

Scandinavian Biogas Fuels International AB (publ)

Corp. ID no. 556528-4733

Interim report for the period 1 January – 30 September 2017

EBITDA for third quarter 2017 more than doubled year-on year. Work is in progress on a prospective listing of the Company's share in a suitable marketplace.

Third quarter in brief

- Net sales totalled SEK 60.7 million (58.4), a 3.9% increase
- EBITDA was SEK +9.2 million (+3.9), a 134.8% improvement
- The Group posted an operating loss of SEK 3.6 million (-8.3)
- The Group posted a loss after tax of SEK 17.1 million (-8.4); the change is mainly attributable to intra-group financing in South Korea
- The subsequent bond issue totalling SEK 30 million was listed on NASDAQ Stockholm in August

First three quarters 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 191.9 million (172.8), an 11.1% increase
- EBITDA was SEK +31.9 million (+17.3), an 84.7% improvement
- The Group posted an operating loss of SEK 6.7 million (-17.0)
- The Group posted a loss after tax of SEK 40.9 million (-29.4); the change is mainly due to unrealised exchange losses attributable to intra-group financing in South Korea
- A directed share issue and a preferential rights issue 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

Significant events after the end of the interim period

- In light of information received from the general contractor for the investment project in Skogn, Norway, the Group's assessment is that delivery of the facility will be moved to the first six months of 2018

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 September 2017, the Group had 43 (43) employees in Sweden, 21 (21) in South Korea and 12 (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 July - 30 September 2017	1 July - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 31 December 2016
	<i>3 months</i>	<i>3 months</i>	<i>9 months</i>	<i>9 months</i>	<i>12 months</i>
Net sales	60,685	58,401	191,934	172,793	242,610
EBITDA	9,169	3,905	31,898	17,274	21,972
Operating results	-3,622	-8,308	-6,657	-17,002	-24,580
Balance sheet total	1,142,776	1,031,924	1,142,776	1,031,924	1,026,648
Adjusted equity/assets ratio	28.1%	27.3%	28.1%	27.3%	25.5%

Consolidated net sales for third quarter 2017 totalled SEK 60.7 million (58.4), a year-on-year increase of 3.9 per cent. For the first nine-month period, net sales increased 11.1 per cent to SEK 191.9 million (172.8). The increase is mainly attributable to increased biogas sales in Sweden. Total revenues amounted to SEK 71.7 million (62.6) for the July – September 2017 period and SEK 216.8 million (185.0) for the full interim period. Other operating income includes SEK 6.7 million (0.1) of re-invoicing, with corresponding expenses reported under other external costs. Other external costs increased during the interim period due to increased maintenance costs and an accounting principle change made by a subsidiary (between raw materials & consumables 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 more than doubled year-on-year during the third quarter, totalling SEK +9.2 million (+3.9). Consolidated EBITDA for the first nine months of 2017 totalled SEK 31.9 million (17.3), an 84.7% increase. The increase is mainly due to improved profitability at the Södertörn facility.

The Group posted an operating loss of SEK 3.6 million (-8.3) for the July – September 2017 period and SEK 6.7 million (-17.0) for the first nine-month period, a year-on-year improvement of 60.8 per cent.

The Group posted a loss after tax of SEK 17.1 million (-8.4) for the July – September 2017 period, of which SEK -4.6 million (+7.2) comes from unrealised exchange rate fluctuations. For the full interim period, the Group posted a loss after tax of 40.9 million (-29.4), of which SEK -7.3 million (+10.4) is attributable to unrealised exchange rate fluctuations, attributable mainly to dollar-based, long-term intra-group financing in South Korea.

Total assets at 30 September 2017 amounted to SEK 1,142.8 million (1,031.9), a 10.7 per cent year-on-year increase. Finance lease-related borrowing totalled SEK 252.0 million (257.3). The share 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 15.3 million new share issue from non-controlling interests.

The consolidated cash balance was SEK 59.5 million (126.0) at 30 September 2017.

Investments

Investments in tangible and intangible assets during the interim period totalled SEK 161 million (188). At 30 September 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 962 million (827) at 30 September 2017, of which SEK 241 million (252) pertains to objects leased by the Group through long-term finance lease agreements.

Significant events during the period

New environmental permit for Södertörn

The facility at Södertörn was granted a new environmental permit in January 2017. Under the new permit, the facility is entitled to process up to 260,000 tonnes of organic waste (compared with the former permit's limit of 50,000 tonnes) and to increase biogas production to 20 million normal cubic metres (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 re-used 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. 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.

One of the subsidiaries in Norway conducted a new share issue, contributing NOK 30 million to the subsidiary. NOK 15.0 million of this amount came from non-controlling interests.

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 outside Trondheim, Norway and to amortise external loans.

Production and sales

Business area Sweden

Operations in Sweden produced a total of 14.9 million Nm³ (11.8) of biogas during the interim period, corresponding to approximately 149 GWh (118). The production increase is attributable to the 100+ per cent capacity increase at Henriksdal and an increase in production at Södertörn. An average of 146 tonnes (117) of organic waste was processed per day. A Stockholm-area waste management company went out on strike in July, which limited the Group's supply of food waste for several weeks.

Business area South Korea

The facility in South Korea received an average of 187 tonnes (187) of food waste per day during the January – September 2017 period. Sales of raw gas during the same period amounted to 7.4 million Nm³ (6.6), or approximately 50 GWh (45). A total of 8.1 million Nm³ (7.7) 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 first half of 2018. Production capacity is estimated at 12 million 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 464.4 million (381.0) as at 30 September 2017. The Group's cash balances totalled SEK 59.5 million (126.0) 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 interim 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.

During the second quarter, the additional financing requirement for the Biokraft project was 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 was 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.

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.

The share

The number of shares increased by 17,006,177 through share issues during second quarter 2017 and totalled 107,098,839 (90,092,662) at 30 September 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 September 2017. There was no change to the number of outstanding warrants during the interim period.

Ownership structure at 30 September 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.

Due to disagreements with Ulsan City regarding the Group's operations in Ulsan, South Korea, the South Korean subsidiary will be bringing a lawsuit concerning certain expenses invoiced by Ulsan City to the subsidiary. These expenses have been entered in the books and will continue to be booked as invoiced, in spite of the dispute.

The Group is considering taking legal action against Ulsan City based on the upgrading investment requirement. For additional information, please refer to the 2016 annual report and the prospectus from August 2017 (available on www.scandinavianbiogas.com), the 'Other provisions' item in the balance sheet, and 'Contingent liability' items in Note 8.

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 conducted during the first six months of the year 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 third quarter 2017 and SEK 0.9 million (1.1) during the full interim period. 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 18.1 million (-2.8) during the interim period, with the change primarily attributable to a group contribution paid to a subsidiary.

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. Of this amount, approximately SEK 10 million was allocated to the project in Norway in the form of a new share issue, with the remaining amount included in financial assets at the close of the interim period. Cash balances totalled SEK 10.6 million (0.2) at the close of the interim period. Total assets amounted to SEK 582.5 million (517.5) 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

In October 2017, a Norwegian subsidiary raised convertible loans totalling NOK 25 million. All shareholders in the Norwegian company issued loans as per participating interest. For the Scandinavian Biogas Group, this amount corresponds to NOK 12.5 million.

In light of information received from the general contractor for the investment project in Skogn, Norway, the Group's assessment is that delivery of the facility will be moved to the first six months of 2018.

Scandinavian Biogas Södertörn AB has been certified by SPCR 120 regarding biofertilizer, which proves the fertilizer quality.

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 a sharp production increase 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 July - 30 September 2017	1 July - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 31 December 2016
Operating income					
Net sales	60 685	58 401	191 934	172 793	242 610
Capitalised work on own account	3 383	3 923	12 473	11 499	16 129
Other operating income	7 646	297	12 362	716	7 439
Total	71 714	62 621	216 769	185 008	266 178
Operating expenses					
Raw materials and consumables	-31 966	-36 505	-94 956	-96 479	-136 343
Other external costs	-14 836	-8 583	-41 523	-29 621	-51 404
Personnel costs	-15 743	-13 628	-48 392	-41 634	-56 459
Depreciation, amortisation and impairment of tangible and intangible assets	-12 656	-12 079	-37 851	-33 819	-45 979
Other operating expenses	-135	-134	-704	-457	-573
Total operating expenses	-75 336	-70 929	-223 426	-202 010	-290 758
Operating profit/loss	-3 622	-8 308	-6 657	-17 002	-24 580
Net exchange differences	-4 563	7 232	-7 274	10 391	7 141
Financial income	42	28	84	97	194
Financial expense	-8 962	-7 621	-26 975	-23 359	-31 490
Net financial items	-13 483	-361	-34 165	-12 871	-24 155
Profit/loss before taxes	-17 105	-8 669	-40 822	-29 873	-48 735
Income tax	-21	257	-109	427	1 039
Profit/loss for the period	-17 126	-8 412	-40 931	-29 446	-47 696
Other comprehensive income					
Actuarial results on post-employment benefits	-	-	-	-	-121
Exchange differences	1 713	2 803	1 363	3 684	3 325
Other comprehensive income for the period, net after tax	1 713	2 803	1 363	3 684	3 204
Total comprehensive income for the period	-15 413	-5 609	-39 568	-25 762	-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	-16 414	-8 142	-39 021	-29 649	-45 552
Non-controlling interests	-712	-270	-1 910	203	-2 144
	-17 126	-8 412	-40 931	-29 446	-47 696
Total comprehensive income attributable to:					
Parent Company shareholders	-14 544	-5 803	-36 066	-26 990	-43 510
Non-controlling interests	-869	194	-3 502	1 228	-982
	-15 413	-5 609	-39 568	-25 762	-44 492

CONSOLIDATED BALANCE SHEET
Amounts in SEK thousand
Note **2017-09-30 2016-09-30 2016-12-31**
ASSETS
Non-current assets
Intangible assets

Capitalised development costs		14 567	15 210	13 472
Concessions and similar rights		92 580	110 124	103 714
Patents and licences		113	136	126
Goodwill		6 591	5 271	6 807
Total intangible assets		113 851	130 741	124 119

Tangible assets
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Buildings and land		194 074	199 095	196 824
Plant and machinery		287 486	272 837	267 152
Equipment, tools, fixtures and fittings		10 626	12 883	12 951
Construction work in progress		355 713	211 840	239 488
Total tangible assets		847 899	696 655	716 415

Financial assets

Deferred tax assets		7 375	6 909	7 601
Other non-current receivables	<i>6</i>	44 107	8 551	22 564
Total financial assets		51 482	15 460	30 165

Other non-current assets

Accrued income and prepaid expenses		2 333	2 778	2 667
Total other non-current assets		2 333	2 778	2 667

Total non-current assets
1 015 565 845 634 873 366
Current assets
Inventories, etc.

Raw materials and consumables		986	1 153	661
Total inventories		986	1153	661

Current receivables

Trade accounts receivable		45 947	34 505	36 806
Other receivables		9 053	17 378	28 952
Prepaid expenses and accrued income		11 740	7 220	12 992
Cash and cash equivalents		59 485	126 034	73 871
Total current receivables		126 225	185 137	152 621

Total current assets
127 211 186 290 153 282
TOTAL ASSETS
1 142 776 1 031 924 1 026 648

CONSOLIDATED BALANCE SHEET, continued
Amounts in SEK thousand
Note **2017-09-30 2016-09-30 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		4 090	1 652	1 136
Retained earnings including comprehensive income for the period		-579 163	-524 139	-540 143

201 031 188 837 172 317
Non-controlling interests

65 759 58 479 53 962
Total equity

266 790 247 316 226 279
LIABILITIES
Non-current liabilities

Borrowings	7	702 304	626 114	612 736
Deferred tax liabilities		2 092	1 877	1 968
Other provisions		9 895	9 181	9 375

Total non-current liabilities

714 291 637 172 624 079
Current liabilities

Borrowings	7	75 946	27 900	27 947
Accounts payable		25 714	51 257	95 775
Other liabilities		16 559	23 464	13 013
Accrued expenses and deferred income		43 476	44 815	39 555

Total current liabilities

161 695 147 436 176 290
TOTAL EQUITY AND LIABILITIES

1 142 776 1 031 924 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 January 2016	18 019	693 305	-1 008	-494 489	215 827	1 987	217 814
Profit/loss for the period				-29 649	-29 649	203	-29 446
Other comprehensive income							
Exchange differences			2 660	-1	2 659	1 025	3 684
Total comprehensive income			2 660	-29 650	-26 990	1 228	-25 762
Non-controlling interest arising from acquisition of subsidiaries					-	55 265	55 265
Total contributions from and distributions to shareholders, recognised directly in equity	-	-	-	-	-	55 265	55 265
Closing balance, 30 September 2016	18 019	693 305	1 652	-524 139	188 837	58 479	247 316
Opening balance, 1 January 2017	18 019	693 305	1 136	-540 143	172 317	53 962	226 279
Profit/loss for the period				-39 021	-39 021	-1 910	-40 931
Other comprehensive income							
Exchange differences			2 954	1	2 955	-1 592	1 363
Total comprehensive income			2 954	-39 020	-36 066	-3 502	-39 568
New share issues	3 401	62 923			66 324	15 299	81 623
Issue expenses		-1 544			-1 544		-1 544
Total contributions from and distributions to shareholders, recognised directly in equity	3 401	61 379	-	-	64 780	15 299	80 079
Closing balance, 30 September 2017	21 420	754 684	4 090	-579 163	201 031	65 759	266 790

CONSOLIDATED STATEMENT OF CASH FLOWS
Amounts in SEK thousand

	<i>Note</i>	1 July - 30 September 2017	1 July - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 31 December 2016
Cash flow from operating activities						
Operating profit/loss before financial items		-3 622	-8 308	-6 657	-17 002	-24 580
Amortisation/depreciation		12 656	12 079	37 851	33 819	45 979
Other non-cash items		-2 593	4 186	-5 979	6 887	5 051
Interest received		42	28	84	97	194
Interest paid		-8 842	-9 427	-25 035	-24 511	-36 265
Cash flow from operating activities before changes in working capital		-2 359	-1 442	264	-710	-9 621
Cash flow from changes in working capital						
Increase/decrease in inventories		-582	-320	-325	-569	-77
Increase/decrease in operating receivables		11 272	-2 979	12 010	-6 851	-30 268
Increase/decrease in operating liabilities		-65 114	-20 524	-62 732	-15 834	15 216
Total changes in working capital		-54 424	-23 823	-51 047	-23 254	-15 129
Cash flow from operating activities		-56 783	-25 265	-50 783	-23 964	-24 750
Cash flow from investing activities						
Acquisition of intangible assets		-165	-132	-2 153	-1 696	-2 173
Acquisition of tangible assets		-41 404	-60 667	-152 045	-172 927	-200 909
Investments in subsidiaries		-	-	-	42 974	42 974
Divestment/amortisation of other financial assets		111	110	334	334	447
Restricted bank balances and other changes in financial assets	6	7 515	-	-22 263	-	-21 094
Cash flow from investing activities		-33 943	-60 689	-176 127	-131 315	-180 755
Cash flow from financing activities						
New share issue		-	-	64 780	-	-
Loans raised	7	48 365	87 901	154 787	280 270	280 696
Loan amortisation		-4 163	-5 340	-20 764	-65 386	-67 184
Contribution to/from minority shareholders		159	-	15 299	-	-
Cash flow from financing activities		44 361	82 561	214 102	214 884	213 512
Total cash flow for the period		-46 365	-3 393	-12 808	59 605	8 007
Decrease/increase in cash and cash equivalents						
Cash and cash equivalents at beginning of period		106 139	128 370	73 871	64 879	64 879
Exchange differences in cash and cash equivalents		-289	1 057	-1 578	1 550	985
Cash and cash equivalents at end of period		59 485	126 034	59 485	126 034	73 871

PARENT COMPANY INCOME STATEMENT
Amounts in SEK thousand

	1 July - 30 September 2017	1 July - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 31 December 2016
Operating income					
Net sales	300	300	943	1 106	2 046
Total operating income	300	300	943	1 106	2 046
Operating expenses	-637	-676	-2 447	-2 737	-4 011
Operating profit/loss	-337	-376	-1 504	-1 631	-1 965
Net financial items	-1 518	-638	-5 076	-1 156	-1 706
Profit/loss before appropriations and tax	-1 855	-1 014	-6 580	-2 787	-3 671
Appropriations					
Group contributions paid/received	-4 500	-	-11 500	-	-14 000
Total appropriations	-4 500	-	-11 500	-	-14 000
Profit/loss before tax	-6 355	-1 014	-18 080	-2 787	-17 671
Income tax	-	-	-	-	-
Profit/loss for the period	-6 355	-1 014	-18 080	-2 787	-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	<i>Note</i>	2017-09-30	2016-09-30	2016-12-31
ASSETS				
Non-current assets				
Financial assets				
Participations in group companies	5	202 966	187 810	187 810
Receivables from group companies		173 041	184 479	171 505
Other long-term receivables	6	20 055	-	-
Total financial assets		396 062	372 289	359 315
Total non-current assets		396 062	372 289	359 315
Current assets				
Current receivables				
Receivables from group companies		175 618	144 778	144 227
Other receivables		140	36	8
Prepaid expenses and accrued income		97	113	119
Total current receivables		175 855	144 927	144 354
Cash and bank balances		10 593	242	682
Total current assets		186 448	145 169	145 036
TOTAL ASSETS		582 510	517 458	504 351
EQUITY AND LIABILITIES				
Equity		324 746	292 929	278 045
Non-current liabilities				
Interest-bearing loans	7	224 943	194 510	194 921
Intra-group loans		23 000	23 000	23 000
Total non-current liabilities		247 943	217 510	217 921
Current liabilities				
Borrowings	7	19	19	19
Accounts payable		266	211	703
Liabilities to group companies		5 007	3 314	3 887
Other liabilities		-	33	95
Accrued expenses and deferred income		4 529	3 442	3 681
Total current liabilities		9 821	7 019	8 385
TOTAL EQUITY AND LIABILITIES		582 510	517 458	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 4.1 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 has decided to use 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. 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).

Income statement by segment	1 July - 30 September 2017	1 July - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 31 December 2016
Operating income					
Business area Sweden	54 943	44 509	169 847	137 116	195 087
<i>of which, external revenue</i>	54 821	44 287	169 545	136 793	194 526
<i>of which, internal revenue</i>	122	222	302	323	561
Business area South Korea	12 106	13 270	38 173	38 035	52 329
<i>of which, external revenue</i>	12 106	13 266	38 173	37 885	52 177
<i>of which, internal revenue</i>	-	4	-	150	152
Other business areas	4 787	5 068	9 051	10 330	19 475
<i>of which, external revenue</i>	4 787	5 068	9 051	10 330	19 475
Eliminations	-122	-226	-302	-473	-713
Group total	71 714	62 621	216 769	185 008	266 178
Raw materials and consumables					
Business area Sweden	-25 818	-26 869	-77 959	-71 370	-96 692
Business area South Korea	-3 811	-6 014	-13 270	-17 394	-24 526
Other business areas	-2 459	-3 844	-4 029	-8 038	-15 686
Eliminations	122	222	302	323	561
Group total	-31 966	-36 505	-94 956	-96 479	-136 343
Gross profit/loss					
Business area Sweden	29 125	17 640	91 888	65 746	98 395
Business area South Korea	8 295	7 256	24 903	20 641	27 803
Other business areas	2 328	1 224	5 022	2 292	3 789
Eliminations	-	-4	-	-150	-152
Group total	39 748	26 116	121 813	88 529	129 835
Other external costs					
Business area Sweden	-12 384	-7 376	-32 835	-26 941	-46 960
Business area South Korea	-1 586	-561	-5 454	-1 168	-2 055
Other business areas	-866	-654	-3 234	-1 812	-2 693
Eliminations	-	8	-	300	304
Group total	-14 836	-8 583	-41 523	-29 621	-51 404
Personnel costs					
Business area Sweden	-10 303	-9 642	-33 239	-31 489	-41 924
Business area South Korea	-2 595	-2 663	-8 235	-7 763	-10 185
Other business areas	-2 845	-1 323	-6 918	-2 382	-4 350
Group total	-15 743	-13 628	-48 392	-41 634	-56 459
EBITDA					
Business area Sweden	6 438	622	25 814	7 316	9 511
Business area South Korea	4 114	4 032	11 214	11 710	15 563
Other business areas	-1 383	-753	-5 130	-1 902	-3 254
Eliminations	-	4	-	150	152
Group total	9 169	3 905	31 898	17 274	21 972
Depreciation, amortisation and impairment of tangible and intangible assets	-12 656	-12 079	-37 851	-33 819	-45 979
Other operating expenses	-135	-134	-704	-457	-573
Total operating expenses	-43 370	-34 424	-128 470	-105 531	-154 415
Operating profit/loss	-3 622	-8 308	-6 657	-17 002	-24 580
Net exchange differences	-4 563	7 232	-7 274	10 391	7 141
Financial income	42	28	84	97	194
Financial expenses	-8 962	-7 621	-26 975	-23 359	-31 490
Net financial items	-13 483	-361	-34 165	-12 871	-24 155
Profit/loss before tax	-17 105	-8 669	-40 822	-29 873	-48 735
Income tax	-21	257	-109	427	1 039
Profit/loss for the period	-17 126	-8 412	-40 931	-29 446	-47 696

Condensed balance sheet per segment			
	2017-09-30	2016-09-30	2016-12-31
<i>Non-current assets</i>			
Business area Sweden	579 223	569 841	558 863
Business area South Korea	95 434	118 134	104 770
Other business areas	340 908	157 659	209 733
Group total	1 015 565	845 634	873 366
<i>Current assets</i>			
Business area Sweden	88 902	92 293	78 771
Business area South Korea	21 558	19 463	23 931
Other business areas	16 751	74 534	50 580
Group total	127 211	186 290	153 282
Total assets, Group	1 142 776	1 031 924	1 026 648
<i>Non-current liabilities</i>			
Business area Sweden	268 543	330 154	327 872
Business area South Korea	9 895	12 047	12 167
Other business areas	210 910	100 461	89 119
Unallocated	224 943	194 510	194 921
Group total	714 291	637 172	624 079
<i>Current liabilities</i>			
Business area Sweden	140 436	118 774	103 881
Business area South Korea	14 764	19 165	20 426
Other business areas	6 495	9 497	51 983
Group total	161 695	147 436	176 290
Total liabilities, Group	875 986	784 608	800 369

Note 4 Tangible assets

Investments in tangible assets during the first nine months of the year totalled SEK 161.5 million (188.2). 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 6.0 million (3.2) during the interim period.

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

	2017-09-30	2016-09-30	2016-12-31
Buildings and land	112 882	117 953	116 684
Plant and machinery	112 670	115 607	113 148
Equipment, tools, fixtures and fittings	8 534	11 204	10 589
Construction work in progress	6 974	6 829	6 971
Carrying amount	241 060	251 593	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	2017-09-30	2016-09-30	2016-12-31
Restricted bank balances	40 829	7 055	21 094
Other	3 278	1 496	1 471
Total	44 107	8 551	22 564

Parent Company	2017-09-30	2016-09-30	2016-12-31
Restricted bank balances	20 055	-	-
Total	20 055	-	-

Restricted bank balances are comprised of guarantees in subsidiaries for external loans and the subsequent bond issued by the Parent Company in late June 2017.

Note 7 Borrowing

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

	Carrying amount		Fair value	
	2017-09-30	2016-09-30	2017-09-30	2016-09-30
Liabilities to credit institutions	233 780	180 993	233 780	180 993
Corporate bonds	224 943	194 510	226 093	194 510
Liabilities related to finance leases	237 951	245 075	237 951	245 075
Other non-current borrowings	5 630	5 536	5 630	5 536

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

In February 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 amount of approximately NOK 122 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 211 million at 30 September 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		
	2017-09-30	2016-09-30	2016-12-31
Liens on assets	58 365	109 019	66 454
Pledged assets	336 026	-	239 416
Assets financed through finance leases	234 086	244 852	240 421
Shares in Scandinavian Biogas Stockholm AB	67 529	65 773	52 909
Shares in Scandinavian Biogas Korea Co., Ltd.	2 834	7 111	1 237
Shares in Scandinavian Biogas Sweden AB	6 452	23 643	17 540
Shares in Scandinavian Biogas Södertörn AB	4 860	7 426	17 956
Shares in Scandinavian Biogas Fuels i Varberg AB	78	79	79
Shares in Biokraft Holding AS	63 997	55 332	53 022
Group total	774 227	513 235	689 034

Parent Company	2017-09-30	2016-09-30	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	228 436	195 731	196 265
Parent Company total	431 402	383 541	384 075

Group	Contingent liabilities		
	2017-09-30	2016-09-30	2016-12-31
Contingent liability - subsidiary penalty fee	39 580	36 724	37 501
Contingent liability - subsidiary payment guarantees to suppliers	-	9 861	4 197
Contingent liability - subsidiary investment grants	8 188	-	5 363
Group total	47 768	46 585	47 062

Parent Company	2017-09-30	2016-09-30	2016-12-31
Contingent liability - subsidiary loans from credit institutions	32 500	36 000	35 500
Contingent liability - subsidiary payment guarantees to suppliers	-	9 861	4 197
Contingent liability - subsidiary investment grants	8 188	-	5 363
Parent Company total	40 688	45 861	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 July - 30 September 2017	1 July - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 31 December 2016
Operating profit/loss	-3 622	-8 308	-6 657	-17 002	-24 580
- Depreciation, amortisation and impairment of tangible and intangible assets	12 656	12 079	37 851	33 819	45 979
-Other operating expenses	135	134	704	457	573
EBITDA	9 169	3 905	31 898	17 274	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 July - 30 September 2017	1 July - 30 September 2016	1 January - 30 September 2017	1 January - 30 September 2016	1 January - 31 December 2016
Total revenues	71 714	62 621	216 769	185 008	266 178
-Raw materials and consumables	-31 966	-36 505	-94 956	-96 479	-136 343
Gross profit/loss	39 748	26 116	121 813	88 529	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	2017-09-30	2016-09-30	2016-12-31
Total equity (incl. non-controlling interests)	266 790	247 316	226 279
Subordinated loans (incl. Enova)	72 830	47 932	47 428
	<u>339 620</u>	<u>295 248</u>	<u>273 707</u>
Total assets	1 142 776	1 031 924	1 026 648
Contribution, Enova	67 200	47 932	47 428
	<u>1 209 976</u>	<u>1 079 856</u>	<u>1 074 076</u>
Adjusted equity/assets ratio	28,1%	27,3%	25,5%

Note 10 Events after the end of the interim period

In October 2017, a Norwegian subsidiary raised convertible loans totalling NOK 25 million. All shareholders in the Norwegian company issued loans as per participating interest. For the Scandinavian Biogas Group, this amount corresponds to NOK 12.5 million.

In light of information received from the general contractor for the investment project in Skogn, Norway, the Group's assessment is that delivery of the facility will be moved to the first six months of 2018.

Scandinavian Biogas Södertörn AB has been certified by SPCR 120 regarding biofertilizer, which proves the fertilizer quality.

This interim report has not been audited.

The next interim report will be published and available on www.scandinavianbiogas.com on 15 February 2018.

Stockholm, 26 October 2017

Matti Vikkula
Chief Executive Officer