

Scandinavian Biogas Fuels International AB (publ)

Corp. ID no. 556528-4733

Interim report for the period 1 January – 30 June 2018

Commissioning of the plant in Norway began at the end of June, and the Swedish government is to expand state support for biogas.

Second quarter in brief

- Commissioning of the liquid biogas plant in Skogn, Norway, began at the end of June.
- Net sales totalled SEK 65.9 million (65.7), a 0.3% increase on the same period last year.
- EBITDA was SEK -2.0 million (+12.2). The decrease on the second quarter 2017 was primarily due to increased operational and maintenance costs at Södertörn, higher substrate costs, legal expenses, penalty fees in South Korea, and increased personnel costs in Norway.
- The Group posted an operating loss of SEK -15.6 million (-0.7).
- The Group posted a loss after tax of SEK -21.3 million (-19.5).
- Project financing for the Södertörn plant was refinanced with bank loans at lower rates.
- The Group received a total of SEK 14 million in subordinated loans from its largest shareholders.

First half-year in brief

- The Group signed a co-operation agreement with Mönsterås Biogas AB to jointly develop an investment project for potential biogas production in Mönsterås municipality. The goal of the project is to treat 100,000 tonnes of organic waste and produce around 110 GWh of liquid biogas (LBG) annually.
- A filling station at the Group's biogas plant in Södertörn entered service at the beginning of the year. The station will primarily sell pure biogas to trucks and refuse vehicles that use the SRV recycling facility in Södertörn.
- Net sales totalled SEK 129.5 million (131.2), a decrease of 1.3%, primarily due to reduced food waste deliveries in Ulsan, South Korea.
- EBITDA was SEK -0.6 million (+22.7). The decrease on the same period last year was primarily due to increased operational and maintenance costs at Södertörn, higher substrate costs, legal expenses, penalty fees in South Korea, and increased personnel costs in Norway.
- The Group posted an operating loss of SEK -28.1 million (-3.0).
- The Group posted a loss after tax of SEK -43.8 million (-23.8).

Significant events after the end of the period

- In early July, the Swedish government announced plans to expand state support for biogas.
- The Group is planning a rights issue for the second half of 2018.
- The Group has received an additional SEK 4 million in subordinated loans from one of its largest shareholders.
- The Group has launched a programme to improve profitability, primarily at Södertörn, and has started a re-organisation process.
- The Court in Ulsan has announced a for the Group unfavourable decision regarding the penalty fee dispute.

All financial information in this report pertains to the Group unless otherwise specified. Figures in brackets relate to the same period the previous year. Every care has been taken in the translation of this report. However, in the event of discrepancies, the original Swedish will supersede the English translation.

Operations

Scandinavian Biogas sells biogas-based renewable energy and related services. The Group provides leading expertise in purification processes that upgrade biogas to fuel-quality, and in the use of residual products from the digestion process such as digestate. The Group invests in production facilities, either owning or leasing them, primarily in the Nordic region; in other markets, the Group's competences are marketed as a service.

Scandinavian Biogas Fuels International AB (publ) is registered and headquartered in Stockholm. On 30 June 2018, the Group had 44 (44) employees in Sweden, 20 (22) in South Korea, and 13 (9) in Norway.

Group

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

Financial overview

Group (SEK thousand)

	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
	<i>3 months</i>	<i>3 months</i>	<i>6 months</i>	<i>6 months</i>	<i>12 months</i>
Net sales	65 871	65 700	129 498	131 249	258 363
EBITDA	-1 970	12 222	-578	22 729	21 587
Operating results	-15 588	-730	-28 121	-3 035	-42 159
Balance sheet total	1 205 312	1 178 616	1 205 312	1 178 616	1 161 238
Adjusted equity/assets ratio	24.4%	28.4%	24.4%	28.4%	25.5%

Consolidated net sales for the second quarter totalled SEK 65.9 million (65.7), and SEK 129.5 million (131.2) during the first six months of the year, which amounts to a decrease of 1.3 per cent compared to the same period last year. This was mainly due to lower volumes of food waste delivered to the facility in Ulsan, South Korea. Total revenues for the second quarter reached SEK 71.7 million (74.6), and SEK 140.3 million (145.1) in the first six months of the year. Costs associated with raw materials and consumables increased 12 per cent compared to the first half of 2017, which was mainly due to a higher level of penalty fees booked in South Korea, increased costs for substrate in Sweden, and increased operating costs at Södertörn. During the first six months of the year, other external costs increased primarily due to increased maintenance costs and legal fees. Personnel costs also increased, mainly due to the addition of personnel in Norway. Consolidated EBITDA for the second quarter was SEK -2.0 million (+12.2), and SEK -0.6 million (+22.7) for the first six months of the year. Operating profit for the second quarter totalled SEK -15.6 million (-0.7), and SEK -28.1 million (-3.0) for the first half of the year.

The Group posted a loss after tax of SEK -21.3 million (-19.5) for the second quarter, of which SEK +4.4 million (-8.8) is attributable to unrealised exchange rate fluctuations. The Group posted a loss after tax of SEK -43.8 million (-23.8) for the first six months of the year, of which SEK +5.2 million (-2.7) is attributable to unrealised exchange rate fluctuations, mainly due to long-term intra-group financing of foreign subsidiaries.

Total assets at 30 June 2018 amounted to SEK 1,205.3 million (1,178.6), equivalent to a year-on-year increase of 2.3 per cent. Finance lease-related borrowing totalled SEK 294.1 million (255.5). Equity was also impacted by net profit/loss during the period and a contribution in the form of a SEK 8.2 million new share issue from non-controlling interests.

At 30 June 2018, the consolidated cash balance was SEK 51.0 million (106.1).

Investments

Investments in tangible and intangible assets during the first half of the year totalled SEK 66 million (120), of which SEK 44 million relates to new financial leasing. At 30 June 2018, the Group had commitments to make further investments, mainly in the biogas plant in Skogn, Norway.

At 30 June 2018, the carrying amount of the Group's tangible and intangible assets was SEK 993.5 million (932.9), of which SEK 280.1 million (245.6) pertained to objects leased by the Group through long-term finance lease agreements.

Significant events during the period

Commissioning underway in Skogn, Norway

Commissioning of the liquid biogas plant in Skogn, Norway, started at the end of June 2018. When fully operational, it is estimated that the facility will have a capacity of 12 million Nm³, equivalent to approximately 120 GWh.

New co-operation agreement

The Group signed a co-operation agreement with Mönsterås Biogas AB to jointly develop an investment project for potential biogas production in Mönsterås municipality. Development work will be conducted in a jointly owned company with the aim of treating 100,000 tonnes of substrate and producing around 110 GWh LBG annually. The Group has established a new company that at the end of the first six months of the year was still wholly owned by the Group. The company is called Mönsterås Biogasproduktion AB.

Filling station operational

A filling station at the Group's biogas plant in Södertörn became operational at the beginning of the year. The filling station will mainly sell pure biogas to trucks and refuse vehicles that use the SRV recycling facility in Södertörn. The facility has been part-financed with support from Klimatklivet, an initiative of the Swedish Environmental Protection Agency.

Written procedure

During the second quarter, a written request was made to bondholders to waive certain terms and conditions relating to their bond holdings. A clear majority of bondholders who voted in the written procedure voted to approve the request. For further information please see the press release on scandinavianbiogas.com.

Production and sales

Business area Sweden

Sales of biogas from operations in Sweden during the first six months of the year amounted to 10.2 million Nm³ (10.2), equivalent to approximately 102 GWh (102). The price of external organic material, for example glycerol, which is used in some applications with food waste and sewage sludge respectively in biogas production, has remained high. At the beginning of the year, the Södertörn facility was affected by the failure of an interim storage tank. This resulted in lower production volumes and increased costs. Customer biogas deliveries were made as planned, and all commitments were met in full. During the first six months of the year, an average of 152 tonnes (148) of organic waste was processed in Business area Sweden per day.

Business area Korea

The facility in South Korea received an average of 173 tonnes (187) food waste per day during the first six months of the year. Sales of raw gas during the same period amounted to 4.2 million Nm³ (4.9), equivalent to approximately 29 GWh (34). A total of 4.9 million Nm³ (5.5) of raw gas was produced.

Business area Norway

Commissioning of the liquid biogas facility in Skogn, Norway, started at the end of June. Full production capacity is estimated at 12 million Nm³, equivalent to approximately 120 GWh.

Ongoing investment projects

Skogn, Norway

In August 2015, construction started on a biogas facility for liquid biogas in Skogn, Norway. Commissioning of the plant began at the end of the second quarter 2018. Due to project delays, the Group has booked the delay penalty as a reduction in investment between December 2017 and the beginning of March 2018. The facility's full production capacity is projected to be 12 million Nm³, equivalent to approximately 120 GWh. Long-term sales agreements for all planned biogas production are in place, and long-term access to substrate has for the most part been secured through an agreement with the main supplier.

Financing

Day-to-day operations are financed with equity, loans from external creditors, and finance leasing. In Sweden, a majority of production facilities are leased under 25-year lease agreements. At 30 June 2018, non-current interest-bearing liabilities, exclusive of finance leases, totalled SEK 564.5 million (416.1), with the increase mainly due to loans taken for the facility in Skogn. One of the Group's loans from external creditors was refinanced in the second quarter at a lower rate. The Group's cash balances totalled SEK 51.0 million (106.1) at 30 June 2018.

Following the written procedure, the Group has used a proportion of the remaining capital from the bond issue in June 2017 to finance the investment in Norway.

Any need for additional working capital is expected to be financed with, subordinated to the corporate bond, debt or equity. The Group wants to expand and is actively working on new projects. The Group expects financing of future projects will require different types of co-operation and financing, depending on the project's structure and positioning.

As part of the Group's strategic plan, the Board and management have worked on a possible listing of the share on a suitable stock exchange. In parallel with these activities, a variety of strategic and capital-based structural alternatives to create and realise the value of the Group's business opportunities and maximise shareholder value are also being evaluated in co-operation with external advisors.

The share

The number of shares was unchanged during the first six months of the year, and on 30 June 2018 the company had 107,098,839 (107,098,839) shares. The quotient value is SEK 0.20 per share, and 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 profits.

Warrants

All outstanding warrants held by employees and the CEO at 31 March 2018, expired on 1 April 2018 without being used, meaning there are no outstanding options.

Ownership structure at 30 June 2018, (per cent)

AC Cleantech Growth Fund 1 Holding AB and related parties	29.3%
Bengtssons Tidnings AB and related parties	28.8%
Wipunen varainhallinta Oy	10.3%
Reliquum and related parties	5.6%
Ajanta Oy and related parties	5.5%
Erik Danielsson and family, incl. company	5.2%
John Nurminen Oy and related parties	4.0%
Other	11.3%

Significant risks and operational uncertainty

Disputes

Developments relating to the Group's disputes since the beginning of the year are outlined below. Status is otherwise unchanged. For a more comprehensive description of ongoing disputes, please see the 2017 annual report.

Court hearings concerning the dispute with one of the main suppliers of the facility in Södertörn have ended, and the court's ruling is expected in the third quarter of 2018.

Due to disagreements with Ulsan City relating to operations in Ulsan, South Korea, the Korean subsidiary started legal proceedings in Ulsan's administrative court in 2017 regarding certain service costs that Ulsan City invoiced to the subsidiary. In the summer of 2018, the court ruled that the invoices from Ulsan City for service costs are not classified as an administrative issue, and thus not subject to administrative law. The Group appealed the court's ruling in August 2018 and a ruling from a higher court is expected during the first half of 2019. The total nominal value of the disputed service costs is estimated at around SEK 80 million for the entire contract period, subject to annual food waste volumes, prices and exchange rates. Annual service costs amount to around SEK 5 million, and it is assumed that the result of this dispute will have a mainly positive effect on Group profit, corresponding to a reduction in one-off costs of SEK 40 million and a reduction of approximately SEK 5 million a year going forward.

On 23 August 2018, the court in Ulsan announced their decision regarding the ongoing dispute with Ulsan City concerning the contractual obligation to invest in a gas upgrading facility at the Ulsan site by the end of 2017, see Significant events after the end of the period.

As previously communicated, one of the Group's suppliers to the project in Skogn, Norway, has made compensation claims, mainly for groundwork. The supplier has now increased their demand from NOK 52 million to some NOK 78 million, although no formal demand has yet been made. The Group has, however, previously entered into a settlement agreement with the supplier and continues to be of the opinion that the specified compensation is covered by the settlement.

As profitability is expected to be lower, this will adversely affect the Group's cash flow, which in turn increases liquidity risk. The Group is therefore planning to conduct a new rights issue, as mandated by the Annual General Meeting on 25 June 2018, and has launched a re-organisation process and initiated an action and investment programme with the aim of improving profitability, primarily at the Södertörn facility.

Significant risks and uncertainties are described in the latest annual report, which is available at scandinavianbiogas.com.

Related-party transactions

Loan agreements totalling SEK 14 million were signed with the major shareholders during the second quarter. The loans have a fixed rate of 8 per cent and shall be used in any potential new rights issue. If unused, the loans mature on 11 February 2020. No other transactions with related parties have taken place 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 in the second quarter amounted to SEK 0.3 million (0.3), and SEK 0.8 million (0.6) in the first six months of the year. The increase is due to re-invoicing passed on to subsidiaries and corresponding costs included in operating expenses. Profit after tax was SEK -10.5 million (-10.0) in the second quarter, and SEK -13.9 million (-11.7) in the first six months of the year.

Liquidity and financial position

Cash balances at 30 June 2018 totalled SEK 0.1 million (24.3). Total assets amounted to SEK 509.9 million (603.1).

No significant events or changes have taken place since publication of the 2017 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

At the beginning of July 2018, the Swedish government announced plans to facilitate the profitability and competitiveness of existing biogas production with the introduction of a scheme to support production between October 2018 and October 2019. Raw gas producers can apply for support for the portion of their production earmarked for upgrade to vehicle fuel-quality, provided that it does not originate from sewage sludge, food-based production of biofuels, or gas extracted from landfill. The support totals SEK 270 million and will be administered by the Swedish Board of Agriculture, which estimates the initiative will amount to between SEK 0.30 and SEK 0.35 per kWh (around SEK 3.00-3.50 per Nm³). For further information, please see Biogasstöd 2018 on the Swedish Board of Agriculture's website: jordbruksverket.se.

In June, political parties in Denmark reached a new energy agreement that will manage the long-term transition to renewable energy. The agreement regulates support provided to biogas production from 2021 to 2040, which is also likely to influence a decision on continued production support in Sweden beyond October 2019.

In July, the Parent Company received an additional SEK 4 million loan from one of its largest shareholders.

The civil court in Ulsan announced their decision on 23 August 2018 regarding the ongoing dispute with Ulsan City concerning the contractual obligation to invest in a gas upgrading facility at the Ulsan site by the end of 2017. The court ruling is unfavourable to the Group and implies that Ulsan City are entitled to an annual fee estimated to approximately SEK 8-9 million, instead of the by the Group expected circa SEK 3 million per year. However, the Group has the opportunity to appeal the decision. The recorded penalty expense for the period January-June 2018 is approximately SEK 3,6 million, which though corresponds to the court's ruling. According to the annual report 2017, the net present value of the total accrual in the consolidated balance sheet as at 31 December 2017 was approximately SEK 25 million, corresponding to a nominal value of approximately SEK 55 million.

The total nominal value of the gas penalty, for the entire contract period, is estimated at approximately SEK 140 million, subject to annual gas sales volumes, prices and exchange rates. The Group is analysing the decision and evaluates various legal and business options. For additional information about, and the background to, the dispute, see Penalty fee in Ulsan on page 32 in the 2017 annual report on www.scandinavianbiogas.com.

The Group plans a rights issue during the second half of 2018.

To improve the Group's profitability, an action and investment programme has been launched, mainly focused on the Södertörn facility, and a decision has been taken to initiate a re-organisation process.

Outlook

There is a great need for renewable energy that can replace fossil fuels, such as coal, oil, and natural gas, at reasonable prices. According to various studies of renewable alternatives that can be mass-produced, interest in biogas has increased. This in turn drives demand, which is expected to increase further as supply increases. Within sectors such as heavy transport, demand for liquid biogas is expected to increase considerably in the coming years. Market prices for fossil fuels, however, create a degree of uncertainty for the market price of biogas, as well as for growth and new investment in renewables.

The Group's long-term goal is to use Scandinavian Biogas' knowledge and experience to ensure the expansion of biogas supply and use. Deliveries may, apart from our own facilities, also come from third parties, and contribute to Group sales with licencing, operating, and service agreements etc.

The Group's long-term goal is to ensure:

- growth corresponding to a 20 to 30 per cent increase in average annual biogas sales and deliveries.
- initially, achieve total capacity of one TWh. Growth may be based on own production or on contractual knowledge management.
- project profitability corresponding to at least 15% IRR.
- an EBIT margin corresponding to at least 10%.
- a debt/equity ratio corresponding to at least 30%.

In recent years, the Group has sought to increase production in the Stockholm area – work that is ongoing. The combined full technical capacity of all plants in Sweden is estimated at around 30 million Nm³ of fuel-quality biogas, or 300 GWh. Furthermore, over time, production at Södertörn can increase substantially following the award of an environmental permit in 2017. The plant in South Korea is expected to continue to have an annual production capacity of some 65 GWh. In addition, annual production capacity in Norway is estimated to be around 12 million Nm³ of liquid biogas, or approximately 120 GWh. Under current plans and ongoing projects, the Group's total production capacity is expected to be close to 500 GWh.

The Group's profitability (EBITDA) in 2018 is expected to be lower than last year, due to the delayed commissioning of the facility in Skogn, service disruption at the Södertörn plant, and higher than planned legal expenses.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in SEK thousand

	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Operating income					
Net sales	65 871	65 700	129 498	131 249	258 363
Capitalised work on own account	2 658	4 608	5 378	9 090	15 841
Other operating income	3 196	4 300	5 412	4 716	15 127
Total	71 725	74 608	140 288	145 055	289 331
Operating expenses					
Raw materials and consumables	-35 264	-32 095	-70 543	-62 990	-137 890
Other external costs	-21 891	-13 848	-36 541	-26 687	-65 064
Personnel costs	-16 540	-16 443	-33 782	-32 649	-64 790
Depreciation, amortisation and impairment of tangible and intangible assets	-13 494	-12 843	-26 261	-25 195	-62 802
Other operating expenses	-124	-109	-1 282	-569	-944
Total operating expenses	-87 313	-75 338	-168 409	-148 090	-331 490
Operating profit/loss	-15 588	-730	-28 121	-3 035	-42 159
Net currency differences	4 400	-8 802	5 241	-2 711	1 041
Financial income	46	26	65	42	125
Financial expenses	-10 140	-9 954	-20 999	-18 013	-36 682
Net financial items	-5 694	-18 730	-15 693	-20 682	-35 516
Profit/loss before tax	-21 282	-19 460	-43 814	-23 717	-77 675
Income tax	24	-34	34	-88	2 628
Profit/loss for the period	-21 258	-19 494	-43 780	-23 805	-75 047
Other comprehensive income					
Actuarial results on post-employment benefits	-	-	-	-	167
Currency differences	3 366	-2 453	11 134	-350	-2 394
Other comprehensive income for the period, net after tax	3 366	-2 453	11 134	-350	-2 227
Total comprehensive income for the period	-17 892	-21 947	-32 646	-24 155	-77 274
All items in the Group's other comprehensive income may be reversed in the income statement.					
Profit/loss for the period attributable to:					
Parent company shareholders	-17 710	-18 111	-37 166	-22 607	-68 587
Non-controlling interests	-3 548	-1 383	-6 614	-1 198	-6 460
	-21 258	-19 494	-43 780	-23 805	-75 047
Total comprehensive income attributable to:					
Parent company shareholders	-16 184	-19 054	-31 601	-21 522	-67 718
Non-controlling interests	-1 708	-2 893	-1 045	-2 633	-9 556
	-17 892	-21 947	-32 646	-24 155	-77 274

CONSOLIDATED BALANCE SHEET
Amounts in SEK thousand
Note **2018-06-30** **2017-06-30** **2017-12-31**
ASSETS
Non-current assets
Intangible assets

Capitalised development costs		13 818	14 755	14 279
Concessions and similar rights		83 553	99 367	85 486
Patents and licences		997	125	104
Goodwill		7 106	6 523	6 466
Total intangible assets		105 474	120 770	106 335

Tangible fixed assets
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Buildings and land		191 025	192 286	194 672
Plant and machinery		319 416	292 323	287 368
Equipment, tools, fixtures and fittings		10 873	11 148	10 797
Construction work in progress		366 718	316 353	347 189
Total tangible fixed assets		888 032	812 110	840 026

Financial assets

Deferred tax assets		10 809	7 297	9 930
Other non-current receivables	<i>5</i>	26 014	51 440	35 949
Total financial assets		36 823	58 737	45 879

Other non-current assets

Accrued income and prepaid expenses		2 000	2 444	2 222
Total other non-current assets		2 000	2 444	2 222

Total non-current assets		1 032 329	994 061	994 462
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Current assets
Inventories, etc.

Raw materials and consumables		5 457	404	1 876
Total inventories		5 457	404	1 876

Current receivables

Trade accounts receivable		34 261	33 343	30 803
Other receivables	<i>6</i>	64 453	31 286	31 492
Pre-paid expenses and accrued income		17 764	13 383	15 720
Cash and cash equivalents		51 048	106 139	86 885
Total current receivables		167 526	184 151	164 900

Total current assets		172 983	184 555	166 776
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TOTAL ASSETS		1 205 312	1 178 616	1 161 238
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**CONSOLIDATED BALANCE SHEET
(continued)**

Amounts in SEK thousand	<i>Note</i>	2018-06-30	2017-06-30	2017-12-31
EQUITY				
Equity attributable to Parent Company shareholders				
Share capital		21 420	21 420	21 420
Other paid-in capital		754 685	754 684	754 685
Reserves		7 437	2 908	1 872
Retained earnings including comprehensive income for the period		-645 763	-563 437	-608 597
		137 779	215 575	169 380
Non-controlling interests		66 707	66 469	59 544
Total equity		204 486	282 044	228 924
LIABILITIES				
Non-current liabilities				
Borrowing	7	842 881	657 556	718 366
Deferred tax liabilities		2 076	2 069	2 101
Other provisions		20 718	9 929	24 925
Total non-current liabilities		865 675	669 554	745 392
Current liabilities				
Borrowing	7	22 288	76 155	72 550
Accounts payable		52 249	89 209	50 887
Other liabilities		18 447	16 552	18 120
Accrued expenses and deferred income		42 167	45 102	45 365
Total current liabilities		135 151	227 018	186 922
TOTAL EQUITY AND LIABILITIES		1 205 312	1 178 616	1 161 238

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amount in SEK thousand	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
	Share capital	Other paid-in capital	Reserves	Retained earnings	Total		
Opening balance, 1 January 2017	18 019	693 305	1 136	-540 143	172 317	53 962	226 279
Profit/loss for the period				-22 607	-22 607	-1 198	-23 805
Other comprehensive income							
Currency differences			1 772	-687	1 085	-1 435	-350
Total comprehensive income			1 772	-23 294	-21 522	-2 633	-24 155
New share issues	3 401	62 923			66 324		66 324
Issue expenses		-1 544			-1 544		-1 544
Shareholders' contribution from non-controlling interests					-	15 140	15 140
Total contributions from and distributions to shareholders, recognised directly in equity	3 401	61 379	-	-	64 780	15 140	79 920
Closing balance, 30 June 2017	21 420	754 684	2 908	-563 437	215 575	66 469	282 044
Opening balance, 1 January 2018	21 420	754 685	1 872	-608 597	169 380	59 544	228 924
Profit/loss for the period				-37 166	-37 166	-6 614	-43 780
Other comprehensive income							
Currency differences			5 565	-	5 565	5 569	11 134
Total comprehensive income			5 565	-37 166	-31 601	-1 045	-32 646
Shareholders' contribution from non-controlling interests					-	8 208	8 208
Total contributions from and distributions to shareholders, recognised directly in equity	-	-	-	-	-	8 208	8 208
Closing balance, 30 June 2018	21 420	754 685	7 437	-645 763	137 779	66 707	204 486

CONSOLIDATED CASH FLOW STATEMENTS

Amount in SEK thousand

	<i>Note</i>	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Cash flow from operating activities						
Operating profit/loss before financial items		-15 588	-730	-28 121	-3 035	-42 159
Amortisation/depreciation		13 491	12 843	26 258	25 195	62 802
Other non-cash items		-7 487	-3 365	-7 182	-3 386	23 893
Interest received		46	26	65	42	125
Interest paid		-12 398	-8 036	-21 380	-16 193	-35 913
Cash flow from operating activities before changes in working capital		-21 936	738	-30 360	2 623	8 748
Cash flow from changes in working capital						
Increase/decrease in inventories		-2 080	186	-4 045	257	-751
Increase/decrease in operating receivables		7 286	-10 658	-7 627	738	271
Increase/decrease in operating liabilities		5 607	7 282	-1 433	2 382	5 496
Total changes in working capital		10 813	-3 190	-13 105	3 377	5 016
Cash flow from operating activities		-11 123	-2 452	-43 465	6 000	13 764
Cash flow from investment activities						
Acquisition of intangible assets		-131	-1 628	-406	-1 988	-2 216
Acquisition of tangible assets		-13 830	-45 849	-21 831	-110 641	-187 478
Divestment of property, plant and equipment		766	-	784	-	-
Divestment/amortisation of other financial assets		111	112	222	223	445
Restricted bank balances and other changes in financial assets	5	12 102	-29 723	12 066	-29 778	-14 430
Cash flow from investment activities		-982	-77 088	-9 165	-142 184	-203 679
Cash flow from financing activities						
New share issues		-	64 780	-	64 780	64 781
Loans raised	7	68 410	53 184	68 410	106 422	154 860
Loans amortisation	7	-58 939	-7 029	-62 623	-16 601	-30 929
Contribution to/from minority shareholders		8 208	15 140	8 208	15 140	15 138
Cash flow from financing activities		17 679	126 075	13 995	169 741	203 850
Total cash flow for the period		5 574	46 535	-38 635	33 557	13 935
Decrease/increase in cash and cash equivalents						
Cash and cash equivalents at the beginning of the period		44 220	61 342	86 885	73 871	73 871
Currency differences in cash and cash equivalents		1 254	-1 738	2 798	-1 289	-921
Cash and cash equivalents at the end of the period		51 048	106 139	51 048	106 139	86 885

PARENT COMPANY INCOME STATEMENT

Amount in SEK thousand

	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Operating income					
Net sales	300	315	828	643	1 794
Total operating income	300	315	828	643	1 794
Operating expenses	-802	-861	-2 560	-1 810	-3 724
Operating profit/loss	-502	-546	-1 732	-1 167	-1 930
Net financial items	-3 005	-2 492	-5 192	-3 558	-33 690
Profit/loss before appropriations and tax	-3 507	-3 038	-6 924	-4 725	-35 620
Appropriations					
Group contributions paid/received	-7 000	-7 000	-7 000	-7 000	-51 500
Total appropriations	-7 000	-7 000	-7 000	-7 000	-51 500
Profit/loss before tax	-10 507	-10 038	-13 924	-11 725	-87 120
Income tax	-	-	-	-	-
Profit/loss for the period	-10 507	-10 038	-13 924	-11 725	-87 120

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

Amount in SEK thousand	Note	2018-06-30	2017-06-30	2017-12-31
ASSETS				
Non-current assets				
Financial assets				
Participations in group companies		184 053	202 966	175 899
Receivables from group companies		267 924	176 340	144 292
Other long-term receivables	5	-	29 674	12 078
Total financial assets		451 977	408 980	332 269
Total non-current assets		451 977	408 980	332 269
Current assets				
Current receivables				
Receivables from group companies		54 820	169 586	174 916
Other receivables		23	99	555
Pre-paid expenses and accrued income		2 980	86	2 371
Total current receivables		57 823	169 771	177 842
Cash and bank balances		136	24 309	7 517
Total current assets		57 959	194 080	185 359
TOTAL ASSETS		509 936	603 060	517 628
EQUITY AND LIABILITIES				
Equity		241 782	331 101	255 706
Non-current liabilities				
Interest-bearing loans	7	240 345	224 456	225 418
Intra-group loans		23 000	23 000	23 000
Total non-current liabilities		263 345	247 456	248 418
Current liabilities				
Borrowing	7	19	19	19
Accounts payable		90	103	3 235
Liabilities to group companies		180	19 571	5 560
Other liabilities		-	-	56
Accrued expenses and deferred income		4 520	4 810	4 634
Total current liabilities		4 809	24 503	13 504
TOTAL EQUITY AND LIABILITIES		509 936	603 060	517 628

NOTES

Note 1 General information

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

Unless otherwise specified, all amounts are stated in SEK thousand. Figures in brackets pertain to the same period a year earlier.

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 2017.

Accounting principles used in this report are in accordance with the principles applied the previous financial year, with the exception of what is described in relation to IFRS 9 and 15 below.

IFRS 9 Financial instruments

The Group is applying IFRS 9 for the first time in the 2018 financial year, from 1 January 2018. The Group is applying the new recommendation retroactively and fully. The transition to IFRS 9 does not entail any change in income, financial position or cash flow for the Group, and therefore no reassessment of comparative figures has been conducted.

From 1 January 2018 the Group classifies its assets according to the following categories:

- financial assets that are subsequently booked at fair value (either through other comprehensive income, or through income statements), and
- financial assets reported as accrued acquisition value.

Currently, the Group only has assets in the second category.

This classification is based on the Group's business model for the management of financial assets and contractual terms for assets' cash flows.

Impairment

At the end of each reporting period, the Group assesses whether there exists objective evidence that indicates impairment for debt instruments should be reported as accrued acquisition value.

In accordance with IFRS 9 rules, the Group applies a simplified method of impairment testing for accounts receivable that means that expected customer losses should be reported when the underlying receivables are recorded in the consolidated balance sheet. The Group currently holds no receivables other than customer receivables and cash and cash equivalents, which are valued at accrued acquisition value.

IFRS 15 Revenues from contracts with customers

The Group is applying IFRS 15 for the first time in the 2018 financial year, from 1 January 2018. The Group is applying this standard going forward. This means that any potential accumulated effect of the transition will be reported in the consolidated balance sheet at 1 January 2018, and comparative figures have not been recalculated. The transition to IFRS 15 does not entail any change in income, financial position or cash flow for the Group, and therefore no reassessment of comparative figures has been conducted.

The Group produces and sells biogas and generates income related to waste management. Sales of biogas are reported as income once their control is transferred to the customer. From that point on, the customer has full control over goods, and the Group has no outstanding commitments. Income from the receipt of waste is reported when waste is received and customer commitments have been met.

No financing component is deemed to be in place when the credit period is typically 30 days, and in no case exceeds one year. A claim is reported when gas has been delivered, or when waste is received, as this is the point when compensation becomes unconditional.

Of the new standards and interpretations that come into force for financial years that start after 1 January 2018, it is primarily IFRS 16 that can be expected to have a significant impact on the Group's financial reporting.

IFRS 16 "Leases" will replace IAS 17 "Leases" and entails that virtually all leasing contracts will be reported in the consolidated balance sheet as no distinction is made between operational and financial leasing agreements. According to the new standard, an asset, (the right to use a leased asset), and a financial commitment to pay leasing fees shall be reported. Short-term contracts and contracts of lesser value are excluded. The standard will primarily affect the auditing of the Group's operational leasing agreements. The Group's assessment is that IFRS 16 will mean that a large part of the leasing agreements that are currently reported as operational leasing, e.g.: rent of land and rent of storage tank will be reported as assets and liability from 1 January 2019. This in itself entails lower other external costs, but higher depreciation and financial costs. The standard will also result in an increase in information contained in the annual report. The Group will choose to apply a modified retroactive approach and does not intend to apply the standard in advance.

No other IFRS or IFRIC interpretations that are yet to enter force are expected to have a significant impact on the Group.

Note 3 Segment reporting

Scandinavian Biogas's operations are divided into three segments based on geographic location. The Group's operations are managed and reported based on the following operating segments: Business area Sweden, Business area Korea, and Business area Norway. In addition, there is also a Service Centre and Research & Development segment. The business areas are geographic organisations, with the head of each business area reporting directly to Group management.

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).

Profit/loss by segment	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
<i>Operating income</i>					
Business area Sweden	55 033	54 252	109 827	106 090	213 694
<i>of which, external revenue</i>	54 093	54 252	106 885	105 049	211 725
<i>of which, internal revenue</i>	940	-	2 942	1 041	1 969
Business area Korea	12 831	13 083	23 966	26 067	50 839
<i>of which, external revenue</i>	12 831	13 083	23 966	26 067	50 839
Business area Norway	2 968	2 715	5 192	4 264	12 784
<i>of which, external revenue</i>	2 968	2 715	5 192	4 264	12 784
Service Centre and R&D	9 943	14 217	18 023	25 684	45 583
<i>of which, external revenue</i>	1 833	4 558	4 245	9 675	13 983
<i>of which, internal revenue</i>	8 110	9 659	13 778	16 009	31 600
Eliminations	-9 050	-9 659	-16 720	-17 050	-33 569
Group total	71 725	74 608	140 288	145 055	289 331
<i>Raw materials and consumables</i>					
Business area Sweden	-29 028	-24 243	-58 777	-49 873	-104 220
Business area Korea	-6 153	-4 884	-11 676	-9 459	-31 032
Business area Norway	-	-1 511	-	-1 570	-69
Service Centre and R&D	-478	-1 281	-968	-4 013	-5 639
Eliminations	395	-176	878	1 925	3 070
Group total	-35 264	-32 095	-70 543	-62 990	-137 890
<i>Profit/loss before tax</i>					
Business area Sweden	26 005	30 009	51 050	56 217	109 474
Business area Korea	6 678	8 199	12 290	16 608	19 807
Business area Norway	2 968	1 204	5 192	2 694	12 715
Service Centre and R&D	9 465	12 936	17 055	21 671	39 944
Eliminations	-8 655	-9 835	-15 842	-15 125	-30 499
Group total	36 461	42 513	69 745	82 065	151 441
<i>Other external costs</i>					
Business area Sweden	-17 432	-17 022	-27 886	-28 208	-64 007
Business area Korea	-3 012	-2 356	-5 459	-4 638	-9 087
Business area Norway	-4 140	-1 239	-5 885	-2 335	-10 313
Service Centre and R&D	-5 962	-3 066	-13 153	-6 631	-12 156
Eliminations	8 655	9 835	15 842	15 125	30 499
Group total	-21 891	-13 848	-36 541	-26 687	-65 064
<i>Personnel costs</i>					
Business area Korea	-2 568	-2 427	-4 742	-4 828	-9 026
Business area Norway	-2 243	-1 773	-5 344	-4 073	-10 101
Service Centre and R&D	-11 729	-12 243	-23 696	-23 748	-45 663
Group total	-16 540	-16 443	-33 782	-32 649	-64 790
<i>EBITDA</i>					
Business area Sweden	8 573	12 987	23 164	28 009	45 467
Business area Korea	1 098	3 416	2 089	7 142	1 694
Business area Norway	-3 415	-1 808	-6 037	-3 714	-7 699
Service Centre and R&D	-8 226	-2 373	-19 794	-8 708	-17 875
Group total	-1 970	12 222	-578	22 729	21 587
Depreciation, amortisation and impairment of tangible and intangible assets	-13 494	-12 843	-26 261	-25 195	-62 802
Other operating costs	-124	-109	-1 282	-569	-944
Total operating costs	-52 049	-43 243	-97 866	-85 100	-193 600
Operating profit/loss	-15 588	-730	-28 121	-3 035	-42 159
Net currency differences	4 400	-8 802	5 241	-2 711	1 041
Financial income	46	26	65	42	125
Financial expenses	-10 140	-9 954	-20 999	-18 013	-36 682
Net financial items	-5 694	-18 730	-15 693	-20 682	-35 516
Profit/loss before tax	-21 282	-19 460	-43 814	-23 717	-77 675
Income tax	24	-34	34	-88	2 628
Profit/loss for the period	-21 258	-19 494	-43 780	-23 805	-75 047

Condensed balance sheet per segment	2018-06-30	2017-06-30	2017-12-31
<i>Non-current assets</i>			
Business area Sweden	538 023	554 227	556 135
Business area Korea	86 756	100 497	88 573
Business area Norway	388 222	291 910	319 654
Service Centre and R&D	19 328	47 427	30 100
Group total	1 032 329	994 061	994 462
<i>Current assets</i>			
Business area Sweden	64 061	67 746	69 039
Business area Korea	15 049	17 522	10 883
Business area Norway	84 840	45 513	59 512
Service Centre and R&D	9 033	53 774	27 342
Group total	172 983	184 555	166 776
Total assets, Group	1 205 312	1 178 616	1 161 238
<i>Non-current liabilities</i>			
Business area Sweden	313 651	270 926	271 478
Business area Korea	20 718	9 929	24 925
Business area Norway	268 153	156 692	203 198
Service Centre and R&D	36 951	7 551	20 373
Unallocated	226 202	224 456	225 418
Group total	865 675	669 554	745 392
<i>Non-current liabilities</i>			
Business area Sweden	66 670	116 369	132 012
Business area Korea	21 326	12 354	9 379
Business area Norway	19 414	71 657	15 165
Service Centre and R&D	27 741	26 638	30 366
Group total	135 151	227 018	186 922
Total liabilities, Group	1 000 826	896 572	932 314

Operating income per segment	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Business area Sweden	55 033	54 252	109 827	106 090	213 694
<i>Sales of goods</i>	47 825	46 225	95 230	91 676	182 875
<i>Sales of services</i>	4 900	5 429	9 783	10 655	20 551
<i>Other external operating revenue</i>	1 368	2 598	1 872	2 718	8 299
<i>Other internal operating revenue</i>	940	-	2 942	1 041	1 969
Business area Korea	12 831	13 083	23 966	26 067	50 839
<i>Sales of goods</i>	3 871	4 197	7 222	8 222	15 824
<i>Sales of services</i>	8 960	8 886	16 744	17 845	35 015
Business area Norway	2 968	2 715	5 192	4 264	12 784
<i>Sales of services</i>	-	-23	-	10	260
<i>Capitalised work on own account</i>	1 332	1 188	3 254	2 704	6 576
<i>Other external operating revenue</i>	1 636	1 550	1 938	1 550	5 948
Service Centre and R&D	9 943	14 217	18 023	25 684	45 583
<i>Sales of services</i>	301	492	505	636	1 045
<i>Re-invoicing</i>	14	494	14	2 205	2 793
<i>Intra-group sales</i>	8 110	9 644	13 638	15 966	31 064
<i>Capitalised work on own account</i>	1 326	3 420	2 124	6 386	9 265
<i>Other external operating revenue</i>	192	152	1 602	448	880
<i>Other internal operating revenue</i>	-	15	140	43	536
Eliminations	-9 050	-9 659	-16 720	-17 050	-33 569
Group total	71 725	74 608	140 288	145 055	289 331

Note 4 Tangible assets

Investments in tangible assets during the first six months of the year totalled SEK 65.8 million (117.9), of which SEK 44.0 million pertains to new financial leasing.

The Group capitalised borrowing costs on qualifying assets in the form of new facilities in the amount of SEK 5.6 million (3.8) during the interim period.

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

	2018-06-30	2017-06-30	2017-12-31
Buildings and land	111 907	114 150	114 515
Plant and machinery	153 970	115 295	116 357
Equipment, tools, fixtures and fittings	7 211	9 209	7 879
Construction work in progress	6 974	6 974	6 974
Carrying amount	280 062	245 628	245 725

Note 5 Other long-term receivables

Group	2018-06-30	2017-06-30	2017-12-31
Restricted bank balances	22 414	49 895	32 462
Other	3 600	1 545	3 487
Total	26 014	51 440	35 949

Parent Company	2018-06-30	2017-06-30	2017-12-31
Restricted bank balances	-	29 674	12 078
Total	-	29 674	12 078

Restricted bank balances are comprised of guarantees in subsidiaries for external loans.

Note 6 Other current receivables

Other current receivables include SEK 39.0 million (0) related to the accrued delay penalty for the facility in Skogn. The corresponding amount at the end of the previous financial year was SEK 10.6 million.

Note 7 Borrowing

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

	Carrying amount			Fair value		
	2018-06-30	2017-06-30	2017-12-31	2018-06-30	2017-06-30	2017-12-31
Liabilities to credit institutions	303 384	186 192	231 699	303 384	186 192	231 699
Corporate bonds	226 202	224 456	225 418	232 389	225 606	231 605
Liabilities related to finance leases	278 370	241 417	242 949	278 370	241 417	242 949
Other non-current borrowings	34 925	5 491	18 300	34 925	5 491	18 300

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

One of the Group's loans from external lenders was refinanced during the second quarter to a lower rate of interest.

Note 8 Pledged assets and contingent liabilities

Group	Pledged assets		
	2018-06-30	2017-06-30	2017-12-31
Liens on assets	48 000	66 006	48 000
Pledged assets	409 538	323 600	368 272
Assets financed through finance leases	273 088	238 654	238 751
Shares in Scandinavian Biogas Fuels AB	8 592	-	23 064
Shares in Scandinavian Biogas Stockholm AB	67 488	64 813	58 227
Shares in Scandinavian Biogas Korea Co., Ltd.	-	2 862	-
Shares in Scandinavian Biogas Sweden AB	-	13 012	-
Shares in Scandinavian Biogas Södertörn AB	3 174	7 125	8 209
Shares in Scandinavian Biogas Fuels i Varberg AB	77	78	78
Shares in Biokraft Holding AS	-	64 114	62 045
Group total	809 957	780 264	806 646

Parent Company	2018-06-30	2017-06-30	2017-12-31
Shares in Scandinavian Biogas Sweden AB	102 050	102 050	102 050
Shares in Scandinavian Biogas Fuels AB	274	27 341	274
Shares in Biokraft Holding AS	81 729	73 575	73 575
Pledged intra-group loan to Scandinavian Biogas Sweden AB	-	222 291	229 111
Parent Company total	184 053	425 257	405 010

Group	Contingent liabilities		
	2018-06-30	2017-06-30	2017-12-31
Contingent liability - subsidiary penalty fee	-	39 717	-
Contingent liability - subsidiary investment grants	10 869	8 188	10 869
Contingent liability – for the Parent Company’s corporate bond	230 000	230 000	230 000
Group total	240 869	277 905	240 869

Parent Company	2018-06-30	2017-06-30	2017-12-31
Contingent liability - subsidiary loans from credit institutions	32 500	33 500	32 500
Contingent liability - subsidiary investment grants	10 869	8 188	10 869
Parent Company total	43 369	41 688	43 369

The Scandinavian Biogas Fuels AB subsidiary has provided a guarantee for the Parent Company’s corporate bond. Other collateral and contingent liabilities above refer primarily to subsidiary loans from credit institutions. See also the 2017 annual report.

Note 9 Definitions 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 investment 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.

EBITDA	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Operating profit/loss	-15 588	-730	-28 121	-3 035	-42 159
-Depreciation, amortisation and impairment of tangible and intangible assets	13 494	12 843	26 261	25 195	62 802
-Other operating expenses	124	109	1 282	569	944
EBITDA	-1 970	12 222	-578	22 729	21 587

Gross profit/loss

Gross profit/loss is a profitable measure that shows the Company's revenues less variable production costs.

Gross profit/loss	1 April - 30 June 2018	1 April - 30 June 2017	1 January - 30 June 2018	1 January - 30 June 2017	1 January - 31 December 2017
Total revenues	71 725	74 608	140 288	145 055	289 331
- Raw materials and consumables	-35 264	-32 095	-70 543	-62 990	-137 890
Gross profit/loss	36 461	42 513	69 745	82 065	151 441

Adjusted equity/asset ratio

The equity/asset ratio shows the proportion of assets financed with equity. The Group uses an adjusted equity/asset ratio, as this metric is defined in the corporate bond prospectus. The adjusted equity/asset 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. Subordinated loans at the end of the interim period amounted to SEK 34.9 million (5.5), and relate to loans from the largest shareholders to the Parent Company, and loans from minority shareholders in Biokraft Holding AS to the same company.

ADJUSTED EQUITY/ASSEST RATIO	2018-06-30	2017-06-30	2017-12-31
Total equity (incl. non-controlling interests)	204 486	282 044	228 924
Subordinated loans (incl. Enova)	107 373	70 730	84 222
	311 859	352 774	313 146
Total assets	1 205 312	1 178 616	1 161 238
Contribution, Enova	72 448	65 239	65 922
	1 277 760	1 243 855	1 227 160
Adjusted equity/assets ratio	24.4%	28.4%	25.5%

Note 10 Events after the end of the interim period

At the beginning of July 2018, the Swedish government announced plans to facilitate the profitability and competitiveness of existing biogas production with the introduction of a scheme to support production between October 2018 and October 2019. Raw gas producers can apply for support for the portion of their production earmarked for upgrade to vehicle fuel-quality, provided that it does not originate from sewage sludge, food-based production of biofuels, or gas extracted from landfill. The support totals SEK 270 million and will be administered by the Swedish Board of Agriculture, which estimates the initiative will amount to between SEK 0.30 and SEK 0.35 per kWh (around SEK 3.00-3.50 per Nm³). For further information, please see Biogasstöd 2018 on the Swedish Board of Agriculture's website: jordbruksverket.se.

In June, political parties in Denmark reached a new energy agreement that will manage the long-term transition to renewable energy. The agreement regulates support provided to biogas production from 2021 to 2040, which is also likely to influence a decision on continued production support in Sweden beyond October 2019.

In July, the Parent Company received an additional SEK 4 million loan from one of its largest shareholders.

The civil court in Ulsan announced their decision on 23 August 2018 regarding the ongoing dispute with Ulsan City concerning the contractual obligation to invest in a gas upgrading facility at the Ulsan site by the end of 2017. The court ruling is unfavourable to the Group and implies that Ulsan City are entitled to an annual fee estimated to approximately SEK 8-9 million, instead of the by the Group expected circa SEK 3 million per year. However, the Group has the opportunity to appeal the decision. The recorded penalty expense for the period January-June 2018 is approximately SEK 3,6 million, which though corresponds to the court's ruling. According to the annual report 2017, the net present value of the total accrual in the consolidated balance sheet as at 31 December 2017 was approximately SEK 25 million, corresponding to a nominal value of approximately SEK 55 million.

The total nominal value of the gas penalty, for the entire contract period, is estimated at approximately SEK 140 million, subject to annual gas sales volumes, prices and exchange rates. The Group is analysing the decision and evaluates various legal and business options. For additional information about, and the background to, the dispute, see Penalty fee in Ulsan on page 32 in the 2017 annual report on www.scandinavianbiogas.com.

The Group plans a rights issue during the second half of 2018.

To improve the Group's profitability, an action and investment programme has been launched, mainly focused on the Södertörn facility, and a decision has been taken to initiate a re-organisation process.

This interim report has not been audited.

The next interim report will be published and made available on scandinavianbiogas.com on 25 October 2018.

Stockholm, 23 August 2018

Göran Persson
Chairman of the Board

Matti Vikkula
Chief Executive Officer

Anders Bengtsson
Board member

Andreas Ahlström
Board member

Hans Hansson
Board member

Sara Anderson
Board member

David Schelin
Board member

Malin Gustafsson
Board member

Lars Bengtsson
Board member