

Scandinavian Biogas Fuels International AB (publ)

Corp. ID no. 556528-4733

Interim report for the period 1 January – 30 September 2018

The plant in Skogn, Norway, has been delivering liquid biogas to the customer since September 2018. The Group's EBITDA was negatively affected by one-off costs attributable to court rulings.

Third quarter in brief

- The first deliveries of liquid biogas from the plant in Skogn were delivered to the customer in September 2018.
- Net sales totalled SEK 63.0 million (60.7).
- EBITDA was SEK -14.5 million (+9.2 MSEK) and includes one-off costs of SEK 16.2 million attributable to court rulings.
- The Group posted a loss after tax of SEK -45.7 million (-17.1), which amount includes court-ordered legal expenses and interest.
- The Swedish government took a decision in early July 2018 on government biogas support.
- The Group launched an action programme to improve profitability, primarily at Södertörn, and initiated a re-organisation process.
- The court in Ulsan handed down a decision unfavourable to the Group in the penalty fee dispute.

First three quarters in brief

- Commissioning of the liquid biogas plant in Skogn began in late June 2018.
- Net sales totalled SEK 192.5 million (191.9).
- EBITDA was SEK -15.1 million (+31.9). The change is attributable to:
 - one-off cost of SEK 6.6 million for a revalued present value calculation of the penalty fee provision
 - one-off cost of SEK 9.6 million attributable to the dispute with a supplier to the Södertörn facility
 - other expenses of SEK 5.6 million for dispute-related legal services
 - commissioning of plant in Skogn: SEK 4.7 million (Business Area Norway total EBITDA of SEK -12.2 million)
 - the year-on-year decrease was otherwise primarily due to increased operational and maintenance costs at Södertörn, higher substrate costs, and an increased level of the penalty fee in South Korea in 2018.
- The Group posted a loss after tax of SEK -89.5 million (-40.9).
- Project financing for the Södertörn plant was refinanced with bank loans at lower rates.
- The Group received a total of SEK 18 million in subordinated loans from its largest shareholders.

Significant events after the end of the period

- The plant in Skogn delivered 0.5 MNm³ of LBG to the customer during October 2018.
- Government biogas support from the Board of Agriculture for the Södertörn plant is expected to exceed SEK 20 million over the next 12 months, beginning in early October 2018.
- The arbitrator in the dispute with a main supplier to the Södertörn plant issued a decision unfavourable to the Group in October.
- The Group's adjusted equity/assets ratio did not meet the corporate bond requirements as at 30 September 2018. Nearly 47% of the bondholders have confirmed their support for the Group's proposal to waive the adjusted equity/assets ratio requirement for the third and fourth quarters of 2018.

All financial information in this report pertains to the Group unless otherwise specified. Figures in brackets relate to the same period the previous year. Every care has been taken in the translation of this report. However, in the event of discrepancies, the original Swedish will supersede the English translation.

Operations

Scandinavian Biogas sells biogas-based renewable energy and related services. The Group provides leading expertise in purification processes that upgrade biogas to fuel-quality, and in the use of residual products from the digestion process as bio-fertiliser. The Group invests in production facilities, either owning or leasing them, primarily in the Nordic region; in other markets, the Group's competences are marketed as a service.

Scandinavian Biogas Fuels International AB (publ) is registered and headquartered in Stockholm. On 30 September 2018, the Group had 42 (43) employees in Sweden, 20 (21) in South Korea, and 14 (12) 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 Jul - 30 Sep 2018	1 Jul - 30 Sep 2017	1 Jan - 30 Sep 2018	Jan - 30 Sep 2017	1 Jan - 31 Dec 2017
	<i>3 months</i>	<i>3 months</i>	<i>9 months</i>	<i>9 months</i>	<i>12 months</i>
Net sales	62,999	60,685	192,497	191,934	258,363
EBITDA	-14,525	9,169	-15,103	31,898	21,587
Operating results	-31,071	-3,622	-59,192	-6,657	-42,159
Balance sheet total	1,189,301	1,142,776	1,189,301	1,142,776	1,161,238
Adjusted equity/assets ratio	22.1%	28.1%	22.1%	28.1%	25.5%

Consolidated net sales for the third quarter totalled SEK 63.0 million (60.7), and SEK 192.5 million (191.9) during the first nine months of the year, which amounts to an increase of 0.3 per cent compared to the same period last year. Total revenues for the period July-September 2018 totalled SEK 70.3 million (71.7) and SEK 210.6 million (216.8) in the first nine months of the year. Costs associated with raw materials and consumables increased 20 per cent compared with the first three quarters of 2017, which was mainly due to an updated assessment and higher recorded level of the penalty fee in South Korea, increased costs for substrate in Sweden, and increased operating costs at Södertörn. During the interim period, other external costs increased primarily due to the court ruling in the dispute with a supplier at Södertörn, other costs for legal services, increased maintenance costs, and commissioning of the plant in Skogn. Personnel costs also increased, mainly due to the addition of personnel in Norway. Consolidated EBITDA for the third quarter was SEK -14.5 million (+9.2), and SEK -15.1 million (+31.9) for the first nine months of the year. Operating profit for the third quarter totalled SEK -31.1 million (-3.6), and SEK -59.2 million (-6.7) for the first nine months of the year.

The Group posted a loss after tax of SEK -45.7 million (-17.1) for the third quarter, of which SEK -0.9 million (-4.6) is attributable to unrealised exchange rate fluctuations. The Group posted a loss after tax of SEK -89.5 million (-40.9) for the full interim period, of which SEK +4.4 million (-7.3) is attributable to unrealised exchange rate fluctuations, mainly due to long-term intra-group financing of foreign subsidiaries.

Total assets at 30 September 2018 amounted to SEK 1,189.3 million (1,142.8), equivalent to a year-on-year increase of 4.1 per cent. Finance lease-related borrowing totalled SEK 289.6 million (252.0). Equity was also impacted by net profit/loss during the interim period and a contribution in the form of a SEK 8.1 million new share issue from non-controlling interests.

At 30 September 2018, the consolidated cash balance was SEK 30.6 million (59.5).

Investments

Investments in tangible and intangible assets during the interim period totalled SEK 85 million (161), of which SEK 43 million relates to new financial leasing. At 30 September 2018, the Group had commitments to make further investments, mainly in the biogas plant in Skogn, Norway.

At 30 September 2018, the carrying amount of the Group's tangible and intangible assets was SEK 987.2 million (961.8), of which SEK 274.3 million (241.1) pertained to objects leased by the Group through long-term finance lease agreements.

Significant events during the period

Commissioning in Skogn, Norway

Commissioning of the liquid biogas plant in Skogn, Norway, began in late June 2018. The first deliveries of LBG to the customer were made in September 2018. Full production capacity is estimated at 12 million Nm³, corresponding to approximately 120 GWh.

New co-operation agreement

The Group signed a co-operation agreement with Mönsterås Biogas AB to jointly develop an investment project for potential biogas production in Mönsterås municipality. Development work will be conducted in a jointly owned company with the aim of treating 100,000 tonnes of substrate and producing around 110 GWh LBG annually. The Group has established a new company that at the end of the interim period was still wholly owned by the Group. The company is called Mönsterås Biogasproduktion AB.

Filling station operational

A filling station at the Group's biogas plant in Södertörn became operational at the beginning of the year. The filling station will mainly sell pure biogas to trucks and refuse vehicles that use the SRV recycling facility in Södertörn. The facility has been part-financed with support from Klimatklivet, an initiative of the Swedish Environmental Protection Agency.

Written procedure

During the second quarter, a written request was made to bondholders to waive certain terms and conditions relating to their bond holdings. A clear majority of bondholders who voted in the written procedure voted to approve the request. For further information please see the press release on www.scandinavianbiogas.com.

Refinancing

Project financing for the Södertörn biogas plant was refinanced during Q2 2018 with bank loans at lower rates.

Government support for biogas producers

In early July 2018, the Swedish government decided to facilitate the profitability and competitiveness of existing biogas production by introducing a scheme to support production between October 2018 and September 2019. Raw gas producers can apply for support for the portion of their production earmarked for upgrade to vehicle fuel-quality, provided that it does not originate from sewage sludge, food-based production of biofuels, or gas extracted from landfill. The Group has therefore only applied for support for the Södertörn plant. The support totals SEK 270 million and will be administered by the Swedish Board of Agriculture, which estimates the initiative will amount to SEK 0.26 per kWh (around SEK 2.60 per Nm³), which is expected to signify over SEK 20 million for the Group. For further information, please see Biogasstöd 2018 on the Swedish Board of Agriculture's website: jordbruksverket.se.

In late June, political parties in Denmark reached a new energy agreement that will manage the long-term transition to renewable energy. The agreement regulates support provided to biogas production from 2021 to 2040, which is also likely to influence a decision on continued production support in Sweden beyond October 2019.

Subordinated loans

During the interim period, the Parent Company received subordinated loans of SEK 18 million from the largest shareholders.

Dispute concerning upgrading facility in South Korea

The civil court in Ulsan announced its decision on 23 August 2018 regarding the ongoing dispute with Ulsan City concerning the contractual obligation to invest in a gas upgrading facility at the Ulsan site by the end of 2017. The court ruling, which was unfavourable to the Group, entitles Ulsan City to an annual fee estimated to approximately SEK 8-9 million, rather than the approximately SEK 3 million per year expected by the Group. The Group has appealed the decision and asked three South Korean law firms to provide their legal assessment of the situation. This led to a change in the calculation of the present value of the provision for the period November 2012 through December 2017, resulting in a one-off cost of approximately SEK 6.6 million in the item Raw materials and consumables in September 2018. An impairment test was also conducted, resulting in the assessment that there is no write-down requirement for the concession right at the close of the interim period. The recorded penalty expense for the interim period corresponds with the court's ruling. For additional information about, and the background to, the dispute, see Penalty fee in Ulsan on page 32 in the 2017 annual report on www.scandinavianbiogas.com.

Profitability improvement programme initiated

To improve the Group's profitability, an action and investment programme has been launched, mainly focused on the Södertörn facility, and a decision has been taken to initiate a re-organisation process.

Corporate bond

The adjusted equity/assets ratio did not meet the corporate bond requirements as at 30 September 2018. See "Significant events after the end of the period".

Production and sales***Business Area Sweden***

Sales of biogas from operations in Sweden during the interim period amounted to 14.8 million Nm³ (14.9), equivalent to approximately 148 GWh (149). The price of external organic material (e.g., glycerol), which is used to some degree with food waste and sewage sludge in biogas production, has remained high during the period. At the beginning of the year, the Södertörn facility was affected by the failure of an interim storage tank. This resulted in lower production volumes and increased costs. The tank has now been repaired and improved. Customer biogas deliveries were made as planned, and all commitments were met in full. During the interim period, an average of 146 tonnes (146) of organic waste was processed in Business Area Sweden per day.

Business Area South Korea

The facility in South Korea received an average of 179 tonnes (187) of food waste per day during the January – September 2018 period. Sales of raw gas during the same period amounted to 6.6 million Nm³ (7.4), or approximately 45 GWh (50). A total of 7.6 million Nm³ (8.1) of raw gas was produced.

Business Area Norway

Commissioning of the liquid biogas facility in Skogn, Norway, started in late June 2018, and 0.1 million Nm³ (N/A) of liquid biogas was delivered to customers during September, corresponding to approximately 1 GWh (N/A). Full production capacity is estimated at 12 million Nm³, equivalent to approximately 120 GWh.

Ongoing investment projects***Skogn, Norge***

In August 2015, construction started on a biogas facility for liquid biogas in Skogn, Norway. Commissioning of the plant began at the end of second quarter 2018. The facility comprises several different functions, all of which were in operation at the close of the interim period with the exception of "Upflow", which will treat process water from the adjoining paper mill. Due to project delays, the Group has booked the delay penalty as a reduction in investment between December 2017 and early March 2018. The facility's full production capacity is projected to be 12 million Nm³, equivalent to approximately 120 GWh. Long-term sales agreements for all planned biogas production are in place, and long-term access to substrate has for the most part been secured through an agreement with the main supplier.

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 agreements with original durations of around 25 years. Non-current interest-bearing liabilities, exclusive of finance leases, totalled SEK 337.6 million (464.4) as at 30 September 2018, with the decrease attributable mainly to the transfer of the corporate bond to "current liabilities" due to the fact that the adjusted equity/assets ratio did not meet the corporate bond requirement as at 30 September 2018. The change is also due to loans raised from shareholders and non-controlling interests and to reclassification from short-term to long-term borrowing due to refinancing (one of the Group's loans from external creditors was refinanced during Q2 2018 to a lower interest rate). The Group's cash balances totalled SEK 30.6 million (59.5) on that date.

Following the written procedure, the Group has used a proportion of the remaining capital from the bond issue in June 2017 to finance the investment in Norway.

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

As part of the Group's strategic plan, the Board and management have worked on a possible listing of the share on a suitable stock exchange. In parallel with these activities, a variety of strategic and capital-based structural alternatives to create and realise the value of the Group's business opportunities and maximise shareholder value are also being evaluated in co-operation with external advisors.

The share

The number of shares was unchanged during the first nine months of the year, and on 30 September 2018 the company had 107,098,839 (107,098,839) shares. The quotient value is SEK 0.20 per share, and 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 profits.

Warrants

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

Ownership structure at 30 September 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%
Reliquum and related parties	5.6%
Ajanta Oy and related parties	5.5%
Erik Danielsson and family, incl. companies	5.2%
John Nurminen Oy and related parties	4.0%
Other	11.3%

Significant risks and operational uncertainties

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

Court proceedings concerning the dispute with one of the main suppliers to the Södertörn facility have ended, and the ruling announced in October was unfavourable to the Group. The arbitrator's ruling essentially followed the opposing party's arguments. The ruling, which cannot be appealed, entails a one-off cost totalling approximately SEK 12.3 million in September 2018. SEK 9.6 million of this amount affects EBITDA and the remainder affects net financial items. The cash effect is estimated to be SEK 10-12 million higher than expected.

Due to disagreements with Ulsan City relating to operations in Ulsan, South Korea, the Korean subsidiary started legal proceedings in Ulsan's administrative court in 2017 regarding certain service costs that Ulsan City invoiced to the subsidiary. In the summer of 2018, the court ruled that the invoices from Ulsan City for service costs are not classified as an administrative issue, and thus not subject to administrative law. The Group appealed the court's ruling in August 2018 and a ruling from a higher court is expected during the first half of 2019. The total nominal value of the disputed service costs is estimated at around SEK 80 million for the entire contract period, subject to annual food waste volumes, prices and exchange rates. Annual service costs amount to around SEK 5 million, and it is assumed that the result of this dispute will have a mainly positive effect on Group profit, corresponding to a reduction in one-off costs of SEK 40 million and a reduction of approximately SEK 5 million per year going forward.

On 23 August 2018, the court in Ulsan announced their decision regarding the ongoing dispute with Ulsan City concerning the contractual obligation to invest in a gas upgrading facility at the Ulsan site by the end of 2017; see Significant events during the period.

As previously communicated, one of the Group's suppliers to the project in Skogn, Norway, has made compensation claims, mainly for groundwork. During Q2 the supplier increased its demand from NOK 52 million to around NOK 78 million, and a formal demand was filed in October 2018. The Group has, however, previously entered into a settlement agreement with the supplier and continues to be of the opinion that the specified compensation is covered by the settlement.

As profitability is expected to be lower, this will have an adverse impact on the Group's cash flow, which increases the liquidity risk. The Group is therefore planning to conduct a new rights issue as mandated by the 25 June 2018 Annual General Meeting. The Group has also launched a re-organisation process and initiated an action and investment programme aimed at improving profitability, primarily at the plant at Södertörn.

The adjusted equity/assets ratio did not meet the corporate bond requirements as at 30 September 2018. See “Significant events after the end of the period”.

Significant risks and uncertainties are detailed in the most recent annual report, which is available on www.scandinavianbiogas.com.

Related-party transactions

Loan agreements totalling SEK 18 million were signed with the major shareholders during the interim period. The loans have a fixed rate of 8 per cent and shall be used in any potential new rights issue. If unused, the loans mature on 11 February 2020. No other transactions with related parties have taken place during the interim period.

Parent Company

Operations

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

Net sales and financial performance

The Parent Company’s total revenues amounted to SEK 0.3 million (0.3) during third quarter 2018 and SEK 1.1 million (0.9) during the first nine months of the year. 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, which includes Group contributions paid, of -12.8 million (-6.4) for the July – September 2018 period and SEK -26.8 million (-18.1) for the January – September 2018 period.

Liquidity and financial position

Cash balances at 30 September 2018 totalled SEK 0.1 million (10.6). Total assets amounted to SEK 502.7 million (582.5).

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

The plant in Skogn, Norway, delivered 0.5 MNm³ of LBG to the customer during October 2018.

The Group is planning a rights issue during the coming six months.

The Swedish Board of Agriculture revised its previous estimate for support for biogas producers, from SEK 0.30 – 0.35 per kWh to SEK 0.26 per kWh. The Board justified the downward revision by stating that an entirely new facility was added during the year and that several facilities have been expanded or have made other adjustments, which means that estimated production will increase in 2019. The final support amount will be determined by the Board of Agriculture once all applications have been processed.

As previously communicated, the Group has been involved in a dispute with one of the Södertörn facility’s main suppliers. The Group withheld the final payment due under the construction contract, as it deemed that the counterparty had failed to perform its duties under the contract. The counterparty demanded that payment be made, including payment for some additional work. The disputed payment has been under arbitral review. The Group denied any obligation to pay the demanded amounts and filed a counterclaim for fees and expenses incurred to rectify faulty deliveries, which exceeds the amount of the counterparty’s claim. In October the court issued its ruling, which was not aligned with Scandinavian Biogas’s expectations with respect to either the counterparty’s underperformance or the counterclaim but was rather favourable to the counterparty. The ruling entails higher investment and operative costs for the Group, and a one-off cost of SEK 12.3 million was posted in September 2018. The negative cash impact is estimated to be SEK 10-12 million higher than expected. The court issued its ruling in mid-October. Although the court ruling was confirmed after the end of the reporting period, the implications must be included in the financial statements in the Q3 interim report, according to IAS 10 (IFRS). The adjusted equity/assets ratio did not meet the corporate bond requirements as at 30 September 2018. A written procedure requesting waiver of the adjusted equity/assets ratio for the third and fourth quarters of 2018 will be dispatched, and nearly 47 per cent of the bondholders have already confirmed their support for the proposal.

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 drives demand, which is expected to increase further as supply increases. Within sectors such as heavy transport, demand for liquid biogas is expected to increase considerably in coming years. Market prices for fossil fuels, however, create a degree of uncertainty for the market price of biogas, as well as for growth and new investment in renewables.

The Group's long-term goal is to use Scandinavian Biogas's knowledge and experience to ensure the expansion of biogas supply and use. Deliveries may, apart from our own facilities, also come from third parties, and contribute to Group sales with licencing, operating, and 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 Nm³ 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 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) in 2018 is estimated to be lower than last year due to the delayed commissioning of the facility in Skogn, service disruptions at the Södertörn plant, and the fact that legal expenses and court decisions have not been in line with the Group's expectations.

The Group's profitability (EBITDA) for fourth quarter 2018 is expected to be over SEK 10 million, representing a significant improvement over fourth quarter 2017.

The Group's profitability (EBITDA) for 2019 is expected to exceed SEK +100 million, as the facility in Skogn is expected to be in operation and the government support for producers will have a positive effect on profitability at Södertörn.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Amounts in SEK thousand

	1 Jul - 30 Sept 2018	1 Jul - 30 Sept 2017	1 Jan - 30 Sept 2018	1 Jan - 30 Sept 2017	1 Jan - 31 Dec 2017
Operating income					
Net sales	62,999	60,685	192,497	191,934	258,363
Capitalised work on own account	2,729	3,383	8,107	12,473	15,841
Other operating income	4,612	7,646	10,024	12,362	15,127
Total	70,340	71,714	210,628	216,769	289,331
Operating expenses					
Raw materials and consumables	-43,517	-31,966	-114,060	-94,956	-137,890
Other external costs	-24,557	-14,836	-61,098	-41,523	-65,064
Personnel costs	-16,791	-15,743	-50,573	-48,392	-64,790
Depreciation, amortisation and impairment of tangible and intangible assets	-16,443	-12,656	-42,704	-37,851	-62,802
Other operating expenses	-103	-135	-1,385	-704	-944
Total operating expenses	-101,411	-75,336	-269,820	-223,426	-331,490
Operating profit/loss	-31,071	-3,622	-59,192	-6,657	-42,159
Net currency differences	-854	-4,563	4,387	-7,274	1,041
Financial income	56	42	121	84	125
Financial expenses	-13,858	-8,962	-34,857	-26,975	-36,682
Net financial items	-14,656	-13,483	-30,349	-34,165	-35,516
Profit/loss before tax	-45,727	-17,105	-89,541	-40,822	-77,675
Income tax	-4	-21	30	-109	2,628
Profit/loss for the period	-45,731	-17,126	-89,511	-40,931	-75,047
Other comprehensive income					
Actuarial results on post-employment benefits	-	-	-	-	167
Currency differences	-1,805	1,713	9,329	1,363	-2,394
Other comprehensive income for the period, net after tax	-1,805	1,713	9,329	1,363	-2,227
Total comprehensive income for the period	-47,536	-15,413	-80,182	-39,568	-77,274
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	-38,591	-16,414	-75,757	-39,021	-68,587
Non-controlling interests	-7,140	-712	-13,754	-1,910	-6,460
	-45,731	-17,126	-89,511	-40,931	-75,047
Total comprehensive income attributable to:					
Parent Company shareholders	-39,552	-14,544	-71,153	-36,066	-67,718
Non-controlling interests	-7,984	-869	-9,029	-3,502	-9,556
	-47,536	-15,413	-80,182	-39,568	-77,274

CONSOLIDATED BALANCE SHEET *Note* **30 Sep 2018** **30 Sep 2017** **31 Dec 2017**
Amounts in SEK thousand

ASSETS

Non-current assets

Intangible assets

Capitalised development costs		13,431	14,567	14,279
Concessions and similar rights		80,374	92,580	85,486
Patents and licences		1,278	113	104
Goodwill		7,013	6,591	6,466
Total intangible assets		102,096	113,851	106,335

Tangible fixed assets

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Buildings and land		188,704	194,074	194,672
Plant and machinery		318,700	287,486	287,368
Equipment, tools, fixtures and fittings		11,129	10,626	10,797
Construction work in progress		366,556	355,713	347,189
Total tangible fixed assets		885,089	847,899	840,026

Financial assets

Deferred tax assets		10,666	7,375	9,930
Other non-current receivables	5	25,763	44,107	35,949
Total financial assets		36,429	51,482	45,879

Other non-current assets

Accrued income and prepaid expenses		1,889	2,333	2,222
Total other non-current assets		1,889	2,333	2,222

Total non-current assets		1,025,503	1,015,565	994,462
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Current assets

Inventories etc.

Raw materials and consumables		6,793	986	1,876
Total inventories		6,793	986	1,876

Current receivables

Trade accounts receivable		44,976	45,947	30,803
Other receivables	6	64,426	9,053	31,492
Pre-paid expenses and accrued income		17,019	11,740	15,720
Cash and cash equivalents		30,584	59,485	86,885
Total current receivables		157,005	126,225	164,900

Total current assets		163,798	127,211	166,776
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TOTAL ASSETS		1,189,301	1,142,776	1,161,238
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**CONSOLIDATED BALANCE SHEET
(continued)**
Amounts in SEK thousand
Note **30 Sep 2018** **30 Sep 2017** **31 Dec 2017**
EQUITY
Equity attributable to
Parent Company shareholders

Share capital		21,420	21,420	21,420
Other paid-in capital		754,685	754,684	754,685
Reserves		6,476	4,090	1,872
Retained earnings including comprehensive income for the period		-684,354	-579,163	-608,597

98,227 **201,031** **169,380**
Non-controlling interests

58,615 **65,759** **59,544**
Total equity

156,842 **266,790** **228,924**
LIABILITIES
Non-current liabilities

Borrowing	7	611,405	702,304	718,366
Deferred tax liabilities		2,064	2,092	2,101
Other provisions		31,650	9,895	24,925

Total non-current liabilities

645,119 **714,291** **745,392**
Current liabilities

Borrowing	7	250,364	75,946	72,550
Accounts payable		70,994	25,714	50,887
Other liabilities		15,920	16,559	18,120
Accrued expenses and deferred income		50,062	43,476	45,365

Total current liabilities

387,340 **161,695** **186,922**
TOTAL EQUITY AND LIABILITIES

1,189,301 **1,142,776** **1,161,238**

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 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							
Currency 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		66,324
Issue expenses		-1,544			-1,544		-1,544
Shareholders' contribution from non-controlling interests					-	15,299	15,299
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
Opening balance, 1 January 2018	21,420	754,685	1,872	-608,597	169,380	59,544	228,924
Profit/loss for the period				-75,757	-75,757	-13,754	-89,511
Other comprehensive income							
Currency differences			4,604	-	4,604	4,725	9,329
Total comprehensive income			4,604	-75,757	-71,153	-9,029	-80,182
Shareholders' contribution from non-controlling interests					-	8,100	8,100
Total contributions from and distributions to shareholders, recognised directly in equity	-	-	-	-	-	8,100	8,100
Closing balance, 30 September 2018	21,420	754,685	6,476	-684,354	98,227	58,615	156,842

CONSOLIDATED STATEMENT OF CASH FLOW
Amounts in SEK thousand

	<i>Note</i>	1 Jul - 30 Sep 2018	1 Jul - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2017
Cash flow from operating activities						
Operating profit/loss before financial items		-31,071	-3,622	-59,192	-6,657	-42,159
Amortisation/depreciation		16,446	12,656	42,704	37,851	62,802
Other non-cash items		9,423	-2,593	2,241	-5,979	23,893
Interest received		56	42	121	84	125
Interest paid		-8,850	-8,842	-30,230	-25,035	-35,913
Cash flow from operating activities before changes in working capital		-13,996	-2,359	-44,356	264	8,748
Cash flow from changes in working capital						
Increase/decrease in inventories		-1,336	-582	-5,381	-325	-751
Increase/decrease in operating receivables		-10,302	11,272	-17,929	12,010	271
Increase/decrease in operating liabilities		22,429	-65,114	20,996	-62,732	5,496
Total changes in working capital		10,791	-54,424	-2,314	-51,047	5,016
Cash flow from operating activities		3,205	-56,783	-46,670	-50,783	13,764
Cash flow from investing activities						
Acquisition of intangible assets		-317	-165	-723	-2,153	-2,216
Acquisition of tangible assets		-19,377	-41,404	-41,208	-152,045	-187,478
Divestment of property, plant and equipment		5,731	-	6,515	-	-
Divestment/amortisation of other financial assets		138	111	360	334	445
Restricted bank balances and other changes in financial assets	<i>5</i>	-86	7,515	11,980	-22,263	-14,430
Cash flow from investing activities		-13,911	-33,943	-23,076	-176,127	-203,679
Cash flow from financing activities						
New share issues		-	-	-	64,780	64,781
Loans raised	<i>7</i>	2,090	48,365	70,500	154,787	154,860
Loan amortisation	<i>7</i>	-4,924	-4,163	-67,547	-20,764	-30,929
Contribution to/from minority shareholders		-108	159	8,100	15,299	15,138
Cash flow from financing activities		-2,942	44,361	11,053	214,102	203,850
Total cash flow for the period		-20,058	-46,365	-58,693	-12,808	13,935
Decrease/increase in cash and cash equivalents						
Cash and cash equivalents at the beginning of the period		51,048	106,139	86,885	73,871	73,871
Currency differences in cash and cash equivalents		-406	-289	2,392	-1,578	-921
Cash and cash equivalents at the end of the period		30,584	59,485	30,584	59,485	86,885

PARENT COMPANY INCOME STATEMENT
Amounts in SEK thousand

	1 Jul - 30 Sep 2018	1 Jul - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2017
OPERATING INCOME					
Net sales	301	300	1,129	943	1,794
Total operating income	301	300	1,129	943	1,794
Operating expenses	-582	-637	-3,142	-2,447	-3,724
Operating profit/loss	-281	-337	-2,013	-1,504	-1,930
Net financial items	-4,564	-1,518	-9,756	-5,076	-33,690
Profit/loss before appropriations and tax	-4,845	-1,855	-11,769	-6,580	-35,620
Appropriations					
Group contributions paid/received	-8,000	-4,500	-15,000	-11,500	-51,500
Total appropriations	-8,000	-4,500	-15,000	-11,500	-51,500
Profit/loss before tax	-12,845	-6,355	-26,769	-18,080	-87,120
Income tax	-	-	-	-	-
Profit/loss for the period	-12,845	-6,355	-26,769	-18,080	-87,120

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>	30 Sep 2018	30 Sep 2017	31 Dec 2017
ASSETS				
Non-current assets				
Financial assets				
Participations in group companies		184,053	202,966	175,899
Receivables from group companies		266,312	173,041	144,292
Other non-current receivables	5	-	20,055	12,078
Total financial assets		450,365	396,062	332,269
Total non-current assets		450,365	396,062	332,269
Current assets				
Current receivables				
Receivables from group companies		49,045	175,618	174,916
Other receivables		14	140	555
Prepaid expenses and accrued income		3,091	97	2,371
Total current receivables		52,150	175,855	177,842
Cash and bank balances		141	10,593	7,517
Total current assets		52,291	186,448	185,359
TOTAL ASSETS		502,656	582,510	517,628
EQUITY AND LIABILITIES				
Equity		228,937	324,746	255,706
Non-current liabilities				
Interest-bearing loans	7	18,501	224,943	225,418
Intra-group loans		23,000	23,000	23,000
Total non-current liabilities		41,501	247,943	248,418
Current liabilities				
Borrowing	7	226,821	19	19
Accounts payable		180	266	3,235
Liabilities to group companies		418	5,007	5,560
Other liabilities		-	-	56
Accrued expenses and deferred income		4,799	4,529	4,634
Total current liabilities		232,218	9,821	13,504
TOTAL EQUITY AND LIABILITIES		502,656	582,510	517,628

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 Holländargatan 21A, SE-111 60, Stockholm, Sweden.

Unless otherwise specified, all amounts are stated in SEK thousand. Figures in brackets pertain to the same period a year earlier.

The interim information presented on pages 1-7 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.

Accounting principles used in this report are in accordance with the principles applied the previous financial year, with the exception of what is described in relation to IFRS 9 and 15 below.

IFRS 9 Financial instruments

The Group is applying IFRS 9 for the first time in the 2018 financial year, from 1 January 2018. The Group is applying the new recommendation retroactively and fully. The transition to IFRS 9 does not entail any change in income, financial position or cash flow for the Group, and therefore no reassessment of comparative figures has been conducted.

From 1 January 2018 the Group classifies its assets according to the following categories:

- financial assets that are subsequently booked at fair value (either through other comprehensive income, or through income statements), and
- financial assets reported as accrued acquisition value.

Currently, the Group only has assets in the second category.

This classification is based on the Group's business model for the management of financial assets and contractual terms for assets' cash flows.

Impairment

At the end of each reporting period, the Group assesses whether there exists objective evidence that indicates impairment for debt instruments should be reported as accrued acquisition value.

In accordance with IFRS 9 rules, the Group applies a simplified method of impairment testing for accounts receivable, which involves recognizing anticipated bad debt losses when underlying receivables are reported in the consolidated balance sheet. The Group currently holds no receivables other than customer receivables and cash and cash equivalents, which are valued at accrued acquisition value.

IFRS 15 Revenues from contracts with customers

The Group is applying IFRS 15 for the first time in the 2018 financial year, from 1 January 2018. The Group is applying this standard going forward. This means that any potential accumulated effect of the transition will be reported in the consolidated balance sheet at 1 January 2018, and comparative figures have not been recalculated. The transition to IFRS 15 does not entail any change in income, financial position or cash flow for the Group, and therefore no reassessment of comparative figures has been conducted.

The Group produces and sells biogas and generates income related to waste management. Sales of biogas are reported as income once their control is transferred to the customer. From that point on, the customer has full control of the goods, and the Group has no outstanding commitments. Income from the receipt of waste is reported when waste is received and customer commitments have been met.

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 come into force for financial years that start after 1 January 2018, it is primarily IFRS 16 that can be expected to have a significant impact on the Group's financial reporting.

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).

Income statement per segment	1 Jul - 30 Sep 2018	1 Jul - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2017
Operating income					
Business Area Sweden	49,400	53,387	159,227	159,477	213,694
<i>Of which, external revenue</i>	49,400	52,485	156,285	157,534	211,725
<i>Of which, internal revenue</i>	-	902	2,942	1,943	1,969
Business Area South Korea	13,938	12,106	37,904	38,173	50,839
<i>Of which, external revenue</i>	1,938	12,106	37,904	38,173	50,839
Business Area Norway	5,725	4,787	10,917	9,051	12,784
<i>Of which, external revenue</i>	5,725	4,787	10,917	9,051	12,784
Service Centre and R&D	8,283	10,787	26,306	36,471	45,583
<i>Of which, external revenue</i>	1,277	2,336	5,522	12,011	13,983
<i>Of which, internal revenue</i>	7,006	8,451	20,784	24,460	31,600
Eliminations	-7,006	-9,353	-23,726	-26,403	-33,569
Group total	70,340	71,714	210,628	216,769	289,331
Raw materials and consumables					
Business Area Sweden	-26,339	-25,321	-85,116	-75,194	-104,220
Business Area South Korea	-13,101	-3,811	-24,777	-13,270	-31,032
Business Area Norway	-4,230	-2,459	-4,230	-4,029	-69
Service Centre and R&D	-487	-954	-1,455	-4,967	-5,639
Eliminations	640	579	1,518	2,504	3,070
Group total	-43,517	-31,966	-114,060	-94,956	-137,890
Gross profit/loss					
Business Area Sweden	23,061	28,066	74,111	84,283	109,474
Business Area South Korea	837	8,295	13,127	24,903	19,807
Business Area Norway	1,495	2,328	6,687	5,022	12,715
Service Centre and R&D	7,796	9,833	24,851	31,504	39,944
Eliminations	-6,366	-8,774	-22,208	-23,899	-30,499
Group total	26,823	39,748	96,568	121,813	151,441
Other external costs					
Business Area Sweden	-15,044	-17,867	-42,930	-46,075	-64,007
Business Area South Korea	-2,859	-1,953	-8,318	-6,591	-9,087
Business Area Norway	-3,850	-856	-9,735	-3,191	-10,313
Service Centre and R&D	-9,170	-2,934	-22,323	-9,565	-12,156
Eliminations	6,366	8,774	22,208	23,899	30,499
Group total	-24,557	-14,836	-61,098	-41,523	-65,064
Personnel costs					
Business Area South Korea	-2,525	-2,313	-7,267	-7,141	-9,026
Business Area Norway	-3,763	-2,845	-9,107	-6,918	-10,101
Service Centre and R&D	-10,503	-10,585	-34,199	-34,333	-45,663
Group total	-16,791	-15,743	-50,573	-48,392	-64,790
EBITDA					
Business Area Sweden	8,017	10,199	31,181	38,208	45,467
Business Area South Korea	-4,547	4,029	-2,458	11,171	1,694
Business Area Norway	-6,118	-1,373	-12,155	-5,087	-7,699
Service Centre and R&D	-11,877	-3,686	-31,671	-12,394	-17,875
Group total	-14,525	9,169	-15,103	31,898	21,587
Depreciation, amortisation and impairment of tangible and intangible assets	-16,443	-12,656	-42,704	-37,851	-62,802
Other operating costs	-103	-135	-1,385	-704	-944
Total operating costs	-57,894	-43,370	-155,760	-128,470	-193,600
Operating profit/loss	-31,071	-3,622	-59,192	-6,657	-42,159
Net currency differences	-854	-4,563	4,387	-7,274	1,041
Financial income	56	42	121	84	125
Financial expenses	-13,858	-8,962	-34,857	-26,975	-36,682
Net financial items	-14,656	-13,483	-30,349	-34,165	-35,516
Profit/loss before tax	-45,727	-17,105	-89,541	-40,822	-77,675
Income tax	-4	-21	30	-109	2,628
Profit/loss for the period	-45,731	-17,126	-89,511	-40,931	-75,047

Condensed balance sheet per segment	30 Sep 2018	30 Sep 2017	31 Dec 2017
<i>Non-current assets</i>			
Business Area Sweden	528,314	547,922	556,135
Business Area South Korea	83,529	95,434	88,573
Business Area Norway	394,449	334,289	319,654
Service Centre and R&D	19,211	37,920	30,100
Group total	1,025,503	1,015,565	994,462
<i>Current assets</i>			
Business Area Sweden	68,330	67,234	69,039
Business Area South Korea	13,017	20,514	10,883
Business Area Norway	75,223	16,750	59,512
Service Centre and R&D	7,228	22,713	27,342
Group total	163,798	127,211	166,776
Total assets, Group	1,189,301	1,142,776	1,161,238
<i>Non-current liabilities</i>			
Business Area Sweden	307,731	266,470	271,478
Business Area South Korea	31,650	9,895	24,925
Business Area Norway	264,379	205,280	203,198
Service Centre and R&D	41,359	7,703	20,373
Unallocated	-	224,943	225,418
Group total	645,119	714,291	745,392
<i>Current liabilities</i>			
Business Area Sweden	79,797	116,290	132,012
Business Area South Korea	15,887	13,703	9,379
Business Area Norway	31,756	6,488	15,165
Service Centre and R&D	33,098	25,214	30,366
Unallocated	226,802	-	-
Group total	387,340	161,695	186,922
Total liabilities, Group	1,032,459	875,986	932,314

Operating income by segment	1 Jul - 30 Sep 2018	1 Jul - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2017
Business Area Sweden	49,400	53,387	159,227	159,477	213,694
<i>Sale of goods</i>	4,525	4,558	138,755	134,234	182,875
<i>Sale of services</i>	4,577	4,988	14,360	15,643	20,551
<i>Other external operating income</i>	1,298	4,939	3,170	7,657	8,299
<i>Other internal operating income</i>	-	902	2,942	1,943	1,969
Business Area South Korea	13,938	12,106	37,904	38,173	50,839
<i>Sale of goods</i>	4,215	3,725	11,437	11,947	15,824
<i>Sale of services</i>	9,723	8,381	26,467	26,226	35,015
Business Area Norway	5,725	4,787	10,917	9,051	12,784
<i>Sale of goods</i>	959	-	959	-	-
<i>Sale of services</i>	-	130	-	140	260
<i>Capitalised work on own account</i>	1,342	1,933	4,596	4,637	6,576
<i>Other external operating income</i>	3,424	2,724	5,362	4,274	5,948
Service Centre and R&D	8,283	10,787	26,306	36,471	45,583
<i>Sale of services</i>	-	380	505	1,016	1,045
<i>Re-invoicing</i>	-	523	14	2,728	2,793
<i>Intra-group sales</i>	7,006	8,451	20,644	24,417	31,064
<i>Capitalised work on own account</i>	1,387	1,450	3,511	7,836	9,265
<i>Other external operating income</i>	-110	-17	1,492	431	880
<i>Other internal operating income</i>	-	-	140	43	536
Eliminations	-7,006	-9,353	-23,726	-26,403	-33,569
Group total	70,340	71,714	210,628	216,769	289,331

Note 4 Tangible assets

Investments in tangible assets during the first nine months of the year totalled SEK 84.6 million (159.3), of which SEK 43.4 million pertains to new finance leasing.

The Group capitalised borrowing costs on qualifying assets in the form of new facilities in the amount of SEK 6.7 million (6.0) during the interim period.

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

	30 Sep 2018	30 Sep 2017	31 Dec 2017
Buildings and land	110,602	112,882	114,515
Plant and machinery	150,147	112,670	116,357
Equipment, tools, fixtures and fittings	6,539	8,534	7,879
Construction work in progress	6,974	6,974	6,974
Carrying amount	274,262	241,060	245,725

Note 5 Other non-current receivables

Group	30 Sep 2018	30 Sep 2017	31 Dec 2017
Restricted bank balances	22,208	40,829	32,462
Other	3,555	3,278	3,487
Total	25,763	44,107	35,949

Parent Company	30 Sep 2018	30 Sep 2017	31 Dec 2017
Restricted bank balances	-	20,055	12,078
Total	-	20,055	12,078

Restricted bank balances are comprised of guarantees in subsidiaries for external loans.

Note 6 Other current receivables

Other current receivables include SEK 38.5 million (0) related to the 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>		
	30 Sep 2018	30 Sep 2017	31 Dec 2017	30 Sep 2018	30 Sep 2017	31 Dec 2017
Liabilities to credit institutions	298,203	233,780	231,699	298,203	233,780	231,699
Corporate bonds	-	224,943	225,418	-	226,093	231,605
Liabilities related to finance leases	273,846	237,951	242,949	273,846	237,951	242,949
Other non-current borrowings	39,356	5,630	18,300	39,356	5,630	18,300

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

One of the Group's loans from external lenders was refinanced during second quarter 2018 to a lower rate of interest.

The adjusted equity/assets ratio did not meet the corporate bond requirements as at 30 September 2018. The bond loan, including prepaid credit charges, was therefore transferred from non-current to current liabilities in third quarter 2018. A written procedure requesting waiver of the adjusted equity/assets ratio for the third and fourth quarters of 2018 will be dispatched, and nearly 47 per cent of the bondholders have already confirmed their support for the proposal.

Note 8 Pledged assets and contingent liabilities

Group	Pledged assets		
	30 Sep 2018	30 Sep 2017	31 Dec 2017
Liens on assets	48,000	58,365	48,000
Pledged assets	406,981	336,026	368,272
Assets financed through finance leases	267,288	234,086	238,751
Shares in Scandinavian Biogas Fuels AB	-	-	23,064
Shares in Scandinavian Biogas Stockholm AB	70,760	67,529	58,227
Shares in Scandinavian Biogas Korea Co., Ltd.	-	2,834	-
Shares in Scandinavian Biogas Sweden AB	-	6,452	-
Shares in Scandinavian Biogas Södertörn AB	1,103	4,860	8,209
Shares in Scandinavian Biogas Fuels i Varberg AB	76	78	78
Shares in Biokraft Holding AS	-	63,997	62,045
Group total	794,208	774,227	806,646

Parent Company	30 Sep 2018	30 Sep 2017	31 Dec 2017
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	81,729	73,575	73,575
Pledged intra-group loan to Scandinavian Biogas Sweden AB	-	228,436	229,111
Parent Company total	184,053	431,402	405,010

Group	Contingent liabilities		
	30 Sep 2018	30 Sep 2017	31 Dec 2017
Contingent liability – subsidiary penalty fee	-	39,580	-
Contingent liability – subsidiary investment grants	10,869	8,188	10,869
Contingent liability – Parent Company corporate bond	230,000	230,000	230,000
Group total	240,869	277,768	240,869

Parent Company	30 Sep 2018	30 Sep 2017	31 Dec 2017
Contingent liability – subsidiary loans from credit institutions	32,500	32,500	32,500
Contingent liability – subsidiary investment grants	10,869	8,188	10,869
Parent Company total	43,369	40,688	43,369

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 Definition of key ratios
Operating results/EBIT

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

EBITDA

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

EBITDA	1 Jul - 30 Sep 2018	1 Jul - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2017
Operating profit/loss	-31,071	-3,622	-59,192	-6,657	-42,159
-Depreciation, amortisation and impairment of tangible and intangible assets	16,443	12,656	42,704	37,851	62,802
-Other operating expenses	103	135	1,385	704	944
EBITDA	-14,525	9,169	-15,103	31,898	21,587

Operational EBITDA

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

Gross profit/loss

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

Gross profit/loss	1 Jul - 30 Sep 2018	1 Jul - 30 Sep 2017	1 Jan - 30 Sep 2018	1 Jan - 30 Sep 2017	1 Jan - 31 Dec 2017
Total revenues	70,340	71,714	210,628	216,769	289,331
-Raw materials and consumables	-43,517	-31,966	-114,060	-94,956	-137,890
Gross profit/loss	26,823	39,748	96,568	121,813	151,441

Adjusted equity/assets ratio

The equity/asset ratio shows the proportion of assets financed with equity. The Group uses an adjusted equity/asset ratio, as this metric is defined in the corporate bond terms and conditions. The adjusted equity/asset 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 bond terms as a subordinated loan, but is a grant that does not require repayment. Subordinated loans at the end of the interim period amounted to SEK 39.4 million (5.6) and relate to loans from the largest shareholders to the Parent Company, and loans from minority shareholders in Biokraft Holding AS to the same company.

ADJUSTED EQUITY/ASSETS RATIO	30 Sep 2018	30 Sep 2017	31 Dec 2017
Total equity (incl. non-controlling interests)	156,842	266,790	228,924
Subordinated loans (incl. Enova)	125,148	72,830	84,222
	<u>281,990</u>	<u>339,620</u>	<u>313,146</u>
Total assets	1,189,301	1,142,776	1,161,238
Contribution, Enova	85,792	67,200	65,922
	<u>1,275,093</u>	<u>1,209,976</u>	<u>1,227,160</u>
Adjusted equity/assets ratio	22.1%	28.1%	25.5%

The adjusted equity/assets ratio did not meet the corporate bond requirements as at 30 September 2018. A written procedure requesting waiver of the adjusted equity/assets ratio for the third and fourth quarters of 2018 will be dispatched, and nearly 47 per cent of the bondholders have already confirmed their support for the proposal.

Note 10 Events after the end of the period

The plant in Skogn, Norway, delivered 0.5 MNm³ of LBG to the customer during October 2018.

The Group is planning a rights issue during the coming six months.

The Swedish Board of Agriculture revised its previous estimate for support for biogas producers, from SEK 0.30 – 0.35 per kWh to SEK 0.26 per kWh. The Board justified the downward revision by stating that an entirely new facility was added during the year and that several facilities have been expanded or have made other adjustments, which means that estimated production will increase in 2019. The final support amount will be determined by the Board of Agriculture once all applications have been processed.

As previously communicated, the Group has been involved in a dispute with one of the Södertörn facility's main suppliers. The Group withheld the final payment due under the construction contract, as it deemed that the counterparty had failed to perform its duties under the contract. The counterparty demanded that payment be made, including payment for some additional work. The disputed payment has been under arbitral review. The Group denied any obligation to pay the demanded amounts and filed a counterclaim for fees and expenses incurred to rectify faulty deliveries, which exceeds the amount of the counterparty's claim. In October the court issued its ruling, which was not aligned with Scandinavian Biogas's expectations with respect to either the counterparty's underperformance or the counterclaim but was rather favourable to the counterparty. The ruling entails higher investment and operative costs for the Group, and a one-off cost of SEK 12.3 million was posted in September 2018. The negative cash impact is estimated to be SEK 10-12 million higher than expected. The court issued its ruling in mid-October. Although the court ruling was confirmed after the end of the reporting period, the implications must be included in the financial statements in the Q3 interim report, according to IAS 10 (IFRS). The adjusted equity/assets ratio did not meet the corporate bond requirements as at 30 September 2018. A written procedure requesting waiver of the adjusted equity/assets ratio for the third and fourth quarters of 2018 will be dispatched, and nearly 47 per cent of the bondholders have already confirmed their support for the proposal.

This interim report has not been audited.

The next interim report will be published and made available on www.scandinavianbiogas.com on 28 February 2019.

Stockholm, 9 November 2018

Matti Vikkula
Chief Executive Officer