

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2023

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission File Number: 001-40581

FREYR Battery

(Exact name of Registrant as specified in its charter)

Luxembourg
(State or other jurisdiction of
incorporation or organization)

Not Applicable
(I.R.S. Employer
Identification Number)

**22-24, Boulevard Royal, L-2449 Luxembourg
Grand Duchy of Luxembourg
+352 46 61 11 3721**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, without nominal value	FREY	The New York Stock Exchange
Warrants, each whole warrant exercisable for one Ordinary Share at an exercise price of \$11.50	FREY WS	The New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

☐ Accelerated filer

☐

Non-accelerated filer

☒ Smaller reporting company

☒

Emerging growth company

☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

As of August 4, 2023, 139,705,234 shares of the registrant's Ordinary Shares were outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this Quarterly Report on Form 10-Q (this “Report”) and in documents incorporated herein by reference. All statements, other than statements of present or historical fact included in or incorporated by reference in this Report, regarding FREYR Battery’s future financial performance, as well as our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans, and objectives of management are forward-looking statements. When used in this Report, the words “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “intends,” “may,” “might,” “plan,” “possible,” “potential,” “predict,” “project,” “should,” “will,” “would”, the negative of such terms, and other similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management’s current expectations, assumptions, hopes, beliefs, intentions, and strategies regarding future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to our business.

These forward-looking statements are based on information available as of the date of this Report, and current expectations, forecasts, and assumptions, and involve a number of risks and uncertainties. Accordingly, forward-looking statements in this Report and in any document incorporated herein by reference should not be relied upon as representing our views as of any subsequent date, and we do not undertake any obligation to update forward-looking statements to reflect events or circumstances after the date they were made, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those in the forward-looking statements, including, without limitation, the risks set forth in Part I, Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission (the “SEC”) on February 27, 2023 and in our other filings with the SEC. We do not assume any obligation to update any forward-looking statements.

Foreign Private Issuer Status and Financial Presentation

We currently qualify as a foreign private issuer (“FPI”) under the rules of the SEC. However, even though we qualify as an FPI, we report our financial results in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and we have elected to file our annual, quarterly, and current reports on Forms 10-K, 10-Q, and 8-K.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

FREYR BATTERY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In Thousands)
(Unaudited)

	June 30, 2023	December 31, 2022
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 334,364	\$ 443,063
Restricted cash	49,425	119,982
Prepaid assets	4,250	8,293
Other current assets	6,845	8,117
Total current assets	<u>394,884</u>	<u>579,455</u>
Property and equipment, net	320,007	210,777
Intangible assets, net	2,888	2,963
Long-term investments	22,628	—
Convertible note	—	19,954
Right-of-use asset under operating leases	23,431	14,538
Other long-term assets	9	11
Total assets	<u>\$ 763,847</u>	<u>\$ 827,698</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 20,162	\$ 6,765
Accrued liabilities and other	32,510	51,446
Share-based compensation liability	4,570	4,367
Total current liabilities	<u>57,242</u>	<u>62,578</u>
Warrant liability	34,939	33,849
Operating lease liability	18,632	11,144
Other long-term liabilities	20,145	—
Total liabilities	<u>130,958</u>	<u>107,571</u>
Commitments and contingencies		
Shareholders' equity:		
Ordinary share capital, no par value, 245,000 ordinary shares authorized, and 139,854 and 139,705 ordinary shares issued and outstanding, respectively, as of both June 30, 2023 and December 31, 2022	139,854	139,854
Additional paid-in capital	777,813	772,602
Treasury stock	(1,041)	(1,041)
Accumulated other comprehensive (loss) income	(45,049)	9,094
Accumulated deficit	(241,062)	(203,054)
Total ordinary shareholders' equity	<u>630,515</u>	<u>717,455</u>
Non-controlling interests	2,374	2,672
Total equity	<u>632,889</u>	<u>720,127</u>
Total liabilities and equity	<u>\$ 763,847</u>	<u>\$ 827,698</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

FREYR BATTERY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In Thousands, Except per Share Amounts)
(Unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Operating expenses:				
General and administrative	\$ 27,631	\$ 28,150	\$ 57,633	\$ 52,764
Research and development	6,365	3,082	11,209	5,941
Share of net loss of equity method investee	30	296	55	463
Total operating expenses	<u>34,026</u>	<u>31,528</u>	<u>68,897</u>	<u>59,168</u>
Loss from operations	<u>(34,026)</u>	<u>(31,528)</u>	<u>(68,897)</u>	<u>(59,168)</u>
Other income (expense):				
Warrant liability fair value adjustment	(2,556)	33,392	(1,151)	24,704
Convertible note fair value adjustment	—	270	1,074	491
Interest income, net	1,755	14	4,758	29
Foreign currency transaction gain	7,711	1,421	23,759	1,090
Other income, net	1,851	1,102	2,492	2,618
Total other income (expense)	<u>8,761</u>	<u>36,199</u>	<u>30,932</u>	<u>28,932</u>
(Loss) income before income taxes	<u>(25,265)</u>	<u>4,671</u>	<u>(37,965)</u>	<u>(30,236)</u>
Income tax expense	(138)	—	(341)	—
Net (loss) income	<u>(25,403)</u>	<u>4,671</u>	<u>(38,306)</u>	<u>(30,236)</u>
Net loss attributable to non-controlling interests	121	—	298	—
Net (loss) income attributable to ordinary shareholders	<u>\$ (25,282)</u>	<u>\$ 4,671</u>	<u>\$ (38,008)</u>	<u>\$ (30,236)</u>
Weighted average ordinary shares outstanding:				
Basic	139,705	116,830	139,705	116,842
Diluted	139,705	119,250	139,705	116,842
Net (loss) income per share:				
Basic	\$ (0.18)	\$ 0.04	\$ (0.27)	\$ (0.26)
Diluted	(0.18)	0.04	(0.27)	(0.26)
Other comprehensive income (loss):				
Net (loss) income	\$ (25,403)	\$ 4,671	\$ (38,306)	\$ (30,236)
Foreign currency translation adjustments	(20,425)	(7,791)	(54,143)	(7,458)
Total comprehensive loss	<u>\$ (45,828)</u>	<u>\$ (3,120)</u>	<u>\$ (92,449)</u>	<u>\$ (37,694)</u>
Comprehensive loss attributable to non-controlling interests	121	—	298	—
Comprehensive loss attributable to ordinary shareholders	<u>\$ (45,707)</u>	<u>\$ (3,120)</u>	<u>\$ (92,151)</u>	<u>\$ (37,694)</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

FREYR BATTERY
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands)
(Unaudited)

	Ordinary Shareholders' Equity							
	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non- controlling interests	Total Equity
	Shares	Amount						
Balance as of January 1, 2022	116,854	\$116,854	\$533,418	\$ (524)	\$ —	\$ (104,263)	\$ —	\$ 545,485
Share-based compensation expense	—	—	850	—	—	—	—	850
Net loss	—	—	—	—	—	(34,907)	—	(34,907)
Other comprehensive income	—	—	—	333	—	—	—	333
Balance as of March 31, 2022	116,854	\$116,854	\$534,268	\$ (191)	\$ —	\$ (139,170)	\$ —	\$ 511,761
Share-based compensation expense	—	—	5,371	—	—	—	—	5,371
Net income	—	—	—	—	—	4,671	—	4,671
Repurchase of shares	—	—	—	—	(1,052)	—	—	(1,052)
Other comprehensive loss	—	—	—	(7,791)	—	—	—	(7,791)
Balance as of June 30, 2022	<u>116,854</u>	<u>\$116,854</u>	<u>\$539,639</u>	<u>\$ (7,982)</u>	<u>\$ (1,052)</u>	<u>\$ (134,499)</u>	<u>\$ —</u>	<u>\$ 512,960</u>

	Ordinary Shareholders' Equity							
	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Accumulated Deficit	Non- controlling interests	Total Equity
	Shares	Amount						
Balance as of January 1, 2023	139,854	\$139,854	\$772,602	\$ 9,094	\$ (1,041)	\$ (203,054)	\$ 2,672	\$ 720,127
Share-based compensation expense	—	—	1,462	—	—	—	—	1,462
Net loss	—	—	—	—	—	(12,726)	(177)	(12,903)
Reclassification of warrants from liability classified to equity classified	—	—	5	—	—	—	—	5
Other comprehensive loss	—	—	—	(33,718)	—	—	—	(33,718)
Balance as of March 31, 2023	139,854	\$139,854	\$774,069	\$ (24,624)	\$ (1,041)	\$ (215,780)	\$ 2,495	\$ 674,973
Share-based compensation expense	—	—	3,688	—	—	—	—	3,688
Net loss	—	—	—	—	—	(25,282)	(121)	(25,403)
Reclassification of warrants from liability classified to equity classified	—	—	56	—	—	—	—	56
Other comprehensive loss	—	—	—	(20,425)	—	—	—	(20,425)
Balance as of June 30, 2023	<u>139,854</u>	<u>\$139,854</u>	<u>\$777,813</u>	<u>\$ (45,049)</u>	<u>\$ (1,041)</u>	<u>\$ (241,062)</u>	<u>\$ 2,374</u>	<u>\$ 632,889</u>

See accompanying Notes to Condensed Consolidated Financial Statements.

FREYR BATTERY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Six months ended June 30,	
	2023	2022
Cash flows from operating activities:		
Net loss	\$ (38,306)	\$ (30,236)
Adjustments to reconcile net loss to cash used in operating activities:		
Share-based compensation expense	5,201	2,923
Depreciation and amortization	732	186
Reduction in the carrying amount of right-of-use assets	491	746
Warrant liability fair value adjustment	1,151	(24,704)
Convertible note fair value adjustment	(1,074)	(491)
Share of net loss of equity method investee	55	463
Foreign currency transaction net unrealized gain	(23,247)	(2,113)
Other	145	—
Changes in assets and liabilities:		
Prepaid assets and other current assets	2,834	(12,663)
Accounts payable, accrued liabilities and other	19,967	15,902
Operating lease liability	(2,669)	(443)
Net cash used in operating activities	<u>(34,720)</u>	<u>(50,430)</u>
Cash flows from investing activities:		
Proceeds from property related grants	—	4,874
Purchases of property and equipment	(128,361)	(26,420)
Investments in equity method investee	(1,655)	(3,000)
Purchases of other long-term assets	(1,000)	—
Net cash used in investing activities	<u>(131,016)</u>	<u>(24,546)</u>
Cash flows from financing activities:		
Repurchase of treasury shares	—	(1,052)
Net cash used in financing activities	<u>—</u>	<u>(1,052)</u>
Effect of changes in foreign exchange rates on cash, cash equivalents, and restricted cash	(13,520)	(1,235)
Net decrease in cash, cash equivalents, and restricted cash	<u>(179,256)</u>	<u>(77,263)</u>
Cash, cash equivalents, and restricted cash at beginning of period	563,045	565,627
Cash, cash equivalents, and restricted cash at end of period	<u><u>\$ 383,789</u></u>	<u><u>\$ 488,364</u></u>
Significant non-cash investing and financing activities:		
Accrued purchases of property and equipment	\$ 23,085	\$ 13,026
Reconciliation to condensed consolidated balance sheets:		
Cash and cash equivalents	\$ 334,364	\$ 484,204
Restricted cash	49,425	4,160
Cash, cash equivalents, and restricted cash	<u><u>\$ 383,789</u></u>	<u><u>\$ 488,364</u></u>

See accompanying Notes to Condensed Consolidated Financial Statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of the Business

FREYR Battery (“FREYR,” the “Company,” “we,” or “us”) is a developer of clean, next-generation battery cell production capacity. Our mission and vision are to accelerate the decarbonization of global energy and transportation systems by producing clean, cost-competitive batteries. Through our strategy of Speed, Scale, and Sustainability, we seek to serve our primary markets of energy storage systems (“ESS”), commercial mobility, including marine applications and commercial vehicles; and electric vehicles (“EV”).

We have put into service the buildings and infrastructure and certain manufacturing equipment at our Customer Qualification Plant (“CQP”), and have successfully completed semi-automatic production, assembly, and charge of our first battery. We will spend the next several months increasing the amount of integration and automation of the manufacturing process and anticipate producing sample cells for customers during the third quarter of this year. We have begun the construction of initial buildings and infrastructure for our inaugural gigafactory (“Giga Arctic”). Both the CQP and Giga Arctic are located in Mo i Rana, Norway. We have also started the development of our first clean battery cell manufacturing project in the U.S. (“Giga America”), which is located on a 368-acre parcel of land in Coweta County, Georgia that was purchased by the Company in 2022. As of June 30, 2023, we have not yet initiated commercial manufacturing or derived revenue from our principal business activities.

Basis of Presentation

The unaudited condensed consolidated interim financial statements have been prepared in conformity with the accounting principles generally accepted in the U.S. (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of U.S. Securities and Exchange Commission (“SEC”) Regulation S-X. Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete consolidated financial statements.

The unaudited condensed consolidated interim financial statements have been prepared on the same basis as the audited annual consolidated financial statements for the year ended December 31, 2022 and, in management’s opinion, include all adjustments, consisting of only normal recurring adjustments necessary for the fair presentation of the Company’s condensed consolidated financial statements for the periods presented. The results of operations for the six months ended June 30, 2023, are not necessarily indicative of the results to be expected for the full year ending December 31, 2023. The condensed consolidated balance sheet as of December 31, 2022, was derived from the audited consolidated financial statements as of December 31, 2022. However, these condensed consolidated interim financial statements do not contain all of the footnote disclosures from the annual consolidated financial statements. These unaudited condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and the related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 27, 2023.

The condensed consolidated financial statements include the accounts of FREYR, its wholly owned subsidiaries, majority-owned subsidiaries, and variable interest entities (“VIE”) of which we are the primary beneficiary. Certain prior period balances and amounts have been reclassified to conform with the current year’s presentation.

Use of Estimates

The preparation of the condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Estimates and assumptions include, but are not limited to, estimates related to the valuation of warrant liability, share-based compensation, and the convertible note. We base these estimates on historical experiences and on various other assumptions that we believe are reasonable under the circumstances, however, actual results may differ materially from these estimates.

Risks and Uncertainties

We are subject to those risks common to our business and industry and also those risks common to early stage development companies. These risks include those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 27, 2023.

These financial statements have been prepared by management in accordance with U.S. GAAP and this basis assumes that we will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. As of the date of this report, our existing cash resources, which were primarily provided as a result of our business combination with Alussa Energy Acquisition Corporation in 2021 and issuance of equity securities, are sufficient to support our planned operations for at least the next 12 months from the date of issuance of these financial statements. Therefore, our financial statements have been prepared on the basis that we will continue as a going concern.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Restricted Cash

Certain cash balances are restricted as to withdrawal or use. Restricted cash primarily consists of the balance of an account held for the construction of Giga Arctic. Additionally, restricted cash includes funds held in a restricted account for the payment of upfront rental lease deposits and government income tax withholdings.

Significant Accounting Policies

The Company's significant accounting policies were included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. Supplemental accounting policy disclosures are included above.

2. PROPERTY AND EQUIPMENT, NET AND INTANGIBLE ASSETS, NET

Property and Equipment, net

Property and equipment, net consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Land	\$ 44,326	\$ 44,326
Leasehold improvements	26,106	21
Machinery and equipment	4,944	61
Office equipment	2,546	2,532
Construction in progress	243,229	164,387
	321,151	211,327
Less: Accumulated depreciation	(1,144)	(550)
Total	<u>\$ 320,007</u>	<u>\$ 210,777</u>

Land consists of a 368-acre parcel of land in Coweta County, Georgia, which was purchased in 2022 for the development of Giga America. Leasehold improvements and machinery and equipment as of June 30, 2023 are largely related to the Company's CQP in Mo i Rana, Norway. Construction in progress primarily includes costs related to the construction of the Giga Arctic facilities and production equipment for the CQP and Giga Arctic in Mo i Rana, Norway. Depreciation expense was \$0.5 million and \$0.1 million for the three months ended June 30, 2023 and 2022, respectively, and \$0.7 million and \$0.2 million for the six months ended June 30, 2023 and 2022, respectively.

Intangible Assets, net

Intangible assets, net consisted of the following (in thousands):

	As of June 30, 2023			As of December 31, 2022		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
License	\$ 3,000	\$ (112)	\$ 2,888	\$ 3,000	\$ (37)	\$ 2,963

Intangible assets consist of a license to produce and sell lithium-iron phosphate cathode battery materials using Taiwan based Advanced Lithium Electrochemistry Co., Ltd.'s technology. The license has a 20-year useful life. Amortization expense was \$37,000 and \$75,000 for the three and six months ended June 30, 2023, respectively, (no comparative amounts for the three and six months ended June 30, 2022). Future annual amortization expense is estimated to be \$150,000 for the full year 2023 and each of the next four years.

3. LONG-TERM INVESTMENTS

The Company's equity investments consisted of the following (in thousands):

Investment	June 30, 2023	December 31, 2022
Equity method investments:		
Nidec Energy AS	\$ 1,600	\$ —
Investments without readily determinable fair values:		
24M preferred stock	21,028	—
Total Long-Term Investments	<u>\$ 22,628</u>	<u>\$ —</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Equity Method Investments

In March 2023, the Company contributed \$1.7 million to obtain a 33% equity interest in Nidec Energy AS (the “Nidec JV”), a joint venture with Nidec Europe BV (“Nidec”). The Nidec JV was formed to develop, manufacture, and sell battery modules and battery packs for industrial and utility-grade ESS applications. The Company determined that the Nidec JV was a VIE, and that the Company was not the primary beneficiary. Additionally, the Company is able to exercise significant influence but not control over the operating and financial policies of the Nidec JV. Therefore, the Company has recorded its investment in the Nidec JV as an equity method investment.

In October 2021, we formed a joint venture, with the purpose of advancing the development of clean battery cell manufacturing in the U.S. (the “U.S. JV”). At the time of this initial investment, the Company agreed to contribute \$3.0 million for the initial costs related to developing the first gigafactory to project concept selection, and this contribution was made in January 2022. We held a 50% common stock ownership in the U.S. JV and utilized the equity method of accounting for the U.S. JV through October 2022. In November 2022, the Company contributed an additional \$49.0 million to the U.S. JV, increasing the Company’s common share ownership in the U.S. JV to 95%. The Company reevaluated its classification of the U.S. JV, which was determined to meet the characteristics of a VIE. The Company was deemed to be the primary beneficiary of the U.S. JV and began consolidating the U.S. JV in November 2022. During the six months ended June 30, 2023, the Company made an additional \$22.6 million contribution and increased its common share ownership to 96%.

The Company recognized its share of net loss of equity method investee in the condensed consolidated statements of operations and comprehensive loss of \$0.1 million related to the Company’s equity method investment in the Nidec JV and \$0.5 million related to the Company’s equity method investment in the U.S. JV, for the six months ended June 30, 2023 and 2022, respectively.

Equity Investments Without Readily Determinable Fair Values

On October 8, 2021, we invested in an unsecured convertible note receivable (the “Convertible Note”) from 24M Technologies, Inc. (“24M”), our battery platform technology licensor for our planned manufacturing facilities in Norway and the U.S. In December 2022, we signed a contract amendment that would result in the Convertible Note converting to preferred stock in March 2023 based on the contractual conversion price in the original contract. On March 24, 2023, we converted the Convertible Note to preferred stock of 24M. See Note 7 – Fair Value Measurement for further details.

The 24M preferred stock does not have a readily determinable fair value and does not provide the Company with control or significant influence. Therefore, the Company has elected to account for the 24M preferred stock under the measurement alternative, defined as cost, less impairment, adjusted for subsequent observable price changes. We assess relevant transactions that occur on or before the balance sheet date to identify observable price changes, and we regularly monitor these investments to evaluate whether there is an indication that the investment is impaired.

4. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consisted of the following (in thousands):

	June 30, 2023	December 31, 2022
Accrued purchases	\$ 14,997	\$ 34,932
Accrued payroll and payroll related expenses	14,043	12,936
Operating lease liabilities	3,237	3,257
Accrued other operating costs	233	321
Total	<u>\$ 32,510</u>	<u>\$ 51,446</u>

5. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

From time to time, we may be subject to legal and regulatory actions that arise in the ordinary course of business. The assessment as to whether a loss is probable or reasonably possible, and as to whether such loss or a range of such loss is estimable, often involves significant judgment about future events. Management believes that any liability that may arise out of or with respect to these matters will not materially, adversely affect our condensed consolidated financial position, results of operations, or liquidity.

6. WARRANTS

Public and Private Warrants

As of June 30, 2023 and December 31, 2022, we had 24.6 million warrants outstanding (the “Warrants”), consisting of 14.6 million public warrants (the “Public Warrants”) and 10.0 million private warrants (the “Private Warrants”). The

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Warrants entitle the holder thereof to purchase one of our ordinary shares at a price of \$11.50 per share, subject to adjustments. The Warrants will expire on July 9, 2026, or earlier upon redemption or liquidation.

We may call the Public Warrants for redemption once they become exercisable, in whole and not in part, at a price of \$0.01 per Public Warrant, so long as we provide at least 30 days prior written notice of redemption to each Public Warrant holder, and if, and only if, the reported last sales price of our ordinary shares equals or exceeds \$18.00 per share for each of 20 trading days within the 30 trading-day period ending on the third trading day before the date on which we send the notice of redemption to the Public Warrant holders. We determined that the Public Warrants are equity classified as they are indexed to our ordinary shares and qualify for classification within shareholders' equity. As such, the Public Warrants are presented as part of additional paid-in capital on the condensed consolidated balance sheets.

The Private Warrants are identical to the Public Warrants, except that so long as they are held by a certain holder or any of its permitted transferees, the Private Warrants: (i) may be exercised for cash or on a cashless basis and (ii) shall not be redeemable by FREYR. We determined that the Private Warrants are not considered indexed to our ordinary shares as the holder of the Private Warrants impacts the settlement amount and therefore, they are liability classified. The Private Warrants are presented as warrant liability on the condensed consolidated balance sheets.

If Private Warrants are sold or transferred to another party that is not the specified holder or any of its permitted transferees, the Private Warrants become Public Warrants and qualify for classification within shareholders' equity at the fair value on the date of the transfer. See also Note 7 – Fair Value Measurement.

EDGE Warrants

As of June 30, 2023 and December 31, 2022, we had 2.2 million EDGE warrants outstanding and exercisable, which entitle the holder thereof to purchase one of our ordinary shares at the exercise price, subject to adjustments. The EDGE warrants consist of 1.5 million warrants with an exercise price of \$0.95 which expire on May 15, 2024 and 0.7 million warrants with an exercise price of \$1.22, which expire on September 30, 2025.

We determined that the EDGE warrants are equity classified as they are indexed to our ordinary shares.

7. FAIR VALUE MEASUREMENT

The following table sets forth, by level within the fair value hierarchy, the accounting of our financial assets and liabilities at fair value on a recurring basis according to the valuation techniques we use to determine their fair value (in thousands):

	June 30, 2023				December 31, 2022			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Convertible Note	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 19,954	\$ 19,954
Liabilities:								
Warrant Liabilities	\$ —	\$ —	\$ 34,939	\$ 34,939	\$ —	\$ —	\$ 33,849	\$ 33,849

We measured our Private Warrants and the Convertible Note at fair value based on significant inputs not observable in the market, which caused them to be classified as Level 3 measurements within the fair value hierarchy. These valuations used assumptions and estimates that we believed a market participant would use in making the same valuation. Changes in the fair value of the Private Warrants were recognized as a warrant liability fair value adjustment within the condensed consolidated statements of operations and comprehensive loss. Changes in the fair value of the Convertible Note were recognized as a convertible note fair value adjustment within the condensed consolidated statement of operations and comprehensive loss.

As of June 30, 2023 and December 31, 2022, the carrying value of all other financial assets and liabilities approximated their respective fair values.

Private Warrants

The Private Warrants outstanding on June 30, 2023 and December 31, 2022, were valued using the Black-Scholes-Merton option pricing model. See Note 6 – Warrants above for further detail. Our use of the Black-Scholes-Merton option pricing model for the Private Warrants required the use of subjective assumptions, including:

- The risk-free interest rate assumption was based on the U.S. Treasury Rates commensurate with the contractual terms of the Private Warrants.
- The expected term was determined based on the expiration date of the Private Warrants.
- The expected volatility assumption was based on the implied volatility from a set of comparable publicly traded companies as determined based on the size and industry.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

An increase in each of the risk-free interest rate, expected term, or expected volatility, in isolation, would increase the fair value measurement, and a decrease in each of these assumptions would decrease the fair value measurement, of the Private Warrants.

Using this approach, an exercise price of \$11.50 and a share price of \$9.35 and \$8.68 as of June 30, 2023 and December 31, 2022, respectively, we determined that the fair value of the Private Warrants was \$34.9 million and \$33.8 million, respectively.

Convertible Note

On October 8, 2021, we invested \$20.0 million in the Convertible Note and elected to account for the Convertible Note using the fair value option. The Convertible Note was scheduled to mature on October 8, 2024, carried an annual interest rate of 5%, and was convertible into common stock or preferred stock at our option beginning on October 8, 2023 or automatically upon certain events. In December 2022, we signed a contract amendment that would result in the Convertible Note converting to preferred stock in March 2023, based on the contractual conversion price in the original contract. We determined the fair value of the Convertible Note, prior to its conversion to preferred stock of 24M. See Note 3 – Long-Term Investments for further details.

The Convertible Note was valued using a scenario-based framework, where the fair values determined in various scenarios were weighted based on the estimated probability of occurrence. Within each scenario, a discounted cash flow approach was utilized, taking the expected payoff for the event, and discounting it based on the expected timing and a discount rate. Each of the assumptions in this model were considered significant assumptions.

Rollforward of Level 3 Fair Value

The changes in the Level 3 instruments measured at fair value on a recurring basis were as follows (in thousands):

	For the six months ended June 30, 2023	
	<i>Asset</i>	<i>Liability</i>
	Convertible Note	Private Warrants
Balance (beginning of period)	\$ 19,954	\$ 33,849
Fair value measurement adjustments	1,074	1,151
Conversion to preferred stock	(21,028)	—
Reclassification to Public Warrants	—	(61)
Balance (end of period)	<u>\$ —</u>	<u>\$ 34,939</u>

8. SHAREHOLDERS' EQUITY

Ordinary Shares

As of both June 30, 2023 and December 31, 2022, 245.0 million ordinary shares without par value were authorized and 139.7 million were outstanding. On issuance of shares, amounts designated by our Board of Directors as share capital are included as ordinary share capital and any remaining proceeds are shown as additional paid-in capital in our condensed consolidated balance sheets. Holders of ordinary shares are entitled to one vote per share and to receive dividends when, as, and if, declared by our Board of Directors. As of June 30, 2023, we have not declared any dividends.

In December 2022, FREYR closed a public offering of 23.0 million ordinary shares at an offering price of \$11.50 per share for total gross proceeds of approximately \$264.5 million.

Share Repurchase Program

In May 2022, the Board of Directors approved a share repurchase program (the “Share Repurchase Program”). The shares purchased under the program are to be used to settle the exercise of employee options granted under the Company’s equity compensation plans. We were authorized to repurchase up to 150,000 of the Company’s ordinary shares. The Share Repurchase Program had no time limit and was able to be suspended or discontinued at any time. We purchased 150,000 ordinary shares at an average price of \$6.97 per share, excluding fees, during the three and six months ended June 30, 2022. No purchases were made during the three and six months ended June 30, 2023. As of June 30, 2023, the authorized share repurchase was completed and no ordinary shares remain available for repurchase under the program.

Share-Based Compensation

2021 Plan

In June 2021, we adopted the 2021 Equity Incentive Plan (the “2021 Plan”), which was amended and restated in June 2023. The 2021 Plan provides for the grant of stock options, restricted stock, restricted stock units (“RSUs”), stock appreciation rights, performance units, and performance shares to our employees, directors, and consultants. Generally, our

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

stock options and RSUs vest annually over three years and our stock options are exercisable over a maximum period of five years from their grant dates. Options are typically forfeited when the employment relationship ends for employees and they do not typically forfeit for directors. Generally, our RSUs are liability-classified awards, as they are cash settled based on the closing price of the shares on the vesting date. All exercised options are expected to be settled in shares, net of shares withheld to satisfy the award exercise price and related taxes. As of June 30, 2023, a total of 25.0 million shares were authorized for issuance to satisfy share-based compensation awards made under the 2021 Plan.

During the six months ended June 30, 2023, 3.5 million options were granted to employees and directors, 116,000 RSUs were granted, 124,000 options were forfeited, and 20,000 RSUs vested and were cash settled.

2019 Plan

FREYR Legacy had an Incentive Stock Option Plan (the “2019 Plan”) issued on September 11, 2019. All stock options and warrants granted under the 2019 Plan are fully vested and no further awards can be issued. Certain of the outstanding awards under the 2019 Plan were required to be cash settled as of June 30, 2023, and the remaining awards were required to be cash settled as of July 9, 2023. The awards granted under the 2019 Plan are liability-classified awards, and as such, these awards are remeasured to fair value at each reporting date with changes to the fair value recognized as stock compensation expense in general and administrative expense or research and development expense within the condensed consolidated statements of operations and comprehensive loss. Cumulative stock compensation expense cannot be reduced below the grant date fair value of the original award.

During the six months ended June 30, 2023, 9,000 of the 2019 Plan awards were exercised.

CEO Option Awards

On June 16, 2021, our Chief Executive Officer (“CEO”) entered into a stock option agreement, as an appendix to an employment agreement. In accordance with the stock option agreement, on July 13, 2021 our CEO was granted 850,000 options to acquire our shares at an exercise price of \$10.00 (the “CEO Options”). The CEO Options are subject to nine separate performance criteria, each of which is related to 1/9th of the total award amount. After the performance criteria are achieved and certified by the Board of Directors, the options will vest in equal parts subsequent to the certification date on the stated dates of December 31, 2022, September 30, 2023, and June 1, 2024. Compensation cost is recognized to the extent that achievement of the performance criteria is deemed probable. As of December 31, 2022, 94,000 of the CEO Options were awarded by the Board of Directors after the achievement of one of the performance criteria. During the three months ended June 30, 2023, the Board of Directors evaluated the remaining performance conditions and awarded full or pro-rata achievement for 567,000 of the remaining 756,000 options, which reflected adjustments to certain of the performance criteria. This is expected to result in an incremental compensation cost of \$1.0 million to be recognized over the award's remaining requisite service period.

9. GOVERNMENT GRANTS

For both the three and six months ended June 30, 2023 we recognized grant income of \$0.1 million in other income, net within the condensed consolidated statements of operations and comprehensive loss. For the three and six months ended June 30, 2022 we recognized grant income of \$0.6 million and \$2.0 million, respectively, in other income, net within the condensed consolidated statements of operations and comprehensive loss. For the six months ended June 30, 2022, we recorded grant income of \$4.9 million, as a reduction of property and equipment, net on our condensed consolidated balance sheets, as these grants partially offset capitalized costs related to the construction in progress for the CQP. There was no grant income recorded as a reduction of property and equipment, net for the other periods presented.

As of both June 30, 2023 and December 31, 2022, we had \$0.2 million in short-term deferred income from grants recorded in accrued liabilities and other on our condensed consolidated balance sheets. As of June 30, 2023 and December 31, 2022, we had \$20.0 million and zero, respectively, in long-term deferred income from grants recorded in other long-term liabilities on our condensed consolidated balance sheets.

Significant Grant Awards

In February 2023, we received \$20.0 million for a jobs creation grant in connection with the Giga America project. The grant is subject to the achievement of certain job creation targets by December 2025 and December 2029, with any required refund based on the proportion of job creation conditions that were not achieved. The proceeds will be recognized in other income, net on a straight-line basis over the grant term, for the portion of the grant that is reasonably assured of being retained. For the six months ended June 30, 2023, no income has been recognized for this grant. As of June 30, 2023, unearned proceeds of \$20.0 million are presented as other long-term liabilities on the condensed consolidated balance sheet.

10. INCOME TAXES

The provision for income taxes is recorded at the end of each interim period based on the Company's best estimate of its effective income tax rate expected to be applicable for the full fiscal year. The Company has incurred taxable losses in each year since inception, and maintains a full valuation allowance against its loss carryforwards and other deferred tax assets. The Company and certain of its operating subsidiaries generate taxable income in certain jurisdictions or taxable foreign company U.S. sourced income. The Company's effective income tax rate was 1% for both the three and six months ended June 30, 2023 and 0% for both the three and six months ended June 30, 2022.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. RELATED PARTY TRANSACTIONS

Consulting Agreement

In May 2021, we entered into a consulting agreement with a member of the Board of Directors. Per this agreement, the consultant will provide services for a term of three years. During this term, we will pay the consultant a monthly fee of \$30,000 plus related reimbursable costs. The total expenses incurred for these consulting services for the three and six months ended June 30, 2023 were \$0.1 million and \$0.2 million, respectively. The expenses incurred for consulting services for the three and six months ended June 30, 2022 were \$0.2 million and \$0.3 million, respectively. These expenses are recognized as general and administrative expenses in the condensed consolidated statements of operations and comprehensive loss. As of both June 30, 2023 and December 31, 2022, an unpaid amount of \$0.1 million is recorded in accrued liabilities and other.

Metier

In 2020, we entered into a framework agreement with Metier OEC, which provides primarily project management and administrative consulting services. The CEO of Metier, the successor company to Metier OEC, is the brother of our current Executive Vice President, Project Execution. We recognized \$1.0 million and \$2.6 million for the three and six months ended June 30, 2023, respectively, and \$1.5 million and \$2.6 million for the three and six months ended June 30, 2022, respectively, as general and administrative expenses within the condensed consolidated statements of operations and comprehensive loss. For the three and six months ended June 30, 2023 \$0.5 million and \$1.3 million, respectively, and for the three and six months ended June 30, 2022 zero and \$0.1 million, respectively, met the requirements for capitalization and are recognized as construction in progress within the condensed consolidated balance sheet. The unpaid amounts of \$0.6 million and \$0.7 million are recognized in accounts payable as of June 30, 2023 and in accrued liabilities and other as of December 31, 2022, respectively.

12. NET (LOSS) INCOME PER SHARE

The Company's basic net (loss) income per share attributable to ordinary shareholders was computed by dividing net (loss) income attributable to ordinary shareholders by the weighted-average number of ordinary shares outstanding.

Diluted net (loss) income per share attributable to ordinary shareholders adjusts basic net (loss) income per share attributable to ordinary shareholders to give effect to all potential ordinary shares that were dilutive and outstanding during the period. The treasury stock method was used to assess our warrants and share-based payment awards.

The computation of basic and diluted net (loss) income attributable to ordinary shareholders per share is as follows (in thousands, except per share data):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Numerator:				
Net (loss) income attributable to ordinary shareholders - basic and diluted	\$ (25,282)	\$ 4,671	\$ (38,008)	\$ (30,236)
Denominator:				
Weighted average ordinary shares outstanding – basic	139,705	116,830	139,705	116,842
Dilutive effect of EDGE Warrants and share-based compensation liability awards	—	2,420	—	—
Weighted average ordinary shares outstanding – dilutive	139,705	119,250	139,705	116,842
Net (loss) income attributable to ordinary shareholders per share:				
Basic	\$ (0.18)	\$ 0.04	\$ (0.27)	\$ (0.26)
Diluted	\$ (0.18)	\$ 0.04	\$ (0.27)	\$ (0.26)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The outstanding securities that could potentially dilute basic net (loss) income attributable to ordinary shareholders per share in the future that were not included in the computation of diluted net (loss) income attributable to ordinary shareholders per share as the impact would be anti-dilutive are as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
Public Warrants	14,625	14,375	14,625	14,375
Private Warrants	10,000	10,250	10,000	10,250
EDGE warrants	2,176	—	2,176	2,176
Employee awards	9,240	4,881	9,240	4,881
Share-based compensation liability awards ⁽¹⁾	567	—	567	784
CEO option awards ⁽²⁾	661	94	661	94
Total	37,269	29,600	37,269	32,560

- (1) For the three and six months ended June 30, 2023, the Company excluded 101,000 of the total outstanding 668,000 share-based compensation liability awards, as these awards are required to be cash-settled. See Note 8 – Shareholders' Equity for further details.
- (2) For the three and six months ended June 30, 2022, the Company excluded 756,000 of the total 850,000 CEO option awards, as it was not yet probable that the performance conditions for these options would be achieved.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with our condensed consolidated financial statements and the accompanying notes thereto contained in Part I, Item 1 "Financial Statements" and the other disclosures in this Quarterly Report on Form 10-Q and with the disclosures in our Annual Report on Form 10-K for the year ended December 31, 2022.

Overview

FREYR Battery ("FREYR," the "Company", "we", or "us") is a developer of clean, next-generation battery cell production capacity. Our mission and vision are to accelerate the decarbonization of global energy and transportation systems by producing clean, cost-competitive batteries. Through our strategy of Speed, Scale, and Sustainability, we seek to serve our primary markets of energy storage systems ("ESS"); commercial mobility, including marine applications and commercial vehicles; and electric vehicles ("EV").

We have put into service the buildings and infrastructure and certain manufacturing equipment at our Customer Qualification Plant ("CQP"), and have successfully completed semi-automatic production, assembly, and charge of our first battery. We will spend the next several months increasing the amount of integration and automation of the manufacturing process and anticipate producing sample cells for customers during the third quarter of this year. We have begun the construction of initial buildings and infrastructure for our inaugural gigafactory ("Giga Arctic"). Both the CQP and Giga Arctic are located in Mo i Rana, Norway. We have also started the development of our first clean battery cell manufacturing project in the U.S. ("Giga America"), which is located on a 368-acre parcel of land in Coweta County, Georgia that was purchased by the Company in 2022. As of June 30, 2023, we have not yet initiated commercial manufacturing or derived revenue from our principal business activities.

Recent Developments

- On June 27, 2023, FREYR hosted its "Chapter Two" Capital Markets Day at the New York Stock Exchange. The event showcased the Company's successful assembly and charge of its first battery unit cells at the CQP. Additionally, the event featured a video tour of the CQP in operation; outlined progress in obtaining strategic and financial partner financing for Giga America; and updated investors on the actions and possible expansion of the previously announced strategic energy transition coalition with Glencore Plc (LN: GLEN), Caterpillar Inc. (NYSE: CAT), Siemens AG (GY: SIE), and Nidec Corporation (TSE: 6594). The Chapter Two event was held approximately three months after FREYR's "Chapter One" opening event which took place at the CQP in Mo i Rana, Norway to mark the global launch of the CQP.
- On July 13, 2023, FREYR announced that the Company had been awarded a €100 million grant from the European Union ("EU") to support the development of FREYR's Giga Arctic project in Norway. The grant is to be funded through the EU's Innovation Fund as part of the EU's efforts to promote localized production of battery solutions. The award is subject to the completion of certain administrative and project milestones before the Company is eligible to receive the grant payments.
- In July 2023, FREYR was awarded \$7.0 million for a jobs creation and capital investment grant from the Georgia Department of Community Affairs in connection with the Giga America project. The proceeds of this grant are expected to be received later this year. The grant is subject to the achievement of certain job creation and capital investment targets by the earlier of the date of FREYR's certified occupancy of the Giga America facility or January 2026.
- On August 10, 2023, FREYR announced the appointment of Birger Steen as the Chief Executive Officer ("CEO") of the Company replacing Tom Einar Jensen effective August 21, 2023. Mr. Steen brings to FREYR his extensive experience as an executive and board member leading multinational and publicly listed companies. The Company also announced effective August 9, 2023, the appointment of Mr. Steen as a Director and the appointment of Mr. Jensen as Executive Chair of the Company, replacing the retiring Founder and Executive Chair Torstein Sjøtveit. Mr. Jensen will provide transition support to Mr. Steen and will work closely with the leadership team to drive key global corporate development initiatives, capital formation, and engagement with FREYR's capital providers based on a customer centric and partnership-oriented approach.

Results of Operations

The following table sets forth information on FREYR's condensed consolidated results of operations (in thousands except percentages):

	Three months ended June 30,		Change (%)	Six months ended June 30,		Change (%)
	2023	2022		2023	2022	
Operating expenses:						
General and administrative	\$ 27,631	\$ 28,150	(2%)	\$ 57,633	\$ 52,764	9%
Research and development	6,365	3,082	107%	11,209	5,941	89%
Share of net loss of equity method investee	30	296	(90%)	55	463	(88%)
Total operating expenses	34,026	31,528	8%	68,897	59,168	16%
Loss from operations	(34,026)	(31,528)	8%	(68,897)	(59,168)	16%
Other income (expense)	8,761	36,199	(76%)	30,932	28,932	7%
(Loss) income before income taxes	(25,265)	4,671	NM	(37,965)	(30,236)	26%
Income tax expense	(138)	—	NM	(341)	—	NM
Net (loss) income	(25,403)	4,671	NM	(38,306)	(30,236)	27%
Net loss attributable to non-controlling interests	121	—	NM	298	—	NM
Net (loss) income attributable to ordinary shareholders	<u>\$ (25,282)</u>	<u>\$ 4,671</u>	NM	<u>\$ (38,008)</u>	<u>\$ (30,236)</u>	26%

NM - Not meaningful

Operating expenses

General and administrative

General and administrative expenses consist of personnel and personnel-related expenses, including share-based compensation, fees paid for contractors and consultants assisting with growing the business, office space related costs, travel costs, public relations costs, legal fees, accounting and audit fees, and depreciation expense.

General and administrative expenses decreased by \$0.5 million or 2%, to \$27.6 million for the three months ended June 30, 2023, from \$28.2 million for the three months ended June 30, 2022. General and administrative expenses increased by \$4.9 million or 9%, to \$57.6 million for the six months ended June 30, 2023, from \$52.8 million for the six months ended June 30, 2022. This increase is primarily due to higher headcount and increased spending associated with the ramp-up of activities as we continue to invest in building our business and move closer to the start-up of manufacturing operations.

We expect general and administrative expenses to remain steady or increase slightly in the near term as we scale headcount with the growth of our business and expand operations in the U.S. However, expenses can vary from quarter to quarter, and certain expenses may decrease as we improve efficiency and redeploy our resources to meet the changing needs of our organization.

Research and development ("R&D")

R&D expenses consist primarily of compensation to employees engaged in research and development activities, including share-based compensation, internal and external engineering, depreciation for R&D equipment and facilities, supplies, and services, and contributions to research institutions. R&D expenses also include development costs related to our technology license with 24M.

R&D expenses increased by \$3.3 million or 107% to \$6.4 million for the three months ended June 30, 2023, from \$3.1 million for the three months ended June 30, 2022. R&D expenses increased by \$5.3 million or 89% to \$11.2 million for the six months ended June 30, 2023, from \$5.9 million for the six months ended June 30, 2022. These increases are primarily due to the startup of R&D operations at the CQP during the three months ended June 30, 2023.

We expect R&D expenses to increase in future periods as we expand our personnel and activities at the CQP and invest to improve our production process, efficiency, and products.

Share of net loss of equity method investee

Share of net loss of equity method investee consists of our proportionate share of the net earnings or losses and other comprehensive income from Nidec Energy AS in 2023 and FREYR Battery US LLC in 2022.

Other income (expense)

Other income (expense) primarily consists of the fair value adjustments on our warrant liability, convertible note, interest income and expense, net foreign currency transaction gains and losses, and grant income.

Other income (expense) decreased by \$27.4 million or 76% to income of \$8.8 million for the three months ended June 30, 2023, from \$36.2 million for the three months ended June 30, 2022. The decrease is primarily due to the \$2.6 million loss on warrant liability fair value adjustment for the three months ended June 30, 2023, compared to a \$33.4 million gain for the three months ended June 30, 2022.

Other income (expense) increased by \$2.0 million or 7% to income of \$30.9 million for the six months ended June 30, 2023, from \$28.9 million for the six months ended June 30, 2022. Other income increased primarily due to a \$23.8 million net foreign currency transaction gain for the six months ended June 30, 2023, compared to a \$1.1 million gain for the six months ended June 30, 2022 and interest income of \$4.8 million for the six months ended June 30, 2023 compared to \$29,000 for the six months ended June 30, 2022. This was largely offset by a change of the warrant liability fair value adjustment due to a loss of \$1.2 million for the six months ended June 30, 2023 compared to a gain of \$24.7 million for the six months ended June 30, 2022.

Financial Condition, Liquidity and Capital Resources

Liquidity and Capital Resources

As of June 30, 2023, we had approximately \$383.8 million of cash, cash equivalents, and restricted cash and current liabilities of approximately \$57.2 million. Our restricted cash includes \$48.5 million held in escrow for planned construction activities of Giga Arctic in 2023. To date, our principal sources of liquidity have been proceeds received from our business combination with Alussa Energy Acquisition Corporation in 2021, issuance of equity securities, and amounts received from government grants. Historically, these funds have been used for constructing and equipping our battery manufacturing facilities, including the CQP and Giga Arctic, the purchase of land for Giga America, technology licensing, R&D activities, and general corporate purposes.

In December 2022, FREYR closed a public offering of 23.0 million ordinary shares at an offering price of \$11.50 per share for total gross proceeds of approximately \$264.5 million. In September 2022, FREYR filed a shelf registration statement on Form S-3 with the SEC, of which the December public offering is a part. Under this shelf registration statement, FREYR may, from time to time, sell up to an additional aggregate amount of approximately \$235.5 million ordinary shares, preferred shares, debt securities, warrants, rights, and purchase units.

Our future liquidity requirements depend on many factors, including the timing and extent of the following: capital expenditures for construction of our battery manufacturing facilities and purchase of related equipment; spending to support technology licensing and R&D efforts; spending on other growth initiatives or expansion into new geographies, including through joint ventures; spending to support our future revenue generating activities, including market acceptance of our products and services; and general economic conditions.

Until we can generate sufficient revenue to adequately support our liquidity requirements, we expect to fund short-term cash needs through our existing cash balances. We believe that we have sufficient liquidity to meet our contractual obligations and commitments for at least the 12 months following June 30, 2023.

Our long-term operating needs and planned investments in our business and manufacturing footprint, as currently devised, will require significant financing to complete. Such financing may not be available at terms acceptable to us, or at all. The credit market and financial services industry have in the past, and may in the future, experience periods of uncertainty that could impact the availability and cost of equity and debt financing. If we are unable to raise substantial additional capital in the near term, our ability to invest in Giga Arctic, Giga America, and other gigafactories or development projects will be significantly delayed or curtailed which would have a material adverse impact on our business prospects and results of operations. If we raise funds by issuing debt securities, these debt securities would have rights, preferences, and privileges senior to those of holders of our ordinary shares. The terms of debt securities or other borrowings could impose significant restrictions on our operations. If we raise funds by issuing equity securities, dilution to stockholders may result. Any equity securities issued may also provide for rights, preferences, or privileges senior to those of holders of our ordinary shares.

In August 2022, the Company estimated its Giga Arctic facility to have a total cost of approximately \$1.7 billion for eight production lines. We have begun the construction of initial buildings and infrastructure for Giga Arctic, and construction continues to proceed at a measured pace, in part in anticipation of a potential Norwegian response to the U.S. Inflation Reduction Act. FREYR has not yet committed material funds for the completion of the buildout and purchase of equipment in excess of the \$48.5 million restricted cash held in escrow as of June 30, 2023, which is expected to be used to fund certain construction activities during the remainder of 2023. The total cost to complete the construction and buildout of the Giga Arctic facility and the timing of cash requirements will depend on a variety of factors such as the ultimate configuration of the facility, including the number of production lines, the form and amount of government grants and assistance, and the availability, form, and additional requirements of project and other financing.

In November 2022, the Company estimated its Giga America facility to have an initial projected capital cost of approximately \$1.7 billion. FREYR is now planning to accelerate the development of Giga America with phase 1A as a two-

line plant with a targeted start of production in summer 2025 and phase 1B as an eight-line plant with a targeted start of production in summer 2026. We have begun the development of Giga America but have not yet begun construction or committed material funds for the purchase of materials and equipment. Phase 1A is expected to cost approximately \$750 million in direct material and labor costs. FREYR is targeting a final investment decision on this initial phase of Giga America before year-end 2023, with substantial spending expected to begin in 2024 and to continue through the start of production. The total cost of phase 1B continues to be refined, as decisions concerning the factory layout and equipment purchases have not yet been finalized. However, we expect improvements in the capital efficiency, or return on capital spending, in phase 1B as the gigawatt hour throughput per line of phase 1B will improve as compared to phase 1A.

The estimated costs of constructing the Giga Arctic and Giga America facilities remain subject to ongoing business, financing, and operational changes, including changes to the overall macroeconomic environment. We will continue to provide updates to reflect material developments, including approvals or commitments for spending that differs materially from our previous estimates.

Our planned capital expenditures are based on management's current estimates and may be subject to change. There can be no assurance that we will execute our capital expenditure plans as currently estimated, without addition or modification. We may also from time to time reduce or increase planned spending on specific capital projects and/or adjust the timing of planned capital expenditures due to factors both within and outside of our control, including the availability of financing. As a result, actual capital expenditures in future years may differ materially from the amounts discussed above.

Cash Flow Summary

The following table summarizes our cash flows (in thousands):

	Six months ended June 30,		Change (%)
	2023	2022	
Net cash used in operating activities	\$ (34,720)	\$ (50,430)	(31%)
Net cash used in investing activities	(131,016)	(24,546)	434%
Net cash used in financing activities	—	(1,052)	(100%)

Operating Activities

Net cash used in operating activities was \$34.7 million for the six months ended June 30, 2023, compared to \$50.4 million for the six months ended June 30, 2022. The decrease in cash used in operating activities was primarily due to the receipt of \$20.0 million for a jobs creation government grant in connection with the Giga America project.

Investing Activities

Net cash used in investing activities was \$131.0 million for the six months ended June 30, 2023, compared to \$24.5 million for the six months ended June 30, 2022. The increase in cash used in investing activities was primarily driven by \$128.4 million in purchases of property and equipment compared to \$26.4 million for the six months ended June 30, 2023 and 2022, respectively.

Financing Activities

Net cash used in financing activities was zero for the six months ended June 30, 2023, compared to \$1.1 million for the six months ended June 30, 2022. Net cash used during 2022 was related to the purchase of treasury shares during the second quarter.

Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are consistent with those described in the Management's Discussion and Analysis section of our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 27, 2023. There have been no material changes to our critical accounting policies during the six months ended June 30, 2023.

Emerging Growth Company Status

Section 102(b)(1) of the JOBS Act exempts emerging growth companies from being required to comply with new or revised financial accounting standards until private companies (that is, those that have not had a Securities Act registration statement declared effective or do not have a class of securities registered under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) are required to comply with the new or revised financial accounting standards. The JOBS Act provides that a company can elect to opt out of the extended transition period and comply with the requirements that apply to non-emerging growth companies, but any such election to opt out is irrevocable.

We qualify as an emerging growth company, as defined in the JOBS Act, and therefore may choose to take advantage of certain exemptions from various public company reporting requirements, including delaying the adoption of new or

revised accounting standards until those standards apply to private companies. This may make a comparison of our condensed consolidated financial statements with another public company that is either not an emerging growth company or is an emerging growth company that has opted out of using the extended transition period, difficult or impossible because of the potential differences in accounting standards used. We expect that we will lose our emerging growth company status on December 31, 2023, at which point, we will qualify as a large accelerated filer based on our unaffiliated market capitalization as of June 30, 2023, according to Rule 12b-2 of the Securities Exchange Act of 1934, as amended.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk from the information provided in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk, in our Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 27, 2023.

ITEM 4. CONTROLS AND PROCEDURES

Limitations on Effectiveness of Controls and Procedures

We maintain disclosure controls and procedures (“Disclosure Controls”) within the meaning of Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Our Disclosure Controls are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act, such as this Quarterly Report on Form 10-Q, is recorded, processed, summarized, and reported within the time periods specified in the U.S. Securities and Exchange Commission’s rules and forms.

Our Disclosure Controls are also designed to ensure that such information is accumulated and communicated to our management, including our Chief Executive Officer and Group Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Evaluation of Disclosure Controls and Procedures

As required by Rules 13a-15 and 15d-15 under the Exchange Act, our Chief Executive Officer and Group Chief Financial Officer carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2023. Based upon their evaluation, our Chief Executive Officer and Group Chief Financial Officer concluded that our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, were effective.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act, that occurred during the three months ended June 30, 2023 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we may be involved in litigation relating to claims arising in the ordinary course of our business. To the knowledge of our management, there are no material litigation, claims, or actions currently pending or threatened against us, any of our officers, or directors in their capacity as such, or against any of our property.

ITEM 1A. RISK FACTORS

As of the date of this filing, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the U.S. Securities and Exchange Commission on February 27, 2023. Additional risks not currently known to us or that we currently deem to be immaterial may also materially affect our financial position, results of operations, or cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

None.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

The documents listed below are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

Exhibit

Number	Exhibit Description
<u>3.1</u>	<u>Consolidated Articles of Association of FREYR Battery as of December 20, 2022 (incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on March 15, 2023).</u>
<u>10.1</u>	<u>2021 Equity Incentive Plan (amended and restated as of May 10, 2023) (incorporated by reference to Exhibit 99.1 of FREYR Battery's Registration Statement on Form S-8 filed with the SEC on August 10, 2023).</u>
<u>31.1</u> *	<u>Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>31.2</u> *	<u>Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.1</u> [†] *	<u>Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
<u>32.2</u> [†] *	<u>Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>
101*	Pursuant to Rule 405 of Regulation S-T, the following financial information from the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2023 is formatted in Inline XBRL interactive data files: (i) Condensed Consolidated Balance Sheets as of June 30, 2023 and December 31, 2022; (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and six months ended June 30, 2023 and 2022; (iii) Condensed Consolidated Statements of Shareholders' Equity for the six months ended June 30, 2023 and 2022; (iv) Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 2023 and 2022; and (v) Notes to Condensed Consolidated Financial Statements.
104*	Cover Page Interactive Data File formatted as Inline XBRL and contained in Exhibit 101

* Filed herewith

[†] The certifications attached as Exhibits 32.1 and 32.2 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the U.S. Securities and Exchange Commission and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FREYR BATTERY

Date: August 10, 2023

By: /s/ Oscar K. Brown

Name: Oscar K. Brown

Title: Group Chief Financial Officer
(Principal Financial Officer)

Date: August 10, 2023

By: /s/ Lori A. Papp

Name: Lori A. Papp

Title: Chief Accounting Officer
(Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Tom Einar Jensen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FREYR Battery;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

By: /s/ Tom Einar Jensen
Tom Einar Jensen
Chief Executive Officer and Executive Chair
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Oscar K. Brown, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of FREYR Battery;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 10, 2023

By: /s/ Oscar K. Brown
Oscar K. Brown
Group Chief Financial Officer
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FREYR Battery (the "Company") on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Tom Einar Jensen, Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 10, 2023

By: /s/ Tom Einar Jensen
Tom Einar Jensen
*Chief Executive Officer and Executive
Chair*
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FREYR Battery (the “Company”) on Form 10-Q for the period ended June 30, 2023 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Oscar K. Brown, Group Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: August 10, 2023

By: /s/ Oscar K. Brown
Oscar K. Brown
Group Chief Financial Officer
(Principal Financial Officer)