



## Year End Report January – December 2018



*Above: An aerial photo of the land of the planned plant in Nyborg, Denmark*

## Year end report Scandinavian Enviro Systems AB (publ) January – December 2018

### Rights issue adds capital of MSEK 84.5

*N.B. The English text is an in-house translation of the original Swedish text. Should there be any disparities between the Swedish and the English text, the Swedish text shall prevail.*

#### Q4 2018

- Net revenues for the period were MSEK 0.3 (0.3)
- Earnings after tax for the period were MSEK -10.8 (-8.2)
- Earnings per share for the period (before dilution) was SEK -0.08 (-0.07)
- Cash flow for the period after investments was MSEK -6.1 (-4.8)
- Signing of MoU with EE-TDF Cleveland LLC regarding a plant in Texas, USA
- Addition of MSEK 84.5 gross via a rights issue
- Securing and repayment of bridge financing of MSEK 7.0.

#### Jan-December 2018

- Net revenues for the period were MSEK 1.1 (0.7)
- Earnings after tax for the period were MSEK -38.8 (-36.9)
- Earnings per share for the period (before dilution) was SEK -0.32 (-0.32)
- Cash flow for the period after investments was MSEK -25.8 (-29.1)
- Signing of MoU with Treadcraft Limited regarding a plant in New York State, USA
- Signing of MoU with Windspace A/S regarding a plant in Denmark
- Quality anniversary: More than 50 million components containing Enviro's recovered carbon black has been delivered to Volvo Cars
- Strengthening of the capital via off-set directed issues of totally MSEK 13.7.

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

- Elysium ApS (which is planned to be a Joint Venture with Enviro as co-owner) has signed a rental lease in Denmark regarding a plant in Nyborg.

**Scandinavian Enviro Systems AB (publ)** is an environmental business that offers profitable recycling of tyres and refined material primarily for the rubber industry. The company sells and plans to (co)own environmental plants to/together with industrial investors and operates its own facility for End of Life tyres in Åsensbruk, Sweden. Enviro, with its head quarter in Gothenburg, Sweden, was founded in 2001, and has around 20 employees. It is listed on Nasdaq First North with Mangold Fondkommission AB as certified advisor, telephone +46 8 503 015 50, [info@mangold.se](mailto:info@mangold.se). [www.envirosystems.se](http://www.envirosystems.se)

## Change in strategy to become leading supplier of recovered carbon black (rCB)

During the first half of 2018, Enviro's board of directors – in collaboration with its management and external analysts – performed a study of the market, the company's position, and its opportunities for growth going forward. The most important lessons learned were the disruptive potential of recovered carbon black in the USD 20 billion virgin carbon black market and the very high potential for profits held out by our plants. Those lessons prompted the board to change business model to adopt an aggressive position as the leading supplier of rCB in a rapidly growing market. The manifestation of this strategy will be for Enviro to enter as partial-owner in its future plants. The ownership share will vary depending on the market, the partners and financial capacity. The business model will generate multiple cashflows, which creates excellent growth conditions in what is a fast-growing market. The strategy will lead to an increase in Enviro's cash flows from all the plants it establishes.

## Adding SEK 84.5 million through a rights issue

In December, the company executed a rights issue to put in place the conditions for implementing the new strategy. The growth in the carbon black market and the increased interest in recovered carbon black means that the timing of our new strategy is optimal. The new capital will create the conditions required to be able to increase the company's ownership gradually in future plants and this, in turn, means that the company can benefit from the profitability generated from the sale of recovered resources, which will provide the company with the ability to grow and expand in the long term. Irrespective of the relatively uncertain period in the stock markets, the results from the issue show that our presentation of our company and its opportunities is attractive to a broad range of investors. Because of the way the issue was structured – since warrant-holders are offered to subscribe for additional shares at a discount and on certain conditions – the opportunity exists for executing an additional capital injection in Q3 2019. In the meantime, our hope is that the company will have completed several initiatives until then, which will improve our ability to reach our strategic goals.

## Major interest from North American markets

At year-end, Enviro signed a Memorandum of Understanding (MoU) with Earth Energy Recycling Ltd. in Texas. This is just one of the MoU's Enviro has with prospective partners in the United States. Earth Energy Recycling is an established actor within the area of tyre recycling across the state and has existing facilities for the collection and processing of end-of-life tyres. After several years of pilot studies based on our proven technology, the stable, high quality of our carbon black, and the growing interest in our ecological oil, they have chosen Enviro as their partner. They have also determined that Enviro, with our know-how and our well-crafted Basic Design, are well equipped to implement a project of this magnitude and ensure the effective and profitable operation of the plant.

There are many reasons for the growing interest in North America. Market demand for carbon black is expected to increase in the coming years, and since there are limitations made to the existing manufacturing of virgin carbon black, there is a deficit of virgin material. This deficit is exacerbated by the strict regulations and penalties that have been introduced to counteract the environmental issues produced by existing production. Many existing plants have been forced to invest major sums in emissions purification and ordered to pay fines for failure to comply with those requirements. This, in combination with the materials deficit, has driven up

prices for carbon black – and that creates openings for alternatives such as recycled carbon black to gain market shares more quickly. This development also means that carbon black is decoupled from oil prices and made less sensitive to lower oil prices. We are expecting the price floor to be higher than previously, which benefits the profitability for recycled material. After all our raw material costs are low and, in many cases, our materials even generate revenue.

Our project in Buffalo, New York – where we have extended our existing MoU – will continue and even be deepened in Q1 2019 with, among other things, site visits to Niagara Falls, New York. For many years, TreadCraft has been running an extensive tyre collection enterprise and their production activities currently include industry fuel from end-of-life tyres. Like many others, they have identified Enviro as a leading actor with next-generation technology for meeting ever stricter demands for sustainability and value creation.

In Canada, market actors have adopted a wait-and-see attitude with respect to their newly introduced manufacturer liability legislation in Ontario and how it will impact them in practice. We also have an MoU with the company ArticCan. And we will continue our discussions on establishing a plant. However, this project has been given a lower priority for the time being.

At year end, we initiated discussions with yet another experienced tyre recycler on the U.S. East Coast. We are looking forward to report back on the development of that collaboration over the coming year.

## Intensified dialogues with several leading tyre manufacturers related to implementation of Enviro’s recovered carbon black

Tyre manufacturers are responsible for over 70% of all carbon-black consumption and they are a driving force in the current increased interest in sustainability and resource recycling. For many years, we have – together with several of the leading manufacturers of tyres – tested our material in various phases in the hope that we might replace virgin carbon black in various types or components of tyres in the long term. The intensified efforts and clear goals for increasing the share of recovered carbon black in new tyres are felt throughout our ongoing dialogues. Our technology is one of the solutions to the liability challenges and we are in discussions for more detailed collaborative partnerships with tyre manufacturers as well as other industry actors.

Customer	Customer type	Application	%rCB	December 2018		September 2018		
				Volume ton/yea	Status	Volume ton/year	Status	
Anva	Producer/Mixer	Chassi plugs (Volvo)	100	80	Active orders	100	80	Active orders
Anva	Producer/Mixer	Sealing (Alvenius)	100	8	Active orders	100	8	Active orders
Elastomeric (Hexpol)	Solid tyre producer	Solid tyres and caster wheels	25-50	150	Active orders	25-50	150	Active orders
Anva	Producer/Mixer	Battery hose (Volvo)	100	Not official	Waiting for order	100	Not disclosed	Waiting for order
Anva	Producer/Mixer	Sealing cover (Alvenius)	100	Not official	Waiting for order	100	Not disclosed	Waiting for order
Anva	Producer/Mixer	Rubber strap Trucks	100	Not official	Waiting for order	100	Not disclosed	Waiting for order
Multinational tyre producer 2	Solid tyre producer	Solid tyre	not disclosed	300	Waiting for order	not disclosed	300	Order, for production test
Multinational rubber producer	Producer/mixer	Extruded profiles and rubber mats	25-50	500	Waiting for order	not disclosed	Not disclosed	Approved
Raw material trader 1	Trader	Many different	N/A	1000-2000	Waiting for order	new since Q4	N/A	N/A
Multinational rubber producer	Compounder/producer	Rubber sheeting, gaskets, conveyor belt	25-100%	500-1000	Waiting for order	new since Q4	N/A	N/A
Rubber producer	Mixer	General rubber	not disclosed	120	Waiting for order	new since Q4	N/A	N/A
Rubber producer	Producer/Mixer	Agri sheet etc.	10-100	100-500	Waiting for order	10-100	120	Appr. For production test
HGF	Producer/Mixer	Automotive accessories	100	50	Waiting for order			
Multinational rubber producer	Producer/Mixer	Aut. bellow	not disclosed	300	In production tes	not disclosed	Not disclosed	Approved
Multinational rubber producer	Producer/Mixer	Insulation sheet	50	200	In production tes	50	200	Appr. For production test
Multinational rubber producer	Compounder	Compounds	10-100%	>1000	In production tes	10-100%	Not disclosed	Approved and initial order
Multinational tyre producer 3	Tyre and general rubber produce	all types of tyres, all types of general rubber applicatio	10-100%	>10000	In production tes	10-100%	Major in test	
Multinational rubber producer	Compounder/producer	Conveyor belts etc.	not disclosed	>3000	In production tes	not disclosed	>3000	Samples sent
Total				ca 16000-18000		5000-9000		

As of this report we have categorized the development of the sales of recovered carbon black in three main categories namely “Active orders”, “Waiting order” and “In production test”. Those customer statuses are the most mature and will be most relevant to follow. This does not mean that the customer status not mentioned is not relevant but since this quantity is increasing, we have elected not to display them here.

## Enviro first with official customer within solid tyres

As the first company in the world in our industry segment, we were able to present an official customer within the tyre segment at year's end. Elastomeric, part of the Hexpol Group, is currently using our material in their solid tyres. The potential volumes in that segment are major, and we expect to be able to substitute a relatively large share of the carbon black used in that type of tyres. We have extensive dialogues and are engaged in testing with several other leading actors within this segment in Europe, Asia, and the United States.

## Investments to deliveries according to anticipated increased demand

Interest in sustainable and recycled material is growing rapidly within the tyre and rubber industry segments. For a long time, to establish adoption of our carbon black material across various applications and to lay the groundwork for greater demand of raw materials from future plants, Enviro has focused on these actors. These efforts are starting to bear fruit and, in order to meet demand before new production capacity from new plants will be available, we will invest in our Åsensbruk plant during the spring. These investments mostly pertain to increasing capacity that will improve efficiency in our industrial operation while also implementing some of the improvements that will be present in future plants.

## “Bio” oil from Enviro’s process produces positive environmental results in fossil fuels

Enviro has primarily focused on the commercialisation of plants for materials recycling from end-of-life tyres and the carbon black with the greatest value by content per tonne. We have come far along in that effort while also conducting several research projects over the past two years to evaluate the best strategy for creating value by also using the oil that we are recycling in the process. Since the sellable volume of oil from a plant is approx. 45% of the volume of processed tyres, increasing the profitability of the recycled oil is important and we are currently taking clear steps in that direction.

In a project executed with, among others, RISE (Research Institutes of Sweden), Ragn-Sells and the petroleum industry, we have characterized and upgraded Enviro’s pyrolysis oil through various refinery technologies. At RISE Energy Technology Centre’s laboratory in Piteå, we have conducted pilot-scale experiments where we have compared upgrading pure fossil oil to oil consisting of 20% pyrolysis oil. The findings show that there are no major differences and that pyrolysis oil is excellently suited for fuel. Pyrolysis oil has a lot of similarities with fossil oil and might therefore replace fossil oil in the production of e.g. fuel. Moreover, the natural rubber in tyres means that the pyrolysis oil is partially bio-based. The pyrolysis oil consists of approx. 40-80% of biological contents from natural rubber depending on which tyre mix is used. This means that pyrolysis recovery of oil from end-of-life tyres is a step towards a society free of fossil fuel.

## Intensive period

During the spring of 2019, the company’s resources will be focused on the most promising plant projects, which are the ones that will allow us to realise our new business model and strategy optimally. The foundation of interest that we have already laid will now be prioritised

and scaled down to create the best possible conditions for the successful project implementation and profitable operation of future plants. A number of parameters based on our shareholders' long-term interests will be the basis for how we choose to move forward. One of the prioritised projects is the plant in Nyborg, Denmark, where our partner WindSpace has leased land from the local municipality through a subsidiary. Together with the other projects covered by MoUs in the United States, this one is prioritised. But there are a couple of additional projects on our priority list with excellent potential in the near term.

Customer	Cap. 'tonnes tyres/year	Status	Type	Country
WindSpace	30	MoU	Investor	Denmark
TreadCraft	30	MoU	Recycling	USA
EE-TTD Cleveland LLC	30	MoU	Tyre recycling	USA
ArticCan	30	MoU	Energy/Recycling	Canada
Not official	30	Quotation	Recycling/Investment	USA
Not official	30	Quotation	Investor/Industri	Abu Dhabi
Not official	18	Quotation	Tyre Manufacturer	Chile

*Status ongoing customer contacts for plants. Above the project Enviro evaluates as being the top regarding the chance of realising an agreement. As a result of the change in the business model we intend to prioritize projects where we evaluate that (co) ownership has our most interest. A clearer focus will result in a shorter project list for the future, but we will utilize our resources and possibilities where our business model can create the best profitability*

In my time as CEO, 2018 has been the most interesting and intensive period, and 2019 has continued to increase in intensity. The team is delivering results across all divisions and daily shows the kind of dedication and competency on which our market position is based. I look forward to realising our new business model this year and, in so doing, to establishing our company even more strongly as the leading actor in the recycled carbon black market and as owners of plants based on our unique, patented technology.

Thomas Sörensson

*Chief Executive Officer*



## Financial summary

### Q4 2018

#### Group revenues and results

Net revenues for the period were MSEK 0.3 (0.3). Operating results totalled MSEK -9.5 (-8.0), and earnings after tax were MSEK -10.8 (-8.2).

The decrease of the earnings compared to previous year is mainly explained by higher interest costs in connection with bridge financing of MSEK 1.1, lower "Other Operating Income" of MSEK 0.8 and higher staff expenses of MSEK 0.5.

#### Investments and financial standing

During the quarter investments made were MSEK 0.5 (0.0). The investments are related to the latest patents of Enviro.

Cash flow from operating activities after investing activities for the period were MSEK -6,1 (-4.8). The decrease is mainly due to lower operating income as well as interest net of MSEK 2.6 compared to Q4 2018, but also due to a higher CAPEX of MSEK 0.4 compared to last year. This is compensated with an advantageous development in the changes of working capital of MSEK 1.7 compared to the same period in 2017. The rights issue that was announced in October and approved on November 2018, has partly been finalised during 2018. The result of the issue was that it was subscribed for 80% at an amount of around MSEK 84.5 before transaction costs. During the period MSEK 22.8 has contributed to a positive financial cashflow. The remaining part, around MSEK 45.1, has been paid out to the company during January 2019.

### JAN-DECEMBER 2018

#### Group revenues and results

Net revenues for the period were MSEK 1.1 (0.7). Operating results totalled MSEK -36.1 (-36.2), and earnings after tax were MSEK -38.8 (-36.9).

The decrease of the earnings compared to previous year is mainly explained by higher interest costs in connection with bridge financing of MSEK 1.9 compared to last year. Further there has been a volume related improvement of the gross profit of MSEK 0.2 as well as savings on Operating Expenses of MSEK

1.0 compared to 2017. The company has had Other Operating Income of MSEK 0.3, which is MSEK 0.8 lower than last year.

#### Investments and financial standing

The investments of the group amounted to MSEK 0.8 (2.2). The investments consist of additional investments in the plant in Åsensbruk as well as in patents while last year's investments mainly are related to a Basic Design. Cash flow from operating activities after investing activities for the period were MSEK -19.6 (-24.3). The cashflow from operations after capital expenditure amounted to MSEK -25.8 (-29.1). The improvement in the cashflow is mainly related to lower investments of MSEK 1.4, a better operating result of MSEK 0.1 and other improvements of the changes in working capital of MSEK 3.7. The remaining decrease of MSEK 1.9 is related to a higher interest net in connection with the bridge financing during 2018.

The total cash at the end of the period was MSEK 24.9 (9.5). Added capital through five directed set-off issues has secured MSEK 13.6 before share right costs to the company. Further a part of the rights issue has been paid in 2018 and the other part in 2019. The bridge financing during Q4 of MSEK 7.0 has also been repaid during Q4 and the short-term financing from Pegroco Invest AB of MSEK 12.0 has partly been off-set against their participation in the rights issue and partly been repaid in the beginning of 2019. As the final registration of the rights issue was registered in 2019, the issue has been booked as an ongoing right issue per Dec 31, 2018.

Equity/assets ratio was 84 (81) %.

#### Mother company

Net revenues for the parent totalled MSEK 3.2 (3.2), and profit after financial items was MSEK -43.6 (-40.5). All revenues are for services charged to subsidiaries. The most significant cause of the reduced result is partly due to lower "Other Operating Income" of MSEK 0.7 than previous year and partly due to higher depreciations of MSEK 0.3. The main explanation is a higher interest net of MSEK 2.0 due to interest costs related to bridge and short-term financing. The investments for the year of MSEK 0.4 (2.2) are mainly related to patents belonging to the company.

Equity/assets ratio at the period-end was 91 (92)

%.

### Staff and Organisation

The group has 17 (16) employees at the period-end.

### Executed transactions with related parties

Loans of MSEK 0.15 from two board members have been repaid by the Company during Q3, 2018.

### Number of shares

Total shares outstanding at the end of the period was 132,019,140 (116,370,291). In this number the decided rights issue of MSEK 84.5 and an additional 211,230,624 shares, which was not yet finally registered at December 31, 2018. This amount has been booked as an ongoing share issue. After final registration of the new shares in January 2019, the total number of shares in the Company equals 343,249,764.

### Risks and uncertainties

A detailed description of risks and uncertainty factors is provided on pages 18-22 in the 2018 share issue prospectus. No new risks are assessed to have arisen in relation to those listed there.

### FINANCIAL KEY RATIOS

#### Accounting policies

The consolidated reports for the group are prepared in compliance with the Swedish Annual Accounts Act, and BFNAR 2012:1 Annual Accounts and Consolidated Financial Statements (K3). Applicable accounting policies are detailed in the company consolidated annual report note 1.

## Financial Key Ratios

	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
EBITDA (KSEK)	-6,344	-4,801	-23,445	-23,844
Operating margin (%) <sup>1)</sup>	neg.	neg.	neg.	neg.
Equity ratio (%)	-	-	83.6%	80.7%
Return on capital employed (%) <sup>2)</sup>	-6.3%	-5.9%	-23.0%	-23.7%
Interest-bearing liabilities (KSEK) <sup>3)</sup>	-	-	22,280	19,656
Earnings per share before dilution (SEK)	-0.08	-0.07	-0.32	-0.32

<sup>1)</sup> Operating income as a percentage of net sales.

<sup>2)</sup> Capital employed; equity plus interest bearing liabilities. Return on capital employed is calculated as earnings after financial items plus interest expenses divided by average capital employed.

<sup>3)</sup> Interest bearing liabilities, ending balance.



## Largest shareholders

Feb 15, 2019

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Shareholders	Ownership share
Pegroco Invest AB (including Pegroco Holding AB)	7.78%
Försäkringsbolaget Avanza Pension	6.59%
TAMT AB (including main owner)	4.53%
Nordnet Pensionsförsäkring AB	4.05%
Swedbank Försäkring AB	2.26%
<b>10 largest owners</b>	<b>33.88%</b>
<b>Others</b>	<b>66.12%</b>

*This list is based on the ownership of shares after the final registration of all new shares in connection with the rights issue in January 2019.*

Results Disposition	KSEK
<b>Unrestricted Equity</b>	
Share Premium Reserve	335,777
Retained Earnings	-151,006
Profit/Loss for the period	-37,373
	<u>147,398</u>
The Board of Directors propose that the whole unrestricted equity, KSEK 147,398, be carried over to the next financial year	

## Planned reporting schedule

Annual Report 2018 (via publication on the Company's website)	Apr 18, 2019
Interim Report Jan-Mar 2019	May 09, 2019
General Meeting 2019	May 09, 2019

Gothenburg February 28, 2019

The board of directors and Chief Executive Officer

Scandinavian Enviro Systems AB (publ)

This interim report has not been subject to auditing by the company's auditors.

## Questions answered by

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**CONSOLIDATED STATEMENT OF INCOME**

Amounts in KSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
<b>Operating income</b>				
Net sales	264	304	1,129	735
Other operating income	308	1,102	345	1,102
Changes in stocks of finished goods	110	61	- 17	88
	<b>682</b>	<b>1,468</b>	<b>1,457</b>	<b>1,926</b>
<b>Operating expenses</b>				
Raw materials and consumables	- 174	- 85	- 600	- 434
Other external costs	- 3,109	- 2,911	- 10,608	- 11,452
Personnel costs	- 3,744	- 3,273	- 13,693	- 13,883
Depreciation of tangible and intangible assets	- 2,865	- 2,931	- 11,433	- 11,107
Amortization of acquired goodwill	- 305	- 305	- 1,219	- 1,219
	- 10,196	- 9,505	- 37,554	- 38,095
<b>Operating profit/loss</b>	<b>- 9,514</b>	<b>- 8,037</b>	<b>- 36,097</b>	<b>- 36,170</b>
<b>Profit/loss from financial items</b>				
Interest income and similar items	19	12	61	106
Interest expenses and similar items	- 1,341	- 223	- 2,749	- 854
	- 1,322	- 210	- 2,689	- 748
<b>Profit/loss after financial items</b>	<b>- 10,836</b>	<b>- 8,247</b>	<b>- 38,786</b>	<b>- 36,918</b>
Tax for the period	-	-	-	-
<b>Profit/loss for the period</b>	<b>- 10,836</b>	<b>- 8,247</b>	<b>- 38,786</b>	<b>- 36,918</b>
Number of shares at the end of the period	132,019,140	116,370,291	132,019,140	116,370,291
Average number of shares before dilution	131,355,091	116,370,291	122,720,995	116,370,291
Average number of shares after dilution	131,355,091	116,370,291	122,720,995	116,370,291
Earnings per share before dilution (SEK)	- 0.08	- 0.07	- 0.32	- 0.32
Earnings per share after dilution (SEK)	- 0.08	- 0.07	- 0.32	- 0.32

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Amounts in KSEK	Dec 31, 2018	Dec 31, 2017
<b>ASSETS</b>		
<b>Committed but not paid capital</b>	<b>45,069</b>	-
<b>Fixed assets</b>		
<i>Intangible fixed assets</i>		
Capitalized expenditures for development	40,020	45,137
Patents and similar rights	4,200	4,414
Goodwill	6,095	7,314
	<b>50,316</b>	<b>56,865</b>
<i>Property, plant and equipment</i>		
Machinery and other technical facilities	65,349	70,628
Equipment, tools, and installations	72	89
	<b>65,421</b>	<b>70,716</b>
<i>Financial non-current assets</i>		
Other non-current receivables	-	-
	-	-
<b>Total fixed assets</b>	<b>115,737</b>	<b>127,582</b>
<b>Current assets</b>		
<i>Inventories, etc.</i>		
Raw materials and consumables	97	84
Goods in progress	63	51
Finished products and goods for resale	116	145
	<b>276</b>	<b>280</b>
<i>Current receivables</i>		
Trade receivables	148	70
Other receivables	2,011	2,056
Prepaid costs and accrued income	847	836
	<b>3,006</b>	<b>2,962</b>
<i>Cash and cash equivalents</i>		
	24,869	9,466
<b>Total current assets</b>	<b>28,151</b>	<b>12,708</b>
<b>TOTAL ASSETS</b>	<b>188,957</b>	<b>140,290</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,281	4,655
Other capital contributions	344,728	261,742
Other capital, including profit/loss for the year	-192,011	-153,226
	<b>157,997</b>	<b>113,171</b>
<b>Non-current liabilities</b>		
Other liabilities to credit institutions	7,112	7,056
	<b>7,112</b>	<b>7,056</b>
<b>Current liabilities</b>		
Amounts owed to credit institutions	3,168	11,100
Trade payables	2,629	1,564
Other current liabilities	14,787	4,418
Accrued expenditures and prepaid income	3,263	2,980
	<b>23,848</b>	<b>20,063</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>188,957</b>	<b>140,290</b>

Amounts in KSEK	Jan 1 - Dec 31, 2018		
	Share capital	Other capital contributions	Other equity, including profit/loss for the year
<b>Opening balance, equity</b>	<b>4,655</b>	<b>261,742</b>	<b>-153,226</b>
Profit/loss for the period	-	-	-38,786
Fund for development costs	-	-	-279
Profits brought forward	-	-	279
New share issue	626	97,488	-
Expenses related to issue	-	-14,502	-
<b>Closing balance, equity</b>	<b>5,281</b>	<b>344,728</b>	<b>-192,011</b>

Amounts in KSEK	Jan 1 - Dec 31, 2017		
	Share capital	Other capital contributions	Other equity, including profit/loss for the year
<b>Opening balance, equity</b>	<b>4,655</b>	<b>261,742</b>	<b>-116,308</b>
Profit/loss for the period	-	-	-36,918
Fund for development costs	-	-	3,564
Profits brought forward	-	-	-3,564
<b>Closing balance, equity</b>	<b>4,655</b>	<b>261,742</b>	<b>-153,226</b>

**STATEMENT OF CASH FLOW, CONSOLIDATED**

<b>Amounts in KSEK</b>	<b>Oct-Dec 2018</b>	<b>Oct-Dec 2017</b>	<b>Jan-Dec 2018</b>	<b>Jan-Dec 2017</b>
<i>Operating activities</i>				
Operating profit/loss	- 9,514	- 8,037	- 36,097	- 36,170
Adjustments for items not part of the cash flow	3,170	3,236	12,652	12,326
Capital gain/loss on fixed assets	-	-	4	-
Interest received	19	12	61	106
Interest paid	- 1,341	- 223	- 2,749	- 854
<b>Cash flow from operating activities before changes in working capital</b>	<b>- 7,666</b>	<b>- 5,012</b>	<b>- 26,130</b>	<b>- 24,592</b>
<i>Cash flow from changes in working capital</i>				
Increase (-) / reduction (+) in inventories	- 169	- 82	4	- 124
Increase (-) / reduction (+) in trade receivables	38	23	- 78	- 67
Increase (-) reduction (+) in other receivables	68	- 102	33	- 85
Increase (+)/reduction (-) in trade payables	1,072	26	1,065	- 1,100
Increase (+)/reduction (-) in current liabilities	1,010	395	152	- 899
<b>Cash flow from ordinary course of business</b>	<b>- 5,647</b>	<b>- 4,752</b>	<b>- 24,953</b>	<b>- 26,867</b>
<b>Investment activities</b>				
Acquisition of intangible assets	- 64	- 35	- 402	- 2,204
Acquisition of property, plant and equipment	- 409	5	- 409	- 19
Changes in long-term receivables	-	-	-	2
<b>Cash flow from investment activities</b>	<b>- 473</b>	<b>- 30</b>	<b>- 811</b>	<b>- 2,220</b>
<b>Financing activities</b>				
New rights issue	2,303	-	13,622	-
Expenses related to issue	- 14,290	-	- 14,502	-
Ongoing rights issue	37,120	-	39,423	-
Amortisation/Increase of debts	- 1,792	3,149	2,624	- 1,763
<b>Cashflow from financing activities</b>	<b>23,342</b>	<b>3,149</b>	<b>41,167</b>	<b>- 1,763</b>
<b>Cash flow for the period</b>	<b>17,222</b>	<b>- 1,632</b>	<b>15,403</b>	<b>- 30,849</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>7,647</b>	<b>11,098</b>	<b>9,466</b>	<b>40,315</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>24,869</b>	<b>9,466</b>	<b>24,869</b>	<b>9,466</b>

## STATEMENT OF INCOME, PARENT COMPANY

Amounts in KSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
<b>Operating revenues</b>				
Net sales	798	848	3,192	3,242
Other Operating Income	308	1,101	345	1,101
	<b>1,106</b>	<b>1,949</b>	<b>3,537</b>	<b>4,343</b>
<b>Operating expenses</b>				
Other external costs	- 7,789	- 7,771	- 30,760	- 30,752
Personnel expenses	- 2,304	- 2,065	- 8,575	- 8,628
Depreciation of tangible and intangible assets	- 1,441	- 1,395	- 5,745	- 5,478
	- 11,535	- 11,231	- 45,081	- 44,858
<b>Operating profit/loss</b>	<b>- 10,429</b>	<b>- 9,282</b>	<b>- 41,545</b>	<b>- 40,515</b>
<b>Profit/loss from financial items</b>				
Interest income and similar items	-	3	4	90
Interest expenses and similar items	- 1,105	- 51	- 2,032	- 68
	- 1,105	- 48	- 2,028	22
<b>Profit/loss after financial items</b>	<b>- 11,534</b>	<b>- 9,330</b>	<b>- 43,573</b>	<b>- 40,493</b>
Group contributions	6,200	5,000	6,200	5,000
<b>Profit/loss after balance sheet allocations</b>	<b>- 5,334</b>	<b>- 4,330</b>	<b>- 37,373</b>	<b>- 35,493</b>
Tax on net profits for the period				
<b>Profit/loss for the period</b>	<b>- 5,334</b>	<b>- 4,330</b>	<b>- 37,373</b>	<b>- 35,493</b>

**STATEMENT OF FINANCIAL POSITION, PARENT COMPANY**

Amounts in KSEK	Dec 31, 2018	Dec 31, 2017
<b>ASSETS</b>		
<b>Committed but not paid capital</b>	<b>45,069</b>	-
<b>Fixed assets</b>		
<i>Intangible fixed assets</i>		
Capitalized expenditures for development	39,970	45,087
Patents and similar rights	4,200	4,414
	<b>44,170</b>	<b>49,501</b>
<i>Tangible fixed assets</i>		
Equipment, tools, and installations	72	89
	<b>72</b>	<b>89</b>
<i>Financial non-current assets</i>		
Investments in group companies	36,891	36,891
Long-term receivables, group enterprises	29,211	31,371
Other long-term receivables	-	-
	<b>66,101</b>	<b>68,261</b>
<b>Total fixed and non-current assets</b>	<b>110,344</b>	<b>117,851</b>
<b>Current assets</b>		
<i>Current receivables</i>		
Other receivables	1,951	1,996
Prepaid costs, accrued earnings	473	412
	<b>2,425</b>	<b>2,408</b>
<i>Cash and cash equivalents</i>		
	23,553	8,342
<b>Current assets, total</b>	<b>25,978</b>	<b>10,750</b>
<b>TOTAL ASSETS</b>	<b>181,391</b>	<b>128,601</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
<i>Restricted equity</i>		
Share capital	5,281	4,655
Share capital not registered	8,449	-
Statutory reserve	502	502
Fund for development expenses	3,192	3,564
<i>Unrestricted equity</i>		
Share premium reserve	274,024	261,240
Ongoing share issue	76,043	-
Share right issue costs	- 14,290	-
Retained earnings	- 151,006	- 115,885
Profit/loss for the period	- 37,373	- 35,493
	<b>164,822</b>	<b>118,583</b>
<b>Current liabilities</b>		
Amounts owed to credit institutions	-	4,500
Trade payables	1,141	444
Other current liabilities	13,367	3,058
Accrued costs and prepaid income	2,061	2,015
	<b>16,568</b>	<b>10,018</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>181,391</b>	<b>128,601</b>



**CHANGS IN EQUITY, MOTHER COMPANY**

Amounts in KSEK									
Jan 1-Dec 31, 2018									
	Restricted equity				Fund for development costs	Unrestricted equity			Profit/loss for the period
	Share capital	Ongoing rights issue	Statutory reserve			Share premium reserve	Ongoing rights issue	Retained earnings	
<b>Opening balance, equity</b>	<b>4,655</b>	-	<b>502</b>		<b>3,565</b>	<b>261,240</b>	-	<b>-115,885</b>	<b>-35,493</b>
Adjustment of previous year's profit and loss	-	-	-	-	-	-	-	-35,493	35,493
Profit/loss for the period	-	-	-	-	-	-	-	-	-37,373
Fund for development costs	-	-	-	-	-372	-	-	372	-
New share issue	626	8,449	-	-	-	12,996	76,043	-	-
Expenses related to issue	-	-	-	-	-	-212	-14,290	-	-
<b>Closing balance, equity</b>	<b>5,281</b>	<b>8,449</b>	<b>502</b>		<b>3,193</b>	<b>274,024</b>	<b>61,753</b>	<b>-151,006</b>	<b>-37,373</b>

Jan 1-Dec 31, 2017									
	Restricted equity				Fund for development costs	Unrestricted equity			Profit/loss for the period
	Share capital	Ongoing rights issue	Statutory reserve			Share premium reserve	Ongoing rights issue	Retained earnings	
<b>Opening balance, equity</b>	<b>4,655</b>	-	<b>502</b>		<b>1,896</b>	<b>261,240</b>	-	<b>-81,125</b>	<b>-33,092</b>
Adjustment of previous year's profit and loss	-	-	-	-	-	-	-	-33,092	33,092
Profit/loss for the period	-	-	-	-	-	-	-	-	-35,493
Fund for development costs	-	-	-	-	1,669	-	-	-1,669	-
<b>Closing balance, equity</b>	<b>4,655</b>	-	<b>502</b>		<b>3,565</b>	<b>261,240</b>	-	<b>-115,885</b>	<b>-35,493</b>

**STATEMENT OF CASH FLOW, MOTHER COMPANY**

Amounts in KSEK	Oct-Dec 2018	Oct-Dec 2017	Jan-Dec 2018	Jan-Dec 2017
<i>Operating activities</i>				
Operating profit/loss	- 10,429	- 9,282	- 41,545	- 40,515
Adjustments for items not part of the cash flow	1,441	1,395	5,745	5,478
Capital gain/loss on fixed assets	-	-	4	-
Interest received	-	3	4	90
Interest paid	- 1,105	- 51	- 2,032	- 68
<b>Cash flow from operating activities before changes in working capital</b>	<b>- 10,093</b>	<b>- 7,934</b>	<b>- 37,824</b>	<b>- 35,015</b>
<i>Cash flow from changes in working capital</i>				
Increase (-) reduction (+) in other receivables	4	- 79	- 17	- 107
Increase (+)/reduction (-) in trade payables	287	115	696	- 1,186
Increase (+)/reduction (-) in current liabilities	771	428	- 147	- 656
<b>Cash flow from ordinary course of business</b>	<b>- 9,031</b>	<b>- 7,471</b>	<b>- 37,291</b>	<b>- 36,963</b>
<b>Investment activities</b>				
Acquisition of intangible assets	- 64	- 35	- 402	- 2,204
Changes in long-term receivables	- 3,885	- 2,485	2,160	277
<b>Cash flow from investment activities</b>	<b>- 3,949</b>	<b>- 2,520</b>	<b>1,758</b>	<b>- 1,927</b>
<b>Financing activities</b>				
New rights issue	2,303	-	13,622	-
Expenses related to issue	- 14,290	-	- 14,502	-
Ongoing rights issue	37,120	-	39,423	-
Group Contributions	6,200	5,000	6,200	5,000
Amortisation/Increase of debts	- 1,000	6,000	6,000	5,448
<b>Cashflow from financing activities</b>	<b>30,334</b>	<b>11,000</b>	<b>50,743</b>	<b>10,448</b>
<b>Cash flow for the period</b>	<b>17,354</b>	<b>1,009</b>	<b>15,210</b>	<b>- 28,442</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>6,198</b>	<b>7,333</b>	<b>8,342</b>	<b>36,784</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>23,553</b>	<b>8,342</b>	<b>23,553</b>	<b>8,342</b>