

PRYME N.V.

Q4 2023 REPORT



March 6th, 2024

Pryme N.V. – Fourth Quarter 2023 Report

Pryme One Update

After beginning the hot commissioning of the reactor in early October, the operations team detected the need for a design modification relating to the electrical wiring of the reactor. This prompted Pryme's engineering team, in collaboration with our technology partners, to implement necessary corrective measures. This process entailed externalizing 500 heating ring connectors, equating to 1,000 connection points, from the reactor's casing, removing and re-installing around 6 km of cables, and conducting individual tests of each individual ring before new insulation was installed. Though this task was both repetitive and time-intensive, it was carried out with success and safety during November and December. After the completion of the modifications, the reactor was reheated to over 600 degrees Celsius soon after the reporting period concluded, culminating in Pryme's first oil production of small volumes on January 19, a major milestone for Pryme.

With mechanical completion of the production facility and the initiation of production, Pryme has finalized its agreement with its Engineering, Procurement, and Construction (EPC) partner. All certificates have been delivered, and the performance guarantee is in place, with both parties mutually agreeing on a last and final payment schedule.

Feedstock

Pryme, in its determination to bring a technology to market that converts plastic waste to oil, has set up arrangements with existing waste processors to secure an adequate and ready-to-use feedstock. Most sorting plants across Europe generate bales with the appropriate plastic content and composition. However, these bales are not optimal for Pryme's waste-to-oil process. Pryme has found that an intermediate preparation step, similar to the one used for producing refuse-derived fuel (RDF) pellets, is desirable. Entities that produce RDF pellets are equipped to process these plastic waste bales by shredding the plastic waste, removing residual solids, extracting ferrous and non-ferrous contaminants, and, importantly, drying and densifying the material. There is a nearly unlimited supply of such feedstock with standardized composition and density within defined moisture ranges for Pryme's initial and future plants. During the reporting period, Pryme One received sufficient quantities of such feedstock to support the startup activities at Pryme One.

Organization

The research activities at our small pilot plant located at the University of Ghent, also known as mini Pryme, are steadily advancing. These efforts not only support our participation in the European Union's Horizon research project but also provide daily assistance to Pryme One operations. To expand these, we appointed Azd Zayoud as Head of R&D, who reports to Pryme's CTO. Azd brings a comprehensive background in clean energy and engineering research with a strong focus on the thermochemical conversion of plastics into chemical feedstocks.

With the operations team fully staffed by 20 full-time equivalents (FTEs) ensuring round-the-clock operation of the installation and a total staff of nearly 35 FTEs, we have also hired an HR manager – Ireen Wolterink. In addition to handling the activities associated with an increasing headcount, Ireen supports the development of our internal HR processes.

Liquidity

Pryme ended the fourth quarter of 2023 with around EUR 8.2 million in cash. As has been communicated by Pryme on various occasions, the company will seek to obtain additional funding during the first half of 2024 in order to secure operations and progress our growth plan until at least the time Pryme will seek specific funding for its next plants. Management estimates that the overall funding needs for such period will amount to around EUR 8-12 million.

Pryme PAct - Health, Safety & Environment

During the reporting period, no safety incidents were reported, underscoring our commitment to maintaining a robust safety culture. Operating in a high-risk petrochemical environment, safety is priority number one for Pryme. Ensuring the health and safety of our employees and contractors, and minimizing our impact on the environment in which we operate, remain our top priorities.

Market Observations

Amid growing support for the advanced recycling value chain and increasing upgrading capacities projected to come online for the petrochemical companies, interest in the sector is rising fast. In response, ICIS, a global commodity intelligence source, launched a Pyrolysis Oil Index in October to address the demand for pricing transparency. Other entities like Argus are expected to introduce competing indexes soon, signaling a trend towards enhanced industry pricing transparency.

Q4 Financials

In conjunction with the closing of the accounts for Q4, 2023, some notable accounting transactions were completed. Below is a short overview of the most significant such transactions. A more detailed overview will be provided in the 2023 annual report which will be published on May 6, 2023.

An impairment analysis was performed confirming the carrying values for Pryme's fixed and intangible assets.

As a result of our commissioning activities, the operational team assessed all the assets that had been acquired for the overall processes in Pryme One. As some of these assets represented alternative technical approaches, the operations team selected the equipment that represented the best working technologies. This left some assets idle. These "stranded" assets were financially disposed and written off in the amount of EUR 4.9 million as Pryme sees no future use for these assets.

Following the completion and submission of the audit report required for the closing of the government grant provided by DEI, EUR 4.9 million were reclassified from non-current liabilities to property plant and equipment. In addition, a small amount was released to the P&L as such amount represented the grant awarded in order to fund operational expenses.

Outlook and subsequent events

With Pryme One producing first oil shortly after the reporting period ended, the company has confirmed the success of all corrective actions on the reactor and its capacity to convert un-melted plastic. The operations team has now shifted focus to feeding the reactor with melted plastic from the two installed extruders connected by a melt pipe and to optimize such operations. Integrating melt processing with the reactor and condensation system is key to achieving high-throughput production. A three-phase plan was defined where the first phase is completed. The first phase represented feeding the reactor with cold material directly, thereby bypassing the extruder process step. The second phase, which was entered into in the second half of February, focuses on utilizing the full conversion process of Pryme One including the feeding of material through the extruders thereby increasing the throughput capacity significantly. The second half of phase two will focus on optimizing all operating parameters. The production volumes in the first and second phases are limited. The second phase is expected to continue into the beginning of Q3, 2024. Phase two will be followed by phase three which represents the normal operating mode with capacities approaching Pryme One's nameplate capacity.

Management expects the first pyrolysis oil deliveries to our first external customer in the first half of the second quarter.

Q4, 2023 INTERIM FINANCIAL STATEMENTS

- UNAUDITED FIGURES -

Consolidated Statement of Financial Position

(In EUR * 1.000)	Purchase Price	Accumulated Depreciation	31 December 2023	Purchase Price	Accumulated Depreciation	30 September 2023	Restatement
Assets							
Non-current assets							
Intangible fixed assets							
Development costs	6 132	0	6 132	3 502	0	3 502	
Property, Plant & Equipment							
Land	4 063	0	4 063	4 063	0	4 063	
Machinery under construction			0	43 760		43 760	1
Plant & equipment	42 138	(4.900)	37 238	0	0	0	
R&D Equipment	1 029	(254)	775	1 032	(187)	845	
Office improvements & furniture	132	(25)	107	125		125	
Right of use assets	7 484	(1.823)	5 661	6 230	(1.681)	4 550	1
Total Property, Plant & Equipment	54 846	(7.002)	47 844	55 211	(1.868)	53 343	
Financial fixed assets							
Other amounts receivable			175			286	
Total non-current assets			54 151			57 131	
Current Assets							
Inventory			83			26	
Receivables & accrued income			1 413			1 598	
Cash & cash equivalents			8 204			13 264	
Total current assets			9 700			14 888	
Total Assets			63 851			72 018	
Equity & liabilities							
Group equity							
Share capital			2 419			2 419	
Share Premium			59 874			59 877	
Legal & statutory reserves			6 132			3 502	
Share-based payments			455			325	
Retained earnings			(27.138)			(16.921)	
Total group equity			41 742			49 202	
Liabilities							
Non-current liabilities							
Investment subsidy received in advance			1 949			7 168	
Leasing liabilities to banks			6 901			7 094	
Interest bearing loans and borrowings (> 1 year)			5 136			3 853	
Other long-term liabilities			272			272	
Total non-current liabilities			14 258			18 387	
Current liabilities							
Leasing liabilities to banks			756			745	
Interest bearing loans and borrowings (< 1 year)			668			822	
Trade payables			1 713			1 987	
Payables related to taxes and social security contributions			183			120	
Other liabilities & accruals			4 531			755	
Total current liabilities			7 851			4 429	
Total Equity and liabilities			63 851			72 018	

Notes to the Consolidated Statement of Financial Position

Restatement 1:

Compared to the balance sheet as per 30 September 2023 as included in the Pryme 2023 Q3 report the value of assets that were included in a sale and lease back transaction have been restated from Right of use assets to Machinery, plant & equipment for a value of EUR 8.670k as the economical ownership of the assets lies with Pryme.

- EUR 4.992k of subsidies received in advance for investments have been allocated to property plant & equipment in the statement of financial position as per 31 December 2023. The final application for the subsidy, supporting the amount received in advance, has been sent to the government agency for final approval. As per 30 September 2023 the subsidy amount received in advance was reported under non-current liabilities.
- The accumulated depreciation of machinery, plant & equipment includes a write-off to reflect the financial disposal in the fourth quarter amounting to EUR 4.900k.
- The increase in purchase value of Right of use assets from EUR 6.230k as per 30 September 2023 to EUR 7.484k as per 31 December 2023 mainly relates to an assumed extension for 5 years of the land lease contract for Pryme's first plant.
- Under non-current liabilities the investment subsidy received in advance reduces from EUR 7.169k as per 30 September 2023 to EUR 1.949k as per 31 December 2023 as EUR 4.992k was allocated to property plant and equipment (see first bullet above). The remainder of the difference is a release into the statement of income to cover operational expenses.
- The non-current liability for interest bearing loans has increased in the fourth quarter to EUR 5.136k as per 31 December 2023, mostly as a result of the assumed extension of the land lease contract (see bullet 3 above).
- Under current liabilities, the other liabilities and accruals increase by EUR 3.776k to EUR 4.531k as per 31 December 2023, mostly as a result of accruing for invoices to be received relating to the construction of Pryme One.

Consolidated Statement of Income

(In EUR * 1.000)	Fourth quarter 2023	Third quarter 2023	Second quarter 2023	First quarter 2023	Full year 2023	Fourth quarter 2022	Full year 2022
Revenues	0	0	0	0	0	0	0
Cost of Sales	0	0	0	0	0	0	0
Gross Margin	0	0	0	0	0	0	0
Operating expenses							
Personnel costs	(1 512)	(1 220)	(668)	(580)	(3 981)	(511)	(2 081)
Social security premiums and pension costs	(162)	(115)	(95)	(87)	(461)	(76)	(126)
Other Operational Expenses	(905)	(850)	(561)	(501)	(2 818)	(663)	(1 674)
Total operating expenses	(2 580)	(2 186)	(1 325)	(1 168)	(7 259)	(1 250)	(3 881)
EBITDA	(2 580)	(2 186)	(1 325)	(1 168)	(7 259)	(1 250)	(3 881)
Depreciation	(5 104)	(298)	(293)	(213)	(5 908)	-164	(482)
Operating result (EBIT)	(7 684)	(2 484)	(1 618)	(1 381)	(13 167)	(1 414)	(4 363)
Financial income	107	108	89	0	304	1	2
Financial expense	(12)	(102)	(110)	(61)	(285)	-24	(182)
Profit before taxes	(7 589)	(2 478)	(1 639)	(1 442)	(13 148)	(1 437)	(4 543)
Income tax	0	0	(41)	41	0	0	0
Net Income	(7 589)	(2 478)	(1 680)	(1 401)	(13 148)	(1 437)	(4 543)

Notes to the Consolidated Statement of Income

- In the fourth quarter the personnel costs amounted to EUR 1.512k, an increase of EUR 292k versus the costs in the third quarter. This is mostly due to the increasing headcount as a result of the introduction of the 24/6 work shift regime.
- Depreciation costs includes EUR 4.900k write-off on certain assets purchased in the past that have not been used in the construction of Pryme One.

Consolidated Statement of Changes in Equity

(In EUR * 1,000)	Share Capital	Share Premium Reserve	Share-based payments	General Reserve	Total Equity
Balance at 1 January 2023	1 648	45 880	112	(7 859)	39 781
Result for the period	0	0	0	(13 148)	(13 148)
Long-term incentive plan accrued / forfeited	0	0	405	1	406
Long-term incentive plan	3	58	(62)		(1)
Addition to legal reserves related to development costs	0	0	0	0	0
Capital increase	768	13 936	0	0	14 704
Balance at 31 December 2023	2 419	59 874	455	(21 006)	41 742

Consolidated Statement of Cash Flows

(In EUR * 1,000)	quarter 2023	quarter 2023	2023	quarter 2023	year 2023
Cash flows from / used in operating activities					
Net income after taxes	(7 589)	(2 478)	(1 680)	(1 401)	(13 148)
Adjustments to reconcile net income to net cash flows:					
Depreciation PPE and right-of-use assets	322	298	294	213	1 127
Write-off PPE	4 900	0	0	0	4 900
Long-term incentive plan	133	151	74	46	404
Interest charges related to leases	11	104	119	62	296
Cancellation lease	0	(2)	0	0	(2)
Movement in government grants	309	(50)	(22)	(71)	166
Finance income and expense (non-lease)	(94)	(121)	(98)	(2)	(315)
Income tax	0	0	(41)	41	0
Movements in working capital					0
Movements in inventories	(57)	(26)	0	0	(83)
Movements accounts receivable	211	329	(584)	412	368
Movements trade payables	(274)	678	(475)	835	764
Movements in other payables	3 839	387	(955)	(2 161)	1 110
Interest received	65	119	94	0	278
Interest paid	4	3	3	1	11
Income tax paid	0	0	0	0	0
Net cash flow from operating activities	1 780	(608)	(3 271)	(2 025)	(4 124)
Cash flow from investment activities					
Purchase of intangible fixed assets	70	(19)	(21)	(30)	0
Purchase of tangible fixed assets	(6 471)	(2 420)	(2 553)	(2 495)	(13 939)
Proceeds from sale of financial assets	0	0	0	0	0
Increase (-)/ decrease (+) financial assets	111	(36)	(8)	0	67
Net cash flow from investment activities	(6 290)	(2 475)	(2 582)	(2 525)	(13 872)
Cash flow from financing activities					
Private placement	(5)	(33)	14 742	0	14 704
Payments arising from loans and lease liabilities	(545)	(539)	(610)	(366)	(2 060)
Proceeds sale and lease-back	0	0	0	0	0
Investment subsidy received in advance	0	0	0	2 320	2 320
Other non-current liabilities	0	(181)	28	(130)	(283)
Net cash flow from financing activities	(550)	(753)	14 160	1 824	14 681
Total cash flow	(5 060)	(3 836)	8 307	(2 726)	(3 315)
Cash and cash equivalents at the beginning of the period	13 264	17 100	8 793	11 519	11 519
Net increase in cash and cash equivalents in the period	(5 060)	(3 836)	8 307	(2 726)	(3 315)
Cash and cash equivalents at the end of the period	8 204	13 264	17 100	8 793	8 204

STATEMENT BY THE MANAGEMENT BOARD

The Management Board has today considered and approved the Fourth Quarter 2023 Report of Pryme N.V. for the period from 01.10.2023 through 31.12.2023. We confirm, to the best of our knowledge, that the financial information contained in this report has been prepared in accordance with International Financial Accounting Standards (IFRS) and gives a true and fair view of Pryme N.V. and its group companies' assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the updates in this report includes a fair review of important events that have occurred during the third quarter of the financial year 2023 and that their impact on the condensed set of consolidated financial statements is reflected adequately.

Rotterdam, March 6th, 2024

Christopher Hervé - CEO

Ferry Lupescu - CFO

About Pryme | www.pryme-cleantech.com

Pryme N.V. is an innovative cleantech company focused on converting plastic waste into valuable products through chemical recycling on an industrial scale. Its efficient and scalable technology is based on a proven pyrolysis process that has been further developed and enhanced with proprietary characteristics. The company has completed its first plant in the port of Rotterdam with an expected annual intake capacity of up to 40,000 tons; first production took place in January 2024. Pryme's ambition is to contribute to a low-carbon, circular plastic economy and to realize the large rollout potential of its technology through the development of a broad portfolio of owned-operated plants with strategic partners. The company is listed on the Euronext Oslo Growth market. Pryme can be followed on LinkedIn.

Forward Looking Statements

This Fourth Quarter 2023 Report (the "Q4 2023 Report") is produced by Pryme N.V. (the "Company" or "Pryme") and contains several forward-looking statements relating to the business, financial performance and results of Pryme, its subsidiaries and/or the industry in which it operates. Forward-looking statements concern future circumstances and results and other statements that are not historical facts, sometimes identified by the words "believes", "expects", "predicts", "projected", "plans", "forecasts", "estimates", "anticipated", "targets", "will", "continue" and similar expressions. Forward-looking statements include statements regarding objectives, goals, strategies, outlook and growth prospects; future plans, events or performance and potential for future growth; liquidity, capital resources and capital expenditures; profit; margin, return on capital, cost or dividend targets; economic outlook and industry trends; developments of the Company's markets; the impact of regulatory initiatives; and the strength of the Company's competitors. The forward-looking statements contained in this Q4 2023 Report, including assumptions, opinions and views of the Company, are based upon various assumptions, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third party sources. Although the Company believes that these assumptions were reasonable when made, the forward-looking statements provided in this report are solely opinions and forecasts that are uncertain and subject to risks, contingencies and other important factors which are difficult or impossible to predict and are beyond its control. A number of factors can cause actual results to differ significantly from any anticipated development expressed or implied in this Q4 2023 Report. No representation is made that any of these forward-looking statements or forecasts will come to pass or that any forecast result will be achieved and the reader is cautioned not to place any undue reliance on any forward-looking statement. Any information obtained from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information to be inaccurate or misleading.