

Scandinavian Biogas Fuels International AB (publ)

Corp ID no.: 556528-4733

Interim report for 1 January-31 March 2016

On 10 February 2016, Scandinavian Biogas Fuels International AB (publ) issued corporate bonds at a value of SEK 200 million. As of 8 April 2016, these bonds have been available for trade on the NASDAQ OMX Stockholm stock exchange.

The Group acquired the majority of the shares in the Norwegian-registered company Biokraft Holding AS on 11 February 2016. This acquisition means that Scandinavian Biogas is establishing itself in the Norwegian market.

First quarter in brief

- The expansion of the upgrading facility in Henriksdal has essentially been completed and the first deliveries from the new production line to customers of the gas network in Stockholm were made in late January
- Net sales totalled SEK 52.8 million (SEK 41.8 million)
- Total revenues amounted to SEK 56.4 million (SEK 49.4 million)
- EBITDA (operating profit before depreciation and amortisation) was SEK 7.0 million (SEK 7.3 million)
- The Group posted an operating loss of SEK 3.1 million (profit: SEK 1.0 million)
- The Group posted a loss after tax of SEK 11.4 million (profit: SEK 9.0 million)

Unless otherwise specified, all financial information in this report pertains to the Group and the figures in parentheses pertain to the year-earlier period.

Please note: This document is an English language translation of the Swedish original. In the event of any discrepancy between the English translation and the Swedish original, the Swedish original shall prevail.

Significant events after the end of the period

- The corporate bonds have been listed on the NASDAQ Stockholm stock exchange and the first day of trading was 8 April 2016
- The new production line in Henriksdal was inaugurated on 28 April 2016 by Stockholm's Vice Mayor of Environment, Katarina Luhr, and Stockholm's County Council Commissioner of Transportation Kristoffer Tamsons

Operations

Scandinavian Biogas is a leading player in large-scale biogas production and holds world-leading expertise on how to design biogas plants, including everything from pre-treatment to upgrading, in order to optimise the production of biogas. The Group is actively pursuing the transition from fossil fuels to renewable energy.

The Group's business concept is to be a leader in designing, managing and operating biogas plants. This will be achieved by always improving the digestion process in the production of biomass-based biogas, predominantly from the vast quantity of waste that arises during wastewater treatment, food waste and from industrial processes such as the production of food and biofuels. The Group also provides leading expertise in the purification of digester gas for use in upgrading biogas to fuel quality. Our focus is on the markets in the Nordic region and South Korea.

Since Scandinavian Biogas maintains a strategic focus on research and development, the Group assigns substantial priority to developing methods for more efficient biogas production from both established and new types of waste, residues and other organic materials. The company's knowledge and methods enable biogas production to now be performed more cost and resource-efficiently than before.

Scandinavian Biogas Fuels International AB (publ) is registered and headquartered in Stockholm. On 31 March 2016, the Group had 40 (36) employees in Sweden, and 22 (21) in South Korea.

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 January - 31 March 2016	1 January - 31 March 2015	1 January - 31 December 2015
	<i>3 months</i>	<i>3 months</i>	<i>12 months</i>
Net sales	52 750	41 780	175 891
EBITDA	7 011	7 309	23 358
Operating profit/loss	-3 136	996	-16 817
Total assets	932 567	629 380	760 652
Equity/assets ratio	27,6%	38,5%	28,6%

The Group's net sales for the first quarter of the year amounted to SEK 52.8 million (SEK 41.8 million), up 26.3% year-on-year. The increase in revenues primarily resulted from the fact that the biogas plant in Södertörn is now operational and delivering gas to customers. Total revenues for the period from January to March 2016 amounted to SEK 56.4 million (SEK 49.4 million).

The Group's EBITDA for the first three months of the year was SEK 7.0 million (SEK 7.3 million), which is in line with the year-earlier period.

During the first quarter of the year, the Group posted an operating loss of SEK 3.1 million (profit: SEK 1.0 million). The change was due to an increase in depreciation/amortisation following the commissioning of the plant in Södertörn.

The Group posted a loss after tax of SEK 11.4 million (profit: SEK 9.0 million), during the period from January to March 2016, of which a loss of SEK 0.1 million (gain: SEK 10.0 million) derived from unrealised exchange-rate differences.

At 31 March 2016, total assets amounted to SEK 932.6 million (SEK 629.4 million), up 22.6% since year-end, mostly as a result of the investment in Norway and the corporate bonds. Borrowing related to financial leasing with terms of 20 years or more amounted to SEK 173.5 million (SEK 168.1 million). In addition to earnings for the year, the change in equity during the year included the minority owner's equity investment in the Group company Biokraft Holding AS; refer to Note 3 Business combinations.

At 31 March 2016, consolidated cash balances totalled SEK 135.6 million (SEK 71.7 million), the decrease in which was primarily due to the corporate bonds that were issued in February.

At the time of the acquisition of the Biokraft Holding AS shares, the acquired Group held current liabilities in the amount of SEK 98.6 million related to investments in the new biogas plant. At the time of acquisition, the Scandinavian Biogas Group and the minority owner contributed a total of SEK 89.5 million in the form of a new share issue, which was used for such purposes as settling the aforementioned liability. The Group's cash flow for the period during which the company has been owned and thus also consolidated marks a reduction in current liabilities and a corresponding decline in cash and cash equivalents.

Investments

Investments in tangible and intangible assets during the first three months of the year amounted to SEK 7 million (SEK 38 million) and advance payments of approximately SEK 91 million were made for construction work in progress. Investments have also been made in the form of business acquisitions, as described above. At 31 March 2016, the Group was committed to making additional investments in the plant in Södertörn, in the expansion in Henriksdal, and in the new biogas plant outside Trondheim, Norway.

At 31 March 2016, the book value of the Group's tangible and intangible assets was SEK 735.7 million (SEK 509.3 million), of which SEK 253.0 million (SEK 194.6 million) pertains to leased objects that the Group leases under long-term lease agreement (more than 20 years).

Significant events during the period

Corporate bond issue

On 10 February, the Parent Company issued a corporate bond in the amount of SEK 200 million with a term of four years. The funds were used to acquire a majority stake in Biokraft Holding AS and to repay part of an external loan. The funds will also be used for such purposes as investments to enhance the plant in Södertörn.

Business combinations

The Group acquired a majority of the shares in Biokraft Holding AS in early 2016. The acquisition means that Scandinavian Biogas is establishing itself in the Norwegian market as well. Biokraft AS, which is a wholly owned subsidiary of Biokraft Holding AS, will build a biogas plant adjacent to Norske Skog's paper-pulp mill in Skogn outside Trondheim, Norway. The plant will produce liquid biogas and the substrate will mainly comprise waste from the fishing industry. Once the plant is in full production, it is expected to be able to deliver about 12 million Nm³, or 120 GWh, of liquid biogas. The plant is expected to be in commission during the second half of 2017.

Expansion of Henriksdal

At 31 March 2016, the expansion of the plant in Henriksdal, which commenced in November 2014 in partnership with Stockholm Vatten AB, had essentially been completed. The expansion is expected to increase production capacity by around 12.5 million normal cubic meters (Nm³), or 120 GWh, when fully operational.

Production and sales

Bromma and Henriksdal

The plant in Henriksdal produced and sold 2.3 million Nm³ (1.9 MNm³), or around 23 GWh (19 GWh) of biogas during the interim period. The corresponding volume for the plant in Bromma was 0.6 million Nm³ (0.7 MNm³), or around 6 GWh (7 GWh). The new line in Henriksdal began producing biogas in January.

Södertörn

The pre-treatment plant in Södertörn received an average of 95 tonnes (76 tonnes) of food waste per day during the first three months of the year. In addition to standard waste flows, the plant also received waste from other municipalities outside the Stockholm area for a while. During the first quarter, sales from the biogas plant totalled 1.1 million Nm³ (0 Nm³), or about 11 GWh. As certain challenges remain in the commissioning of the plant, modifications are currently being made. Accordingly, the planned increase in production has been delayed by about three to six months.

Ulsan, South Korea

The plant in South Korea received an average of 182 tonnes (179) of food waste per day during the interim period. Sales of raw gas during the same period amounted to a total of 2.3 million Nm³ (2.4 MNm³), or about 16 GWh (16 GWh). A total of 2.6 million Nm³ (2.5 MNm³) of raw gas was produced.

Financing

The business is financed by way of equity, loans from external creditors and financial leasing. The upgrading facilities in Bromma and Henriksdal are being leased from Stockholm Vatten AB and the pre-treatment plant in Södertörn is being leased from SRV Återvinning AB. The lease agreements are for 25 years.

In early 2016, the Parent Company issued a corporate bond in the amount of SEK 200 million with a term of four years. The funds were used to acquire a majority stake in Biokraft Holding AS and to repay part of an external loan. The funds will also be used for such purposes as investments to enhance the plant in Södertörn. The corporate bonds were listed on the NASDAQ Stockholm stock exchange in April 2016.

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 the structure and location of the project.

The share

The number of shares remained unchanged during the first quarter of the year and at 31 March 2016 the company had 90,092,662 (90,092,662) shares with a quotient value of SEK 0.20 per share. Each share entitles its holder to one vote. All outstanding shares are ordinary shares and thus entitle their holders to an equal proportion of Scandinavian Biogas Fuels International AB's (publ) assets and earnings.

Warrants

Employees and the Chief Executive Officer collectively held a total of 565,000 (565,000) outstanding warrants at 31 March 2016. There was no change in the number of warrants outstanding during the interim period.

Ownership structure at 31 March 2016, in per cent %

AC Cleantech	32.8%
Bengtssons Tidnings AB and related parties	31.4%
Novator Biogas Sweden SARL	6.7%
Ajanta OY and related parties	6.1%
Erik Danielsson and family, including companies	5.8%
John Nurminen OY	4.4%
Others	12.8%

Corporate governance

Board of Directors

The Annual General Meeting (AGM) on 28 April 2016 resolved on the re-election of Göran Persson, Anders Bengtsson, Andreas Ahlström, Hans Hansson and Sara Anderson. The AGM also resolved on the election of Raif Nisametdin as a new Board member. Göran Persson was re-elected as Chairman.

Nomination Committee

The Board of Directors has decided that for the period until the next AGM, the Nomination Committee will comprise Göran Persson (Chairman), Örjan Björnsson, Jonas Bengtsson and Andreas Ahlström.

Remuneration Committee

The Board of Directors has decided that the Remuneration Committee will continue to comprise Göran Persson (Chairman), Anders Bengtsson and Andreas Ahlström.

Audit Committee

The Audit Committee that was appointed by the Board earlier this year remains unchanged and comprises Anders Bengtsson (Chairman), Hans Hansson and Sara Anderson.

Significant risks and uncertainties

Significant risks and uncertainties are described in the latest annual report. They are also presented in the prospectus related to the listing of corporate bonds that was approved by the Swedish Financial Supervisory Authority in early April 2016 and is available on www.scandinavianbiogas.com.

Related-party transactions

There were no significant transactions with related parties during the 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

During the first quarter of 2016, the Parent Company's total revenues amounted to SEK 0.5 million (SEK 0.3 million). The increase was the result of re-invoicing passed on to subsidiaries and the corresponding costs are included in the operation's expenses. The Parent Company posted a result of SEK 0.0 million (loss: SEK 0.7 million).

Investments

In February 2016, the Parent Company acquired the majority of the shares in Biokraft Holding AS; refer to Note 3 Business combinations.

Liquidity and financial position

The most substantial changes in the Parent Company's total assets during the interim period were related to the corporate bond issue, and to the acquisition of a majority stake in Biokraft Holding AS. At the close of the interim period, cash balances amounted to SEK 9.9 million (SEK 1.5 million).

No significant events or changes took place since the Annual Report 2015 that have any bearing on the Group's or Parent Company's earnings or financial position other than the ones addressed in this report.

Significant events after the end of the period

The first day of trading for the corporate bonds on the NASDAQ Stockholm stock exchange was 8 April 2016.

The new production line in Henriksdal was inaugurated on 28 April 2016 by Stockholm's Vice Mayor of Environment, Katarina Luhr, and Stockholm's Commissioner of Transportation Kristoffer Tamsons. When fully commissioned, the new line is expected to be able to produce 12.5 million normal cubic metres (Nm³), or 125 GWh, of upgraded biogas.

As certain challenges remain in the commissioning of the plant, modifications are currently being made. Accordingly, the planned increase in production has been delayed by about three to six months. There is a risk that this delay will have an adverse impact on the Group's profitability.

Future outlook

The need for renewable energy that can replace fossil fuels, such as coal and oil, at reasonable prices is enormous. In various studies of the renewable alternatives that can be mass-produced, the interest in biogas has increased, thus also bolstering the demand for biogas, which is expected to gain further traction as it becomes more available. In many regions of the world, and particularly Sweden, the demand for biogas continues to exceed supply. For Scandinavian Biogas, this means that the Group expects to be able to sell all of the biogas it produces in the coming years.

In order to meet demand, the Group plans to significantly increase production in the Stockholm area in the immediate future. The annual production capacity for the new biogas plant in Södertörn is estimated to be around 8 million Nm³ of fuel quality biogas, or 80 GWh, at full capacity, and the expansion of Henriksdal is expected to yield a potential annual production of around 12 million Nm³ of fuel quality biogas, or 120 GWh, at full capacity. Accordingly, the combined production capacity of all the plants in Sweden is estimated at over 30 million Nm³ of fuel quality biogas, or 300 GWh. 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 nearly 500 GWh at full commission.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK thousand

	1 January - 31 March 2016	1 January - 31 March 2015	1 January - 31 December 2015
Operating income			
Net sales	52 750	41 780	175 891
Capitalised work on own account	3 571	7 192	52 379
Other operating income	122	419	3 622
Total	56 443	49 391	231 892
Operating expenses			
Raw materials and consumables	-28 564	-25 612	-132 843
Other external costs	-7 565	-5 474	-27 989
Personnel costs	-13 303	-10 996	-47 702
Depreciation, amortization and impairment of tangible and intangible assets	-9 976	-6 094	-39 329
Other operating expenses	-171	-219	-846
Total operating expenses	-59 579	-48 395	-248 709
Operating profit/loss	-3 136	996	-16 817
Financial income	178	10 873	12 724
Financial expenses	-8 499	-2 728	-16 807
Net financial items	-8 321	8 145	-4 083
Profit/loss before taxes	-11 457	9 141	-20 900
Corporate income tax	28	-128	-462
Profit/loss for the period	-11 429	9 013	-21 362
Other comprehensive income			
Actuarial results on post-employment remuneration	-	-	227
Exchange-rate differences	-1 904	-687	957
Other comprehensive income for the period, net after tax	-1 904	-687	1 184
Total comprehensive income for the period	-13 333	8 326	-20 178
All items in the Group's Other comprehensive income may be reclassified in the income statement.			
Profit/loss for the period attributable to:			
Parent Company shareholders	-11 959	9 585	-16 181
Non-controlling interests	530	-572	-5 181
	-11 429	9 013	-21 362
Total comprehensive income attributable to:			
Parent Company shareholders	-12 677	8 909	-15 203
Non-controlling interests	-656	-583	-4 975
	-13 333	8 326	-20 178

The comparative figures for 2015 have been restated in accordance with the amended policy for the recognition of re-invoicing that the Group adopted during the fourth quarter of 2015.

CONSOLIDATED BALANCE SHEET

Amounts in SEK thousand	Note	2016-03-31	2015-03-31	2015-12-31
ASSETS				
Non-current assets				
Intangible assets				
Capitalized development costs		7 698	5 655	7 239
Concessions and similar rights		106 311	140 951	108 819
Patents and licences		156	113	166
Goodwill	3	4 680	-	-
Total intangible assets		118 845	146 719	116 224
Tangible fixed assets				
	4			
Buildings and land		155 144	75 453	157 009
Plant and machinery		241 788	77 265	246 121
Equipment, fixtures and fittings		4 225	4 013	4 111
Construction work in progress		215 679	205 836	124 033
Total tangible fixed assets		616 836	362 567	531 274
Financial assets				
Other non-current receivables		7 868	8 502	7 858
Total financial assets		7 868	8 502	7 858
Other non-current assets				
Accrued income and prepaid expenses		3 000	-	3 111
Deferred tax assets		5 853	-	-
Total other non-current assets		8 853	-	3 111
Total non-current assets		752 402	517 788	658 467
Current assets				
Inventories, etc.				
Raw materials and consumables		584	642	584
Total inventories		584	642	584
Current receivables				
Trade accounts receivable		31 507	31 614	25 870
Other receivables		5 095	3 359	5 611
Prepaid expenses and accrued income		7 372	4 324	5 241
Cash and cash equivalents		135 607	71 653	64 879
Total current receivables		179 581	110 950	101 601
Total current assets		180 165	111 592	102 185
TOTAL ASSETS		932 567	629 380	760 652

CONSOLIDATED BALANCE SHEET, Cont.

Amounts in SEK thousand	<i>Note</i>	2016-03-31	2015-03-31	2015-12-31
EQUITY				
Equity attributable to				
Parent Company shareholders				
Share capital		18 019	18 019	18 019
Other capital contributions		693 305	693 352	693 305
Reserves		-1 725	-2 478	-1 008
Retained earnings including comprehensive income for the period		-506 449	-468 905	-494 489
		203 150	239 988	215 827
Non-controlling interests		54 173	2 380	1 987
Total equity		257 323	242 368	217 814
LIABILITIES				
Provisions				
Other provisions		7 564	-	7 097
Total provisions		7 564	-	7 097
Non-current liabilities				
Borrowings	5	455 569	292 848	266 643
Deferred tax liabilities		1 673	1 230	1 564
Total non-current liabilities		457 242	294 078	268 207
Current liabilities				
Borrowings	5	20 275	19 413	68 563
Loans from shareholders		19	19	19
Accounts payable		46 665	21 428	61 555
Other liabilities		20 978	5 147	20 852
Accrued expenses and deferred income	6	122 501	46 927	116 545
Total current liabilities		210 438	92 934	267 534
TOTAL EQUITY AND LIABILITIES		932 567	629 380	760 652

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in SEK thousand	Note	Attributable to Parent Company shareholders					Non-controlling interests	Total equity
		Share capital	Other capital contributions	Reserves	Retained earnings	Total		
Opening balance, 1 January 2015		15 683	654 884	-1 801	-478 493	190 273	2 962	193 235
Profit/loss for the period					9 585	9 585	-572	9 013
Other comprehensive income								
Exchange-rate differences				-677		-677	-10	-687
Total comprehensive income				-677	9 585	8 908	-582	8 326
Issue expenses			-69			-69		-69
Conversion of convertible debt		2 336	38 537			40 873		40 873
Total contributions from and distributions to shareholders, recognised directly in equity		2 336	38 468	-	-	40 804	-	40 804
Closing balance, 31 March 2015		18 019	693 352	-2 478	-468 905	239 988	2 380	242 368
Opening balance, 1 January 2016		18 019	693 305	-1 008	-494 489	215 827	1 987	217 814
Profit/loss for the period					-11 959	-11 959	530	-11 429
Other comprehensive income								
Exchange-rate differences				-717	-1	-718	-1 186	-1 904
Total comprehensive income				-717	-11 960	-12 677	-656	-13 333
Non-controlling interest arising from acquisition of subsidiaries	3					-	52 842	52 842
Total contributions from and distributions to shareholders, recognised directly in equity		-	-	-	-	-	52 842	52 842
Closing balance, 31 March 2016		18 019	693 305	-1 725	-506 449	203 150	54 173	257 323

CONSOLIDATED STATEMENT OF CASH FLOWS

Amounts in SEK thousand

	<i>Note</i>	1 January - 31 March 2016	1 January - 31 March 2015	1 January - 31 December 2015
Cash flow from operating activities				
Operating profit/loss before financial items		-3 136	996	-16 817
Amortisation/depreciation		9 976	6 184	39 329
Other non-cash items		-980	843	7 276
Interest received		34	32	161
Interest paid		-5 975	-10 320	-25 426
Cash flow from operating activities before changes in working capital		-81	-2 265	4 523
Cash flow from changes in working capital				
Increase/decrease in inventories		-	23	81
Increase/decrease in operating receivables		15 634	-10 624	-8 049
Increase/decrease in operating liabilities		-25 118	330	16 627
Total change in working capital		-9 484	-10 271	8 659
Cash flow from operating activities		-9 565	-12 536	13 182
Cash flow from investing activities				
Acquisition of intangible assets		-629	-747	-2 768
Acquisition of tangible fixed assets		-97 338	-37 233	-94 941
Divestment of tangible fixed assets		-	-	9 600
Investments in subsidiaries	3	43 024	-	-
Acquisition of financial assets		-	-	-3 116
Divestment of financial assets		114	-	9
Cash flow from investing activities		-54 829	-37 980	-91 216
Cash flow from financing activities				
Loans raised	5	191 375	-	28 428
Amortisation of loans	5	-56 282	-3 701	-14 407
Contributions to/from non-controlling interests		-	-	4 000
Cash flow from financing activities		135 093	-3 701	18 021
Total cash flow for the period		70 699	-54 217	-60 013
Decrease/increase in cash and cash equivalents				
Opening cash and cash equivalents		64 879	124 889	124 889
Exchange-rate differences in cash and cash equivalents		29	981	3
Closing cash and cash equivalents		135 607	71 653	64 879

PARENT COMPANY INCOME STATEMENT
Amounts in SEK thousand

	1 January - 31 March 2016	1 January - 31 March 2015	1 January - 31 December 2015
Operating income			
Sales	506	300	1 655
Total operating income	506	300	1 655
Operating expenses	-1 013	-619	-4 168
Operating profit/loss	-507	-319	-2 513
Net financial items	589	-387	-46 428
Profit/loss before tax	82	-706	-48 941
Corporate income tax	-	-	-
Net profit/loss for the period	82	-706	-48 941

In the Parent Company, since no items have been recognised as Other comprehensive income, Total comprehensive income comports with the profit/loss for the period.

PARENT COMPANY BALANCE SHEET

Amounts in SEK thousand	2016-03-31	2015-03-31	2015-12-31
ASSETS			
Non-current assets			
Financial assets			
Participations in Group companies	3	187 760	163 474
Receivables from Group companies		182 147	107 000
Total financial assets		369 907	270 474
Total non-current assets		369 907	270 474
Current assets			
Current receivables			
Receivables from Group companies		136 562	40 203
Other receivables		99	63
Prepaid expenses and accrued income		105	78
Total current assets		136 766	40 344
Cash and bank balances		9 938	34 149
Total current assets		146 704	74 493
TOTAL ASSETS		516 611	344 967

PARENT COMPANY BALANCE SHEET, cont.

Amounts in SEK thousand	<i>Note</i>	2016-03-31	2015-03-31	2015-12-31
EQUITY AND LIABILITIES				
Equity		295 798	343 998	295 717
Non-current liabilities				
Interest-bearing loans	5	191 069	-	-
Intra-Group loans		23 000	-	-
Total non-current liabilities		214 069	-	-
Current liabilities				
Borrowings		19	19	19
Accounts payable		486	88	971
Liabilities to Group companies		2 180	-	1 800
Accrued expenses and deferred income		4 059	862	586
Total current liabilities		6 744	969	3 376
TOTAL EQUITY AND LIABILITIES		516 611	344 967	299 093
Pledged assets	7	347 779	135 050	171 624
Contingent liabilities	7	54 553	51 422	37 500

NOTES
Note 1 General information

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

Unless otherwise specified, all amounts are in SEK thousand. The figures in parentheses pertain to the year-earlier period.

Since the Group did not hold any securities at the end of the interim period, this financial statement does not feature any segment reporting.

The interim information listed 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 that ended on 31 December 2015.

The Group's accounting policy on re-invoicing was amended during the fourth quarter of 2015. Revenues for non-business-related re-invoicing are now recognised as Other operating income. They were previously recognised under Net revenues. Costs for business-related re-invoicing are now recognised as Raw materials and consumables. They were previously recognised as Other external expenses. The comparative figures for the preceding year have been restated in accordance with the new policy.

In all other respects, the accounting policies comport with the policies applied in the preceding financial year.

Note 3 Business combinations

On 11 February 2016, the Group acquired 50.03% of the shares in Biokraft Holding AS, a company registered in Norway, which in turn holds all of the shares in Biokraft AS. The purchase consideration totalled NOK 57,999,147.66. A minor share of the acquisition was made directly from the owners and the majority was made in conjunction with a new share issue. The preliminary surplus value for the acquisition is estimated to be about SEK 4.7 million. Acquisition-related expenses, including legal fees, are estimated at SEK 0.7 million and are recognised among earnings as Other external expenses.

Information on the acquired net assets and goodwill (in SEK thousands):

	On date of acquisition
Purchase consideration:	
- cash paid by direct acquisition	2 981
- cash paid by new share issue	54 670
Total purchase consideration	57 651
Fair value of acquired assets (see below)	-52 905
Surplus value/Goodwill	4 746

According to a preliminary assessment, the assets and liabilities that were included in the acquisition are as follows:

<i>SEK thousand</i>	Fair value
Cash and cash equivalents	101 393
Tangible fixed assets	78 276
Accounts receivable and other receivables	28 602
Accounts payable and other liabilities	-92 584
Borrowings	-9 940
Acquired identified assets	105 747
Non-controlling interests	-52 842
Surplus value/Goodwill	4 746
Acquired net assets	57 651

The acquisition analysis is preliminary and the surplus value is preliminarily classified as goodwill. The goodwill is attributable to the increase in market shares in the Nordic region, the establishment in the Norwegian market and to the fact that the new biogas plant outside Trondheim, Norway, will produce liquid biogas. All of the Group's existing plants currently produce compressed biogas. None of the goodwill that is recognised is expected to be tax deductible.

Cash-flow-based investments in subsidiaries

<i>SEK thousand</i>	
Total purchase consideration	-57 651
Acquisition expenses	-718
Cash and cash equivalents in acquired companies	101 393
Total cash flow attributable to investments in subsidiaries	43 024

Note 4 Tangible fixed assets

In the first quarter, investments of SEK 19 million (SEK 38 million) were made in tangible fixed assets. The investments primarily pertain to ongoing projects in Henriksdal and Södertörn.

The Group capitalised borrowing costs on qualifying assets in the form of new facilities in the amount of SEK 0.4 million (SEK 3.0 million) during the first quarter.

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

	2016-03-31	2015-03-31	2015-12-31
Buildings and land	71 999	75 453	72 862
Plant and machinery	82 624	77 266	83 844
Equipment, fixtures and fittings	2 923	3 813	3 146
Construction work in progress	95 416	38 109	88 402
Carrying amount	252 962	194 641	248 254

Note 5 Financial instruments – the fair value of financial liabilities valued at amortised cost

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

	<u>Carrying amount</u>		<u>Fair value</u>	
	2016-03-31	2015-03-31	2016-03-31	2015-03-31
Liabilities to credit institutions	97 605	130 599	97 605	130 599
Coprorate bonds	191 069	-	191 069	-
Financial leasing liabilities	166 895	162 249	166 895	162 249

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

In February 2016, the Parent Company issued corporate bonds at a value of SEK 200 million. The term is for four years and the interest rate is STIBOR three months plus 9.75 percentage points. During the same month, part of a loan from external creditors was also repaid (SEK 51.5 million plus interest).

Note 6 Accrued expenses and deferred income

At 31 March 2016, accrued expenses and deferred income included an item in the amount of SEK 88.6 million (SEK 30.6 million) pertaining to investments in the expansion of Henriksdal, which will be leased by the Group upon completion.

Note 7 Pledged assets and contingent liabilities

Group	Pledged assets		
	2016-03-31	2015-03-31	2015-12-31
Floating charges	103 723	154 622	103 622
Shares in Scandinavian Biogas Stockholm AB	57 180	52 467	51 391
Shares in Scandinavian Biogas Korea Co. Ltd.	4 038	9 551	2 583
Shares in Scandinavian Biogas Sweden AB	35 765	49 213	44 124
Shares in Scandinavian Biogas Södertörn AB	13 538	5 606	23 863
Shares in Scandinavian Biogas Fuels i Varberg AB	79	80	80
Shares in Biokraft Holding AS	51 747	-	-
Group total	266 070	271 539	225 663

Parent Company	2016-03-31	2015-03-31	2015-12-31
Shares in Scandinavian Biogas Sweden AB	102 050	96 050	102 050
Shares in Biokraft Holding AS	58 369	-	-
Pledged internal loans to Scandinavian Biogas Sweden AB	187 360	39 000	69 574
Parent Company total	347 779	135 050	171 624

Group	Contingent liabilities		
	2016-03-31	2015-03-31	2015-12-31
Contingent liabilities	30 256	23 023	28 386
Group total	30 256	23 023	28 386

Parent Company	2016-03-31	2015-03-31	2015-12-31
Contingent liabilities for subsidiaries' loans to credit institutio	37 000	39 000	37 500
Contingent liabilities for subsidiaries' payment guaranties to suppliers	17 553	12 422	-
Parent Company total	54 553	51 422	37 500

In all material respects, the pledged assets and contingent liabilities above pertain to subsidiaries' loans from credit institutions. For further information, refer to the Annual Report 2015.

This interim report has not been audited.

The next interim report will be published and available on www.scandinavianbiogas.com on 19 August 2016.

Stockholm, 29 April 2016

Göran Persson
Chairman of the Board

Anders Bengtsson
Board member

Andreas Ahlström
Board member

Hans Hansson
Board member

Sara Anderson
Board member

Raif Nisametdin
Board member

Andreas Berg
Board member