

# Scandinavian Biogas Fuels International AB (publ)

## Corp. ID no. 556528-4733

### Interim report for the period 1 January – 31 March 2017

The plant at Södertörn was granted a new environmental permit which entitles the facility to significantly increase waste volumes and biogas production. The evaporator has been commissioned, significantly reducing external water consumption.

#### First quarter in brief

- The facility at Södertörn was granted a new environmental permit in January. Under the new permit, the facility is entitled to process up to 260,000 tonnes of organic waste and to produce 20 million Nm<sup>3</sup> of biogas
- SEK 16 million shareholder loan was obtained in February in preparation for share issue
- Evaporation facility at Södertörn was commissioned in March
- Net sales totalled SEK 65.5 million (52.8), up 24%
- EBITDA (operating profit before depreciation and amortisation) was SEK +10.5 million (+7.0), a 50% improvement
- The Group posted an operating loss of SEK 2.3 million (-3.1)
- The Group posted a loss after tax of SEK -4.3 million (-11.4)

#### Significant events after the end of the interim period

- In mid-April the Board of Directors decided to conduct a directed share issue and a preferential rights issue. The directed share issue has been subscribed by Wipunen varainhallinta Oy and is already registered. If also the preferential rights issue will be fully subscribed, it is signifying a gross contribution to the Company of approximately SEK 66 million.

*All financial information in this report pertains to the Group unless otherwise specified. Figures in brackets pertain to the year-earlier period.*

*Every care has been taken in the translation of this interim report. In the event of discrepancies, however, the Swedish original will supersede the English translation.*

## Operations

Scandinavian Biogas sells biogas-based renewable energy and related services. The Group is a leading player in large-scale biogas production, with world-leading expertise in the design and operation of biogas facilities – encompassing everything from pre-treatment to fuel upgrading – to optimise biogas production. The Group’s focus is on facilitating the transition from fossil fuels to renewable energy. The Group also provides leading expertise in the purification process for upgrading biogas to vehicle fuel quality. Scandinavian Biogas is focused on markets in the Nordic region and South Korea.

Scandinavian Biogas Fuels International AB (publ) is registered and headquartered in Stockholm. On 31 March 2017, the Group had 44 (40) employees in Sweden, 22 (22) in South Korea and 8 (3) 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 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016	1 Jan - 31 Dec 2016
	<i>3 months</i>	<i>3 months</i>	<i>12 months</i>
<b>Net sales</b>	65,549	52,750	242,610
<b>EBITDA</b>	10,507	7,011	21,972
<b>Operating results</b>	-2,305	-3,136	-24,580
<b>Balance sheet total</b>	1,071,002	932,567	1,026,648
<b>Adjusted equity/assets ratio</b>	26.4%	27.6%	25.5%

Consolidated net sales for first quarter 2017 totalled SEK 65.5 million (52.8), up 24.3 per cent year-on-year. The increase in sales is primarily attributable to increased biogas sales in Sweden. Total revenues amounted to SEK 70.4 million (56.4) for the January – March 2017 period. Other external costs increased, due primarily to increased maintenance costs and an accounting principle change made by a subsidiary (between Raw materials and consumables and Other external costs; see Note 2, Summary of Key Accounting Policies). Consolidated EBITDA was SEK +10.5 million (+7.0) during the first quarter.

The Group posted an operating loss of SEK 2.3 million (-3.1) for the January – March 2017 period, a year-on-year improvement of 26.5 per cent.

The Group posted a loss after tax of SEK 4.3 million (-11.4) for the period, of which SEK +6.1 million (-0.1) is attributable to unrealised exchange rate fluctuations.

Total assets at 31 March 2017 amounted to SEK 1,071.0 million (932.6), a year-on-year increase of nearly 15 per cent. The increase was primarily attributable to the investment in Norway. Finance lease-related borrowing totalled SEK 259.1 million (173.5), with the year-on-year increase mainly due to the Henriksdal expansion. The only change in equity during the interim period was posted in Profit for the period.

The consolidated cash balance was SEK 61.3 million (135.6) at 31 March 2017.

### ***Investments***

Investments in tangible and intangible assets during the first quarter totalled SEK 72 million (86). At 31 March 2017 the Group had commitments to make further investments, mainly in the new biogas plant outside Trondheim, Norway.

The carrying amount of the Group's tangible and intangible assets was SEK 909.2 million (735.7) at 31 March 2017, of which SEK 250.2 million (253.0) pertains to objects leased by the Group through long-term finance lease agreements.

## **Significant events during the period**

### ***New environmental permit for Södertörn***

The facility at Södertörn was granted a new environmental permit in January 2017. Under the new permit, the facility is entitled to process up to 260,000 tonnes of organic waste (compared with the former permit's limit of 50,000 tonnes) and to increase biogas production to 20 million normal cubic metres (Nm<sup>3</sup>) of upgraded biogas, or about 200 GWh. The environmental permit gives the Group numerous new opportunities to develop the facility at Södertörn.

### ***Shareholder loan and strategic plan to list the share***

Loan agreements were signed with several major shareholders in early February. The aim is to offset the loan (which totals SEK 16 million) with the planned share issue – part of the strategic plan aimed at listing the Company's share in a suitable marketplace during autumn 2017 at the earliest.

### ***Evaporator***

The Group has invested in an evaporation plant in Södertörn, which was commissioned during first quarter 2017. The investment was financed by a loan from the Parent Company and a contribution from the Swedish Energy Agency. The function of the evaporator is to treat water that is used in production, allowing it to be reused as dilution water. This will significantly reduce consumption of fresh water; the goal is that the facility will be self-supporting, which will reduce costs. The evaporation plant will also produce a concentrated bio-fertiliser that will generate higher value and lower logistics costs.

## **Production and sales**

### ***Business area Sweden***

Operations in Sweden produced a total of 5.0 million Nm<sup>3</sup> (3.7) of biogas during first quarter 2017, corresponding to approximately 50 GWh (37). A total of 146 tonnes (95) of organic waste was processed per day. The production increase is primarily attributable to the 100+ per cent capacity increase at Henriksdal.

### ***Business area South Korea***

The facility in South Korea received an average of 190 tonnes (182) of food waste per day during the January – March 2017 period. Sales of raw gas during the same period amounted to 2.4 million Nm<sup>3</sup> (2.3), or approximately 17 GWh (16). A total of 2.8 million Nm<sup>3</sup> (2.6) of raw gas was produced.

## **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 Nm<sup>3</sup> of liquid biogas, or approximately 120 GWh, at full capacity. Long-term sales contracts for all planned biogas production are already in place and long-term access to feedstock supply is secured through a multi-year contract with a main feedstock supplier.

## Financing

The business is financed by way of equity, loans from external creditors and finance leasing. In Sweden, a major portion of the production facilities are leased under 25-year lease agreements. Non-current interest-bearing liabilities, exclusive of finance leases, totalled SEK 402.9 million (288.7) as at 31 March 2017. The Group's cash balances totalled SEK 61.3 million (135.6) on that date.

Profitability in 2016 was somewhat lower than forecast. This had an adverse impact on cash flow at the biogas plant at Södertörn, and Group management has made efforts to strengthen liquidity. The Parent Company obtained a loan of SEK 16 million in early 2017 from several major shareholders. These funds have been and will be used for remaining investments in the Södertörn facility and to strengthen the Group's liquidity.

As authorised by the 28 April 2016 AGM, the Board of Directors decided to conduct a directed share issue of approximately SEK 43 million and a preferential rights issue of approximately SEK 23 million. The directed share issue, comprising 11 million shares at a subscription price of SEK 3.90 per share, has been fully subscribed by Wipunen varainhallinta Oy. The preferential rights issue corresponds to a maximum of 6,006,177 shares at a subscription price of SEK 3.90 per share. Several major shareholders have provided subscription guarantees representing a total of approximately 97 per cent of the preferential rights issue. With both share issues, the Company will receive a maximum of approximately SEK 66 million, exclusive of issue expenses.

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 was unchanged during first quarter 2017. At 31 March 2017 the Company had 90,092,662 shares (90,092,662) with a quotient value of SEK 0.20 per share. Each share carries one vote. All outstanding shares are ordinary shares and therefore carry the right to equal shares in Scandinavian Biogas Fuels International's assets and profit.

### *Warrants*

Employees and the CEO held an aggregate of 565,000 (565,000) outstanding warrants at 31 March 2017. There was no change to the number of outstanding warrants during the interim period.

### **Ownership structure at 31 March 2017, %**

AC Cleantech Growth Fund 1 Holding AB	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, incl. company	5.8%
John Nurminen Oy	4.4%
Other	12.8%

## **Significant risks and operational uncertainties**

Significant risks and uncertainties are detailed in the most recent annual report, available on [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com).

## Related-party transactions

Loan agreements totalling SEK 16.3 million were signed with several major shareholders in early February. The loans carry fixed market rates relative to the corporate bond rate. The aim is to offset the loans plus interest with the planned preferential rights issue that the Board decided on in mid-April.

No other significant transactions with related parties were conducted during the interim 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 (0.5) during first quarter 2017. The decrease is due to re-invoicing passed on to subsidiaries last year, and corresponding costs are included in operating expenses. The Parent Company posted a loss after tax of SEK 1.7 million (profit: 0.1) during the interim period, with the change primarily attributable to interest on corporate bonds issued in February 2016.

### *Liquidity and financial position*

Early in the year the Parent Company raised loans of SEK 16 million, which was largely loaned to subsidiaries. The Board decided to conduct two new share issues that will contribute a total of approximately SEK 66 million to the Company, exclusive of issue expenses. Just over SEK 65 million of this amount is guaranteed by subscription guarantees and the fully subscribed directed share issue. Cash balances totalled SEK 2.3 million (9.9) at the close of the interim period. Total assets amounted to SEK 520.7 (516.6).

No significant events or changes have taken place since publication of the 2016 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

In mid-April the Board of Directors decided to conduct a directed share issue of approximately SEK 43 million and a preferential rights issue of approximately SEK 23 million. The subscription price for both share issues is SEK 3.90 per share. Several major shareholders have provided subscription guarantees representing a total of approximately 97 per cent of the preferential rights issue. Wipunen varainhallinta Oy has subscribed all shares in the directed share issue, which is already registered, comprising 11,000,000 shares. In the event the preferential share issue is fully subscribed, the directed share issue will entail an approximate 10 per cent dilution for current shareholders. Funds from the share issues will be used to strengthen the Group's liquidity and for remaining investments, particularly in the facility at Södertörn. The Group is also considering issuing a small portion of the subsequent bond issue falling within the scope of the current bond agreement (read the prospectus at [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com)). The funds are earmarked for the investment project in Norway.

In April subsidiary Scandinavian Biogas Södertörn AB received a SEK 3 million grant from Klimatklivet (Swedish Energy Agency). The grant is for a filling station the Group is considering constructing to expand the Company's sales and distribution channels.

## 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 in the Nordic region 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.

The Group's long-term goal is to utilise Scandinavian Biogas's expertise and experience to ensure the expansion of biogas supply. Deliveries can be made not only from the Company's facilities but also by third parties, contributing to Group sales via licencing, operating or service agreements, etc. The Group's long-term goal is to ensure growth corresponding to a 20 – 30 per cent increase in average annual biogas sales and deliveries. In the first stage, the Company's ambition is to achieve total capacity of one TWh. Growth can be based on own production or on contractual knowledge management.

In recent years, the Group has pursued increased production in the Stockholm area – an effort that remains under way. The combined full capacity of all plants in Sweden is estimated at over 30 million Nm<sup>3</sup> of fuel-quality biogas, or 300 GWh. The new environmental permit also enables us to sharply increase production at Södertörn over time. 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 Nm<sup>3</sup> 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.

The Group's profitability (EBITDA) is expected to improve significantly in 2017 as compared with 2016.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand

	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016	1 Jan - 31 Dec 2016
<b>Operating income</b>			
Net sales	65,549	52,750	242,610
Capitalised work on own account	4,482	3,571	16,129
Other operating income	416	122	7,439
<b>Total</b>	<b>70,447</b>	<b>56,443</b>	<b>266,178</b>
<b>Operating expenses</b>			
Raw materials and consumables	-30,895	-28,564	-136,343
Other external costs	-12,839	-7,565	-51,404
Personnel costs	-16,206	-13,303	-56,459
Depreciation, amortisation and impairment of tangible and intangible assets	-12,352	-9,976	-45,979
Other operating expenses	-460	-171	-573
<b>Total operating expenses</b>	<b>-72,752</b>	<b>-59,579</b>	<b>-290,758</b>
<b>Operating profit/loss</b>	<b>-2,305</b>	<b>-3,136</b>	<b>-24,580</b>
Net exchange differences	6,091	-100	7,141
Financial income	16	34	194
Financial expense	-8,059	-8,255	-31,490
<b>Net financial items</b>	<b>-1,952</b>	<b>-8,321</b>	<b>-24,155</b>
<b>Profit/loss before taxes</b>	<b>-4,257</b>	<b>-11,457</b>	<b>-48,735</b>
Income tax	-54	28	1,039
<b>Profit/loss for the period</b>	<b>-4,311</b>	<b>-11,429</b>	<b>-47,696</b>
<b>Other comprehensive income</b>			
Actuarial results on post-employment benefits	-	-	-121
Exchange differences	2,103	-1,904	3,325
<b>Other comprehensive income for the period, net after tax</b>	<b>2,103</b>	<b>-1,904</b>	<b>3,204</b>
<b>Total comprehensive income for the period</b>	<b>-2,208</b>	<b>-13,333</b>	<b>-44,492</b>
<b>All items in the Group's other comprehensive income may be reversed in the income statement.</b>			
<b>Profit/loss for the period attributable to:</b>			
Parent Company shareholders	-4,496	-11,959	-45,552
Non-controlling interests	185	530	-2,144
	<b>-4,311</b>	<b>-11,429</b>	<b>-47,696</b>
<b>Total comprehensive income attributable to:</b>			
Parent Company shareholders	-2,468	-12,677	-43,510
Non-controlling interests	260	-656	-982
	<b>-2,208</b>	<b>-13,333</b>	<b>-44,492</b>

## CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	2017-03-31	2016-03-31	2016-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Capitalised development costs		13,479	7,698	13,472
Concessions and similar rights		110,589	106,311	103,714
Patents and licences		138	156	126
Goodwill		6,725	4,680	6,807
<b>Total intangible assets</b>		<b>130,931</b>	<b>118,845</b>	<b>124,119</b>
<b>Tangible assets</b>				
	4			
Buildings and land		194,555	155,144	196,824
Plant and machinery		298,715	241,788	267,152
Equipment, tools, fixtures and fittings		12,104	4,225	12,951
Construction work in progress		272,936	215,679	239,488
<b>Total tangible assets</b>		<b>778,310</b>	<b>616,836</b>	<b>716,415</b>
<b>Financial assets</b>				
Deferred tax assets		7,514	5,853	7,601
Other non-current receivables		22,405	7,868	22,564
<b>Total financial assets</b>		<b>29,919</b>	<b>13,721</b>	<b>30,165</b>
<b>Other non-current assets</b>				
Accrued income and prepaid expenses		2,556	3,000	2,667
<b>Total other non-current assets</b>		<b>2,556</b>	<b>3,000</b>	<b>2,667</b>
<b>Total non-current assets</b>		<b>941,716</b>	<b>752,402</b>	<b>873,366</b>
<b>Current assets</b>				
<b>Inventories, etc.</b>				
Raw materials and consumables		590	584	661
<b>Total inventories</b>		<b>590</b>	<b>584</b>	<b>661</b>
<b>Current receivables</b>				
Trade accounts receivable		31,871	31,507	36,806
Other receivables		21,253	5,095	28,952
Prepaid expenses and accrued income		14,230	7,372	12,992
Cash and cash equivalents		61,342	135,607	73,871
<b>Total current receivables</b>		<b>128,696</b>	<b>179,581</b>	<b>152,621</b>
<b>Total current assets</b>		<b>129,286</b>	<b>180,165</b>	<b>153,282</b>
<b>TOTAL ASSETS</b>		<b>1,071,002</b>	<b>932,567</b>	<b>1,026,648</b>



**CONSOLIDATED BALANCE SHEET, continued**

Amounts in SEK thousand	Note	2017-03-31	2016-03-31	2016-12-31
<b>EQUITY</b>				
<b>Equity attributable to</b>				
<b>Parent Company shareholders</b>				
Share capital		18,019	18,019	18,019
Other paid-in capital		693,305	693,305	693,305
Reserves		3,270	-1,725	1,136
Retained earnings including comprehensive income for the period		-544,745	-506,449	-540,143
		<b>169,849</b>	<b>203,150</b>	<b>172,317</b>
<b>Non-controlling interests</b>		<b>54,222</b>	<b>54,173</b>	<b>53,962</b>
<b>Total equity</b>		<b>224,071</b>	<b>257,323</b>	<b>226,279</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	5	647,928	455,569	612,736
Deferred tax liabilities		2,027	1,673	1,968
Other provisions		10,310	7,564	9,375
<b>Total non-current liabilities</b>		<b>660,265</b>	<b>464,806</b>	<b>624,079</b>
<b>Current liabilities</b>				
Borrowings	5	27,012	20,275	27,928
Loans from shareholders	5	16,319	19	19
Accounts payable		84,289	46,665	95,775
Other liabilities		14,072	20,978	13,013
Accrued expenses and deferred income		44,974	122,501	39,555
<b>Total current liabilities</b>		<b>186,666</b>	<b>210,438</b>	<b>176,290</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,071,002</b>	<b>932,567</b>	<b>1,026,648</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Amounts in SEK thousand	Attributable to Parent Company shareholders					Non-controlling interest	Total equity
	Share capital	Other paid-in capital	Reserves	Retained earnings	Total		
<b>Opening balance, 1 Jan 2016</b>	<b>18,019</b>	<b>693,305</b>	<b>-1,008</b>	<b>-494,489</b>	<b>215,827</b>	<b>1,987</b>	<b>217,814</b>
Profit/loss for the period				-11,959	-11,959	530	-11,429
<b>Other comprehensive income</b>							
Exchange differences			-717	-	1	-718	-1,186
<b>Total comprehensive income</b>			<b>-717</b>	<b>-11,960</b>	<b>-12,677</b>	<b>-656</b>	<b>-13,333</b>
Non-controlling interest arising from acquisition of subsidiaries					-	52,842	52,842
<b>Total contributions from and distributions to shareholders, recognised directly in equity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52,842</b>	<b>52,842</b>
<b>Closing balance, 31 Mar 2016</b>	<b>18,019</b>	<b>693,305</b>	<b>-1,725</b>	<b>-506,449</b>	<b>203,150</b>	<b>54,173</b>	<b>257,323</b>
<b>Opening balance, 1 Jan 2017</b>	<b>18,019</b>	<b>693,305</b>	<b>1,136</b>	<b>-540,143</b>	<b>172,317</b>	<b>53,962</b>	<b>226,279</b>
Profit/loss for the period				-4,496	-4,496	185	-4,311
<b>Other comprehensive income</b>							
Exchange differences			2,134	-106	2,028	75	2,103
<b>Total comprehensive income</b>			<b>2,134</b>	<b>-4,602</b>	<b>-2,468</b>	<b>260</b>	<b>-2,208</b>
<b>Closing balance, 31 Mar 2017</b>	<b>18,019</b>	<b>693,305</b>	<b>3,270</b>	<b>-544,745</b>	<b>169,849</b>	<b>54,222</b>	<b>224,071</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand

	<i>Note</i>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Mar 2016</b>	<b>1 Jan - 31 Dec 2016</b>
<b>Cash flow from operating activities</b>				
Operating profit/loss before financial items		-2,305	-3,136	-24,580
Amortisation/depreciation		12,352	9,976	45,979
Other non-cash items		-21	-801	5,051
Interest received		16	34	194
Interest paid		-8,157	-5,975	-36,265
<b>Cash flow from operating activities before changes in working capital</b>		<b>1,885</b>	<b>98</b>	<b>-9,621</b>
<b>Cash flow from changes in working capital</b>				
Increase/decrease in inventories		71	-	-77
Increase/decrease in operating receivables		11,396	-2,195	-30,268
Increase/decrease in operating liabilities		-4,900	-27,028	15,216
<b>Total changes in working capital</b>		<b>6,567</b>	<b>-29,223</b>	<b>-15,129</b>
<b>Cash flow from operating activities</b>		<b>8,452</b>	<b>-29,125</b>	<b>-24,750</b>
<b>Cash flow from investing activities</b>				
Acquisition of intangible assets		-360	-629	-2,173
Acquisition of tangible assets		-64,792	-78,837	-200,909
Investments in subsidiaries		-	43,024	42,974
Divestment/amortisation of other financial assets		111	114	447
Restricted bank balances and other changes in financial assets		-55	-	-21,094
<b>Cash flow from investing activities</b>		<b>-65,096</b>	<b>-36,328</b>	<b>-180,755</b>
<b>Cash flow from financing activities</b>				
Loans raised	5	53,238	191,375	280,696
Loan amortisation		-9,572	-55,223	-67,184
<b>Cash flow from financing activities</b>		<b>43,666</b>	<b>136,152</b>	<b>213,512</b>
<b>Total cash flow for the period</b>		<b>-12,978</b>	<b>70,699</b>	<b>8,007</b>
<b>Decrease/increase in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of period		73,871	64,879	64,879
Exchange differences in cash and cash equivalents		449	29	985
<b>Cash and cash equivalents at end of period</b>		<b>61,342</b>	<b>135,607</b>	<b>73,871</b>

## PARENT COMPANY INCOME STATEMENT

Amounts in SEK thousand

	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016	1 Jan - 31 Dec 2016
<b>Operating income</b>			
Net sales	328	506	2,046
<b>Total operating income</b>	<b>328</b>	<b>506</b>	<b>2,046</b>
Operating expenses	-949	-1,013	-4,011
<b>Operating profit/loss</b>	<b>-621</b>	<b>-507</b>	<b>-1,965</b>
Net financial items	-1,066	589	-1,706
<b>Profit/loss before appropriations and tax</b>	<b>-1,687</b>	<b>82</b>	<b>-3,671</b>
<b>Appropriations</b>			
Group contributions received/paid	-	-	-14,000
<b>Total appropriations</b>	<b>-</b>	<b>-</b>	<b>-14,000</b>
<b>Profit/loss before tax</b>	<b>-1,687</b>	<b>82</b>	<b>-17,671</b>
Income tax	-	-	-
<b>Profit/loss for the period</b>	<b>-1,687</b>	<b>82</b>	<b>-17,671</b>

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>	2017-03-31	2016-03-31	2016-12-31
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Financial assets</b>				
Participations in group companies		187,810	187,760	187,810
Receivables from group companies		172,760	182,147	171,505
<b>Total financial assets</b>		<b>360,570</b>	<b>369,907</b>	<b>359,315</b>
<b>Total non-current assets</b>		<b>360,570</b>	<b>369,907</b>	<b>359,315</b>
<b>Current assets</b>				
<b>Current receivables</b>				
Receivables from group companies		156,487	136,562	144,227
Other receivables		331	99	8
Prepaid expenses and accrued income		1,007	105	119
<b>Total current receivables</b>		<b>157,825</b>	<b>136,766</b>	<b>144,354</b>
<b>Cash and bank balances</b>		<b>2,342</b>	<b>9,938</b>	<b>682</b>
<b>Total current assets</b>		<b>160,167</b>	<b>146,704</b>	<b>145,036</b>
<b>TOTAL ASSETS</b>		<b>520,737</b>	<b>516,611</b>	<b>504,351</b>

**PARENT COMPANY BALANCE SHEET, continued**

Amounts in SEK thousand	<i>Note</i>	2017-03-31	2016-03-31	2016-12-31
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>276,359</b>	<b>295,798</b>	<b>278,045</b>
<b>Non-current liabilities</b>				
Interest-bearing loans	5	195,333	191,069	194,921
Intra-group loans		23,000	23,000	23,000
<b>Total non-current liabilities</b>		<b>218,333</b>	<b>214,069</b>	<b>217,921</b>
<b>Current liabilities</b>				
Borrowings	5	16,319	19	19
Accounts payable		1,526	486	703
Liabilities to group companies		4,447	2,180	3,887
Other liabilities		-	-	95
Accrued expenses and deferred income		3,753	4,059	3,681
<b>Total current liabilities</b>		<b>26,045</b>	<b>6,744</b>	<b>8,385</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>520,737</b>	<b>516,611</b>	<b>504,351</b>

## NOTES

### Note 1 General information

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 brackets pertain to the year-earlier period.

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

### 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 2016.

Since the start of the year, one subsidiary has changed its accounting principle pertaining to certain costs previously reported as Raw materials and consumables, which are now reported as Other external costs. In all other respects, accounting policies conform with those applied in the preceding financial year. Comparative figures for the previous year have not been restated; if they had been, Raw materials and consumables would have been approximately SEK 2.0 million lower and Other external costs higher by a corresponding amount.

Of the new standards and interpretations that come into effect for financial years beginning after 1 January 2017, it is primarily IFRS 9, IFRS 15 and IFRS 16 that may be expected to have a material impact on the Group's financial statements.

**IFRS 9 "Financial instruments"** covers the classification, valuation and reporting of financial assets and liabilities. The Group has not yet fully evaluated the effects introduction of the standard will have, but deems that it will not affect the Group's results or position.

**IFRS 15 "Revenues from contracts with customers"** regulates revenue recognition. The Group is considering using future application rather than full retroactivity, but has not yet fully evaluated the effects of introduction of the standard. According to the Group's initial analysis, the standard is expected to involve heightened disclosure requirements for the financial statements but will not have any significant effect on the Group's results or position.

**IFRS 16 "Leases"** stipulates that nearly all lease agreements are to be reported in the balance sheet in the same manner as finance lease agreements. As the Group already has several finance lease agreements and well-functioning procedures, the transition to the new standard is not expected to present a challenge. The Group's non-cancellable operating lease agreements do not currently represent significant amounts, and it is therefore deemed that the standard will not have a significant effect on the Group's results or position. However, the Group has not yet evaluated the extent to which these obligations will be reported as assets and liabilities. The standard takes effect as at 1 January 2019 and the Group does not intend to apply the standard in advance.

### Note 3 Segment reporting

As from 1 January 2017, Scandinavian Biogas's operations are divided into three segments based on geographic location. The Group's operations are managed and reported based on operating segments Business Area Sweden, Business Area South Korea and Other Business Areas. The business areas are geographic organisations, with the head of each business area reporting directly to Group management. Smaller geographic areas are reported on an integrated basis.

Segment data is based on the same accounting policies as those applied by the Group as a whole and is consolidated (i.e., cleared of intra-group items).

	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016	1 Jan - 31 Dec 2016
<b>Operating income</b>			
Business area Sweden	55,961	41,842	195,130
<i>of which, external revenue</i>	55,555	41,745	192,312
<i>of which, internal revenue</i>	406	97	2,818
Business area South Korea	12,984	12,288	52,329
<i>of which, external revenue</i>	12,984	12,288	52,177
<i>of which, internal revenue</i>	-	-	152
Other business areas	1,550	2,318	19,432
<i>of which, external revenue</i>	1,550	2,318	19,432
<i>of which, internal revenue</i>	-	-	-
Eliminations	-48	-5	-713
<b>Group total</b>	<b>70,447</b>	<b>56,443</b>	<b>266,178</b>
<b>Raw materials and consumables</b>			
Business area Sweden	-26,309	-21,275	-96,726
Business area South Korea	-4,575	-5,458	-24,526
Other business areas	-59	-1,836	-15,652
Eliminations	48	5	561
<b>Group total</b>	<b>-30,895</b>	<b>-28,564</b>	<b>-136,343</b>
<b>Gross profit/loss</b>			
Business area Sweden	29,652	20,567	98,404
Business area South Korea	8,409	6,830	27,803
Other business areas	1,491	482	3,780
Eliminations	-	-	-152
<b>Group total</b>	<b>39,552</b>	<b>27,879</b>	<b>129,835</b>
Other external costs	-12,839	-7,565	-51,404
Personnel costs	-16,206	-13,303	-56,459
Depreciation, amortisation and impairment of tangible and intangible assets	-12,352	-9,976	-45,979
Other operating costs	-460	-171	-573
<b>Total operating costs</b>	<b>-41,857</b>	<b>-31,015</b>	<b>-154,415</b>
<b>Operating profit/loss</b>	<b>-2,305</b>	<b>-3,136</b>	<b>-24,580</b>
Net exchange differences	6,091	-100	7,141
Financial income	16	34	194
Financial expenses	-8,059	-8,255	-31,490
<b>Net financial items</b>	<b>-1,952</b>	<b>-8,321</b>	<b>-24,155</b>
<b>Profit/loss before tax</b>	<b>-4,257</b>	<b>-11,457</b>	<b>-48,735</b>
Income tax	-54	28	1,039
<b>Profit/loss for the period</b>	<b>-4,311</b>	<b>-11,429</b>	<b>-47,696</b>



<b>Condensed balance sheet per segment</b>	<b>2017-03-31</b>	<b>2016-03-31</b>	<b>2016-12-31</b>
<b><i>Non-current assets</i></b>			
Business area Sweden	572,775	548,720	558,863
Business area South Korea	111,832	113,607	104,770
Other business areas	257,109	90,075	209,733
Unallocated	-	-	-
<b>Group total</b>	<b>941,716</b>	<b>752,402</b>	<b>873,366</b>
<b><i>Current assets</i></b>			
Business area Sweden	71,484	128,655	78,771
Business area South Korea	18,711	19,751	23,931
Other business areas	39,091	31,759	50,580
Unallocated	-	-	-
<b>Group total</b>	<b>129,286</b>	<b>180,165</b>	<b>153,282</b>
<b>Total assets, Group</b>	<b>1,071,002</b>	<b>932,567</b>	<b>1,026,648</b>
<b><i>Non-current liabilities</i></b>			
Business area Sweden	330,022	253,314	327,872
Business area South Korea	10,310	15,480	12,167
Other business areas	124,600	4,943	89,119
Unallocated	195,333	191,069	194,921
<b>Group total</b>	<b>660,265</b>	<b>464,806</b>	<b>624,079</b>
<b><i>Current liabilities</i></b>			
Business area Sweden	114,370	188,360	103,881
Business area South Korea	16,030	18,339	20,426
Other business areas	56,266	3,739	51,983
Unallocated	-	-	-
<b>Group total</b>	<b>186,666</b>	<b>210,438</b>	<b>176,290</b>
<b>Total liabilities, Group</b>	<b>846,931</b>	<b>675,244</b>	<b>800,369</b>

#### **Note 4 Tangible assets**

Investments in tangible assets during the first quarter of the year totalled SEK 72.4 million (86.1). The investments primarily pertain to the ongoing project in Norway.

The Group capitalised borrowing costs on qualifying assets in the form of new facilities in the amount of SEK 1.1 million (0.4) during the interim period.

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

	<b>2017-03-31</b>	<b>2016-03-31</b>	<b>2016-12-31</b>
Buildings and land	115,417	71,999	116,684
Plant and machinery	117,921	82,624	113,148
Equipment, tools, fixtures and fittings	9,896	2,923	10,589
Construction work in progress	6,974	95,416	6,971
<b>Carrying amount</b>	<b>250,208</b>	<b>252,962</b>	<b>247,392</b>

## 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:

	<u>Carrying amount</u>		<u>Fair value</u>	
	2017-03-31	2016-03-31	2017-03-31	2016-03-31
Loans from credit institutions	201,977	92,662	201,977	92,662
Bond loans	195,333	191,069	195,333	191,069
Liabilities related to finance leases	245,040	166,895	245,040	166,895
Other non-current borrowings	5,578	4,943	5,578	4,943

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

In February 2017, the Parent Company raised loans totalling SEK 16.3 million from several major shareholders. The loans are intended to be offset by the subsequent preferential rights issue.

## Note 6 Pledged assets and contingent liabilities

<b>Group</b>	<b>Pledged assets</b>		
	2017-03-31	2016-03-31	2016-12-31
Liens on assets	67,635	103,723	66,454
Pledged assets	276,616	-	239,416
Assets financed through finance leases	243,234	164,333	240,421
Shares in Scandinavian Biogas Stockholm AB	59,511	57,180	52,909
Shares in Scandinavian Biogas Korea Co. Ltd.	6,069	4,038	1,237
Shares in Scandinavian Biogas Sweden AB	16,892	35,765	17,540
Shares in Scandinavian Biogas Södertörn AB	13,733	13,538	17,956
Shares in Scandinavian Biogas Fuels i Varberg AB	78	79	79
Shares in Biokraft Holding AS	51,415	51,747	53,022
<b>Group total</b>	<b>735,183</b>	<b>430,403</b>	<b>689,034</b>

<b>Parent Company</b>	2017-03-31	2016-03-31	2016-12-31
Shares in Scandinavian Biogas Sweden AB	102,050	102,050	102,050
Shares in Scandinavian Biogas Fuels AB	27,341	27,341	27,341
Shares in Biokraft Holding AS	58,419	58,369	58,419
Pledged intra-group loan to Scandinavian Biogas Sweden AB	209,066	187,360	196,265
<b>Parent Company total</b>	<b>396,876</b>	<b>375,120</b>	<b>384,075</b>

<b>Group</b>	<b>Contingent liabilities</b>		
	2017-03-31	2016-03-31	2016-12-31
Contingent liability - subsidiary penalty fee	41,242	30,256	37,501
Contingent liability - subsidiary payment guarantees to suppliers	-	17,553	4,197
Contingent liability - subsidiary investment grants	5,363	-	5,363
<b>Group total</b>	<b>46,605</b>	<b>47,809</b>	<b>47,062</b>

<b>Parent Company</b>	2017-03-31	2016-03-31	2016-12-31
Contingent liability - subsidiary loans from credit institutions	34,500	37,000	35,500
Contingent liability - subsidiary payment guarantees to suppliers	-	17,553	4,197
Contingent liability - subsidiary investment grants	5,363	-	5,363
<b>Parent Company total</b>	<b>39,863</b>	<b>54,553</b>	<b>45,060</b>

In all material respects, the pledged assets and contingent liabilities above pertain to subsidiaries' loans from credit institutions. For further information, please refer to the 2016 annual report.

## **Note 7      Definition of key ratios**

### *Operating results/EBIT*

Operating results provide an overview of the Group's total earnings generation and are calculated as operating results before financial items and tax.

### *EBITDA*

EBITDA is a profitability measure considered by the Group as relevant for investors interested in earnings generation before investments in assets. The Group defines EBITDA (earnings before interest, tax, depreciation and amortisation) as operating results exclusive of Other operating costs and Amortisation/depreciation and impairment of tangible and intangible assets.

<b>EBITDA</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Mar 2016</b>	<b>1 Jan - 31 Dec 2016</b>
Operating profit/loss	-2,305	-3,136	-24,580
-Depreciation, amortisation and impairment of tangible and intangible assets	12,352	9,976	45,979
-Other operating expenses	460	171	573
<b>EBITDA</b>	<b>10,507</b>	<b>7,011</b>	<b>21,972</b>

### *Gross profit/loss*

Gross profit/loss is a profitability measure showing the Company's revenues less variable production costs.

<b>Gross profit/loss</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Mar 2016</b>	<b>1 Jan - 31 Dec 2016</b>
Total revenues	70,447	56,443	266,178
-Raw materials and consumables	-30,895	-28,564	-136,343
<b>Gross profit/loss</b>	<b>39,552</b>	<b>27,879</b>	<b>129,835</b>

*Adjusted equity/assets ratio*

The equity/assets ratio shows the proportion of assets financed with equity. The Group uses an adjusted equity/assets ratio, as this metric is defined in the corporate bond prospectus. The adjusted equity/assets ratio is calculated as the sum of total equity (including non-controlling interests) and subordinated loans divided by total assets adjusted for the grant from Enova. The grant from Enova for the Norwegian project in Skogn is included in the prospectus as a subordinated loan, but is a grant that does not require repayment.

ADJUSTED EQUITY/ASSETS RATIO	1 Jan - 31 Mar 2017	1 Jan - 31 Mar 2016	1 Jan - 31 Dec 2016
Total capital (incl. non-controlling interests)	224,071	257,323	226,279
Subordinated loans (incl. Enova)	73,352	195	47,428
	297,423	257,518	273,707
Total assets	1,071,002	932,567	1,026,648
Contribution, Enova	57,052	195	47,428
	1,128,054	932,762	1,074,076
<b>Adjusted equity/assets ratio</b>	<b>26.4%</b>	<b>27.6%</b>	<b>25.5%</b>

**Note 8      Events after the end of the interim period**

*Decision on share issue*

In mid-April the Board of Directors decided to conduct a directed share issue of approximately SEK 43 million and a preferential rights issue of approximately SEK 23 million. The subscription price for both share issues is SEK 3.90 per share. Several major shareholders have provided subscription guarantees representing a total of approximately 97 per cent of the preferential rights issue. Wipunen varainhallinta Oy has subscribed all shares in the directed share issue, which is already registered, comprising 11,000,000 shares. In the event the preferential share issue is fully subscribed, the directed share issue will entail an approximate 10 per cent dilution for current shareholders. Funds from the share issues will be used to strengthen the Group's liquidity and for remaining investments, particularly the facility at Södertörn.

This interim report has not been audited.

The next interim report will be published and available on [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com) on 24 August 2017.

Stockholm, 28 April 2017

Matti Vikkula  
CEO