

Scandinavian Biogas Fuels International AB (publ)

Corp. ID no. 556528-4733

Interim report for 1 January – 30 September 2016

Net sales continued to rise and third-quarter biogas production at Södertörn was on a par with the first and second quarters. Biogas production in September was the highest to date.

Third quarter in brief

- Net sales totalled SEK 58.4 million (SEK 35.2 million)
- EBITDA (operating profit before depreciation and amortisation) was SEK 3.9 million (SEK 4.2 million)
- The Group posted an operating loss of SEK 8.3 million (loss: SEK 1.8 million)
- The Group posted a loss after tax of SEK 8.4 million (loss: SEK 6.9 million)

The first three quarters in brief

- The Group acquired the majority of the shares in the Norwegian registered company Biokraft Holding AS in February 2016
- The first day of trading for our corporate bond on the NASDAQ Stockholm stock exchange was 8 April 2016
- Net sales totalled SEK 172.8 million (SEK 119.9 million)
- EBITDA (operating profit before depreciation and amortisation) was SEK 17.3 million (SEK 16.7 million)
- The Group posted an operating loss of SEK 17.0 million (loss: SEK 2.0 million)
- The Group posted a loss after tax of SEK 29.4 million (loss: SEK 5.7 million)

Unless otherwise specified, all financial information in this report pertains to the Group and the figures in parentheses pertain to the year-earlier period.

Please note: This is an English language translation of the Swedish original. In the event of any discrepancy, the Swedish original will supersede the English translation.

Operations

Scandinavian Biogas is a leading player in large-scale biogas production and holds world-leading expertise on how to design biogas plants, including everything from pre-treatment to upgrading, in order to optimise the production of biogas. The Group is actively pursuing the transition from fossil fuels to renewable energy.

The Group's business concept is to be a leader in designing, managing and operating biogas plants. This will be achieved by always improving the digestion process in the production of biomass-based biogas, predominantly from the vast quantity of waste that arises during wastewater treatment, from food waste and from industrial processes such as the production of food and biofuels. The Group also provides leading expertise in purification processes for use in upgrading biogas to fuel quality. Our focus is on the markets in the Nordic region and South Korea.

Since Scandinavian Biogas maintains a strategic focus on research and development, the Group assigns substantial priority to developing methods for more efficient biogas production from both established and new types of waste, residues and other organic materials. The company's knowledge and methods enable biogas production to now be performed more cost and resource-efficiently than before.

Scandinavian Biogas Fuels International AB (publ) is registered and headquartered in Stockholm. On 30 September 2016, the Group had 43 (37) employees in Sweden, 21 (22) in South Korea and 4 (n/a) in Norway.

Group

Scandinavian Biogas Fuels International AB (publ) is the Parent Company of the Scandinavian Biogas Group, which comprises several wholly and co-owned companies registered in Sweden, Norway and South Korea. The Group's businesses are mainly operated through subsidiaries.

Financial overview

Group (SEK thousand)

	1 July - 30 September 2016	1 July - 30 September 2015	1 January - 30 September 2016	1 January - 30 September 2015	1 January - 31 December 2015
	3 months	3 months	9 months	9 months	12 months
Net sales	58,401	35,176	172,793	119,865	175,891
EBITDA	3,905	4,228	17,274	16,657	23,358
Operating profit/loss	-8,308	-1,773	-17,002	-2,047	-16,817
Total assets	1,031,924	682,876	1,031,924	682,876	760,652
Adjusted equity/assets ratio	27.3%	34.1%	27.3%	34.1%	28.6%

The Group's net sales for the third quarter of the year amounted to SEK 58.4 million (SEK 35.2 million), up 66.0% year-on-year. During the first nine months of the year, net sales increased by 44.2% to SEK 172.8 million (SEK 119.9 million). The increase in sales primarily resulted from the fact that both the biogas plant in Södertörn and the expansion in Henriksdal have now commenced gas production. Total revenues amounted to SEK 62.6 million (SEK 57.6 million) for the July – September 2016 period and to SEK 185.0 million (SEK 162.7 million) for the full interim period. Other external costs increased, due primarily to the fact that the biogas facility in Södertörn was not in operation during the first nine months of last year and thus lacked such resources as an operational staff. The Group's EBITDA was SEK 3.9 million (SEK 4.2 million) during the third quarter and SEK 17.3 million (SEK 16.7 million) for the first nine months of the year.

For the period from July to September of this year, the Group posted an operating loss of SEK 8.3 million (loss: SEK 1.8 million). For the January – September 2016 period, the Group posted an operating loss of SEK 17.0 million (loss: SEK 2.0 million). The change was due to an increase in depreciation/amortisation following the commissioning of both the plant in Södertörn and the expansion in Henriksdal.

The Group posted a loss after tax of SEK 29.4 million (loss: SEK 5.7 million) during the January – September 2016 period, of which a gain of SEK 10.4 million (loss: SEK 0.1 million) derived from unrealised exchange-rate differences. Interest expenses for borrowings have increased and amounted to SEK 20.5 million (SEK 1.8 million) during the interim period, primarily due to increased borrowing in the form of corporate bonds to finance such ventures as the investment in Norway.

At 30 September 2016, total assets amounted to SEK 1,031.9 million (SEK 682.9 million), up circa 50% year-on-year. The increase was mainly attributable to the investment in Norway and the issuance of corporate bonds. Some of the loans from the Norwegian bank consortium and Innovasjon Norge were paid during the third quarter and amounted to SEK 94.9 million. Borrowing related to financial leasing amounted to SEK 257.3 million (SEK 172.0 million), with the year-on-year increase primarily due to the expansion in Henriksdal. In addition to earnings for the year, the change in equity during the year included the minority owner's equity investment in the Group company Biokraft Holding AS; see Note 3, Business combinations.

At 30 September 2016, consolidated cash balances totalled SEK 126.0 million (SEK 61.1 million), with the increase primarily due to the corporate bonds that were issued in February.

Investments

Investments in tangible and intangible assets during the third quarter of the year amounted to SEK 31 million (SEK 18 million). During the full interim period, investments in tangible and intangible assets were made in the amount of SEK 171 million (SEK 59 million). In February 2016, investments were also made in the form of business acquisitions, as described in Note 3, Business combinations. At 30 September 2016, the Group was committed to making additional investments, predominantly in the new biogas plant outside Trondheim, Norway.

At 30 September 2016, the book value of the Group's tangible and intangible assets was SEK 827.4 million (SEK 570.5 million), of which SEK 251.6 million (SEK 223.5 million) pertains to leased objects that the Group leases under long-term lease agreements (more than 20 years).

Significant events during the period

Listing of corporate bond

The corporate bond has been listed on NASDAQ Stockholm and the first day of trading was 8 April 2016. Through the end of September 2016, the bond had traded at a high of SEK 100.50 and a low of SEK 99.75.

Expansion of the plant in Henriksdal

Sections of the ongoing expansion project in Henriksdal were completed during the second quarter of 2016, and rental payments to Stockholm Vatten (a water and wastewater company) have commenced. Some minor sections remain to be completed.

Inauguration of the expansion

The new production line in Henriksdal was inaugurated on 28 April 2016 by Stockholm's Vice Mayor of Environment, Katarina Luhr, and Stockholm County Council Commissioner of Transportation Kristoffer Tamsons. At full capacity, the new line is expected to be able to produce 12.5 million normal cubic meters (Nm³) of upgraded biogas, or 125 GWh.

Production and sales

Bromma and Henriksdal

The plant in Henriksdal produced and sold 6.7 million Nm³ (5.5 MNm³) of biogas, or around 67 GWh (55 GWh) during the interim period. The corresponding volume for the plant in Bromma was 1.8 million Nm³ (1.9 MNm³), or around 18 GWh (19 GWh). The production increase in Henriksdal is attributable to the commencement in January of biogas production by the new line there.

Södertörn

The pre-treatment plant in Södertörn received an average of 117 tonnes (69 tonnes) of food waste per day during the first nine months of the year. During the first three quarters, sales from the biogas plant totalled 3.4 million Nm³ (n/a) of biogas, or about 34 GWh. While biogas production in September was somewhat of an improvement on the updated plan, there is still a risk that ongoing process adjustments may temporarily affect future production volumes. The feedstock supply was further strengthened through two new contracts covering up to 60 tonnes of food waste per day, and the plant now has contracts for up to full capacity under current environmental permits. A process to significantly increase the environmental permit is underway.

Ulsan, South Korea

The plant in South Korea received an average of 187 tonnes (188 tonnes) of food waste per day during the interim period. Sales of raw gas during the same period amounted to a total of 6.6 million Nm³ (7.1 MNm³), or about 45 GWh (49 GWh). A total of 7.7 million Nm³ (7.7 MNm³) of raw gas was produced. The lower volume in sales was due to the client closing for maintenance during part of the interim period.

Ongoing investment projects

Skogn, Norway

Construction of a production plant for liquid biogas in Skogn, outside Trondheim, Norway, commenced in August 2015. The project is ongoing and scheduled for commissioning during the second half of 2017. Production capacity is estimated at 12.5 Nm³ liquid biogas, or 125 GWh, at full capacity. Financing is by way of equity, loans from bank consortiums and Innovasjon Norge, and contribution from Enova. The multi-year contract with a main feedstock supplier was updated during the third quarter of 2016 to ensure feedstock supply. Long-term sales contracts for all planned biogas production is already in place.

EffiSludge/LIFE

Scandinavian Biogas has been awarded a grant from EU/LIFE to increase biogas production in the pulp and paper industry. The goal of the project is to build and operate the first demonstration process in Skogn to produce biogas from waste water while also reducing electricity consumption. The total project cost is estimated at just under SEK 30 million, with the EU grant equivalent to approximately SEK 16 million.

Financing

The business is financed by way of equity, loans from external creditors and financial leasing. The upgrading facilities in Bromma and Henriksdal and the pre-treatment plant in Södertörn are being leased under 25-year lease agreements. Non-current interest-bearing liabilities, exclusive of financial leasing, totalled SEK 381.0 million (148.2 million) as at 30 September 2016. The Group's cash balances totalled SEK 126.0 million (61.1 million) on that date.

In early 2016, the Parent Company issued a corporate bond in the amount of SEK 200 million with a term of four years. The funds were used to acquire a majority stake in Biokraft Holding AS and to repay part of an external loan. The funds will also be used for such purposes as investments to enhance the plant in Södertörn. The corporate bonds were listed on the NASDAQ Stockholm stock exchange in April 2016.

As communicated in early September, the Group expects profitability to be lower than the forecast issued in connection with the publication of the 2015 annual report. This will have a negative impact on cash flow for the biogas plant in Södertörn, and group management is currently working to strengthen liquidity.

The Group aims to continue expanding and is proactively pursuing new projects. The Group expects major future projects to require financing under various types of partnerships and funding, depending on project structure and location.

The share

The number of shares remained unchanged during the third quarter of the year. At 30 September 2016 the company had 90,092,662 (90,092,662) shares with a quotient value of SEK 0.20 per share. Each share entitles its holder to one vote. All outstanding shares are ordinary shares and thus entitle their holders to an equal proportion of Scandinavian Biogas Fuels International AB's (publ) assets and earnings.

Warrants

Employees and the Chief Executive Officer collectively held a total of 565,000 (565,000) outstanding warrants at 30 September 2016. There was no change in the number of warrants outstanding during the interim period.

Ownership structure at 30 September 2016, in per cent

AC Cleantech	32.8%
Bengtssons Tidnings AB and related parties	31.4%
Novator Biogas Sweden SARL	6.7%
Ajanta OY and related parties	6.1%
Erik Danielsson and family, including companies	5.8%
John Nurminen OY	4.4%
Others	12.8%

Significant risks and uncertainties

Pursuant to the press release published in early September, it is highly unlikely that the Södertörn plant will achieve planned biogas production volumes for the rest of 2016. While biogas production in September was somewhat of an improvement on the updated plan, there is still a risk that ongoing process adjustments may temporarily affect future production volumes, and thus also profitability.

Significant risks and uncertainties are described in the latest annual report. They are also presented in the prospectus related to the listing of corporate bonds that was approved by the Swedish Financial Supervisory Authority in early April 2016 and is available on www.scandinavianbiogas.com.

Related-party transactions

There were no significant transactions with related parties during the period.

Parent Company

Operations

The Group's operations are primarily conducted in its subsidiaries, while the Parent Company serves as more of a Group administrator.

Net sales and financial performance

The Parent Company's total revenues amounted to SEK 0.3 million (SEK 0.3 million) during the third quarter and SEK 1.1 million (SEK 0.9 million) during the January – September 2016 period. The increase was the result of re-invoicing passed on to subsidiaries, and corresponding costs are included in the operation's expenses. The Parent Company posted a loss after tax of SEK 1.0 million (loss: SEK 0.2 million) for the July – September 2016 period and a loss of SEK 2.8 million (loss: 1.6 million) for the full interim period.

Investments

In February 2016, the Parent Company acquired the majority of the shares in Biokraft Holding AS; see Note 3, Business combinations.

Liquidity and financial position

The most substantial changes in the Parent Company's total assets during the interim period were related to the corporate bond issue and to the acquisition of a majority stake in Biokraft Holding AS. At the close of the interim period, cash balances amounted to SEK 0.2 million (SEK 10.5 million).

No significant events or changes have taken place since publication of the 2015 annual report that have any bearing on the Group's or Parent Company's earnings or financial position other than those addressed in this report.

Significant events after the end of the period

No significant events took place after the end of the period.

Future outlook

There is an enormous need for renewable energy that can replace fossil fuels, such as coal and oil, at reasonable prices. In various studies of renewable alternatives that can be mass-produced, the interest in biogas has increased. This in turn bolsters the demand for biogas, which is expected to gain further traction as it becomes more available. However, the current low market price of fossil energy causes some uncertainty as to the biogas market price as well as the growth of and new investments in renewable energy. For Scandinavian Biogas, this means that that the Group expects to be able to sell all of the biogas it produces in the coming years.

In order to meet demand, the Group plans to significantly increase production in the Stockholm area in the immediate future. The annual production capacity for the new biogas plant in Södertörn is estimated at around 8 million Nm³ of fuel quality biogas, or 80 GWh, at full capacity. The expansion of Henriksdal is expected to yield a potential annual production increase of around 12 million Nm³ of fuel quality biogas, or 120 GWh. Accordingly, the total production at Henriksdal is expected to amount to 200 GWh at full capacity. Including the production facility in Bromma, the combined full capacity of all plants in Sweden is thus estimated at over 30 million Nm³ of fuel quality biogas, or 300 GWh. The plant in South Korea is expected to continue to have an annual production capacity of about 65 GWh. In addition, the annual production capacity in Norway is estimated at 12 million Nm³ of liquid biogas, or about 120 GWh. With its current plants and ongoing projects, the Group's total production capacity is expected to be close to 500 GWh at full capacity.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand

	1 July - 30 September 2016	1 July - 30 September 2015	1 January - 30 September 2016	1 January - 30 September 2015	1 January - 31 December 2015
Operating income					
Net sales	58,401	35,176	172,793	119,865	175,891
Capitalised work on own account	3,923	19,357	11,499	39,415	52,379
Other operating income	297	3,037.00	716	3,456	3,622
Total	62,621	57,570	185,008	162,736	231,892
Operating expenses					
Raw materials and consumables	-36,505	-36,156	-96,479	-93,558	-132,843
Other external costs	-8,583	-6,233	-29,621	-18,203	-27,989
Personnel costs	-13,628	-10,953	-41,634	-34,318	-47,702
Depreciation, amortisation and impairment of tangible and intangible assets	-12,079	-5,964	-33,819	-18,226	-39,329
Other operating expenses	-134	-37	-457	-478	-846
Total operating expenses	-70,929	-59,343	-202,010	-164,783	-248,709
Operating profit/loss	-8,308	-1,773	-17,002	-2,047	-16,817
Financial income	7,329	123	10,641	11,765	12,724
Financial expenses	-7,690	-5,120	-23,512	-15,099	-16,807
Net financial items	-361	-4,997	-12,871	-3,334	-4,083
Profit/loss before taxes	-8,669	-6,770	-29,873	-5,381	-20,900
Corporate income tax	257	-125	427	-329	-462
Profit/loss for the period	-8,412	-6,895	-29,446	-5,710	-21,362
Other comprehensive income					
Actuarial results on post-employment remuneration	-	-	-	-	227
Exchange-rate differences	2,803	970	3,684	613	957
Other comprehensive income for the period, net after tax	2,803	970	3,684	613	1,184
Total comprehensive income for the period	-5,609	-5,925	-25,762	-5,097	-20,178
All items in the Group's Other comprehensive income may be reclassified in the income statement.					
Profit/loss for the period attributable to:					
Parent Company shareholders	-8,142	-4,971	-29,649	-2,380	-16,181
Non-controlling interests	-270	-1,924	203	-3,330	-5,181
	-8,412	-6,895	-29,446	-5,710	-21,362
Total comprehensive income attributable to:					
Parent Company shareholders	-5,803	-4,116	-26,990	-1,861	-15,203
Non-controlling interests	194	-1,809	1,228	-3,236	-4,975
	-5,609	-5,925	-25,762	-5,097	-20,178

Comparative figures for 2015 have been restated in accordance with the amended policy for the recognition of re-invoicing adopted by the Group during the fourth quarter of 2015.

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	2016-09-30	2015-09-30	2015-12-31
ASSETS				
Non-current assets				
Intangible assets				
Capitalised development costs		15,210	6,615	7,239
Concessions and similar rights		110,124	124,098	108,819
Patents and licences		136	176	166
Goodwill	3	5,271	-	-
Total intangible assets		130,741	130,889	116,224
Tangible fixed assets				
	4			
Buildings and land		199,095	73,726	157,009
Plant and machinery		272,837	73,928	246,121
Equipment, fixtures and fittings		12,883	4,077	4,111
Construction work in progress		211,840	287,884	124,033
Total tangible fixed assets		696,655	439,615	531,274
Financial assets				
Other non-current receivables		8,551	7,820	7,858
Total financial assets		8,551	7,820	7,858
Other non-current assets				
Accrued income and prepaid expenses		2,778	3,222	3,111
Deferred tax assets		6,909	-	-
Total other non-current assets		9,687	3,222	3,111
Total non-current assets		845,634	581,546	658,467
Current assets				
Inventories, etc.				
Raw materials and consumables		1,153	604	584
Total inventories		1153	604	584
Current receivables				
Trade accounts receivable		34,505	28,446	25,870
Other receivables		17,378	4,613	5,611
Prepaid expenses and accrued income		7,220	6,582	5,241
Cash and cash equivalents		126,034	61,085	64,879
Total current receivables		185,137	100,726	101,601
Total current assets		186,290	101,330	102,185
TOTAL ASSETS		1,031,924	682,876	760,652

CONSOLIDATED BALANCE SHEET, Cont.

Amounts in SEK thousand	Note	2016-09-30	2015-09-30	2015-12-31
EQUITY				
Equity attributable to				
Parent Company shareholders				
Share capital		18,019	18,019	18,019
Other capital contributions		693,305	693,305	693,305
Reserves		1,652	-1,282	-1,008
Retained earnings including comprehensive income for the period		-524,139	-480,872	-494,489
		188,837	229,170	215,827
Non-controlling interests		58,479	3,727	1,987
Total equity		247,316	232,897	217,814
LIABILITIES				
Provisions				
Other provisions		9,181	-	7,097
Total provisions		9,181	-	7,097
Non-current liabilities				
Borrowings	5	626,114	313,638	266,643
Deferred tax liabilities		1,877	1,431	1,564
Total non-current liabilities		627,991	315,069	268,207
Current liabilities				
Borrowings	5	27,881	19,149	68,563
Loans from shareholders		19	19	19
Accounts payable		51,257	22,683	61,555
Other liabilities		23,464	9,332	20,852
Accrued expenses and deferred income	6	44,815	83,727	116,545
Total current liabilities		147,436	134,910	267,534
TOTAL EQUITY AND LIABILITIES		1,031,924	682,876	760,652

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand	Note	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
		Share capital	Other capital contributions	Reserves	Retained earnings	Total		
Opening balance, 1 January 2015		15,683	654,884	-1,801	-478,493	190,273	2,962	193,235
Profit/loss for the period					-2,380	-2,380	-3,330	-5,710
Other comprehensive income								
Exchange-rate differences				519		519	94	613
Total comprehensive income				519	-2,380	-1,861	-3,236	-5,097
Issue expenses			-116			-116		-116
Conversion of convertible debt		2,336	38,537			40,873		40,873
Shareholder contributions from non-controlling interests						-	4,000	4,000
Total contributions from and distributions to shareholders, recognised directly in equity		2,336	38,421	-	-	40,757	4,000	44,757
Closing balance, 30 September 2015		18,019	693,305	-1,282	-480,872	229,170	3,727	232,897
Opening balance, 1 January 2016		18,019	693,305	-1,008	-494,489	215,827	1,987	217,814
Profit/loss for the period					-29,649	-29,649	203	-29,446
Other comprehensive income								
Exchange-rate differences				2,660	-1	2,659	1,025	3,684
Total comprehensive income				2,660	-29,650	-26,990	1,228	-25,762
Non-controlling interest arising from acquisition of subsidiaries	3					-	55,265	55,265
Total contributions from and distributions to shareholders, recognised directly in equity		-	-	-	-	-	55,265	55,265
Closing balance, 30 September 2016		18,019	693,305	1,652	-524,139	188,837	58,479	247,316

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand

	<i>Note</i>	1 July - 30 September 2016	1 July - 30 September 2015	1 January - 30 September 2016	1 January - 30 September 2015	1 January - 31 December 2015
Cash flow from operating activities						
Operating profit/loss before financial items		-8,308	-1,773	-17,002	-2,047	-16,817
Amortisation/depreciation		12,079	5,643	33,819	17,702	39,329
Other non-cash items		8,903	-1,128	9,253	415	7,276
Interest received		28	26	97	133	161
Interest paid		-9,427	-4,594	-24,511	-19,271	-25,426
Cash flow from operating activities before changes in working capital		3,275	-1,826	1,656	-3,068	4,523
Cash flow from changes in working capital						
Increase/decrease in inventories		-320	-	-569	61	81
Increase/decrease in operating receivables		-10,698	-7,442	802	-14,190	-8,049
Increase/decrease in operating liabilities		-54,786	2,831	-39,810	-16,283	16,627
Total change in working capital		-65,804	-4,611	-39,577	-30,412	8,659
Cash flow from operating activities		-62,529	-6,437	-37,921	-33,480	13,182
Cash flow from investing activities						
Acquisition of intangible assets		-1,999	-750	-3,563	-1,981	-2,768
Acquisition of tangible fixed assets		-29,025	-16,892	-167,198	-56,827	-94,941
Divestment of tangible fixed assets		-	9,600	-	9,600	9,600
Investments in subsidiaries	3	-	-	42,974	-	-
Acquisition of financial assets		-	-	-	-	-3,116
Divestment of financial assets		110	2	334	2	9
Cash flow from investing activities		-30,914	-8,040	-127,453	-49,206	-91,216
Cash flow from financing activities						
Loans raised	5	95,390	-	290,365	25,000	28,428
Amortisation of loans	5	-5,340	-2,992	-65,386	-10,060	-14,407
Contributions to/from non-controlling interests		-	-	-	4,000	4,000
Cash flow from financing activities		90,050	-2,992	224,979	18,940	18,021
Total cash flow for the period		-3,393	-17,469	59,605	-63,746	-60,013
Decrease/increase in cash and cash equivalents						
Opening cash and cash equivalents		128,370	79,007	64,879	124,889	124,889
Exchange-rate differences in cash and cash equivalents		1,057	-453	1,550	-58	3
Closing cash and cash equivalents		126,034	61,085	126,034	61,085	64,879

PARENT COMPANY INCOME STATEMENT
Amounts in SEK thousand

	1 July - 30 September 2016	1 July - 30 September 2015	1 January - 30 September 2016	1 January - 30 September 2015	1 January - 31 December 2015
Operating income					
Sales	300	301	1,106	908	1,655
Total operating income	300	301	1,106	908	1,655
Operating expenses	-676	-465	-2,737	-2,212	-4,168
Operating profit/loss	-376	-164	-1,631	-1,304	-2,513
Net financial items	-638	0	-1,156	-345	-46,428
Profit/loss before appropriations and tax	-1,014	-164	-2,787	-1,649	-48,941
Corporate income tax	-	-	-	-	-
Net profit/loss for the period	-1,014	-164	-2,787	-1,649	-48,941

No items are recognised as Other comprehensive income in the Parent Company and, accordingly, Total comprehensive income corresponds with profit/loss for the period.

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	<i>Note</i>	2016-09-30	2015-09-30	2015-12-31
ASSETS				
Non-current assets				
Financial assets				
Participations in Group companies	3	187,810	169,474	129,391
Receivables from Group companies		184,479	118,000	98,326
Total financial assets		372,289	287,474	227,717
Total non-current assets		372,289	287,474	227,717
Current assets				
Current receivables				
Receivables from Group companies		144,778	47,500	69,645
Other receivables		36	11	115
Prepaid expenses and accrued income		113	54	72
Total current assets		144,927	47,565	69,832
Cash and bank balances		242	10,542	1,544
Total current assets		145,169	58,107	71,376
TOTAL ASSETS		517,458	345,581	299,093

PARENT COMPANY BALANCE SHEET, cont.

Amounts in SEK thousand	<i>Note</i>	2016-09-30	2015-09-30	2015-12-31
EQUITY AND LIABILITIES				
Equity		292,929	343,009	295,717
Non-current liabilities				
Interest-bearing loans	5	194,510	-	-
Intra-Group loans		23,000	-	-
Total non-current liabilities		217,510	-	-
Current liabilities				
Borrowings		19	19	19
Accounts payable		211	51	971
Liabilities to Group companies		3,314	1,800	1,800
Other liabilities		33	-	-
Accrued expenses and deferred income		3,442	702	586
Total current liabilities		7,019	2,572	3,376
TOTAL EQUITY AND LIABILITIES		517,458	345,581	299,093
Pledged assets	7	383,541	149,550	171,624
Contingent liabilities	7	45,861	50,422	37,500

NOTES

Note 1 General information

The Parent Company Scandinavian Biogas Fuels International AB (publ), corporate registration number 556528-4733, operates as a publicly listed, limited liability company and is registered in Stockholm, Sweden. The headquarters are located at Holländargatan 21A, SE-111 60, Stockholm, Sweden.

Unless otherwise specified, all amounts are in SEK thousand. Figures in parentheses pertain to the year-earlier period.

Since internal reporting is conducted at the Group level, the company deems that there is only one segment. Accordingly, no separate segment report was prepared for the interim period.

The interim information listed on pages 1-6 comprises an integrated component of this financial statement.

Alternative performance measures

Operating profit/loss provides an overall picture of the Group's total earnings and is calculated as operating profit/loss before financial items and tax.

EBITDA is a measure that the Group deems relevant for investors who want to gain an understanding of its earnings before investments in fixed assets. The Group defines EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) as operating profit/loss excluding other operating expenses and the depreciation and amortisation of tangible and intangible assets.

EBITDA	1 July - 30 September 2016	1 July - 30 September 2015	1 January - 30 September 2016	1 January - 30 September 2015	1 January - 31 December 2015
Operating profit/loss	-8,308	-1,773	-17,002	-2,047	-16,817
-Depreciation and amortisation of tangible and intangible assets	12,079	5,964	33,819	18,226	39,329
-Other operating expenses	134	37	457	478	846
EBITDA	3,905	4,228	17,274	16,657	23,358

The equity/assets ratio is a measure that demonstrates the proportion of assets that are financed with equity. The Group utilises an adjusted equity/assets ratio, as this is the metric defined in the corporate bond prospectus. The adjusted equity/assets ratio is calculated as the sum of equity (including non-controlling interests) and subordinated loans, divided by total assets adjusted for the contribution from Enova. Although the Enova contribution for the Norwegian project in Skogn is included in the prospectus as a subordinated loan, it is a grant that does not need to be repaid.

ADJUSTED EQUITY/ASSETS RATIO	1 January - 30 September 2016	1 January - 30 September 2015	1 January - 31 December 2015
Total equity (incl. non-controlling interests)	247,316	232,897	217,814
Subordinated loans (incl. Enova)	<u>47,932</u>	<u>0</u>	<u>0</u>
	295,248	232,897	217,814
Total assets	1,031,924	682,876	760,652
Contribution, Enova	<u>47,932</u>	<u>0</u>	<u>0</u>
	1,079,856	682,876	760,652
Adjusted equity/assets ratio	27.3%	34.1%	28.6%

Note 2 Summary of key accounting policies

Scandinavian Biogas Fuels International AB (publ) applies the International Financial Reporting Standards (IFRS) as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Parent Company's report has been prepared in accordance with Chapter 9 of the Annual Accounts Act and RFR 2 Accounting for Legal Entities. The interim report is to be read alongside the annual report for the financial year ending 31 December 2015.

The Group's accounting policy on re-invoicing was amended during the fourth quarter of 2015. Revenues for non-business-related re-invoicing, which were previously recognised under Net revenues, are now recognised as Other operating income. Costs for business-related re-invoicing, previously recognised as Other external expenses, are now recognised as Raw materials and consumables. Comparative figures for the preceding year have been restated in accordance with the new policy.

In all other respects, the accounting policies conform to the policies applied in the preceding financial year.

Note 3 Business combinations

On 11 February 2016, the Group acquired 50.03% of the shares in Biokraft Holding AS, a company registered in Norway, which in turn holds all of the shares in Biokraft AS. The purchase consideration totalled NOK 57,999,147.66. A minor share was acquired directly from the owners, with the majority acquired in conjunction with a new share issue. The preliminary surplus value for the acquisition is estimated at about SEK 4.9 million. Acquisition-related expenses, including legal fees, are estimated at SEK 0.8 million and are recognised among earnings as Other external expenses.

Information on acquired net assets and goodwill (*in SEK thousands*):

	On date of acquisition
Purchase consideration:	
- cash paid by direct acquisition	2,981
- cash paid by new share issue	54,670
Total purchase consideration	57,651
Fair value of acquired assets (see below)	-52,732
Surplus value/Goodwill	4,919

According to a preliminary assessment, assets and liabilities included in the acquisition are as follows:

<i>SEK thousand</i>	Fair value
Cash and cash equivalents	101,393
Tangible fixed assets	78,276
Accounts receivable and other receivables	28,949
Accounts payable and other liabilities	-93,278
Borrowings	-9,940
Acquired identified assets	105,400
Non-controlling interests	-52,668
Surplus value/Goodwill	4,919
Acquired net assets	57,651

The acquisition analysis is preliminary and the surplus value is preliminarily classified as goodwill. Goodwill is attributable to the increase in market shares in the Nordic region, the establishment in the Norwegian market and to the fact that the new biogas plant outside Trondheim, Norway, will produce liquid biogas (all of the Group's existing plants currently produce compressed biogas). None of the recognised goodwill is expected to be tax deductible.

Cash-flow-based investments in subsidiaries
SEK thousand

Total purchase consideration	-57,651
Acquisition expenses	-768
Cash and cash equivalents in acquired companies	101,393
Total cash flow attributable to investments in subsidiaries	42,974

Note 4 Tangible fixed assets

Investments of SEK 167 million (SEK 57 million) in tangible fixed assets were made during the first nine months. The investments primarily pertain to the facilities in Henriksdal and Södertörn and the ongoing project in Norway.

The Group capitalised borrowing costs on qualifying assets in the form of new facilities in the amount of SEK 3.2 million (SEK 11.8 million) during the interim period.

Tangible fixed assets include leased items held by the Group under finance leasing agreements in the following amounts:

	2016-09-30	2015-09-30	2015-12-31
Buildings and land	117,953	73,726	72,862
Plant and machinery	115,607	73,928	83,844
Equipment, fixtures and fittings	11,204	3,368	3,146
Construction work in progress	6,829	72,487	88,402
Carrying amount	251,593	223,509	248,254

Note 5 Financial instruments – fair value of financial liabilities valued at amortised cost

The carrying amount and fair value of long-term borrowing are as follows:

	Carrying amount		Fair value	
	2016-09-30	2015-09-30	2016-09-30	2015-09-30
Liabilities to credit institutions	180,993	148,212	180,993	148,212
Corporate bonds	194,510	-	194,510	-
Financial leasing liabilities	245,075	165,426	245,075	165,426
Other long-term borrowing	5,536	-	5,536	-

The fair value of short-term borrowing corresponds to its carrying amount, as the discounting effect is not of a material nature.

In February 2016, the Parent Company issued corporate bonds at a value of SEK 200 million. The term is for four years and the interest rate is STIBOR three months plus 9.75 percentage points. During the same month, part of a loan from external creditors was also repaid (SEK 51.5 million plus interest).

Note 6 Accrued expenses and deferred income

At 30 September 2016, Accrued expenses and deferred income included an item in the amount of SEK 6.8 million (SEK 58.1 million) pertaining to investments in the expansion of Henriksdal, which will be leased by the Group upon completion.

Note 7 Pledged assets and contingent liabilities

Group	Pledged assets		
	2016-09-30	2015-09-30	2015-12-31
Floating charges	109,019	115,310	103,622
Shares in Scandinavian Biogas Stockholm AB	65,773	61,650	51,391
Shares in Scandinavian Biogas Korea Co. Ltd.	7,111	5,433	2,583
Shares in Scandinavian Biogas Sweden AB	23,643	57,951	44,124
Shares in Scandinavian Biogas Södertörn AB	7,426	3,083	23,863
Shares in Scandinavian Biogas Fuels i Varberg AB	79	80	80
Shares in Biokraft Holding AS	55,332	-	-
Group total	268,383	243,507	225,663
Parent Company	2016-09-30	2015-09-30	2015-12-31
Shares in Scandinavian Biogas Sweden AB	102,050	102,050	102,050
Shares in Scandinavian Biogas Fuels AB	27,341	-	-
Shares in Biokraft Holding AS	58,419	-	-
Pledged internal loans to Scandinavian Biogas Sweden AB	195,731	47,500	69,574
Parent Company total	383,541	149,550	171,624
Group	Contingent liabilities		
	2016-09-30	2015-09-30	2015-12-31
Contingent liabilities	36,724	25,708	28,386
Group total	36,724	25,708	28,386
Parent Company	2016-09-30	2015-09-30	2015-12-31
Contingent liabilities for subsidiaries' loans to credit institutions	36,000	38,000	37,500
Contingent liabilities for subsidiaries' payment guaranties to suppliers	9,861	12,422	-
Parent Company total	45,861	50,422	37,500

In all material respects, the pledged assets and contingent liabilities above pertain to subsidiaries' loans from credit institutions. For further information, see the 2015 annual report.

This interim report has not been audited.

The next interim report will be published and available on www.scandinavianbiogas.com on 28 February 2017.

Stockholm, 28 October 2016

Matti Vikkula
President & CEO