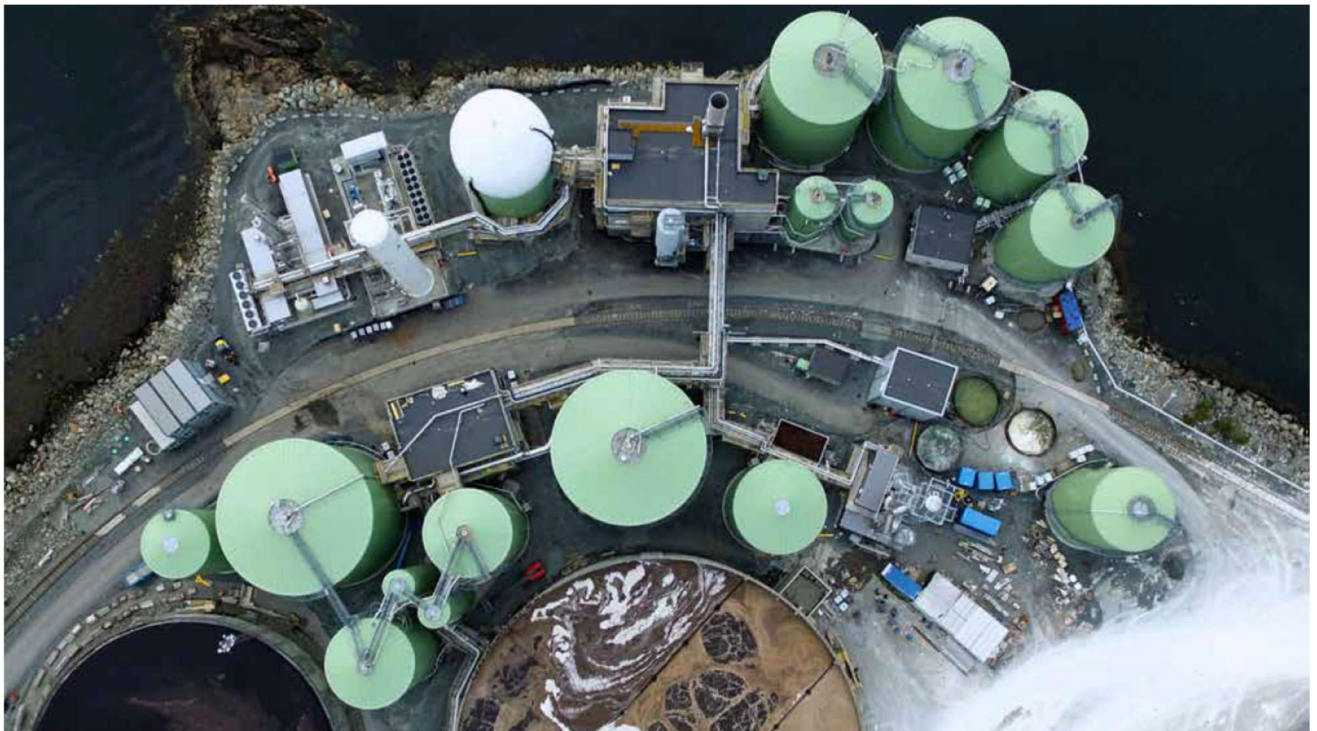


**Scandinavian Biogas Fuels International AB (publ)**  
**Org.nr. 556528-4733**

**Interim report for the period**  
**1 January – 30 June 2019**



Long-term liquid biogas (LBG) supply contract signed between Norwegian subsidiary Biokraft and Hurtigruten.

### Second quarter in brief

- A 7.5-year LBG supply contract signed between Norwegian subsidiary Biokraft and Hurtigruten.
- The LBG plant at Skogn, Norway, delivered 2.4 million Nm<sup>3</sup> of LBG during the second quarter.
- Net sales totalled SEK 89.6 million (65.9), a year-on-increase increase of 36.0%.
- EBITDA was SEK 17.7 million (-2.0), a year-on-year improvement attributable primarily to the plant at Skogn. The plant was in operation during the January–June 2019 period, but not during the comparative period.
- The Group posted an operating loss of SEK -4.4 million (-15.6).
- The Group posted a loss after tax of SEK -23.3 million (-21.3).
- The directed share issue yielded SEK 39.6 million before transaction costs.
- Subordinated shareholder loans totalling SEK 34 million along with interest of SEK 2.5 million were converted to shares in a set-off issue.

### First half-year in brief

- A 7.5-year LBG supply contract signed between Norwegian subsidiary Biokraft and Hurtigruten.
- Net sales totalled SEK 176.5 million (129.5), an increase of 36.3% attributable primarily to the plant at Skogn, which was in operation during the January–June 2019 period. The plant was not in operation during the corresponding period in 2018.
- EBITDA was SEK 36.3 million (-0.6), with the year-on-year improvement due mainly to commissioning of the plant at Skogn, Norway.
- The Group posted an operating loss of SEK -7.6 million (-28.1).
- The Group posted a loss after tax of SEK -35.6 million (-43.8).
- The directed share issue yielded SEK 39.6 million before transaction costs.
- Subordinated shareholder loans totalling SEK 34 million along with interest of SEK 2.5 million were converted to shares in a set-off issue.

### Significant events after the end of the period

- It was reported in July that the rights issue was oversubscribed by 184% and yielded a total of SEK 10.2 million before issue expenses. The directed share issue was decided and amounts to SEK 60.4 million before issue expenses, and pertains entirely to Apriori AB.
- No other significant events occurred after the end of the interim period.

### CEO comments on the interim period

”The Group’s profitability and cash flow from operating activities improved during the second quarter with a positive EBITDA contribution from the plant in Skogn, Norway, which is very gratifying.

A paradigm shift is under way in the biogas market. Access to LBG will increase demand from the heavy transport and shipping sectors. Our long-term LBG supply contract, between Norwegian subsidiary Biokraft and Hurtigruten, is therefore a positive development.”

Matti Vikkula  
President and CEO

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

*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.*

## About Scandinavian Biogas

**As one of the Nordic region's largest private producers of biogas, Scandinavian Biogas helps customers and partners with what we are best at – designing and operating biogas plants with high resource and energy efficiency. In this way, we support the transition from fossil to renewable energy.**

Scandinavian Biogas, founded in 2005, sells renewable energy based on compressed biogas (CBG) and LBG, as well as several related services. With world-leading expertise in the design and operation of biogas facilities to optimise biogas and bio-fertiliser production, we are market leaders in large-scale biogas production in the Nordic region and South Korea.

A fundamental part of Scandinavian Biogas's strategic focus is the development of methods and services to improve biogas and bio-fertiliser production efficiency for established as well as new types of waste. The main feedstocks currently used are wastewater sludge, food waste, salmon farming waste, and residues from industrial processes. Based on our research and development work with new and more efficient methods, biogas can be produced far more cost- and resource-efficiently than ever before, and we work continuously to develop and improve the digestion process when producing biogas from biomass. We also have leading expertise in purification processes for upgrading biogas to vehicle fuel quality.



Our main products are biogas used in heat production, upgraded and liquid biogas used as vehicle fuel, and bio-fertiliser as a substitute for artificial fertiliser. Focus is on markets in the Nordic region and South Korea.

In close collaboration with partners and customers, we also work to identify growth projects outside our Nordic home market. These projects may include value-creation services in the design, construction and operation of new plants and improving existing plants' efficiency through process improvements.

### **HOLD Technology™**

One of Scandinavian Biogas's success achievements is its self-developed HOLD Technology™, an advanced process technology used to optimise large-scale biogas production. The method is one of the most effective in the world and has been utilised on a full scale in Ulsan, South Korea, where production efficiency has increased 3-5 times since the Company took over in 2007. HOLD stands for High Organic Load Digestion.

The method, developed by the Company's R&D department in close collaboration with Linköping University, is founded on three cornerstones: efficient design of biogas plants and their mechanical parts; expertise and well-proven methodology regarding substrates that work best in various combinations; and methods for introducing substrate to the digestion tank to allow the microorganisms to maintain efficient production with a high substrate utilisation rate.



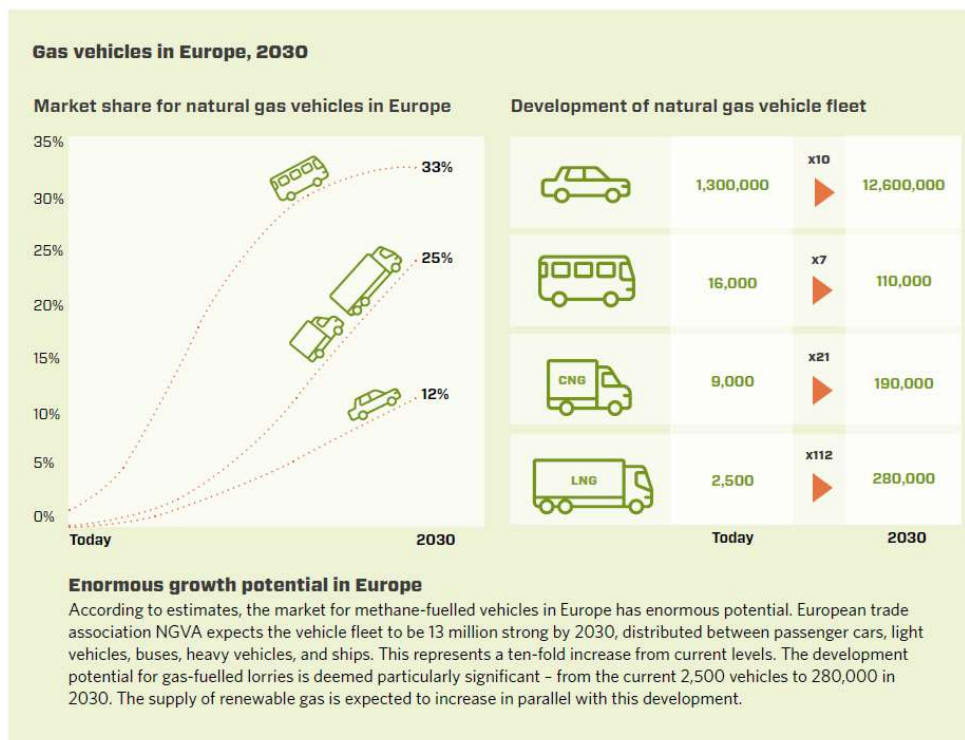
## Market and key drivers

Today's infrastructure for gas is well developed, and biogas can easily be blended into existing natural gas flows. Biogas has many advantages as an energy source. It is normally produced from organic waste that has few other uses, which means that biogas extraction increases the circularity of the energy system and the economy. With low particle and nitric oxide emissions, biogas also benefits the local environment.

### The biogas market

Biogas has a wide range of applications. The purpose for which biogas is used is partly determined by conditions and demand in markets where it is produced. In Scandinavia, biogas is used primarily as fuel or for heating, with the greatest growth potential found in the vehicle fuel market and industrial processes. In South Korea, biogas is more commonly used to produce industrial heat.

Scandinavian Biogas works with five main market segments for biogas. In addition to these, the bio-fertiliser by-product market is also significant. A prerequisite for realising the long-term potential of biogas is scaling up LBG production, as it is easier to use gas in liquid form in industry and as vehicle fuel. Liquid biogas is also better suited for longer transports and can therefore open the way for a Scandinavian biogas market. Biogas is currently distributed locally and regionally by lorry or via a gas pipeline network.



Source: NGVA, [ngva.eu/wp-content/uploads/2018/10/2018-09-24-LNG-workshop-presentations-merged.pdf](https://ngva.eu/wp-content/uploads/2018/10/2018-09-24-LNG-workshop-presentations-merged.pdf)

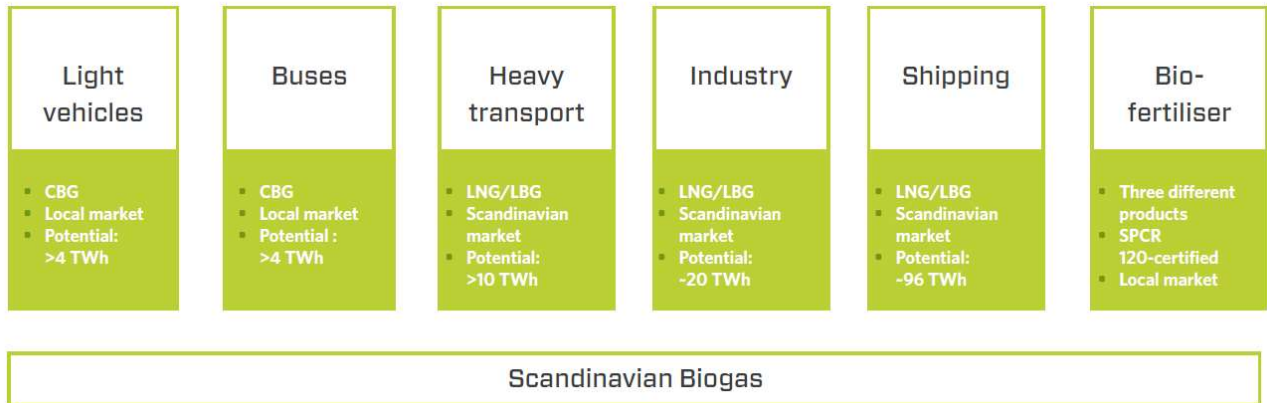
### Feedstock for biogas

Substrate is needed to produce biogas, and in most cases various types of waste are used as feedstock. Today, as the circular economy mind-set gains more traction, more and more players view waste as a valuable resource. This increases competition for certain waste streams. To improve efficiency and strengthen competitiveness in this area, Scandinavian Biogas places great emphasis on identifying new substrates.

In Sweden, sewage sludge is the most common substrate used in biogas production. Most Swedish treatment plants are equipped with digestion tanks, which limits the growth potential for sewage sludge as a substrate. Food waste is one substrate with great growth potential, as only a small amount of Swedish household food waste is currently being collected. In 2016, 40 per cent of food waste was collected and only 32 per cent of food waste was used for biogas production.<sup>1</sup> Meat industry and forestry residues are other feedstocks with developing potential as biogas substrates.

<sup>1</sup> Matavfall i Sverige – uppkomst och behandling. Swedish Environmental Protection Agency, p. 12

## Main market segments for biogas



Compressed biogas (CBG) for **light vehicles** is currently the main segment for biogas in Sweden, although this market is currently dependent on policy instruments.

Public transport is a strong market for biogas and will remain a key driver in the industry. In 2017, approximately 20 per cent of Sweden's **buses** ran on biogas, a year-on-year increase of 10 per cent.

An increasing number of **heavy vehicles** on the motorways are powered by alternative fuels such as biogas. Volvo, Scania, MAN, Mercedes and Iveco are some of the companies that have invested heavily in developing efficient, sustainable fuel solutions. The Euro 6 and other gas engines are essentially as effective as diesel engines.



Approximately 9 TWh of gas is used annually by Swedish **industry**, with biogas representing only a small share of this amount.<sup>2</sup> The transition to gas enables more precise process control. The food industry is particularly interested in gas as a fuel. Estrella, for example, has been using biogas in its production of crisps and snacks since 2017.



The **shipping** sector has increased its use of gas as fuel in recent years. A 2017 review of newly ordered vessels with links to Sweden showed that half of all new vessels were built to run on gas. Although mainly liquid natural gas is being used, biogas can easily be blended with natural gas, or can replace it entirely. The Norwegian shipping company Hurtigruten decided in 2018 to invest over NOK 7 billion in technology and sustainable solutions through the year 2021. The vessels will run on a combination of natural gas and liquid biogas, making Hurtigruten the world's first shipping company to use biogas on a large scale.<sup>3</sup> In May 2019 it was announced that Hurtigruten and our Group's Norwegian subsidiary, Biokraft, have signed an agreement for the delivery of liquid biogas over a 7.5-year period.

<sup>2</sup> Swedish Energy Agency

<sup>3</sup> Hurtigruten, [www.hurtigruten.no/om-oss/presse/presse-mynewsdesk/#/pressreleases/hurtigruten-investerer-over-7-milliarder-i-groenn-teknologi-skalsleilepaa-doed-fisk-2799539](http://www.hurtigruten.no/om-oss/presse/presse-mynewsdesk/#/pressreleases/hurtigruten-investerer-over-7-milliarder-i-groenn-teknologi-skalsleilepaa-doed-fisk-2799539)



### Market for bio-fertiliser by-product

A residue is formed when organic waste is broken down into biogas. This residue is called 'digested sludge' at treatment plants and 'bio-fertiliser' when produced at other types of plants. Digested sludge and bio-fertiliser can both be used to advantage as fertiliser. Bio-fertiliser is made of nutrients recovered from waste, and some substrates are more appropriate than others. Animal waste, for example, needs to be heat-treated to kill bacteria and infective agents, while vegetable waste does not.

Because bio-fertiliser is rich in nitrogen and phosphorous, it can be highly beneficial in organic farming, where alternatives for nitrogen and phosphorous fertilisers are limited. Today, around half of all bio-fertiliser produced by Swedish biogas plants is utilised. Fertiliser production will be a significant revenue stream for the biogas plants going forward.

### Circular economy of biogas

Circular economy is a term referring to economic models that view circular cycles as a business opportunity. The approach is inspired by nature's cycle, with the goal of utilising waste as raw material to the greatest possible extent through re-use or recycling.

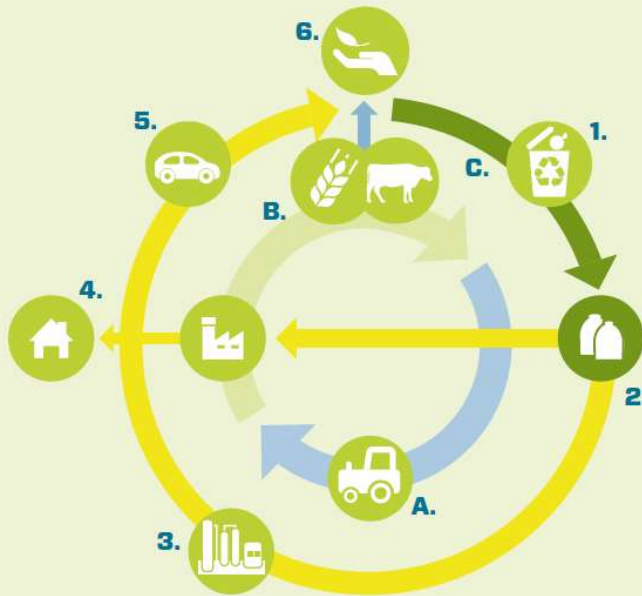
Biogas is often highlighted as a cornerstone of the circular economy, as it forms part of a closed loop in which waste, wastewater and forestry and industrial residues are used in renewable products such as fuel, electricity and heat.<sup>4</sup> Nutrients in the waste can also be returned to the earth via agriculture as bio-fertiliser. The circle is closed when gas and bio-fertiliser are used.

Organic waste is processed in Scandinavian Biogas's production of biogas. This gives rise to renewable and locally produced fuel and bio-fertiliser. Nutrients are returned to the earth through agriculture in the form of bio-fertiliser. In this way, Scandinavian Biogas closes the circle, participates in the circular economy and promotes a sustainable society. Biogas is the most eco-friendly vehicle fuel from a comprehensive perspective and helps reduce CO<sub>2</sub> emissions..



<sup>4</sup> [www.energigas.se/om-oss/nyheter-och-press-/nyheter/biogas-nyckel-foer-cirkulaer-ekonomi/](http://www.energigas.se/om-oss/nyheter-och-press-/nyheter/biogas-nyckel-foer-cirkulaer-ekonomi/)





### The biogas cycle

Biogas production is a natural process, in which organic material is broken down by microorganisms in an oxygen-deficient environment.

1. Recycling of organic waste and residues
  2. Waste is digested into biogas
  3. Biogas is processed into fuel – CBG or LBG
  4. Excess energy is used for heat and electricity
  5. Biogas is used as fuel, either as compressed gas (CBG) or as liquid biogas (LBG)
  6. The cycle is closed
- A.** The bio-fertiliser formed during the biogas production process contains key, finite nutrients, which are returned to the earth via agriculture
- B.** Agriculture yields a harvest that provides food for humans and animals
- C.** Organic waste (e.g. food waste and manure) is formed



## 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.

Scandinavian Biogas Fuels International AB (publ) is domiciled and headquartered in Stockholm. At 30 June 2019 the Company had a total of 74 (77) employees: 39 (44) in Sweden, 20 (20) in South Korea and 15 (13) in Norway.

## Financial overview

### Group (SEK thousand)

|   | <b>1 April - 30<br/>June 2019</b> | <b>1 April - 30<br/>June 2018</b> | <b>1 January - 30<br/>June 2019</b> | <b>1 January - 30<br/>June 2018</b> | <b>1 January - 31<br/>December 2018</b> |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|---|
|   | <i>3 months</i>                   | <i>3 months</i>                   | <i>6 months</i>                     | <i>6 months</i>                     | <i>12 months</i>                        |
| <b>Net sales</b>                        | 89,626                            | 65,871                            | 176,539                             | 129,498                             | 275,234                                 |
| <b>EBITDA</b>                           | 17,668                            | -1,970                            | 36,252                              | -578                                | -6,247                                  |
| <b>Operating results</b>                | -4,433                            | -15,588                           | -7,553                              | -28,121                             | -71,808                                 |
| <b>Balance sheet total</b>              | 1,274,116                         | 1,205,312                         | 1,274,116                           | 1,205,312                           | 1,234,842                               |
| <b>Adjusted equity/assets<br/>ratio</b> | 22.4%                             | 24.4%                             | 22.4%                               | 24.4%                               | 20.5%                                   |

Consolidated net sales totalled SEK 89.6 million (65.9) for second quarter 2019, and SEK 176.5 million (129.5) for the first six months of the year, an increase of 36.3 per cent as compared with the same period last year. The largest part of the increase – 32.9% – is attributable to the plant at Skogn, which was commissioned during the second half of 2018. Total revenues amounted to SEK 102.4 million (71.7) for the April–June 2019 period and SEK 204.0 million (140.3) for the first six months of the year. Costs for raw materials and consumables increased 43.1 per cent (12) compared with the first half of 2018, due mainly to the commissioning of the plant at Skogn. Other external costs increased during the interim period, due mainly to increased maintenance costs and consultancy fees. Personnel costs decreased somewhat. Consolidated EBITDA totalled SEK 17.7 million (-2.0) for the April–June 2019 period and SEK 36.3 million (-0.6) for the January–June 2019 period. The Group posted an operating loss of SEK -4.4 million (-15.6) for second quarter 2019 and SEK -7.6 million (-28.1) for the first half of the year.

The Group posted a loss after tax of SEK -23.3 million (-21.3) for second quarter 2019, of which SEK -1.8 million (4.4) is attributable to unrealised exchange rate fluctuations. The Group posted a loss after tax of SEK -35.6 million (-43.8) for the full interim period, of which SEK 0.8 million (5.2) is attributable to unrealised exchange rate fluctuations, mainly due to long-term intra-group financing of foreign subsidiaries.

Total assets at 30 June 2019 amounted to SEK 1,274.1 million (1,205.3), a 5.8 per cent year-on-year increase. Lease-related borrowing totalled SEK 326.0 million (294.1). During the interim period equity was impacted by net profit/loss, as well as by SEK 76.1 million from new issues of shares.

The consolidated cash balance was SEK 80.0 million (51.0) at 30 June 2019.

### Investments

Investments in tangible and intangible assets during the interim period totalled SEK 23.4 million (22.2).

The carrying amount of the Group's tangible and intangible assets was SEK 1,050.1 million (993.5) at 30 June 2019. SEK 285.3 million (280.1) of this amount pertains to leased assets held by the Group under lease contracts subject to IFRS 16.



## Significant events during the period

### *Long-term supply contract for the plant at Skogn, Norway*

A 7.5-year LBG supply contract has been signed between Norwegian subsidiary Biokraft and Hurtigruten.

### *Group share issues*

The Group conducted a directed share issue of SEK 39.6 million during the period. Subordinated shareholder loans of SEK 34 million, along with interest of SEK 2.5 million, were also converted to shares in a set-off issue. The total amount issued amounts to SEK 76.1 million before transaction costs.

### *Improved production stability at Södertörn, Sweden*

Biogas production at the plant in Södertörn, Sweden, was stabilised during the first and second quarters of 2019, with record-high production levels. With new Operations Manager Thomas Forsberg in place, the operating organisation launched a comprehensive quality control initiative to ensure that production at all plants in Sweden can be kept stable over time.

### *Written procedure*

The Group identified a risk that the adjusted equity/assets ratio requirement may not be met for the first and second quarters of 2019 and therefore initiated a process during Q1 2019 to propose that bondholders waive the requirement. During April 2019 a clear majority of bondholders confirmed their support of the Group's proposal to waive the adjusted equity/assets ratio requirement for the first and second quarters of 2019. The terms of the waiver specify a fee of 1.00% and receipt of at least SEK 80 million, exclusive of transaction costs, from the directed share issue or subordinated loans, with a minimum of SEK 30 million to be received by 30 June 2019 and the remainder, up to SEK 50 million, by 31 August 2019. The terms of the waiver were fulfilled through the new share issues that were conducted.

## Production and sales

### *Business Area Sweden*

Operations in Sweden produced a total of 10.2 million Nm<sup>3</sup> (10.2) of biogas during the interim period, corresponding to approximately 100 GWh (99). Customer deliveries of biogas were made according to plan and all agreements have been fulfilled in full. Business Area Sweden processed an average of 165 tonnes (152) of organic waste per day.

### *Business Area Norway*

Commissioning of the liquid biogas facility in Skogn, Norway, started in late June 2018 and customer sales of 4.6 million Nm<sup>3</sup> of liquid biogas (LBG) were conducted during the interim period, corresponding to approximately 46 GWh.

### *Business Area South Korea*

The facility in South Korea received an average of 183 tonnes (173) of food waste per day during the interim period. Sales of raw gas during the same period amounted to 4.2 million Nm<sup>3</sup> (4.2), or approximately 29 GWh (29). A total of 5.2 million Nm<sup>3</sup> (4.9) of raw gas was produced.

## 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 lease agreements with durations of around 25 years. Non-current interest-bearing liabilities, exclusive of leases, totalled SEK 314.2 million (564.5) as at 30 June 2019. The change is attributable to reclassification of the corporate bond maturing in February 2020 as a current liability, and to refinancing at Business Area Sweden during 2018. The consolidated cash balance was SEK 80.0 million (51.0) at the same date.

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

As authorised by the 2018 AGM, the Group finalised a process to conduct a directed share issue of SEK 39.6 million to a number of institutional and private investors. Certain existing shareholders converted loans totalling SEK 34 million, along with interest of SEK 2.5 million, into shares. In total, the Company issued shares with a value of SEK 76.1 million.

The Group identified a risk that the adjusted equity/assets ratio requirement may not be met for the first and second quarters of 2019 and therefore initiated a process during Q1 2019 to propose that bondholders waive the requirement. During April 2019 a clear majority of bondholders confirmed their support of the Group's proposal to waive the adjusted equity/assets ratio requirement for the first and second quarters of 2019. The terms of the waiver specify a fee of 1.00% and receipt of at least SEK 80 million, exclusive of transaction costs, from the directed share issue or subordinated loans, with a minimum of SEK 30 million to be received by 30 June 2019 and the remainder, up to SEK 50 million, by 31 August 2019.

### *The share*

The number of shares changed during the first half of the year and totalled 138,813,007 (107,098,839) at 30 June 2019. The quotient value is 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 the assets and profit of Scandinavian Biogas Fuels International AB (publ).

### *Warrants*

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

## Ownership structure at 30 June 2019, %

|  |             |
|--|-------------|
| Bengtssons Tidnings AB and related parties                         | 28.4%       |
| AC Cleantech Growth Fund 1 Holding AB and related parties          | 25.8%       |
| Wipunen varainhallinta Oy  | 14.1%       |
| Apriori AB   | 6.7%        |
| Reliquum and related parties (formerly Novator Biogas Sweden SARL) | 4.4%        |
| Ajanta Oy and related parties                                      | 4.3%        |
| Erik Danielsson and family, incl. companies                        | 4.7%        |
| John Nurminen Oy and related parties                               | 3.1%        |
| Other  | 8.8%        |
| <b>Total</b>   | <b>100%</b> |

## Significant risks and operational uncertainties

### *Disputes*

Following are updates on what has happened regarding the Group's disputes since the turn of the year. The status is otherwise unchanged; please refer to the 2018 Annual Report for details.

The South Korean subsidiary initiated legal proceedings in Ulsan's administrative court in 2017 regarding certain service costs that Ulsan City invoiced to the subsidiary. During summer 2018, the court ruled that the invoices are not subject to administrative law. The Group appealed the court's ruling and an appellate ruling is expected during the coming 12 months.

On 23 August 2018 the court in Ulsan announced its 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. The decision has been appealed and the lawsuit is ongoing.

As previously communicated, one of the Group's suppliers to the project in Skogn, Norway, has made compensation claims, mainly for groundwork. A demand for NOK 78 million was filed in October 2018. 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. Nevertheless, for precautionary purposes, the Group reserved NOK 5 million of the demand amount in its Norwegian company in December 2018 as an increased capital cost pursuant to generally accepted practice.

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

## Related-party transactions

During second quarter 2019 subordinated shareholder loans totalling SEK 34 million from the largest shareholders, along with interest of SEK 2.5 million, were converted to shares. No other related-party transaction took 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 amounted to SEK 0.3 million (0.3) during second quarter 2019 and SEK 1.8 million (0.8) during the first six months of the year. The increase is attributable to re-invoicing to subsidiaries, with corresponding expenses included in operating expenses. The Parent Company posted a loss after tax of SEK -4.6 million (-10.5) for the April–June 2019 period and SEK -8.2 million (-13.9) for the January–June 2019 period.

### *Liquidity and financial position*

Cash balances at 30 June 2019 totalled SEK 37.0 million (0.1). Total assets amounted to SEK 542.0 million (509.9).

No significant events or changes have taken place since publication of the 2018 Annual Report that have any bearing on the Group's or Parent Company's earnings or financial position other than those addressed in this report.

## Significant events after the end of the period

No significant events took place after the end of the period with the exception of the completion of the rights issue, which totalled SEK 10.2 million before transaction costs. The Board of Directors also resolved to conduct a directed share issue totalling SEK 60.4 million before transaction costs. A total of SEK 70.6 million will be contributed to equity.



## 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 bolsters demand for biogas, which is expected to gain further traction as it becomes more available. In the heavy transport and other sectors, demand for liquid biogas is expected to increase significantly in coming years. However, the current market price of fossil energy causes some uncertainty as to the biogas market price as well as the growth of new investments in renewable energy.

The Swedish parliament and government are clearly interested in biogas as a component of the future fossil-free energy solution. The government-appointed Biogas Commission was scheduled to submit its report in June 2019, but the inquiry period has been extended to December 2019 to ensure that the proposed measures are feasible and well supported.

The Group's long-term goal is to utilise Scandinavian Biogas's expertise and experience to ensure the expansion of biogas supply and use. 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% increase in average annual biogas sales and deliveries
- total capacity of one terawatt hour (1 TWh) achieved during the first stage, with growth based on own production or on contractual knowledge management
- project profitability of at least 15% IRR
- an EBIT margin of at least 10%
- an equity/assets ratio of at least 30%

Based on planned investments and improvements at Södertörn, the Group has a long-term goal of achieving approximately SEK 500 million in annual sales and profitability of at least 30% (EBITDA %). Gross investments are estimated to correspond to around SEK 300 million, approximately half of which is expected to be financed by investment grant.

In recent years, the Group has pursued increased production in the Stockholm area – an effort that remains under way. The combined full technical capacity of all plants in Sweden is estimated at over 30 million Nm<sup>3</sup> of fuel-quality biogas, or approximately 300 GWh. The environmental permit at Södertörn, granted in 2017, also enables a sharp production increase at Södertörn over time. The plant in South Korea is expected to continue to have an annual production capacity of around 65 GWh. In addition, the annual production capacity in Norway is estimated at approximately 12.5 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 expects 2019 operational profitability (EBITDA) to exceed SEK 100 million, as the plant at Skogn is expected to be fully operational and the government production subsidy will have a positive impact on Södertörn's profitability.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**Amounts in SEK thousand**

|   | <b>1 April - 30<br/>June 2019</b> | <b>1 April - 30<br/>June 2018</b> | <b>1 January -<br/>30 June 2019</b> | <b>1 January -<br/>30 June 2018</b> | <b>1 January - 31<br/>December 2018</b> |
|---|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|---|
| <b>Operating income</b>   |                                   |                                   |                                     |                                     |   |
| Net sales   | 89,626                            | 65,871                            | 176,539                             | 129,498                             | 275,234                                 |
| Capitalised work on own account   | 4,071                             | 2,658                             | 9,143                               | 5,378                               | 13,077                                  |
| Other operating income  | 8,756                             | 3,196                             | 18,270                              | 5,412                               | 21,901                                  |
| <b>Total</b>  | <b>102,453</b>                    | <b>71,725</b>                     | <b>203,952</b>                      | <b>140,288</b>                      | <b>310,212</b>                          |
| <b>Operating expenses</b>   |                                   |                                   |                                     |                                     |   |
| Raw materials and consumables   | -51,179                           | -35,264                           | -100,889                            | -70,543                             | -166,336                                |
| Other external costs  | -17,776                           | -21,891                           | -34,115                             | -36,541                             | -81,664                                 |
| Personnel costs   | -15,830                           | -16,540                           | -32,696                             | -33,782                             | -68,459                                 |
| Depreciation, amortisation and<br>impairment of tangible and intangible<br>assets                           | -21,706                           | -13,494                           | -43,090                             | -26,261                             | -64,057                                 |
| Other operating expenses  | -395                              | -124                              | -715                                | -1,282                              | -1,504                                  |
| <b>Total operating expenses</b>   | <b>-106,886</b>                   | <b>-87,313</b>                    | <b>-211,505</b>                     | <b>-168,409</b>                     | <b>-382,020</b>                         |
| <b>Operating profit/loss</b>  | <b>-4,433</b>                     | <b>-15,588</b>                    | <b>-7,553</b>                       | <b>-28,121</b>                      | <b>-71,808</b>                          |
| Net exchange differences  | -1,795                            | 4,400                             | 775                                 | 5,241                               | 3,794                                   |
| Financial income  | 36                                | 46                                | 65                                  | 65                                  | 161                                     |
| Financial expense   | -17,590                           | -10,140                           | -29,607                             | -20,999                             | -49,238                                 |
| <b>Net financial items</b>  | <b>-19,349</b>                    | <b>-5,694</b>                     | <b>-28,767</b>                      | <b>-15,693</b>                      | <b>-45,283</b>                          |
| <b>Profit/loss before tax</b>   | <b>-23,782</b>                    | <b>-21,282</b>                    | <b>-36,320</b>                      | <b>-43,814</b>                      | <b>-117,091</b>                         |
| Income tax  | 437                               | 24                                | 684                                 | 34                                  | 7,163                                   |
| <b>Profit/loss for the period</b>   | <b>-23,345</b>                    | <b>-21,258</b>                    | <b>-35,636</b>                      | <b>-43,780</b>                      | <b>-109,928</b>                         |
| <b>Other comprehensive income</b>   |                                   |                                   |                                     |                                     |   |
| Actuarial results on post-employment<br>benefits  | -                                 | -                                 | -10                                 | -                                   | -349                                    |
| Exchange differences  | 2,745                             | 3,366                             | 7,836                               | 11,134                              | 2,002                                   |
| <b>Other comprehensive income for the<br/>period, net after tax</b>   | <b>2,745</b>                      | <b>3,366</b>                      | <b>7,826</b>                        | <b>11,134</b>                       | <b>1,653</b>                            |
| <b>Total comprehensive income for the<br/>period</b>  | <b>-20,600</b>                    | <b>-17,892</b>                    | <b>-27,810</b>                      | <b>-32,646</b>                      | <b>-108,275</b>                         |
| <b>All items in the Group's other<br/>comprehensive income may be reversed<br/>in the income statement.</b> |                                   |                                   |                                     |                                     |   |
| <b>Profit/loss for the period attributable<br/>to:</b>  |                                   |                                   |                                     |                                     |   |
| Parent Company shareholders   | -16,447                           | -17,710                           | -25,760                             | -37,166                             | -90,408                                 |
| Non-controlling interests   | -6,898                            | -3,548                            | -9,876                              | -6,614                              | -19,520                                 |
|   | <b>-23,345</b>                    | <b>-21,258</b>                    | <b>-35,636</b>                      | <b>-43,780</b>                      | <b>-109,928</b>                         |
| <b>Total comprehensive income<br/>attributable to:</b>  |                                   |                                   |                                     |                                     |   |
| Parent Company shareholders   | -14,125                           | -16,184                           | -21,584                             | -31,601                             | -90,279                                 |
| Non-controlling interests   | -6,474                            | -1,708                            | -6,226                              | -1,045                              | -17,996                                 |
|   | <b>-20,600</b>                    | <b>-17,892</b>                    | <b>-27,810</b>                      | <b>-32,646</b>                      | <b>-108,275</b>                         |

**CONSOLIDATED BALANCE SHEET**

| <b>Amounts in SEK thousand</b>          | <b>Note</b> | <b>30 June 2019</b> | <b>30 June 2018</b> | <b>31 Dec 2018</b> |
|---|-------------|---------------------|---------------------|--------------------|
| <b>ASSETS</b>                           |             |                     |                     |                    |
| <b>Non-current assets</b>               |             |                     |                     |                    |
| <b>Intangible assets</b>                |             |                     |                     |                    |
| Capitalised development costs           |             | 12,340              | 13,818              | 12,975             |
| Concessions and similar rights          |             | 72,654              | 83,553              | 78,210             |
| Patents and licences                    |             | 1,553               | 997                 | 1,488              |
| Goodwill                                |             | 7,036               | 7,106               | 6,617              |
| <b>Total intangible assets</b>          |             | <b>93,583</b>       | <b>105,474</b>      | <b>99,290</b>      |
| <b>Tangible assets</b>                  | <b>4</b>    | <b>226,766</b>      | <b>191,025</b>      | <b>186,350</b>     |
| Buildings and land                      |             | 324,287             | 319,416             | 335,017            |
| Plant and machinery                     |             | 18,560              | 10,873              | 10,936             |
| Equipment, tools, fixtures and fittings |             | 386,070             | 366,718             | 358,124            |
| Construction work in progress           |             |                     |                     |                    |
| <b>Total tangible assets</b>            |             | <b>955,683</b>      | <b>888,032</b>      | <b>890,427</b>     |
| <b>Financial assets</b>                 |             |                     |                     |                    |
| Deferred tax assets                     |             | 16,218              | 10,809              | 16,956             |
| Other non-current receivables           | <b>5</b>    | 14,594              | 26,014              | 14,248             |
| <b>Total financial assets</b>           |             | <b>30,812</b>       | <b>36,823</b>       | <b>31,204</b>      |
| <b>Other non-current assets</b>         |             |                     |                     |                    |
| Accrued income and prepaid expenses     |             | 1,556               | 2,000               | 1,778              |
| <b>Total other non-current assets</b>   |             | <b>1,556</b>        | <b>2,000</b>        | <b>1,778</b>       |
| <b>Total non-current assets</b>         |             | <b>1,081,634</b>    | <b>1,032,329</b>    | <b>1,022,699</b>   |
| <b>Current assets</b>                   |             |                     |                     |                    |
| <b>Inventories, etc.</b>                |             |                     |                     |                    |
| Raw materials and consumables           |             | 11,976              | 5,457               | 5,499              |
| <b>Total inventories</b>                |             | <b>11,976</b>       | <b>5,457</b>        | <b>5,499</b>       |
| <b>Current receivables</b>              |             |                     |                     |                    |
| Trade accounts receivable               |             | 65,853              | 34,261              | 44,058             |
| Other receivables                       | <b>6</b>    | 19,846              | 64,453              | 52,982             |
| Prepaid expenses and accrued income     |             | 14,835              | 17,764              | 14,816             |
| Cash and cash equivalents               |             | 79,972              | 51,048              | 94,788             |
| <b>Total current receivables</b>        |             | <b>180,506</b>      | <b>167,526</b>      | <b>206,644</b>     |
| <b>Total current assets</b>             |             | <b>192,482</b>      | <b>172,983</b>      | <b>212,143</b>     |
| <b>TOTAL ASSETS</b>                     |             | <b>1,274,116</b>    | <b>1,205,312</b>    | <b>1,234,842</b>   |



**CONSOLIDATED BALANCE SHEET, continued**

| <b>Amounts in SEK thousand</b>                                  | <i>Note</i> | <b>30 June 2019</b> | <b>30 June 2018</b> | <b>31 Dec 2018</b> |
|---|-------------|---------------------|---------------------|--------------------|
| <b>EQUITY</b>   |             |                     |                     |                    |
| <b>Equity attributable to Parent Company shareholders</b>       |             |                     |                     |                    |
| Share capital   |             | 27,763              | 21,420              | 21,420             |
| Other paid-in capital   |             | 824,456             | 754,685             | 754,685            |
| Translation reserve   |             | 7,770               | 7,437               | 3,636              |
| Retained earnings including comprehensive income for the period |             | -726,397            | -645,763            | -700,637           |
|   |             | <b>133,592</b>      | <b>137,779</b>      | <b>79,104</b>      |
| <b>Non-controlling interests</b>                                |             | <b>46,605</b>       | <b>66,707</b>       | <b>52,789</b>      |
| <b>Total equity</b>   |             | <b>180,197</b>      | <b>204,486</b>      | <b>131,893</b>     |
| <b>LIABILITIES</b>  |             |                     |                     |                    |
| <b>Non-current liabilities</b>                                  |             |                     |                     |                    |
| Borrowings  | 7           | 638,089             | 842,881             | 853,815            |
| Deferred tax liabilities  |             | 2,007               | 2,076               | 2,053              |
| Other provisions  |             | 33,869              | 20,718              | 37,315             |
| <b>Total non-current liabilities</b>                            |             | <b>673,965</b>      | <b>865,675</b>      | <b>893,183</b>     |
| <b>Current liabilities</b>                                      |             |                     |                     |                    |
| Borrowings  | 7           | 265,370             | 22,288              | 25,749             |
| Accounts payable  |             | 69,778              | 52,249              | 86,755             |
| Other liabilities   |             | 28,477              | 18,447              | 39,923             |
| Accrued expenses and deferred income                            |             | 56,329              | 42,167              | 57,339             |
| <b>Total current liabilities</b>                                |             | <b>419,954</b>      | <b>135,151</b>      | <b>209,766</b>     |
| <b>TOTAL EQUITY AND LIABILITIES</b>                             |             | <b>1,274,116</b>    | <b>1,205,312</b>    | <b>1,234,842</b>   |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

| Amounts in SEK thousand   | Attributable to Parent Company shareholders |                       |                     |                   |                | Non-controlling interests | Total equity   |
|---|---|-----------------------|---------------------|-------------------|----------------|---------------------------|----------------|
|   | Share capital                               | Other paid-in capital | Translation reserve | Retained earnings | Total          |                           |                |
| <b>Opening balance, 1 January 2018</b>  | <b>21,420</b>                               | <b>754,685</b>        | <b>1,872</b>        | <b>-608,597</b>   | <b>169,380</b> | <b>59,544</b>             | <b>228,924</b> |
| Profit/loss for the period  |   |                       |                     | -37,166           | -37,166        | -6,614                    | -43,780        |
| <b>Other comprehensive income</b>   |   |                       |                     |                   |                |                           |                |
| Exchange differences  |   |                       | 5,565               | -                 | 5,565          | 5,569                     | 11,134         |
| <b>Total comprehensive income</b>   |   |                       | <b>5,565</b>        | <b>-37,166</b>    | <b>-31,601</b> | <b>-1,045</b>             | <b>-32,646</b> |
| Contribution from non-controlling interests   |   |                       |                     |                   |                | 8,208                     | 8,208          |
| <b>Total contribution from and value transfers to shareholders, reported directly in equity</b> |   |                       |                     |                   |                | <b>8,208</b>              | <b>8,208</b>   |
| <b>Closing balance, 30 June 2018</b>  | <b>21,420</b>                               | <b>754,685</b>        | <b>7,437</b>        | <b>-645,763</b>   | <b>137,779</b> | <b>66,707</b>             | <b>204,486</b> |
| <b>Opening balance, 1 January 2019</b>  | <b>21,420</b>                               | <b>754,685</b>        | <b>3,636</b>        | <b>-700,637</b>   | <b>79,104</b>  | <b>52,830</b>             | <b>131,893</b> |
| Profit/loss for the period  |   |                       |                     | -25,760           | -25,760        | -9,876                    | -35,636        |
| <b>Other comprehensive income</b>   |   |                       |                     |                   |                |                           |                |
| Actuarial results on post-employment benefits   |   |                       |                     | -8                | -8             | -2                        | -10            |
| Exchange differences  |   |                       | 4,176               | 8                 | 4,184          | 3,653                     | 7,837          |
| <b>Total comprehensive income</b>   |   |                       | <b>4,176</b>        | <b>-25,760</b>    | <b>-21,584</b> | <b>-6,225</b>             | <b>-27,810</b> |
| New share issues  | 6,343                                       | 69,771                |                     |                   |                |                           |                |
| Contribution from non-controlling interests   |   |                       |                     |                   |                |                           |                |
| <b>Total contribution from and value transfers to shareholders, reported directly in equity</b> | <b>6,343</b>                                | <b>69,771</b>         |                     |                   | <b>76,114</b>  |                           | <b>76,114</b>  |
| <b>Closing balance, 30 June 2019</b>  | <b>27,763</b>                               | <b>824,456</b>        | <b>7,770</b>        | <b>-726,397</b>   | <b>133,592</b> | <b>46,605</b>             | <b>180,197</b> |

\*Issue expenses are reported when all issues have been registered with the Swedish Companies Registration Office, which will occur during Q3.

**CONSOLIDATED STATEMENT OF CASH FLOWS**
**Amounts in SEK thousand**

|  | <i>Note</i> | <b>1 April - 30<br/>June 2019</b> | <b>1 April -<br/>30 June<br/>2018</b> | <b>1 January -<br/>30 June<br/>2019</b> | <b>1 January -<br/>30 June<br/>2018</b> | <b>1 January -<br/>31 December<br/>2018</b> |
|--|-------------|-----------------------------------|---------------------------------------|---|---|---|
| <b>Cash flow from operating activities</b>                                       |             |                                   |                                       |   |   |   |
| Operating profit/loss before financial items                                     |             | -4,433                            | -15,588                               | -7,553                                  | -28,121                                 | -71,808                                     |
| Amortisation/depreciation  |             | 21,706                            | 13,491                                | 43,090                                  | 26,258                                  | 64,057                                      |
| Other non-cash items   |             | -3,763                            | -7,487                                | -5,070                                  | -7,182                                  | 10,923                                      |
| Interest received  |             | 12                                | 46                                    | 24                                      | 65                                      | 121   |
| Interest paid  |             | -9,490                            | -12,398                               | -16,961                                 | -21,380                                 | -37,236                                     |
| <b>Cash flow from operating activities before<br/>changes in working capital</b> |             | <b>4,032</b>                      | <b>-21,936</b>                        | <b>13,530</b>                           | <b>-30,360</b>                          | <b>-33,943</b>                              |
| <b>Cash flow from changes in working capital</b>                                 |             |                                   |                                       |   |   |   |
| Increase/decrease in inventories   |             | -1,826                            | -2,080                                | -6,477                                  | -4,045                                  | -3,623                                      |
| Increase/decrease in operating receivables                                       |             | 18,401                            | 7,286                                 | 11,322                                  | -7,627                                  | -33,841                                     |
| Increase/decrease in operating liabilities                                       |             | -24,501                           | 5,607                                 | -29,433                                 | -1,433                                  | 69,645                                      |
| <b>Total changes in working capital</b>  |             | <b>-7,926</b>                     | <b>10,813</b>                         | <b>-24,588</b>                          | <b>-13,105</b>                          | <b>32,181</b>                               |
| <b>Cash flow from operating activities</b>                                       |             | <b>-3,894</b>                     | <b>-11,123</b>                        | <b>-11,058</b>                          | <b>-43,465</b>                          | <b>-1,762</b>                               |
| <b>Cash flow from investing activities</b>                                       |             |                                   |                                       |   |   |   |
| Acquisition of intangible assets   |             | -75                               | -131                                  | -214                                    | -406                                    | -1,679                                      |
| Acquisition of tangible assets   |             | -6,939                            | -13,830                               | -23,149                                 | -21,831                                 | -48,859                                     |
| Disposal of tangible assets  |             | -                                 | 766                                   | -                                       | 784                                     | 6,985                                       |
| Divestment/amortisation of other financial<br>assets                             |             | 111                               | 111                                   | 222                                     | 222                                     | 444   |
| Restricted bank balances and other changes in<br>financial assets                | 5           | -112                              | 12,102                                | -680                                    | 12,066                                  | 21,701                                      |
| <b>Cash flow from investing activities</b>                                       |             | <b>-7,015</b>                     | <b>-982</b>                           | <b>-23,821</b>                          | <b>-9,165</b>                           | <b>-21,408</b>                              |
| <b>Cash flow from financing activities</b>                                       |             |                                   |                                       |   |   |   |
| New share issue  |             | 39,616                            | -                                     | 39,616                                  | -                                       | -   |
| Loans raised   | 7           | -                                 | 68,410                                | -                                       | 68,410                                  | 94,735                                      |
| Loan and lease amortisation  | 7           | -11,039                           | -58,939                               | -20,518                                 | -62,623                                 | -72,233                                     |
| Contribution to/from non-controlling interests                                   |             | -                                 | 8,208                                 | -                                       | 8 208                                   | 7,644                                       |
| <b>Cash flow from financing activities</b>                                       |             | <b>28,577</b>                     | <b>17,679</b>                         | <b>19,098</b>                           | <b>13,995</b>                           | <b>30,146</b>                               |
| <b>Total cash flow for the period</b>  |             | <b>17,668</b>                     | <b>5,574</b>                          | <b>-15,781</b>                          | <b>-38,635</b>                          | <b>6,976</b>                                |
| <b>Decrease/increase in cash and cash<br/>equivalents</b>                        |             |                                   |                                       |   |   |   |
| Cash and cash equivalents at beginning of<br>period                              |             | 62,301                            | 44,220                                | 94,788                                  | 86,885                                  | 86,885                                      |
| Exchange differences in cash and cash<br>equivalents                             |             | 2                                 | 1,254                                 | 964                                     | 2,798                                   | 927   |
| <b>Cash and cash equivalents at end of period</b>                                |             | <b>79,972</b>                     | <b>51,048</b>                         | <b>79,972</b>                           | <b>51,048</b>                           | <b>94,788</b>                               |

In conjunction with the transition to IFRS 19 as from 1 January 2019, there was an increase in negative cash flow from financing activities and in positive cash flow from operating activities. This is due to the fact that previous operating leases are now covered by IFRS 16 and, accordingly, the 'loan and lease amortisation' item will be increased as from this financial year.



**PARENT COMPANY INCOME STATEMENT**
**Amounts in SEK thousand**

|  | <b>1 April - 30<br/>June 2019</b> | <b>1 April - 30<br/>June 2018</b> | <b>1 January - 30<br/>June 2019</b> | <b>1 January - 30<br/>June 2018</b> | <b>1 January - 31<br/>December 2018</b> |
|--|-----------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|---|
| <b>Operating income</b>                              |                                   |                                   |                                     |                                     |   |
| Net sales  | 299                               | 300                               | 1,762                               | 828                                 | 1,430                                   |
| <b>Total operating income</b>                        | <b>299</b>                        | <b>300</b>                        | <b>1,762</b>                        | <b>828</b>                          | <b>1,430</b>                            |
| Operating expenses                                   | -539                              | -802                              | -1,974                              | -2,560                              | -4,172                                  |
| <b>Operating profit/loss</b>                         | <b>-240</b>                       | <b>-502</b>                       | <b>-212</b>                         | <b>-1,732</b>                       | <b>-2,742</b>                           |
| Net financial items                                  | -4,361                            | -3,005                            | -7,979                              | -5,192                              | -15,598                                 |
| <b>Profit/loss before<br/>appropriations and tax</b> | <b>-4,601</b>                     | <b>-3,507</b>                     | <b>-8,191</b>                       | <b>-6,924</b>                       | <b>-18,340</b>                          |
| <b>Appropriations</b>                                |                                   |                                   |                                     |                                     |   |
| Group contributions<br>received/paid                 | -                                 | -7,000                            | -                                   | -7,000                              | -25,000                                 |
| <b>Total appropriations</b>                          | <b>-</b>                          | <b>-7,000</b>                     | <b>-</b>                            | <b>-7,000</b>                       | <b>-25,000</b>                          |
| <b>Profit/loss before tax</b>                        | <b>-4,601</b>                     | <b>-10,507</b>                    | <b>-8,191</b>                       | <b>-13,924</b>                      | <b>-43,340</b>                          |
| Income tax   | -                                 | -                                 | -                                   | -                                   | -                                       |
| <b>Profit/loss for the period</b>                    | <b>-4,601</b>                     | <b>-10,507</b>                    | <b>-8,191</b>                       | <b>-13,924</b>                      | <b>-43,340</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**

| <b>Amounts in SEK thousand</b>       | <i>Note</i> | <b>30 June 2019</b> | <b>30 June 2018</b> | <b>31 Dec 2018</b> |
|--------------------------------------|-------------|---------------------|---------------------|--------------------|
| <b>ASSETS</b>                        |             |                     |                     |                    |
| <b>Non-current assets</b>            |             |                     |                     |                    |
| <b>Financial assets</b>              |             |                     |                     |                    |
| Participations in group companies    |             | 189,453             | 184,053             | 189,453            |
| Receivables from group companies     |             | 283,813             | 267,924             | 266,828            |
| Other non-current receivables        | 5           | -                   | -                   | -                  |
| <b>Total financial assets</b>        |             | <b>473,266</b>      | <b>451,977</b>      | <b>456,281</b>     |
| <b>Total non-current assets</b>      |             | <b>473,266</b>      | <b>451,977</b>      | <b>456,281</b>     |
| <b>Current assets</b>                |             |                     |                     |                    |
| <b>Current receivables</b>           |             |                     |                     |                    |
| Receivables from group companies     |             | 26,381              | 54,820              | 48,270             |
| Other receivables                    |             | 73                  | 23                  | 202                |
| Prepaid expenses and accrued income  |             | 5,250               | 2,980               | 3,415              |
| <b>Total current receivables</b>     |             | <b>31,704</b>       | <b>57,823</b>       | <b>51,887</b>      |
| <b>Cash and bank balances</b>        |             | <b>36,997</b>       | <b>136</b>          | <b>1,649</b>       |
| <b>Total current assets</b>          |             | <b>68,701</b>       | <b>57,959</b>       | <b>53,536</b>      |
| <b>TOTAL ASSETS</b>                  |             | <b>541,967</b>      | <b>509,936</b>      | <b>509,817</b>     |
| <b>EQUITY AND LIABILITIES</b>        |             |                     |                     |                    |
| <b>Equity</b>                        |             | <b>280,287</b>      | <b>241,782</b>      | <b>212,365</b>     |
| <b>Non-current liabilities</b>       |             |                     |                     |                    |
| Interest-bearing loans               | 7           | -                   | 240,345             | 262,565            |
| Intra-group loans                    |             | 23,000              | 23,000              | 23,000             |
| <b>Total non-current liabilities</b> |             | <b>23,000</b>       | <b>263,345</b>      | <b>285,565</b>     |
| <b>Current liabilities</b>           |             |                     |                     |                    |
| Borrowings                           | 7           | 230,019             | 19                  | 19                 |
| Accounts payable                     |             | 452                 | 90                  | 932                |
| Liabilities to group companies       |             | 2,826               | 180                 | 6,112              |
| Other liabilities                    |             | -                   | -                   | 129                |
| Accrued expenses and deferred income |             | 5,383               | 4,520               | 4,693              |
| <b>Total current liabilities</b>     |             | <b>238,680</b>      | <b>4,809</b>        | <b>11,885</b>      |
| <b>TOTAL EQUITY AND LIABILITIES</b>  |             | <b>541,967</b>      | <b>509,936</b>      | <b>509,815</b>     |

## 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 year-earlier period.

The interim information presented on pages 1-12 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 2018.

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 16 below.

**IFRS 16 Leases** has replaced IAS 17 'Leases'. Nearly all lease agreements are now recognised in the balance sheet, as distinction is no longer made between operating and finance lease agreements. Under the new standard, an asset (the right to use a lease asset) and a financial obligation to pay leasing fees are recognised. Short-term leases and leases of low-value assets are excluded. The standard mainly affects recognition of the Group's operating lease agreements. IFRS 16 involves recognition by the Group of a large number of the lease agreements previously recognised as operating leases (e.g. land and storage tank leases) as assets and liabilities as from 1 January 2019. This signifies a decrease in other external costs and an increase in amortisation and financial expense. The standard also involves increased disclosure in the annual report. The Group has elected to apply a modified retroactive approach. The total effect on assets and liabilities in the consolidated balance sheet is estimated at approximately SEK 356 million and approximately SEK 359 million, respectively, from 1 January 2019 based on existing lease agreements, a large portion of which are already managed as finance leases.

No other IFRS or IFRIC interpretations that are not yet effective are expected to have any 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 operating segments Business Area Sweden, Business Area South Korea and Business Area Norway. Operations also include the Service Centre and Research & Development segment. The business areas are geographic organisations, with the head of each business area reporting directly to the President & CEO.

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).

All employees in Sweden are employed by subsidiary Scandinavian Biogas Fuels AB in the Service Centre and R&D segment, which then invoices other Group companies for work performed. Business Area Sweden has therefore reported personnel costs as intra-group consultant fees in other external costs through December 2018.

As part of the reorganisation concluded in late 2018, a large share of costs previously reported in Service Centre and R&D are reported in the business areas as from 1 January 2019. Among other things, Business Area Sweden will report direct personnel costs as from 2019. Comparative periods show values identical to those from the periods in which they were recognised and have not been restated.

| Income statement by segment   | 1 April - 30<br>June 2019 | 1 April - 30<br>June 2018 | 1 January - 30<br>June 2019 | 1 January - 30<br>June 2018 | 1 January - 31<br>December 2018 |
|---|---------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------------|
| <b>Operating income</b>   |                           |                           |                             |                             |                                 |
| Business Area Sweden  | 62,665                    | 55,033                    | 125,045                     | 109,827                     | 220,440                         |
| <i>of which, external revenue</i>   | 63,808                    | 54,093                    | 124,644                     | 106,885                     | 217,498                         |
| <i>of which, internal revenue</i>   | -1,143                    | 940                       | 401                         | 2,942                       | 2,942                           |
| Business Area South Korea   | 12,905                    | 12,831                    | 26,182                      | 23,966                      | 52,215                          |
| <i>of which, external revenue</i>   | 12,905                    | 12,831                    | 26,182                      | 23,966                      | 52,215                          |
| Business Area Norway  | 26,769                    | 2,968                     | 52,473                      | 5,192                       | 29,718                          |
| <i>of which, external revenue</i>   | 26,687                    | 2,968                     | 52,207                      | 5,192                       | 29,718                          |
| <i>of which, internal revenue</i>   | 82                        | -                         | 266                         | -                           | -                               |
| Service Centre and R&D  | 1,578                     | 9,943                     | 4,143                       | 18,023                      | 44,859                          |
| <i>of which, external revenue</i>   | 280                       | 1,833                     | 680                         | 4,245                       | 10,781                          |
| <i>of which, internal revenue</i>   | 1,438                     | 8,110                     | 3,463                       | 13,778                      | 34,078                          |
| Eliminations  | -1,463                    | -9,050                    | -3,890                      | -16,720                     | -37,020                         |
| <b>Group total</b>  | <b>102,454</b>            | <b>71,725</b>             | <b>203,953</b>              | <b>140,288</b>              | <b>310,212</b>                  |
| <b>Raw materials and consumables</b>  |                           |                           |                             |                             |                                 |
| Business Area Sweden  | -29,310                   | -29,028                   | -59,783                     | -58,777                     | -116,747                        |
| Business Area South Korea   | -6,321                    | -6,153                    | -12,853                     | -11,676                     | -31,919                         |
| Business Area Norway  | -15,608                   | -                         | -28,715                     | -                           | -17,712                         |
| Service Centre and R&D  | -8                        | -478                      | 392                         | -968                        | -2,316                          |
| Eliminations  | 68                        | 395                       | 70                          | 878                         | 2,358                           |
| <b>Group total</b>  | <b>-51,179</b>            | <b>-35,264</b>            | <b>-100,889</b>             | <b>-70,543</b>              | <b>-166,336</b>                 |
| <b>Gross profit/loss</b>  |                           |                           |                             |                             |                                 |
| Business Area Sweden  | 33,355                    | 26,005                    | 65,262                      | 51,050                      | 103,693                         |
| Business Area South Korea   | 6,584                     | 6,678                     | 13,329                      | 12,290                      | 20,296                          |
| Business Area Norway  | 11,161                    | 2,968                     | 23,758                      | 5,192                       | 12,006                          |
| Service Centre and R&D  | 1,570                     | 9,465                     | 4,535                       | 17,055                      | 42,543                          |
| Eliminations  | -1,395                    | -8,655                    | -3,820                      | -15,842                     | -34,662                         |
| <b>Group total</b>  | <b>51,275</b>             | <b>36,461</b>             | <b>103,064</b>              | <b>69,745</b>               | <b>143,876</b>                  |
| <b>Other external costs</b>   |                           |                           |                             |                             |                                 |
| Business Area Sweden  | -8,575                    | -17,432                   | -17,523                     | -27,886                     | -60,386                         |
| Business Area South Korea   | -2,638                    | -3,012                    | -4,389                      | -5,459                      | -11,692                         |
| Business Area Norway  | -4,508                    | -4,140                    | -8,510                      | -5,885                      | -13,575                         |
| Service Centre and R&D  | -3,471                    | -5,962                    | -7,534                      | -13,153                     | -25,252                         |
| Eliminations  | 1,415                     | 8,655                     | 3,840                       | 15,842                      | 29,241                          |
| <b>Group total</b>  | <b>-17,776</b>            | <b>-21,891</b>            | <b>-34,115</b>              | <b>-36,541</b>              | <b>-81,664</b>                  |
| <b>Personnel costs</b>  |                           |                           |                             |                             |                                 |
| Business Area Sweden  | -6,192                    | -                         | -12,641                     | -                           | -                               |
| Business Area South Korea   | -2,636                    | -2,568                    | -5,337                      | -4,742                      | -9,686                          |
| Business Area Norway  | -3,248                    | -2,243                    | -7,348                      | -5,344                      | -13,183                         |
| Service Centre and R&D  | -3,746                    | -11,729                   | -7,362                      | -23,696                     | -45,590                         |
| Eliminations  | -8                        | -                         | -8                          | -                           | -                               |
| <b>Group total</b>  | <b>-15,830</b>            | <b>-16,540</b>            | <b>-32,696</b>              | <b>-33,782</b>              | <b>-68,459</b>                  |
| <b>EBITDA</b>   |                           |                           |                             |                             |                                 |
| Business Area Sweden  | 18,588                    | 8,573                     | 35,098                      | 23,164                      | 43,307                          |
| Business Area South Korea   | 1,310                     | 1,098                     | 3,603                       | 2,089                       | -1,082                          |
| Business Area Norway  | 3,404                     | -3,415                    | 7,899                       | -6,037                      | -14,752                         |
| Service Centre and R&D  | -5,634                    | -8,226                    | -10,348                     | -19,794                     | -28,299                         |
| Eliminations  | -                         | -                         | -                           | -                           | -5,421                          |
| <b>Group total</b>  | <b>17,669</b>             | <b>-1,970</b>             | <b>36,253</b>               | <b>-578</b>                 | <b>-6,247</b>                   |
| Depreciation, amortisation and<br>impairment of tangible and intangible<br>assets | -21,705                   | -13,494                   | -43,089                     | -26,261                     | -64,057                         |
| Other operating expenses  | -396                      | -124                      | -716                        | -1,282                      | -1,504                          |
| <b>Total operating expenses</b>   | <b>-55,708</b>            | <b>-52,049</b>            | <b>-110,616</b>             | <b>-97,866</b>              | <b>-215,684</b>                 |
| <b>Operating profit/loss</b>  | <b>-4,433</b>             | <b>-15,588</b>            | <b>-7,553</b>               | <b>-28,121</b>              | <b>-71,808</b>                  |
| Net currency differences  | -1,795                    | 4,400                     | 775                         | 5,241                       | 3,794                           |
| Financial income  | 36                        | 46                        | 65                          | 65                          | 161                             |
| Financial expense   | -17,590                   | -10,140                   | -29,607                     | -20,999                     | -49,238                         |
| <b>Net financial items</b>  | <b>-19,349</b>            | <b>-5,694</b>             | <b>-28,767</b>              | <b>-15,693</b>              | <b>-45,283</b>                  |
| <b>Profit/loss before tax</b>   | <b>-23,782</b>            | <b>-21,282</b>            | <b>-36,320</b>              | <b>-43,814</b>              | <b>-117,091</b>                 |
| Income tax  | 437                       | 24                        | 684                         | 34                          | 7,163                           |
| <b>Profit/loss for the period</b>   | <b>-23,345</b>            | <b>-21,258</b>            | <b>-35,636</b>              | <b>-43,780</b>              | <b>-109,928</b>                 |

| Operating income by segment            | 1 April - 30<br>June 2019 | 1 April - 30<br>June 2018 | 1 January - 30<br>June 2019 | 1 January - 30<br>June 2018 | 1 January - 31<br>December 2018 |
|--|---------------------------|---------------------------|-----------------------------|-----------------------------|---------------------------------|
| <b>Business Area Sweden</b>            | <b>62,653</b>             | <b>55,033</b>             | <b>125,033</b>              | <b>109,827</b>              | <b>220,440</b>                  |
| <i>Sale of goods</i>                   | 50,105                    | 47,825                    | 99,207                      | 95,230                      | 188,701                         |
| <i>Sale of services</i>                | 4,145                     | 4,900                     | 8,501                       | 9,783                       | 19,294                          |
| <i>Capitalised work on own account</i> | 1,610                     | -                         | 2,750                       | -                           | 9,503                           |
| <i>Other external operating income</i> | 6,780                     | 1,368                     | 14,161                      | 1,872                       | -                               |
| <i>Other internal operating income</i> | 13                        | 940                       | 414                         | 2,942                       | 2,942                           |
| <b>Business Area South Korea</b>       | <b>12,909</b>             | <b>12,831</b>             | <b>26,186</b>               | <b>23,966</b>               | <b>52,215</b>                   |
| <i>Sale of goods</i>                   | 3,070                     | 3,871                     | 7,348                       | 7,222                       | 15,741                          |
| <i>Sale of services</i>                | 9,839                     | 8,960                     | 18,838                      | 16,744                      | 36,474                          |
| <b>Business Area Norway</b>            | <b>26,700</b>             | <b>2,968</b>              | <b>52,404</b>               | <b>5,192</b>                | <b>29,718</b>                   |
| <i>Sale of goods</i>                   | 22,195                    | -                         | 42,290                      | -                           | 14,516                          |
| <i>Sale of services</i>                | 272                       | -                         | 355                         | -                           | -                               |
| <i>Capitalised work on own account</i> | 2,461                     | 1,332                     | 6,393                       | 3,254                       | 7,668                           |
| <i>Other external operating income</i> | 1,772                     | 1,636                     | 3,366                       | 1,938                       | 7,534                           |
| <b>Service Centre and R&amp;D</b>      | <b>1,603</b>              | <b>9,943</b>              | <b>4,168</b>                | <b>18,023</b>               | <b>44,859</b>                   |
| <i>Sale of services</i>                | -                         | 301                       | -                           | 505                         | 509                             |
| <i>Re-invoicing</i>                    | -                         | 14                        | -                           | 14                          | -                               |
| <i>Intra-group sales</i>               | 1,437                     | 8,110                     | 2,836                       | 13,638                      | 33,938                          |
| <i>Capitalised work on own account</i> | -                         | 1,326                     | -                           | 2,124                       | 5,409                           |
| <i>Other external operating income</i> | 166                       | 192                       | 705                         | 1,602                       | 4,864                           |
| <i>Other internal operating income</i> | -                         | -                         | 627                         | 140                         | 140                             |
| <b>Eliminations</b>                    | <b>-1,411</b>             | <b>-9,050</b>             | <b>-3,838</b>               | <b>-16,720</b>              | <b>-37,020</b>                  |
| <b>Group total</b>                     | <b>102,454</b>            | <b>71,725</b>             | <b>203,953</b>              | <b>140,288</b>              | <b>310,212</b>                  |

#### Note 4 Tangible assets

Investments in tangible assets during the first six months of 2019 totalled SEK 23.1 million (21.8).

The Group capitalised borrowing costs on qualifying assets in the amount of SEK 1.0 million (5.6) during the interim period.

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

|   | 30 June 2019   | 30 June 2018   | 31 Dec 2018    |
|---|----------------|----------------|----------------|
| Buildings and land                      | 159,206        | 111,907        | 109,298        |
| Plant and machinery                     | 174,944        | 153,970        | 170,410        |
| Equipment, tools, fixtures and fittings | 13,989         | 7,211          | 5,867          |
| Construction work in progress           | 0              | 6,974          | 6,974          |
| <b>Carrying amount</b>                  | <b>348,139</b> | <b>280,062</b> | <b>292,549</b> |

The Group applied a discount rate of 3.20% for Business Area Sweden, as this corresponds to the interest rate on current bank loans and is on a par with the current ground rent interest rate. The discount rate applied for Business Area Norway was 4.43%, corresponding to the interest rate on the business area's current bank loans.

With the transition to IFRS 16, several previous operating leases are now included in the overview presented above. There is also a difference in the discount rate, and the assets were depreciated during the interim period. Changes to accounting policy IAS 17 and the Group's previous calculations have been systemised to comply with IFRS 16. During the interim period EBITDA was improved by approximately SEK 16.0 million, as IFRS 16 reduces operating expenses while simultaneously increasing aggregate depreciation/amortisation and financial expense by a corresponding amount. The change for the 1 January–30 June 2019 period is presented below:



|  | <b>1 Jan 2019</b> |
|--|-------------------|
| Opening carrying amount less construction work in progress:      | 285,575           |
| <u>Additional rights of use:</u>                                 |                   |
| Buildings  | 1,947             |
| Land   | 47,193            |
| Vehicles   | 726               |
| Equipment, fixtures and fittings                                 | 11,838            |
| Change to accounting policy and change during the interim period | 860               |
| <b>Carrying amount 30 June 2019</b>                              | <b>348,139</b>    |

#### **Note 5 Other non-current receivables**

| <b>Group</b>             | <b>30 June 2019</b> | <b>30 June 2018</b> | <b>31 Dec 2018</b> |
|--------------------------|---------------------|---------------------|--------------------|
| Restricted bank balances | 11,368              | 22,414              | 10,688             |
| Other                    | 3,226               | 3,600               | 3,560              |
| <b>Total</b>             | <b>14,594</b>       | <b>26,014</b>       | <b>14,248</b>      |

#### **Note 6 Other current receivables**

Other current receivables include SEK 38.6 million (39.0) related to the accrued delay penalty for the facility in Skogn.

#### **Note 7 Borrowings**

The carrying amount and fair value of non-current borrowing are as follows (the corporate bond maturing in February 2020 is entered as current borrowing for Q1 and Q2 2019):

|                                       | <u>Carrying amount</u> |                     |                    | <u>Fair value</u>   |                     |                    |
|---------------------------------------|------------------------|---------------------|--------------------|---------------------|---------------------|--------------------|
|                                       | <b>30 June 2019</b>    | <b>30 June 2018</b> | <b>31 Dec 2018</b> | <b>30 June 2019</b> | <b>30 June 2018</b> | <b>31 Dec 2018</b> |
| Liabilities to credit institutions    | 292,221                | 303,384             | 283,422            | 292,221             | 303,384             | 283,422            |
| Corporate bond                        | -                      | 226,202             | 227,402            | -                   | 232,389             | 225,102            |
| Liabilities related to finance leases | 323,876                | 278,370             | 287,821            | 323,876             | 278,370             | 287,821            |
| Other non-current borrowings          | 21,992                 | 34,925              | 55,170             | 21,992              | 34,925              | 55,170             |
| <b>Total</b>                          | <b>638,089</b>         | <b>842,881</b>      | <b>853,815</b>     | <b>638,089</b>      | <b>849,068</b>      | <b>851,515</b>     |

The fair value of current borrowing corresponds to the carrying amount, as the discounting effect is not of a material nature. At 30 June 2019 the corporate bond's carrying amount was SEK 226,202 thousand and its fair value was SEK 231,262 thousand.

With the transition to IFRS 16, the standard now covers several previous operating leases, resulting in a significant increase in current and non-current lease-related liabilities. A summary of the changes is presented below:

|   | <b>1 Jan 2019</b> |
|---|-------------------|
| Opening carrying amount less construction work in progress:       | 304,551           |
| <u>Additional lease agreements (amount as per rights of use):</u> |                   |
| Buildings   | 1,947             |
| Land  | 47,193            |
| Vehicles  | 726               |
| Equipment, fixtures and fittings                                  | 11,838            |
| Change to accounting policy and change during the interim period  | -14,629           |
| <b>Carrying amount 30 June 2019</b>                               | <b>351,626</b>    |

## Note 8 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 expenses and amortisation/depreciation and impairment of tangible and intangible assets.

| <b>EBITDA</b>  | <b>1 April - 30 June 2019</b> | <b>1 April - 30 June 2018</b> | <b>1 January - 30 June 2019</b> | <b>1 January - 30 June 2018</b> | <b>1 January - 31 December 2018</b> |
|--|-------------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------------|
| Operating results  | -4,433                        | -15,588                       | -7,553                          | -28,121                         | -71,808                             |
| -Depreciation, amortisation and impairment of tangible and intangible assets | 21,706                        | 13,494                        | 43,090                          | 26,261                          | 64,057                              |
| -Other operating expenses  | 395                           | 124                           | 715                             | 1,282                           | 1,504                               |
| <b>EBITDA</b>  | <b>17,668</b>                 | <b>-1,970</b>                 | <b>36,252</b>                   | <b>-578</b>                     | <b>-6,247</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 April - 30 June 2019</b> | <b>1 April - 30 June 2018</b> | <b>1 January - 30 June 2019</b> | <b>1 January - 30 June 2018</b> | <b>1 January - 31 December 2018</b> |
|--------------------------------|-------------------------------|-------------------------------|---------------------------------|---------------------------------|-------------------------------------|
| Total revenues                 | 102,453                       | 71,725                        | 203,952                         | 140,288                         | 310,212                             |
| -Raw materials and consumables | -51,179                       | -35,264                       | -100,889                        | -70,543                         | -166,336                            |
| <b>Gross profit/loss</b>       | <b>65,992</b>                 | <b>36,461</b>                 | <b>103,063</b>                  | <b>69,745</b>                   | <b>143,876</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. Subordinated loans at the end of the interim period totalled SEK 22.0 million (5.5) and pertain to loans from the main shareholders to the Parent Company, and to loans from minority shareholders in Biokraft Holding AS to that company.

| <b>ADJUSTED EQUITY/ASSETS RATIO</b>                        | <b>30 June 2019</b> | <b>30 June 2018</b> | <b>31 Dec 2018</b> |
|--|---------------------|---------------------|--------------------|
| Total equity (incl. non-controlling interests)             | 180,197             | 204,486             | 131,893            |
| Subordinated loans (incl. Enova)                           | 110,462             | 107,373             | 138,375            |
|  | 290,659             | 311,859             | 270,268            |
| Total assets   | 1,275,411           | 1,205,312           | 1,234,842          |
| Grant from Enova and change to accounting policy (IFRS 16) | 25,906              | 72,448              | 83,205             |
|  | 1,300,022           | 1,277,760           | 1,318,047          |
| <b>Adjusted equity/assets ratio</b>                        | <b>22.4%</b>        | <b>24.4%</b>        | <b>20.5%</b>       |

**Note 10      Events after the end of the period**

No significant events took place after the end of the period with the exception of the completion of the rights issue, which totalled SEK 10.2 million before transaction costs. The Board of Directors also resolved to conduct a directed share issue totalling SEK 60.4 million before transaction costs. A total of SEK 70.6 million will be contributed to equity.

This interim report has not been audited.

The next interim report will be published and made available on [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com) on 31 October 2019.

Stockholm, 15 August 2019

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

Stefan Engström  
Board member

Lars Bengtsson  
Board member