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Appendix 4D (ASX Listing Rule 4.2A)
Group report for the half-year ended 30 June 2018

Reporting Period
This is the report for the period 1 January to 30 June 2018. All comparisons are made to the period of 1 January to 30 June 2017.

Results for announcement to the market

€'000	1 January - 30 June 2018	1 January - 30 June 2017		Movement
Revenue from ordinary activities	208	168	up	24%
Profit (loss) after tax from ordinary activities attributable to members	-3,396	-6,587	up	48%
Net profit (loss) attributable to members	-3,396	-6,587	up	48%

An explanation of the results is provided below and further detail is contained within the attached Interim Consolidated Financial Report.

Dividends
No final dividend was paid in relation to the year ended 31 December 2017.

No interim dividend was paid in relation to the halfyear period ended 30 June 2018 and the Company does not propose to pay a dividend

Net tangible assets

€	30 June 2018	31 December 2017
Net tangible assets backing per ordinary share: € per share	0.06	0.28

The calculation of net tangible assets per ordinary share uses the total number of shares on issue as at 30 June 2018 being 5,614,536 shares.

Review of results:
In the first six months of the financial year 2018 Pyrolyx progressed with the construction of its first industrial scale plan in Terre Haute, Indiana (USA).

Revenues for the period increased by 24 % to € 208 thousand mainly driven by an increase in European orders. The overall volume remained at a lower than expected level due to production time allotted for producing customer samples in preparation for ramp up of the US plant in Terre Haute. This is expected to continue, nonetheless the second half of 2018 is expected to deliver higher revenues. Pyrolyx estimates the revenues to be € 500 to € 600 thousand for the full year 2018.

The decrease in personnel expenses of €1,181 thousand mainly reflects the employee option expenses that were first time accounted for in 2017. Interest and similar income of €1,590 thousand is primarily due to valuation adjustments of the shareholder options agreement.

Changes in control over entities:
In April 2018, Pyrolyx Indiana Rail, LLC was founded as 100% subsidiary of Pyrolyx USA, Inc. It was established to manage the development of the rail infrastructure for the Terre Haute Facility.

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Details of associates and joint ventures:
Not applicable.

Set of accounting standards used in compiling the report:
The consolidated financial statements have been prepared in accordance with IFRS International Financial Reporting Standards as applicable in the European Union. This report is based on the Interim Consolidated Financial Report for the half-year ended 30 June 2018 which has been reviewed by Jeanette Lichtenstern, certified auditor. The Auditor's Review Report is included in the attached Interim Consolidated Financial Report for the half-year ended 30 June 2018.

Details of review modifications:
Not applicable.

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Pyrolyx AG

Munich

Group Report

for the half year ended 30 June 2018

Pyrolyx AG
Nymphenburger Str. 70
D-80335 Munich
www.pyrolyx.com

Contents

Group Management Report for the period January 1 to June 30, 2018

1. Principles and introduction

Pyrolyx AG is the parent company of a group of entities (the **Group**) that has developed and operates a specialised process that transforms waste tires into high-grade, valuable raw materials, primarily recovered carbon black (**rCB**). Carbon black is used in the manufacture of tires, and mechanical rubber products, as well as plastics and pigments. Pyrolyx's process delivers compelling benefits to the traditional manufacture of carbon black, including reduced carbon dioxide emissions.

The Pyrolyx technology comprises a slow pyrolysis process using waste tire shreds to produce valuable recovered Carbon Black, with quality properties enabling it to be used as a replacement for, or combined with, virgin Carbon Black.

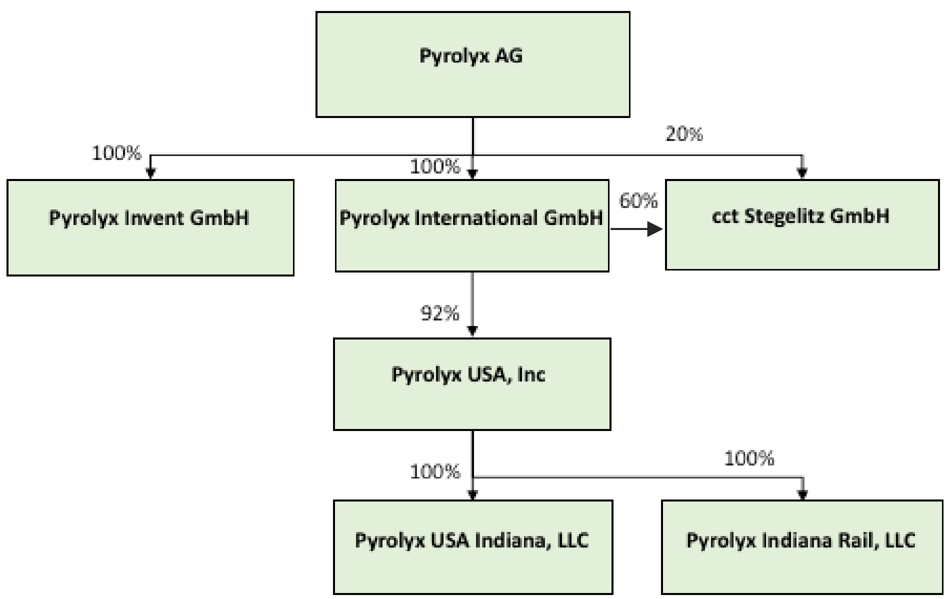
Carbon Black is a commodity with internationally standardized characteristics. Carbon Black is used as reinforcing filler in rubber products and as a black pigment in plastics, inks, toners and paints. It is essential in rubber products like tyres, improving tear-strength, abrasion-resistance, elasticity, resilience, and overall physical properties.

1.1 Business model

Pyrolyx's objective is to globally establish its technologies for the sustainable recycling of end-of-life tires. The aim is for commercial industrial plants to be built and operated by Pyrolyx and/or licensees throughout the world. For this purpose, the company continuously evaluates potentially suitable locations and partners. The exact approach and the financial arrangements agreed with future partners may vary from one place to the next.

Pyrolyx AG currently holds interests directly or indirectly in Pyrolyx Invent GmbH, Pyrolyx International GmbH, Pyrolyx USA, Inc., Pyrolyx Indiana, LLC, Pyrolyx Indiana Rail, LLC and cct Stegelitz GmbH (referred to together as the 'Pyrolyx Group'). Pyrolyx holds no other investments in any other companies. Pyrolyx AG is not included in the scope of consolidation of any other company.

The following chart shows the corporate structure of the Pyrolyx Group as of 30 June 2018:



cct GmbH was acquired in 2015 and comprises the commercial production in Stegelitz (Germany) and co-located R&D activities. The deployed technology and processes are developed and tested at this plant and current rCB supply is to key customers as well as for material qualification in lab or production test is produced there.

Pyrolyx International GmbH was founded in 2015 in connection with the acquisition of cct Stegelitz GmbH and is intended to aggregate all other future subsidiaries engaged in the production of rCB.

Pyrolyx USA, Inc. is the corporate entity for North America established in 2016 as a joint venture with Reklaim. Pyrolyx owns 92% of Pyrolyx USA. In the period Pyrolyx sold 70 shares (2%) of Pyrolyx USA to TSAL Pty Ltd. Another 2% in Pyrolyx USA shares may be distributed to Galcap Participations sprl (0.35%) and AVIV Investments Pty Ltd (1.65%) in consideration of IPO related finance arrangements by Alexis Gurdjian and Michael Triguboff.

Pyrolyx Indiana, LLC was established in 2017 as the operating company for the Pyrolyx production plant in Terre Haute, Indiana, USA, the construction of which began in August 2017.

Pyrolyx Indiana Rail, LLC was established in 2018 as a vehicle for infrastructure financing supported by the local authorities. It will own the rail track on the Terre Haute plant premises.

Pyrolyx Invent GmbH has currently no operational activities.

1.2 Research & Development

Pyrolyx's research and development in the first half of 2018 focused on providing potential customers in the USA with samples for their production authorisation processes. As part of this US input material was processed in Stegelitz and process parameters were adjusted to the specificities of the material. This process is expected to continue until early 2019.

The development of production authorisation and supplier listing with the major tier producers as well as the collaboration with the international standards organization ASTM International continued.

1.3 Control system

Risk management is an integral part of Pyrolyx's management strategy. All major business transactions and processes are analysed and monitored systematically with a preference of deploying the **FMEA** (Failure Mode and Effects Analysis) methodology.

Key focus areas are in particular

- Terre Haute construction as the main investment object is closely monitored with project management processes and financial reviews

- cct Stegelitz production as an operational site for supply and Research & Development is systematically reviewed based on an integrated management system (EN ISO 9001 and 14001 certified)
- Liquidity and cost management given the current dependency on external funding with a high frequency of reporting and reviews as well as tight cost control

System support is currently being further strengthened in order to adequately accommodate the growing volume of business expected from 2019 onward.

In addition, the management team only takes on reasonable, manageable and controllable risks if they are likely to result in an increase in the company's value. Speculative transactions and measures are therefore always ruled out. Important decisions are only taken after consulting the Supervisory Board.

If specific risks are identified, a tailored risk assessment is provided and financial and non-financial performance indicators are reported to the Supervisory Board to ensure a transparent and solid basis for the assessment of risks and opportunities. As a result, the Management Board and other executives are immediately able to take appropriate action in order to constantly ensure the stable control of the company.

2. Course of business in first half of 2018

2.1 Course of business and economic environment

Operations

Pyrolyx' operations focused in the first half of 2018 on progressing the construction of the US plant in Terre Haute, Indiana. This plant with a capacity of roughly 13,000mt of rCB will be a game changer for Pyrolyx' development as for the first time the company will be able to deliver industrial quantities and generate associated cash flows.

Civil engineering and the critical infrastructure set up were completed on time. Delivery and installation of the first ovens has started at the end of the period. The site leader and the lead engineer have been hired as well as the first production workers who will support the installation process. This ensures an in-depth understanding of the plant equipment right from the start of operations.


2018-07-07 10:44:59
Pyrolysis_Room


2018-08-23 10:14:59
Pyrolysis_Room

The construction cost of Pyrolyx' first industrial plan had to be adjusted by roughly €5M primarily due to change orders for improved or more suitable equipment and results of the HAZOP (hazard and operability) study, a structured and systematic examination of a complex planned operation in order to identify and evaluate problems that may represent risks to personnel or equipment.

Construction process and use of project financing is closely monitored by the Lender's engineer E3.

Pyrolyx' commercial German plant and R&D center in Stegelitz is supporting the Terre Haute "go live" preparation in multiple ways:

- Installation and test of "oven 9", the first of the current production series for Terre Haute
- Training of US personnel on site in Germany on processes and equipment
- Processing of US tyre shreds to optimize production parameters on input material
- Samples of test material to (potential) customers for their production tests

Engineering and project management support is provided by both German entities.

Stegelitz Operations in parallel continues to produce for the existing client base with relatively low volumes. An increase in the second half is expected, however support for the Terre Haute ramp up eg producing samples will be prioritized.

Pyrolyx is listed as a supplier and cct rCB has been tested and approved for production by major tyre manufactures. A site-specific approval for production is nevertheless required and will be obtained once production volumes become available in suitable quantities. The originally planned capital investments for upgrades to a 24/7 operation have been postponed due to the investment requirements in the US and an ongoing assessment of the operational model, reviewing options to reduce in particular the high energy costs in Germany.

Liquidity management and financing

Given the small revenue basis Pyrolyx does not yet generate positive cash flows and invests significant funds in the construction of a new plant. This is expected to continue until the US plant in Terre Haute (Indiana) is fully operational.

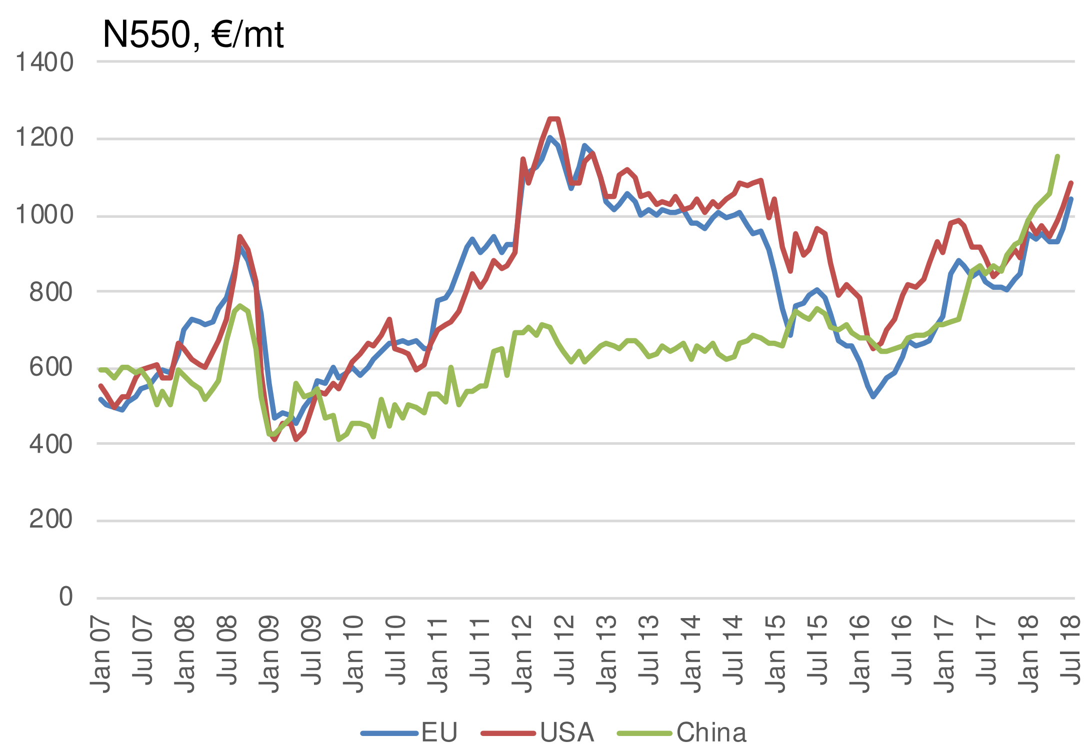
Project financing for Terre Haute was secured in 2017 and is held as restricted cash with payments following an audited process agreed with the lender. Additional restrictions for cash on Pyrolyx USA accounts apply as a reserve funding change orders and cost overruns. As disclosed before

It is expected that the original budget will be exceeded; current estimate net of reserves is USD 5M to USD 6M.

Management continues to work with the respective partners the required financing in form of debt or equity. The liquidity status and outlook are being monitored on a weekly basis to ensure necessary actions are taken on time.

Economic environment

The price of industrial, non-recycled Carbon Black has increased in the first half of 2018, driven by the increase in oil price and the costs for additional environmental measures that were pushed to the customers by the industry. In addition, the supply / demand ratio is indicating a possible shortage in the near future.



Comparison of regional prices for carbon black N550 in euros (sources: Bloomberg, Notch Consulting)

Group structure

Pyrolyx International GmbH decreased its stake in Pyrolyx USA, Inc. to 92% as part of a financing transaction in Q2 2018.

In April 2018, Pyrolyx Indiana Rail, LLC was founded as the borrowing company for the rail infrastructure for the Terre Haute, Indiana plant. It is a wholly owned subsidiary of Pyrolyx USA, Inc.

Patents

Pyrolyx was granted patents on "blending of rCB directly in the furnace CB" and "Pyrolyx process and cleaning system" in various countries, notably USA, China, and Russia. This creates cost and commercial advantages over other types of rCB as well as furnace black since Pyrolyx rCB is incorporated into the furnace process and pelleted with furnace black, enabling the finished product to be relatively undifferentiated from virgin Carbon Black.

Supervisory Board

There were the following changes to the membership of the Supervisory Board in the first half of 2018:

- Professor Christian Langbein resigned from the Supervisory Board with effect from 03 January 2018. (correction of previously stated 31 December 2017)
- Amelia Salter resigned from the Supervisory Board with effect from 05 April 2018
- Michael Carapiet resigned from the Supervisory Board with effect from 06 April 2018
- Guido Veit was appointed to the Supervisory Board effective 05 May 2018

Management Board

There were the following changes to the membership of the Management Board in the first half of 2018:

- Sven Eric Molzahn was appointed as Chief Financial Officer, effective 01 February 2018
- Niels Raeder resigned as Chief Executive Officer, effective 14 June 2018
- Bernhard Meder was appointed as Chief Executive Officer, effective 14 June 2018

2.2 Development of the asset and capital structure

At 30 June 2018, the subscribed share capital of the company totaled € 5,614,536.00, divided into 5,614,536 no-par-value registered shares each with a notional value of € 1.00 in the share capital. All 5,614,536 shares issued are fully paid-up.

The company held no General Meetings in the first half of 2018, as the Annual General Meeting was scheduled for July 20th, 2018.

Authorised Capital 2017/II

The Management Board was empowered by a resolution passed by the Annual General Meeting on 09 October 2017 to increase the share capital of the company on one or more occasions by 08 October 2022 subject to the approval of the Supervisory Board by a total of up to € 2,456,191 by issuing up to 2,456,191 new no-par-value registered shares in return for cash and/or contributions in kind.

In the first half of 2018 one capital increase from authorised capital in exchange for cash contribution was agreed and carried out by the Management Board.

Basis	Capital increase	Increase in subscribed capital		Capital increase entered in the Commercial Register
		by	to	
Resolution adopted by the Management Board and Supervisory Board on 05 June 2018 based on authorisation by the AGM on 09 October 2017	Capital increase from Authorised Capital 2017/II (cash contribution)	€ 83,333.00	€ 5,697,869.00*	Aug 3rd, 2018

*as the capital increase was only registered on August 3rd, 2018 the capital at June 30th, 2018 remained at € 5.614.536 eg for the purpose of Earnings per Share calculation.

The cash capital increase from Authorised Capital 2017/II took place to the exclusion of shareholders' pre-emptive rights pursuant to Section 186(3), sentence 4 AktG German Stock Corporation Act. The stock was issued at €9.00 roughly 8% above the weighted average of the five trading days prior to the resolution by the Management Board of €8.33.

Basis	Issue price	Proceeds
Resolution adopted by the Management Board and Supervisory Board on 05 June 2018 based on authorisation by the AGM on 09 October 2017	€ 9.00	€ 749,997.00

Capitals at 30 June 2018

At 30 June 2010, Pyrolyx AG held the following ***contingent capitals:***

- Contingent Capital 2013/I amounting to € 23,255.00 comprising not yet converted bonds from the 2013/18 Convertible Bond issued by Pyrolyx in October 2013
- Contingent Capital 2013/II amounting to € 179,850.00 to cover stock options under the 2013 Share Option Program of which € 7,640 still being valid and the remainder having lapsed per 31 December 2017
- Contingent Capital 2017/I amounting to € 895,207.00 to cover convertible bonds and/or bonds with warrants with a total nominal value of up to € 90 million issued with the authorisation of the company General Meeting on 21 February 2017

At 30 June 2018, Pyrolyx AG held the following ***authorised capital:***

- Authorised Capital 2017/II amounting to € 2,077,030.00

Development of the asset and capital structure

(Figures rounded up or down to the nearest € 1,000 may result in discrepancies.)

€'000	30 June 2018	%	31 December 2017	%	Change vs previous period	Change (%)
ASSETS						
Current assets						
Cash and cash equivalents	3,075	5%	5,502	9%	-2,427	-44%
Trade receivables	165	0%	108	0%	57	53%
Inventories	368	1%	512	1%	-144	-28%
Other non-financial assets	92	0%	83	0%	9	11%
Prepaid expenses	160	0%	65	0%	95	146%
Total current assets	**3,860**	7%	**6,270**	11%	**-2,410**	-38%
Non-current assets						
Restricted cash and cash equivalents	17,024	30%	22,509	39%	-5,485	-24%
Intangible assets	6,197	11%	6,282	11%	-85	-1%
Fixed assets	29,985	53%	23,230	40%	6,755	29%
Total non-current assets	**53,206**	93%	**52,021**	89%	**1,185**	2%
Total assets	**57,066**	100%	**58,291**	100%	**-1,225**	-2%

LIABILITIES AND EQUITY						
Current liabilities						
Trade payables	1,024	2%	834	1%	190	23%
Project financing loan	1,759	3%	1,712	3%	47	3%
Convertible bonds	501	1%	472	1%	29	6%
Liabilities due to banks	341	1%	411	1%	-70	-17%
Other financial liabilities	11,960	21%	12,207	21%	-247	-2%
Other non-financial liabilities	1,327	2%	1,129	2%	198	18%
Provisions	317	1%	846	1%	-529	-63%
Total current liabilities	**17,229**	30%	**17,611**	30%	**-382**	-2%
Non-current liabilities						
Trade payables	0	0%	113	0%	-113	-100%
Project financing loan	20,980	37%	20,244	35%	736	4%
Liabilities due to banks	905	2%	1,060	2%	-155	-15%
Other financial liabilities	8,522	15%	8,992	15%	-470	-5%
Other non-financial liabilities	382	1%	0	-	382	n.m.
Deferred income	2,500	4%	2,433	4%	67	3%
Total non-current liabilities	**33,289**	58%	**32,842**	56%	**447**	1%
Equity						
Share capital	5,615	10%	5,615	10%	0	0%
Additional paid-in capital	40,140	70%	39,755	68%	385	1%
Retained earnings	-40,750	-71%	-37,353	-64%	-3,397	-9%
Other components of equity	-848	-1%	-1,340	-2%	492	-37%
Not yet registered shares	750	1%	0	-	750	n.m.
Equity attributable to shareholders of Pyrolyx AG	**4,907**	9%	**6,677**	11%	**-1,770**	-27%
Equity attributable to non-controlling interests	**1,641**	3%	**1,161**	2%	**480**	41%
Total equity	**6,548**	11%	**7,838**	13%	**-1,290**	-16%
Total liabilities and equity	**57,066**	100%	**58,291**	100%	**-1,225**	-2%

Changes in Balance Sheet are primarily driven by the construction process of the US plant in Terre Haute, notably the increase in Fixed Assets by € 6,755 thousand and decrease of restricted cash of € 5,485 thousand as well as the trade payables and project financing positions.

The continued increase in trade payables is a result of the increased construction activities in Terre Haute. Non financial liabilities non current 382k reflect liabilities resulting from the settlement agreement with the former CEO. € 750 thousand for not yet registered shares reflect 83,333 new shares subscribed to right before end of the period; those have been registered August 3rd, 2018.

2.3 Earnings and financial position

€'000	1 January - 30 June 2018	1 January - 30 June 2017	Change (€)	Change (%)
Sales revenues	208	168	40	24%
Increase or decrease of finished goods and work in progress	-78	24	-102	-425%
Own work capitalised	237	0	237	n.m.
Other operating income	134	426	-292	-69%
Material expenditure	-194	-239	45	-19%
Personnel expenses	-1,791	-2,972	1,181	-40%
Depreciation and amortisation	-902	-927	25	-3%
Other operating expenses	-2,243	-2,212	-31	1%
Interest and similar income	1,590	0	1,590	n.m.
Interest and similar expenses	-374	-906	532	-59%
Loss before income tax expense	**-3,413**	**-6,638**	**3,225**	**-49%**
Income tax expense	0	0	0	n.m.
Loss after income tax expense	**-3,413**	**-6,638**	**3,225**	**-49%**
Thereof attributable to shareholders of Pyrolyx AG	-3,397	-6,588	3,191	-48%
Thereof attributable to non-controlling interests	-16	-50	34	-68%
Earnings per share in € (basic)	0.51	-2.09	1.58	-76%
Earnings per share in € (diluted)	0.51	-2.09	1.58	-76%

Revenues for the period increased by 24% to € 208 thousand mainly driven by an increase in European orders. The overall volume remained at a lower than expected level due to production time allotted for producing customer samples in preparation for ramp up of the US plant in Terre Haute. This is expected to continue, nonetheless the second half of 2018 is expected to deliver higher revenues. Pyrolyx estimates the revenues to be € 500 to € 600 thousand for the full year 2018.

The personnel expenses decrease of € 1,181 thousand mainly reflects the employee option expenses that were first time accounted for in 2017.

Interest and similar income of € 1,590 thousand is primarily due to valuation adjustments of the shareholder options agreement. The reduced expenses of € 374 thousand is mainly driven by reduced interest on shareholder loans following the conversion end of 2017.

As a result, the loss before income tax expense reduced by € 3,225 thousand or 49% to € 3,413 thousand or € 0.51 per share.

2.4 Cash flow statement

The accompanied cash flow statement provides an overview of the sources and uses of the company's financial resources in the first six months of 2018. It shows cash flows using the indirect method and the principles of IAS 7.

€'000	1 January - 30 June 2018	1 January - 30 June 2017	Change (€)	Change (%)
Cash flows from operating activities				
Cash receipts from the sale of goods and the rendering of services	181	180	1	1%
Cash payments to suppliers for goods and services	-2,047	-1,556	-491	32%
Cash payments to and on behalf of employees	-1,798	-1,673	-125	7%
Other cash receipts not attributable to investing or financing activities	366	277	89	32%
Other cash payments not attributable to investing or financing activities	7	-187	194	-104%
Net cash flows from operating activities	**-3,291**	**-2,959**	**-332**	**11%**
Cash flows from investing activities				
Cash payments to acquire intangible assets	-383	-186	-197	106%
Cash payments to acquire property, plant and equipment	-5,537	-136	-5,401	3971%
Proceeds from disposal of interest in a subsidiary	800	0	800	n/a
Interest received	128	0	128	n/a
Net cash flows from investing activities	**-4,992**	**-322**	**-4,670**	**1450%**
Cash flows from financing activities				
Cash proceeds from issuing shares or other equity instruments	750	1,331	-581	-44%
Proceeds from borrowings	977	1,500	-523	-35%
Repayments of borrowings	-725	-268	-457	171%
Interest paid	-1,071	-157	-914	582%
Net cash flows from financing activities	**-69**	**2,406**	**-2,475**	**-103%**
Net increase / decrease in cash and cash equivalents	**-8,352**	**-875**	**-7,477**	**855%**
Cash and cash equivalents at the beginning of the period*)	27,969	1,132	26,837	2371%
Effect of changes in foreign currency rates on cash and cash equivalents	482	-3	485	-16167%
Cash and cash equivalents at the end of the period*)	**20,099**	**254**	**19,845**	**7813%**

*) Cash and cash equivalents include restricted cash and cash equivalents.

In the period cash and cash equivalents decreased by € 8,352 thousand including € 5,537 thousand of investment in property, plant, and equipment driven by the ongoing construction of the Terre Haute plant. Operating activities required € 3,291 thousand in cash, an increase of € 332 thousand compared to the first six months of 2017, mainly driven by spend for goods and services.

The company is confident that it will be able to have its financing needs met by the capital market in 2018 and beyond. However, should this prove difficult, this could have substantial repercussions for the company's net assets, financial position and results of operations, and might jeopardise the company's going concern.

3. Outlook, opportunities and risks

General

Leading-edge technology and business concepts always contain risks in the introductory phase which may hamper or delay the medium and long-term establishment of new projects. The company always takes a preventive approach to such risks or mitigates them by for instance working closely together with a high-quality network of plant engineers, technology experts and market players with the strong support of financially powerful partners, enabling any barriers to be overcome jointly, quickly and effectively.

Pyrolyx is a raw material supplier targeting customer markets which have high safety requirements and demand prolonged testing. Both factors may sometimes delay the market launch of Pyrolyx's products, especially rCB produced by Pyrolyx.

Pyrolyx's key current business focus is the construction of new production facilities in the USA. There are several key risks attached to this including the ability to achieve this in the expected timeframe or in a cost-effective manner. In particular, the commissioning and construction of any new facility is dependent on a number of contingencies some of which are beyond the Company's control. Pyrolyx has a number of high-quality partners it is working with including Zeppelin operating under a PMC Agreement, Thompson Thrift LLC for civil construction, which includes liquidated damages provisions, and E3 Consulting, to help prevent or mitigate any such risks.

The general factors supporting the Pyrolyx Group's business model focus on providing an essential commodity in an environmentally sustainable and financially attractive manner. Pyrolyx's rCB has been extensively tested and approved by many of the global tire manufacturers and other carbon black users..

Procurement and sales markets

The procurement markets and the sales markets for Pyrolyx products present both opportunities and risks and are subject to global, dynamic change driven by economic and political factors.

The outlook for the US Carbon Black market which is our geographical focus for the near term is further improving. Various major tyre manufacturers have announced increases in their capacity leading to a higher demand in Carbon Black, while the supply capacity of virgin Carbon Black is lagging behind. The widening gap is to be filled by rCB.

As an input material, Pyrolyx is competing with the incineration and material recycling of used tires. Incineration involves burning scrap tires in whole or in part in power plants to generate energy. One of the biggest buyers of scrap tires for incineration is the cement industry. In material recycling, once the steel, textiles and fibers have been removed, depending on their size the tire granules can be used in for example surfacing for sports grounds and play areas (although this is being increasingly restricted in many countries for health reasons) or as an additive in road construction and cement production.

The success of Pyrolyx's growth strategy is dependent upon securing additional customers for Pyrolyx's product on a larger scale and converting trial or pipeline customers and its strategic relationships with certain tire, mechanical rubber goods and masterbatch manufacturers into ongoing revenue-producing commercial supply arrangements. There is a risk that the customer approval process may take longer than expected and certain potential customers may be slow to accept the products produced by Pyrolyx or may not accept them at all.

In addition to the qualitative acceptance of rCB and pyrolysis oils, Pyrolyx's success is also subject to world oil prices. The price of industrial, non-recycled carbon black is closely linked to the global price of crude oil.

Outlook

Pyrolyx was established with the vision of providing a sustainable, economic and environmentally friendly solution to the material and growing problem of disposing of end-of-life tires. Pyrolyx's focuses on completing current construction of its first US plant on its purchased industrial site at Terre Haute, Indiana with plans to build further plants. The Company will consider using cash flow generated from these plants to fund the development of further plants and may also explore opportunities for the commercialization of its technology outside of Germany and the United States.

In 2018, Pyrolyx anticipates group revenue from the sale of rCB, pyrolysis oil and steel to total about € 500 to € 600 thousand. No sales of technical components (by Pyrolyx Invent GmbH) are currently expected in 2018. Overall, it can be assumed that business operations for the remainder of 2018 and first half 2019 will still have to be funded externally.

To further finance current operations and the development of production resources in the USA, the Pyrolyx Group is also planning further corporate action in 2018. This could take the form of raising both equity and debt. Should this prove difficult for the company, this could have substantial repercussions for the company's net assets, financial position and results of operations and might jeopardise its going concern.

4. Other reporting items

cct Stegelitz GmbH has successfully upgrading its process-based, EN ISO 9001 certified quality management system and its EN ISO 14001 environmental management system to the current 2015 standard.

Munich, 02 August 2018

Bernhard Meder	Sven Eric Molzahn
Chief Executive Officer	Chief Financial Officer

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE BOARD OF DIRECTORS

PYROLYX AG

MUNICH; GERMANY

I have reviewed the accompanying consolidated half-year financial report of Pyrolyx AG (the Company), which comprise the consolidated balance sheets as of 30 June 2018 and the related consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the six-month periods then ended, and the related selected explanatory notes to the interim consolidated financial statements, comprising a summary of selected significant accounting policies and other explanatory information, and the director's declaration.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with German Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Managements' Responsibility for the Consolidated Half-Year Financial Report

Management is responsible for the preparation and fair presentation of the consolidated half-year financial report in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and adopted by the EU; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express a conclusion on the consolidated half-year financial report based on my review. I conducted the review in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) ("IDW"). Those standards require that the review is to be planned and performed in such that with a critical evaluation, I can obtain reasonable assurance that no indications are present

- that the consolidated half-year financial statements were not prepared in all material aspects in conformity with IFRS as issued by the IASB and adopted by the EU or

- that in accordance with the principles of orderly accounting do not convey overall a true and fair view of the Company's assets, financial position and earnings.

Independence

In conducting my review, I complied with the independence requirements of the *German Commercial Law*.

Conclusion

Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the consolidated half-year financial report of Pyrolyx AG is not in accordance with IFRS as issued by the IASB and adopted by the EU including:

a giving a true and fair view of the consolidated entity's financial position as at 30 June 2018 and of its performance for the half-year ended on that date; and

b complying with German commercial law and supplementary provisions of the articles of incorporation.

Landsberg a. Lech, 02 August 2018

Lichtenstern

Jeannette Lichtenstern

Wirtschaftsprüferin

(Public Auditor)

Interim consolidated financial report

For the half-year ended 30 June 2018

INDEX

Consolidated statement of profit or loss

For the half-years ended 30 June 2018 and 2017

€'000	Note	1 January - 30 June 2018	1 January - 30 June 2017
Sales revenues		208	168
Increase or decrease of finished goods and work in progress		-78	24
Own work capitalised		237	-
Other operating income	3.1	134	426
Material expenditure			
a) Expenses for raw materials, consumables and supplies and for purchased goods		-194	-224
b) Cost of purchased services		-	-15
Personnel expenses			
a) Wages and salaries	3.2	-1,619	-2,808
b) Social charges, old age pension costs and welfare expenses		-172	-164
Depreciation and amortisation		-902	-927
Other operating expenses		-2,243	-2,212
Interest and similar income	3.3	1,590	-
Interest and similar expenses	3.4	-374	-906
Loss before income tax expense		**-3,413**	**-6,638**
Income tax expense	3.5	-	-
Loss after income tax expense		**-3,413**	**-6,638**
Thereof attributable to shareholders of Pyrolyx AG		-3,397	-6,588
Thereof attributable to non-controlling interests		-16	-50
Earnings per share in € (basic)	3.6	-0.51	-2.09
Earnings per share in € (diluted)	3.6	-0.51	-2.09

Consolidated statement of comprehensive income

For the half-years ended 30 June 2018 and 2017

€'000	Note	1 January - 30 June 2018	1 January - 30 June 2017
Loss after income tax expense		**-3,413**	**-6,638**
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		559	-410
Other comprehensive income after tax for items that will be reclassified to profit or loss		**559**	**-410**
Other comprehensive income net of tax		559	-410
Total comprehensive income		**-2,854**	**-7,048**
Thereof attributable to shareholders of Pyrolyx AG		-2,871	-6,973
Thereof attributable to non-controlling interests		17	-75

Consolidated statement of financial position

As of 30 June 2018 and 31 December 2017

€'000	Note	30 June 2018	31 December 2017
A S S E T S			
Current assets			
Cash and cash equivalents		3,075	5,502
Trade receivables		165	108
Inventories		368	512
Other non-financial assets		92	83
Prepaid expenses		160	65
Total current assets		**3,860**	**6,270**
Non-current assets			
Restricted cash and cash equivalents		17,024	22,509
Intangible assets		6,197	6,282
Fixed assets	4.1	29,985	23,230
Total non-current assets		**53,206**	**52,021**
Total assets		**57,066**	**58,291**

Consolidated statement of financial position

As of 30 June 2018 and 31 December 2017

€'000		30 June 2018	31 December 2017
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		1,024	834
Project financing loan		1,759	1,712
Convertible bonds		501	472
Liabilities due to banks		341	411
Other financial liabilities	4.2	11,960	12,207
Other non-financial liabilities		1,327	1,129
Provisions		317	846
Total current liabilities		**17,229**	**17,611**
Non-current liabilities			
Trade payables		-	113
Project financing loan		20,980	20,244
Convertible bonds		-	-
Liabilities due to banks		905	1,060
Other financial liabilities	4.2	8,522	8,992
Other non-financial liabilities		382	-
Deferred income		2,500	2,433
Total non-current liabilities		**33,289**	**32,842**
Equity			
Share capital		5,615	5,615
Additional paid-in capital		40,140	39,755
Retained earnings		-40,750	-37,353
Other components of equity		-848	-1,340
Not yet registered shares	4.3	750	-
Equity attributable to shareholders of Pyrolyx AG		**4,907**	**6,677**
Equity attributable to non-controlling interests		**1,641**	**1,161**
Total equity		**6,548**	**7,838**
Total liabilities and equity		**57,066**	**58,291**

Consolidated statement of changes in equity

For the half-years ended 30 June 2018 and 2017

€'000	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other components of equity	Not yet registered shares	Total	Non-controlling interests	Total equity
	Attributable to shareholders of Pyrolyx AG								
Balance at 1 January 2017	**3,165**	**-112**	**7,290**	**-16,378**	**-**	**-**	**-6,035**	**-8**	**-6,043**
Issuance of shares, net of transaction costs and tax	148	-	1,684	-	-	-	**1,832**	-	**1,832**
Equity-settled share-based payment	-	-	76	-	-	-	**76**	-	**76**
Loss after tax	-	-	-	-6,588	-	-	**-6,588**	-50	**-6,638**
Net exchange differences recognised in other comprehensive income	-	-	-	-	-385	-	**-385**	-25	**-410**
Balance at 30 June 2017	**3,313**	**-112**	**9,050**	**-22,966**	**-385**	**-**	**-11,100**	**-83**	**-11,183**
Balance at 1 January 2018	**5,615**	**-**	**39,755**	**-37,353**	**-1,340**	**-**	**6,677**	**1,161**	**7,838**
Cash proceeds for not yet registered shares	-	-	-	-	-	750	**750**	-	**750**
Loss after tax	-	-	-	-3,397	-	-	**-3,397**	-16	**-3,413**
Acquisition of non-controlling interests without change in control	-	-	385	-	-34	-	**351**	463	**814**
Net exchange differences recognised in other comprehensive income	-	-	-	-	526	-	**526**	33	**559**
Balance at 30 June 2018	**5,615**	**-**	**40,140**	**-40,750**	**-848**	**750**	**4,907**	**1,641**	**6,548**

Consolidated statement of cash flows

For the half-years ended 30 June 2018 and 2017

€'000	1 January - 30 June 2018	1 January - 30 June 2017
Cash flows from operating activities		
Cash receipts from the sale of goods and the rendering of services	181	180
Cash payments to suppliers for goods and services	-2,047	-1,556
Cash payments to and on behalf of employees	-1,798	-1,673
Other cash receipts not attributable to investing or financing activities	366	277
Other cash payments not attributable to investing or financing activities	7	-187
Net cash flows from operating activities	**-3,291**	**-2,959**
Cash flows from investing activities		
Cash payments to acquire intangible assets	-383	-186
Cash payments to acquire property, plant and equipment	-5,537	-136
Proceeds from disposal of interest in a subsidiary	800	-
Interest received	128	-
Net cash flows from investing activities	**-4,992**	**-322**
Cash flows from financing activities		
Cash proceeds from issuing shares or other equity instruments	750	1,331
Proceeds from borrowings	977	1,500
Repayments of borrowings	-725	-268
Interest paid	-1,071	-157
Net cash flows from financing activities	**-69**	**2,406**
Net increase / decrease in cash and cash equivalents	**-8,352**	**-875**
Cash and cash equivalents at the beginning of the period*)	27,969	1,132
Effect of changes in foreign currency rates on cash and cash equivalents	482	-3
Cash and cash equivalents at the end of the period*)	**20,099**	**254**

*) Cash and cash equivalents include restricted cash and cash equivalents.

Selected explanatory notes to the interim consolidated financial statements
For the half-years ended 30 June 2018 and 2017

1 Basis of preparation

Pyrolyx AG (the **Company** or **Pyrolyx**) is a listed stock company incorporated under German law with its registered office in Munich, Germany. Pyrolyx AG's legal address is as follows: Nymphenburger Strasse 70, 80335 Munich, Germany. Pyrolyx AG is listed on the OTC market in Germany and the Australian securities exchange (**ASX**).

Pyrolyx AG is the parent company of a group of entities (the **Group**) that has developed and operates a specialised process that transforms waste tires into high-grade, valuable raw materials, primarily recovered carbon black (rCB). Carbon black is used in the manufacture of tires and mechanical rubber products, as well as plastics and pigments. Pyrolyx's process delivers compelling benefits to the traditional manufacture of carbon black, including reduced carbon dioxide emissions.

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union and effective at the end of the reporting period and in accordance with the Interpretations by the International Financial Reporting Interpretations Committee (IFRIC).

The consolidated interim financial statements of Pyrolyx AG for the reporting period ended 30 June 2018, have been compiled in accordance with International Accounting Standard (IAS) 34 “Interim Financial Reporting”. They do not include all information necessary for a complete set of consolidated financial statements.

The accounting policies used in these consolidated interim financial statements are largely based on the accounting policies used in the 2017 consolidated financial statements, where the latter are discussed in detail. Except for the amendments to and new requirements of IFRS effective starting in 2018, these accounting policies have been applied consistently in these consolidated interim financial statements. Please see the discussion on IFRS 16 Leases, which is applicable effective 1 January 2019, in the notes to the consolidated financial statements contained in the 2017 annual report for information on the impact this standard's initial application is expected to have. To date, the ongoing implementation project has not led to any significant changes to the assessment set out in that discussion.

In compiling financial statements in accordance with IFRS, management exercises judgment in making estimates and assumptions. Such estimates and judgments are unchanged from the matters described in the consolidated financial statements of the Pyrolyx Group as at and for the year ended 31 December 2017.

Processes and systems of group companies ensure appropriate recognition of income and expenses on the accrual basis. Due to the nature of the Group's business, the comparability of its consolidated interim financial statements is not significantly affected by seasonality.

Selected explanatory notes to the interim consolidated financial statements

For the half-years ended 30 June 2018 and 2017

As amounts (in € thousand) and percentages have been rounded, rounding differences may occur.

Starting with these half-year financial statements the Company has decided to display its cash flow statement using the direct method. Prior period cash flows have been adjusted from the indirect method to the direct method.

The effects of applying IFRS 9 and IFRS 15 effective 1 January 2018, which are discussed below, have resulted in a change in accounting policy. The Group has chosen the modified retrospective transition approach for both IFRS 9 and IFRS 15. However, the first-time application of IFRS 15 and IFRS 9 had no impact on the group's financial statements neither on its equity as of 31 December 2017 nor on these half-year financial statements ended 30 June 2018. With respect to IFRS 9 the only impact was the classification of financial instruments as outlined below.

The carrying amounts of financial instruments by class of the consolidated statement of financial position and by category per IFRS 9 can be reconciled to the categories previously used under IAS 39 as follows:

€'000	Category IFRS 7.8 per IFRS 9	30 June 2018 Carrying amount	1 January 2018 Carrying amount	Category IFRS 7.8 per IAS 39	31 December 2017 Carrying amount
Financial assets, by class					
Cash and cash equivalents	Amortised cost	3,075	5,502	LAR	5,502
Trade receivables - current	Amortised cost	165	108	LAR	108
Restricted cash and cash equivalents - non-current	Amortised cost	17,024	22,509	LAR	22,509
Financial liabilities, by class					
Trade payables - current	FLAC	1,024	834	FLAC	834
Project financing loan - current	FLAC	1,759	1,712	FLAC	1,712
Convertible bonds - current	FLAC	501	472	FLAC	472
Liabilities due to banks - current	FLAC	341	411	FLAC	411
Other financial liabilities - current		11,960	12,207		12,207
Shareholder options - current	FVTPL	8,625	10,214	FLaFVtPLD	10,214
Other other financial liabilities - current	FLAC	3,335	1,993	FLAC	1,993
Trade payables - non-current	FLAC	-	113	FLAC	113
Project financing loan - non-current	FLAC	20,980	20,244	FLAC	20,244
Convertible bonds - non-current	FLAC	-	-	FLAC	-
Liabilities due to banks - non-current	FLAC	905	1,060	FLAC	1,060
Other financial liabilities - non-current		8,522	8,992		8,992
Contingent purchase price liabilities	n/a	1,039	989	n/a	989
Mezzanine bond - non-current	FVTPL	1,053	-	n/a	-
Other other financial liabilities	FLAC	6,430	8,003	FLAC	8,003
Summary by category					
Financial assets at amortised cost (Amortised cost)/ Loans and receivables (LaR)	Amortised cost	20,264	28,119	LAR	28,119
Financial liabilities at amortised cost (FLAC)	FLAC	35,275	34,842	FLAC	34,842
Financial liabilities at fair value through profit or loss (FVTPL)/ Financial liabilities at fair value through profit or loss - designated (FLaFVtPLD)	FVTPL	9,678	10,214	FLaFVtPLD	10,214

Selected explanatory notes to the interim consolidated financial statements (continued)

2 Subsidiaries

Pyrolyx is the ultimate parent entity of the following fully consolidated subsidiaries:

in %	Place of business / country of incorporation	Equity interest held by the group 30 June 2018	31 December 2017
Subsidiaries			
Pyrolyx Invent GmbH	Munich, Germany	100.00	100.00
Pyrolyx International GmbH	Munich, Germany	100.00	100.00
cct Stegelitz GmbH	Moeckern, Germany	80.00 [1)]	80.00 [1)]
Pyrolyx USA, Inc.	Wilmington, USA	92.30	94.30
Pyrolyx USA Indiana, LLC	Indianapolis, USA	92.30	94.30
Pyrolyx Indiana Rail, LLC	Indianapolis, USA	92.30	-

1) As of the reporting date Pyrolyx holds 80 % of the shares on issue in cct Stegelitz GmbH. The remaining 20 % shares on issue currently held by cct AG are to be transferred to Pyrolyx upon payment of final amounts under the loan agreement and respective share purchase agreement. Considering all facts and circumstances, all material opportunities and risks lie with Pyrolyx and Pyrolyx has 100 % power to affect the amount of its returns from cct Stegelitz GmbH. Therefore, cct Stegelitz GmbH is included in the interim consolidated financial statements based on a 100 % interest.

In April 2018, Pyrolyx Indiana Rail, LLC was set-up as a wholly owned subsidiary of Pyrolyx USA Indiana, LLC established to contract and manage the rail infrastructure for the plant in Terre Haute, Indiana, USA.

In June 2018 the Company sold 70 shares in Pyrolyx USA, Inc. for a consideration of € 815 thousand to TSAL Pty Ltd, a company associated with Michael Triguboff and as such decreased its ownership interest in Pyrolyx USA, Inc to 92.3 %. Another 2% in Pyrolyx USA shares may be distributed to Galcap Participations sprl (0.35%) and AVIV Investments Pty Ltd (1.65%) in consideration of IPO related finance arrangements by Alexis Gurdjian and Michael Triguboff.

3 Income statement items

3.1 Other operating income

In prior reporting period other operating income included a foreign currency gain of € 406 thousand (2018: € Nil) relating to the promissory note issued by Pyrolyx to Pyrolyx USA, Inc. in prior reporting period.

3.2 Wages and salaries

In the current reporting period wages and salaries include a gain (€ 530 thousand) in connection with change in fair value of the cash-settled share-based payments (virtual shares). In prior reporting period wages and salaries included an expense of € 1,010 thousand with respect to the initial entry of the virtual shares provision.

Selected explanatory notes to the interim consolidated financial statements (continued)

3.3 Interest and similar income

In the reporting period interest and similar income includes a gain on the change in fair value of the shareholder options in the amount of € 1,590 thousand (2017: € Nil).

3.4 Interest and similar expenses

In prior reporting period interest and similar expenses included interest expenses on the convertible bonds in the amount of € 526 thousand (2018: € 73 thousand).

3.5 Income taxes

Due to the current loss history the Group neither needs to account for current income taxes nor deferred income taxes.

3.6 Earnings per share

The following table shows the calculation of basic and diluted earnings per ordinary share attributable to shareholders of Pyrolyx:

		1 January - 30 June 2018	**1 January - 30 June 2017**
Loss after income tax expense attributable to shareholders of Pyrolyx AG	€'000	-3,397	-6,588
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	6,620,353	3,152,795
Diluted	Number	6,620,353	3,152,795
Earnings per share			
Basic	€	-0.51	-2.09
Diluted	€	-0.51	-2.09

Diluted earnings per share for the half-year ended 30 June 2017 had to be adjusted from € -1.69 to € -2.09 per share as IAS 33.41 requires that potential ordinary shares are only to be treated as dilutive when, and only when, their conversion to ordinary shares would increase loss per share.

4 Balance sheet items

4.1 Fixed assets

Selected explanatory notes to the interim consolidated financial statements (continued)

€'000	30 June 2018	31 December 2017
Technical equipment and machinery	8,958	8,937
Land, land rights and buildings	1,303	1,256
Equipment and furniture	499	500
Prepayments and assets under construction	22,298	15,148
Fixed assets, gross	33,058	25,841
Accumulated depreciation	-3,073	-2,611
Fixed assets, net	**29,985**	**23,230**

The increase in fixed assets in the reporting period relates mainly to assets under construction for the construction of the first USA Plant in Terre Haute, Indiana, USA.

4.2 Other financial liabilities

Mezzanine loan

In the reporting period the Company entered into a mezzanine loan agreement with Arena Growth Holding, LLC, Wayne / USA. The credit facility of the mezzanine loan amounts to € 5,000 thousand which can be drawn down by the Company in instalments. As of the reporting date the Company has drawn down under the mezzanine loan agreement two instalments totalling € 1,000 thousand.

Each drawdown instalment under the mezzanine loan is due at its nominal value in a lump sum at maturity, which means five years after drawdown, respectively. The mezzanine loan bears interest at the rate of 14 % p.a. (first 24 months capitalized, then payable quarterly in arrears) from drawdown date.

As security and collateral for the mezzanine loan (instalments), the Company pledges its shares in Pyrolyx USA, Inc.

The Company has the right to effect the repayment of the mezzanine loan (instalments) without being obliged to pay any pre-payment penalty to Arena Growth Holding, LLC (“callable loan”). A callable loan can be compared with a combination of a loan without any call option and a long position in a receiver swaption.

Therefore, the mezzanine loan represents a hybrid contract containing a call option. As the values of the loan component and the call option are closely related, the instrument as a whole has to be measured at fair value.

Selected explanatory notes to the interim consolidated financial statements (continued)

The fair value is determined in a first step by discounting the contractually agreed future payments of the mezzanine loan (instalments) with an interest rate customary for a comparable loan without any call option. In this context, the default risk of the issuer must also be taken into account. In a second step the fair value of the call option is determined by using a Hull-White model for a receiver swaption. This model takes into account strike interest rates and information about expected interest rate development (forward rates, interest rate volatilities).

The fair values at drawdown dates of the mezzanine loan instalments including the call options amounted to € 507 thousand and € 506 thousand, respectively (in total € 1,013 thousand). The capitalisation rate used to calculate the fair value of the mezzanine loan (instalments) is 13.83 %.

At reporting date the fair value of the mezzanine loan instalments including the call options amounts to € 1,053 thousand. The capitalisation rate used to calculate the fair value of the mezzanine loan (instalments) at the reporting date is 13.46 %.

MBG loan

In the reporting period the Company entered into a prolongation agreement with respect to the MBG loan (30 June 2018: € 1,000 thousand). Under this agreement the initial repayment date 30 June 2018 was prolonged to 30 June 2021 with repayment in monthly instalments of € 14 thousand and a last instalment of € 510 thousand on repayment date.

4.3 Equity

In the reporting period the Company already received cash for 83,333 not yet registered new shares as of the reporting date for a subscription price of € 9. These as of the reporting date not yet registered shares are disclosed in the line item “not yet registered shares” within equity.

5 Segment reporting

Management has determined that the Group only has one reportable segment being the manufacture and supply of recovered carbon black and related recovered raw materials. The key indicator applied by Pyrolyx to assess its performance is the EBITDA according to German GAAP.

The following table shows the reconciliation of the Group’s EBITDA according to German GAAP to the loss before income tax expense for the half-years ended 30 June 2018 and 2017:

Selected explanatory notes to the interim consolidated financial statements (continued)

€'000	1 January - 30 June 2018	1 January - 30 June 2017
Revenues from external customers	208	168
EBITDA according to German GAAP	**-4,207**	**-4,716**
Depreciation according to German GAAP	-789	-814
Interest and similar income according to German GAAP	129	-
Interest and similar expenses according to German GAAP	-1,202	-678
Loss before income tax expense according to German GAAP	**-6,069**	**-6,208**
IFRS adjustments:		
Wages and salaries	530	-76
Depreciation	-114	-114
Other operating expenses	-50	-13
Interest and similar income	1,462	-
Interest and similar expenses	828	-227
Loss before income tax expense	**-3,413**	**-6,638**

Explanations of the IFRS adjustments are as follows:

Wages and salaries include the adjustment for the provision in connection with the cash-settled share-based payments (virtual shares). According to German GAAP this provision is initially calculated and not adjusted to fair value in later periods. Under IFRS, this provision is revalued to fair value on each reporting date.

Depreciation includes the depreciation charges for the IFRS purchase price allocation step up on purchased rights, concessions and similar rights in connection with the acquisition of cct Stegelitz GmbH.

Other operating expenses include the adjustment for the fair value valuation of the contingent purchase price liability with respect to the acquisition of cct Stegelitz GmbH. Under German GAAP future purchase price components which are subject to a condition are only taken into account when the condition is met.

Interest and similar expenses, net include IFRS adjustments for the project financing loan, the convertible bonds and the shareholder options. Under German GAAP interest expense for the project financing loan is to be expensed. Under IFRS, however, these interest costs have to be capitalised on the assets under construction. Under German GAAP interest expense for the convertible bonds comprise the nominal amount of interest, whereas under IFRS interest expense includes the interest expense resulting from the effective interest rate method. Under German GAAP the shareholder options need to be measured at acquisitions costs. The IFRS adjustments for the shareholder options results from the fair value through profit and loss valuation.

Selected explanatory notes to the interim consolidated financial statements (continued)

6 Additional disclosures regarding financial instruments

The fair values of financial assets and liabilities that are either measured at fair value or for which fair value is disclosed in the notes to the interim consolidated financial statements were determined using the following valuation methods and inputs:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted market prices included within level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Company reviews its financial instruments at the end of each reporting period for any required transfers between fair value levels. No transfers between levels were made during the reporting period.

The carrying amounts and fair values of financial instruments per IFRS 7.25-30 are summarised by class of the interim consolidated statement of financial position below.

	30 June 2018		31 December 2017		
€'000	Carrying amount	Fair value	Carrying amount	Fair value	Level per IFRS 13
Financial assets, by class					
Cash and cash equivalents	3,075	3,075	5,502	5,502	
Trade receivables - current	165	165	108	108	
Restricted cash and cash equivalents - non-current	17,024	17,024	22,509	22,509	
Financial liabilities, by class					
Trade payables - current	1,024	1,024	834	834	
Project financing loan - current	1,759	1,769	1,712	1,727	2
Convertible bonds - current	501	501	472	472	2
Liabilities due to banks - current	341	382	411	457	2
Other financial liabilities - current	11,960	11,999	12,207	-	
Shareholder options - current	8,625	8,625	10,214	10,214	1
Other other financial liabilities - current	3,335	3,374	1,993	2,059	2
Trade payables - non-current	-	-	113	113	
Project financing loan - non-current	20,980	21,894	20,244	21,850	2
Convertible bonds - non-current	-	-	-	-	
Liabilities due to banks - non-current	905	866	1,060	1,015	2
Other financial liabilities - non-current	8,522	6,498	8,992	-	
Contingent purchase price liabilities	1,039	1,039	989	989	3
Mezzanine bond - non-current	1,053	1,053	-	-	2
Other other financial liabilities	6,430	4,406	8,003	7,970	2

The carrying amounts of cash and cash equivalents, trade receivables, restricted cash and cash equivalents and trade payables are assumed to equal their fair value.

Project financing loan

For the project financing loan, the fair value was calculated using the discounted cash flow method. The capitalisation interest rate applied at 30 June 2018 is 9.34 %. The fair value can be assigned to level 2 of the fair value hierarchy according to IFRS 13.

Convertible bonds

Selected explanatory notes to the interim consolidated financial statements (continued)

The fair value of convertible bonds was calculated using the discounted cash flow method. The capitalisation interest rate used reflects the market interest rate of comparable bonds without a corresponding conversion right at 30 June 2018. The interest rate used is 11.94 %. The fair value can be assigned to level 2 of the fair value hierarchy according to IFRS 13.

Liabilities due to banks

For fixed-interest loans, the fair value of liabilities to banks was calculated using the discounted cash flow method. The capitalisation interest rate applied at 30 June 2018 is 6.59 %. They are classified as level 2 fair values in the fair value hierarchy.

For variable-interest loans, the fair value of liabilities to banks was calculated only for disclosure purposes and carried at the value of the outstanding nominal amount.

Other financial liabilities

The fair value for the other financial liabilities (without the shareholder options and contingent purchase price liabilities) is based on discounted cash flow models using current market interest rates. The market interest rates used for liabilities are 11.94 % and 12.96%. The fair value can be assigned to level 2 of the fair value hierarchy according to IFRS 13.

The shareholder options are recognised and reported at fair value on the reporting date and can be assigned to level 1 of the fair value hierarchy according to IFRS 13.

The mezzanine loan is recognised and reported at fair value on the reporting date and can be assigned to level 2 of the fair value hierarchy according to IFRS 13.

The contingent purchase price liabilities are recorded at fair value and are assigned to level 3 of the fair value hierarchy according to IFRS 13.

The following table presents the changes in level 3 instruments (contingent purchase price liabilities) for the respective periods:

Selected explanatory notes to the interim consolidated financial statements (continued)

€'000	1 January - 30 June 2018	1 January - 30 June 2017
Opening balance	**989**	**3,059**
Total result for the period reported in income statement under "other operating income/expenses"	50	11
Closing balance	**1,039**	**3,070**
Change in unrealised gains (-)/ losses (+) for the period included in the income statement under "other operating income/expenses" for contingent purchase price liabilities at the end of the reporting period	50	11

In the measurement of the contingent purchase price liabilities the main unobservable input parameter is the expectation regarding the purchase price component still to be paid.

7 Contingent liabilities and guarantees

The statements made in the annual financial statements 2017 with respect to contingent liabilities are largely unchanged.

In April 2018 Pyrolyx Indiana Rail, LLC entered into an agreement with the City of Terre Haute, Indiana, USA subject to which the City of Terre Haute will provide funding in the amount of $ 1,700 thousand to develop certain economic development facilities within the business park such as rail improvements.

With respect to this funding the City of Terre Haute issued $ 1,700 thousand of taxable economic development revenue bonds. Debt service on these bonds will be payable from property taxes pledged by the City of Terre Haute, collected in the business park.

In connection with the above funding agreement Pyrolyx USA, Inc. entered into a guaranty agreement pursuant to which Pyrolyx USA, Inc. guarantees to the bondholder , to the extent that the property tax revenues are insufficient, the payment of debt service due on the bonds when payable. As of the reporting date the fair value of such guarantee is deemed to be nil.

8 Financial commitments

In the reporting period the Company entered into a leasing contract for a gas generator requiring the Company to pay $ 15 thousand per month for a period of 126 month after the installation of the gas generator. At the reporting date the gas generator had not been installed yet.

In addition the Company entered into a firm commitment regarding the purchase of gas in the amount of $ 140 thousand for its gas consumption within twelve month after the respective

Selected explanatory notes to the interim consolidated financial statements (continued)

gas infrastructure has been installed by the seller. At the reporting date the gas infrastructure had not been installed yet.

9 Related party transactions

In June 2018 Niels Raeder withdrew from the management board. Based on the related termination agreement Niels Raeder is entitled to a termination benefit of € 638 thousand being payable in monthly installments until December 2020.

Pyrolyx has signed a consulting agreement with Raeder Capital GmbH, a company controlled by Niels Raeder, for the period June 2018 to December 2020. For the contracted services mainly in business development and facilitating strategic partnerships a total fee of € 462 thousand payable in monthly installments.

In June 2018 Bernhard Meder was appointed as new chief executive officer of the Company. Bernhard Meder is entitled to a yearly compensation of € 1.

In June 2018 the Company sold 70 shares in Pyrolyx USA, Inc. for a consideration of € 815 thousand to TSAL Pty Ltd, a company associated with Michael Triguboff.

10 Events after the reporting period

Subsequently to the half year end there was the following change to the Management Board:

- Fikret Duelger resigned as Chief Technology Officer, effective 11 July 2018

Subsequently to the half year end at the General Meeting on 20 July 2018 there were the following changes to the Supervisory Board:

- Robert Machinist and Alexis Gurdjian were not re-elected to the Supervisory Board and their tenure ended on 20 July 2018
- Dr. Lars Franken, David Groves, and David Steele were elected to the Supervisory Board effective 20 July 2018
- David Groves was elected by the Supervisory Board as Chairman on 20 July 2018
- Michael Triguboff and Guido Veit were elected to the Remuneration and Nomination Committee, Michael Triguboff as its Chair.
- Dr. Lars Franken and David Steele were elected to the Audit and Risk Committee, Dr. Lars Franken as its Chair.

Subsequently to the half year Pyrolyx made one capital increase from authorised capital in exchange for cash contribution was agreed and carried out by the Management Board.

Selected explanatory notes to the interim consolidated financial statements (continued)

Basis	Capital increase	Increase in subscribed capital		Capital increase entered in the Commercial Register
		by	to	
Resolution adopted by the Management Board and Supervisory Board on 05 June 2018 based on authorisation by the AGM on 09 October 2017	Capital increase from Authorised Capital 2017/II (cash contribution)	€ 13,000.00	€ 5,710,869.00	August 3rd, 2018

The cash capital increase from Authorised Capital 2017/II took place to the exclusion of shareholders' pre-emptive rights pursuant to Section 186(3), sentence 4 AktG German Stock Corporation Act. The stock was issued at €9,00 roughly 8% above the weighted average of the five trading days prior to the resolution by the Management Board of €8.33.

Basis	Issue price	Proceeds
Resolution adopted by the Management Board and Supervisory Board on 05 June 2018 based on authorisation by the AGM on 09 October 2017	€ 9.00	€ 117,000.00

At the Annual General Meeting on 20 July 2018 the shareholders approved the resolution on the revocation of Authorized Capital 2017/II and the creation of Authorized Capital 2018/I. As a result, the Management Board is authorized to increase the share capital of the Company on one or more occasions until June 19, 2023 subject to the approval of the Supervisory Board by a total of up to €2,800,00.00 by issuing up to 2,800,000 no-par-value registered shares in return for cash and/or contributions in kind (Authorized Capital 2018/I). The Management Board shall be authorized to exclude shareholders' preemptive rights under the following circumstances subject to the approval of the Supervisory Board:

a) The shares are issued against cash contributions and for an issue price which is not significantly lower than the stock market price of shares in the Company at the time the issue price is set by the Management Board, and the capital increase only comprises new shares which do not exceed 10 percent of the share capital (5,614,536 shares) at the time this authorization to exclude preemptive rights is entered in the Commercial Register.
b) In connection with fractional amounts resulting from the subscription ratio;

Selected explanatory notes to the interim consolidated financial statements (continued)

c) The new shares are issued in connection with a capital increase in return for contributions in kind, as long as the capital increase is carried out in order to acquire receivables against the Company, or to acquire enterprises, parts of enterprises, interests in enterprises, or other contributable assets.