

# Scandinavian Biogas Fuels International AB (publ)

## Org.nr. 556528-4733

### Interim report for the period 1 January – 31 March 2018

Cooperation agreement with Mönsterås Biogas AB and filling station in operation at Södertörn facility.

#### First quarter in brief

- The Group signed a cooperation agreement with Mönsterås Biogas AB for the joint development of an investment project for possible biogas production in Mönsterås municipality. The project objective is the capacity to treat 100,000 tonnes of manure and produce over 110 GWh of liquid biogas (LBG) annually.
- A filling station at the Group's biogas facility at Södertörn was commissioned in early 2018. The filling station will primarily sell biogas for lorries and refuse lorries that visit SRV Återvinning's plant at Södertörn.
- Net sales totalled SEK 63.6 million (65.5), a 2.9% decrease primarily attributable to the delivery of lower-than-contracted volumes of food waste at the plant in Ulsan, South Korea.
- EBITDA was SEK +1.4 million (+10.5), with the year-on-year decline mainly due to increased operating and maintenance costs at Södertörn, expenses for legal services, the penalty fee in South Korea, and increased personnel costs in Norway.
- The Group posted an operating loss of SEK 12.5 million (-2.3)
- The Group posted a loss after tax of SEK 22.5 million (-4.3)

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

- Notice of written procedure was distributed to bondholders in April 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 provides leading expertise in the purification process for upgrading biogas to vehicle fuel quality and in utilising reject products from the digestion process as bio-fertiliser. The Group invests in owned or leased production facilities primarily in the Nordic region, with the Group's expertise available as a service in other markets.

Scandinavian Biogas Fuels International AB (publ) is registered and headquartered in Stockholm. On 31 March 2018, the Group had 42 (44) employees in Sweden, 20 (22) in South Korea and 12 (8) 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)

	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
	<i>3 months</i>	<i>3 months</i>	<i>12 months</i>
<b>Net sales</b>	63,627	65,549	258,363
<b>EBITDA</b>	1,392	10,507	21,587
<b>Operating results</b>	-12,533	-2,305	-42,159
<b>Balance sheet total</b>	1,152,032	1,071,002	1,161,238
<b>Adjusted equity/assets ratio</b>	24.9%	26.4%	25.5%

Consolidated net sales for first quarter 2018 totalled SEK 63.6 million (65.5), a year-on-year decrease of 2.9 per cent which is primarily attributable to the delivery of lower-than-contracted volumes of food waste at the plant in Ulsan, South Korea. Total revenues amounted to SEK 68.6 million (70.4) for the January – March 2018 period. Expenses for raw materials and consumables increased 14 per cent year-on-year, due mainly to the higher recorded value of the penalty fee in South Korea and to increased operating costs at Södertörn. Other external costs increased during the interim period due mainly to increased maintenance costs and expenses for legal services. Personnel costs also increased due primarily to the addition of personnel in Norway. Consolidated EBITDA for the January – March 2018 period totalled SEK +1.4 million (+10.5), and the Group posted an operating loss of SEK 12.5 million (-2.3).

The Group posted a loss after tax of SEK 22.5 million (-4.3) during the interim period, of which SEK +0.8 million (+6.1) comes from unrealised exchange rate fluctuations attributable primarily to long-term intra-group financing in foreign subsidiaries.

Total assets at 31 March 2018 amounted to SEK 1,152.0 million (1,071.0), a 7.6 per cent year-on-year increase. Finance lease-related borrowing totalled SEK 254.0 million (259.1). Equity was impacted only by net profit/loss for the period.

The consolidated cash balance was SEK 44.2 million (61.3) at 31 March 2018.

### Investments

Investments in tangible and intangible assets during the interim period totalled SEK 8 million (72). At 31 March 2018 the Group had commitments to make further investments, mainly in the new biogas plant in Skogn, Norway.

The carrying amount of the Group's tangible and intangible assets was SEK 931.8 million (909.2) at 31 March 2018, of which SEK 241.0 million (250.2) pertains to objects leased by the Group through long-term finance lease agreements.

## Significant events during the period

### *New cooperation agreement*

The Group has signed a cooperation agreement with Mönsterås Biogas AB for the joint development of an investment project for possible biogas production in Mönsterås municipality. The development work will be done through a jointly owned company, with a project objective of being able to treat 100,000 tonnes of manure and produce over 110 GWh of liquid biogas (LBG) annually. The Group has formed a new company – Mönsterås Biogasproduktion AB – which was still wholly owned by the Group at the close of the interim period.

### *Filling station in operation*

A filling station at the Group's biogas facility at Södertörn was commissioned in early 2018. The filling station will primarily sell biogas for lorries and refuse lorries that visit SRV Återvinning's plant at Södertörn. The plant was partly funded with a grant from Klimatklivet.

### *Investment project in Skogn, Norway*

The general contractor for the investment project in Skogn, Norway, has advised that delivery of the facility will be delayed. The plant in Skogn will be commissioned during summer 2018.

### *Penalty fee in Ulsan*

The Group brought a lawsuit during first quarter 2018 regarding the level of the penalty fee for failure to invest in an upgrading facility in South Korea, and the court's decision is expected in 2018. See the 2017 annual report for additional information.

## Production and sales

### *Business Area Sweden*

Operations in Sweden produced a total of 5.1 million Nm<sup>3</sup> (5.0) of biogas during the interim period, corresponding to approximately 51 GWh (50). The price of external organic material (e.g., glycerol), which is used to some degree with food waste and sewage sludge in biogas production, remained higher than estimated. A breakdown in an intermediate warehouse tank at Södertörn early in the year resulted in lower production volumes and increased costs. However, the tank is now back in service. Biogas deliveries to customers were made according to plan and all contracts were fulfilled satisfactorily. Business Area Sweden processed an average of 149 tonnes (146) of organic waste per day.

### *Business Area South Korea*

The facility in South Korea received an average of 169 tonnes (190) of food waste per day during the January – March 2018 period. Sales of raw gas during the same period amounted to 2.0 million Nm<sup>3</sup> (2.4), or approximately 14 GWh (17). A total of 2.3 million Nm<sup>3</sup> (2.8) of raw gas was produced.

### *Business Area Norway*

The investment project in Skogn, Norway is underway and is scheduled for commissioning during summer 2018.

## Ongoing investment project

### *Skogn, Norge*

Construction of a production plant for liquid biogas in Skogn, Norway commenced in August 2015. The project is underway and scheduled for commissioning during summer 2018. In view of the fact that the project has been delayed, the Group entered the delay penalty as an investment reduction during the period December 2017 through early March 2018. Production capacity is estimated at 12 Nm<sup>3</sup> of liquid biogas, or approximately 120 GWh, at full capacity. Long-term sales contracts for all planned biogas production are 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 489.8 million (402.9) as at 31 March 2018, with the increase due mainly to the subsequent corporate bond issued in June 2017 and the loan raised for the facility in Skogn, Norway. The Group's cash balances totalled SEK 44.2 million (61.3) on that date.

The Group is considering utilising the SEK 12.1 million of remaining funds from the June 2017 bond issue, primarily to finance the investment in Norway. Notice of written procedure was distributed to bondholders in April.

The Group's existing operations are expected to be financed primarily by consolidated cash flow and liquid resources. It is presumed that any need for additional working capital can be financed with to the corporate bond subordinated debt or with equity. 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 been working on a prospective listing of the Company's share in a suitable marketplace. In parallel with these efforts, the Board of Directors is working with its advisors to evaluate various strategic and capital structure alternatives to create and realise the value of the Group's business opportunities and maximise shareholder value.

### ***The share***

The number of shares remained unchanged during first quarter 2018 and totalled 107,098,839 (90,092,662) at 31 March 2018. The quotient value is SEK 0.20 per share. Each share carries one vote. All outstanding shares are ordinary shares and therefore carry the right to equal shares in the assets and profit of Scandinavian Biogas Fuels International AB (publ).

### ***Warrants***

Employees and the CEO held an aggregate of 565,000 (565,000) outstanding warrants at 31 March 2018. All warrants expired on 1 April 2018 without being exercised and, accordingly, there are now no outstanding warrants.

### **Ownership structure at 31 March 2018, %**

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%
Ajanta Oy and related parties	5.5%
Reliquum ( <i>formerly Novator Biogas Sweden SARL</i> )	5.3%
Erik Danielsson and family, incl. companies	5.1%
John Nurminen Oy and related parties	4.0%
Other	11.7%

## **Significant risks and operational uncertainties**

### ***Disputes***

Following are updates on what has happened regarding the Group's disputes since the turn of the year. The status of these disputes is otherwise unchanged; please refer to the 2017 annual report for details.

Court proceedings are underway in the dispute with one of the main suppliers to the Södertörn facility. The next hearing is scheduled for May 2018.

In view of the Group's differences of opinion with Ulsan City regarding the Group's operations in Ulsan, South Korea, the South Korean subsidiary initiated legal proceedings in 2017 concerning service costs invoiced to the subsidiary by Ulsan City. The court proceedings are underway and the next hearing is scheduled for May 2018.

The Group brought a lawsuit against Ulsan City during first quarter 2018 regarding the upgrading investment requirement. A court decision is expected in 2018.

As the profitability is expected to be somewhat lower, it will have an adverse impact on the Group's cash flow, which increases the liquidity risk. The Group has therefore provisionally agreed with some of the largest shareholders, or their related parties, on additional funding for the Group in the amount of 15-20 MSEK. The financing is planned in form of subordinated debt or equity.

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

## Related-party transactions

No 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 0.5 million (0.3) during first quarter 2018. The increase is due to re-invoicing to subsidiaries, with the corresponding expense included in operating expenses. The Parent Company posted a loss after tax of 3.4 million (-1.7) for the January – March 2018 period.

### *Liquidity and financial position*

Cash balances totalled SEK 7.3 million (7.5) at 31 March 2018. Total assets amounted to SEK 513.5 million (520.7) at that date.

No significant events or changes have taken place since publication of the 2017 annual report that have any bearing on the Group's or Parent Company's earnings or financial position other than those addressed in this report.

## Significant events after the end of the period

A notice of written procedure was distributed to bondholders in mid-April requesting a waiver of certain provisions in the bond's terms and conditions. The Group is considering utilising the SEK 12,077,633 of remaining funds from the June 2017 bond issue to finance the investment in Norway, pay transactions expenses for the subsequent issue and the written procedure, and for general corporate purposes of the Group. For additional information, see the notice of written procedure at [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com).

## Outlook

There is a great need for renewable energy that can replace fossil fuels, such as coal, oil and natural gas at reasonable prices. According to various studies of renewable alternatives that can be mass-produced, interest in biogas has increased. This in turn bolsters demand for biogas, which is expected to gain further traction as it becomes more available. In areas as the heavy transport sector, demand for liquid biogas is expected to increase significantly in coming years. 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
- total capacity of one TWh achieved during the first stage, with growth based on own production or on contractual knowledge management
- project profitability of at least 15% IRR
- an EBIT margin of at least 10%
- an equity/assets ratio of at least 30%

In recent years, the Group has pursued increased production in the Stockholm area – an effort that remains under way. The combined full technical capacity of all plants in Sweden is estimated at over 30 million Nm<sup>3</sup> of fuel-quality biogas, or approximately 300 GWh. In addition, production in Södertörn can be significantly increased over time, with the environmental permit obtained in 2017. The plant in South Korea is expected to continue to have an annual production capacity of about 65 GWh. In addition, the annual production capacity in Norway is estimated at 12 million Nm<sup>3</sup> of liquid biogas, or about 120 GWh. With its current plants and ongoing projects, the Group's total production capacity is expected to be close to 500 GWh at full capacity.

Earlier communicated profitability forecast: The Group's anticipates a positive development in operational profitability (EBITDA) in 2018 as compared with 2017, with commissioning of the plant in Skogn expected to contribute significantly to the profitability improvement.

Updated profitability forecast: The Group's operational profitability (EBITDA) in 2018 is expected to be on last year's level or slightly below, since the commissioning of the Skogn plant has been delayed according to updated information from the general contractor and due to operational disturbances at Södertörn in the beginning of the year.

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

	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
<b>Operating income</b>			
Net sales	63,627	65,549	258,363
Capitalised work on own account	2,720	4,482	15,841
Other operating income	2,216	416	15,127
<b>Total</b>	<b>68,563</b>	<b>70,447</b>	<b>289,331</b>
<b>Operating expenses</b>			
Raw materials and consumables	-35,279	-30,895	-137,890
Other external costs	-14,650	-12,839	-65,064
Personnel costs	-17,242	-16,206	-64,790
Depreciation, amortisation and impairment of tangible and intangible assets	-12,767	-12,352	-62,802
Other operating expenses	-1,158	-460	944
<b>Total operating expenses</b>	<b>-81,096</b>	<b>-72,752</b>	<b>-331,490</b>
<b>Operating profit/loss</b>	<b>-12,533</b>	<b>-2,305</b>	<b>-42,159</b>
Net exchange differences	841	6,091	1,041
Financial income	19	16	125
Financial expense	-10,859	-8,059	-36,682
<b>Net financial items</b>	<b>-9,999</b>	<b>-1,952</b>	<b>-35,516</b>
<b>Profit/loss before taxes</b>	<b>-22,532</b>	<b>-4,257</b>	<b>-77,675</b>
Income tax	10	-54	2,628
<b>Profit/loss for the period</b>	<b>-22,522</b>	<b>-4,311</b>	<b>-75,047</b>
<b>Other comprehensive income</b>			
Actuarial results on post-employment benefits	-	-	167
Exchange differences	7,768	2,103	-2,394
<b>Other comprehensive income for the period, net after tax</b>	<b>7,768</b>	<b>2,103</b>	<b>-2,227</b>
<b>Total comprehensive income for the period</b>	<b>-14,754</b>	<b>-2,208</b>	<b>-77,274</b>
<b>All items in the Group's other comprehensive income may be reversed in the income statement.</b>			
<b>Profit/loss for the period attributable to:</b>			
Parent Company shareholders	-19,456	-4,496	-68,587
Non-controlling interests	-3,066	185	-6,460
	<b>-22,522</b>	<b>-4,311</b>	<b>-75,047</b>
<b>Total comprehensive income attributable to:</b>			
Parent Company shareholders	-15,417	-2,468	-67,718
Non-controlling interests	663	260	-9,556
	<b>-14,754</b>	<b>-2,208</b>	<b>-77,274</b>

**CONSOLIDATED BALANCE SHEET**

Amounts in SEK thousand	<i>Note</i>	31 Mar 2018	31 Mar 2017	31 Dec 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Intangible assets</b>				
Capitalised development costs		14,128	13,479	14,279
Concessions and similar rights		83,020	110,589	85,486
Patents and licences		846	138	104
Goodwill		6,863	6,725	6,466
<b>Total intangible assets</b>		<b>104,857</b>	<b>130,931</b>	<b>106,335</b>
<b>Tangible assets</b>				
	<i>4</i>			
Buildings and land		193,375	194,555	194,672
Plant and machinery		282,903	298,715	287,368
Equipment, tools, fixtures and fittings		11,220	12,104	10,797
Construction work in progress		339,433	272,936	347,189
<b>Total tangible assets</b>		<b>826,931</b>	<b>778,310</b>	<b>840,026</b>
<b>Financial assets</b>				
Deferred tax assets		10,467	7,514	9,930
Other non-current receivables	<i>5</i>	37,241	22,405	35,949
<b>Total financial assets</b>		<b>47,708</b>	<b>29,919</b>	<b>45,879</b>
<b>Other non-current assets</b>				
Accrued income and prepaid expenses		2,111	2,556	2,222
<b>Total other non-current assets</b>		<b>2,111</b>	<b>2,556</b>	<b>2,222</b>
<b>Total non-current assets</b>		<b>981,607</b>	<b>941,716</b>	<b>994,462</b>
<b>Current assets</b>				
<b>Inventories, etc.</b>				
Raw materials and consumables		3,377	590	1,876
<b>Total inventories</b>		<b>3,377</b>	<b>590</b>	<b>1,876</b>
<b>Current receivables</b>				
Trade accounts receivable		44,508	31,871	30,803
Other receivables	<i>6</i>	62,191	21,253	31,492
Prepaid expenses and accrued income		16,129	14,230	15,720
Cash and cash equivalents		44,220	61,342	86,885
<b>Total current receivables</b>		<b>167,048</b>	<b>128,696</b>	<b>164,900</b>
<b>Total current assets</b>		<b>170,425</b>	<b>129,286</b>	<b>166,776</b>
<b>TOTAL ASSETS</b>		<b>1,152,032</b>	<b>1,071,002</b>	<b>1,161,238</b>



**CONSOLIDATED BALANCE SHEET,  
continued**

Amounts in SEK thousand	<i>Note</i>	31 Mar 2018	31 Mar 2017	31 Dec 2017
<b>EQUITY</b>				
<b>Equity attributable to Parent Company shareholders</b>				
Share capital		21,420	18,019	21,420
Other paid-in capital		754,685	693,305	754,685
Reserves		5,911	3,270	1,872
Retained earnings including comprehensive income for the period		-628,053	-544,745	-608,597
		<b>153,963</b>	<b>169,849</b>	<b>169,380</b>
<b>Non-controlling interests</b>		<b>60,207</b>	<b>54,222</b>	<b>59,544</b>
<b>Total equity</b>		<b>214,170</b>	<b>224,071</b>	<b>228,924</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	7	729,092	647,928	718,366
Deferred tax liabilities		2,088	2,027	2,101
Other provisions		24,699	10,310	24,925
<b>Total non-current liabilities</b>		<b>755,879</b>	<b>660,265</b>	<b>745,392</b>
<b>Current liabilities</b>				
Borrowings	7	73,818	43,331	72,550
Accounts payable		48,393	84,289	50,887
Other liabilities		19,027	14,072	18,120
Accrued expenses and deferred income		40,745	44,974	45,365
<b>Total current liabilities</b>		<b>181,983</b>	<b>186,666</b>	<b>186,922</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,152,032</b>	<b>1,071,002</b>	<b>1,161,238</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

Attributable to Parent Company shareholders

Amounts in SEK thousand	Share capital	Other paid-in capital	Reserves	Retained earnings	Total	Non-controlling interests	Total equity
<b>Opening balance, 1 January 2017</b>	<b>18,019</b>	<b>693,305</b>	<b>1,136</b>	<b>-540,143</b>	<b>172,317</b>	<b>53,962</b>	<b>226,279</b>
Profit/loss for the period				-4,496	-4,496	185	-4,311
<b>Other comprehensive income</b>							
Exchange differences			2,134	-106	<b>2,028</b>	75	<b>2,103</b>
<b>Total comprehensive income</b>			<b>2,134</b>	<b>-4,602</b>	<b>-2,468</b>	<b>260</b>	<b>-2,208</b>
<b>Closing balance, 31 March 2017</b>	<b>18,019</b>	<b>693,305</b>	<b>3,270</b>	<b>-544,745</b>	<b>169,849</b>	<b>54,222</b>	<b>224,071</b>
<b>Opening balance, 1 January 2018</b>	<b>21,420</b>	<b>754,685</b>	<b>1,872</b>	<b>-608,597</b>	<b>169,380</b>	<b>59,544</b>	<b>228,924</b>
Profit/loss for the period				-19,456	-19,456	-3,066	-22,522
<b>Other comprehensive income</b>							
Exchange differences			4,039	0	<b>4,039</b>	3,729	<b>7,768</b>
<b>Total comprehensive income</b>			<b>4,039</b>	<b>-19,456</b>	<b>-15,417</b>	<b>663</b>	<b>-14,754</b>
<b>Closing balance, 31 March 2018</b>	<b>21,420</b>	<b>754,685</b>	<b>5,911</b>	<b>-628,053</b>	<b>153,963</b>	<b>60,207</b>	<b>214,170</b>

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

	<i>Note</i>	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
<b>Cash flow from operating activities</b>				
Operating profit/loss before financial items		-12,533	-2,305	-42,159
Amortisation/depreciation		12,767	12,352	62,802
Other non-cash items		305	-21	23,893
Interest received		19	16	125
Interest paid		-8,982	-8,157	-35,913
<b>Cash flow from operating activities before changes in working capital</b>		<b>-8,424</b>	<b>1,885</b>	<b>8,748</b>
<b>Cash flow from changes in working capital</b>				
Increase/decrease in inventories		-1,965	71	-751
Increase/decrease in operating receivables		-14,913	11,396	271
Increase/decrease in operating liabilities		-7,040	-4,900	5,496
<b>Total changes in working capital</b>		<b>-23,918</b>	<b>6,567</b>	<b>5,016</b>
<b>Cash flow from operating activities</b>		<b>-32,342</b>	<b>8,452</b>	<b>13,764</b>
<b>Cash flow from investing activities</b>				
Acquisition of intangible assets		-275	-360	-2,216
Acquisition of tangible assets		-8,001	-64,792	-187,478
Sale of tangible assets		18	-	-
Divestment/amortisation of other financial assets		111	111	445
Restricted bank balances and other changes in financial assets	5	-36	-55	-14,430
<b>Cash flow from investing activities</b>		<b>-8,183</b>	<b>-65,096</b>	<b>-203,679</b>
<b>Cash flow from financing activities</b>				
New share issue		-	-	64,781
Loans raised	7	-	53,238	154,860
Loan amortisation		-3,684	-9,572	-30,929
Contribution to/from minority shareholders		-	-	15,138
<b>Cash flow from financing activities</b>		<b>-3,684</b>	<b>43,666</b>	<b>203,850</b>
<b>Total cash flow for the period</b>		<b>-44,209</b>	<b>-12,978</b>	<b>13,935</b>
<b>Decrease/increase in cash and cash equivalents</b>				
Cash and cash equivalents at beginning of period		86,885	73,871	73,871
Exchange differences in cash and cash equivalents		1,544	449	-921
<b>Cash and cash equivalents at end of period</b>		<b>44,220</b>	<b>61,342</b>	<b>86,885</b>

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

	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
<b>Operating income</b>			
Net sales	528	328	1,794
<b>Total operating income</b>	<b>528</b>	<b>328</b>	<b>1,794</b>
Operating expenses	-1,758	-949	-3,724
<b>Operating profit/loss</b>	<b>-1,230</b>	<b>-621</b>	<b>-1,930</b>
Net financial items	-2,187	-1,066	-33,690
<b>Profit/loss before tax</b>	<b>-3,417</b>	<b>-1,687</b>	<b>-87,120</b>
Income tax	-	-	-
<b>Profit/loss for the period</b>	<b>-3,417</b>	<b>-1,687</b>	<b>-87,120</b>

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

**PARENT COMPANY BALANCE SHEET**

Amounts in SEK thousand	<i>Note</i>	31 Mar 2018	31 Mar 2017	31 Dec 2017
<b>ASSETS</b>				
<b>Non-current assets</b>				
<b>Financial assets</b>				
Participations in group companies		175,899	187,810	175,899
Receivables from group companies		142,007	172,760	144,292
Other non-current receivables	5	12,078	-	12,078
<b>Total financial assets</b>		<b>329,984</b>	<b>360,570</b>	<b>332,269</b>
<b>Total non-current assets</b>		<b>329,984</b>	<b>360,570</b>	<b>332,269</b>
<b>Current assets</b>				
<b>Current receivables</b>				
Receivables from group companies		172,928	156,487	174,916
Other receivables		286	331	555
Prepaid expenses and accrued income		3,018	1,007	2,371
<b>Total current receivables</b>		<b>176,232</b>	<b>157,825</b>	<b>177,842</b>
<b>Cash and bank balances</b>		<b>7,250</b>	<b>2,342</b>	<b>7,517</b>
<b>Total current assets</b>		<b>183,482</b>	<b>160,167</b>	<b>185,359</b>
<b>TOTAL ASSETS</b>		<b>513,466</b>	<b>520,737</b>	<b>517,628</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>		<b>252,289</b>	<b>276,359</b>	<b>255,706</b>
<b>Non-current liabilities</b>				
Interest-bearing loans	7	225,915	195,333	225,418
Intra-group loans		23,000	23,000	23,000
<b>Total non-current liabilities</b>		<b>248,915</b>	<b>218,333</b>	<b>248,418</b>
<b>Current liabilities</b>				
Borrowings	7	19	16,319	19
Accounts payable		1,477	1,526	3,235
Liabilities to group companies		5,894	4,447	5,560
Other liabilities		1	-	56
Accrued expenses and deferred income		4,871	3,753	4,634
<b>Total current liabilities</b>		<b>12,262</b>	<b>26,045</b>	<b>13,504</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>513,466</b>	<b>520,737</b>	<b>517,628</b>

## NOTES

### Note 1 General information

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

Unless otherwise specified, all amounts are 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 2017.

The accounting policies conform to those applied in the preceding financial year, except as specified regarding IFRS 9 and 15 below.

#### IFRS 9 Financial instruments

The Group is applying IFRS 9 for the first time for financial year 2018, with a transition date of 1 January 2018. The Group is applying the new recommendation retroactively and with no exceptions. The transition to IFRS 9 will not involve any change to the Group's results, position or cash flow and, accordingly, comparative figures have not been translated.

As from 1 January 2018, the Group classifies its assets in the following categories:

- financial assets subsequently recognised at fair value (either through other comprehensive income or through profit or loss), and
- financial assets recognised at amortised cost

The Group currently has assets only in the second category.

Classification is determined by the Group's business model for managing financial assets and by the contractual terms and conditions for the assets' cash flow.

#### *Impairments*

At the close of each reporting period, the Group evaluates whether there is objective evidence that a write-down is necessary for debt instruments recognised at amortised cost.

In accordance with IFRS 9 rules, the Group applies a simplified method for impairment testing accounts receivable, which involves recognising anticipated bad debt losses when the underlying receivables are reported in the balance sheet. The Group does not currently have any receivables other than accounts receivable and cash and cash equivalents that are valued at amortised cost.

#### IFRS 15 Revenue from contracts with customers

The Group is applying IFRS 15 for the first time for financial year 2018, with a transition date of 1 January 2018. The Group is applying the standard prospectively and a potential accumulated effect of the transition is therefore recognised in accumulated profit or loss as at 1 January 2018, and comparative figures are not translated. The transition to IFRS 15 will not involve any change to the Group's results, position or cash flow and, accordingly, comparative figures have not been translated.

The Group produces and sells biogas and has revenues related to waste management. Biogas sales are recognised as revenue when control is transferred to the customer. From that point on, the customer has full control of the goods and the Group has no unfulfilled obligations. Revenue from the receipt of waste is recognised when the waste has been received and the obligation to the customer has thereby been fulfilled.

Since the credit period is normally 30 days and never exceeds one year, there is not deemed to be any financing component. A receivable is recognised when gas has been delivered or waste has been received, as compensation becomes unconditional at that time.

Of the new standards and interpretations that are effective as from financial periods beginning on or after 1 January 2018, it is primarily IFRS 16 that may be expected to have a significant impact on the Group's financial reports.

**IFRS 16 Leases** will replace IAS 17 *Leases*. Nearly all lease agreements will be recognised in the balance sheet, as distinction will no longer be made between operating and finance lease agreements. Under the new standard, an asset (the right to use a lease asset) and a financial obligation to pay leasing fees is recognised. Short-term leases and leases of low-value assets are excluded. The standard will mainly affect recognition of the Group's operating lease agreements. The Group's assessment is that IFRS 16 will involve recognition of a large number of the lease agreements currently recognised as operating leases (e.g., land and storage tank leases) as assets and liabilities as from 1 January 2019. This will result in a decrease in other external costs and an increase in amortisation and financial expense. The standard will also involve increased disclosure in the annual report. The Group will be applying a modified retroactive approach and does not intend to apply the standard in advance.

No other IFRS or IFRIC interpretations that are not yet effective are expected to have any significant impact on the Group.

### **Note 3      Segment reporting**

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

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

<b>Income statement by segment</b>	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
<b>Operating income</b>			
Business Area Sweden	54,794	51,838	213,694
<i>of which, external revenue</i>	52,792	50,797	211,725
<i>of which, internal revenue</i>	2,002	1,041	1,969
Business Area South Korea	11,135	12,984	50,839
<i>of which, external revenue</i>	11,135	12,984	50,839
Business Area Norway	2,224	1,549	12,784
<i>of which, external revenue</i>	2,224	1,549	12,784
Service Centre and R&D	8,168	11,467	45,640
<i>of which, external revenue</i>	1,702	2,479	5,438
<i>of which, internal revenue</i>	6,466	8,988	40,202
Eliminations	-7,758	-7,391	-33,626
<b>Group total</b>	<b>68,563</b>	<b>70,447</b>	<b>289,331</b>
<b>Raw materials and consumables</b>			
Business Area Sweden	-29,749	-25,630	-104,220
Business Area South Korea	-5,523	-4,575	-31,032
Business Area Norway	-	-59	-69
Service Centre and R&D	-490	-2,732	-5,639
Eliminations	483	2,101	3,070
<b>Group total</b>	<b>-35,279</b>	<b>-30,895</b>	<b>-137,890</b>
<b>Gross profit/loss</b>			
Business Area Sweden	25,045	26,208	109,474
Business Area South Korea	5,612	8,409	19,807
Business Area Norway	2,224	1,490	12,715
Service Centre and R&D	7,678	8,735	40,001
Eliminations	-7,275	-5,290	-30,556
<b>Group total</b>	<b>33,284</b>	<b>39,552</b>	<b>151,441</b>
<b>Other external costs</b>			
Business Area Sweden	-10,454	-11,186	-64,007
Business Area South Korea	-2,447	-2,282	-9,087
Business Area Norway	-1,745	-1,096	-10,313
Service Centre and R&D	-7,279	-3,565	-12,213
Eliminations	7,275	5,290	30,556
<b>Group total</b>	<b>-14,650</b>	<b>-12,839</b>	<b>-65,064</b>
<b>Personnel costs</b>			
Business Area South Korea	-2,174	-2,401	-9,026
Business Area Norway	-3,101	-2,300	-10,101
Service Centre and R&D	-11,967	-11,505	-45,663
<b>Group total</b>	<b>-17,242</b>	<b>-16,206</b>	<b>-64,790</b>
<b>EBITDA</b>			
Business Area Sweden	14,591	15,022	45,467
Business Area South Korea	991	3,726	1,694
Business Area Norway	-2,622	-1,906	-7,699
Service Centre and R&D	-11,568	-6,335	-17,875
<b>Group total</b>	<b>1,392</b>	<b>10,507</b>	<b>21,587</b>
Depreciation, amortisation and impairment of tangible and intangible assets	-12,767	-12,352	-62,802
Other operating expenses	-1,158	-460	-944
<b>Total operating expenses</b>	<b>-45,817</b>	<b>-41,857</b>	<b>-193,600</b>
<b>Operating profit/loss</b>	<b>-12,533</b>	<b>-2,305</b>	<b>-42,159</b>
Net exchange differences	841	6,091	1,041
Financial income	19	16	125
Financial expense	-10,859	-8,059	-36,682
<b>Net financial items</b>	<b>-9,999</b>	<b>-1,952</b>	<b>-35,516</b>
<b>Profit/loss before tax</b>	<b>-22,532</b>	<b>-4,257</b>	<b>-77,675</b>
Income tax	10	-54	2,628
<b>Profit/loss for the period</b>	<b>-22,522</b>	<b>-4,311</b>	<b>-75,047</b>



<b>Condensed balance sheet per segment</b>	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
<i><b>Non-current assets</b></i>			
Business Area Sweden	546,865	561,756	556,135
Business Area South Korea	86,092	111,832	88,573
Business Area Norway	317,468	250,355	319,654
Service Centre and R&D	31,182	17,773	30,100
<b>Group total</b>	<b>981,607</b>	<b>941,716</b>	<b>994,462</b>
<i><b>Current assets</b></i>			
Business Area Sweden	68,837	62,759	69,039
Business Area South Korea	10,902	17,728	10,883
Business Area Norway	75,370	39,080	59,512
Service Centre and R&D	15,316	9,719	27,342
<b>Group total</b>	<b>170,425</b>	<b>129,286</b>	<b>166,776</b>
<b>Total assets, Group</b>	<b>1,152,032</b>	<b>1,071,002</b>	<b>1,161,238</b>
<i><b>Non-current liabilities</b></i>			
Business Area Sweden	267,793	327,995	271,478
Business Area South Korea	24,699	10,310	24,925
Business Area Norway	215,682	119,022	203,198
Service Centre and R&D	21,790	7,605	20,373
Unallocated	225,915	195,333	225,418
<b>Group total</b>	<b>755,879</b>	<b>660,265</b>	<b>745,392</b>
<i><b>Current liabilities</b></i>			
Business Area Sweden	129,670	70,841	132,012
Business Area South Korea	12,119	14,865	9,379
Business Area Norway	9,336	56,266	15,165
Service Centre and R&D	30,858	44,694	30,366
<b>Group total</b>	<b>181,983</b>	<b>186,666</b>	<b>186,922</b>
<b>Total liabilities, Group</b>	<b>937,862</b>	<b>846,931</b>	<b>932,314</b>

<b>Operating income by segment</b>	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
<b>Business Area Sweden</b>	<b>54,794</b>	<b>51,838</b>	<b>213,694</b>
<i>Sale of goods</i>	47,405	45,451	182,875
<i>Sale of services</i>	4,883	5,226	20,551
<i>Other external operating income</i>	504	120	8,299
<i>Other internal operating income</i>	2,002	1,041	1,969
<b>Business Area South Korea</b>	<b>11,135</b>	<b>12,984</b>	<b>50,839</b>
<i>Sale of goods</i>	3,351	4,025	15,824
<i>Sale of services</i>	7,784	8,959	35,015
<b>Business Area Norway</b>	<b>2,224</b>	<b>1,549</b>	<b>12,784</b>
<i>Sale of goods</i>	-	33	260
<i>Sale of services</i>	1,922	1,516	6,576
<i>Other external operating income</i>	302	-	5,948
<b>Service Centre and R&amp;D</b>	<b>8,168</b>	<b>11,467</b>	<b>45,640</b>
<i>Sale of services</i>	204	144	1,045
<i>Re-invoicing</i>	-	1,711	2,793
<i>Intra-group sales</i>	5,528	6,322	31,064
<i>Capitalised work on own account</i>	798	2,966	9,265
<i>Other external operating income</i>	1,410	296	880
<i>Other internal operating income</i>	228	28	593
<b>Eliminations</b>	<b>-7,758</b>	<b>-7,391</b>	<b>-33,626</b>
<b>Group total</b>	<b>68,563</b>	<b>70,447</b>	<b>289,331</b>

#### Note 4 Tangible assets

Investments in tangible assets during first quarter 2018 totalled SEK 8.0 million (72.4).

The Group capitalised borrowing costs on qualifying assets in the form of new facilities in the amount of SEK 1.0 million (1.1) during the interim period.

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

	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Buildings and land	113,211	115,417	114,515
Plant and machinery	113,614	117,921	116,357
Equipment, tools, fixtures and fittings	7,242	9,896	7,879
Construction work in progress	6,974	6,974	6,974
<b>Carrying amount</b>	<b>241,041</b>	<b>250,208</b>	<b>245,725</b>

#### Note 5 Other long-term receivables

<b>Group</b>	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Restricted bank balances	33,721	20,843	32,462
Other	3,520	1,562	3,487
<b>Total</b>	<b>37,241</b>	<b>22,405</b>	<b>35,949</b>

<b>Parent Company</b>	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Restricted bank balances	12,078	-	12,078
<b>Total</b>	<b>12,078</b>	<b>-</b>	<b>12,078</b>

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 6 Other current receivables**

”Other current receivables” includes an SEK 37.6 million (0) accrued delay penalty for the facility in Skogn. The corresponding amount at the close of the 2017 financial year was SEK 10.6.

**Note 7 Borrowing**

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

	<u>Carrying amount</u>			<u>Fair value</u>		
	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Liabilities to credit institutions	244,181	201,977	231,699	244,181	201,977	231,699
Corporate bonds	225,915	195,333	225,418	232,102	195,333	231,605
Liabilities related to finance leases	239,255	245,040	242,949	239,255	245,040	242,949
Other non-current borrowings	19,741	5,578	18,300	19,741	5,578	18,300

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

**Note 8 Pledged assets and contingent liabilities**

<b>Group</b>	<b>Pledged assets</b>		
	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Liens on assets	48,000	67,635	48,000
Pledged assets	374,915	276,616	368,272
Assets financed through finance leases	234,067	243,234	238,751
Shares in Scandinavian Biogas Fuels AB	9,009	-	23,064
Shares in Scandinavian Biogas Stockholm AB	63,403	59,511	58,227
Shares in Scandinavian Biogas Korea Co., Ltd.	-	6,069	-
Shares in Scandinavian Biogas Sweden AB	-	16,892	-
Shares in Scandinavian Biogas Södertörn AB	5,727	13,733	8,209
Shares in Scandinavian Biogas Fuels i Varberg AB	78	78	78
Shares in Biokraft Holding AS	64,090	51,415	62,045
<b>Group total</b>	<b>799,289</b>	<b>735,183</b>	<b>806,646</b>

<b>Parent Company</b>	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Shares in Scandinavian Biogas Sweden AB	102,050	102,050	102,050
Shares in Scandinavian Biogas Fuels AB	274	27,341	274
Shares in Biokraft Holding AS	73,575	58,419	73,575
Pledged intra-group loan to Scandinavian Biogas Sweden AB	227,682	209,066	229,111
<b>Parent Company total</b>	<b>403,581</b>	<b>396,876</b>	<b>405,010</b>

<b>Group</b>	<b>Contingent liabilities</b>		
	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Contingent liability – subsidiary penalty fee	-	41,242	-
Contingent liability – subsidiary investment grants	10,869	5,363	10,869
Contingent liability – Parent Company corporate bond	230,000	200,000	230,000
<b>Group total</b>	<b>240,869</b>	<b>246,605</b>	<b>240,869</b>

<b>Parent Company</b>	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Contingent liability – subsidiary loans from credit institutions	32,500	34,500	32,500
Contingent liability – subsidiary investment grants	10,869	5,363	10,869
<b>Parent Company total</b>	<b>43,369</b>	<b>39,863</b>	<b>43,369</b>

Subsidiary Scandinavian Biogas Fuels AB has guaranteed payment of the Parent Company's corporate bond. Virtually all other pledged assets and contingent liabilities specified above relate to subsidiaries' loans from credit institutions. See also the 2017 annual report.

## Note 9 Definitions of key ratios

### *Operating results/EBIT*

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

### *EBITDA*

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

<b>EBITDA</b>	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
Operating profit/loss	-12,533	-2,305	-42,159
- Depreciation, amortisation and impairment of tangible and intangible assets	12,767	12,352	62,802
-Other operating expenses	1,158	460	944
<b>EBITDA</b>	<b>1,392</b>	<b>10,507</b>	<b>21,587</b>

### *Operational EBITDA*

Operational EBITDA is EBITDA adjusted for significant one-off costs and is used to show the profitability of operating activities.

<b>Operational EBITDA</b>	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
EBITDA	1,392	10,507	21,587
-Adjusted for significant one-off items	-	-	13,583
<b>Operational EBITDA</b>	<b>1,392</b>	<b>10,507</b>	<b>35,170</b>

The adjustment for significant one-off items for full-year 2017 is attributable to the difference in the amount of the penalty fee in Ulsan as calculated, as compared with previous assessments. See the 2017 annual report.

### *Gross profit/loss*

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

<b>Gross profit/loss</b>	<b>1 Jan - 31 Mar 2018</b>	<b>1 Jan - 31 Mar 2017</b>	<b>1 Jan - 31 Dec 2017</b>
Total revenues	68,563	70,447	289,331
-Raw materials and consumables	-35,279	-30,895	-137,890
<b>Gross profit/loss</b>	<b>33,284</b>	<b>39,552</b>	<b>151,441</b>

### *Adjusted equity/assets ratio*

The equity/assets ratio shows the proportion of assets financed with equity. The Group uses an adjusted equity/assets ratio, as this metric is defined in the corporate bond prospectus. The adjusted equity/assets ratio is calculated as the sum of total equity (including non-controlling interests) and subordinated loans divided by total assets adjusted for the grant from Enova. The grant from Enova for the Norwegian project in Skogn is included in the prospectus as a subordinated loan, but is a grant that does not require repayment. At the close of the interim period, subordinated loans totalled SEK 19.7 million and are attributable to loans from minority shareholders in Biokraft Holding AS to that company.

<b>ADJUSTED EQUITY/ASSETS RATIO</b>	<b>31 Mar 2018</b>	<b>31 Mar 2017</b>	<b>31 Dec 2017</b>
Total equity (incl. non-controlling interests)	214,170	224,071	228,924
Subordinated loans (incl. Enova)	89,713	73,352	84,222
	<u>303,883</u>	<u>297,423</u>	<u>313,146</u>
Total assets	1,152,032	1,071,002	1,161,238
Contribution, Enova	69,972	57,052	65,922
	<u>1,222,004</u>	<u>1,128,054</u>	<u>1,227,160</u>
<b>Adjusted equity/assets ratio</b>	<b>2.9%</b>	<b>26.4%</b>	<b>25.5%</b>

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

A notice of written procedure was distributed to bondholders in mid-April requesting a waiver of certain provisions in the bond's terms and conditions. The Group is considering utilising the SEK 12,077,663 of remaining funds from the June 2017 bond issue to finance the investment in Norway, pay transactions expenses for the subsequent issue and the written procedure, and for general corporate purposes of the Group. For additional information, see the notice of written procedure at [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com).

This interim report has not been audited.

The 2017 annual report specifies that the income statement and balance sheet will be presented to the Annual General Meeting for adoption on 24 May 2018. The Board of Directors has decided, however, to reschedule the AGM for June.

The next interim report will be published and available on [www.scandinavianbiogas.com](http://www.scandinavianbiogas.com) on 23 August 2018.

Stockholm, 26 April 2018

Matti Vikkula  
Chief Executive Officer