

BUSINESS REVIEW

ACHIEVEMENTS IN Q1 2022

Construction update

Pryme's first industrial scale validation plant is currently being built under the Plant One umbrella permit in the port of Rotterdam. It will have an annual plastic intake capacity of about 40'000 tonnes.

During Q1 the preparation works started to be converted into visible progress. The steel structure has been delivered and several floors have now been mounted, making the steel structure 90% complete. Some main equipment items such as the quench column and the first reactor have already been lifted into position.

The feedstock reception and internal waste plastic transport systems have been delivered to site and the walking floor designed to contain up to a day of production has been installed.

FAT's (factory acceptance tests) have been done for several equipment items such as the extruder and major pumps and valves. After confirming satisfactory mechanical performance at the manufacturer, the equipment items have been brought on site for storage until these can be installed according to the construction planning.

The lease agreement with Plant One has been renegotiated. Pryme has taken several utilities (chillers, coolers, tank storage, flare and gas infrastructure) into its own scope. For these additional elements the necessary engineering preparation has been done and equipment has been ordered. The final solution on the gas infrastructure is still pending. The increase in scope has led to an increase in capex.

The general industrial supply chain problems (mostly on electronic components) have affected some suppliers and will cause some equipment items to be delivered behind the original schedule, but still in time for commissioning in Q4 of this year.

Taking all elements above into account, cold commissioning on sections of the plant is expected to start by the end of Q3. The start of hot commissioning is expected in Q4.

Health, Safety & Environment

Health & Safety

The construction of the plant started in Q1 and a Health & Safety protocol was put in place to monitor and follow-up on incidents, near misses and unsafe situations and behavior.

In Q1 two near misses were reported and the relevant follow-up protocol was followed. Furthermore, a total of five findings of unsafe situations and behavior were registered and dealt with.

A safe working environment is one of the key objectives for Pryme operations and this responsibility is ingrained throughout the organization.

Environment

Pryme operates under the general environmental permit of Plant One Rotterdam B.V. As the plant is not yet in production, there have been no emissions from operations, and no issues of non-compliance versus the relevant environmental obligations of the landlord during the quarter.

Amsterdam purchase

In February Pryme acquired the leasehold of an industrial site in the port of Amsterdam. The site comes with a concrete slab installed, suitable for a future, large plant. The plot is strategically located and currently has a permit for a 35'000 tonnes p.a. pyrolysis plant.

Contact with local authorities has been initiated, with the aim to adjust the permits to accommodate the Pryme technology and intended plant size. The company plans to build a typical installation of 160'000 tonnes p.a. intake capacity.

Capital increase

Pryme successfully closed a private placement early April, for an amount of about EUR 16 million gross, and net proceeds of about EUR 15 million. This transaction was finalized upon EGM approval early May. The additional capital will allow the company to complete the plant under the changed scope of the agreement with Plant One and provides funding for the acquisition of the Amsterdam plot.

Off-take evolution

Shell

The strategic collaboration with Shell is being further implemented.

On the logistical side, with regards to future deliveries to Shell, coordination between the operational teams is ongoing. Logistics are being worked out to allow truck-sized deliveries which is uncommon for the existing downstream assets.

Further attention has gone into the documentation requirements. As this is a new sector under development, the regulatory environment has limited precedents. This aspect is handled in full transparency with the Shell team.

On the feedstock side, a coordinated approach is being developed. Ultimately the long-term availability of plastic waste in the right form is what will drive the success of both Pryme and the strategic collaboration with Shell.

In view of the changing environment in both the energy and plastic feedstock markets, Shell has accepted to review relevant conditions of the contract.

Others

The company continues to see strong demand from other petrochemical players for pyrolysis oil, with clear interest in allocation of uncommitted future production. The company is currently exploring strategic collaboration agreements with several potential off-takers, which will be subject to some form of prepayment.

Feedstock evolution

The bulk of the plastic feedstock targeted by Pryme is currently destined for incineration, cement plants or even landfill. Getting the right quality and quantity of supply implies a logistical and sorting step. Such capacity is something Pryme targets to develop with strategic partners.

In the short term, the company is developing solutions for storage and pre-processing of feedstock. Covered storage space in the vicinity of Plant One is targeted, where plastic bales could be stored and shredded into the required form, ready for processing. Such setup would allow significant flexibility in procurement and processing.

The plant will be supplied through on-spec feedstock from several smaller suppliers, and through blending above-spec and sub-spec batches of feedstock. The company is maturing a diverse set of sources and expects first contracts to be signed in Q2.

The strong increase in energy prices in Q1 has also pushed up pyrolysis oil prices. The main reason for this is that circular oil partly serves as a substitute for petroleum-based ethylene. On the other hand, for similar reasons, plastic feedstock prices have also increased as significant volumes of plastic waste are incinerated for energy production. The interplay between various correlations of Pryme's input and output streams with energy prices will be subject to ongoing analysis. Management believes that generally, higher energy prices are favorable for companies that convert plastic waste to pyrolysis oil such as Pryme.

R&D lab scale plant – University of Ghent

Steps to establish and build the research pilot at the University of Ghent continued during the quarter. The delivery of the reactor controls as well as the electronics for the safety systems have experienced some delays. The 10 kg/h pilot plant is expected to become operational in Q3.

All administrative requirements for the EU Horizon project have been completed and further progress is now depending on the EU administration. In the final submission the coordinator role has been split in the administrative coordination being done by the University of Ghent and the technical coordination being handled by Pryme.

Organization

The company appointed Chris Hervé as its new CEO for a start in May. Chris has extensive international experience in the agricultural and biochemical processing industry, having previously served in CEO roles for agricultural raw material processing conglomerate Tereos, in Asia and Europe. He has also held senior positions at Eurofins Scientific, Cargill and Lafarge.

The R&D manager Caroline Lievens took up her new role during Q1.

According to plan we are now also starting to build up the required operational capacity. We want the main production leaders to have the time to get acquainted with the plant and the relevant operating and safety procedures. They will also participate in the commissioning of the plant.

For the plant operations three shift team leader positions have been contracted of which two have already started. Two additional shift leaders will be made available by Plant One.

A commissioning manager was contracted and started beginning of May.

Next steps

The focus remains on the timely construction and successful startup of the first plant.

The outline of the plant has become ever more visible as construction progressed, which has raised the interest of new potential partners.

In parallel, the company is putting in the foundations for long term sustainable growth through strategic collaborations across the value chain, as well as through the development of locations and permits for future plants.

The most important driver for growth is a high performing, motivated team. This will be expanded and developed as the company moves forward.

FINANCIAL STATEMENTS

Over Q1, the cash balance decreased by a total of EUR 4.2 million.

EUR 3.5 million was spent on the acquisition of the Amsterdam site and EUR 1.3 million on the CAPEX for the Rotterdam plant.

Similar to the previous quarter, EUR 0.9 million was spent on OPEX. The OPEX run rate was impacted by higher legal fees for a total of EUR 0.2 million in relation to the Amsterdam purchase and negotiations with Plant One.

A normalized, recurring OPEX run rate therefore is currently about EUR 0.7 million per quarter. This run rate will increase going forward due to the growth in the organization.

Profit & Loss statement

		Year to date	
		31.03.22	31.12.21
	Operating revenue	€ -	€ -
	Cost of Sales	€ -	€ -
	Gross Margin	€ -	€ -
	Operating expenses		
	Personnel costs	€ -312'252	€ -890'019
	Other employee related expenses	€ -116'702	€ -278'831
	Rental expenses	€ -159'907	€ -228'838
	SG&A expenses	€ -348'583	€ -897'037
	Total operating expenses	€ -937'444	€ -2'294'725
	Depreciation	€ -	€ -
	Operating result	€ -937'444	€ -2'294'725
	Financial income / (expense)	€ -9'898	€ -62'830
	EBIT	€ -947'342	€ -2'357'555
	Income tax expense	€ -	€ -
	Total of result after tax	€ -947'342	€ -2'357'555
The figures included in this overview are unaudited.			

Balance sheet

			31.03.22	31.12.21
Assets				
	Fixed Assets			
	Intangible fixed assets			
		Development costs	€ 3'193'040	€ 3'148'210
	Tangible fixed assets			
		Land & Buildings	€ 3'519'352	€ -
		Machinery	€ 22'487'440	€ 19'550'504
		Other fixed assets	€ 90'881	€ -
	Financial fixed assets			
		Other amounts receivable	€ 244'191	€ 50'752
	Total fixed assets		€ 29'534'904	€ 22'749'466
	Current assets			
		Receivables	€ 1'317'453	€ 1'279'160
		Cash & cash equivalents	€ 4'034'214	€ 8'240'674
	Total Assets		€ 34'886'571	€ 32'269'300
Equity & Liabilities				
	Equity		€ 25'811'297	€ 26'758'639
	Long Term liabilities			
		Accruals and deferred income	€ 4'991'511	€ 4'991'511
	Current liabilities			
		Trade payables	€ 1'848'067	€ 350'561
		Other liabilities	€ 2'235'696	€ 168'589
			€ 34'886'571	€ 32'269'300
The figures included in this overview are unaudited.				

Cash Flow statement

	31.03.22	31.12.21
Cash flow from operating activities		
Operating result	€ -937'444	€ -2'294'725
Adjustments for		
Depreciation	€ -	€ -
Changes in working capital		
Movements accounts receivable	€ -38'293	€ -173'218
Movements in other payables	€ 3'564'613	€ -185'300
Total cash flows from operations	€ 2'588'876	€ -2'653'243
Financial income	€ -9'898	€ -62'830
Total cash flow from operating activities	€ 2'578'978	€ -2'716'073
Cash flow from investment activities		
Purchase of intangible fixed assets	€ -44'830	€ -857'536
Purchase of tangible fixed assets	€ -6'547'169	€ -10'818'918
Purchase of financial fixed assets	€ -193'439	€ -13'449
Total cash flow from investment activities	€ -6'785'438	€ -11'689'903
Cash flow from financing activities		
Public placement	€ -	€ 24'820'419
Expenses relating to public placement	€ -	€ -2'173'923
Total cash flow from financing activities	€ -	€ 22'646'496
Total cash flow	€ -4'206'460	€ 8'240'520
Cash and cash equivalents at the beginning of the period	€ 8'240'674	€ 154
Total cash flow in the period	€ -4'206'460	€ 8'240'520
Cash and cash equivalents at the end of the period	€ 4'034'214	€ 8'240'674
The figures included in this overview are unaudited.		

Statement by the Management Board

The Management Board has today considered and approved this Business Review report of Pryme N.V. (collectively “the Group”) for the period from 1 January 2022 to 31 March 2022.

We confirm, to the best of our knowledge, that the financial information contained in the Business Review for the period from 1 January 2022 to 31 March 2022, has been prepared in accordance with Dutch accounting principles and gives a true and fair view of Pryme N.V. and its group companies’ assets, liabilities, financial position and profit or loss.

We also confirm, to the best of our knowledge, that the Business Review includes a fair review of important events that have occurred during the first quarter of the financial year 2022 and their impact on the condensed set of consolidated financial statements is reflected adequately.

Antwerp, 24th of May 2022

Chris Hervé
CEO

Rik van Meirhaeghe
Executive director

Boudewijn van Vliet
Executive director

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 is currently building its first plant in the port of Rotterdam with an initial annual intake of about 40,000 tonnes, which will start production in 2022.

Pryme’s ambition is to contribute to a low-carbon, circular plastic economy and to realize the enormous 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 Growth Oslo.

Pryme can be followed on LinkedIn