



# IceBear

CIRCULAR PRODUCTION

## **ICEBEAR STEENWIJK B.V. INTERIM FINANCIAL REPORT**

30 September 2022



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## ABOUT ICEBEAR

IceBear Steenwijk B.V. (IceBear) is a private limited liability company, incorporated and domiciled in the Netherlands. The Company is located in Steenwijk, the Netherlands, and is registered in the Trade Register at the Dutch Chamber of Commerce under number 63993880.

IceBear is a Dutch subsidiary of Snowflake Capital Partners AS (SCP), (formerly Kvitebjørn Energi AS), which owns 80% of the Company. SCP is a Norwegian investment company. The ultimate parent of the Company is Peak XV AS registered and incorporated in Norway.

IceBear owns and operates a 12.5 MW Combined Heat and Power plant (CHP) fuelled by virgin wood chips that produces green energy in the form of electrical power, steam, and hot water. IceBear has invested in and built production lines to make composite pallet blocks from recycled waste wood and the green energy from the CHP. Surplus energy (electricity and thermal) after the production of pallet blocks is sold to the grid or as hot water to external companies. Hot water is sold locally for environmentally friendly weed control and other purposes.

IceBear is part of the circular and sustainable economy and uses recycled wood to make new products. By the end of 2022, the company aims to utilize about 90% of the total energy production and to be a major contributor to reducing CO2 emissions and transform recycled wood into sustainable products.



# MANAGEMENT COMMENTARY

## REPORTING PERIOD

The reporting period is 1 July 2022 to 30 September 2022.

## FINANCIAL REVIEW

### Financial results

EUR	Third quarter		Year to Date		Year
	2022	2021	2022	2021	2021
Revenue	3,079,814	51,368	5,934,298	90,648	248,807
Other income	293,155	-	295,929	450	83,200
Expenses (excluding depreciation)	-3,404,999	-882,930	-7,771,086	-1,655,542	-2,820,009
EBITDA*	-32,030	-831,562	-1,540,859	-1,564,444	-2,488,002
Depreciation of tangible fixed assets	-314,842	-265,608	-936,727	-803,498	-1,090,716
Operating result	-346,872	-1,097,170	-2,477,586	-2,367,942	-3,578,718
Net result	-418,039	-1,076,237	-2,329,653	-2,284,345	-3,650,686

\*Earnings before interest tax, depreciation and amortisation. Calculated as total income, less operating expenses, excluding depreciation.

Total revenue in Q3 ended at 3.080 k€, up from 2.242 k€ in Q2. Total block sales were 9.449 m<sup>3</sup> in Q3, up from 6.169 m<sup>3</sup> in Q2. Average block price for Q3 ended at 299 €/m<sup>3</sup> vs. 274 €/m<sup>3</sup> in Q2. EBITDA for Q3 ended at -32 k€ vs. -405 k€ in Q2.

### Financial position

EUR	30 September 2022	31 December 2021
Property, plant & equipment	59,780,776	47,736,483
Right of use assets	888,679	275,798
Cash and cash equivalents	868,889	4,545,132
Shareholders' equity	18,744,176	20,700,328
Working capital	-37,071,130	6,702,921
Working capital (excluding restricted cash and cash equivalents)	-43,940,019	1,833,789
Return on equity ((Net loss) / Shareholders' equity)	-0.124	-0.176
Solvency ratio (Shareholders' equity / Total assets)	0.264	0.331

Working capital has increased with Bond Loan as the Bond is due within 12 months of Balance Date.

## COVENANT RATIOS

IceBear is in compliance with both its financial covenants as of the reporting date:

- Minimum liquidity of EUR 6m. As of the reporting date liquidity was EUR 6.9 million
- Equity to total assets ratio of minimum 20%. As of the reporting date the ratio was 26.4%

The covenant ratios are unaudited.



## COMMERCIAL ACTIVITIES

As warned in the last report, the softening of demand and reduction in market pricing through Q3 has continued further. The prices for composite pallet blocks dropped from average 335 €/m<sup>3</sup> in July to 266 €/m<sup>3</sup> in September. The main driver from the reduction is the stockpiling of solid timber, wood for pallets, pallets, and pallet blocks through Q2, in combination with rising energy prices through Q3 which lead to reduced demand. Prices for glue and emulsion increased further through the period due to peak in natural gas pricing, hence also biomass and recycled wood significantly increased in pricing due to strong demand from the German energy market. A reduction in the raw material prices has not yet taken place in the same level as the reduction in the block prices in Q3, hence not supporting the increase in gross profit as expected with increased volumes.

The Company has continued to ramp up pallet block production in the main production facility during the reporting period, but due to various technical and operational challenges Company is behind planned ramp-up. Total production for the period was 9.449 m<sup>3</sup> in Q3. The project has progressed during the reporting period and in spite of challenges in the ramp-up the Company have reached important milestones with all lines passing performance tests and main production plant reached Acceptance on 7<sup>th</sup> September 2022.

After getting all six pallet block lines in production by the end of Q2, Company have faced further operational issues related to the modulation of the plant processes and balancing of processes with increased volumes. The main ramp up challenges are de-bottlenecking, staffing and training, standardization and technical support. The impact of this is still unstable production output and continuous interruption during the operating time, hence falling behind ramp-up schedule. Several improvement activities have been performed and are ongoing to reach target of nominal capacity. These include recruiting and training of personnel, de-bottlenecking and process improvements, complete implementation of ERP system, establishing operational routines, feedstock procurement and logistics development. For the near-term management have reduced ambitions to 80% of nominal capacity.

The Combined Heat and Power plant (CHP) has been in operation during the entire period, supplying energy to the pallet block lines and selling excess electricity to the net. The only exception is planned downtime in week 38 due to preventive maintenance, also relevant for the block production. Prices of biomass however are also rising and at the current energy price level the production of energy with the CHP is not subsidised

## PROJECT ACTIVITIES

The project progress for the main production facility was completed with the Acceptance 7<sup>th</sup> September 2022, but there are still open points to be closed. In addition, the work is proceeding with the remaining improvement activities at the



second biomass intake, expanded degassing facility and alternative glue facility continued to progress during the reporting period. These projects are expected to be completed during Q1-2023. Reporting on these projects will for the future be included under operations as the main production facility is has been transferred to operations.

## HEALTH, SAFETY, ENVIRONMENTAL AND QUALITY

An HSE regime has been developed and implemented to live up to the Company's target of zero incidents. A quality system that includes policies, processes and instructions is developed and Company is continuing to provide required content in the system. The aim to ensure safety, quality and promote continuous improvement as our DNA and culture. This is a time-consuming task that will be ongoing while ramping up production.

The Company operates under environmental permits that determine the number of truck movements, noise and emission levels allowed. Company has during the ramp-up process faced issues related to emissions, especially dust and noise. Several mitigating actions has been taken during the reporting period, amongst them decision to invest in a bag filter to cope with dust emissions and installation of sound proofing equipment for noise reduction. Emission situation has gotten media and political attention but has have so far been well managed by Company management. Further actions are planned also for next quarter in consultation with relevant authorities. The project continuously monitors the situation and assesses countermeasures in close cooperation with suppliers and advisors.

## BUSINESS OUTLOOK

As also addressed in the Company's press release of 8 November 2022 and investor update on 16 November 2022, the Company has during Q4 2022 continued to face challenges. See note 13 and other notes for additional information.

Oslo and Steenwijk, 29 November 2022,

.....  
**H. G. Pomper**  
CEO

.....  
**E. Aubert**  
Director

.....  
**N. Lucciarini**  
Director

.....  
**A. Ombustvedt**  
Chairman



# IceBear

CIRCULAR PRODUCTION

**ICEBEAR STEENWIJK B.V.  
INTERIM  
FINANCIAL STATEMENTS**

30 September 2022



# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OR LOSS (UNAUDITED)

EUR	Note	Third quarter		Year to Date		Year
		2022	2021	2022	2021	2021
Revenue	4	3,079,814	51,368	5,934,298	90,648	248,807
Other income	4	293,155	-	295,929	450	83,200
<b>Total operating income</b>		<b>3,372,969</b>	<b>51,368</b>	<b>6,230,227</b>	<b>91,098</b>	<b>332,007</b>
<b>Expenses</b>						
Expenses of raw materials		-1,835,899	-88,778	-3,587,320	-157,298	-325,854
Employee expenses		-746,343	-193,727	-2,001,507	-635,284	-1,050,200
Other operating expenses		-799,946	-600,231	-2,159,448	-862,961	-1,443,955
Impairment losses on receivables and contract assets		-22,811	-	-22,811	-	-
Depreciation of tangible fixed assets	5	-314,842	-265,608	-936,727	-803,498	-1,090,716
<b>Total operating expenses</b>		<b>-3,719,841</b>	<b>-1,148,538</b>	<b>-8,707,813</b>	<b>-2,459,040</b>	<b>-3,910,725</b>
<b>Operating loss</b>		<b>-346,872</b>	<b>-1,097,170</b>	<b>-2,477,586</b>	<b>-2,367,942</b>	<b>-3,578,718</b>
Interest expenses	8	-167,259	-183,742	-496,540	-504,696	-680,929
Other financial income / (expenses)		-2,016	-34,497	-1,377	-46,482	-35,472
<b>Net financial expenses</b>		<b>-169,275</b>	<b>-218,239</b>	<b>-497,917</b>	<b>-551,179</b>	<b>-716,401</b>
<b>Net loss before tax</b>		<b>-516,147</b>	<b>-1,315,409</b>	<b>-2,975,503</b>	<b>-2,919,121</b>	<b>-4,295,119</b>
Income tax	9	98,108	239,172	645,850	634,776	644,433
<b>Net loss after taxation</b>		<b>-418,039</b>	<b>-1,076,237</b>	<b>-2,329,653</b>	<b>-2,284,345</b>	<b>-3,650,686</b>
<b>Net loss attributable to:</b>						
Owners of the Company		<b>-418,039</b>	<b>-1,076,237</b>	<b>-2,329,653</b>	<b>-2,284,345</b>	<b>-3,650,686</b>
<b>Other comprehensive loss:</b>						
<i>Items that might be subsequently reclassified to profit or loss:</i>		-	-	-	-	-
<i>Item that are not reclassified to profit or loss:</i>		-	-	-	-	-
<b>Total comprehensive loss for the year</b>		<b>-418,039</b>	<b>-1,076,237</b>	<b>-2,329,653</b>	<b>-2,284,345</b>	<b>-3,650,686</b>
<b>Total comprehensive loss attributable to:</b>						
Owners of the Company		<b>-418,039</b>	<b>-1,076,237</b>	<b>-2,329,653</b>	<b>-2,284,345</b>	<b>-3,650,686</b>

*The accompanying notes are an integral part of these Interim Financial Statements.*





## STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Before appropriation of results)

EUR	Note	30 September 2022	31 December 2021
<b>ASSETS</b>			
<b>Tangible fixed assets</b>			
Property, plant & equipment	5	59,780,776	47,736,483
Right of use assets		888,679	275,798
<b>Total tangible fixed assets</b>		<b>60,669,455</b>	<b>48,012,282</b>
<b>Non-current assets</b>			
Restricted cash deposit - long term	6	-	6,000,000
<b>Total non-current assets</b>		<b>-</b>	<b>6,000,000</b>
<b>Current assets</b>			
Inventories		1,708,911	110,246
Restricted cash deposit - short term	6	6,000,000	3,232,000
Trade receivables		908,585	11,510
Other current receivables		927,772	557,538
<b>Total current assets</b>		<b>9,545,268</b>	<b>3,911,294</b>
Cash and cash equivalents	6	868,889	4,545,132
<b>Total current assets</b>		<b>10,414,157</b>	<b>8,456,426</b>
<b>TOTAL ASSETS</b>		<b>71,083,612</b>	<b>62,468,708</b>

*The accompanying notes are an integral part of these Interim Financial Statements.*



## STATEMENT OF FINANCIAL POSITION (UNAUDITED) (CONTINUED)

(Before appropriation of results)

EUR	Note	30 September 2022	31 December 2021
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital		125,000	125,000
Share premium reserve		9,856,012	9,856,012
Other reserve		1,099,750	726,250
Revaluation reserve		15,007,336	15,915,655
Retained earnings / (accumulated deficit)		-5,014,270	-2,271,902
Unappropriated results		-2,329,652	-3,650,687
<b>Total equity</b>	<b>7</b>	<b>18,744,176</b>	<b>20,700,328</b>
<b>Non-current liabilities</b>			
Deferred tax liability	9	3,663,263	4,309,113
Bond loan	8	-	34,689,096
Non-current portion of lease liabilities		737,339	260,916
Other liabilities		453,547	755,749
<b>Total non-current liabilities</b>		<b>4,854,149</b>	<b>40,014,874</b>
<b>Current liabilities</b>			
Bond loan	8	34,905,971	-
Loans payable	8	7,017,942	-
Amounts due to related parties		-	2,495
Current portion of lease liabilities		148,877	27,929
Trade creditors		3,616,268	1,125,581
Tax liability		-	167,743
Other current liabilities		1,796,229	429,757
<b>Total current liabilities</b>		<b>47,485,287</b>	<b>1,753,505</b>
<b>Total liabilities</b>		<b>52,339,436</b>	<b>41,768,379</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>71,083,612</b>	<b>62,468,708</b>

*The accompanying notes are an integral part of these Interim Financial Statements.*



## STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

EUR	Share capital	Share premium reserve	Other reserve	Revaluation reserve	Retained earnings	Unappropriatd results	Total
<b>Balance at 1 January 2022</b>	<b>125,000</b>	<b>9,856,012</b>	<b>726,250</b>	<b>15,915,655</b>	<b>-2,271,902</b>	<b>-3,650,687</b>	<b>20,700,328</b>
<i>Comprehensive income for the year</i>							
Unappropriated results	-	-	-	-	-	-2,329,652	<b>-2,329,652</b>
Total comprehensive income for the year	-	-	-	-	-	-2,329,652	<b>-2,329,652</b>
<i>Transactions with owners of the Company</i>							
Appropriation of results	-	-	-	-	-3,650,687	3,650,687	-
Depreciation on revalued assets	-	-	-	-399,709	399,709	-	-
Allocation of legal and statutory reserves	-	-	-	-508,610	508,610	-	-
Share-based compensation	-	-	373,500	-	-	-	<b>373,500</b>
Total transactions with owners of the Company	-	-	373,500	-908,319	-2,742,368	3,650,687	<b>373,500</b>
<b>Balance at 30 September 2022</b>	<b>125,000</b>	<b>9,856,012</b>	<b>1,099,750</b>	<b>15,007,336</b>	<b>-5,014,270</b>	<b>-2,329,652</b>	<b>18,744,176</b>
<b>Balance at 1 January 2021</b>							
<b>125,000</b>	<b>6,191,650</b>	<b>228,250</b>	<b>17,129,635</b>	<b>-917,313</b>	<b>-2,568,569</b>	<b>20,188,653</b>	
<i>Comprehensive income for the year</i>							
Unappropriated results	-	-	-	-	-	-2,284,245	<b>-2,284,245</b>
Total comprehensive income for the year	-	-	-	-	-	-2,284,245	<b>-2,284,245</b>
<i>Transactions with owners of the Company</i>							
Appropriation of results	-	-	-	-	-2,568,569	2,568,569	-
Depreciation on revalued assets	-	-	-	-457,889	457,889	-	-
Allocation of legal and statutory reserves	-	-	-	-508,610	508,610	-	-
Share-based compensation	-	-	373,500	-	-	-	<b>373,500</b>
Total transactions with owners of the Company	-	-	373,500	-966,499	-1,602,070	2,568,569	<b>373,500</b>
<b>Balance at 30 September 2021</b>	<b>125,000</b>	<b>6,191,650</b>	<b>601,750</b>	<b>16,163,136</b>	<b>-2,519,383</b>	<b>-2,284,245</b>	<b>18,277,908</b>

Note

7

*The accompanying notes are an integral part of these Interim Financial Statements.*



## STATEMENT OF CASH FLOWS (UNAUDITED)

EUR	Note	Year to Date	
		2022	2021
<b>Cash flows from operating activities</b>			
Profit (loss) before tax		-2,975,503	-2,919,021
<i>Adjustments for</i>			
Depreciation	6	936,727	828,561
Net financial expenses		509,381	551,179
Foreign exchange		-11,464	-
Share-based compensation	12	373,500	373,500
Book result on disposal of property, plant and equipment		-	-25,064
<i>Change in operating assets and liabilities</i>			
Change in trade receivable and other receivables		-1,255,842	-165,628
Change in trade and other payables		3,384,719	799,221
Change in inventories		-1,598,665	-38,891
Income tax received (paid)		-	-
<b>Net cash inflow from operating activities</b>		<b>-637,147</b>	<b>-596,143</b>
<b>Cash flows from investing activities</b>			
Investment in property, plant and equipment	5	-10,323,306	-4,939,814
Sale of property, plant and equipment		-	66,471
Investment in right of use assets		-28,200	-
<b>Net cash (outflow) from investing activities</b>		<b>-10,351,506</b>	<b>-4,873,343</b>
<b>Cash flows from financing activities</b>			
Release from escrow accounts	6	3,232,000	2,300,000
Repayments of borrowings, lease liabilities		-126,055	-34,029
New loans	8	6,750,000	-
Interest paid	8	-2,543,535	-2,623,348
<b>Net cash inflow from financing activities</b>		<b>7,312,410</b>	<b>-357,377</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>-3,676,243</b>	<b>-5,826,862</b>
Cash and cash equivalents 1 January		4,545,132	8,940,587
<b>Cash and cash equivalents at the end of the period</b>		<b>868,889</b>	<b>3,113,725</b>
Cash and bank balances		490,889	3,113,725
Escrow accounts included as cash and cash equivalents		378,000	1,832,000
<b>Cash and cash equivalents at the end of the period</b>		<b>868,889</b>	<b>4,945,725</b>

*The accompanying notes are an integral part of these Interim Financial Statements.*



# NOTES TO THE INTERIM FINANCIAL STATEMENTS

## NOTE 1 GENERAL INFORMATION

IceBear Steenwijk B.V. is located in Steenwijk, the Netherlands and is registered in the Trade Register at the Chamber of Commerce under number 63993880.

IceBear Steenwijk B.V. is a Dutch subsidiary of Snowflake Capital Partners AS (formerly Kvitebjørn Energi AS) (SCP). SCP is a Norwegian company that invests in renewables and sustainable businesses and is part of the Daimyo Group. The ultimate parent of the Company is Peak XV AS in Norway.

### Reporting entity

These Interim Financial Statements (hereafter: “interim financial statements”) comprise the Company (referred to as the Company).

### Financial reporting period

These interim financial statements cover the first nine months of 2022, ending on 30 September 2022.

### Going concern

These interim financial statements of the Company have been prepared on the basis of the going concern assumption.

## NOTE 2 GENERAL ACCOUNTING PRINCIPLES

The general accounting policies applied in the preparation of these interim financial statements are set out below.

### Basis of preparation

The interim financial statements for the first nine months of 2022, ending on 30 September 2022, were prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Company’s last annual financial statements as at and for the year ended 31 December 2021 (‘last annual financial statements’). They do not include all the information required for a complete set of financial statements prepared in accordance with IFRS Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company’s financial position and performance since the last annual financial statements.

The interim financial statements are presented in Euros (EUR) and have been rounded to the nearest Euro unless otherwise stated. As a result of rounding adjustments, amounts and percentages may not add up to the total.



These interim financial statements were authorised for issue by the Company's board of directors on 29 November 2022.

### **Use of judgements and estimates**

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements and estimates applied in the preparation of these interim financial statements are the same as those followed in the Company's last annual financial statements.

### **Significant accounting policies**

The significant accounting policies applied in the preparation of these interim financial statements are the same as those followed in the Company's last annual financial statements. These accounting policies have been applied consistently to all years presented, unless otherwise stated.

### **Changes in accounting policies and new pronouncements**

The IASB issued the following amendments which are effective 1 January 2022:

- Annual Improvements to IFRS: 2018-2020 Cycle
- Conceptual Framework for Financial Reporting (Amendments to IFRS 3)
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendment – Onerous Contracts – Cost of Fulfilling a Contract)
- IAS 16 Property, Plant and Equipment (Amendment – Proceeds before Intended Use).

The above-mentioned amendments does not have a significant effect for the Company's financial reporting.

None of the already issued, but not yet effective accounting standards or amendments to such standards are expected to have significant effects for the Company's financial reporting.

## **NOTE 3 SIGNIFICANT EVENTS AND TRANSACTIONS**

### **Construction in progress, additions to items of property, plant and equipment**

Refer to note 5 for further details on the construction in progress.

### **Related party transactions**

Refer to note 12 for further details on the related party transactions.



## Seasonality

The Company's operations are not subject to any significant fluctuations due to seasonality.

## Segment reporting

EUR	Third quarter 2022				Third quarter 2021			
	CHP	Palletblocks	Unallocated	Total	CHP	Palletblocks	Unallocated	Total
Revenue	285,989	2,793,825	-	<b>3,079,814</b>	-	51,368	-	<b>51,368</b>
Net financial expenses	-	-167,259	-2,016	<b>-169,275</b>	-	-183,742	-34,498	<b>-218,241</b>
Depreciation of tangible fixed assets	-57,082	-	-257,760	<b>-314,842</b>	-58,547	-	-207,255	<b>-265,803</b>
Net result before tax	-70,563	1,090,136	-1,535,721	<b>-516,147</b>	-147,325	-132,374	-1,035,711	<b>-1,315,410</b>
Income tax	18,205	-281,255	361,158	<b>98,108</b>	36,831	33,094	139,001	<b>208,926</b>
Assets	5,958,969	41,280,576	23,818,507	<b>71,058,052</b>	13,508,943	28,725,312	19,271,644	<b>61,505,899</b>
Liabilities	856,483	41,923,913	9,533,480	<b>52,313,876</b>	-1,007,584	34,607,527	9,658,294	<b>43,258,237</b>

EUR	Year to Date 2022				Year to Date 2021			
	CHP	Palletblocks	Unallocated	Total	CHP	Palletblocks	Unallocated	Total
Revenue	924,712	5,009,586	-	<b>5,934,298</b>	-	90,648	-	<b>90,648</b>
Net financial expenses	-	-496,540	-1,377	<b>-497,917</b>	-	-504,696	-46,482	<b>-551,179</b>
Depreciation of tangible fixed assets	-168,356	-	-768,371	<b>-936,727</b>	-165,097	-	-638,400	<b>-803,498</b>
Net result before tax	-553,197	2,235,279	-4,657,585	<b>-2,975,503</b>	-322,395	-414,048	-2,182,577	<b>-2,919,020</b>
Income tax	142,725	-576,702	1,079,827	<b>645,850</b>	80,599	103,512	420,418	<b>604,529</b>
Assets	5,958,969	41,280,576	23,818,507	<b>71,058,052</b>	13,508,943	28,725,312	19,271,644	<b>61,505,899</b>
Liabilities	856,483	41,923,913	9,533,480	<b>52,313,876</b>	-1,007,584	34,607,527	9,658,294	<b>43,258,237</b>

The entity is generating its main revenue from pallet blocks from 2022 and the asset was commissioned and accepted on 7<sup>th</sup> September 2022. Asset is then available for its intended use starting from this date and depreciation will commence from Q4 2022.

Year 2021				
EUR	CHP	Palletblocks	Unallocated	Total
Revenue		248,807	-	<b>248,807</b>
Net financial expenses		-	-680,929	<b>-716,401</b>
Depreciation of tangible fixed assets		-219,939	-	<b>-1,090,716</b>
Net result before tax		-293,472	-680,929	<b>-4,588,591</b>
Income tax		-73,368	-170,232	<b>644,433</b>
Assets		6,245,621	31,725,748	<b>62,468,707</b>
Liabilities		957,217	34,689,096	<b>41,768,379</b>



## NOTE 4 TOTAL INCOME

EUR	Third quarter		Year to Date		Year
	2022	2021	2022	2021	2021
Electricity	245,892	-	846,036	-	158,159
Pallet block	2,793,825	-	5,009,586	-	-
Hot water	40,097	51,368	78,676	90,648	90,648
<b>Total revenue</b>	<b>3,079,814</b>	<b>51,368</b>	<b>5,934,298</b>	<b>90,648</b>	<b>248,807</b>
Other income	293,155	-	295,929	450	83,200
<b>Total other income</b>	<b>293,155</b>	<b>-</b>	<b>295,929</b>	<b>450</b>	<b>83,200</b>
<b>Total income</b>	<b>3,372,969</b>	<b>51,368</b>	<b>6,230,227</b>	<b>91,098</b>	<b>332,007</b>

## NOTE 5 PROPERTY, PLANT AND EQUIPMENT

EUR Cost	Land	Buildings	Plant and equipment	Construction in-progress	Other	Total
Cost at 1 January 2022	1,631,365	1,137,586	25,806,315	22,493,748	183,144	51,272,159
Additions	-	17,317	-	10,242,329	63,660	10,323,306
Capitalised borrowing costs	-	-	-	2,544,499	-	2,544,499
Cost at 30 September 2022	1,631,365	1,154,903	25,806,315	35,280,576	246,804	64,119,963

Depreciation and impairment losses						
Accumulated at 1 January 2022	-	-485,093	-2,990,254	-	-40,331	-3,515,676
Depreciation	-	-60,785	-731,316	-	-31,409	-823,510
Accumulated at 30 September 2022	-	-545,878	-3,721,571	-	-71,740	-4,339,187

Carrying amount						
At 31 December 2021	1,631,365	652,493	22,816,061	22,493,748	142,813	47,756,483
At 30 September 2022	1,631,365	609,025	22,084,744	35,280,576	175,064	59,780,776

At 30 September 2022, property, plant and equipment with a carrying amount of EUR 24.33 million (31 December 2021: EUR 25.10 million) were pledged as collateral against its secured bond loan.

### Construction in progress

Construction in progress relates to the construction of a production and feeding line for the Company's plant. The Company has contracted a developer to deliver the project through a turnkey project. As at 30 September 2022 EUR 0.38 million (31 December 2021: EUR 4.74 million) related to the construction of the project remains to be paid. Construction in progress includes EUR 6.50 million of capitalised borrowing costs (31 December 2021: EUR 3.96 million). The Company used a capitalisation rate of 83% (2021: 83%) to determine the amount of borrowing costs eligible for capitalisation.

EUR 0.38 million is held in escrow for the project which has been classified as restricted cash (refer to note 6 for additional details).





## NOTE 6 CASH AND CASH EQUIVALENTS

EUR	30 September 2022	31 December 2021
Cash and cash equivalents	868,889	4,545,132
<b>Total cash and cash equivalents</b>	<b>868,889</b>	<b>4,545,132</b>
Restricted cash	6,000,000	9,232,000
<b>Total restricted cash</b>	<b>6,000,000</b>	<b>9,232,000</b>

### Restricted cash

The Company has restricted cash of the amount of EUR 6.38 million (31 December 2021: EUR 10.74 million) that is not immediately accessible. The change is due to release of payment related to Acceptance. EUR 0.38 million of the balance is due in less than 3 months and has therefore been classified as cash and cash equivalents.

EUR	30 September 2022	31 December 2021
Restricted cash deposit - long term	-	6,000,000
Restricted cash deposit - short term	6,000,000	3,232,000
Restricted cash deposit included in cash and cash equivalents	378,000	1,508,000
<b>Total cash and cash equivalents</b>	<b>6,378,000</b>	<b>10,740,000</b>

EUR 0.38 million of the funds related to the Company's construction project can be withdrawn during 2022 upon meeting the construction project milestones (refer to note 5).

EUR 6 million (31 December 2021: EUR 6 million) is to remain in an escrow account at all times during the duration of the bond agreement (refer to note 8).

## NOTE 7 EQUITY

As per 30 September 2022, equity contains an amount of EUR 15.0 million (31 December 2021: EUR 15.9 million) related to the revaluation of property, plant and equipment held by the Company, which is blocked for distribution under Dutch law.



## NOTE 8 INTEREST BEARING DEBT

### Bond loan

In September 2020, the Company issued a senior secured bond loan of EUR 35 million. The bond carries a coupon of EURIBOR 3 Month + 9.5%, with a floor of zero for EURIBOR 3 Month. The bond has been listed on the Oslo Stock Exchange (Oslo Børs) as per 4 March 2021.

The bond loan matures on 7 September 2023, and the outstanding amount of EUR 35 million is payable at the maturity date.

Interest expense on the bond for the nine months ending 30 September 2022 was EUR 2.748 million (full year ending 31 December 2021: EUR 3.647 million), of which EUR 2.277 million (full year ending 31 December 2020: EUR 3.022 million) was capitalised given the borrowing costs were directly attributable to the construction in progress.

EUR	30 September 2022	31 December 2021
<b>Opening balance, net of transaction costs</b>	<b>34,689,096</b>	<b>34,412,890</b>
<b>Cash movements:</b>		
Interest paid on loan	-2,530,694	-3,371,180
Total change from financing cash flows	-2,530,694	-3,371,180
<b>Non-cash movements</b>		
Interest expenses	2,747,569	3,647,386
<b>Closing balance, net of transaction costs</b>	<b>34,905,971</b>	<b>34,689,096</b>

### *Covenant requirements*

Under the terms of the bond agreement, the Company is required to maintain a minimum liquidity of not less than EUR 6 million and an equity ratio not below 20 percent. All of the covenant requirements were complied with during the reporting period.

### Loans from parent company

In February, March, April, June and August the parent company, SCP, provided loans to the Company for EUR 1.4 million, EUR 1.1 million, EUR 1.5m, EUR 1.5 million and EUR 1.25 million, respectively, to fund costs in relation to the construction project, measures to mitigate emissions and the buildup of working capital. All loans bear an interest rate of 10.0% per annum on the loan balance, except for the loan provided in August which bears an interest rate of 11.0% per annum on the loan balance. The loans and interest become repayable on demand after the bond maturity date of 7 September 2023.



The interest has been fully capitalised as the borrowing costs are directly attributable to the construction in progress.

EUR	30 September 2022	31 December 2021
<b>Opening balance, net of transaction costs</b>	-	-
<b>Cash movements:</b>		
Proceeds from parent company	6,750,000	-
<b>Total change from financing cash flows</b>	<b>6,750,000</b>	-
<b>Non-cash movements</b>		
Interest expenses	267,942	-
<b>Closing balance, net of transaction costs</b>	<b>7,017,942</b>	-

## NOTE 9 INCOME TAXES

### Income tax

EUR	Third quarter		Year to Date		Year
	2022	2021	2022	2021	2021
Current tax expense	-	214,775	-	252,442	-
Deferred tax income / (expense)	98,108	24,397	645,850	382,334	644,433
<b>Income tax expense (income)</b>	<b>98,108</b>	<b>239,172</b>	<b>645,850</b>	<b>634,776</b>	<b>644,433</b>

### Deferred tax balances

#### Deferred tax assets

EUR	30 September 2022	31 December 2021
Tax losses carried forward	1,872,579	1,474,392
<b>Carrying value deferred tax assets</b>	<b>1,872,579</b>	<b>1,474,392</b>

#### Deferred tax liabilities

EUR	30 September 2022	31 December 2021
Property, plant and equipment	5,535,842	5,783,505
<b>Carrying value deferred tax liabilities</b>	<b>5,535,842</b>	<b>5,783,505</b>



## NOTE 10 FINANCIAL RISK MANAGEMENT

Risk management in the Company is carried out by the CEO under policies approved by the board of directors. Potential risks are evaluated on a regular basis, and the CEO determines appropriate strategies related to how these risks are to be handled within the Company under the approved policies.

Among others, the Company is exposed to operational, market-, credit-, liquidity- and government grant risk. The current macroeconomic environment is challenging with high inflation, raising interest risk, weaker business environment. The company can face liquidity issues as market prices changes and ramp-up is behind plan. Grants can be reduced when energy prices are high.

After the end of the reporting period the company has issued news related to challenging market and operational issues affecting the company cash flows and liquidity. Management is addressing these challenges in order to reduce the effects and create a more robust platform for the future.

The financial risk management applied in the preparation of these interim financial statements are the same as those applied in the Company's last annual financial statements with the exception of credit risk.

The Company has recognised an expected credit loss related to its trade receivables using the simplified approach. The following table provides information about the ECLs for trade receivables at 30 September 2022:

30 September 2022 EUR	Days past due						Total
	Current	<30 days	30-60 days	61-90 days	91-120 days	>120 days	
Gross carrying amount	570,568	316,543	25,002	-	-	19,283	931,396
Weighted average loss rate	0.00%	0.99%	1.98%	2.98%	19.88%	99.40%	
<b>Loss allowance</b>	-	<b>3,147</b>	<b>497</b>	-	-	<b>19,167</b>	<b>22,811</b>

To further manage the credit risk on trade receivables, the Company now insures up to 90% of the trade receivables balance, reducing the exposure to credit risk.

### Fair Values of Financial Instruments

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities
- Level 2: other techniques for which inputs that have a significant effect on the recorded fair value are observable, directly, or indirectly
- Level 3: techniques that use inputs that have a significant effect on the recorded fair value that are not based on observable market data



The carrying amounts of trade and other receivables, cash and cash equivalents, as well as trade and other payables approximates their fair values because they are short term in nature.

The carrying value of the Company's Bond loan as at reporting date is EUR 34.91 million (31 December 2020: EUR 34.69 million). The carrying amount of the bonds approximates its fair value based on recent trades in the bond which has happened at, or close to, par.

The carrying value of the loans from the parent company at the reporting date is EUR 7.02 million (31 December 2020: EUR nil). The carrying amount of the loans approximates their value.

While the reporting period was affected by a challenging business environment no adjustments have been made regarding the fair value of the Company's financial assets and financial liabilities. A new consideration will be made after Q4 report for the audited accounts.

## **NOTE 11 COMMITMENTS**

The Company is subject to commitments and contingencies, which occur in the normal course of business. The Company plans to fund these commitments and contingencies out of existing facilities and internally generated funds. The main shareholder has provided liquidity as not sufficient operational cash flow has been generated. See note 13 for additional information.

### **Capital expenditure**

Commitments in respect of expansion project contracts placed for capital expenditure at 30 September 2022 amount to EUR 2.56 million (31 December 2021: EUR 5.84 million).

### **Assets pledged as collateral**

At 30 September 2022, property, plant and equipment with a carrying amount of EUR 24.33 million (31 December 2021: EUR 25.10 million) were pledged as collateral against its secured bond loan.

## **NOTE 12 RELATED PARTIES**

The Company's controlling parties included in these interim financial statements are the same as those in the Company's last annual financial statements.



## Key management remuneration

Key management includes the Company's Board of Directors and Named Executive Officers.

EUR	Third quarter		Year to Date		Year
	2022	2021	2022	2021	2021
Short-term employee benefits	54,477	28,500	147,439	150,319	373,510
Share-based compensation	124,500	124,500	373,500	373,500	498,000
<b>Total key management remuneration</b>	<b>178,977</b>	<b>153,000</b>	<b>520,939</b>	<b>523,819</b>	<b>871,510</b>

## Share-based compensation

The terms and conditions as well as the method of determining the fair value of the share-based compensation are the same as those in the Company's last annual financial statements. The plan is being recognised on a straight-line basis over the vesting period of 3 years.

## Transactions with related parties

The terms and conditions applicable to related party balances and transactions are the same as those in the Company's last annual financial statements with the exception of the lease agreement with LB4a B.V.

The Company entered into a new property lease agreement in January 2022 with LB4a B.V., the lease term is 5 years with extension options for additional 5 year periods. The Company does not intend to exercise the extension option at the end of the current period.

## Statement of financial position items

Balances with related parties included in the statement of financial position are as follows:

EUR		30 September	31 December
Related party	Transaction	2022	2021
Snowflake Capital Partner AS	Shareholder loan	-7.017.942	-2.495
LB4A B.V.	Lease liability	-438.962	-

## Statement of profit or loss and other comprehensive income or loss items

Balances with related parties included in the statement of comprehensive income are as follows:

EUR	Related party	Transaction	Third quarter		Year to Date		Year
			2022	2021	2022	2021	2021
	Snowflake Capital Partner AS	Interest expense	-	23.189	-	28.986	44.362
	LB4A B.V.	Interest expense of lease liability	4.044	-	12.771	-	-

## NOTE 13 EVENTS AFTER THE REPORTING PERIOD

As also addressed in the Company's press release of 8 November 2022 and investor update on 16 November 2022, even if several ramp-up improvements have been successfully implemented, the Company has during Q4 2022



continued to face challenges. Production ramp-up is behind schedule and lower access to recycled wood availability is reducing outputs volumes further, and composite pallet block prices are decreasing due to lower economic activity and stockpiling of solid timber and pallets. Raw material prices (mainly glue, recycled wood and biomass) have risen as they are linked to energy price and availability. This negatively affects the company's possibility to generate meaningful profits.

In light of the challenging situation, the Company is currently exploring possible ways to address these challenges and has engaged in discussions with both Bondholders and shareholders on alternative measures to create a more sustainable and robust platform for the Company going forward and to provide the Company with sufficient flexibility to focus on going concern and operations till conditions for profitability improves. Nordea has been appointed as financial advisor to assist the Company in its efforts. The Company is aiming towards finalizing such discussions as soon as possible.

In addition management is exploring ways to reduce cost and accelerate the ramp-up.

SCP has in October 2022 provided the Company with a loan of EUR 0.75 million. The loans bear an interest rate of 12.5% per annum on the loan balance.



## **SIGNATURES**

Oslo and Steenwijk, 29 November 2022,

.....  
**H. G. Pomper**  
CEO

.....  
**E. Aubert**  
Director

.....  
**N. Lucciarini**  
Director

.....  
**A. Ombustvedt**  
Chairman





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