

Scandinavian Biogas Fuels International AB (publ)

Corp. ID no. 556528-4733

Interim report for the period 1 January – 30 June 2017

EBITDA for second quarter 2017 nearly doubled year-on-year. The Group conducted two share issues and a subsequent bond issue.

Second quarter in brief

- Net sales totalled SEK 65.7 million (61.6.), a 6.6% increase
- EBITDA was SEK +12.2 million (+6.4), a 92.2% improvement
- The Group posted an operating loss of SEK 0.7 million (-5.6)
- The Group posted a loss after tax of SEK 19.5 million (-9.6), the change is mainly attributable to exchange losses
- A directed share issue and a preferential rights issue (17.8% over-subscription) were conducted, representing a gross contribution of SEK 66.6 million
- Subsequent bonds totalling SEK 30 million were issued in June 2017 within the framework of the Company's outstanding bond loan

First half-year in brief

- The plant at Södertörn was granted a new environmental permit in January, which entitles the facility to receive 260 000 tonnes (previously 50 000 tonnes) of organic waste and produce 20 million Nm³ of biogas
- The evaporation plant at Södertörn was commissioned in March
- Net sales totalled SEK 131.2 million (114.4), a 14.7% increase
- EBITDA was SEK +22.7 million (+13.4), a 70.0% improvement
- The Group posted an operating loss of SEK 3.0 million (-8.7)
- The Group posted a loss after tax of SEK 23.8 million (-21.0), the change is mainly attributable to exchange losses

Significant events after the end of the interim period

- As part of the Group's strategic plan, the Board of Directors and Group management have begun working on a prospective listing of the Company's share in a suitable marketplace

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

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

Operations

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

Scandinavian Biogas Fuels International AB (publ) is registered and headquartered in Stockholm. On 30 June 2017, the Group had 44 (43) employees in Sweden, 22 (21) in South Korea and 9 (4) in Norway.

Group

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

Financial overview

Group (SEK thousand)

	1 April - 30 June 2017	1 April - 30 June 2016	1 January - 30 June 2017	1 January - 30 June 2016	1 January - 31 December 2016
	<i>3 months</i>	<i>3 months</i>	<i>6 months</i>	<i>6 months</i>	<i>12 months</i>
Net sales	65 700	61 642	131 249	114 392	242 610
EBITDA	12 222	6 358	22 729	13 369	21 972
Operating results	-730	-5 558	-3 035	-8 694	-24 580
Balance sheet total	1 178 616	1 041 735	1 178 616	1 041 735	1 026 648
Adjusted equity/assets ratio	28.4%	24.1%	28.4%	24.1%	25.5%

Consolidated net sales for second quarter 2017 totalled SEK 65.7 million (61.6), a year-on-year increase of 6.6 per cent. For the first half-year period, net sales increased 14.7 per cent to SEK 131.2 million (114.4). The increase is mainly attributable to increased biogas sales in Sweden. Total revenues amounted to SEK 74.6 million (65.9) for the April – June 2017 period and SEK 145.1 million (122.4) for the first half-year. Other external costs increased during the interim period, due primarily to increased maintenance costs and an accounting principle change made by a subsidiary (between raw materials and other external costs; see Note 2, Summary of Key Accounting Principles). Personnel costs also increased due to the addition of personnel, mainly in Norway. Consolidated EBITDA nearly doubled year-on-year during the second quarter, totalling SEK +12.2 million (+6.4). Consolidated EBITDA for first half-year 2017 totalled SEK 22.7 million (13.4), a 70 per cent increase. The increase is mainly due to improved profitability at the Södertörn facility.

The Group posted an operating loss of SEK 0.7 million (-5.6) for the April – June 2017 period and SEK 3.0 million (-8.7) for the first half-year, a year-on-year improvement of 65 per cent.

The Group posted a loss after tax of SEK 19.5 million (-9.6) for the April – June 2017 period, of which SEK -8.8 million (+3.3) is attributable to unrealised exchange rate fluctuations. For the first half-year period, the Group posted a loss after tax of 23.8 million (-21.0), of which SEK -2.7 million (+3.2) is attributable to unrealised exchange rate fluctuations.

Total assets at 30 June 2017 amounted to SEK 1 178.6 million (1 041.7), a 13 per cent year-on-year increase. Finance lease-related borrowing totalled SEK 255.5 million (259.9). The issues conducted during the second quarter increased consolidated equity by SEK 64.8 million after issue expenses. Equity was also impacted by net profit/loss for the period and a contribution in the form of a SEK 15.1 million new share issue from non-controlling interests.

The consolidated cash balance was SEK 106.1 million (128.4) at 30 June 2017.

Investments

Investments in tangible and intangible assets during the first half-year totalled SEK 120 million (160). At 30 June 2017 the Group had commitments to make further investments, mainly in the new biogas plant outside Trondheim, Norway.

The carrying amount of the Group's tangible and intangible assets was SEK 933 million (802) at 30 June 2017, of which SEK 246 million (254) pertains to objects leased by the Group through long-term finance lease agreements.

Significant event during the period

New environmental permit for Södertörn

The facility at Södertörn was granted a new environmental permit in January 2017. Under the new permit, the facility is entitled to process up to 260 000 tonnes of organic waste (compared with the former permit's limit of 50 000 tonnes) and to increase biogas production to 20 million normal cubic metres (Nm³) of upgraded biogas, or about 200 GWh. The environmental permit gives the Group numerous new opportunities to develop the facility at Södertörn.

Evaporator

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

Share issues

A directed share issue of SEK 42.9 million was conducted in April 2017. Wipunen varainhallinta Oy subscribed for 11 million shares, representing an approximate 10 per cent dilution for existing shareholders. The subscription price was SEK 3.90 per share.

A preferential rights issue of approximately SEK 23.4 million was conducted in May 2017. Eighty-five per cent of the issue was subscribed through subscription rights, with the remaining 15 per cent subscribed without subscription rights. A total of nearly 7.1 million shares were subscribed, representing an over-subscription of approximately 1.1 million shares, or 17.8 per cent. The subscription price was SEK 3.90 per share. The loans taken out early in the year were offset in conjunction with the preferential rights issue. The offset loans, including interest, totalled SEK 16.8 million, injecting a gross amount of SEK 6.6 million of new capital into the Company.

Issue of subsequent bonds

An additional SEK 30 million in bonds were issued in June 2017 within the scope of the Company's outstanding bond loan. Following the issue, the company's outstanding bond loan is SEK 230 million and carries a 3-month STIBOR +9.75 per cent interest rate. The subsequent bond was priced at 100.5 per cent of the nominal value and listed on NASDAQ Stockholm on 18 August 2017. The issue proceeds have been and will be used to finance additional investments in the Biokraft project in Skogn, Norway and to amortise external loans.

Production and sales

Business area Sweden

Operations in Sweden produced a total of 10.4 million Nm³ (8.0) of biogas during the interim period, corresponding to approximately 104 GWh (80). The production increase is attributable to the 100+ per cent capacity increase at Henriksdal and an increase in production at Södertörn. An average of 148 tonnes (141) of organic waste was processed per day.

Business area South Korea

The facility in South Korea received an average of 187 tonnes (191) of food waste per day during the January – June 2017 period. Sales of raw gas during the same period amounted to 4.9 million Nm³ (4.2), or approximately 34 GWh (29). A total of 5.5 million Nm³ (5.3) of raw gas was produced.

Ongoing investment projects

Skogn, Norway

Construction of a production plant for liquid biogas in Skogn, outside Trondheim, Norway, commenced in August 2015. The project is ongoing and scheduled for commissioning during the second half of 2017. Production capacity is estimated at 12 Nm³ of liquid biogas, or approximately 120 GWh, at full capacity. Long-term sales contracts for all planned biogas production are in place and long-term access to most feedstock supply is secured through contracts with main feedstock suppliers.

Financing

The business is financed by way of equity, loans from external creditors and finance leasing. In Sweden, a major portion of the production facilities are leased under 25-year lease agreements. Non-current interest-bearing liabilities, exclusive of finance leases, totalled SEK 416.1 million (288.7) as at 30 June 2017. The Group's cash balances totalled SEK 106.1 million (128.4) on that date.

The two new share issues conducted during second quarter 2017 contributed a total of SEK 64.8 million to consolidated equity, after issue expenses. The funds have been and will be used for outstanding investments in the Södertörn facility and to strengthen consolidated liquidity. The first issue was directed to Wipunen varainhallinta Oy, the Group's third-largest shareholder as at the close of the half-year period, with 10.3 per cent of the shares. The second issue was a preferential rights issue subscribed 85 per cent through subscription rights, with the remainder subscribed without subscription rights. The loans raised from several major shareholders early in the year were offset in conjunction with the preferential rights issue. The subscription price for both share issues was SEK 3.90 per share.

An additional SEK 30 million in bonds were issued in late June 2017 within the scope of the Company's outstanding bond loan. Following the issue, the company's outstanding bond loan is SEK 230 million and carries a 3-month STIBOR plus 9.75 per cent interest rate. The subsequent bond was priced at 100.5 per cent of the nominal value and listed on NASDAQ Stockholm on 18 August 2017. The issue proceeds have been and will be used to finance additional investments in the Biokraft project in Skogn, Norway and to amortise external loans.

The additional financing requirement for the Biokraft project is estimated at approximately NOK 55 million. NOK 30 million of this amount has been provided to the project via the issue of new shares: approximately NOK 15 million from TrønderEnergi in late June and approximately NOK 15 million from Scandinavian Biogas Fuels International (as per participating interest) in early July. Pursuant to an agreement between the shareholders, the remaining NOK 25 million will be borrowed from shareholders in October 2017.

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

The share

The number of shares increased by 17 006 177 during second quarter 2017 and totalled 107 098 839 (90 092 662) at 30 June 2017. 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 Scandinavian Biogas Fuels International's assets and profit.

Warrants

Employees and the CEO held an aggregate of 565 000 (565 000) outstanding warrants at 30 June 2017. There was no change to the number of outstanding warrants during the interim period.

Ownership structure at 30 June 2017, %

AC Cleantech Growth Fund 1 Holding AB and related parties	29.3%
Bengtssons Tidnings AB and related parties	28.8%
Wipunen varainhallinta Oy	10.3%
Novator Biogas Sweden SARL	5.6%
Ajanta Oy and related parties	5.5%
Erik Danielsson and family, incl. company	5.1%
John Nurminen Oy and related parties	4.0%
Other	11.2%

Significant risks and operational uncertainties

Due to a dispute with one of the Södertörn facility's main suppliers, the Group has withheld the final payment due under the construction contract, as it deems that the counterparty failed to perform its duties under the contract. The counterparty has demanded that payment be made. An arbitration proceeding is underway and the Group has set aside the disputed amount. The counterparty has also demanded payment for alleged additional work performed. The Group denies any obligation to pay for the alleged additional work and has filed a counterclaim for fees and expenses incurred to rectify faulty deliveries, which exceeds the amount of the counterparty's claim.

The Group is considering taking legal action against Ulsan City due to its disagreements with the city concerning the Group's operations in Ulsan, South Korea.

One of the Group's suppliers to the project in Skogn, Norway, has claimed compensation of approximately NOK 52 million, mainly for groundwork. However, the Group previously entered into a settlement agreement with this supplier and is of the opinion that the current claim is included in the settlement amount.

The Group received new capital through the new share issues and, accordingly, financial risk within the Group decreased during the interim period.

Significant risks and uncertainties are detailed in the most recent annual report and the prospectus for the subsequent bond, both of which are available on www.scandinavianbiogas.com.

Related-party transactions

Loan agreements totalling SEK 16.3 million were signed with several major shareholders in early February. The loans, including interest, were offset by the preferential rights issue conducted during second quarter 2017. The loans carried fixed market rates relative to the corporate bond rate.

No other significant transactions with related parties were conducted during the interim period.

Parent Company

Operations

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

Net sales and financial performance

The Parent Company's total revenues amounted to SEK 0.3 million (0.3) during second quarter 2017 and SEK 0.6 million (0.8) during the first half-year of 2017. The decrease is due to re-invoicing passed on to subsidiaries last year, and corresponding costs are included in operating expenses. The Parent Company posted a loss after tax of SEK 11.7 million (-1.8) during second quarter 2017, with the change primarily attributable to a group contribution paid to a subsidiary during the second quarter.

Liquidity and financial position

The Parent Company conducted two new share issues, which contributed a total of approximately SEK 66 million to the Company, exclusive of issue expenses. Approximately SEK 30 million of subsequent bonds were also issued and were included in financial assets at the close of the half-year. Of this amount, approximately SEK 10 million was allocated to the project in Norway in July, in the form of a new share issue. Cash balances totalled SEK 24.3 million (5.5) at the close of the interim period. Total assets amounted to SEK 603.1 million (517.3) at that date.

No significant events or changes have taken place since publication of the 2016 annual report that have any bearing on the Group's or Parent Company's earnings or financial position other than those addressed in this report.

Significant events after the end of the period

As part of the Group's strategic plan, the Board of Directors and Group management have begun working on a prospective listing of the Company's share in a suitable marketplace. The Group is planning a listing during the first half-year 2018.

A Stockholm-area waste management company went out on strike in July, which limited the Group's supply of food waste for a few weeks.

Outlook

There is an enormous need for renewable energy that can replace fossil fuels, such as coal and oil, at reasonable prices. According to various studies of renewable alternatives that can be mass-produced, interest in biogas has increased in the Nordic region. This in turn bolsters demand for biogas, which is expected to gain further traction as it becomes more available. However, the current low market price of fossil energy causes some uncertainty as to the biogas market price as well as the growth of and new investments in renewable energy.

The Group's long-term goal is to utilise Scandinavian Biogas's expertise and experience to ensure the expansion of biogas supply 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 per cent increase in average annual biogas sales and deliveries. In the first stage, the Company's ambition is to achieve total capacity of one TWh. Growth can be based on own production or on contractual knowledge management.

In recent years, the Group has pursued increased production in the Stockholm area – an effort that remains under way. The combined full technical capacity of all plants in Sweden is estimated at over 30 million Nm³ of fuel-quality biogas, or 300 GWh. The new environmental permit at Södertörn also enables us to sharply increase production at Södertörn over time. The plant in South Korea is expected to continue to have an annual production capacity of about 65 GWh. In addition, the annual production capacity in Norway is estimated at 12 million Nm³ of liquid biogas, or about 120 GWh. With its current plants and ongoing projects, the Group's total production capacity is expected to be close to 500 GWh at full capacity.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in SEK thousand

	1 April - 30 June 2017	1 April - 30 June 2016	1 January - 30 June 2017	1 January - 30 June 2016	1 January - 31 December 2016
Operating income					
Net sales	65 700	61 642	131 249	114 392	242 610
Capitalised work on own account	4 608	4 005	9 090	7 576	16 129
Other operating income	4 300	297	4 716	419	7 439
Total	74 608	65 944	145 055	122 387	266 178
Operating expenses					
Raw materials and consumables	-32 095	-31 410	-62 990	-59 974	-136 343
Other external costs	-13 848	-13 473	-26 687	-21 038	-51 404
Personnel costs	-16 443	-14 703	-32 649	-28 006	-56 459
Depreciation, amortisation and impairment of tangible and intangible assets	-12 843	-11 764	-25 195	-21 740	-45 979
Other operating expenses	-109	-152	-569	-323	-573
Total operating expenses	-75 338	-71 502	-148 090	-131 081	-290 758
Operating profit/loss	-730	-5 558	-3 035	-8 694	-24 580
Net exchange differences	-8 802	3 259	-2 711	3 159	7 141
Financial income	26	35	42	69	194
Financial expense	-9 954	-7 483	-18 013	-15 738	-31 490
Net financial items	-18 730	-4 189	-20 682	-12 510	-24 155
Profit/loss before taxes	-19 460	-9 747	-23 717	-21 204	-48 735
Income tax	-34	142	-88	170	1 039
Profit/loss for the period	-19 494	-9 605	-23 805	-21 034	-47 696
Other comprehensive income					
Actuarial results on post-employment benefits	-	-	-	-	-121
Exchange differences	-2 453	2 785	-350	881	3 325
Other comprehensive income for the period, net after tax	-2 453	2 785	-350	881	3 204
Total comprehensive income for the period	-21 947	-6 820	-24 155	-20 153	-44 492
All items in the Group's other comprehensive income may be reversed in the income statement.					
Profit/loss for the period attributable to:					
Parent Company shareholders	-18 111	-9 548	-22 607	-21 507	-45 552
Non-controlling interests	-1 383	-57	-1 198	473	-2 144
	-19 494	-9 605	-23 805	-21 034	-47 696
Total comprehensive income attributable to:					
Parent Company shareholders	-19 054	-8 510	-21 522	-21 187	-43 510
Non-controlling interests	-2 893	1 690	-2 633	1 034	-982
	-21 947	-6 820	-24 155	-20 153	-44 492

CONSOLIDATED BALANCE SHEET
Amounts in SEK thousand
Note **2017-06-30** **2016-06-30** **2016-12-31**
ASSETS
Non-current assets
Intangible assets

Capitalised development costs		14 755	13 577	13 472
Concessions and similar rights		99 367	106 472	103 714
Patents and licences		125	146	126
Goodwill		6 523	4 989	6 807
Total intangible assets		120 770	125 184	124 119

Tangible assets
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Buildings and land		192 286	201 363	196 824
Plant and machinery		292 323	278 519	267 152
Equipment, tools, fixtures and fittings		11 148	13 257	12 951
Construction work in progress		316 353	183 419	239 488
Total tangible assets		812 110	676 558	716 415

Financial assets

Deferred tax assets		7 297	6 257	7 601
Other non-current receivables	<i>6</i>	51 440	8 077	22 564
Total financial assets		58 737	14 334	30 165

Other non-current assets

Accrued income and prepaid expenses		2 444	2 889	2 667
Total other non-current assets		2 444	2 889	2 667

Total non-current assets		994 061	818 965	873 366
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Current assets
Inventories, etc.

Raw materials and consumables		404	833	661
Total inventories		404	833	661

Current receivables

Trade accounts receivable		33 343	35 233	36 806
Other receivables		31 286	52 374	28 952
Prepaid expenses and accrued income		13 383	5 960	12 992
Cash and cash equivalents		106 139	128 370	73 871
Total current receivables		184 151	221 937	152 621

Total current assets		184 555	222 770	153 282
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TOTAL ASSETS		1 178 616	1 041 735	1 026 648
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CONSOLIDATED BALANCE SHEET, continued
Amounts in SEK thousand
Note **2017-06-30** **2016-06-30** **2016-12-31**
EQUITY
Equity attributable to
Parent Company shareholders

Share capital		21 420	18 019	18 019
Other paid-in capital		754 684	693 305	693 305
Reserves		2 908	-687	1 136
Retained earnings including comprehensive income for the period		-563 437	-515 997	-540 143
		215 575	194 640	172 317

Non-controlling interests

		66 469	55 822	53 962
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Total equity		282 044	250 462	226 279
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LIABILITIES
Non-current liabilities

Borrowings	7	657 556	537 150	612 736
Deferred tax liabilities		2 069	1 806	1 968
Other provisions		9 929	8 157	9 375
Total non-current liabilities		669 554	547 113	624 079

Current liabilities

Borrowings	7	76 136	25 938	27 928
Loans from shareholders	7	19	19	19
Accounts payable		89 209	154 712	95 775
Other liabilities		16 552	22 631	13 013
Accrued expenses and deferred income		45 102	40 860	39 555
Total current liabilities		227 018	244 160	176 290

TOTAL EQUITY AND LIABILITIES
1 178 616 **1 041 735** **1 026 648**

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	Reserves	Retained earnings	Total		
Opening balance, 1 Jan 2016	18 019	693 305	-1 008	-494 489	215 827	1 987	217 814
Profit/loss for the period				-21 507	-21 507	473	-21 034
Other comprehensive income							
Exchange differences			321	-1	320	561	881
Total comprehensive income			321	-21 508	-21 187	1 034	-20 153
Non-controlling interest arising from acquisition of subsidiaries					-	52 801	52 801
Total contributions from and distributions to shareholders, recognised directly in equity	-	-	-	-	-	52 801	52 801
Closing balance, 30 June 2016	18 019	693 305	-687	-515 997	194 640	55 822	250 462
Opening balance, 1 Jan 2017	18 019	693 305	1 136	-540 143	172 317	53 962	226 279
Profit/loss for the period				-22 607	-22 607	-1 198	-23 805
Other comprehensive income							
Exchange differences			1 772	-687	1 085	-1 435	-350
Total comprehensive income			1 772	-23 294	-21 522	-2 633	-24 155
New share issues	3 401	62 923			66 324		66 324
Issue expenses		-1 544			-1 544		-1 544
Shareholders' contribution from non-controlling interests					-	15 140	15 140
Total contributions from and distributions to shareholders, recognised directly in equity	3 401	61 379	-	-	64 780	15 140	79 920
Closing balance, 30 June 2017	21 420	754 684	2 908	-563 437	215 575	66 469	282 044

CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts in SEK thousand

	<i>Note</i>	1 April - 30 June 2017	1 April - 30 June 2016	1 January - 30 June 2017	1 January - 30 June 2016	1 January - 31 December 2016
Cash flow from operating activities						
Operating profit/loss before financial items		-730	-5 558	-3 035	-8 694	-24 580
Amortisation/depreciation		12 843	11 764	25 195	21 740	45 979
Other non-cash items		-3 365	3 502	-3 386	2 701	5 051
Interest received		26	35	42	69	194
Interest paid		-8 036	-9 109	-16 193	-15 084	-36 265
Cash flow from operating activities before changes in working capital		738	634	2 623	732	-9 621
Cash flow from changes in working capital						
Increase/decrease in inventories		186	-249	257	-249	-77
Increase/decrease in operating receivables		-10 658	-1 677	738	-3 872	-30 268
Increase/decrease in operating liabilities		7 282	31 718	2 382	4 690	15 216
Total changes in working capital		-3 190	29 792	3 377	569	-15 129
Cash flow from operating activities		-2 452	30 426	6 000	1 301	-24 750
Cash flow from investing activities						
Acquisition of intangible assets		-1 628	-935	-1 988	-1 564	-2 173
Acquisition of tangible assets		-45 849	-33 423	-110 641	-112 260	-200 909
Investments in subsidiaries		-	-50	-	42 974	42 974
Divestment/amortisation of other financial assets		112	110	223	224	447
Restricted bank balances and other changes in financial assets	6	-29 723	-	-29 778	-	-21 094
Cash flow from investing activities		-77 088	-34 298	-142 184	-70 626	-180 755
Cash flow from financing activities						
New share issue		64 780	-	64 780	-	-
Loans raised	7	53 184	994	106 422	192 369	280 696
Loan amortisation		-7 029	-4 823	-16 601	-60 046	-67 184
Contribution to/from minority shareholders		15 140	-	15 140	-	-
Cash flow from financing activities		126 075	-3 829	169 741	132 323	213 512
Total cash flow for the period		46 535	-7 701	33 557	62 998	8 007
Decrease/increase in cash and cash equivalents						
Cash and cash equivalents at beginning of period		61 342	135 607	73 871	64 879	64 879
Exchange differences in cash and cash equivalents		-1 738	464	-1 289	493	985
Cash and cash equivalents at end of period		106 139	128 370	106 139	128 370	73 871

PARENT COMPANY INCOME STATEMENT
Amounts in SEK thousand

	1 April - 30 June 2017	1 April - 30 June 2016	1 January - 30 June 2017	1 January - 30 June 2016	1 January - 31 December 2016
Operating income					
Net sales	315	300	643	806	2 046
Total operating income	315	300	643	806	2 046
Operating expenses	-861	-1 048	-1 810	-2 061	-4 011
Operating profit/loss	-546	-748	-1 167	-1 255	-1 965
Net financial items	-2 492	-1 107	-3 558	-518	-1 706
Profit/loss before appropriations and tax	-3 038	-1 855	-4 725	-1 773	-3 671
Appropriations					
Group contributions paid/received	-7 000	-	-7 000	-	-14 000
Total appropriations	-7 000	-	-7 000	-	-14 000
Profit/loss before tax	-10 038	-1 855	-11 725	-1 773	-17 671
Income tax	-	-	-	-	-
Profit/loss for the period	-10 038	-1 855	-11 725	-1 773	-17 671

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

PARENT COMPANY BALANCE SHEET
Amounts in SEK thousand
Note **2017-06-30** **2016-06-30** **2016-12-31**
ASSETS
Non-current assets
Financial assets

Participations in group companies	<i>5</i>	202 966	187 810	187 810
Receivables from group companies		176 340	183 043	171 505
Other long-term receivables	<i>6</i>	29 674	-	-
Total financial assets		408 980	370 853	359 315

Total non-current assets		408 980	370 853	359 315
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Current assets
Current receivables

Receivables from group companies		169 586	140 871	144 227
Other receivables		99	21	8
Prepaid expenses and accrued income		86	67	119
Total current receivables		169 771	140 959	144 354

Cash and bank balances		24 309	5 513	682
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Total current assets		194 080	146 472	145 036
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TOTAL ASSETS		603 060	517 325	504 351
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PARENT COMPANY BALANCE SHEET, continued

Amounts in SEK thousand	<i>Note</i>	2017-06-30	2016-06-30	2016-12-31
EQUITY AND LIABILITIES				
Equity		331 101	293 943	278 045
Non-current liabilities				
Interest-bearing loans	7	224 456	194 098	194 921
Intra-group loans		23 000	23 000	23 000
Total non-current liabilities		247 456	217 098	217 921
Current liabilities				
Borrowings	7	19	19	19
Accounts payable		103	101	703
Liabilities to group companies		19 571	2 741	3 887
Other liabilities		-	-	95
Accrued expenses and deferred income		4 810	3 423	3 681
Total current liabilities		24 503	6 284	8 385
TOTAL EQUITY AND LIABILITIES		603 060	517 325	504 351

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 in SEK thousand. Figures in brackets pertain to the year-earlier period.

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

Note 2 Summary of key accounting policies

Scandinavian Biogas Fuels International AB (publ) applies the International Financial Reporting Standards (IFRS) as adopted by the European Union. This interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. The Parent Company's report has been prepared in accordance with Chapter 9 of the Annual Accounts Act and RFR 2, Accounting for Legal Entities. The interim report is to be read alongside the annual report for the financial year ending 31 December 2016.

Since the start of the year, one subsidiary has changed its accounting principle pertaining to certain costs previously reported as raw materials and consumables, which are now reported as other external costs. In all other respects, accounting policies conform to those applied in the preceding financial year. Comparative figures for the previous year have not been restated; if they had been, raw materials and consumables would have been approximately SEK 2.9 million lower and other external costs higher by a corresponding amount.

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

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

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

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

Note 3 Segment reporting

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

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

	1 April - 30 June 2017	1 April - 30 June 2016	1 January - 30 June 2017	1 January - 30 June 2016	1 January - 31 December 2016
Operating income					
Business area Sweden	58 943	50 765	114 904	92 607	195 087
<i>of which, external revenue</i>	58 811	50 669	114 724	92 506	194 526
<i>of which, internal revenue</i>	132	96	180	101	561
Business area South Korea	13 083	12 477	26 067	24 765	52 329
<i>of which, external revenue</i>	13 083	12 331	26 067	24 619	52 177
<i>of which, internal revenue</i>	-	146	-	146	152
Other business areas	2 714	2 944	4 264	5 262	19 475
<i>of which, external revenue</i>	2 714	2 944	4 264	5 262	19 475
<i>of which, internal revenue</i>	-	-	-	-	-
Eliminations	-132	-242	-180	-247	-713
Group total	74 608	65 944	145 055	122 387	266 178
Raw materials and consumables					
Business area Sweden	-25 832	-23 226	-52 141	-44 501	-96 692
Business area South Korea	-4 884	-5 922	-9 459	-11 380	-24 526
Other business areas	-1 511	-2 358	-1 570	-4 194	-15 686
Eliminations	132	96	180	101	561
Group total	-32 095	-31 410	-62 990	-59 974	-136 343
Gross profit/loss					
Business area Sweden	33 111	27 539	62 763	48 106	98 395
Business area South Korea	8 199	6 555	16 608	13 385	27 803
Other business areas	1 203	586	2 694	1 068	3 789
Eliminations	-	-146	-	-146	-152
Group total	42 513	34 534	82 065	62 413	129 835
Other external costs	-13 848	-13 473	-26 687	-21 038	-51 404
Personnel costs	-16 443	-14 703	-32 649	-28 006	-56 459
Depreciation, amortisation and impairment of tangible and intangible assets	-12 843	-11 764	-25 195	-21 740	-45 979
Other operating costs	-109	-152	-569	-323	-573
Total operating costs	-43 243	-40 092	-85 100	-71 107	-154 415
Operating profit/loss	-730	-5 558	-3 035	-8 694	-24 580
Net exchange differences	-8 802	3 259	-2 711	3 159	7 141
Financial income	26	35	42	69	194
Financial expenses	-9 954	-7 483	-18 013	-15 738	-31 490
Net financial items	-18 730	-4 189	-20 682	-12 510	-24 155
Profit/loss before tax	-19 460	-9 747	-23 717	-21 204	-48 735
Income tax	-34	142	-88	170	1 039
Profit/loss for the period	-19 494	-9 605	-23 805	-21 034	-47 696

Condensed balance sheet per segment	2017-06-30	2016-06-30	2016-12-31
<i>Non-current assets</i>			
Business area Sweden	595 103	561 477	558 863
Business area South Korea	100 497	113 969	104 770
Other business areas	298 461	143 519	209 733
Unallocated	-	-	-
Group total	994 061	818 965	873 366
<i>Current assets</i>			
Business area Sweden	105 361	110 962	78 771
Business area South Korea	18 532	19 132	23 931
Other business areas	60 662	92 676	50 580
Unallocated	-	-	-
Group total	184 555	222 770	153 282
Total assets, Group	1 178 616	1 041 735	1 026 648
<i>Non-current liabilities</i>			
Business area Sweden	272 986	334 263	327 872
Business area South Korea	9 929	13 592	12 167
Other business areas	162 183	5 160	89 119
Unallocated	224 456	194 098	194 921
Group total	669 554	547 113	624 079
<i>Current liabilities</i>			
Business area Sweden	141 900	111 215	103 881
Business area South Korea	13 458	18 250	20 426
Other business areas	71 660	114 695	51 983
Unallocated	-	-	-
Group total	227 018	244 160	176 290
Total liabilities, Group	896 572	791 273	800 369

Note 4 Tangible assets

Investments in tangible assets during the first six months of the year totalled SEK 119.9 million (159.5). The investments primarily pertain to the ongoing project in Norway.

The Group capitalised borrowing costs on qualifying assets in the form of new facilities in the amount of SEK 3.8 million (1.4) during the interim period.

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

	2017-06-30	2016-06-30	2016-12-31
Buildings and land	114 150	119 220	116 684
Plant and machinery	115 295	118 063	113 148
Equipment, tools, fixtures and fittings	9 209	11 996	10 589
Construction work in progress	6 974	4 970	6 971
Carrying amount	245 628	254 249	247 392

Note 5 Participations in group companies

Participations in group companies increased SEK 15.2 million during the interim period due to the decision to issue new shares in subsidiary Biokraft Holding AS.

Note 6 Other long-term receivables

Group	2017-06-30	2016-06-30	2016-12-31
Restricted bank balances	49 895	6 629	21 094
Other	1 545	1 447	1 471
Total	51 440	8 077	22 564

Parent Company	2017-06-30	2016-06-30	2016-12-31
Restricted bank balances	29 674	-	-
Total	29 674	-	-

Restricted bank balances are comprised of guarantees in subsidiaries for external loans and the subsequent bond issued by the Parent Company at the end of the interim period.

Note 7 Borrowing

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

	Carrying amount		Fair value	
	2017-06-30	2016-06-30	2017-06-30	2016-06-30
Liabilities to credit institutions	186 192	89 445	186 192	89 445
Corporate bonds	224 456	194 098	225 606	194 098
Liabilities related to finance leases	241 417	248 447	241 417	248 447
Other non-current borrowings	5 491	5 160	5 491	5 160

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

In February 2017, the Parent Company raised loans totalling SEK 16.3 million from several major shareholders. The loans, including interest, were offset by the preferential rights issue conducted in May 2017.

An additional NOK 75 million of the NOK 215 million loan facility from the Norwegian/Swedish bank consortium has been drawn on since the turn of the year. The debt totalled NOK 165 million at 30 June 2017.

One of the Group's loans from external lenders falls due during second quarter 2018 and has therefore been moved from non-current to current liabilities.

Note 8 Pledged assets and contingent liabilities

Group	Pledged assets		
	2017-06-30	2016-06-30	2016-12-31
Liens on assets	66 006	105 338	66 454
Pledged assets	323 600	-	239 416
Assets financed through finance leases	238 654	249 279	240 421
Shares in Scandinavian Biogas Stockholm AB	64 813	62 844	52 909
Shares in Scandinavian Biogas Korea Co., Ltd.	2 862	3 376	1 237
Shares in Scandinavian Biogas Sweden AB	13 012	34 369	17 540
Shares in Scandinavian Biogas Södertörn AB	7 125	4 234	17 956
Shares in Scandinavian Biogas Fuels i Varberg AB	78	79	79
Shares in Biokraft Holding AS	64 114	105 666	53 022
Group total	780 264	565 185	689 034

Parent Company	2017-06-30	2016-06-30	2016-12-31
Shares in Scandinavian Biogas Sweden AB	102 050	102 050	102 050
Shares in Scandinavian Biogas Fuels AB	27 341	27 341	27 341
Shares in Biokraft Holding AS	73 575	58 419	58 419
Pledged intra-group loan to Scandinavian Biogas Sweden AB	222 291	191 337	196 265
Parent Company total	425 257	379 147	384 075

Group	Contingent liabilities		
	2017-06-30	2016-06-30	2016-12-31
Contingent liability - subsidiary penalty fee	39 717	32 628	37 501
Contingent liability - subsidiary payment guarantees to suppliers	-	15 149	4 197
Contingent liability - subsidiary investment grants	8 188	-	5 363
Group total	47 905	47 777	47 062

Parent Company	2017-06-30	2016-06-30	2016-12-31
Contingent liability - subsidiary loans from credit institutions	33 500	36 500	35 500
Contingent liability - subsidiary payment guarantees to suppliers	-	15 149	4 197
Contingent liability - subsidiary investment grants	8 188	-	5 363
Parent Company total	41 688	51 649	45 060

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

Note 9 Definitions of key ratios
Operating results/EBIT

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

EBITDA

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

EBITDA	1 April - 30 June 2017	1 April - 30 June 2016	1 January - 30 June 2017	1 January - 30 June 2016	1 January - 31 December 2016
Operating profit/loss	-730	-5 558	-3 035	-8 694	-24 580
- Depreciation, amortisation and impairment of tangible and intangible assets	12 843	11 764	25 195	21 740	45 979
-Other operating expenses	109	152	569	323	573
EBITDA	12 222	6 358	22 729	13 369	21 972

Gross profit/loss

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

Gross profit/loss	1 April - 30 June 2017	1 April - 30 June 2016	1 January - 30 June 2017	1 January - 30 June 2016	1 January - 31 December 2016
Total revenues	74 608	65 944	145 055	122 387	266 178
-Raw materials and consumables	-32 095	-31 410	-62 990	-59 974	-136 343
Gross profit/loss	42 513	34 534	82 065	62 413	129 835

Adjusted equity/assets ratio

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

ADJUSTED EQUITY/ASSETS RATIO	2017-06-30	2016-06-30	2016-12-31
Total equity (incl. non-controlling interests)	282 044	250 462	226 279
Subordinated loans (incl. Enova)	70 730	195	47 428
	<u>352 774</u>	<u>250 657</u>	<u>273 707</u>
Total assets	1 178 616	1 041 735	1 026 648
Contribution, Enova	65 239	195	47 428
	<u>1 243 855</u>	<u>1 041 930</u>	<u>1 074 076</u>
Adjusted equity/assets ratio	28.4%	24.1%	25.5%

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

As part of the Group's strategic plan, the Board of Directors and Group management have begun working on a prospective listing of the Company's share in a suitable marketplace. The Group is planning a listing during the first half-year 2018.

A Stockholm-area waste management company went out on strike in July, which limited the Group's supply of food waste for a few weeks.

This interim report has not been audited.

The next interim report will be published and available on www.scandinavianbiogas.com on 26 October 2017.

Stockholm, 24 August 2017

Göran Persson
Chairman of the Board

Anders Bengtsson
Board member

Andreas Ahlström
Board member

Hans Hansson
Board member

Sara Anderson
Board member

David Schelin
Board member