Appendix 4D (ASX Listing Rule 4.2A)
Group report for the half-year ended 30 June 2019

Reporting Period
This is the report for the period 1 January to 30 June 2019. All comparisons are made to the period of 1 January to 30 June 2018.

Results for announcement to the market

€'000	1 January - 30 June 2019	1 January - 30 June 2018		Movement
Revenue from ordinary activities	490	208	up	136%
Profit (loss) after tax from ordinary activities attributable to members	(6,653)	(3,396)	up	98%
Net profit (loss) attributable to members	(6,653)	(3,396)	up	98%

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 2018

No interim dividend was paid in relation to the half year period ended 30 June 2019 and the Company does not propose to pay a dividend

Net tangible assets

€	30 June 2019	30 June 2018
Net tangible assets backing per ordinary share: € per share	0.50	0.06

The calculation of net tangible assets per ordinary share uses the total number of shares on issue as at 30 June 2019 being 7,119,681 shares.

Review of results:
In the first six months of the financial year 2019 Pyrolyx progressed with the construction of its first industrial scale plan in Terre Haute, Indiana (USA).

Revenues for the period increased by 136 % to € 490K 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. The startup of the US plant falls into the second half of 2019 and revenues are expected to increase significantly. Pyrolyx estimates the revenues to be €4M to €5M for the full year 2019.

The calculation of net tangible assets per ordinary share uses the total number of shares on issue as at 30 June 2019 being 7,119,681 shares.

Review of results:

In the first six months of the financial year 2019 Pyrolyx progressed with the construction of its first industrial scale plan in Terre Haute, Indiana (USA).

Revenues for the period increased by 136 % to € 490K 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. The startup of the US plant falls into the second half of 2019 and revenues are expected to increase significantly. Pyrolyx estimates the revenues up to €4M for the full year 2019.

Net losses attributable to members have increased by 98%. Profitability will be achieved once the US plant is in full operation. In comparison the loss in 2018 was positively affected by a revaluation of the shareholder warrants. 2019 finance expenses grew due to additional debt financing and the commencement of interest payment within the Industrial Revenue Bond in the USA.

Changes in control over entities:

Nothing to report

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 2019 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 2019.

Details of review modifications:

Not applicable.

sustainable. efficient. progressive.

Pyrolyx AG Munich

Group Report

for the half year ended 30 June 2019

Pyrolyx AG
Landshuter Allee 8
D-80637 München
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Contents

Group Management Report for the period January 1 to June 30, 2019

1. Principles and introduction

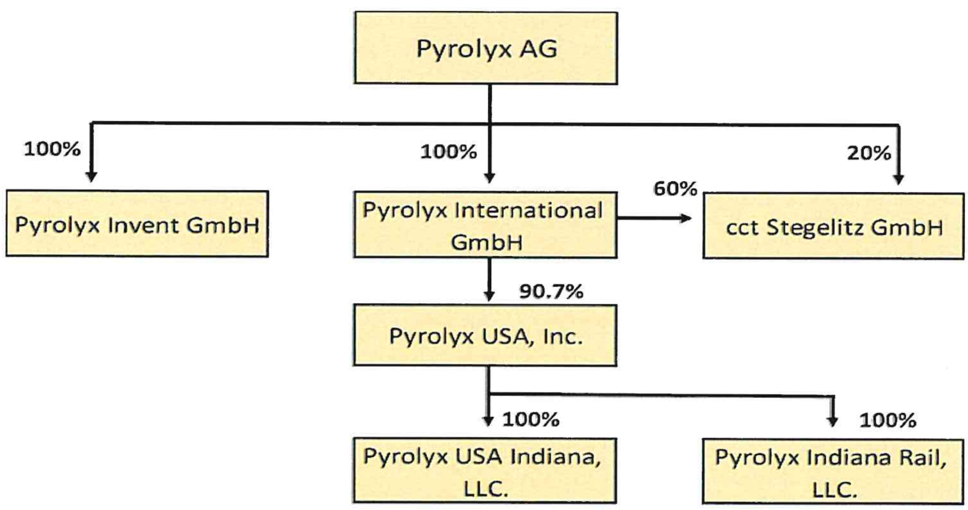
Pyrolyx AG is the parent company of a group of entities (the **Group**) that developed and operates a specialized process which transforms end-of-life tires (ELT) into high-grade, valuable raw materials, primarily recovered carbon black (**rCB**). Carbon black is used in the manufacture of tires, and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

1.1 Business model

Pyrolyx's objective is to establish its technologies globally for the sustainable recycling of end-of-life tires. The aim is for commercial industrial plants to be built and run by Pyrolyx and/or licensees throughout the world.

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 and is the management holding company at the helm of the Pyrolyx Group.

The following chart shows the corporate structure of the Pyrolyx Group as of June 30, 2019:



cct Stegelitz GmbH was acquired in 2015 and comprises the commercial production in Stegelitz (Germany) and co-located R&D activities. 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. 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 90.7% of Pyrolyx USA. Other shareholders are TSAL Pty Ltd (2%), AVIV Investments Pty (1.63%). Reklaim owns 5.7%.

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 2019 concentrated on the following areas:

- Material tests with leading companies in the tire, technical rubber, plastics and masterbatch industries with the aim of acquiring new key accounts and securing existing ones.
- Assisting in the establishment of a global ASTM* (ASTM International is an international standards organization that develops and publishes voluntary consensus technical standards for a wide range of materials, products, systems, and services) standard for rCB including the identification of unambiguous test methods to analyze the behavior of rCB in various industrial applications so that internationally recognized test methods and specifications can be developed and defined on this basis.

- Engineering of selecting and pre-sorting tire shreds for optimized pyrolysis production preparation.

*References:

Recycling, W. (2017, 04 27). ASTM BACKS TIRE PYROLYSIS. Retrieved from Weibold Tire Recycling Consulting: https://weibold.com/astm-backs-tire-pyrolysis/

1.3 Control system

Risk management involves identifying the types of risk exposure within the company, measuring those potential risks, proposing means to control, transfer, hedge, insure or mitigate some of the risks and estimating the impact of various risks on the future earnings of the company.

For Pyrolyx the key focus areas are in particular:

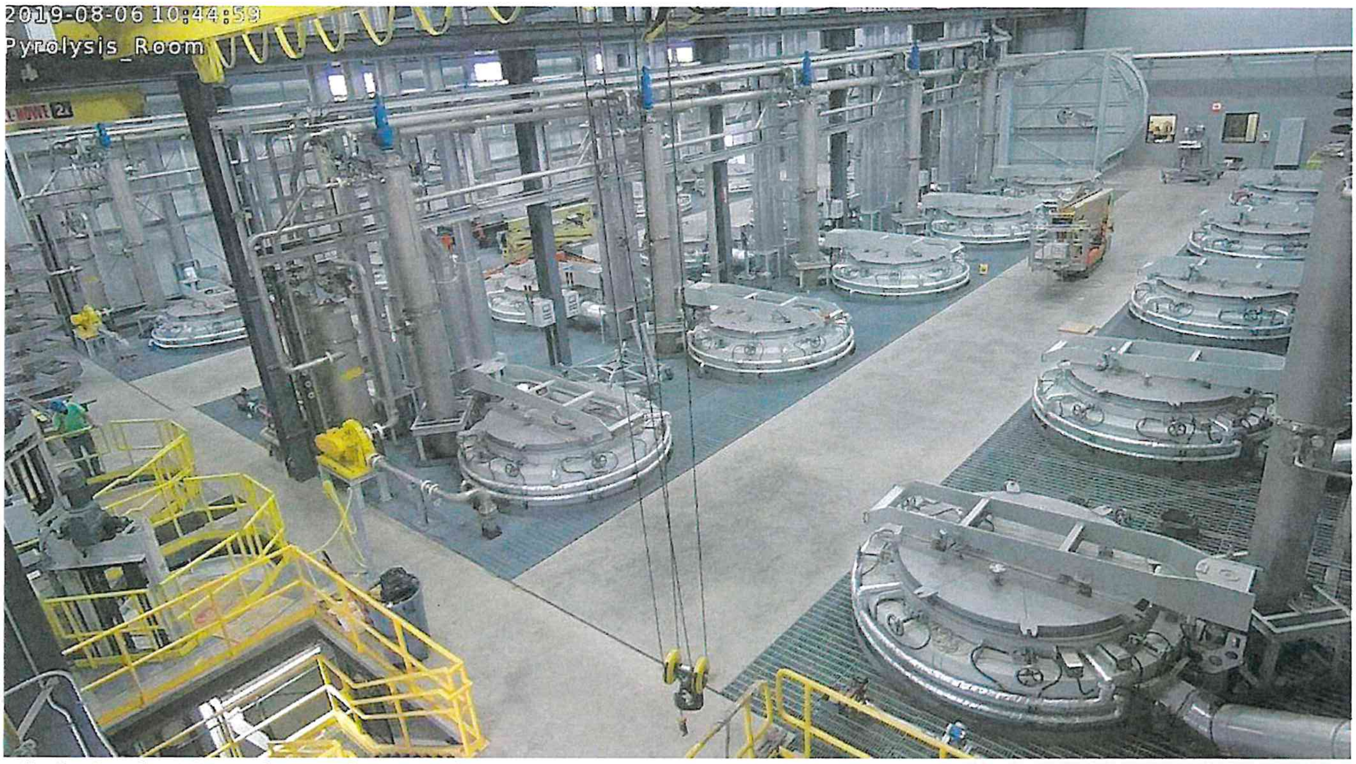
- Terre Haute construction as the main investment object is closely monitored with project management processes and financial reviews. The plant is currently working on establishing an integrated management system (EN ISO 9001 and 14001 Certification).
- cct Stegelitz production as an operational site for supply and Research & Development is systematically reviewed. It achieved recertification for ISO 9001 and 14001 in June 2019.
- Pyrolyx USA has begun to implement a new ERP system, which, once successfully implemented in the North American market, will serve as the platform for Pyrolyx globally.
- 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.

The Management team only assumes reasonable, manageable and controllable risks if they are likely to result in an increase in the company's value. 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 Chairman of the Supervisory Board and then assessment is provided 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 can take appropriate action to ensure the stable control of the company.

2. Course of business in first half of 2019

2.1 Business and economic environment



Credit: Pyrolyx USA – taken in July 2019. Plant Terre Haute #1, Photo Credit Pyrolyx

Operations

The first half year 2019 was dominated by the continuation of construction and commissioning of the production plant in Terre Haute, Indiana, USA which will allow the Company to achieve operational profitability. When fully operational, the Indiana (TH1)

plant will process some 40,000 metric tons of end-life-tires annually and will have an annual output of approximately 13,000 metric tons of rCB, 17,500 metric tons of pyrolysis oil and 6,200 metric tons of steel. At the reporting date, August 28, 2019, TH1 was mechanically completed and undergoing production commencement. Work has also progressed on design, engineering and approvals for the second plant in Terre Haute (TH2).

In April 2019 Pyrolyx AG signed a Letter of Intent ("LOI") with one of the largest global tire manufacturers, Continental Tires. The LOI details a five-year supply agreement building over two years to 10,000-15,000 tons per annum of recovered Carbon Black (rCB). The rCB will be initially supplied both from Pyrolyx's existing plant in Stegelitz Germany and later from Terre Haute Indiana.

The minimum five-year supply agreement requires the development of additional Pyrolyx manufacturing capacity in Eastern Europe. Once the Eastern European facility is operational, which is expected in late 2021, Pyrolyx will satisfy the tire manufacturer's initial European regional rCB demands from this facility. The expectation of both parties is that the demand for rCB will increase over time and, if it does, the manufacturer may increase its demand from Pyrolyx beyond the initially stipulated annual tonnage.

Pyrolyx has signed a binding letter of intent to acquire J&R Tire Recycling in Newport, Indiana. The deal is expected to close within the next months. This acquisition will secure enough tire shreds supply to the factory and is expected to increase sales by $4.5M per annum.

Revenues through 30. June were €490K. The plant in Terre Haute will commence operations in Q3/2019. Pyrolyx has lined up customers for rCB both in the tire and rubber industry as well as the plastics industry (masterbatch) committed to take supply from the plant immediately product quality is confirmed, as well as firm interest for oil and steel sales. The company forecasts sales development for all fiscal year 2019 of up to €4M.

The forecast for Terre Haute 1 currently indicates that production capacity is largely sold out from the start of operations.

Liquidity management and financing

To date Pyrolyx has not generated positive cash flows and has invested significant funds in the construction of a new plant. 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 for change orders and cost overruns. As previously disclosed the original budget was exceeded; current accounting of the budget overage net of reserves is USD10M. Funds to cover the additional expenditures have been secured. Management continues to work with the respective partners for required financing in form of debt or equity. The liquidity status and outlook are being monitored on a regular basis to ensure necessary actions are taken on time.

Economic

The global carbon black market is attractive with opportunities in the transportation, industrial, and building & construction, and packaging sectors. The global carbon black market is expected to reach an estimated $20.2 billion by 2023 with a cumulative annual growth rate of 5.6% from 2018 to 2023. The major growth drivers for this market are increasing tire production, and rising demand for specialty carbon black in plastic, ink, and coating applications*.

*References:

Newswire, C. P. (2018, 06 18). CISION PR Newswire. Retrieved from PR Newswire: https://www.prnewswire.com/news-releases/the-global-carbon-black-market-is-expected-to-reach-an-estimated-20-2-billion-by-2023-with-a-cagr-of-5-6-from-2018-to-2023--300660814.html

Group structure

The group structure has remained unchanged during the reporting period.

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. The company features many additional countries with patent filings. This circumstance 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 2019:

- Shareholder Stephen Roberts was appointed Director effective December 15, 2018
- Shareholder William Best was appointed Director effective December 15, 2018

- Director Mr. Guido Veit resigned from the Board effective 28. February 2019
- Director Mr. Lars Franken resigned from the Board effective 28. February 2019
- Shareholder and former CEO, Bernhard Meder, was appointed Director effective March 1, 2019.
- Chairman of the Board, David Groves, resigned the Chairmanship of the Board effective April 17, 2019.
- Director Dave Steele was elected Chairman of the Board, effective April 17, 2019.
- All Directors were re-elected at the Annual General Meeting on June 7, 2019, held in Munich. The Meeting voted for a director term of service to be extended to 3 years.

Management Board

There were no changes to the membership of the Management Board in the first half of 2019. CEO and sole member of the Management Board is Mr. Michael Triguboff (since December 15, 2018).

2.2 Development of the asset and capital structure

At December 31, 2018, the subscribed share capital of the company totaled € 5,960,869.00, divided into 5,960,869 no-par-value registered shares each with a notional value of € 1.00 per share capital. All 5,960,869 shares issued are fully paid-up.

The company held its Annual General Meeting on June 7, 2019, where

- The annual report and the results for 2018 were presented
- Management Board:
  - Former CEO Bernhard Meder and current CEO Michael Triguboff were granted discharge.
  - Former CEO Niels Raeder, former CFO Eric Molzahn, and former CTO Fiket Dülger were not granted discharge.
- Supervisory Board:
  - Former directors Professor Christian Langbein, Amelia Salter, Michael Carapiet, Michael Triguboff, Guido Veit and Lars Franken were granted discharge.

- Former directors Mr. Alexis Gurdijan and Mr. Robert Machinist were not granted discharge.

- The term of supervisory board members' service was expanded to 3 years
- New members of the new supervisory board were elected.
  - David Steele, Director and Chairman of the Board
  - Bernhard Meder, Director
  - William Best, Director
  - Stephen Roberts, Director
  - Michael Triguboff was elected a Director for a future time after he had stepped down from the management board.
- Mrs. Jeannette Lichtenstern, public auditor (Landsberg/Lech (Germany)) was appointed as group auditor for 2019.
- The authorized capital 2018/I was revoked, and a new authorized capital 2019/I of €3,448,729.00 was approved.
  - **Note**: This approval has subsequently been challenged by a small group of shareholders and is on the agenda of the EGM scheduled for September 18, 2019 to ensure the capital is available.
- A new Stock-Option-Plan (LTIP) for Executive Management has been approved
  - **Note**: This approval has subsequently been challenged by a small group of shareholders and is on the agenda of the EGM scheduled for September 19, 2019 to ensure the capital is available.

Authorized Capital 2018/I

The Management Board was empowered by the Annual General Meeting held on July 20, 2018 to increase the share capital of the company on one or more occasions by June 19, 2023 subject to the approval of the Supervisory Board by a total of up to € 2,800,000,00 by issuing up to 2,800,000 new no-par-value registered shares in return for cash and/or contributions in kind.

Subject to the approval of the Supervisory Board, the Management Board is authorized to exclude shareholders' preemptive rights in the following cases:

a) if the capital increase in return for cash contributions does not exceed 10% of the share capital and the issue price is not significantly below the market price of shares in the company,
b) in connection with fractional amounts resulting from the subscription ratio
c) if the new shares are issued in connection with a capital increase in return for contributions in kind by creditors for investments, assets or receivables against the company.

The Management Board is authorized, subject to the Supervisory Board's approval, to decide the conditions under which shares are issued, including the issue price and the content of share rights. In the first half-year 2019 two capital increases from authorized capital were executed, one against contribution in kind and one against cash contributions. As a result, the company's share capital was increased by a total of € 1,158,812.00. The following table provides an overview of these capital increases:

Basis	Capital increase	Increase in subscribed capital		Capital increase entered in the Commercial Register
		by	To	
Resolution adopted by the Management Board on 14. March 2019 and Supervisory Board on 21. March 2019 based on authorization by the AGM on 20. July 2018	Capital increase from authorized Capital 2018/I (contribution in kind)	€936,590.00	€ 6,897,459.00	06. May 2019
Resolution adopted by the Management Board on 13. April 2019 and Supervisory Board on 14. April 2019 based on authorization by the AGM on 20. July 2018	Capital increase from authorized Capital 2018/I (cash contribution)	€222,222.00	€ 7,119,681.00	14. June 2019

Both capital increases from Authorized Capital 2018/I took place to the exclusion of shareholders' pre-emptive rights pursuant to Section 186(3), sentence 4 AktG German Stock Corporation Act.

Basis	Issue price	Proceeds
Resolution adopted by the Management Board on 14. March 2019 and Supervisory Board on 21. March 2019 based on authorisation by the AGM on 20. July 2018 for 916,590 shares from contribution of warrant.	€ 5,50	€ 5,041,245
Resolution adopted by the Management Board on 14. March 2019 and Supervisory Board on 21. March 2019 based on authorisation by the AGM on 20. July 2018 for 20,000 shares from contribution of management renumeration.	€ 5,50	€ 110,000
Resolution adopted by the Management Board on 13. April 2019 and Supervisory Board on 14. April 2019 based on authorisation by the AGM on 20. July 2018. 222,222 shares sold to a private investor.	€ 9.00	€ 1,999,998

Capital at June 30, 2019

At June 30, 2019, 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. (Note: No bonds are outstanding, thus this capital cannot be used any longer.)
- Contingent Capital 2013/II amounting to € 179,850.00 to cover stock options under the 2013 Share Option Program (Note: Performance parameters were not achieved within the allotted time therefore no stock options can be exercised)

- Contingent Capital 2017/I amounting to € 895,207 to cover convertible bonds and/or bonds with warrants with a total nominal value of up to € 90 million issued with the authorization of the company EGM on 21 February 2017 (Note: No bonds were issued to date)

At June 30, 2019, Pyrolyx AG held the following ***authorized capital:***

- The Authorized Capital 2018/I was resolved by the annual general meeting (AGM) on 20 July 2018 with € 2,800,000.00. Capital remaining on 30.06.2019 is €1,391,188.00. The AGM has approved a new Authorized Capital 2019/I with an amount of € 3,448,729.00, which at the reporting date had not been recorded in the commercial register – also see earlier note under EGM June 7, 2019 regarding a pending shareholder court challenge.

Development of the asset and capital structure

Consolidated Balance Sheet as of June 30, 2019.

€'000	30. Jun. 2019	%	31. Dec. 2018	%	Change vs previous period	Change (%)
ASSETS						
Current assets						
Cash and cash equivalents	6,304	9%	3,648	6%	2,656	73%
Trade receivables	171	0%	152	0%	19	13%
Inventories	38	0%	80	0%	-42	-52%
Other current assets	412	1%	153	0%	259	169%
Prepaid expenses	112	0%	152	0%	-40	-26%
Total current assets	**7,037**	10%	**4,185**	7%	**2,852**	68%
Non-current assets						
Restricted cash and cash equivalents	3,604	5%	8,322	14%	-4,718	-57%
Intangible assets	5,711	8%	6,046	10%	-335	-6%
Fixed assets	52,432	76%	40,096	68%	12,336	31%
Total non-current assets	**61,747**	90%	**54,464**	93%	**7,282**	13%
Total assets	**68,784**	100%	**58,649**	100%	**10,134**	17%

€'000	30. Jun. 2019	%	31. Dec. 2018	%	Change vs previous period	Change (%)
LIABILITIES AND EQUITY						
Current liabilities						
Trade payables	5,472	8%	565	1%	4,907	868%
Project financing loan	1,803	3%	1,792	3%	11	1%
Liabilities due to banks	341	0%	339	1%	-2	0%
Other financial liabilities	4,742	7%	8,986	15%	-4,244	-47%
Other non-financial liabilities	1,762	3%	1,676	3%	86	5%
Total current liabilities	**14,119**	21%	**13,358**	23%	**761**	6%
Non-current liabilities						
Project financing loan	21,879	32%	21,548	37%	331	2%
Liabilities due to banks	564	1%	719	1%	-155	-22%
Other financial liabilities	20,166	29%	11,933	20%	8,233	69%
Other non-financial liabilities	255	0%	255	0%	-	0%
Provisions	-	0%	129	0%	-129	-100%
Deferred income	2,561	4%	2,546	4%	15	1%
Total non-current liabilities	**45,425**	66%	**37,130**	63%	**8,294**	22%
Equity						
Share capital	7,120	10%	5,961	10%	1,159	19%
Additional paid-in capital	49,811	72%	43,221	74%	6,590	15%
Retained earnings	-48,816	-71%	-42,163	-72%	-6,653	-16%
Other components of equity	-371	-1%	-469	-1%	98	-21%
Equity attributable to shareholders of Pyrolyx AG	**7,744**	11%	**6,550**	11%	**1,194**	n.m.
Equity attributable to non-controlling interests	**1,495**	2%	**1,610**	3%	**-115**	n.m.
Total equity	**9,239**	13%	**8,160**	14%	**1,079**	n.m.
Total liabilities and equity	**68,784**	100%	**58,648**	100%	**10,135**	17%

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

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 €12,336K and decrease of restricted cash of €4,718K as well as a higher balance for trade payables (+€4,907K) and project financing positions. Other financial liabilities increased through new debt financing arrangements (+€8,232K). Share Capital (+€1,159K).and APIC (+€6,590K) increased through two separate equity events, a cash payment-based subscription increase as well as through a contribution in-kind by converting shareholder warrants, reducing financial liabilities by €4,546K.

2.3 Earnings and financial position

Consolidated Income Statement as of June 30, 2019

€'000	2019	2018	Change (€)	Change (%)
Sales revenues	490	208	282	136%
Increase or decrease of finished goods and work in progress	-31	-78	47	-60%
Own work capitalised	603	237	366	154%
Other operating income	42	134	-92	-69%
Material expenditure	-383	-194	–189	97%
Personnel expenses	-1,365	-1,791	426	-24%
Depreciation and amortisation	-961	-902	-59	7%
Other operating expenses	-2,977	-2,243	-734	33%
Finance and similar income	3	1,590	-1,587	-100%
Finance and similar expenses	-2,194	-374	-1,820	487%
Loss before income tax expense	**-6,773**	**-3,413**	**-3,360**	**98%**
Income tax expense	-	-	-	n.m.
Loss after income tax expense	**-6,773**	**-3,413**	**-3,360**	**98%**
Thereof attributable to shareholders of Pyrolyx AG	-6,653	-3,397	-3,256	96%
Thereof attributable to non-controlling interests	-120	-16	-104	650%
Earnings per share in € (basic)	-0.93	-0.51	-0.42	83%
Earnings per share in € (diluted)	-0.93	-0.51	-0.42	83%

Revenues for the period increased by 136% to € 490K mainly driven by an increase in European orders by tire manufacturers. 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. As Terre Haute production will start up in the 3rd quarter 2019, the second half of 2019 is expected to deliver significantly higher revenues.

The personnel expenses decrease by € 426K mainly reflecting the downsizing of corporate expenses at headquarters as well further economizing at the production facility in Stegeltiz near Magdeburg. Operating Expenses (+€734K, +33%) were affected by higher legal, accounting and consulting services. A compensation fee granted to TSAL (€760K) related to damages incurred involving the delayed conversion of the Warrants factored into the expenses increase.

Interest and similar income of € 1,590K in 2018 were related to valuation adjustments of shareholder warrants – most of these warrants were converted to equity in May 2019. The increase in interest and similar expenses is related to the beginning of interest payments related to the Industrial Revenue Bond in Indiana. In addition, the company raised additional financing through new lines of credit with RPSCO fund (Australia) (€8M). As a result, the loss before income tax expense increased by € 3,360K or 98% to €6,773 K or €0.93 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 2019. It shows cash flows using the direct method and the principles of IAS 7.

€'000	Note	1 January - 30 June 2019	1 January - 30 June 2018
Cash flows from operating activities			
Cash receipts from the sale of goods and the rendering of services		496	181
Cash payments to suppliers for goods and services		-2,423	-2,047
Cash payments to and on behalf of employees		-1,492	-1,798
Other cash receipts unless they can be specifically identified with financing and investing activities		288	366
Other cash payments unless they can be specifically identified with financing and investing activities		-	7
Net cash flows from operating activities		**-3,130**	**-3,291**
Cash flows from investing activities			
Cash payments to acquire intangible assets			-383
Cash payments to acquire property, plant and equipment		-6,061	-5,537
Cash flows from loans to other entities		-221	
Proceeds from disposal of interest in a subsidiary			800
Interest received		67	128
Net cash flows from investing activities		**-6,215**	**-4,992**
Cash flows from financing activities			
Cash proceeds from issuing shares or other equity instruments		2,000	750
Proceeds from borrowings		6,774	977
Proceeds from government grants			-
Repayments of borrowings		-545	-725
Interest paid		-1,049	-1,071
Net cash flows from financing activities		**7,180**	**-69**
Net increase / decrease in cash and cash equivalents		**-2,166**	**-8,352**
Cash and cash equivalents at the beginning of the period*)		12,064	27,969
Effect of changes in foreign currency rates on cash and cash equivalents		52.5	482
Changes of cash and cash equivalents due to changes in basis of consolidation			
Cash and cash equivalents at the end of the period*)		**9,951**	**20,099**

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

To date the company has had to rely mainly on equity and debt financing events to secure sufficient cash flow to build the manufacturing plant in the USA and cover additional operational expenses. Going forward starting in fall of 2019 as the plant in Indiana commences manufacturing of product, the company expects significant cash flow from operations. Furthermore, the company expects additional operational cash flow (net positive including financing costs) from the acquisition of J&R Tire Recycling LLC (Newport, Indiana) once this transaction closes in fall 2019.

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, working closely 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 and potentially Europe. 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 several contingencies some of which are beyond the Company's control.

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 the company's geographical focus for the near term is further improving, as is the global market. Various major tire 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, landfilling 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 or attracting a larger share of the carbon black demand of existing 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 and second 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 2019, Pyrolyx anticipates group revenue from the sale of rCB, pyrolysis oil and steel to total up to €4M, largely generated from customers in North America from the new factory in Indiana. To achieve these sales Pyrolyx has entered into firm off-take agreements with customers in the tire and plastics

industry.
No sales of technical components (by Pyrolyx Invent GmbH) or income from royalties are currently expected in 2019. Overall, it can be assumed that business operations for the remainder of 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 2019. 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 jeopardize its going concern.

4. Other reporting items

In June 2019, cct Stegelitz GmbH has successfully been recertified to the EN ISO 9001 certified quality management system and its EN ISO 14001 environmental management system based on the ISO 2015 standard.

Munich, 28 August 2019

Michael P. Triguboff
Chief Executive Officer

LICHTENSTERN
WIRTSCHAFTSPRÜFUNG ★

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 2019 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 2019 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, 28 August 2019

Jeannette Lichtenstern

Wirtschaftsprüferin

(Public Auditor)

Interim consolidated financial report

For the half-year ended 30 June 2019

INDEX

Consolidated statement of profit or loss

For the half-years ended 30 June 2019 and 2018

€'000	Note	30. June 2019	30. June 2018
Sales revenues		490	208
Increase or decrease of finished goods and work in progress		-31	-78
Own work capitalised		603	237
Other operating income	3.1	42	134
Material expenditure			
a) Expenses for raw materials, consumables and supplies and for purchased goods		-383	-194
b) Cost of purchased services			-
Personnel expenses			
a) Wages and salaries		-1,163	-1,620
b) Social charges, old age pension costs and welfare expenses		-202	-171
Depreciation and amortisation		-961	-902
Other operating expenses	3.2	-2,977	-2,243
Finance Income	3.3	3	-1590
Finance Expenses	3.4	-2,194	-374
Loss before income tax expense		**-6,773**	**-3,413**
Income tax expense	3.5	-	-
Loss after income tax expense		**-6,773**	**-3,413**
Thereof attributable to shareholders of Pyrolyx AG		-6,653	-3,397
Thereof attributable to non-controlling interests		-120	-16
Earnings per share in € (basic)	3.6	-0.93	-0.51
Earnings per share in € (diluted)	3.6	-0.93	-0.51

Consolidated statement of comprehensive income

For the half-years ended 30 June 2019 and 2018

€'000	Note	30. June 2019	30. June 2018
Loss after income tax expense		**-6,773**	**-3,413**
Items that will be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		104	559
Other comprehensive income after tax for items that will be reclassified to profit or loss		**104**	**559**
Other comprehensive income net of tax		104	559
Total comprehensive income		**-6,670**	**-2,854**
Thereof attributable to shareholders of Pyrolyx AG		-6,555	-2,871
Thereof attributable to non-controlling interests		-115	17

Consolidated statement of financial position

As of 30 June 2019, and 31 December 2018

€'000	Note	30. June 2019	31. Dec 2018
ASSETS			
Current assets			
Cash and cash equivalents		6,304	3,648
Trade receivables		171	152
Inventories		38	80
Other current assets		412	153
Prepaid expenses		112	152
Total current assets		**7,037**	**4,185**
Non-current assets			
Restricted cash and cash equivalents		3,604	8,322
Intangible assets		5,711	6,045
Fixed assets	4.1	52,432	40,097
Total non-current assets		**61,747**	**54,464**
Total assets		**68,784**	**58,649**

€'000	Note	30. June 2019	31. Dec 2018
LIABILITIES AND EQUITY			
Current liabilities			
Trade payables		5,472	565
Project financing loan		1,803	1,792
Liabilities due to banks		341	340
Other financial liabilities	4.2	4,742	8,986
Other non-financial liabilities		1,762	1,675
Total current liabilities		**14,119**	**13,358**
Non-current liabilities			
Project financing loan		21,879	21,548
Liabilities due to banks		564	719
Other financial liabilities		20,166	11,934
Other non-financial liabilities		255	255
Provisions		-	129
Deferred income		2,561	2,546
Total non-current liabilities		**45,425**	**37,131**
Equity			
Share capital	4.3	7,120	5,961
Additional paid-in capital		49,811	43,221
Retained earnings		-48,816	-42,163
Other components of equity		-371	-469
Equity attributable to shareholders of Pyrolyx AG		**7,744**	**6,550**
Equity attributable to non-controlling interests		**1,495**	**1,610**
Total equity		**9,239**	**8,160**
Total liabilities and equity		**68,784**	**58,649**

Consolidated statement of changes in equity

For the half-years ended 30 June 2019 and 2018

	Attributable to shareholders of Pyrolyx AG							
€'000	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
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	2,450	-	33,574	-	-	**36,024**	-	**36,024**
Treasury shares sold	-	-112	675		-	**787**	-	**787**
Equity-settled share-based payment	-	-	-504	620	-	**116**	-	**116**
Loss after tax				-21,595		**-21,595**	–30	**-21,625**
Acquisition of non-controlling interests without change in control			-1,280			**-1,280**	-1280	**0**
Net exchange differences recognised in other comprehensive income					–1340	**-1,340**	-81	**-1,421**
Balance at 1 January 2018	**5,615**	-	**39,755**	**-37,353**	**-1,340**	**6,677**	**1,161**	**7,838**
Issuance of shares, net of transaction costs and tax	346	-	2,561	-	-	**2,908**	56	**2,964**
Treasury shares sold	-	-	-	-	-	**0**	-	**0**
Equity-settled share-based payment	-	-	520	-	-	**520**	56	**576**
Loss after tax	-	-	-	-4,810	-	**-4,810**	-126	**-4,936**
Acquisition of non-controlling interests without change in control	-	-	385	-	-	**385**	430	815
Net exchange differences recognised in other comprehensive income	-	-	-	0	871	**871**	33	**904**
Balance at 31 December 2018	**5,961**	-	**43,221**	**-42,163**	**-469**	**6,550**	**1,610**	**8,160**
Issuance of shares, net of transaction costs and tax	1,159	-	5,992	-		**7,151**	0	**7,151**
Treasury shares sold	-	-	-	-		**0**	-	**0**
Equity-settled share-based payment	-	-	598	-		**598**	0	**598**
Loss after tax	-	-	-	-6,653		**-6,653**	-120	**-6,772**
Net exchange differences recognised in other comprehensive income	-	-		0	98	**98**	5	**103**
Balance at 30 June 2019	**7,120**	**0**	**49,811**	**-48,816**	**-371**	**7,744**	**1,495**	**9,239**

Consolidated statement of cash flows

For the half-years ended 30 June 2019 and 2018

€'000	Note	1 January - 30 June 2019	1 January - 30 June 2018
Cash flows from operating activities			
Cash receipts from the sale of goods and the rendering of services		496	181
Cash payments to suppliers for goods and services		-2,423	-2,047
Cash payments to and on behalf of employees		-1,492	-1,798
Other cash receipts unless they can be specifically identified with financing and investing activities		288	366
Other cash payments unless they can be specifically identified with financing and investing activities		-	7
Net cash flows from operating activities		**-3,130**	**-3,291**
Cash flows from investing activities			
Cash payments to acquire intangible assets		-	-383
Cash payments to acquire property, plant and equipment		-6,061	-5,537
Cash flows from loans to other entities		-221	-
Proceeds from disposal of interest in a subsidiary		-	800
Interest received		67	128
Net cash flows from investing activities		**-6,215**	**-4,992**
Cash flows from financing activities			
Cash proceeds from issuing shares or other equity instruments		2,000	750
Proceeds from borrowings		6,774	977
Repayments of borrowings		-545	-725
Interest paid		-1,049	-1,071
Net cash flows from financing activities		**7,180**	**-69**
Net increase / decrease in cash and cash equivalents		**-2,166**	**-8,352**
Cash and cash equivalents at the beginning of the period*)		12,064	27,969
Effect of changes in foreign currency rates on cash and cash equivalents		52.5	482
Changes of cash and cash equivalents due to changes in basis of consolidation			
Cash and cash equivalents at the end of the period*)		**9,951**	**20,099**

*) 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 2019 and 2018

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: Landshuter Str. 6-8, D-80637 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 compared to the traditional manufacture of carbon black, including reduced carbon dioxide emissions.

These 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 financial statements of Pyrolyx AG for the reporting period ended 30 June 2019, have been compiled in accordance with IFRS Standards.

The accounting policies used in these consolidated financial statements are based on the accounting policies applied and described in detail the 2018 consolidated financial statements. Except for the amendments to and new requirements of IFRS effective starting in 2018, these accounting policies have been applied consistently throughout. Please see the notes involving standards and impacts pertaining to IFRS 16 Leases, where changes became applicable effective 1 January 2019.

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 2018.

Selected explanatory notes to the interim consolidated financial statements
For the half-years ended 30 June 2019 and 2018

Processes and systems of group companies ensure appropriate recognition of income and expenses on the accrual basis. As amounts (in € '000) and percentages have been rounded, rounding differences may occur.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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 2019	31 December 2018
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	90.68	90.68
Pyrolyx USA Indiana, LLC	Indianapolis, USA	90.68	90.68
Pyrolyx Indiana Rail, LLC	Indianapolis, USA	90.68	90.68

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 € 815,000 to TSAL Pty Ltd, a company associated with Michael Triguboff. In November the Company increased authorized capital to 4000 shares. For consideration received in November 59 shares were transferred to TSAL and 3 shares transferred to Reklaim Inc. These transactions reduced the equity interest of Pyrolyx International in Pyrolyx USA to 90.68%.

As inducement to attracting a loan facility, Pyrolyx USA offered a total of 82 Warrants to acquire stock to RPSCO PTY LTD.

3 Income statement items

3.1 Other operating income

In the reporting period other operating income included primarily a reversal from non-periodic charge from the prior year in the amount of €36 thousand.

Wages and salaries

In the current reporting period wages and salaries include a gain (€ 52 thousand, prior reporting period: € 530 thousand) in connection with change in fair value of the cash-settled share-based payments (virtual shares). The position also included a charge of a newly launched long-term incentive payment program for the Pyrolyx USA executive team in the amount €204,393 (see further description under 3.8).

3.2 Other Operating Expenses

Pyrolyx booked an expense in the amount of €760K to compensate TSAL for damages incurred due to the delay in converting the warrants. Legal, accounting and consulting expenses accounted for €911K (+€393K, +75%). Marketing expenses increased (+€47.3K, +148%). Most other operational expenses were flat or decreased.

3.3 Finance and similar income

No significant interest income was earned and received.

3.4 Finance and similar expenses

Finance expenses grew year over year by €1.82M (€2,194K vs €374K). In order to satisfy the additional capital need from finishing the construction project in Terre Haute, Indiana, the company raised additional debt through shareholder loans at high interest rates (see 4.2).

In June 2019 the company had the first cash settlement interest payment from operating funds to the MRB (€164K). The interest payments occur monthly henceforth. Previously the interest payments to the bondholders were made from reserved funds.

Due to the conversion of some of the Warrants to share equity during the reporting period (see Note: 4.2) finance costs and similar expenses include revaluation charge of € 500K.

Shareholder Warrants, Shareholder Options and the Arena & TSAL loan are measured at Fair Value (FVTPL). Interest expenses are incurred for bank loans, shareholder loans and the Municipal Revenue Bond (MRB).

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:

Earnings per share

		30. June 2019	30. June 2018
Loss after income tax expense attributable to shareholders of Pyrolyx AG	€'000	-6,654	-3,397
Weighted average number of ordinary shares to calculate earnings per share			
Basic	Number	7,119,681	6,620,353
Diluted	Number	7,119,681	6,620,353
Earnings per share			
Basic	€	-0.93	-0.51
Diluted	€	-0.93	-0.51

Dilution aspects with regard to posting earnings per share for the half-year ended 30 June 2019 have no impact since 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

000	30. Jun. 2019	31. Dec. 2018
Technical equipment and machinery	9,564 €	8,958 €
Land, land rights and buildings	1,310 €	1,303 €
Equipment and furniture	402 €	499 €
Right of Use	127 €	-
Prepayments and assets under construction	44,964 €	22,298 €
Fixed Assets, gross	**56,367 €**	**33,058 €**
Accumulated Depreciation	-3,935 €	-3,073 €
Fixed Assets, net	**52,432 €**	**29,985 €**

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

Shareholder options (warrant) agreement

Pyrolyx, AVIV Investments Pty Ltd, Galaxis Advisory SA. Cayman Islands, and M-Invest GmbH entered into a Novation Agreement in 2016 to convert their existing warrants into 1,005,817 new shares. This novation was subject to several conditions' precedent, which had been satisfied. A shareholder options liability in respect of AVIV Investments Pty Ltd, up to 899,657 new shares; in respect of Galaxis Advisory SA, up to 89,227 new shares; and in respect of M-Invest GmbH, up to 16,933 new shares.

On 6 May 2019 AVIV Investments Pty Ltd and Meder Invest GmbH participated in a capital increase from authorized Capital through a contribution in kind. 899,657 warrants (AVIV) and 16,933 (M-Invest) were converted into fully paid-in shares for a total of 916,590 shares.

Galaxis Advisory SA did not participate in the in-kind capital increase. Thus, a shareholder options liability (at fair value) in the amount of € 447K (2018: € 4,989K) 89,227 shares multiplied by the share price of € 5.35 as of June 30, 2019 - was recorded with the income taken to finance income. The shareholder options liability has been classified as financial liability that is designated as a liability at fair value through profit or loss upon initial recognition.

Purchase price loan and contingent purchase price liabilities

The purchase price loan and the contingent purchase price liabilities relate to the acquisition of the interest in cct Stegelitz GmbH in 2015. The interest on the purchase price loan is payable on a quarterly basis.

The contingent purchase price liabilities are measured at fair value taking into account the forecasted Group income after income tax expense in 2024 as well as an appropriate discount rate. Based on the Group plant roll-out plan, the fair value of the contingent purchase price liabilities had to be lowered until 30 June 2019.

Shareholder loans

The Company is party to several shareholder loan agreements. Shareholder financing (including accrued interest) increased to €13,4M (2018: €5,1M) primarily to support building the plants in Terre Haute, Indiana.

On December 4, 2018 Pyrolyx USA Inc. entered into a loan agreement with TSAL PTY LTD (the lender) a company associated with the Triguboff family. The credit facility of the loan amounts to €2M for 3 years at 15% interest p.a., compounded quarterly, which can be drawn down by Pyrolyx (the borrower) in 3 instalments. As of the reporting date Pyrolyx had drawn down under the loan agreement three instalments totalling €2M. As an inducement to lend the terms of the loan include 154 Warrants to purchase shares in Pyrolyx USA. At reporting date, the fair value of the loan instalments including the call options amounts to €2,566 thousand.

On December 20, 2018 Pyrolyx USA Inc. entered into a loan agreement with RPSCO PTY LTD (the lender). The credit facility of the loan amounts to $4.55M for 3 years at 15% interest p.a., compounded quarterly, which can be drawn down by the Company (the borrower) in 2 instalments. As of the reporting date the Company had drawn down under the loan agreement two instalments totalling $4.55M. An inducement to lend the terms include 32 Warrants to purchase shares in Pyrolyx USA.

On April 30, 2019 Pyrolyx Group entered into a loan agreement with RPSCO PTY LTD (the lender). The credit facility of the loan amounts to €4M at 11% interest p.a. with quarterly cash settlement. The loan can be drawn down by Pyrolyx (the borrower) in two instalments. As of the reporting date the Company had drawn down under the loan agreement two instalments totalling €4M. As an inducement to lend the terms of the loan include 50 Warrants to purchase shares in Pyrolyx USA.

On 29. March for costs & damages incurred by TSAL Pty Ltd in relation to the delay in share conversion relative to the contractually agreed on terms of warrants, TSAL issued an invoice to

Pyrolyx AG in the amount of €760K. This compensation is due retroactive September 1, 2017. The invoice and a corresponding loan to finance the liability were approved by the Supervisory Board on 30. May 2019. Interest for the loan was agreed to be 10% p.a. and it was calculated from day of inception of the liability. The value of the loan including accumulated interest as of date of reporting amounts to €905 thousand. The loan matures on September 1, 2020.

Arena loan

In 4/2018 Pyrolyx International GmbH entered into a loan agreement with Arena Growth Holding, LLC, Wayne/ USA. The credit facility of the Arena loan amounts to € 5M and which could be drawn down by the Company in instalments. As of the reporting date the Company has drawn down under the Arena loan agreement two instalments totaling €1M. Each drawdown instalment under the Arena loan is due at its nominal value in a lump sum at maturity, which means five years after drawdown, respectively. The Arena 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 Arena loan, Pyrolyx International pledged her shares of ownership in Pyrolyx USA, Inc. The Company has the right to initiate the repayment of the Arena 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 Arena 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 has to be measured at fair value. The fair value is determined in a first step by discounting the contractually agreed future payments of the Arena 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 considered. 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 considers strike interest rates and information about expected interest rate development (forward rates, interest rate volatilities).

At reporting date, the fair value of the Arena loan instalments including the call options amounts to €1,47M. The capitalization rate used to calculate the fair value of the Arena loan (instalments) at the reporting date is 10,77 %.

Despite numerous attempts by the Company to draw further tranches from this loan, Arena has refused to live up to their contractual agreements and are in breach. The Company is exploring legal options to see the contract obligations fulfilled.

4.3 Equity

Long Term Incentive Program (LTIP)

In April 2019 Pyrolyx entered into revised employment agreements with senior management of Pyrolyx USA. The agreements now include a long-term compensation component which entitles the respective executive to purchasing shares of Pyrolyx AG at a fixed value. These stock options are equity-settled share-based payments within the meaning of IFRS. In accordance with IFRS 2.11, the fair value on the grant date must be used to measure the equity instruments. The exercise price ("strike") is EUR 8, whereby the stock options can be exercised at any time after vesting until the exercise date. A binomial model was used to measure the stock options, which considers the time of vesting and the possibility of exercising the stock options from the time of vesting to the due date of the stock options. 7 Input parameters for the binomial model are the price and volatility of the price of the Pyrolyx shares, the risk-free return for the respective term of the stock options and the exercise price.

Share Capital

In the reporting period the Pyrolyx AG undertook two capital increase measures:

On 6 May share capital increased from authorized Capital 2018/I by a total of €936,590 through a contribution in kind measure:

- 916,590 Warrants by AVIV and M-Invest were converted to 916,590 shares.
- M-Invest converted a claim of €110 thousand to 20,000 shares (valued at €5.50/share)

On 14. June capital increased from authorized Capital 2018/I by 222,222 shares through a cash contribution of €1,999,998 (each share valued at €9/share).

Total subscribed share capital of Pyrolyx AG on 30. June 2019 stands at €7,119,681.

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.

6 Additional disclosures regarding financial instruments

The table below shows the carrying amounts of financial assets and liabilities as well as fair values in accordance with the levels of the fair value hierarchy. The three levels based on the input factors used for the determination of the fair value are defined as follows:

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: Inputs for the asset or liability that are not based on observable market data.

Financial instruments by class and category in accordance with IFRS 7.8

€'000	30 June 2019 Carrying amount	30 June 2019 Fair Value	31 December 2018 Carrying amount	31 December 2018 Fair value	Level per IFRS 13
Financial assets, by class					
Cash and cash equivalents	6,304,387	6,304,387	3,648,436	3,648,436	
Trade receivables - current[1)]	171,282	171,282	152,324	152,324	
Restricted cash and cash equivalents - non-current	3,603,609	3,603,609	8,321,910	8,321,910	
Financial liabilities, by class					
Trade payables - current	5,471,647	5,471,647	565,263	565,263	
Project financing loan - current	1,802,633	1,825,793	1,791,613	1,789,548	2
Convertible bonds - current					
Liabilities due to banks - current	340,556	366,805	340,556	373,556	2
Other financial liabilities - current	4,693,949	4,865,023	8,985,948	9,009,011	2
Shareholder options - current	447,364	447,364	4,988,852	4,988,852	1
Other other financial liabilities - current	4,246,585	4,417,659	3,997,096	4,020,159	2
Trade payables - non-current					
Project financing loan - non-current	21,879,183	25,866,948	21,890,203	21,355,132	2
Convertible bonds - non-current					
Liabilities due to banks - non-current	564,025	516,067	719,259	671,716	2
Other financial liabilities - non-current	19,970,659	18,749,610	11,934,588	10,697,382	2
Contingent purchase price liabilities	1,087,189	1,087,189	1,075,619	1,075,619	3
Mezzanine bond - non-current	1,470,837	1,470,837	1,252,076	1,252,076	2
Other other financial liabilities	17,412,633	16,191,584	9,606,894	8,369,687	2

Financial instruments by class and category in accordance with IFRS 7.8

€'000	30 June 2019 Category IFRS 7.8 per IFRS 9	30 June 2019 Carrying amount	Fair Value	1 January 2019 Carrying amount	31 December 2018 Category IFRS 7.8 per IAS 39	Carrying amount	Fair value
Financial assets, by class							
Cash and cash equivalents	Amortised cost	6,304,387	6,304,387	3,648,436	Amortised cost	3,648,436	3,648,436
Trade receivables - current[1)]	Amortised cost	171,282	171,282	152,324	Amortised cost	152,324	152,324
Restricted cash and cash equivalents - non-current	Amortised cost	3,603,609	3,603,609	8,321,910	Amortised cost	8,321,910	8,321,910
Financial liabilities, by class							
Trade payables - current	FLAC	5,471,647	5,471,647	565,263	FLAC	565,263	565,263
Project financing loan - current	FLAC	1,802,633	1,825,793	1,791,613	FLAC	1,791,613	1,789,548
Convertible bonds - current				0			
Liabilities due to banks - current	FLAC	340,556	366,805	340,556	FLAC	340,556	373,556
Other financial liabilities - current		4,693,949	4,865,023	8,985,948		8,985,948	9,009,011
Shareholder options - current	FVTPL	447,364	447,364	4,988,852	FVTPL	4,988,852	4,988,852
Other other financial liabilities - current	FLAC	4,246,585	4,417,659	3,997,096	FLAC	3,997,096	4,020,159
Trade payables - non-current	FLAC			0	FLAC		
Project financing loan - non-current	FLAC	21,879,183	25,866,948	21,890,203	FLAC	21,890,203	21,355,132
Convertible bonds - non-current	FLAC			-	FLAC		
Liabilities due to banks - non-current	FLAC	564,025	516,067	719,259	FLAC	719,259	671,716
Other financial liabilities - non-current		19,970,659	18,749,610	11,934,588		11,934,588	10,697,382
Contingent purchase price liabilities	FVTPL	1,087,189	1,087,189	1,075,619	FVTPL	1,075,619	1,075,619
Mezzanine bond - non-current	FVTPL	1,470,837	1,470,837	1,252,076	FVTPL	1,252,076	1,252,076
Other other financial liabilities	FLAC	17,412,633	16,191,584	9,606,894	FLAC	9,606,894	8,369,687
Summary by category							
Financial assets at amortised cost (Amortised cost)/ Loans and receivables (LaR)	Amortised cost	10,079,277	10,079,277	12,122,669	Amortised cost	12,122,669	12,973,390
Financial liabilities at amortised cost (FLAC)	FLAC	51,717,261	54,656,501	38,910,884	FLAC	38,910,884	37,145,061
(FVTPL)/	FVTPL	3,005,391	3,005,391	7,316,547	FVTPL	7,316,547	6,381,742
		64,801,929	**67,741,169**			**58,350,100**	**56,500,193**

1) The change in measurement basis is a result of IFRS 9 affects trade receivables

As of 30 June 2019, and 31 December 2018 the fair values of cash and cash equivalents, trade receivables, restricted cash and cash equivalents and trade payables were assumed to correspond to their book value.

On trade receivables Pyrolyx calculates bad debt allowances to reflect expected defaults based on the measurement results.

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 2019 is 8.09%. 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 capitalization interest rates applied at 30 June 2019 is 9.78%. 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 12.38 %. 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. For details on the shareholder options see Note 4.11 a).

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.

7 Related party transactions

In December 2018 Michael Triguboff was appointed as new chief executive officer of the Company. Mr. Triguboff is both a shareholder as well as lender directly and indirectly through organizations (TSAL, AVIV) that are tied to the Triguboff family. For details regarding specific financial transactions involving Mr. Triguboff please refer to Section 3.8 in these notes under 'Other Financial Liabilities".

In April Pyrolyx launched a new long-term incentive program for senior US based management. Specific details are described under "Other Financial Liabilities". A corresponding expense and position in equity were recorded.

Several Supervisory Board members undertook share purchases during the reporting period which were reported to the Australian Stoc Exchange (ASX) and German/EU, BAFIN, as mandated by statutory reporting rules (MAR/ Directors Dealings).

8 New Standards adopted as at 1 January 2019

The Group has adopted IFRS 16 'Leases' which has become effective this year:

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'). The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 – if any - being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognize right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognized under IFRS 16 for the German entities was 8.05% and for the US entities 10.32%.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognized at 1 January 2019:

€'000	
Total operating lease commitments disclosed at 31 December 2018	**249**
Recognition exemptions:	
- Leases of low value assets	**-7**
- Leases with remaining lease term of less than 12 months	**-79**
Operating lease liabilities before discounting	**163**
Discounted using incremental borrowing rate	**-16**
Total lease liabilities recognised under IFRS 16 at 1 January 2019	**148**

IFRS 16 – impact on consolidated balance sheet

€'000	30 June 2019	Impact IFRS 16	30 June 2019 before appyling IFRS 16
ASSETS			
Total current assets	**7,037,201.21**	**0.00**	**7,037,201.21**
Fixed assets	52,432,246.27	102,558.05	52,329,688.22
thereof			
- Right-of-use assets land and buildings	*29,659.11*	*29,659.11*	*0.00*
- Right-of-use assets technical equipment and machinery	*72,898.94*	*72,898.94*	*0.00*
- Right-of-use assets equipment and furniture	*0.00*	*0.00*	*0.00*
Total non-current assets	**61,746,410.48**	**102,558.05**	**61,643,852.43**
Total assets	**68,783,611.69**	**102,558.05**	**68,681,053.64**
LIABILITIES AND EQUITY			
Other financial liabilities	4,742,176.13	48,226.75	4,693,949.38
Total current liabilities	**12,316,571.07**	**48,226.75**	**12,268,344.32**
Other financial liabilities	20,165,560.30	56,311.46	20,109,248.84
Total non-current liabilities	**47,227,895.06**	**56,311.46**	**47,171,583.60**
Total equity	**9,239,145.56**	**0.00**	**9,239,145.56**
Total liabilities and equity	**68,783,611.69**	**104,538.21**	**68,679,073.48**

IFRS 16 – impact on consolidated income statement

€'000	30 June 2019	Impact IFRS 16	30 June 2019 before appyling IFRS 16
Depreciation and amortisation	-961,171.48	-32,280.78	-928,890.70
thereof			
- Depreciation right-of-use assets land and buildings	*-12,405.13*	*-12,405.13*	
- Depreciation right-of-use assets technical equipment and machinery	*-19,206.85*	*-19,206.85*	
- Depreciation right-of-use assets equipment and furniture	*-668.80*	*-668.80*	
Other operating expenses	-2,977,011.04	35,342.39	-3,012,353.43
he WG	*-101,977.52*	*35,342.39*	*-137,319.91*
thereof			
- Expenses for short-term leases	*-99,874.52*		
- Expenses for leases of low-value assets	*-2,103.00*		
Finance, Interest and similiar expenses	-2,190,728.74	-5,390.09	-2,185,338.65
Loss after income tax expense	**6,773,340.76**	**733.13**	**6,772,607.63**

Total cash outflow for leases in the reporting period was €137 K. In the reporting period additions to right-of-use assets amounted to €7K.

Last year 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.

Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's most recent annual financial statements for the year ended 31 December 2018, except for the effects of applying IFRS 16.

Leases

As described in Note 1, the Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated. This means comparative information is still reported under IAS 17 and IFRIC 4.

For any new contracts entered into on or after 1 January 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

• the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group

• the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract

• the Group has the right to direct the use of the identified asset throughout the period of use.

The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the balance sheet, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in other financial liabilities.

9 Events after the reporting period

In August 2019 Pyrolyx USA founded two new subsidiary companies:

- Pyrolyx Transportation LLC ("PT")
- Pyrolyx Tire Recycling LLC ("PTR")

The companies were founded as part of the vertical integration of Pyrolyx and to develop and sustain a consistent used tire supply for the new plant. Pyrolyx Tire Recycling is targeted to be the acquiring company for 100% of the assets of J&R Tire Recycling (Indiana). The company expects for this transaction to close in fall of 2019. Both companies, PT and PTR, are 100% subsidiaries of Pyrolyx USA.

In August 2019 Pyrolyx increased the share capital through an in-kind capital contribution from €7,119,681 to €7.226.678.

1. €602,826 converted from the early conversion fee (convertible bond) €9/share.

2. €274,668 shareholder loans converted at €6.86/share

The corresponding liabilities were decreased by a total of €877,494.