions are of high value and can be easily

recycled using many technologies. Our mission has always been to recycle the contaminated mixed household waste with a huge negative financial and environmental cost to society, and with Replast we have already shown how this will be done.

Secondly Quantafuel has over the last year identified and prequalified a new, more compact pyrolysis reactor compared to those currently in use in Skive. We aim to have a pilot using this reactor, with a daily capacity of 10 tons, in operation during Q1 2021. In the same pilot we also intend to start using our new series of catalysts that we have developed together with Hulteberg over the last 18 months. The purpose of the new catalyst is to increase the production of lighter fractions (naphtha range), to further ease the transformation process to new plastic products.

Both the testing of an alternative reactor and the testing of the new naphtha catalyst are considered development of new technology and hence fall under the development agreement we have with BASF. This means that this process is done in close cooperation with BASF, and that BASF will cover part of the development and project cost.

At full capacity, the plant in Kristiansund will employ approximately 20 employees, have a turn-over of approximately NOK 150 million and an EBITDA in the range of NOK 50-60 million. The total investment is estimated at approximately NOK 140-150 million that will be partly debt and partner financed. We look forward to start cooperating with all existing partners and customers of Replast and for the first time introduce chemical recycling alongside mechanical recycling of mixed plastic waste in the Norwegian market.

The remaining shares in Replast are in process of being purchased for NOK 40 million and will be settled in shares in Quantafuel at NOK 50 per share, 5 % above market at the time of final negotiations. In addition, the parties have agreed a milestone based earn-out of up to

NOK 10 million that, if achieved, will be settled in cash or shares – at Quantafuel’s discretion.

Furthermore, we have agreed to purchase certain IP- and licensing rights from Hulteberg and establish a dedicated R&D company that will be co-located and operated in partnership with Hulteberg in Malmö. The purpose of this acquisition is to further strengthen our IP base and make sure that we have dedicated Quantafuel resources working to further improve and strengthen proprietary technology. The technology and licenses are already assigned to Quantafuel, but to secure full ownership we have decided to complete the transaction at a fixed price of SEK 10 million, plus a milestone based technical performance model of up to SEK 4 million. Of the fixed price, SEK 5 million is settled in shares at NOK 50 per share.

DENMARK FEED STUDY

In close co-operation with the Skive team, the Front-End Engineering & Design (FEED) study for next plant in Denmark is progressing very well. This plant will be designed for 80,000 tons/year, which is four times Skive capacity, and pave the way for modular, standard design and further growth. With final investment decision (FID) planned around year-end, production is expected to commence in 2022.

The plant will be Quantafuel’s first major plant for chemical recycling, processing plastic waste into new high value liquid products for the petrochemical industry.

This week we have also secured a plot in Esbjerg, Denmark, that we consider to be an ideal location for a large-scale plant in Denmark. The site plot in Esbjerg has also been considered and reviewed by engineering partner Rambøll and our waste partner Geminor to be ideal in terms of our specific selection criteria. A site selection process has considered well over hundred potential sites and after creating a short-list of ten highly attractive sites, the Esbjerg plot stood out. The main reason for choosing this site is the well-established logistical flexibility in the area,

where access to train, truck and ship will provide Quantafuel valuable options to send and receive products, adapt to marked fluctuations and optimise cost. The plot is also well established with infrastructure and utilities as well as being situated close to several larger plastic producers.

Quantafuel is working with engineering partner Rambøll to ensure that this plant, as well as future Quantafuel-plants, are built according to the highest sustainability standards and represent the visions and values of the company. Based on our standards, our key priorities are the following; i) design for re-use and use of recycled materials, ii) minimising embodied carbon in buildings and installations, iii) achieving synergies with local forms of production (for instance use of locally produced biogas or green hydrogen), and iv) screening sites for physical climate risk.

CLIMATE NEUTRAL WASTE SECTOR

In Denmark, we have also seen the approval of a new waste strategy that will change the Danish waste sector going forward. With broad political backing, it is agreed that the Danish waste sector will be climate neutral in 2030, that 80% of plastic will be sorted out before incineration of residual waste in 2030, and that the amount of waste will be reduced. To achieve the ambitious goals, the parties also agree on a new organisation of the Danish waste sector.

Among other things, the parties to the agreement agree to set requirements for source sorting of several waste fractions. Furthermore, the parties point out that private waste companies handle 95% of the recyclable industrial waste in Denmark and that the companies do this in a good way. This means that public waste companies are not considered critical for waste management.

The parties therefore agree to make demands on the municipalities to outsource the sorting and treatment of recyclable household waste. The municipalities shall also not build and operate sorting or treatment plants for such

waste. Existing municipal facilities can be operated for up to five years, as long as they are separated from municipal operational and government tasks and compete on equal market terms as the private waste companies.

Quantafuel finds the new waste settlement to be a great opportunity to contribute to the overall recycling rate of plastic waste, as well as an opportunity to increase the volume of plastic waste going into our plants in the coming years. The overall goal of such waste settlements on a political level is to drastically increase the recycling rate, both to comply with coming EU targets (50% recycling of plastic packaging by 2025), but also to allocate more plastic into a circular economy, which is the direct effect of our chemical recycling technology.

Denmark has limited options when it comes to actual recycling of plastic waste into new products and materials. Quantafuel is present with one plant today and view the market potential in Denmark to be significant in the coming years. We are here for sustainable impact, and chemical recycling is the best way to make plastic into a circular product.

FEEDSTOCK SOURCING

Quantafuel has together with Grønt Punkt Norge (Green Dot Norway) and Geminor AS a value chain project, tailor-made for chemical material recycling, whereby 7,000 to 10,000 tons of curb side household waste from Norway will be pre-treated before use at the Skive plant. So far more than 3,500 tons have been delivered, and the preliminary results are very promising.

Several private and state run waste handlers from both Scandinavia and Europe have contacted Quantafuel to look at similar solutions, and the results from the Green Dot project will lay the foundation for further development of chemical material recycling value chains that will supply Quantafuel's current and future processing plants.

Further testing programs with major feedstock providers and consumer goods companies are also being evaluated both in Skive and in Kristiansund.

CORPORATE SOCIAL RESPONSIBILITY

Quantafuel participated in TV-aksjonen 2020 to support WWF's international projects in cleaning up marine plastic waste.



Quantafuel CEO during the Oslo Stock Exchange fundraising for WWF

We have also formed a partnership with Plastpiratene, an action-oriented Norwegian NGO that regularly organises missions to clean up plastic waste along with partners. The purpose is to help Plastpiratene scale up their operations, while supplying Quantafuel with different fractions of plastic waste that can be tested and assessed as a potential Quantafuel feedstock.

Since their inception in May 2018, Plastpiratene have collected over 70 tons of plastic waste from vulnerable marine environments such as bird nesting sites. Quantafuel is leveraging its position in the market to raise awareness around environmental impacts of plastic waste.



Volunteers from Plastpiratene collecting plastic waste along the Oslo shoreline

OUTLOOK

Ramping up production in Skive remains our number one priority, but we work in parallel to establish the plant in Kristiansund and to mature three large scale plants in Esbjerg, Amsterdam and Antwerp.

We also see further opportunities to strengthen our leading position and create shareholder value through acquisitions. We are currently in early stages of several such processes.

ORGANISATIONAL SCALE-UP

To prepare for expected growth, Quantafuel Board of Directors has approved a major ramp up plan across all disciplines, and the first step was hiring of COO Terje U Eiken who has significant project and operational experience with a world leading oil service company.

This week, we have also launched the first campaign to recruit our new colleagues who will take part in our growth. Over the next 12 months, we will recruit 50-60 persons to our Norwegian headquarter. This comes in addition to recruitment of operational staff to our recycling plants in Norway, Denmark and other future locations.

FINANCE

In September, Quantafuel raised NOK 602 million from Norwegian and International investors through a successful private placement. This comes in addition to the NOK 250 million raised from KIRKBI INVEST A/S in July.

Liquidity in the Quantafuel share has been high, also with growing interest from new shareholders internationally.

Financial review

Income statement

| Quantafuel Financial Highlights | Q3 2020 | Restated Q3 2019 | First nine months 2020 | Restated first nine months 2019 | Full year 2019 |
|--|----------------|-------------------------|-------------------------------|--|-----------------------|
| unaudited figures in NOK if not stated otherwise | Group | Group | Group | Group | Group |
| Operating income | 6 066 | 24 | 6 071 | 497 | 497 |
| EBITDA | -31 696 | -13 349 | -82 118 | -34 192 | -55 456 |
| Net result | -347 260 | -40 779 | -474 288 | -84 400 | -100 400 |
| Total assets | 1 382 461 | 390 106 | 1 382 461 | 390 106 | 597 073 |
| Cash & Cash equivalents | 770 457 | 40 409 | 770 457 | 40 409 | 150 666 |

Operating income of NOK 6 million consists of NOK 1 million for the Equinor project and NOK 5 million relating to the Grønt Punkt Norge project (which contract is for up to 10 000 tons of plastic waste).

EBITDA in Q3 2020 was NOK -31.7 million and EBITDA for the first nine months was NOK -82.1 million. Salary costs in Q3 2020 was NOK 23.9 million compared to NOK 18.8 million in Q2 2020, due to holiday payment being paid in Q2 2020 and an increase in the number of employees. Other operating expenses in Q3 2020 was NOK 5.0 million compared to NOK 7.7 million in Q2 2020.

Net results in Q3 2020 was NOK -347.3 million and Net results for the first nine months was NOK -474.3 million. The net result consists of EBITDA, depreciation and net financial items. Net financial items reflects the general currency fluctuations in addition to the interest expenses relating to the Danske Grønne Investeringsfond (DGI) loan and leasing of offices/building and BASF convertible loan. Financial items relating to the BASF convertible loan in the first nine months 2020 consists of NOK 346.9 million in financial expenses due to the share price increase and NOK 9.9 million in interest expense. Please refer to note 3 for further information.

Balance Sheet

| Quantafuel Balance sheet | First nine months 2020 | Restated first nine months 2019 | Full year 2019 |
|--|-------------------------------|--|-----------------------|
| unaudited figures in NOK if not stated otherwise | Group | Group | Group |
| Total non-current assets | 599 518 | 336 739 | 429 839 |
| Total current assets | 782 943 | 53 367 | 167 234 |
| Total assets | 1 382 461 | 390 106 | 597 073 |
| Total equity | 632 524 | 133 400 | 278 090 |
| Total non-current liabilities | 655 609 | 101 045 | 223 258 |
| Total current liabilities | 94 329 | 155 661 | 95 726 |
| Total equity and liabilities | 1 382 461 | 390 106 | 597 073 |

As per 30 September 2020 the Group's equity is NOK 632.5 million. Cash and cash equivalents were NOK 770 million, of which NOK 1 million was restricted cash (employee tax advance account).

Total non-current assets at the end of first nine months 2020 was NOK 599.5 million due to an increase of Assets under construction related to Skive plant of NOK 136 million and start of FEED study for a new plant of NOK 8 million and investment in associated company, Replast AS, of NOK 10 million.

QUANTAFUEL ASA
CONSOLIDATED INCOME STATEMENT
1 JANUARY - 30 SEPTEMBER
(Amounts in NOK thousands)

| | Q3 2020 | Restated | First nine | Restated | Full year |
|-------------------------------------|-----------------|-----------------|-------------------|-------------------|------------------|
| | Group | Q3 2019 | months | First nine | 2019 |
| | | Group | 2020 | months | 2019 |
| | | | Group | 2019 | Group |
| | | | | Group | Group |
| Operating revenue | 6 066 | 24 | 6 071 | 497 | 497 |
| Cost of materials | 6 010 | 1 538 | 8 129 | 1 586 | 862 |
| Salaries and personnel costs | 23 853 | 6 512 | 50 081 | 17 340 | 28 965 |
| Depreciation and amortisation | 1 438 | 778 | 3 858 | 2 285 | 3 352 |
| Other operating expenses | 5 025 | 3 767 | 22 265 | 11 193 | 19 422 |
| Operating profit (loss) | -30 259 | -12 571 | -78 261 | -31 907 | -52 104 |
| Finance income | 5 | | 15 642 | | 675 |
| Finance expense | 308 780 | 14 479 | 384 010 | 25 264 | 18 047 |
| Net financial items | -308 775 | 14 479 | -368 368 | -25 264 | -17 372 |
| Profit (loss) before tax | -339 034 | -27 050 | -446 629 | -57 171 | -69 476 |
| Income tax expense | 8 226 | 13 729 | 27 659 | 27 229 | 30 924 |
| Profit (loss) for the period | -347 260 | -40 779 | -474 288 | -84 400 | -100 400 |
| Attributable to: | | | | | |
| Equity holders of the parent | -345 151 | -40 199 | -469 118 | -82 660 | -98 080 |
| Non-controlling interest | -2 109 | -580 | -5 170 | -1 740 | -2 320 |

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
1 JANUARY - 30 SEPTEMBER
(Amounts in NOK thousands)

| | Q3 2020 | Restated | First nine | Restated | Full year |
|---|-----------------|-----------------|-------------------|-------------------|------------------|
| | Group | Q3 2019 | months | First nine | 2019 |
| | | Group | 2020 | months | 2019 |
| | | | Group | 2019 | Group |
| | | | | Group | Group |
| Profit for the period | -347 260 | -40 779 | -474 288 | -84 400 | -100 400 |
| Items that may be reclassified to profit (loss) | | | | | |
| Translation differences, net | 179 | | 2 790 | | 404 |
| Total comprehensive profit (loss) | -347 081 | -40 779 | -471 498 | -84 400 | -99 996 |
| Attributable to: | | | | | |
| Equity holders of the parent | -344 972 | -40 199 | -466 328 | -82 660 | -97 676 |
| Non-controlling interest | -2 109 | -580 | -5 170 | -1 740 | -2 320 |

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 SEPTEMBER
(Amounts in NOK thousands)

| | At 30 sept 2020 Group | Restated At 30 sept 2019 Group | Full year 2019 Group |
|--|--------------------------|--------------------------------------|-------------------------|
| ASSETS | | | |
| Deferred tax asset | 3 633 | | 3 217 |
| Other intangible assets | 20 212 | 18 139 | 20 040 |
| Property plant and equipment | 503 256 | 285 075 | 358 748 |
| Right-of-use asset | 56 735 | 30 281 | 44 602 |
| Other non-current assets | 5 682 | 3 244 | 3 232 |
| Investment in associated company | 10 000 | | |
| Total non-current assets | 599 518 | 336 739 | 429 839 |
| Accounts receivable | 3 857 | | |
| Other receivables | 8 630 | 12 958 | 16 568 |
| Cash and cash equivalents | 770 457 | 40 409 | 150 666 |
| Total current assets | 782 943 | 53 367 | 167 234 |
| Total assets | 1 382 461 | 390 106 | 597 073 |
| EQUITY AND LIABILITIES | | | |
| Share capital | 1 345 | 103 | 112 |
| Other paid-in capital | 1 322 572 | 439 039 | 497 874 |
| Retained earnings | -780 467 | -354 270 | -286 676 |
| Equity attributable to the owners of the parent | 543 450 | 84 872 | 211 310 |
| Non-controlling interests | 89 073 | 48 528 | 66 780 |
| Total equity | 632 524 | 133 400 | 278 090 |
| Deferred tax liabilities | 92 336 | 58 479 | 64 677 |
| Non-current interest bearing liabilities | 511 293 | 16 796 | 117 440 |
| Long-term leasing liability | 51 979 | 25 770 | 41 141 |
| Other non-current liabilities | | | |
| Total non-current liabilities | 655 609 | 101 045 | 223 258 |
| Current interest bearing liabilities | 2 999 | - | 1 046 |
| Short-term leasing liability | 7 636 | 5 478 | 4 366 |
| Accounts payable | 39 084 | 31 417 | 59 481 |
| Other current liabilities | 44 610 | 118 767 | 30 833 |
| Total current liabilities | 94 329 | 155 661 | 95 726 |
| Total equity and liabilities | 1 382 461 | 390 106 | 597 073 |

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF CASH FLOWS
1 JANUARY - 30 SEPTEMBER
(Amounts in NOK thousands)

| | Q3 2020 | Restated Q3 2019 | First nine months 2020 | Restated First nine months 2019 | Full year 2019 |
|---|-----------------|---------------------|---------------------------|--|-------------------|
| | Group | Group | Group | Group | Group 1) |
| Profit (loss) for the period, before tax | -339 034 | -27 050 | -446 629 | -57 171 | -100 400 |
| Depreciation and amortisation | 1 438 | 778 | 3 858 | 2 285 | 3 352 |
| Income taxes paid | | | | | |
| Share-based payment expense | 1 100 | 31 915 | 2 667 | 33 259 | 6 597 |
| Net financial items | 308 775 | 14 479 | 368 368 | 25 264 | 17 372 |
| Increase/(decrease) in net accounts receivable and payable | -2 678 | -7 163 | -24 254 | 12 809 | 40 873 |
| Increase/(decrease) in net other receivables and other payables | 1 907 | 20 197 | 14 115 | -4 302 | 34 898 |
| Cash flows from operating activities | -28 491 | 33 156 | -81 874 | 12 144 | 2 692 |
| Purchase of property, plant and equipment | -47 722 | -66 911 | -144 915 | -189 020 | -263 955 |
| Purchase of intangible asset | -403 | 3 172 | -213 | 8 930 | -10 874 |
| Purchase of shares | -10 000 | | -10 000 | | |
| Increase/(decrease) in other non-current assets | 704 | -64 | -2 031 | 932 | |
| Interest income received | | | | | 675 |
| Deferred tax liability | | | | | |
| Cash flows from investment activities | -57 421 | -63 803 | -157 159 | -179 158 | -274 154 |
| Proceeds from issue of shares | 830 404 | | 830 864 | 150 000 | 238 866 |
| Proceeds from borrowings | 810 | -26 066 | 31 768 | -26 066 | 101 175 |
| Payment of lease liabilities | -22 | -436 | -1 800 | -2 564 | -3 418 |
| Interest expenses paid | -1 504 | | -2 009 | | -548 |
| Cash flows from financing activities | 829 689 | -26 502 | 858 824 | 121 370 | 336 075 |
| Net change in cash and cash equivalents | 743 776 | -57 149 | 619 790 | -45 644 | 64 613 |
| Cash and cash equivalents at beginning of period | 26 680 | 97 558 | 150 666 | 86 053 | 86 053 |
| Cash at cash equivalents at end of period | 770 457 | 40 409 | 770 457 | 40 409 | 150 666 |

¹ Please note that the audited Full year 2019 use profit and loss for the period and not profit and loss before tax.

QUANTAFUEL ASA
CONSOLIDATED STATEMENT OF CHANGES
IN EQUITY
1 JANUARY - 30 SEPTEMBER
(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) | | | -469 | -469 | -5 170 | -474 288 |
| Change in NCI share of plant excess value | | | 118 | -469 118 | 27 463 | - |
| Total comprehensive income | - | - | 581 | -496 581 | 22 293 | -474 288 |
| Translation differences, net | | | -496 | 2 790 | | 2 790 |
| Total OCI | - | - | 791 | -493 791 | 22 293 | -471 498 |
| Increase in share capital | 1 233 | 822 031 | | 823 264 | | 823 264 |
| Share-based payments | | 2 667 | | 2 667 | | 2 667 |
| Equity at 30 September 2020 | 1 345 | 1 330 172 | 467 | 551 050 | 89 073 | 632 524 |

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 September 2020 were authorised for issue by the Board of directors on 12 November 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 technology-based energy company converting waste plastics back into low-carbon synthetic oil products replacing virgin oil products. Quantafuel is establishing, operating and owning dedicated plastic-to-liquid (PtL) plants and plans to establish several plants throughout Europe and beyond.

Quantafuel currently has one plant in operation in Skive, Denmark. Final hot commissioning is ongoing. The strategy is to expand the production footprint internationally to have a meaningful contribution to solve 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, third quarter 2019 and first nine months 2019 have been amended accordingly.

Quantafuel is currently in the final stage of commissioning its first commercial plant in Skive, Denmark, and the cost of the plant is presented in Property plant and equipment. 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 2 Property, Plant and Equipment

| | Property and plant | Machinery and equipment | Assets under construction | Total |
|--|-----------------------|----------------------------|------------------------------|----------------|
| Period ended 31 December 2019 | | | | |
| Cost | | 815 | 95 736 | 96 551 |
| Additions | | 4 489 | 259 466 | 263 955 |
| Accumulated depreciation | | 1 759 | | 1 759 |
| Net book value at 31 December 2019 | | 3 545 | 355 202 | 358 748 |
| Period ended 30 September 2020 | | | | |
| Additions | | 628 | 144 287 | 144 915 |
| Depreciation | | 406 | | 406 |
| Exchange differences | | | | |
| Net book value at 30 September 2020 | | 3 767 | 499 489 | 503 256 |
| Useful life | 15-20 years | 3-10 years | No depreciation | |
| Depreciation | Straight line | Straight line | | |

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: | 30.09.2020 | 2019 |
|--|---------------|---------------|
| Debt instruments at amortised cost: | | |
| Trade and other receivables | 8 630 | 16 568 |
| Non-current deposits | 5 682 | 3 232 |
| Sum financial assets | 14 311 | 19 800 |
| Total current | 8 630 | 16 568 |
| Total non-current | 5 682 | 3 232 |

Financial liabilities: Interest-bearing liabilities:

| | Interest rate | Maturity | 30.09.2020 | 2019 |
|--|---------------------|-----------|-------------------|----------------|
| Current interest-bearing liabilities | | | | |
| Loan from DGI | CIBOR+8.14% | 2018-2028 | 2 999 | 1 046 |
| Lease liabilities | 8.5 % | 2019-2034 | 7 636 | 4 366 |
| Total current | | | 10 635 | 5 412 |
| Non-current interestbearing loans: | | | | |
| Loan from DGI | CIBOR+8.14% | 2018-2028 | 44 985 | 15 685 |
| BASF liability | 19.21% ¹ | 2022 | 80 077 | 62 456 |
| BASF conversion right liability | n.a. | | 386 232 | 39 299 |
| Lease liabilities | 8.5 % | | 51 979 | 41 141 |
| Total non-current | | | 563 273 | 158 581 |
| Total interest-bearing liabilities | | | 573 909 | 163 993 |
| Other financial liabilities at amortized cost: | | | | |
| | | | 30.09.2020 | 2019 |
| Trade and other payables | | | 39 084 | 59 481 |
| Total current | | | 39 084 | 59 481 |
| Total non-current | | | | |

The loan from BASF Group is for a total of EUR 10 million and was disbursed on 24 October 2019. Subsequent to recognition the conversion right is measured at fair value through profit and loss with changes in valuation classified as other financial income or expense. The liability component of the loan is recognised at fair value calculated as the face value of the loan less the value of the conversion right. Subsequent to recognition the loan is measured at amortised cost with the calculated effective interest classified as interest expenses. The high conversion right liability of NOK 386 million (30.09.20) compared to NOK 39 million (2019) is due to an increase of share price of NOK 46.8 (NOK 63 as per 30.09.2020 and NOK 16.2 (post-split) as per 2019).

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. September 2020, the Company had 5 475 000 options outstanding (post-split). Each option gives the right to subscribe for one share. The options outstanding at the reporting date has an exercise price between NOK 4.6 – 48.235 per share (post-split), and with an exercise period that ends between 19. October 2021 and 1. September 2024.

The calculated value is recognised as a liability in the statement of position. The liability recognised at the reporting date is NOK 11.87 million and NOK 19.5 million for social security taxes. The change in the liability in the period is recognised 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.

¹ 19.21% is the calculated effective interest rate when the loan component and amortisation are taken into account. The agreed interest rate is 1%.

Note 5 Share capital increase

On 30. March 2020, new shares were registered in the Norwegian Register of Business Enterprise. Quantafuel increased its share capital by 10,000 shares at NOK 0.01 per share at a subscription price of NOK 46.00² This capital increase was related to stock options being exercised.

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. Quantafuel increased its share capital by 1,388,888 new shares at NOK 0.01 per share at a subscription price of NOK 180.00³.

On 6. July 2020, following approval by the EGM on 3 July 2020 of a 1:10 split of the Company's shares, 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.

On 11. September 2020, new shares were registered in the Norwegian Register of Business Enterprise. Quantafuel increased its share capital by 280,000 shares at NOK 0.01 per share at a subscription price of NOK 4.60 and NOK 6.80. This capital increase was related to stock options being exercised.

On 18. September 2020, new shares were registered in the Norwegian Register of Business Enterprise, following a private placement. Quantafuel increased its share capital by 8,600,000 shares at NOK 0.01 per share at a subscription price of NOK 70.00.

The total share capital of Quantafuel as of 30 September 2020 was NOK 1,345,435.50 divided by 134,543,550 shares, each with a par value of NOK 0.01

Note 6 Subsequent events

On 15 October 2020, new shares were registered in the Norwegian Register of Business Enterprise. Quantafuel increased its share capital by 276 667 shares at NOK 0.01 per share at a subscription price of NOK 4.60, NOK 10.90 and NOK 16.70. This capital increase was related to stock options being exercised.

After the share capital increase, the total share capital of Quantafuel as of 15 October 2020 was NOK 1,348,202.17 divided by 134,820,217 shares, each with a par value of NOK 0.01

²Pre-split 1:10

³Pre-split 1:10

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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