Quantafuel AS

www.quantafuel.com

Annual Report 2019

Quantafuel

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- Consolidated financial statements and notes
- Auditor’s report

Report from the Board of Directors 2019

About the Company

Quantafuel AS ("Company") is the parent company of the Quantafuel Group ("Group"). 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.

Overview of the development and result

Quantafuel is a frontrunner in the market for chemical recycling, with its unique technology to upgrade pyrolysis oil to a viable feedstock for plastic recycling. Quantafuel is currently in process of commissioning its first commercial production plant in Skive, Denmark, through its subsidiary (76% owned) Quantafuel Skive ApS.

For Quantafuel Group, the revenue for the year was NOK 0.5 million, and for the Company NOK 40.7 million. The main revenue in Quantafuel AS is the sale of the production plant to Quantafuel Skive ApS. Net loss for the Group was NOK 100.4 million, and for the Company NOK 239.2 million.

Skive project status and accounts

The main activity in the Group in 2019 has been to build the Skive plant.

Quantafuel has a zero tolerance when it comes to injury to persons, work related illness and environmental damage. Quantafuel had 0 injuries that resulted in absenteeism from the worksite in Skive in 2019. Please also refer to separate section on HSE.

The project has experienced significant cost overruns, and further delays was experienced during first half 2020 due to the outbreak of Covid-19. The pandemic placed part of suppliers' commission teams in quarantine, and increased delivery times of remaining equipment and services have put further delays to the project. This represents an increase in commissioning costs of NOK 36 million compared to preliminary 2019 figures presented on 28. February 2020.

The plant is sold on a turnkey price of USD 12 million (NOK 105 million) from Quantafuel AS to Quantafuel Skive ApS. Cost of the Skive plant per 31.12.19 was NOK 377 million, with additional local infrastructure of NOK 34 million and commissioning costs of NOK 58 million, resulting in a total project cost of NOK 469 million.

In accordance with IAS 11 –"Recognition of loss in Construction Contracts" and IAS 10 – "Events after the reporting period" , the estimate from the end of the year has then been revised and the newly disclosed cost increase included in the 2019 estimate for the completion of the Skive project.

As a consequence, the total cost for the project is now incorporated in the Company 2019 accounts with NOK 434 million, of which NOK 57.7 million is accruals for cost to come in 2020.

Research & Development

Quantafuel continues its focus on developing its technology through inhouse R&D, with a focus on among others purifying and upgrading pyrolysis oil in the gas phase. The Company continues to work closely with partners BASF and Vitol, as well as following up on R&D projects with Innovasjon Norge and Enova.

Quantafuel takes an active part in developing the circular economy with recycling of plastic waste, through among others close contact with waste management and feedstock providers, as well as with long term partners for offtake and product sales.

Quantafuel has mapped and analyzed the availability of eligible plastic waste in Norway. The knowledge acquired through extensive lab testing of numerous plastic waste streams, has laid the basis for further development of process equipment – including new preprocessing modules. These R&D projects enable Quantafuel's Plastic to Liquid plants to process a wider range of plastic waste compositions. Previous examples of R&D projects include i) experimental development for optimization of PtL plants, which will develop a more robust and safer PtL plant with more strong operation and increased tolerance for available raw material and ii) industrial research for optimization of PtL plants, which will secure a better energy utilization and more robust operation.

Collaboration and Partnership

During 2019, Quantafuel entered a strategic partnership with BASF involving a technical collaboration and a EUR 20 million investment. Quantafuel and BASF have confirmed a mutual interest in rolling out production capacity for among others naphtha. BASF uses 20 million tons of naphtha each year, has more than 90.000 direct customers and has a strong chemical expertise. The agreement with BASF is complementary to our longstanding strategic partnership with Vitol. All three parties see substantial synergies moving forward with the Quantafuel's plans to grow business through the establishing of new PtL plants.

A full Collaboration Agreement was signed in March 2020 which allows for full collaboration on R&D, technical and operational support. Chemical recycled feedstock from Skive will be utilized to make new recycled plastic materials in Ludwigshafen, Germany. This strategy has been well received by the Environmental Protection Agency (Miljøstyrelsen) in Denmark as well as by local municipalities and waste management companies in Denmark. Utilizing the recycled product from the Skive site to make new plastic products is a strong message from European industry that the circular economic approach will help solving the waste problem in a financially viable way.

Quantafuel and Geminor signed a collaboration agreement in 2019. Geminor has opened a regional plastic storage in Ålborg, Denmark, to accommodate the increasing market interest in delivering plastics to Quantafuel. The collaboration is part of our strategy to introduce an alternative to incineration of plastics. The agreement with Geminor provides the partners the opportunity to evaluate and test plastic suppliers and components to Skive, as well as preparing logistics and sorting of waste plastics for the next large-scale plants in Europe. Local industry and municipalities with post-consumer plastics have already started delivering to Quantafuel's storage, showing great interest in our solution.

Cashflow

The Quantafuel Group had a net increase in cash of NOK 64.6 million for the year, while the Company had a net increase of NOK 74.8 million. The operational cashflow for the Group was positive NOK 2.7 million, and for the Company negative NOK 249.5 million. Cashflow from financing activities for the Group was NOK 336.1 million and for the Company NOK 338.8 million. Group cash balance per 31.12.19 was NOK 150.7 million, and for the Company NOK 145.4 million.

Equity

For the Group, equity was NOK 278.1 million on 31.12.19. Equity increased by NOK 170.4 million during 2019 following a net increase in share capital and premium reserve of NOK 270.8 million, less net uncovered loss of NOK 100.4 million.

The Company had an equity of NOK 15.8 million on 31.12.19, an increase of NOK 31.2 during 2019.

In the Board`s opinion, the information in the financial statements give a true and fair view of the company`s assets, debt and financial situation.

Going concern

Based on the implemented industrial, operational and financial strategy, it is the opinion of the Board that Quantafuel has good prospects of profitable operation and growth going forward.

In accordance with the Accounting Act § 3-3, the Board confirms that the Financial Statements have been prepared under the assumption of going concern.

Allocation of the result
The Company`s net loss for the year was NOK 239.2 million, which the Board recommends being allocated against uncovered loss:

Quantafuel AS

Uncovered loss	NOK 239.2 million

People and Organisation
The Quantafuel Group had on 31.12.19 a total of 25 full-time employees, where 18 are employed in the Company. Quantafuel employs a high level of engineering and technical personnel, which historically has been dominated by men. Quantafuel practices a policy of equal treatment on all assignments and promotions. The workforce currently consists of 80% men and 20% women.

Quantafuel has implemented routines against discrimination and has a continuous focus to prevent any discrimination within the Group and all its companies.

The Board considers the working environment in the Group and in the Company, and no measures have been needed to address the issue.

The sick leave for the Group is low and below 1%.

There have not been any incidents causing injuries on personnel during 2019.

Health, Safety and Environment (HSE)
Quantafuel has a zero tolerance when it comes to injury to persons, work related illness and environmental damage. Quantafuel had 0 injuries that resulted in absenteeism from the worksite in Skive in 2019. The company remains committed to ensuring a safe working environment with a clear target to maintain its good HSE records of a no major injuries in project or administrative organisation.

There is continuous effort, commitment and focus on prevention of health, safety and environmental incidences and events. Operators and employees, subcontractors must undergo mandatory HSE training, as well as other required training and registrations. All such preventative measures are in place to ensure a safe and healthy working environment. Quantafuel has worked diligently with the implementation and follow-up of the REACH directives, particularly with regards to the chemical fractions that will be produced in Skive.

Quantafuel Skive ApS, which has carried out the building project during 2019, has implemented routines to mitigate pollution risk during the construction period. Results during the construction period has been good.

Quantafuel is working actively to document the climate and environmental footprint of our operations. As we move into an operational phase and generate data from production at Skive, we will update and expand existing documentation. As a follow up the Life Cycle Analysis performed by Carbon Limits in 2018 for fuel production, we are preparing a more comprehensive LCA of chemical recycling in close collaboration with BASF.

Risk

To ensure a good process of mitigating the risks in the Group, measures are initiated to have a systematic approach to risk handling and mitigation at all level of the organisation.

The ongoing Covid-19 situation has presented risk beyond what we have expected. Quantafuel is using all endeavor, and in full compliance to regulations, to find modes of commissioning the plant system despite travel ban from countries from which equipment have been supplied. All documentation required for approval by the Danish

Safety Authorities are being submitted, and commissioning testing are ongoing - albeit slow due to the circumstances.

Project Risk

The Group's ability to carry out profitable projects is important to meet our growth plans and business goals. In parallel with the final commission of the Skive project, Quantafuel is reviewing its project execution model to ensure quality and robustness required for Quantafuel's future projects. The Group is performing lessons learned processes, and a full project evaluation will be completed before making an investment decision for a new construction project. Further, Quantafuel will implement a new project execution model, which also includes evaluation of alternative EPC models.

Market Risk

Quantafuel has no external sale through 2019, and thus was no market risk connected to the operation for the year. Quantafuel listed on the Merkur Market, a regulated market place operated by Oslo Børs, on 20. February 2020.

Liquidity Risk

Quantafuel completed one successful private placement in 2019. The major use of available funds is to conclude the Skive project. Based on the current plan and cost estimate, the Group expects to complete the project and set the plant in commercial operation with available funds and drawdown on existing bank facility. The Group has a defined growth strategy and will be seeking additional funding to build the Company further. Based on the successful private placements in 2018 and in 2019, where the Company has proven its ability to attract investors, combined with recent increased interest and focus among investors, Quantafuel expects to be able to attract additional equity when needed also in the future. The successful listing on the Merkur Market, of a MTF administered Oslo Børs ASA, has also given access to a broader universe of investors. With the first plant soon in operation, additional funding opportunities is expected to be available to Quantafuel.

Quantafuel will require additional financing during 2020, and the Group is in the process of raising additional equity capital from a strategic investor. Quantafuel has also confirmed interest from other financing sources if this equity capital investment is not concluded.

Please also refer to "Events after the balance sheet date", regarding our process with a Strategic Investor.

Credit Risk

Quantafuel's credit risk is limited as the revenue mainly derives from group internal revenue from the sale of the Skive plant. The Group will implement financing policies to reduce credit risk in projects.

Currency Risk

The Group has currency risk mainly between DKK, EUR, USD and NOK for the Skive project. No hedging agreements have been entered into for the project. Quantafuel is planning a hedging policy to cover ordinary operations, while also implementing a hedging policy for the group and for future projects to reduce the effect of currency fluctuations.

Events after the balance sheet date

On 20 March 2020, Quantafuel and BASF signed the Collaboration Agreement.

On 12. May 2020, Quantafuel announced the signing of a Memorandum of Understanding with and undisclosed strategic investors contemplating an equity investment in Quantafuel. The agreement is signed in understanding and with the support of existing strategic investors, BASF and Vitol. An investment, if completed, will equal to 12-15% of outstanding shares on a fully diluted basis.

On 13. May 2020, Quantafuel announced the signing of a commercial study with Equinor.

Outlook

There is a general growing focus on sustainability and environment, hereunder for the treatment of plastic waste. Quantafuel has solutions for the challenges of recycling of plastic by applying our unique pyrolysis process.

Quantafuel plans to increase its activities in Danish market and seek to make a Final Investment Decision (FID) for a second plant, while also working towards a roll-out of additional plants – based on a modified, standardized design - in key strategic locations in North Europe.

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

Quantafuel is now receiving plastic waste directly from several industries that, prior to delivering to Quantafuel, used to send the waste for incineration. Closing the loop by "up-cycling" and tracking the waste, we are taking another step towards waste reduction with a circular economy approach.

Quantafuel has an ambition to become the world's leading provider of low carbon products produced from waste plastic. Following the commissioning and start of production from Skive, Quantafuel will have the foundation to achieve that goal.

The Board of Directors Quantafuel AS
Lysaker, 26. May 2020

Oscar Spieler – Chairman	Ann-Christin G. Andersen – Board Member
Jim Dåtland – Board Member	Ragnar Søegaard – Board Member
Thorleif Enger – Board Member	Per-Anders Hjort – Board Member
Maximilian Walter – Board Member	Kjetil Bøhn – CEO

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Signers:

Name	*Method*	*Date*
Andersen, Ann-Christin G.	BANKID	2020-05-26 17:08 GMT+2
Maximilian Walter	One-Time-Password	2020-05-26 17:28 GMT+2
Søegaard, Ragnar Grundtvig	BANKID	2020-05-26 17:38 GMT+2
Spieler, Svein Oscar	BANKID_MOBILE	2020-05-26 18:32 GMT+2
Bøhn, Kjetil	BANKID	2020-05-26 19:11 GMT+2
Per-Anders Hjort	BANKID	2020-05-26 19:51 GMT+2
Dåtland, Jim	BANKID_MOBILE	2020-05-26 21:07 GMT+2
Thorleif Enger	One-Time-Password	2020-05-26 22:16 GMT+2

Quantafuel Group

Consolidated financial statements

31 December 2019

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

	Note	2019	Restated 2018
Operating revenue	**4**	**497**	**224**
Cost of materials		862	90
Salaries and personnel costs	7,8,9	28 965	18 450
Depreciation and amortization	13,14	3 352	596
Other operating expenses	10	19 422	16 879
Operating profit (loss)		**-52 104**	**-35 791**
Finance income		675	227
Finance expense		-18 047	-15 615
Net financial items	11	**-17 372**	**-15 388**
Profit (loss) before tax		**-69 476**	**-51 179**
Income tax expense	12	-30 924	-30 403
Profit (loss) for the period		**-100 400**	**-81 582**
Attributable to:			
Equity holders of the parent		-152 157	-95 743
Non-controlling interest		51 757	14 161

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

	Note	2019	Restated 2018
Profit for the period		**-100 400**	**-81 582**
Items that may be reclassified to profit (loss)			
Translation differences, net		404	-
Total comprehensive profit (loss)		**-99 996**	**-81 582**
Attributable to:			
Equity holders of the parent		-151 753	-95 743
Non-controlling interest		51 757	14 161

QUANTAFUEL AS
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 DECEMBER
(Amounts in NOK thousands)

	Note	2019	Restated 2018
ASSETS			
Deferred tax asset	12	3 217	914
Other intangible assets	13	20 040	9 209
Property plant and equipment	14	358 748	96 055
Right-of-use asset	23	44 602	-
Other non-current assets	15	3 232	3 262
Total non-current assets		**429 839**	**109 440**
Other receivables	15,16	16 568	8 421
Cash and cash equivalents	17	150 666	86 053
Total current assets		**167 234**	**94 474**
Total assets		**597 073**	**203 914**
EQUITY AND LIABILITIES			
Share capital	18	112	73
Other paid-in capital		497 874	235 368
Retained earnings		-286 676	-142 769
Equity attributable to the owners of the parent		**211 310**	**92 672**
Non-controlling interests		66 780	15 023
Total equity		**278 090**	**107 695**
Deferred tax liabilities	12	64 677	31 246
Non-current interest-bearing liabilities	15	117 440	15 945
Long-term leasing liability	23	41 141	-
Total non-current liabilities		**223 258**	**47 191**
Current interest-bearing liabilities	15	1 046	27 004
Short-term leasing liability	23	4 366	-
Accounts payable	15	59 481	18 608
Other current liabilities	22	30 833	3 416
Total current liabilities		**95 725**	**49 028**
Total equity and liabilities		**597 073**	**203 914**

Oslo, 26 May 2020

Svein Oscar Spieler Chairperson of the Board	Thorleif Enger Board member	Per-Anders Hjort Board member
Ragnar Søegaard Board member	Ann-Christin Andersen Board member	Jim Dåtland Board member
Maximilian Walter Board member		Kjetil Bøhn CEO

QUANTAFUEL AS
CONSOLIDATED STATEMENT OF CASH FLOWS
1 JANUARY - 31 DECEMBER
(Amounts in NOK thousands)

	Note	2019	Restated 2018
Profit (loss) for the period		**-100 400**	**-81 582**
Depreciation and amortization		3 352	596
Income taxes paid		-	
Share-based payment expense		6 597	2 604
Net financial items		17 372	15 388
Increase/(decrease) in net accounts receivable and payable		40 873	7 940
Increase/(decrease) in net other receivables and other payables		34 898	-22 606
Cash flows from operating activities		**2 692**	**-77 660**
Purchase of property, plant and equipment		-263 955	-70 681
Purchase of intangible asset		-10 874	-9 366
Increase/(decrease) in other non-current assets			-3 262
Interest income received		675	227
Cash flows from investment activities		**-274 154**	**-83 082**
Proceeds from issue of shares		238 866	182 717
Proceeds from borrowings		101 175	42 939
Payment of lease liabilities		-3 418	
Interest expenses paid		**-548**	**-201**
Cash flows from financing activities		**336 075**	**225 455**
Net change in cash and cash equivalents		**64 613**	**64 713**
Cash and cash equivalents at beginning of period		**86 053**	**21 340**
Cash at cash equivalents at end of period		**150 666**	**86 053**

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
Equity at 31 December 2017	**41**	**41 926**		**-52 588**	**-10 621**		**-10 621**
Correction				5 562	**5 562**	862	**6 424**
Equity at 1 January 2018	**41**	**41 926**	**-**	**-47 026**	**-5 059**	**862**	**-4 197**
Profit (loss)				-80 855	**-80 855**	-727	**-81 582**
Change in NCI share of plant excess value				-14 888	**-14 888**	14 888	**-**
Total comprehensive income	**-**	**-**	**-**	**-95 743**	**-95 743**	**14 161**	**-81 582**
Increase in share capital	32	190 838			**190 870**		**190 870**
Share-based payments		2 604			**2 604**		**2 604**
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**

Note 1 Corporate information

The consolidated financial statements ('the Statements') of Quantafuel AS ('the Company') and its subsidiaries ('the Group') for the year ended 31 December 2019 were authorized for issue by the board of directors in their meeting on 29 April 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 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 aims to convert almost all kinds of plastic waste into environmentally friendly fuels and chemicals, replacing new oil production. Starting in Skive, Denmark in 2020, Quantafuel aims to rapidly build up production capacity on a global scale.

Note 2 Significant accounting policies

The most significant accounting principles used by the Group are described below. The principles have been applied consistently to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as approved by the EU.

The consolidated financial statements have been prepared based on the historical cost principle.

2.2 Basis of consolidation

The consolidated financial statements comprise the Company and its subsidiaries at 31 December 2019. The Group controls an entity where the Group is exposed to, or has right to, variable returns from its involvement with the entity and could affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. A change in the ownership of a subsidiary, without loss of control, is accounted for as an equity transaction. Subsidiaries are deconsolidated from the date that control ceases, and any gain or loss is recognized in the income statement.

All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full upon consolidation. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's policies.

2.3 Summary of significant accounting policies

a. Business combinations and goodwill

The acquisition method of accounting is used to account for business combinations. The cost of an acquisition is measured as the fair value of the aggregate consideration transferred and the amount of any non-controlling interest in the acquire. For each business combination, the Group elects whether to measure the non-controlling interests at fair value or at the proportionate share of the acquiree's net assets. Acquisition related costs are expensed as incurred and included in other operating expenses.

The excess of the consideration transferred, amounts of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net assets, the difference is recognized directly in the income statement as a bargain purchase.

After initial recognition, goodwill is measured at cost less any impairment losses.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value, with changes to fair value recognized in the income statement.

b. Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on a current/non-current classification.

An asset is current when it is expected to be realized, intended to be sold or consumed within the operating cycle, expected to the realized within twelve months after the reporting period, or is cash or cash equivalent unless restricted for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled within the operating cycle, is due to be settled within twelve months after the reporting period, or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. The terms of a liability that could, at the option of the counterparty, result in settlement by the issue of equity instruments do not affect its classification. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

c. Fair value measurement

The Group measures financial instruments such as derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted market prices in active markets for identical assets or liabilities

• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

d. Revenue from contracts with customers

The group is in the business of converting plastic waste into environmentally friendly fuel and chemicals. Revenue from contracts with customers is recognized when control of goods and services is transferred to the customer at an amount that reflects the consideration the Group expects to be entitled to. The Group does not have revenue from contracts with customers in 2018 or 2019.

Sale of fuel and chemicals

Revenue from sale of fuel and chemicals is recognized at the point in time when control of the asset is transferred to the customer, which in general is upon delivery at the customer's location.

The Group considers whether there are other promises in the contract that are separate performance obligations that should be allocated a portion of the transaction price. In determining the transaction price, the Group considers the effect of variable consideration, existence of significant financing component, noncash consideration, and consideration payable to the customer.

e. Government grants

Government grants are recognized when there is a reasonable assurance that the grant will be received, and all conditions are complied with. When the grant relates to an expense item, it is recognized as other income on a systematic basis over the period that the related costs are expensed. When the grant is related to an asset it reduces the carrying amount of the asset.

f. Taxes

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities and calculated on the basis of tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group operates.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, based on amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided in full, using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill or from an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither the accounting profit nor the taxable profit (loss).

Deferred tax assets are recognized on carry forward of unused tax credits and unused tax losses if it is probable that taxable profit will be available for use against these credits or losses. The carrying amount of deferred tax assts is reviewed at each reporting date and reduced if it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

The Group offsets deferred tax assets and liabilities only if it has a legally enforceable right to set off or intend to realize assets and settle liabilities simultaneously in each future period.

g. Foreign currencies

The Group's consolidated financial statements are presented in Norwegian kroner, which is the parent company's functional currency. For each entity the Group determines the functional currency and measures the entity's items in that currency.

Transactions in foreign currency is initially recorded at the entities respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate at the reporting date.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

On consolidation, the assets and liabilities of foreign operations are translated into Norwegian kroner at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that foreign operation is reclassified to profit or loss.

h. Property, plant and equipment

Construction in progress is stated at cost, net of accumulated impairment losses, if any. Plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment and borrowing costs for long-term construction projects if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group depreciates them separately based on their specific useful lives. All other repair and maintenance costs are recognised in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, as follows:

Property and plant	15 to 50 years
Machinery and equipment	3 to 10 years

i. Leases

The Group has lease contracts for land and buildings related to its processing plant in Denmark, it`s 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	3-15 years
Machinery and equipment	5-15 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 it's recent third-party financing for the contracting entity as a starting point. 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 implemented IFRS 16 *Leases* from 1 January 2019. For 2018 the Group accounted for all leases as operating leases, with leasing payments recognized as an expense over the lease term.

j. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset is included in the statement of profit or loss.

Research costs are expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate: The technical feasibility of completing the intangible asset so that the asset will be available for use or sale, its intention to complete and its ability and intention to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

k. Financial instruments

Financial assets are classified at initial recognition, and subsequently measured at amortized cost, fair value through other comprehensive income (OCI) and fair value through profit (loss)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables, and loan to an associate and loan to a director included under other non-current financial assets.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in one of two categories:

•Financial liabilities at fair value through profit or loss

•Financial liabilities at amortised cost (loans and borrowings)

Derivative financial instruments and financial liabilities at amortised cost (loans and borrowings)

The Group has a loan that is convertible into shares of the parent company. The conversion right is an embedded derivative and is classified as a liability and subsequently measured at fair value through profit and loss. The liability component it also classified as a liability and subsequently measured at amortized cost.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Hedge accounting

The Group has no derivative financial instruments for the purpose of hedging.

l. Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. Such reversal is recognized in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level and when circumstances indicate that the carrying value may be impaired.

m. Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term highly liquid deposits with a maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

n. Provisions

General Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract. An onerous contract is a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The Company has an onerous contract in relation to the sale of the plant to its subsidiary Quantafuel Skive ApS. Refer to note 14 in the parent company financial statements.

q. Share-based payments

Employees (including senior executives) and board members of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The Group can decide whether to settle the instruments in cash or equity, but no policy and past practice to settle in cash, and the instruments are treated as equity-settled transactions.

Equity-settled transactions

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model.

That cost is recognized in employee benefits expense, together with a corresponding increase in equity (other paid in capital), over the period in which the service and, where applicable, the performance conditions are fulfilled (the vesting period). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit in the statement of profit or loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value.

No expense is recognized for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where an award is cancelled by the entity or by the counterparty, any remaining element of the fair value of the award is expensed immediately through profit or loss.

2.4 Changes in accounting policies and disclosures

New and amended standards and interpretations

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognize most leases on the balance sheet.

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
Assets	
Right-of-use-assets	32 463
Total assets	**32 463**
Liabilities	
Long term leasing liability	28 207
Short-term leasing liability	4 256
Total liabilities	**32 463**

The Group has lease contracts for land and buildings related to its processing plant in Denmark, it's head office in Norway and to various items of machinery, vehicles and other equipment. 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 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
Operating lease commitments at 31 December 2018	**57 748**
Weighted average incremental borrowing rate	8,48 %
Discounted operating lease commitment at 1 January 2019	**32 463**
Lease liability at 1 January 2019	**32 463**

(All amounts in NOK thousands unless otherwise stated)

2.5 Restatement of 2017 and 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
Operating revenue		**224**		224
Cost of materials	1	167 689	-167 599	90
Salaries and personnel costs		22 506	-4 056	18 450
Depreciation and amortization		596		596
Other operating expenses		12 823	4 056	16 879
Operating profit (loss)		**-203 390**	**167 599**	**-35 791**
Net financial items		**-15 389**	**-**	**-15 388**
Profit (loss) before tax		**-218 779**	**167 599**	**-51 180**
Income tax expense	1	843	-31 246	-30 403
Profit (loss) for the period		**-217 936**	**136 353**	**-81 582**
Attributable to:				
Equity holders of the parent		-217 209	136 353	-80 856
Non-controlling interest		-727		-727

ASSETS	Note	2018	Changes	Restated 2018
Deferred tax asset	4	-	914	914
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
Total non-current assets		**51 203**	**58 237**	**109 440**
Accounts receivable	4	914	-914	**-**
Other receivables		17 935	-9 514	8 421
Cash and cash equivalents		86 053	-	86 053
Total current assets		**104 902**	**-10 428**	**94 474**
Total assets		**156 105**	**47 809**	**203 914**
EQUITY AND LIABILITIES				
Share capital		73	-	73
Other paid-in capital	2	235 368	-	235 368
Retained earnings		-270 178	127 409	-142 769
Equity attributable to the owners of the parent		**-34 737**	**127 409**	**92 672**
Non-controlling interests	3	727	14 296	15 023
Total equity		**-34 010**	**141 705**	**107 695**
Deferred tax liabilities	1	**-**	31 246	31 246
Non-current interest bearing liabilities	2	13 061	2 884	15 945
Total non-current liabilities		**13 061**	**34 130**	**47 191**

Current interest bearing liabilities	2		27 004	27 004
Accounts payable		18 608	-	18 608
Other current liabilities	1,2	158 446	-155 030	3 416
Total current liabilities		**177 054**	**-128 026**	**49 028**
Total equity and liabilities		**156 105**	**47 809**	**203 914**

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.

Change number 4 is to reclassify deferred tax asset from Account receivables to Deferred tax asset.

Restatement in equity for 2017 relates to the ongoing plant construction in Skive, Denmark, where 5,6MNOK had been booked as cost in the P&L, whereas it should have been booked towards Plant under construction in the Balance sheet.

The company has made changes to the accounting principles for share-based payments. The effect of the change in the accounting principle has been recognized directly against equity in 2019. 2018 has not been restated, as the effect is not significant (MNOK 4.6) compared to the understanding of the company's ability to earn.

Note 3 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Capital management Note 5
- Financial instruments risk management and policies
- Sensitivity analyses disclosures

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Determining future cash flows from the production plant under constructions

The Group's production plant in Denmark is not yet in operation. When estimating future cash flows, for use in impairment testing, the Group makes judgement about the production capacity of the plant, the sales prices that will be obtained from customers and the production costs of the plant. As the plant is not in operation at the balance sheet date, there is an inherent uncertainty in these judgments.

Determining the lease term of contract with renewal options

The Group's has a lease contract related to land and buildings in connection with the production plant in Denmark. The Group applies judgment in evaluating whether to renew the lease beyond its original lease term of 15 years. The Group did not include a renewal period beyond 15 years.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to the valuation of the Group's production plant and intangibles with indefinite useful lives. The key assumptions used to determine the recoverable amount are disclosed and further explained in Note 14.

Share-based payments

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of cash-settled transactions with employees using a [binomial model] to determine the fair value of the liability incurred. For cash-settled share-based payment transactions, the liability needs to be remeasured at the end of each reporting period up to the date of settlement, with any changes in fair value recognised in profit or loss. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 9.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies.

Development costs

The Group capitalizes certain costs for product development projects. Initial capitalization of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, management makes assumptions regarding the expected future cash generation of the project, discount rates to be applied and the expected period of benefits. At 31 December 2019, the carrying amount of capitalized development costs was NOK 19 785 (2018: NOK 8 912).

(All amounts in NOK thousands unless otherwise stated)

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates. A change in the IBR used in the calculation of 1% would change the right-of-use asset and lease liability at implementation with approximately 5%.

Note 4 Revenue

	2019	2018
Revenue from contracts with customers	-	-
Other revenue	497	224
Total revenue	**497**	**224**

Other revenue in 2019 consists of NOK 147k from Enova grants (in 2018 NOK 121k) and NOK 350k from Innovasjon Norge. See note 19 for further information regarding grants.

Note 5 Capital management

Capital includes issued share capital, share premium and all other equity reserves attributable to the equity holders of the parent. The primary objective of the capital management is to provide a predictable basis for the development of the Group's technology, successful operation of the first commercial plant and thereby over time maximise the shareholder value.

The Group manages its capital structure and adjusts in light of changes in economic conditions, and the requirements of the financial covenants and liquidity. The Group monitors capital by gearing ratio and on key financial figures. The Group includes within net debt, interest bearing loans and borrowings, trade and other payables, less cash and short-term deposits.

	2019	2018
Interest-bearing liabilities	163 993	42 949
Trade and other payables	90 314	22 024
Less: Cash and cash equivalents	-150 666	-86 053
Net debt	**103 641**	**-21 080**
Total equity	**278 090**	**107 695**
Capital and net debt	**381 731**	**86 615**
Gearing ratio	27,15%	-24,34%

(All amounts in NOK thousands unless otherwise stated)

Note 6 Group information

Name	Principal activities	Country	Ownership 2019	Ownership 2018
Quantefuel Skive ApS	Production	Denmark	76 %	76 %
Quantafuel Oslo AS	Active	Norway	100 %	100 %
Quantafuel Sweden AB	Dormant	Sweden	100 %	100 %
Quantafuel AB	Dormant	Sweden	100 %	100 %
Quantafuel UK Ltd	Dormant	UK	50 %	50 %
Next Gen Energy S.A. de C.V.	Dormant	Mexico	50 %	50 %

Quantafuel AS is entitled to receive dividends in proportion to their share-holdings.

Quantafuel Skive ApS is currently building the first Plastic to Liquid (PtL) plant in Skive, Denmark. The plant is delivered from Quantafuel AS, with additional investments locally in infrastructure. Quantafuel currently holds 76.31% of the shares in QF Skive. The remaining shares are held by Danish investors. The ownership interests in QF Skive is subject to a shareholders' agreement dated 8 November 2017 entered into on customary terms. Under certain conditions the Group has a call option, and the minority shareholders have a put option, to transfer the non-controlling shareholding to the Group at market price minus a discount of 20%, settled by issue of new shares in the Group.

Summarized financial information for Quantafuel Skive ApS:

	2019	2018
Profit (loss) for the period	-8 889	-3 029
Comprehensive income for the period	-8 889	-3 029
Non-current assets	69 669	41 685
Current assets	9 737	15 057
Non-current liabilities	16 731	13 060
Current liabilities	40 494	15 623

Quantafuel Oslo AS is planning to establish a PtL plant in Oslo and has received a grant from the Research Council of Norway in this respect. See also note 19.

There is no or insignificant activity in the other subsidiaries and partly owned companies.

Note 7 Salary and personnel costs

	2019	2018
Salaries	19 816	16 274
Pension expenses	1 126	501
Social security taxes	2 327	2 535
Share-based payments	1 990	2 604
Accrued social security taxes for share-based payments	6 979	367
Other benefits	1 459	224
Salary costs classified as project cost	-4 732	-4 055
Total	**28 965**	**18 450**

(All amounts in NOK thousands unless otherwise stated)

The Group has pension contribution plans covering all employees. The plans are in compliance with legal requirements in the countries where the Group operates.

Note 8 Executive personnel

Compensation to executive personnel

Salary and other remuneration to executive personnel in 2019:

Name and position	Basic salary	Pension expenses	Share option expense	Total
Kjetil Bøhn, CEO	2 000	53	500	2 553
Jens Petter Broby, CFO	1 200	50	266	1 516
Jørgen Færevaag, Chief Project Development Officer	1 200	52	-	1 252
Bjørn Arild Dahlen, Chief Technical Director	1 200	53	310	1 562
Olav Stadaas, Plant Development Director	1 200	55	266	1 521
Winifred Johansen, Chief Commercial Director	1 200	13	57	1 270
Thomas S. Tharaldsen, Chief Strategy Director	1 050	46	66	1 162

The CEO has a notice period of 3 months.

Salary and other remuneration to executive personnel in 2018:

Name and position	Basic salary	Pension expenses	Share option expense	Total
Kjetil Bøhn, CEO	1 200	31	-	2 659
Jørgen Færevaag, Chief Project Development Officer	1 200	29	280	1 509
Bjørn Arild Dahlen, Chief Technical Director	1 200	18	-	1 218
Olav Stadaas, Plant Development Director	1 200	21	-	1 221
Thomas S. Tharaldsen, Chief Strategy Director	1 050	25	280	1 355

In addition, a bonus of NOK 1 428k was paid to Kjetil Bøhn, CEO in 2018. No bonus was paid in 2019.

Compensation to the board of directors

Remuneration to the board members are shown below and vary due to length of service and role:

COMPENSATION TO BOARD OF DIRECTORS	2019	2018
Oscar Spieler (from 20 August 2018)	200	
Bård Mikkelsen (from 20 August 2018 until 9 September 2019)	100	100
Jens Engwall (until 9 September 2019)	100	100
Ragnar Søegaard (from 20 August)	100	200
Dag-Erik Rasmussen (from 20 August 2018 to October 2019)	100	
Thorleif Enger (from 20 August 2018)	100	
Per-Anders Hjort (from 20 August 2018)	100	
Rolf Olaf Larsen (until 20 August 2018)		100
Terje Osmundsen (until 20 August 2018)		100
Per Graff (until 20 August 2018)		100

(All amounts in NOK thousands unless otherwise stated)

Note 9 Share-based payment

Share options of the parent company are granted to board members, management and other selected employees. The Group has two option programs:

1. Options granted prior to 1 June 2019, which vest at grant date, and has an exercise period of 3 years
2. Options granted subsequent to 1 June 2019, which vest over 3 years, with 1/3 vesting at the end of 12 months, 24 months and 36 months after grant date, and has an exercise period of 4 years

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 at the time of the termination, less the exercise price for such options. Under option program no 1 there are 370 000 options outstanding at the reporting date with an exercise price between NOK 46 – 68 per share, and with an exercise period that ends between 19 October 2021 and 15 March 2022. Under option program no 2 there are 108 500 options outstanding with an exercise price between NOK 109 – NOK 183 per share, and with an exercise period that ends between 12 June 2023 and 1 December 2023. Refer to note 2.3 q for a description of the accounting principles for share-based payments.

The expenses recognized for share options is as follows:

	2019	2018
Board and management	1 628	2 100
Other employees	362	504
Total expense	1 990	2 604

The table below shows the movement in the number of outstanding options and the related weighted average exercise price (WAEP) during the year:

	2019 (no.)	WAEP	2018 (no.)	WAEP
Outstanding at 1 January	296 000	54	0	0
Granted during year	206 500	104	296 000	54
Exercised during the year	-16 000	68	0	0
Forfeited during the year	-8 000	68	0	0
Outstanding at 31 December	478 500	76	296 000	54
Exercisable at 31 December	370 000	0	296 000	0

The weighted average remaining contractual life for the share options outstanding at 31 December 2019 was 2.13 years (2018: 2.80 years).

The weighted average fair value of the options granted during the year was NOK 25.6. Total aggregate value of options was NOK 5.2 million.

Total number of options outstanding to the board and management at 31 December 2019, and year of issue, is as follows:

		2018	2019	Total
Jim Dåtland	Board	-	8 000	8 000
Per-Anders Hjort	Board	8 000	-	8 000
Ragnar Søegaard	Board	20 000	-	20 000
Svein Oscar Spieler	Board	140 000	-	140 000
Thorleif Enger	Board	8 000	-	8 000
Ann-Christin Andersen	Board	-	8 000	8 000

(All amounts in NOK thousands unless otherwise stated)

Bjørn-Arild Dahlen	Management	-	25 000	25 000
Jens Petter Broby	Management	-	20 000	20 000
Jørgen Færevaag	Management	20 000	-	20 000
Kjetil L. Bøhn	Management	-	60 000	60 000
Olav Stadaas	Management	-	20 000	20 000
Thomas Steenbuch Tharaldsen	Management	20 000	7 500	27 500
Winifred Johansen	Management	-	10 000	10 000
		216 000	158 500	374 500

In addition, former board members Bård Mikkelsen and Jens Engwall were awarded 8 000 options each, with a strike price of NOK 68, in 2018, that were exercised in December 2019.

The average strike price of grants to board and management during the year was NOK 100.2 (2018: NOK 56.10).

The table below shows the inputs used to the option pricing model used for 31 December 2019:

	2019
Weighted average fair value at measurement per option, in NOK	25,6
Expected volatility in %	35 %
Risk-free interest rate in %	1,23 %
Expected life of options in months	36
Weighted average share price, in NOK	98,6
Model used	Black & Scholes

Note 10 Other operating expenses

	2019	**2018**
Research and development expenses		5 175
Rent and other office expenses	797	3 510
IT expenses	555	425
Travel expenses	2 542	1 719
External services	13 914	6 872
Other	1 613	-821
Total	**19 422**	**16 879**

The Group's research and development concentrates on the development of its technology to chemically recycle mixed plastic waste into low carbon products. The Group also has research and development activities related to use of its technology for a small biogas-to-liquid pilot plant to convert biomass to bio-jet-fuel. Research and development expenses that are not eligible for capitalization have been expensed in the period as incurred.

Compensation to auditors are as follows:

	2019	**2018**
Statutory audit fee	232	266
Other assurance engagements	420	89
Total	**652**	**355**

(All amounts in NOK thousands unless otherwise stated)

RSM was the Group's auditors for 2019 and 2018. Fees to non-RSM auditors amounts to NOK 79 (2018: NOK 51).

Note 11 Financial income and expense

	2019	2018
Interest income	675	227
Interest expenses	-5 806	-3 810
Net foreign currency gains (losses)	-11 997	-2 530
Other financial expenses	-244	-9 275
Total	**-17 372**	**-15 388**

Note 12 Income taxes

The major components of income tax expense:

	2019	2018
Current income tax:		
Current income charge	0	-0
Deferred tax:		
Relating to changes in temporary differences	30 924	30 403
Tax expense	**30 924**	**30 403**

Reconciliation of tax expense and accounting profit :

	2019	2018
Income tax attributable to net profit	30 924	30 403
Income tax attributable to other comprehensive income		
Net	**30 924**	**30 403**
Pre-tax profit	-69 476	-51 179
Tax at Norway income tax rate 22 % (2018: 23 %)	-15 285	-11 771
Permanent differences	255	-637
Tax asset not recognized	45 953	42 880
Effect of change in tax rate	-	-1 379
Other	-	1 310
Income tax expense	**30 924**	**30 403**

Deferred tax relates to the following:

	2019	2018
Deferred tax assets		
Tax losses carry forwards	64 762	24 958
IFRS 16 items	199	-
Projects	-	11 437
Other	4 447	882
Deferred tax assets - gross	**69 408**	**37 277**

(All amounts in NOK thousands unless otherwise stated)

Property, plant and equipment	23 200	12 704
Other temporary differences	6 700	
Sum	**29 900**	**12 704**
Tax assets not recognised	101 968	54 904
Net deferred tax (assets) liabilities	**61 640**	**30 332**

Reconciliation of deferred tax liabilities, net	2019	2018
As of 1 January	30 332	1 178
Tax (income)/expense during the period	30 924	30 403
Other	204	-1 249
As of 31 December	**61 460**	**30 332**

No deferred tax assets have been recognized at 31 December 2019 and 2018 because the Group is in a start-up phase and utilization of deferred tax assets cannot be reliably demonstrated. There are no restrictions on the Group's ability to carry forward its tax losses.

The tax rate for Norway changed from 23% in 2018 to 22% in 2019. The tax rate used for the deferred tax calculation is 22% for both 2019 and 2018. The tax rate in Denmark is 22% for 2019 and 2018.

Note 13 Intangible assets

	Development cost	Acquired patents and rights	Total
Acquisition cost 1 January 2018		**1.030**	**1.030**
Additions	8.586	780	9.366
Acquisition cost 31 December 2018	**8.586**	**1.810**	**10.396**
Acquisition cost 1 January 2019	**8.586**	**1.810**	**10.396**
Additions	10.874		10.874
Acquisition cost 31 December 2019	**19.460**	**1.810**	**21.270**
Accumulated depreciation 1 January 2018			**-**
Depreciation		1.187	1.187
Accumulated depreciation 31 December 2018	**-**	**1.187**	**1.187**
Accumulated depreciation 1 January 2019	**-**	**1.187**	**1.187**
Depreciation		43	43
Accumulated depreciation 31 December 2019	**-**	**1.230**	**1.230**
Net book value 31 December 2018	**8.586**	**623**	**9.209**
Net book value 31 December 2019	**19.460**	**580**	**20.040**
Useful life	No	10 years	
	depreciation	Straight line	
Depreciation			

Development cost capitalized in 2018 and 2019 is in relation to development of the Group's Plastic-to-Liquid technology in accordance with IAS 38.57. The carried value of the development cost is considered against future projects and further tested in accordance with IAS 36.

Note 14 Property plant and equipment

	Property and plant	Machinery and equipment	Assets under construction	Total
Acquisition cost 1 January 2018		**629**	**25 241**	**25 870**
Additions		186	70 495	70 681
Acquisition cost 31 December 2018	**-**	**815**	**95 736**	**96 551**
Acquisition cost 1 January 2019	**-**	**815**	**95 736**	**96 551**
Additions		4 489	259 466	263 955
Acquisition cost 31 December 2019	**-**	**5 304**	**355 202**	**360 506**
Accumulated depreciation 1 January 2018		**355**		**355**
Depreciation		141		141
Accumulated depreciation 31 December 2018	**-**	**496**	**-**	**496**
Accumulated depreciation 1 January 2019	**-**	**496**	**-**	**496**
Depreciation		1 263		1 263
Accumulated depreciation 31 December 2019	**-**	**1 759**	**-**	**1 759**
Net book value 31 December 2018	**-**	**319**	**95 736**	**96 055**
Net book value 31 December 2019	**-**	**3 546**	**355 202**	**358 748**
Useful life	15-20 years	3-10 years	No depreciation	
Depreciation	Straight line	Straight line		

The Group`s main asset is the construction of the Skive plant. The construction commenced in 2018 and is expected to be concluded within first half year of 2020. The total cost as of end of 2019 is KNOK 355.

Impairment tests

The Group considers the relationship between its market capitalization, carrying amounts and other factors when identifying indicators of impairment. The Group is in a start-up phase and its first production plant is expected to be operational in the second quarter of 2020. The production plant is the first of its kind and therefore the estimated cost of completing the plant has been increased several times during the construction phase. The Group has capitalized all costs related to the construction, including capitalization of interest in the construction period.

Impairment testing of the carrying amount of the production plant, and the capitalized development costs, has been based on estimated cash flows for the years 2020 – 2024, with extrapolation of the yearly cashflow based on 2024 budget up to the design life of the plant of 15 years. The calculation is based using nominal values for cashflow with zero growth rate. The estimated cash flows are based on the expected output of the production plant when operational as well as expected selling prices and production costs. The discount rate before tax used is 10.7%.

(All amounts in NOK thousands unless otherwise stated)

The calculation of value in use is most sensitive to the estimates of revenues (product price and production capacity) and EBITDA margin. Reasonable changes in the assumptions would not cause the carrying amount of the assets to exceed the recoverable amount. Such changes are, decrease in the revenue of 38% or a reduction of the EBITDA margin of 52%. Changes in discount rate of i.a 2-5 % will not isolated change the outcome of the test. Reference is also made to note 3 Significant accounting judgements, estimates and assumptions.

Note 15 Financial assets and financial liabilities

Financial assets other than cash:	2019	2018
Debt instruments at amortised cost:		
Trade and other receivables	16 568	8 421
Non-current deposits	3 232	3 262
Sum financial assets	**19 800**	**11 683**
Total current	**16 568**	**8 421**
Total non-current	**3 232**	**3 262**

Financial liabilities: Interest-bearing liabilities:

	Interest rate	Maturity	2019	2018
Current interest-bearing liabilities				
Loan from DGI	CIBOR+8.14%	2018-2028	1 046	938
Loan from Vitol	LIBOR+4%	2019		26 066
Lease liabilities	8,5 %	2019-2034	4 366	
Total current			**5 412**	**27 004**
Non-current interest-bearing loans:				
Loan from DGI	CIBOR+8.14%	2018-2028	15 685	15 945
Loan from BASF	19,5%	2022	62 456	
Loan from BASF conversion right liability	n.a		39 299	
Lease liabilities	8,5 %		41 141	
Total non-current			**158 581**	**15 945**
Total interest-bearing liabilities			**163 993**	**42 949**

Other financial liabilities at amortized cost:

	2019	2018
Trade and other payables	59 481	18 608
Total current	**59 481**	**18 608**
Total non-current		-

(All amounts in NOK thousands unless otherwise stated)

The loan from Danmarks Grønne Investeringsfond (DGI) is for a total of DKK 53 million, where DKK 13 million have been disbursed by 31 December 2019. The remaining DKK 40 million will be disbursed upon commencement of operation of the plant in Skive. The loan incurs interest at 3 months CIBOR + 8.14% p.a. The loan is repayable with equal quarterly down payments from 1 July 2019 to 1 April 2028, but as the project has been delayed DGI has granted waivers for the repayment until after the commencement of the operation and disbursement of the DKK 40 million tranche. DGI is entitled to an extra performance payment based should the accumulated EBITDA of the Danish subsidiary in the years 2020 to 2023 be above DKK 70 million. The performance payment is 3% of accumulated EBITDA that is equal to or above DKK 70 million, increasing to 6% of accumulated EBITDA equal to or above DKK 100 million. The performance payment cannot be higher than DKK 7 million. The estimated probable performance payment is included in the amortized cost for the loan. The loan is secured by first charge over the operating plant in Denmark as well as a floating charge of DKK 10 million in the Danish operation.

The loan from Vitol S.A. is for a total of USD 3 million and the loan agreement was signed on 23 March 2018 and disbursed on 3 May 2018. The loan incurs interest at LIBOR + 4% p.a. The loan was repayable after 12 months. During 2019 it was agreed that the loan should be converted to equity in the Group. For further information see note 20 Share capital and shareholder information.

The loan from BASF Group is for a total of EUR 10 million and was disbursed on 24 October 2019. The loan incurs interest at 1% p.a. The maturity date is 3 years from disbursement, ie. 24 October 2022. The loan is convertible by BASF during the whole period until the maturity date. The conversion is to be made at the last 30 days average stock price, but not lower than NOK 118, or higher than NOK 144, per share subject to adjustment in the event of share capital transactions. If the board member nominated by BASF is removed from the board, or if the collaboration agreement is terminated subsequently to being agreed and signed, the loan is also repayable at 110% of face value. At recognition the conversion right of the loan was measured at fair value using an option pricing model, and assumptions, as described in note 9. 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 recognized at fair value calculated as the face value of the loan minus the value of the conversion right. Subsequent to recognition the loan is measured at amortized cost with the calculated effective interest classified as interest expenses.

Changes in liabilities arising from financing activities for 2019:

	2019	**2019**
	Current interest-bearing	**Non-current interest-bearing**
Opening balance	27 004	15 945
Cashflow, new loans	-	101 175
Conversion of liabilities to equity	-29 532	
Other, non-cash	3 574	320
Ending balance	**1 046**	**117 440**

	2018	**2018**

	Current interest-bearing	Non-current interest-bearing
Opening balance	-	13 566
Cashflow, new loans	27 004	15 945
Conversion of liabilities to equity		-13 566
Ending balance	**27 004**	**15 945**

The table below summarizes the maturity profile of the Group's financial liabilities based on undiscounted payments:

Year ended 31 December 2019	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Above 5 years**	**Total**
Interest-bearing liabilities (excluding those below)		1 046	10 457	5 228	16 731
Convertible loan			98 825		98 825
Lease liabilities	1 436	4 309	21 519	54 604	81 867
Trade payables	59 481				59 481
Total	**60 917**	**5 354**	**130 800**	**59 832**	**256 904**

Year ended 31 December 2018	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Above 5 years**	**Total**
Interest-bearing liabilities (excluding those below)		938	9 379	6 566	16 883
Convertible loan		26 066			26 066
Lease liabilities	1 064	3 192	16 591	36 901	57 748
Trade and other current liabilities	18 608				18 608
Total	**19 672**	**30 196**	**25 970**	**43 467**	**119 305**

Fair values

Below is a comparison of the carrying amounts and fair values of financial assets and financial liabilities at 31 December 2019 and 31 December 2018:

	31/12/2019	**31/12/2019**	**31/12/2018**	**31/12/2018**
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Interest-bearing loans and borrowings:	118 486	119 257	42 949	43 051
Total				

The Group's is exposed to market risk (currency and interest rate risk), credit risk and liquidity risk. Risk management is carried out by the CFO in cooperation with the CEO and the Board. The purpose of the management is to minimize negative impacts on the Group's financial results.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate, currency and commodity price risk.

The Group has interest-bearing debt as described above. An increase in the interest rate of 1% would increase interest on debt by approximately NOK 1.6 million per year.

Foreign currency risk is the risk that fair value of assets or liabilities or future cash flows will fluctuate because of changes in foreign exchange rates. The Group's exposure to currency risk is related to loans in foreign currency, the products delivered from the Group's plant in Denmark will be based on commodity prices set in foreign currency as well as currency risk related to the Group's net investment in the subsidiary in Denmark. The Group are in the process of developing currency hedging policies to reduce exposure to currency risk.

Net foreign currency losses totalled NOK 12 million in 2019 (2018: NOK 2.5 million). The currency translation difference in equity as of 31 December 2019 was a net profit of kNOK 404 (2018: kNOK 0).

When the plant under construction is operational in 2020 the Group will be subject to credit risk in connection with sales to customers. The credit risk will be monitored at Group level and is for a large part expected be mitigated by most of the produce being delivered to solid multinational chemical companies.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations when they are due or that financing will not be available at reasonable prices. Management monitors the Group's liquid resources to ensure that there is sufficient liquidity available to complete the construction of the processing plant, to start up production and deliver products to paying customers on a continuous basis. At 31 December 2019 the Group had NOK 150.7 million in liquid reserves.

Note 16 Other current receivables

	2019	2018
Prepayments	2 083	
Public duties and taxes receivable	14.485	8 421
Total other receivables	**16 568**	**8 421**

Note 17 Cash and cash equivalents

	2019	2018
Cash and bank deposits	149 387	85 451
Restricted cash	1 279	602
Total	**150 666**	**86 053**

Restricted cash includes cash deposited as security for employee tax withholdings.

(All amounts in NOK thousands unless otherwise stated)

Cash and cash equivalents per currency:

	2019	2018
NOK	145 500	67 719
DKK	4 931	15 057
USD	30	95
EUR	14	2 934
SEK	191	248
Total	**150 666**	**86 053**

Note 18 Share capital and shareholder information

Quantafuel AS has one class of shares. The total number of shares at year end were 11 167 467 (2018: 7 267 956) with a nominal value of NOK 0,10. The share capital at 31 December 2019 was NOK 111 674.67 (2018: NOK 72 679.56).

The movement in the number of shares and share capital during the year was the following:

Date	Event	Share price (NOK)	Total share capital (NOK)	New shares issued	Total no. of Shares
31.12.2017	**Total number of shares**				**4 060 426**
18.06.2018	Private placement	68.00	62 664,26	2 206 000	6 266 426
06.08.2018	Loan conversion	40.80	72 679,56	1 001 530	7 267 956
12.03.2019	Private placement	55.00	99 952,28	2 727 272	9 995 228
14.10.2019	Vitol Conversion	98.00	102 966,03	301 375	10 296 603
07.10.2019	BASF Investment	118.00	111 434,67	846 864	11 143 467
21.10.2019	Exercise of options	46.00	111 514,67	8 000	11 151 467
21.10.2019	Exercise of options	68.00	111 674,67	16 000	11 167 467
31.12.2019	**Total number of shares**				**11 167 467**

As at year end the Board of directors are granted the following authorizations to increase the share capital of Quantafuel AS:

27 June 2018: Authorisation to increase the share capital with up to NOK 3,000.00, of which NOK 2,760.00 remains unissued. The authorisation is valid until 27 June 2020. The authorisation may only be used to establish or implement incentive arrangements for the employees and board members of the Company or its subsidiaries (300,000 options maximum) that have been approved by the board

25 February 2019: Authorisation to increase the share capital with up to NOK 3,000.00, of which NOK 3,000.00 remains unissued. The authorisation is valid until 25 February 2021. The authorisation may only be used to establish or implement incentive arrangements for the employees and board members of the Company or its subsidiaries (300,000 options maximum) that have been approved by the board, as generally applicable or as agreed individually

21 June 2019: Authorisation to increase the share capital with up to NOK 13,872.00, of which NOK 10,858.25 remains unissued. The authorisation is valid until 21 June 2020. Only Vitol S.A. (or its affiliates) may subscribe for shares issued pursuant to the authorisation. The authorisation includes increase by non-cash payment, rights to assume special obligations on the Company's behalf and mergers.

(All amounts in NOK thousands unless otherwise stated)

7 October 2019: Authorisation to increase the share capital with up to NOK 26,000.00, of which NOK 17,531.36 remains unissued. The authorisation is valid until 7 October 2020. The authorisation may be used to carry out share issues to third parties identified by the board and with whom the Company intends to establish, continue or develop an industrial, scientific, commercial or strategic cooperation to facilitate the development or commercialisation of technology or production.

Ownership structure

The number of shareholders at 31 December 2019 was 771. The Group's 20 largest shareholders as of 31 December 2019 is as follows:

Shareholder	**No of shares**	**% of total**
BASF Antwerpen N.V	846 864	7,6 %
T.D. VEEN AS	523 636	4,7 %
KB MANAGEMENT AS	443 205	4,0 %
Heorot AB	440 729	3,9 %
VERDIPAPIRFONDET NORDEA NORGE VERD	357 783	3,2 %
FAREID HOLDING AS	340 686	3,1 %
Deutsche Bank Aktiengesellschaft	301 375	2,7 %
PRO AS	260 023	2,3 %
HANDELSBANKEN Nordiska Smabolag	252 603	2,3 %
AS CLIPPER	250 000	2,2 %
VERDIPAPIRFONDET NORDEA KAPITAL	243 299	2,2 %
MØSBU AS	221 209	2,0 %
Jefferies LLC	216 076	1,9 %
MIDAS CAPITAL AS	209 827	1,9 %
VERDIPAPIRFONDET NORDEA AVKASTNING	193 813	1,7 %
VERDIPAPIRFONDET DELPHI NORGE	177 500	1,6 %
STRANDEN INVEST AS	177 058	1,6 %
Alta Invest SA	177 024	1,6 %
EQUINOR PENSJON	172 444	1,5 %
J.P. Morgan Bank Luxembourg S.A.	172 443	1,5 %
Total 20 largest shareholders	**5 977 597**	**53,5 %**
Other shareholders	5 189 870	46,5 %
Total number of shares	**11 167 467**	**100,0 %**

Funds managed by Nordea own 922 455 shares or 8.3% of all shares issued.

The Group has not paid any dividends in 2018 or 2019.

(All amounts in NOK thousands unless otherwise stated)

Note 19 Government grants

The table below shows the grants from Enova SF and that status of disbursement of the grants.

	BtL	PtL
Maximum grant	**13 826**	**10 498**
Received as of 1 January 2018	1 307	6 442
Received during 2018	121	150
Received during 2019	146	-
Total paid out	**1 575**	**6 592**
Not yet paid out	**12 251**	**3 906**

It is expected that BtL grant will be used to partly finance the Biomass to Liquid plant to be developed under the Avinor Agreement. The PtL plant will be used to partly finance a Plastic to Liquid (PtL) plant in Oslo, Norway.

In addition, the Group has two projects that have been approved by the Research Council of Norway under the SkatteFunn scheme. In 2019 The Group received NOK 158k (2018: 2,8M in tax credits from these two projects.

The Group also finished a small PtL project with grant from Innovasjon Norge, total of NOK 350k in 2019 (with total support of NOK 500k, whereas NOK 150k was received in 2017).

Grants received have been recognized in the income statement as other revenue.

Note 20 Other current liabilities

	2019	2018
Other public duties	11 812	1 467
Other current liabilities	19 021	1 949
Total other current liabilities	**30 833**	**3 416**

Other current liabilities by currency:

	2019	2018
NOK	29 449	2 308
DKK	1 349	1 072
Other	35	36
Total current receivables	**30 833**	**3 416**

(All amounts in NOK thousands unless otherwise stated)

Note 21 Leases

Below are the carrying amounts of right-of-use assets recognized and movements during the period. All items are related to rent of office and plant buildings.

	2019
As at 1 January 2019 (see note 2.4)	**32 463**
Additions	**15 047**
Depreciation expense	**-2 908**
As at 31 December 2019	**44 602**

Below are the carrying amounts of lease liabilities and the movements during the year:

	2019
As at 1 January 2019 (see note 2.4)	**32 463**
Additions	15 047
Accretion of interest	2 620
Payment	-4 623
As at 31 December 2019	**45 507**
Current	4 366
Non-current	41 141

The maturity of lease liabilities is disclosed in note 16.

The following amounts are recognized in the income statement:

	2019
Depreciation expense	2 908
Interest expense on lease liabilities	2 620
Expense relating to low-value assets (included in other operating expenses)	212
Total amount recognised in profit (loss)	**5 740**

The Group had total cash outflow for leases of NOK 4.6 million in 2019. The Group also had non-cash additions to right-of-use assets and lease liabilities of NOK 15 million in 2019.

Note 22 Commitments and contingencies

Government grants

The Group has received government grants from Enova SF. As of the balance sheet date the Group have received a total of NOK 8.1 million under these grants, as presented in note 19. If the projects should not be completed as described in the applications to Enova SF the grants, plus interest from the date of disbursement by Enova, are repayable by the Group.

In relation to establish a Biomass-to-Liquid (BtL) plant in Norway, the Group signed an agreement with Avinor 18 June 2019. The Group has received NOK 4 million as prepayment for deliveries from the BtL plant that is under development. If the BtL plant is not built, the Buyer have the right to be compensated with PtL diesel fuel produced at the plant in Denmark. Deliveries will be priced at market prices. Both the Group and the Buyer is entitled to terminate the agreement with 12 months' notice. If terminated by the Group, any prepayments are repayable in full.

Agreement with BASF

Under the investment and convertible loan agreement with BASF, BASF has the right of first refusal to all pyrolysis oil and purified hydrocarbons form the Skive Plant for a minimum of 4 years after start-up of the production.

Note 23 Related party disclosures

The Group has a consultancy agreement with the Chairperson of the Board for a monthly remuneration of NOK 25 000, in addition to his board remuneration. Payment under this agreement amounted to NOK 300 000 during the financial year (2018: NOK 172 619).

Note 24 Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- Amendments to IFRS 3: *Definition of a business*
- Amendments to IAS 1 and IAS 8: *Definition of material*

None of these new or amended standards and interpretations are expected to have a significant impact on the Group's consolidated financial statements.

Note 25 Events after the balance sheet date

The Corona Virus

Due to the restrictions caused by the COVID-19 pandemic in first half year 2020, the Company has experienced and foresee a further delay in the commissioning and start-up period for the Skive Plant. The effect in increased costs (loss) is included in the accrual in the company account for concluding the delivery of the plant to the Danish subsidiary.

As part of the conditions in the BASF Investment Agreement of 25 September 2019, BASF and the Company should negotiate and establish a "Collaboration agreement "between the parties in relation of developing the "plastic-to-liquid" technology. This agreement was signed on 17 March 2020.

Quantafuel AS

Financial statements

31 December 2019

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

	Note	2019	2018
Operating revenue	**2**	**40 698**	**31 132**
Cost of materials		222 258	167 599
Salaries and personnel costs	3	23 198	16 828
Depreciation and amortization	7,13	1 216	540
Other operating expenses	4	18 413	15 489
Operating profit (loss)		**-224 387**	**-169 324**
Finance income		675	227
Finance expense		-15 509	-12 958
Net financial items	5	**-14 834**	**-12 731**
Profit (loss) before tax		**-239 221**	**-182 055**
Income tax expense	6	-	-
Profit (loss) for the period		**-239 221**	**-182 055**

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

	Note	2019	2018
Profit for the period	**2**	**-239 221**	**-182 055**
Other comprehensive income:			
Translation differences, net			
Total comprehensive profit (loss)		**-239 221**	**-182 055**

QUANTAFUEL AS
STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER
(Amounts in NOK thousands)

	Note	2019	2018
ASSETS			
Intangible assets	7	19 892	9 019
Property plant and equipment	7	1 541	309
Right-of-use asset	1,13	3 043	-
Shares in subsidiaries	8	17 155	17 155
Total non-current assets		**41 631**	**26 483**
Accounts receivable	9,10	-	18 281
Other receivables	9,10	65 959	6 731
Cash and cash equivalents	11	145 437	70 601
Total current assets		**211 396**	**95 613**
Total assets		**253 027**	**122 096**
EQUITY AND LIABILITIES			
Sharecapital		112	73
Other paid-in capital		497 874	235 368
Retained earnings		-482 195	-250 820
Total equity		**15 791**	**-15 379**
Non-current interest bearing liabilities	9	101 755	-
Long-term leasing liability	1,9,13	2 226	-
Total non-current liabilities		**103 981**	**-**
Short-term leasing liability	1,9,13	933	-
Accounts payable	12	61 623	15 044
Current interest bearing liabilities	9		26 065
Other current liabilities	12	70 699	96 366
Total current liabilities		**133 255**	**137 475**
Total equity and liabilities		**253 027**	**122 096**

Oslo, 26 May 2020

Thorleif Enger
Board member

Svein Oscar Spieler
Chairperson of the Board

Per-Anders Hjort
Board member

Ragnar Søegaard
Board member

Ann-Christin Andersen
Board member

Jim Dåtland
Board member

Maximilian Walter
Board member

Kjetil Bøhn
CEO

QUANTAFUEL AS
STATEMENT OF CASH FLOWS
1 JANUARY - 31 DECEMBER
(Amounts in NOK thousands)

	Note	2019	2018
Profit (loss) before tax		**-239 221**	**-182 055**
Depreciation and amortization		1 216	540
Taxes paid			-
Share-based payment expense		6 597	2 604
Net financial items		-14 834	-12 731
Adjustments to net income			
Changes in net accounts receivable and payable		64 860	-28 984
Changes in working capital and other accruals		-68 144	67 664
Net cash flows from operating activities		**-249 526**	**-152 962**
Purchase of property, plant and equipment		-4 275	-8 706
Purchase of intangible asset		-10 874	-780
Interest income		675	227
Net cash flows from investment activities		**-14 474**	**-9 259**
Capital placement		238 866	182 717
Proceeds from borrowings		101 175	37 637
Repayment of borrowings			
Payments of lease liabilities		-1 204	
Interest expense		-1	-24
Net cash flows from financing activities		**338 836**	**220 330**
Net change in cash and cash equivalents		**74 836**	**58 109**
Cash and cash equivalents at beginning of period		**70 601**	**12 492**
Cash at cash equivalents at end of period		**145 437**	**70 601**

1 JANUARY - 31 DECEMBER
(Amounts in NOK thousands)

	Share capital	Share premium	Retained earnings	Total
Equity at 1 January 2018	**41**	**41 926**	**-68 765**	**-26 798**
Profit (loss)			-182 055	**-182 055**
Increase in share capital	32	190 838		**190 870**
Share-based payments		2 604		**2 604**
Equity at 31 December 2018	**73**	**235 368**	**-250 820**	**-15 379**
Profit (loss)			-239 221	**-239 221**
Increase in share capital	39	259 271	7 846	**267 156**
Currency gain in regards to equity increase		1 245		**1 245**
Share-based payments		1 990		**1 990**
Equity at 31 December 2019	**112**	**497 874**	**-482 195**	**15 791**

Note 1 Corporate information and basis of preparation

The financial statements for Quantafuel AS (the Company) have been prepared in accordance with International Financial Reporting Standards as approved by the EU. In cases where the notes for the Company are significantly different from the notes for the Group, these are provided below. Reference is made otherwise to the information in the notes for the Group.

1.1 Revenue from contracts with customers
The Company has a contract with its subsidiary Quantafuel Denmark ApS to deliver a plastic waste plant at an agreed amount. The project is accounted for as a contract with customers, applying IFRS 15 *Revenue from contracts with customers,* recognizing revenues over time by measuring cost passed in relation to full satisfaction of the performance obligation. When it is probable that contract costs will exceed the total contract revenue, the expected loss is recognised as an expense immediately in accordance with IAS 37.

1.2 Changes in accounting policies and disclosures – IFRS 16 *Leases*

The effect of adoption of IFRS 16 at 1 January 2019 for the parent company is as follows

	tNOK
Assets	
Right-of-use-assets	3 043
Property, plant and equipment	
Prepayments	-
Total assets	**3 043**
Liabilities	
Interest-bearing liabilities	2 226
Short-term leasing liability	933
Other current liabilities	-
Total liabilities	**3 159**
Total adjustment on equity	**-116**

Note 2 Revenue from contracts with customers

	2019	**2018**
Revenue from contracts with customers	40 201	30 908
Other revenue	497	224
Total revenue	**40 698**	**31 132**

Revenue from contracts with customers of NOK 40,2MNOK (30,9MNOK) is all related to the Quantafuel Skive project in Denmark.

Other revenue in 2019 consists of NOK 147k from Enova grants (in 2018 NOK 121k) and NOK 350k from Innovasjon Norge. See note 19 for further information regarding grants.

(All amounts in NOK thousands unless otherwise stated)

Note 3 Salary and personnel costs

	2019	2018
Salaries	15 055	14 907
Pension expenses	584	342
Social security taxes	2 294	2 535
Share-based payments	1 990	2 604
Accrued social security taxes for share-based payments	6 979	367
Other benefits	1 029	129
Salary costs reclassified as project cost	-4 732	-4 056
Total	**23 198**	**16 828**
Full time equivalent employees	**18**	**14**

The company has a pension contribution plan covering all employees. The plan is in compliance with legal requirements.

Note 4 Other operating expenses

	2019	2018
R&D		5 175
Rent and other office expenses	1 132	1 595
IT and other equipment	467	2 163
Travel expenses	2 499	1 598
External services	13 599	2 353
Other	715	2 605
Total	**18 413**	**15 489**

Compensation to auditors are as follows:

	2019	2018
Statutory audit fee	152	229
Other assurance engagements	420	89
Total	**572**	**318**

Note 5 Financial income and expenses

	2019	2018
Interest income	675	227
Interest expenses	-3 457	-2 275
Net foreign currency gains (losses)	-11 994	-2 530
Other	-58	-8 153
Total	**-14 834**	**-12 731**

(All amounts in NOK thousands unless otherwise stated)

Note 6 Income taxes

The major components of income tax expense:

	2019	2018
Current income tax charge		
Change in deferred tax		-
Tax expense (income)	**-**	**-**

Reconciliation of tax expense and profit (loss) before tax:

	2019	2018
Profit (loss) before tax	-239 221	-182 055
Estimated tax on profit (loss) before tax (22%, 2018: 23%)	-52 629	-41 873
Effect of permanent differences	255	-637
Effect of different tax rates in foreign operations	-	-
Effect of deferred tax assets not recognized	52 373	42 510
Income tax expense (income)	**-**	**-**

Deferred tax assets (liabilities) relate to the following:

	2019	2018
Provisions and contracts	42 566	30 072
Tax loss carryforwards	60 596	23 722
Other items	3 958	745
Total deferred tax assets (liabilities)	**107 120**	**54 539**
Deferred tax assets not recognized	-107 120	-54 539
Net deferred tax assets (liabilities) in balance sheet	-	**-**

(All amounts in NOK thousands unless otherwise stated)

Note 7 Intangible and tangible assets

	Development cost	Acquired patents and rights	Total intangibles	Machinery and equipment
Acquisition cost 1 January 2018		**107**	**107**	**629**
Additions	8 586	780	9 366	120
Acquisition cost 31 December 2018	**8 586**	**887**	**9 473**	**749**
Acquisition cost 1 January 2019	**8 586**	**887**	**9 473**	**749**
Additions	10 873		10 873	1 434
Acquisition cost 31 December 2019	**19 459**	**887**	**20 346**	**2 183**
Accumulated depreciation 1 January 2018		**-**	**-**	**354**
Depreciation		454	454	86
Accumulated depreciation 31 December 2018	**-**	**454**	**454**	**440**
Accumulated depreciation 1 January 2019	**-**	**454**	**454**	**440**
Depreciation			-	202
Accumulated depreciation 31 December 2019	**-**	**454**	**454**	**642**
Net book value 31 December 2018	**8 586**	**433**	**9 019**	**309**
Net book value 31 December 2019	**19 459**	**433**	**19 892**	**1 541**
Useful life	No depreciation	10 years		3-15 years
Depreciation		Straight line		Straight line

The company activated in 2019 10,8MNOK (8,6MNOK in 2018) of engineering costs in regard to construction. The activation of total 19,5MNOK will not be amortised as it is costs related to the generic concept.

(All amounts in NOK thousands unless otherwise stated)

Note 8 Subsidiaries and joint ventures

Name	Principal activities	Country	2019	2018
Quantefuel Skive ApS	Production	Denmark	16 870	16 870
Quantafuel Oslo AS	Dormant	Norway	30	30
Quantafuel Sweden AB	Dormant	Sweden	249	249
Quantafuel UK Ltd	Dormant	UK	6	6
Next Gen Energy S.A. de C.V.	Dormant	Mexico	-	-
Total carrying amount			**17 155**	**17 155**

Note 9 Financial assets and liabilities

	31/12/2019	31/12/2018
Debt instruments at amortized cost:		
Trade and other receivables	65 959	25 012
Sum financial assets	**65 959**	**25 012**
Total current	**65 959**	**25 012**
Total non-current	**-**	**-**

	Interest rate	Maturity	31/12/2019	31/12/2018
Current interest-bearing liabilities				
Loan from Vitol	LIBOR+4%	2019		26 065
Lease liabilities	8,5%		933	
Total current			**933**	**26 065**
Non-current interest bearing loans:				
BASF liability	19,5%	2022	62 456	
BASF conversion right liability	n.a.		39 299	
Lease liabilities	8,5%		2 226	
Total non-current			**103 981**	**-**
Total interest-bearing liabilities			**104 914**	**26 065**

Other financial liabilities at amortized cost:

	31/12/2019	31/12/2018
Trade and other payables	132 322	111 410
Total current	**132 322**	**111 410**
Total non-current	**-**	**-**

Maturity profile Year ended 31 December 2019	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Interest-bearing liabilities (excluding those below)			98 628		98 628
Lease liabilities	307	921	2 531		3 759
Accounts payable	61 623				61 623
Other current liabilities					-
Total	61 930	921	101 159	-	164 010

(All amounts in NOK thousands unless otherwise stated)

Year ended 31 December 2018	Less than 3 months	3 to 12 months	1 to 5 years	Above 5 years	Total
Interest-bearing liabilities (excluding those below)		26 065			26 065
Lease liabilities	301	903	3 759		4 963
Accounts payable	15 044				15 044
Other current liabilities					-
Total	15 345	26 968	3 759	-	46 072

Fair values

	31/12/2019	31/12/2019	31/12/2018	31/12/2018
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Interest-bearing loans and borrowings:	101 755	101 755	26 065	26 065

Note 10: Trade and other receivables

	2019	2018
Trade receivables		18 282
Net trade receivables	**-**	**18 282**

(Trade receivables in 2018 consists of intercompany receivables)

	2019	2018
Contract assets		
Other current receivables	65 959	6 730
Total current receivables	**65 959**	**25 012**

Age distribution of trade receivables:

	2019	2018
Trade receivables not due		18 282
Total	**-**	**18 282**

Trade and other current receivables by currency:

	2019	2018
NOK	54 183	23 670
DKK	11 776	1 342
Total current receivables	**65 959**	**25 012**

Note 11: Cash and cash equivalents

	2019	2018
Cash and bank deposits	144.158	69.999
Restricted cash	1.279	602
Total	**145.437**	**70.601**

Restricted cash include cash deposited as security for employee tax withholdings.

(All amounts in NOK thousands unless otherwise stated)

Note 12 Trade and other payables

	2019	2018
Accrued commissions	61 623	15 044
Intercompany liabilities	456	913
Other current liabilities	70 243	95 453
Total other current liabilities	**132 322**	**111 410**

Other current liabilities by currency:

	2019	2018
NOK	132 322	111 410
Total other current payables	**132 322**	**111 410**

Note 13 Leases

Below are the carrying amounts of right-of-use assets recognized and movements during the period. All items are office buildings.

	2019
As at 1 January 2019 (see note 2.4)	**4 057**
Additions	-
Depreciation expense	-1 014
As at 31 December 2019	**3 043**

Lease liabilities:

	2019
As at 1 January 2019 (see note 2.4)	**4 057**
Additions	-
Accretion of interest	306
Payment	-1 204
As at 31 December 2019	**3 160**
Current	933
Non-current	2 226

Items in profit (loss):

	2019
Depreciation expense	1 014
Interest expense on lease liabilities	306
Expense relating to short-term leases (included in other operating expenses)	
Expense relating to low-value assets (included in other operating expenses)	
Variable lease payments (included in other operating expenses)	
Total amount recognised in profit (loss)	**1 321**

Note 14 Related party disclosures

Under an agreement with its 76% owned subsidiary Quantafuel Skive Aps the Company has agreed to deliver a plant for the conversion of plastic waste into environmentally friendly fuels and chemicals at a fixed price of USD 12 million. The Company has granted the buyer a 0% interest seller's credit of USD 3.6 million repayable over 12 quarters following the first quarter after reaching full production of the plant. The repayment is estimated to commence in the second quarter of 2020.

Note 15 Commitments and contingencies

The Company has given a parent company guarantee in respect of the loans from Danmarks Grønne Investeringsfond to Quantafuel Skive ApS. In addition, the Company has guaranteed to cover operating deficits in Quantefuel Skive ApS.

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Signers:

Name	*Method*	*Date*
Andersen, Ann-Christin G.	BANKID	2020-05-26 17:06 GMT+2
Maximilian Walter	One-Time-Password	2020-05-26 17:29 GMT+2
Søegaard, Ragnar Grundtvig	BANKID	2020-05-26 17:39 GMT+2
Spieler, Svein Oscar	BANKID_MOBILE	2020-05-26 18:33 GMT+2
Bøhn, Kjetil	BANKID	2020-05-26 19:13 GMT+2
Per-Anders Hjort	BANKID	2020-05-26 19:51 GMT+2
Dåtland, Jim	BANKID_MOBILE	2020-05-26 21:06 GMT+2
Thorleif Enger	One-Time-Password	2020-05-26 22:17 GMT+2

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To the General Meeting of Quantafuel AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Quantafuel AS, which comprise:

- The financial statements of the parent company Quantafuel AS (the Company) showing a loss of NOK 239 221 000, which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Quantafuel AS and its subsidiaries (the Group) showing a loss of NOK 100 400 000, which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of fair value for share-based payments

Refer to financial statement note 2.3 (Summary of significant accounting policies), note 3 (Significant accounting judgements, estimates and assumptions) and note 9 (Share-based payment).

The key audit matter

Estimating fair value for share-based payment transasctions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or apprection right, volatility and dividend yield and making assumptions about them.

Significant auditor judgement is required when evaluating fair value of the share-based payments

How the matter was addressed in our audit

A valuation of all share options has been made by an external third party engaged by the company. We critically assessed the key elements of the assumptions used in the valuation.

We also considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying impairment assessments.

Impairment of Skive Plant (group level)

Refer to financial statement note 2.3 (Summary of significant accounting policies), note 2.5 (Restatement of 2017 and 2018), note 3 (Significant accounting judgements, estimates and assumptions) and note 14 (Property, plant and equipment).

The key audit matter

The Group's main asset is the production plant in Skive, Denmark. The recoverable amounts of the production plant are sensitive to changes in assumptions, in particular utilization of the production plant, price of input factors and product price, discount rate and forecast operational performance including the volumes of plastic to be produced. Any negative development in these assumptions and forecast may be an impairment trigger, even if other factors have moved favourably.

Management's determination of the recoverable amounts of production plant requires a number of estimates and assumptions relating to operational and market factors, some of which involve high degree of judgement. In addition, the calculation of recoverable amounts requires complex financial modelling of the cash flows of the production plant in Skive, Denmark (cash generating unit).

Significant auditor judgement is required when evaluating whether the recoverable amounts, and the assumptions which drive the underlying cash flow estimates are reasonable and supportable.

How the matter was addressed in our audit

For the production plant in Skive, Denmark, we have critically assessed the key elements of the cash flow forecasts, including:

- Utilization profile with reference to capacity calculation prepared by the Company' chief financial officer with assistance from the engineering team.
- Product price with reference to market price for diesel and naphta from ICE Gasoil Futures
- Plastic as an input factor

In addition, we assessed the mathematical and methodological integrity of management's impairment model, including the reasonableness of the discount rate applied with reference to market data.

We also considered whether the disclosures regarding key assumptions and sensitivities adequately reflected the underlying impairment assessments.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 26 May 2020
RSM Norge AS

Lars Løyning
State Authorised Public Accountant
(This document is signed electronically)

Signaturene i dette dokumentet er juridisk bindende. Dokument signert med "Penneo™ - sikker digital signatur".
De signerende parter sin identitet er registrert, og er listet nedenfor.

"Med min signatur bekrefter jeg alle datoer og innholdet i dette dokument."

Lars Løyning
Partner
På vegne av: RSM Norge AS
Serienummer: 9578-5999-4-1140989
IP: 62.148.xxx.xxx
2020-05-26 21:31:24Z

bank ID

Quantafuel AS

(Merkur Market: **QFUEL-ME**)

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