

WASTE PLASTIC UPCYCLING A/S

UNAUDITED MANAGEMENT REPORT Q2 2024

CEO's Q2 2024 Report

The focus of second quarter of 2024 has been to consolidate the production by installing the new gas balloon to ensure independence between reactor lines while boosting the circularity of the production. In addition to this, we have installed new wax separators which have improved separation between the wax product and the oil product. The improvements in production resulting from the integration of the gas balloon and the new wax separators has been demonstrated on multiple batches.

Even though the production is up and running, there is a continued effort to improve the capability and capacity of the production and to reduce potential downtime.

A new and attractive factory-site has been offered at the harbor front of Vordingborg. WPU is currently evaluating the location for its second upcycling facility in Denmark and positive negotiations have been initiated with relevant authorities.

WPU Trading ApS and Produktionselskabet WPU Fårevejle ApS have both obtained a renewal of their ISCC PLUS certification after successful audits.

Financial key points Q 2024 (unaudited accounts)

In Q2 2024, the result before tax was at -14,628 tDKK, compared to -13,767 tDKK in Q1. The total result before tax for the first 6 months was -28,395 tDKK.

The major reason for this result has been low revenue, which was 6.1 mDKK below expectations for the quarter, combined with unbudgeted costs for 2.6 mDKK.

Below is a description of the main drivers of the low revenue and higher costs.

- The number of days without production, while installation work was being performed on the gas balloon and new wax separators, was higher than planned. This had a negative effect on the production of oil and wax, and therefore on revenue.
- A large quantity of produced oil contained a too high percentage of water and had to be reprocessed. While the reprocess batch is quicker than a normal batch, it took up time from production on new oil, contributing to lower revenue than budgeted. This issue is solved.
- The required REACH approval before wax can be sold was expected to be received in June. This approval was not granted in time for Q2 as expected, and therefore invoicing produced wax was not possible.
The work to obtain the approval is continuing and it is expected that it will be granted before the end of Q3.

- Operating costs were negatively affected by the unbudgeted purchase of waste plastic to be used in production. It is expected that this type of waste plastic will ensure a better quality of oil.
The purchase of waste plastic could continue to negatively influence the P&L in the remaining months of 2024, and a budget expense on 834 tDKK has been set aside for this purpose.
- Maintenance and repairs have exceeded the budget for the quarter mainly due to the short circuit of wires on the roof (please see HSE section for additional information).
- Storage costs for produced wax exceeded the budget due to the delayed REACH approval. The storage is temporary and is expected to end in Q3.

Organizational overview

By the end of the second quarter the total headcount was 38 employees, of whom 32 were employed in Produktionselskabet WPU Fårevejle ApS.

Health, Safety & Environment (HSE) overview

In the second quarter of 2024 we had two HSE incidents.

- During the loading process of a tank truck, an overflow (not overfilling) of wax was contained on the loading area, where it solidified. The overflow was the result of a wax plug at the pump and the loading process has been reviewed to avoid these kinds of incidents in the future. The wax was subsequently cleaned from the loading area and disposed of properly. The amount of overflow could be contained in one drum of 200 liters. No were no environmental impact and no injuries to employees occurred during or after the incident.
- A short circuit in wires on the roof resulted in a limited electric ignition of wires on the roof. In accordance with operational procedure the fire brigade was immediately notified, and the fire was extinguished within minutes of their arrival. There was smoke but no environmental or health risks associated with the incident. The wires have been replaced and the damage from the ignition has been repaired. The production was not materially impacted by the incident, and no employees were in any danger or received injuries from the incident.

WPU remains dedicated to fostering a safe and inclusive work environment.

Events after the reporting period

After the reporting period we had one HSE incident

- As a result of a sequence error in the valve control, the wax tank was exposed to a pressure above the design pressure, resulting in damage to the tank. The tank has been repaired and

the safety features on the tank have been reviewed and upgraded to prevent a repetition. The wax tank has returned to production.

- Vitol has in the light of the low revenue provided a new loan on the amount of 5,5 mDKK to support the company with liquidity.

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

Profit & Loss (TDKK)	1H 2024	Q2 2024	Q1 2024
Operating revenue	1,503	1,249	254
Other income	0	0	0
Other operating expenses	-10,214	-5,690	-4,524
Gross profit	-8,711	-4,441	-4,270
Staff costs	-11,078	-5,738	-5,340
Depreciation and impairment of equipment	-1,430	-751	-679
Profit before interests	-21,219	-10,930	-10,289
Other financial income	4	3	1
Other financial expenses	-7,180	-3,701	-3,479
Pre-tax net profit or loss	-28,395	-14,628	-13,767
Tax on net profit or loss for the period	0	0	0
Net profit or loss for the period	-28,395	-14,628	-13,767

ASSETS

Non-current assets	30 June 2024	31 March 2024
Development projects for intangible assets	3,860	3,860
Land and buildings	41,401	41,587
Plant and machinery	97,338	85,874
Other fixtures, tools and Equipment	168	239
Under construction: Property, plant & machinery	0	4,937
Deposits	291	470
Total Non-current assets	143,058	136,967
Current assets		
Trade receivables	503	455
Deferred tax assets	10,058	10,058
Other receivables	4,009	6,646
Prepayments	127	83
Total receivables	14,697	17,242
Cash and cash equivalents	1,584	16,257
Total current assets	16,281	33,499
TOTAL ASSETS	159,339	170,466

EQUITY AND LIABILITIESEquity

Contributed capital	510	510
Share premium	84,931	84,931
Reserve for development costs	3,011	3,011
Retained earnings	-91,972	-77,344
Total equity	-3,519	11,108

Long term liabilities other than provisions

Mortgage debt	10,779	11,108
Bank loans	9,501	6,339
Payables to shareholders and management	110,628	107,990
Total long-term liabilities other than provisions	130,908	125,437

Short term liabilities other than provisions

Current portion of long-term liabilities	3,301	7,244
Bank loans	20,144	19,505
Trade payables	5,691	4,494
Payables to shareholders and management	0	0
Other payables	2,814	2,678
Total Short-term liabilities other than provisions	31,950	33,921

Total liabilities other than provisions**TOTAL EQUITY AND LIABILITIES**

162,858	159,358
159,339	170,466

UNAUDITED CONSOLIDATED CASHFLOWS

	Q2 2024
Profit (loss) for the period, before tax	-28,395
Adjustments	8,607
Change in working capital	-230
Cash flow from operating activities before net financials	-20,018
Financial income	1
Financial expenses	-2,451
Cash flow from operating activities	-22,468
Purchase of property, plant and equipment	-10,617
Changes in deposits	179
Cash flow from investment activities	-10,438
Cash from loans	22,024
Cash from capital increase	0
Cash flow from financing activities	22,024
Net change in cash and cash equivalents	-10,882
Cash equivalents 1 January 2024	-7,673
Foreign currency translation adj.	-5
Cash equivalents 31 March 2024	-18,560
Cash and cash equivalents	
Cash and cash equivalents	1,584
Short term bank credit facilities	-20,144
Cash and cash equivalents 30 June 2024	-18,560