



## Interim Report January – June 2018



*Above: Enviro's design of a pyrolysis plant with a capacity of 30,000 tons tyres/year and 9,000 tons of recovered Carbon Black*

# Interim report Scandinavian Enviro Systems AB (publ) January – June 2018

## MoU with Danish partner

*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.*

### Q2 2018

- Net revenues for the period were MSEK 0.4 (0.1)
- Earnings after tax for the period were MSEK -10.0 (-9.5)
- Earnings per share for the period (before dilution) was SEK -0.08 (-0.08)
- Cash flow for the period after investments was MSEK -7.9 (-6.7)
- 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
- New local legislation prevents project in Guangzhou, China
- Yet another international tyre manufacturer confirms positive test results with EnviroCB™
- Quality anniversary: More than 40 million components containing Enviro's recovered carbon black has been delivered to Volvo Cars
- Strengthening of the capital via off-set directed issue and another decided directed off-set issue of totally MSEK 5.5.
- Follow up sales order at an order value of MSEK 0.1 of carbon black from international tyre manufacturer
- An already existing loan given by an external institution of MSEK 4.5 has been taken over by Pegroco Invest AB and has been prolonged until the end of the year.
- Pegroco Holding AB has gradually reduced its ownership company during the period

### Jan-Jun 2018

- Net revenues for the period were MSEK 0.6 (0.3)
- Earnings after tax for the period were MSEK -19.0 (-19.3)
- Earnings per share for the period (before dilution) was SEK -0.16 (-0.17)
- Cash flow for the period after investments was MSEK -13.3 (-18.1)
- Signing of MoU with ArticCan Energy Services Inc. regarding a plant in Canada
- Carbon Black sales order from international tyre manufacturer
- Securing of short-term financing of MSEK 7,5 from the biggest owner by a credit
- The Chairman of the board has resigned after being charged with insider information crime and has afterwards been acquitted
- Termination of existing MoU in Chile which is planned to be replaced with an MoU with a new company in Chile

### Significant events after the end of the period

- Signing of MoA (Heads of Agreement) with DHF Development regarding potential projects for plants in the middle east.
- Strengthening of the capital via off-set directed issue and another decided directed off-set issue of totally MSEK 5.8.
- A loan given by Pegroco Invest AB of MSEK 7.5 has been prolonged until the end of the year

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**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 complete environmental installations to industrial investors and operates its own facility for worn-out tyres in Åsensbruk, Sweden. Enviro, with its head quarter in Gothenburg, Sweden, was founded in 2001, and has 20 employees. It is listed on Nasdaq First North with Mangold Fondkommission AB as certified advisor. [www.envirosystems.se](http://www.envirosystems.se)

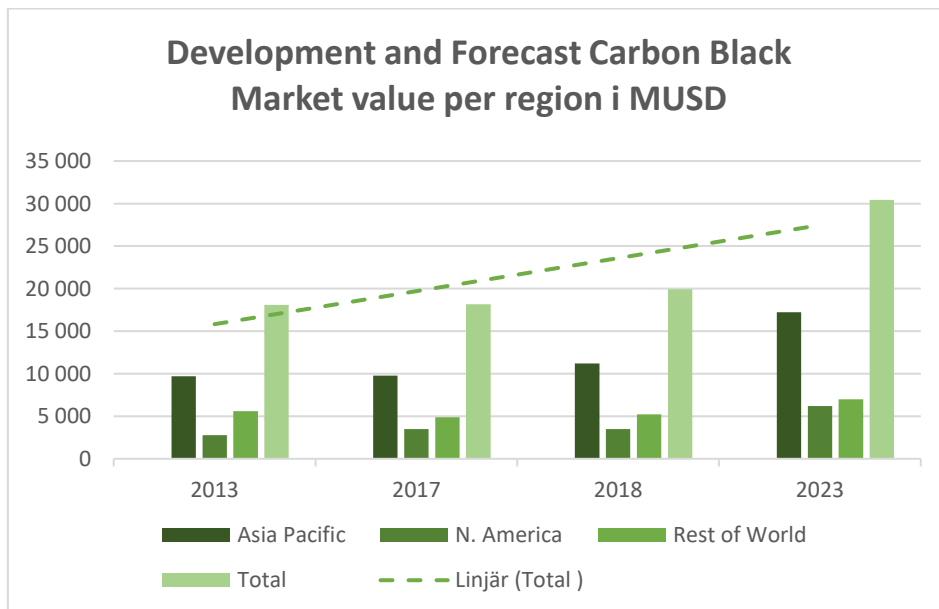
## More MoU's and continued carbon black market growth

It has been an intensive quarter and one in which we have established multiple new valuable contacts on both the plant and materials sides. The industry is communicating its desire ever more clearly as it charts a course toward greater shares of sustainable and recycled materials in products – we have specifically seen that in orders for recycled carbon black for solid tyres. Concurrently, the price for carbon black has gone up.

The industry trend for greater shares of sustainable and recycled material is so evident that we are seeing a marked difference in the types of stakeholders with whom we are engaging in a dialogue with respect to our technology. Compared to just a few years ago, we are currently in a position where we need to prioritise more clearly which actors and markets we believe have the greatest potential with respect to plants and carbon black.

For us, this development manifests itself in our increased number of long-standing discussions with actors seeking out investment opportunities in production facilities and recycled carbon black as well as an increased interest in carbon black. The two new MoU's that we have put in place this quarter are representative of actors in markets such as the United States and Europe who view our technology as an attractive alternative that is geared towards effective, profitable and sustainable recycling of the valuable resources present in end-of-life tyres.

In the spring, an outside company conducted a market study to provide an independent survey and assessment of industry growth and maturity as well as of our present position. The report's findings have been discussed preliminarily and they strongly suggest that the market is developing positively. The results will be analysed in greater detail in the near future with an eye to optimise our strategy and activities further. Apart from this and in further support of market signals, we have fresh reports and forecasts that indicate future growth in the carbon black market.

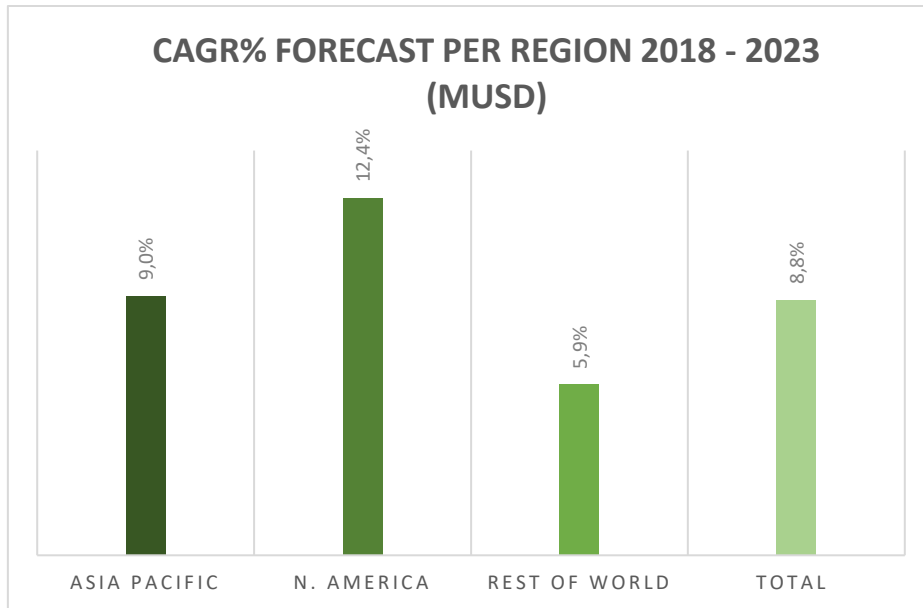


Source: Smithers Rapra

As we see in the tables above and below, the value of the total carbon black market is growing and is forecasted to continue growing up until 2023. There are several reasons for this development and those reasons are expected to favourably affect the possibilities for recycled materials of the quality that our plants are able to deliver:

- The demand for tyres and other products that require carbon black are expected to rise;
- The expansion of virgin carbon black production capacity is not expected to cover the need;

- More stringent environmental production requirements for virgin carbon black mean entail major investments in existing and new capacity;
- It is anticipated that there will be a shortage of carbon black – and in several markets this is already a reality (e.g. India, United States);
- Oil and other commodity prices have risen over the past year and remain volatile;
- Demand for sustainable and recycled materials is on the rise from both market actors and tyre manufacturers with high and clear sustainability goals (e.g. Michelin, Continental, Pirelli, Goodyear, Trelleborg and Hexpol)
- The items listed here will in aggregated lead to increased demand and continued high prices for carbon black.



Source: Smithers Rapra

Forecasts show continued strong global growth in the carbon black market and with our position in the market, we are in a good starting position. As shown in the figure above, there are regions where growth is expected to be more promising than others, which makes our segmentation easier at the macro level.

#### Plant sales

For our part, the market's increased interest in recycled carbon black is illustrated by the progressively higher levels of interest in plants and in the higher demand for our recycled carbon black. The table below shows ongoing discussions that have resulted in quotations or agreements.

Customer	Capacity ' 000 tonnes tyres/year	Relation	Customer Type	Country
WindSpace	30	MoU	Energy	Denmark
ArticCan	30	MoU	Energy/Recycling	Canada
TreadCraft	30	MoU	Recycling	USA
Not official	30	Quotation	Energy	South Africa
Not official	24-30	Quotation	Recycling/Construction	Mexico
Not official	30	Quotation	Industry/Finance	UAE
Not official	30	Quotation	Industry	Italy/India
Not official	60	Quotation	Recycling	China
Not official	30	Quotation	Energy	China
Not official	30	Quotation	Recycling	France
Not official	18	Quotation	Recycling	Chile

The team is meeting and is in continuous contact with WindSpace A/S in Denmark. And both parties have worked so intensively over the summer that they might be able to keep the original timetable for the MoU that the parties signed in the spring. Several potential sites have been evaluated of which one is currently being discussed with the authorities with respect to layouts and permits. The area is on a site with similar nearby industries for energy and resource recycling, and the municipality has welcomed our business. Several major actors and consumers of carbon black are showing an interest in Denmark project and we hope that several of them will become early-stage customers.

ArticCan Ltd in Canada is continuing its efforts relating to selecting a site, conducting discussions with the authorities, and establishing sales contacts for oils and carbon black. Our team is supporting them where needed and the developments there are very interesting. A manufacturer liability act and increased production of tyres are both in the cards in the near term. Moreover, Michelin acquired Camso over the summer, a company headquartered in Canada that primarily specialises in agriculture and industrial tyres. We believe that those kinds of tyres will be able to implement our recycled carbon black in the future.

We have recently drafted an MoU with a constellation of actors represented by TreadCraft Ltd. Together, they have the infrastructure and equipment to perform large-scale collection, clipping, and granulation in several places across the United States and Canada. The government agencies at the state, regional, and local levels are very positively inclined towards the project, which pertains to a plant near Buffalo in New York state with a capacity of 30,000 tonnes of tyres each year.

For about a year, DHF/IDRO has shown interest in establishing a plant based on our technology in Iran. When that dialogue was started, the political arena was different and we are monitoring developments there closely. It is in DHF/IDRO's strategic interest to recycle existing and additional tyres produced in the country's four new tyre factories. Our contacts there also entail certain opportunities in the nearby region that might be of interest in the long term.

The visit from a Mexican delegation this spring resulted in updated quotation documentation. They will continue their internal decision processes in the late summer and establish more contacts with the authorities in the region and with potential customers for the material.

In the spring, we had several visits from actors from China, which – as we assess it – are serious. The most interesting actor has invested in and established European recycling and water purification technologies in the Sichuan province since a few years back and is financially strong. They have the landed and an agreement with the authorities to recycle great volumes of tyres over time.

The Chilean market remains interesting mostly in respect of mining tyres. We are in dialogue with, among others, a major manufacturer for sustainable solutions in that particular segment in Chile and in similar markets. It is very important to choose the right customer for a project in this type of market.

Numerous stakeholders within the recycling industry in the country exhibited interest in the spring and the party with whom we are currently in discussions has a similar profile.

In South Africa, several actors have shown continued interest and we are looking forward to entering into more detailed discussions with some of them later in the year.

In the autumn, we also hope to be able to continue the process with the above-mentioned stakeholders with interests in France, Italy, and Belgium. Interest from the United Kingdom has been on the rise and a visit has been scheduled for September from a company that previously built biogas facilities. Each week we receive numerous contacts related to plants and we are prioritising those contacts so as not to waste valuable time on less promising prospects.

### Carbon black

This spring we saw a continuation of our excellent test results of our material concerning its strengthening characteristics in rubber and these have resulted in follow-up orders, including orders from manufacturers of solid tyres. We are assuming that this will lead to a gradual increase in sales volumes from Åsensbruk. There are several reasons for this increased interest in our material. One of them is the increased demand for rubber products led by a growth in the tyre and automotive industry. This has resulted in a shortage of and higher prices for carbon black – and multiple regions and segments are hit hard when major tyre industry actors are prioritised over smaller participants. Carbon black is mainly produced from fossil raw materials and rising oil prices have therefore pushed prices upwards. Some of the price increase is attributable to extensive investments in purification technology that virgin carbon black manufacturers have been forced to implement in such places as the United States and China. In markets such as India and China, carbon-black-producing industries are closed down if they fail to meet the more stringent environmental requirements – which in turn affects availability and prices.

After all, the most important driver is the tyre industry's ever clearer goals and activities to implement more sustainable materials in their products and their increased responsibility for recycling the resources that they use.

Below you will find a table with examples of existing customer relations concerning reclaimed Carbon Black.

Customer	Customer Type	Product	% rCB	Volume ton/Year	Status
Anva	Producent/Mixer	Chassi plugs (Volvo)	100	80	Is being delivered according to plan
Anva	Producent/Mixer	Sealing (Alvenius)	100	8	Is being delivered according to plan
Not official	Solid tyre producer	Solid tyres and casters	25-50	150	Delivered according to plan
Anva	Producent/Mixer	Battery hose (Volvo)	100	?	Being tested
Not official	Solid tyre producer	Solid tyres	Currently unknown	300	Order for production test
Not official	Producent/Mixer	Insulation sheet	50	200	Approved for production test
Not official	Producent/Mixer	Automotive - bellow	Currently unknown	120	Approved for production test
Not official	Masterbatch producer Plastic	Masterbatches	30-50	1000	Approved for production test
Not official	Producent/Mixer	Agri sheet etc.	10-100	120	Approved for production test

### Åsensbruk plant

This spring, activities at the Åsensbruk plant were characterised by a high, steady flow of visitors and an increased focus on production. The increased demand for our material means that we will need to prioritise the customers with whom we choose to work both for testing and commercial deliveries. Over

time, our total production capacity will need to be re-evaluated. It continues to be important for material to be approved for multiple types of applications in rubber, but we also need to perform a more strategic assessment to optimise support for plant sales in the longer run.

Naturally, we will focus on carbon black but, in parallel, we will also be working on numerous projects related to oil alternatives that will benefit and widen opportunities from that revenue stream.

Taken together, the progressively increased levels of interest have led to higher levels of activity for us. As I am writing this, most of our employees are on a well-deserved holiday but several of them have nevertheless visited customers and had various types of telephone or video meetings over the summer. We have a dedicated and committed team that I am proud to have the privilege to work alongside.

#### Financing

The company has during the spring and summer secured financing through directed set-off issues of totally MSEK 11.3. Further the company has during the year reduced its amortization to external banks and has prolonged existing short-term loans. However, the company still needs to supplement its revenue from the Åsensbruk plant with other types of financing. The board of directors and the management are monitoring that need continuously and will activate plans and solutions in the long-term interest of our shareholders.

Thomas Sörensson

*Chief Executive Officer*

## Financial summary

### Q2 2018

#### Group revenues and results

Net revenues for the period were MSEK 0.4 (0.1). Operating results totalled MSEK -9.6 (-9.2), and earnings after tax were MSEK -10.0 (-9.5).

The reduction of the earnings compared to previous year is mainly explained by higher overhead costs MSEK 0.8. These are largely related to costs in connection with sales of plants, costs for the upgraded Annual Report, costs and fees in connection with refinancing. The depreciation is MSEK 0.2 higher than last year due to the activating of last year's investment in a Basic Design. There is a saving of MSEK 0.3 in staff costs. The interest net is stable compared to last year. The gross profit is MSEK 0.3 higher than during the same period in 2017 due to increasing sales volumes.

#### Investments and financial standing

Investment for the quarter was MSEK 0.2 (0.1).

Cash flow from operating activities after investing activities for the period were MSEK -7.9 (-6.7). The reasons for the reduction of the cashflow is partly related to the operating result as reported above and partly due to an increase in working capital with MSEK 0.7.

### JAN-JUN 2018

#### Group revenues and results

Net revenues for the period were MSEK 0.6 (0.3). Operating results totalled MSEK -18.4 (-18.8), and earnings after tax were MSEK -19.0 (-19.3).

The improvement of the earnings compared to previous year is mainly explained by higher sales volumes, which has increased the gross profit with MSEK 0.3 and also MSEK 0.4 lower overhead costs. On the other hand the depreciation is MSEK 0.3 higher than last year. The interest net is MSEK 0.2 higher than during the same period last year mainly due to higher interest in the short-term financing.

#### Investments and financial standing

The investments of the group amounted to MSEK 0.2 (2.5). The investments almost solely are related to 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 -13.3 (-18.1). The improvement in the cashflow is related to the above described improvement in the result combined with a lower investment level than during the same period in 2017.

The total cash at the end of the period was MSEK 7.1 (18.1). Added capital through two directed set-off issues has secured MSEK 5.5 to the company. The latest directed set-off issue was decided before and booked by June 30, 2018, but the actual registration took place in the beginning of July. An existing loan of MSEK 4.5 given by an external debtor has been taken over by Pegroco Invest AB, one of the bigger owners in the company. At the same time the loan has been prolonged until the end of 2018. Further Pegroco Invest AB has prolonged their existing loan of MSEK 7.5 until Dec 31, 2018. In connection with this as well as taking over the loan of MSEK 4.5 will be done against a floating charge, which was not yet registered at the end of the period. As communicated in the previous interim report the subsidiary Tyre Recycling in Sweden AB has reduced its amortization to an external lender with MSEK 2.6 per year. This has now been complemented with a reduction of the amortization with another MSEK 0.8 per year. After the end of the period an additional two directed set-off issues have been decided/conducted of totally MSEK 5.8, which means that capital has been added to the company of totally MSEK 11.3 during the last 5 months.

Equity/assets ratio was 73 (84) %.

#### Mother company

Net revenues for the parent totalled MSEK 1.6 (1.6), and profit after financial items was MSEK -21.5 (-20.8). All revenues are for services charged to subsidiaries. The most significant cause of the reduced result are costs in connection with sales of plants, costs for the upgraded Annual Report, costs and fees in connection with refinancing. The depreciation is MSEK 0.2 higher than last year due to the activating of last year's investment in a Basic Design. The interest costs are also MSEK 0.4 higher than last year due to additional interest for the short-term financing. The investments for the year are mainly related to patents



belonging to the company.

Equity/assets ratio at the period-end was 83 (97) %.

#### Executed transactions with related parties

There are no transactions with related parties to report during the period or the financial year.

#### Staff and Organisation

The group has 16 (18) employees at the period-end.

#### Number of shares

Total shares outstanding at the end of the period was 119,550,293 (116,370,291). In this number the decided directed share issue of MSEK 3.2, which was not yet finally registered at June 30, 2018. This amount has been booked as an ongoing share issue.

A detailed description of risks and uncertainty factors is provided on pages 15-20 in our share issue prospectus from 2016. No new risks are assessed to have arisen in relation to those listed there.

The board of directors and the management has earlier concluded that with the current revenue and cost structure the group will be in need of a capital injection. The board of Enviro is working on a very detailed plan, which will secure the liquidity of the company.

#### 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.

#### Risks and uncertainties

## Financial Key Ratios

	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
EBITDA (KSEK)	-6,423	-6,210	-12,091	-12,819	-23,844
Operating margin (%) <sup>1)</sup>	neg.	neg.	neg.	neg.	neg.
Equity ratio (%)	-	-	75.5%	82.9%	80.7%
Return on capital employed (%) <sup>2)</sup>	-7.8%	-6.0%	-14.4%	-11.7%	-23.8%
Interest-bearing liabilities (KSEK) <sup>3)</sup>	-	-	24,014	17,250	18,156
Earnings per share before dilution (SEK)	-0.08	-0.08	-0.16	-0.17	-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

Jun 30, 2018

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Shareholders	Ownership share
Försäkringsbolaget Avanza Pension	6.00%
Nordnet Pensionsförsäkring AB	4.77%
Swedbank Försäkring AB	3.74%
Pegroco Holding AB	2.72%
Veolia Recycling Solutions Nordic AB	2.02%
<b>10 largest owners</b>	<b>25.44%</b>
<b>Others</b>	<b>74.56%</b>

## Planned reporting schedule

Interim Report Jan-Sep 2018	Nov 07, 2018
Year End Report 2018	Feb 28, 2019
Annual Report 2018	Apr 18, 2019
Interim Report Jan-Mar 2019	May 09, 2019
General Meeting 2019	May 09, 2019

Gothenburg Aug 24, 2018

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

Thomas Sörensson, VD, Phone: +46 735-10 53 43, [thomas.sorensson@envirosystems.se](mailto:thomas.sorensson@envirosystems.se)  
Urban Folcker, CFO, Phone: +46 760 00 13 11, [urban.folcker@envirosystems.se](mailto:urban.folcker@envirosystems.se)

**CONSOLIDATED STATEMENT OF INCOME**

Amounts in KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>Operating income</b>					
Net sales	419	145	614	272	735
Other operating income	-	-	37	-	1,102
Changes in stocks of finished goods	-8	-10	-113	-37	88
	<b>410</b>	<b>135</b>	<b>538</b>	<b>235</b>	<b>1,926</b>
<b>Operating expenses</b>					
Raw materials and consumables	-136	-110	-282	-224	-434
Other external costs	-3,274	-2,475	-5,573	-5,420	-11,452
Personnel costs	-3,423	-3,760	-6,773	-7,410	-13,883
Depreciation of tangible and intangible assets	-2,865	-2,696	-5,706	-5,387	-11,107
Amortization of acquired goodwill	-305	-305	-610	-610	-1,219
	-10,003	-9,346	-18,945	-19,050	-38,095
<b>Operating profit/loss</b>	<b>-9,592</b>	<b>-9,211</b>	<b>-18,407</b>	<b>-18,815</b>	<b>-36,170</b>
<b>Profit/loss from financial items</b>					
Interest income and similar items	8	30	19	76	106
Interest expenses and similar items	-297	-272	-651	-515	-854
	-288	-242	-632	-439	-748
<b>Profit/loss after financial items</b>	<b>-9,881</b>	<b>-9,453</b>	<b>-19,039</b>	<b>-19,254</b>	<b>-36,918</b>
Tax for the period	-	-	-	-	-
<b>Profit/loss for the period</b>	<b>-9,881</b>	<b>-9,453</b>	<b>-19,039</b>	<b>-19,254</b>	<b>-36,918</b>
Number of shares at the end of the period	119,550,293	116,370,291	119,550,293	116,370,291	116,370,291
Average number of shares before dilution	118,397,105	116,370,291	117,389,297	116,370,291	116,370,291
Average number of shares after dilution	118,397,105	116,370,291	117,389,297	116,370,291	116,370,291
Earnings per share before dilution (SEK)	-0.08	-0.08	-0.16	-0.17	-0.32
Earnings per share after dilution (SEK)	-0.08	-0.08	-0.16	-0.17	-0.32

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

Amounts in KSEK	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalized expenditures for development	42,579	47,965	45,137
Patents and similar rights	4,336	4,618	4,414
Goodwill	6,705	7,924	7,314
	<b>53,619</b>	<b>60,507</b>	<b>56,865</b>
<i>Property, plant and equipment</i>			
Machinery and other technical facilities	67,785	73,533	70,628
Equipment, tools, and installations	79	106	89
	<b>67,864</b>	<b>73,638</b>	<b>70,716</b>
<i>Financial non-current assets</i>			
Other non-current receivables	-	2	-
	<b>-</b>	<b>2</b>	<b>-</b>
<b>Total fixed assets</b>	<b>121,483</b>	<b>134,148</b>	<b>127,582</b>
<b>Current assets</b>			
<i>Inventories, etc.</i>			
Raw materials and consumables	54	58	84
Goods in progress	-	22	51
Finished products and goods for resale	83	49	145
	<b>137</b>	<b>129</b>	<b>280</b>
<i>Current receivables</i>			
Trade receivables	217	105	70
Other receivables	2,237	2,486	2,056
Prepaid costs and accrued income	817	871	836
	<b>3,271</b>	<b>3,462</b>	<b>2,962</b>
<i>Cash and cash equivalents</i>			
	<b>7,101</b>	<b>18,091</b>	<b>9,466</b>
<b>Total current assets</b>	<b>10,509</b>	<b>21,682</b>	<b>12,708</b>
<b>TOTAL ASSETS</b>	<b>131,992</b>	<b>155,830</b>	<b>140,290</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	4,909	4,655	4,655
Other capital contributions	263,972	261,742	261,742
Other capital, including profit/loss for the year	-169,225	-135,562	-153,226
	<b>99,656</b>	<b>130,835</b>	<b>113,171</b>
<b>Non-current liabilities</b>			
Other liabilities to credit institutions	8,696	9,466	7,056
	<b>8,696</b>	<b>9,466</b>	<b>7,056</b>
<b>Current liabilities</b>			
Amounts owed to credit institutions	3,168	7,784	11,100
Trade payables	2,071	982	1,564
Other current liabilities	15,148	2,978	4,418
Accrued expenditures and prepaid income	3,254	3,785	2,980
	<b>23,641</b>	<b>15,529</b>	<b>20,063</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>131,992</b>	<b>155,830</b>	<b>140,290</b>
<b>Collaterals and Contingent Liabilities</b>			
Encumbrances	39,350	39,350	39,350
Restricted bank balances	184	2,769	1,386

## CHANGES IN EQUITY, CONSOLIDATED

Amounts in KSEK	Jan 1 - Jun 30, 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	-	-	-19,039
Fund for development costs	-	-	-186
Profits brought forward	-	-	186
New share issue	254	5,269	-
<b>Closing balance, equity</b>	<b>4,909</b>	<b>267,011</b>	<b>-172,264</b>

Amounts in KSEK	Jan 1 - Jun 30, 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	-	-	-19,254
Fund for development costs	-	-	2,124
Profits brought forward	-	-	-2,124
<b>Closing balance, equity</b>	<b>4,655</b>	<b>261,742</b>	<b>-135,562</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**

Amounts in KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<i>Operating activities</i>					
Operating profit/loss	-9,592	-9,211	-18,407	-18,815	-36,170
Adjustments for items not part of the cash flow	3,170	3,001	6,316	5,996	12,326
Capital gain/loss on fixed assets	-	-	4	-	-
Interest received	8	30	19	76	106
Interest paid	-297	-272	-651	-515	-854
<b>Cash flow from operating activities before changes in working capital</b>	<b>-6,711</b>	<b>-6,452</b>	<b>-12,719</b>	<b>-13,258</b>	<b>-24,592</b>
<i>Cash flow from changes in working capital</i>					
Increase (-)/reduction (+) in inventories	7	14	143	27	-124
Increase (-)/reduction (+) in trade receivables	-123	-65	-146	-102	-67
Increase (-)reduction (+) in other receivables	-197	-241	-163	-550	-85
Increase (+)/reduction (-) in trade payables	475	-37	506	-1,682	-1,100
Increase (+)/reduction (-) in current liabilities	-1,161	167	-696	-36	-899
<b>Cash flow from ordinary course of business</b>	<b>-7,710</b>	<b>-6,613</b>	<b>-13,076</b>	<b>-15,600</b>	<b>-26,867</b>
<b>Investment activities</b>					
Acquisition of intangible assets	-163	-106	-221	-2,433	-2,204
Acquisition of property, plant and equipment	-	-4	-	-24	-19
Changes in long-term receivables	-	-	-	-	2
<b>Cash flow from investment activities</b>	<b>-163</b>	<b>-110</b>	<b>-221</b>	<b>-2,456</b>	<b>-2,220</b>
<b>Financing activities</b>					
New rights issue	5,524	-	5,524	-	-
Amortisation/Increase of debts	6,708	-2,084	5,408	-4,168	-1,763
<b>Cashflow from financing activities</b>	<b>12,232</b>	<b>-2,084</b>	<b>10,932</b>	<b>-4,168</b>	<b>-1,763</b>
<b>Cash flow for the period</b>	<b>4,359</b>	<b>-8,808</b>	<b>-2,365</b>	<b>-22,225</b>	<b>-30,849</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>2,742</b>	<b>26,898</b>	<b>9,466</b>	<b>40,315</b>	<b>40,315</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>7,101</b>	<b>18,091</b>	<b>7,101</b>	<b>18,091</b>	<b>9,466</b>

**STATEMENT OF INCOME, PARENT COMPANY**

Amounts in KSEK	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<b>Operating revenues</b>					
Net sales	798	798	1,596	1,596	3,242
Other Operating Income	-	-	37	-	1,101
	<b>798</b>	<b>798</b>	<b>1,633</b>	<b>1,596</b>	<b>4,343</b>
<b>Operating expenses</b>					
Other external costs	-8,453	-7,495	-15,720	-15,308	-30,752
Personnel expenses	-2,084	-2,315	-4,189	-4,493	-8,628
Depreciation of tangible and intangible assets	-1,444	-1,332	-2,864	-2,658	-5,478
	-11,980	-11,142	-22,772	-22,459	-44,858
<b>Operating profit/loss</b>	<b>-11,182</b>	<b>-10,344</b>	<b>-21,139</b>	<b>-20,863</b>	<b>-40,515</b>
<b>Profit/loss from financial items</b>					
Interest income and similar items	0	27	4	69	90
Interest expenses and similar items	-139	-6	-316	-13	-68
	-139	21	-312	56	22
<b>Profit/loss after financial items</b>	<b>-11,322</b>	<b>-10,323</b>	<b>-21,451</b>	<b>-20,807</b>	<b>-40,493</b>
Group contributions	-	-	-	-	5,000
<b>Profit/loss after balance sheet allocations</b>	<b>-11,322</b>	<b>-10,323</b>	<b>-21,451</b>	<b>-20,807</b>	<b>-35,493</b>
Tax on net profits for the period					
<b>Profit/loss for the period</b>	<b>-11,322</b>	<b>-10,323</b>	<b>-21,451</b>	<b>-20,807</b>	<b>-35,493</b>

**STATEMENT OF FINANCIAL POSITION, PARENT COMPANY**

Amounts in KSEK	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
<b>ASSETS</b>			
<b>Fixed assets</b>			
<i>Intangible fixed assets</i>			
Capitalized expenditures for development	42,529	47,915	45,087
Patents and similar rights	4,336	4,618	4,414
	<b>46,865</b>	<b>52,533</b>	<b>49,501</b>
<i>Tangible fixed assets</i>			
Equipment, tools, and installations	79	106	89
	<b>79</b>	<b>106</b>	<b>89</b>
<i>Financial non-current assets</i>			
Investments in group companies	36,891	36,891	36,891
Long-term receivables, group enterprises	27,141	31,016	31,371
Other long-term receivables	-	2	-
	<b>64,031</b>	<b>67,908</b>	<b>68,261</b>
<b>Total non-current assets</b>	<b>110,975</b>	<b>120,548</b>	<b>117,851</b>
<b>Current assets</b>			
<i>Current receivables</i>			
Other receivables	2,127	2,397	1,996
Prepaid costs, accrued earnings	353	499	412
	<b>2,481</b>	<b>2,896</b>	<b>2,408</b>
<i>Cash and cash equivalents</i>			
	6,209	14,613	8,342
<b>Current assets, total</b>	<b>8,690</b>	<b>17,509</b>	<b>10,750</b>
<b>TOTAL ASSETS</b>	<b>119,664</b>	<b>138,057</b>	<b>128,601</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
<i>Restricted equity</i>			
Share capital	4,909	4,655	4,655
Statutory reserve	502	502	502
Fund for development expenses	3,378	4,019	3,564
<i>Unrestricted equity</i>			
Share premium reserve	266,509	261,240	261,240
Retained earnings	-151,193	-116,340	-115,885
Profit/loss for the period	-21,451	-20,807	-35,493
	<b>102,655</b>	<b>133,269</b>	<b>118,583</b>
<b>Current liabilities</b>			
Amounts owed to credit institutions	-	184	4,500
Trade payables	1,160	569	444
Other current liabilities	13,708	1,484	3,058
Accrued costs and prepaid income	2,141	2,551	2,015
	<b>17,009</b>	<b>4,788</b>	<b>10,018</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>119,664</b>	<b>138,057</b>	<b>128,601</b>
<b>Pledged collaterals and contingent liabilities</b>			
Restricted bank balances	50	94	1,252
Guarantees benefiting group enterprises	11,863	19,050	13,656



**CHANGES IN EQUITY, MOTHER COMPANY**

Amounts in TSEK							Jan 1 - Jun 30, 2018		
	Restricted equity			Share premium reserve	Unrestricted equity				
	Share capital	Statutory reserve	Fund for development costs		Retained earnings	Profit/loss for the period			
<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	-	-	-	-	-	- 21,451			
Fund for development costs	-	-	- 186	-	186	-			
New share issue	254	-	-	5,269	-	-			
<b>Closing balance, equity</b>	<b>4,909</b>	<b>502</b>	<b>3,379</b>	<b>266,509</b>	<b>- 151,192</b>	<b>- 21,451</b>			

Amounts in TSEK							Jan 1 - Jun 30, 2017		
	Restricted equity			Share premium reserve	Unrestricted equity				
	Share capital	Statutory reserve	Fund for development costs		Retained earnings	Profit/loss for the period			
<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	-	-	-	-	-	- 20,807			
Fund for development costs	-	-	2,124	-	- 2,124	-			
<b>Closing balance, equity</b>	<b>4,655</b>	<b>502</b>	<b>4,020</b>	<b>261,240</b>	<b>- 116,341</b>	<b>- 20,807</b>			

Amounts in TSEK							Jan 1 - Dec 31, 2017		
	Restricted equity			Share premium reserve	Unrestricted equity				
	Share capital	Statutory reserve	Fund for development costs		Retained earnings	Profit/loss for the period			
<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	Apr-Jun 2018	Apr-Jun 2017	Jan-Jun 2018	Jan-Jun 2017	Jan-Dec 2017
<i>Operating activities</i>					
Operating profit/loss	-11,182	-10,344	-21,139	-20,863	-40,515
Adjustments for items not part of the cash flow	1,444	1,332	2,864	2,658	5,478
Capital gain/loss on fixed assets	-	-	4	-	-
Interest received	0	27	4	69	90
Interest paid	-139	-6	-316	-13	-68
<b>Cash flow from operating activities before changes in working capital</b>	<b>-9,878</b>	<b>-8,991</b>	<b>-18,584</b>	<b>-18,149</b>	<b>-35,015</b>
<i>Cash flow from changes in working capital</i>					
Increase (-) reduction (+) in other receivables	-117	-241	-73	-595	-107
Increase (+)/reduction (-) in trade payables	805	248	716	-1,061	-1,186
Increase (+)/reduction (-) in current liabilities	-1,005	2	-924	-194	-656
<b>Cash flow from ordinary course of business</b>	<b>-10,195</b>	<b>-8,982</b>	<b>-18,866</b>	<b>-20,000</b>	<b>-36,963</b>
<b>Investment activities</b>					
Acquisition of intangible assets	-163	-106	-221	-2,433	-2,204
Changes in long-term receivables	2,815	15	4,230	630	277
<b>Cash flow from investment activities</b>	<b>2,652</b>	<b>-91</b>	<b>4,009</b>	<b>-1,803</b>	<b>-1,927</b>
<b>Financing activities</b>					
New rights issue	5,524	-	5,524	-	-
Expenses related to issue	-	-	-	-	-
Group Contributions	-	-	-	-	5,000
Amortisation/Increase of debts	7,500	-184	7,200	-368	5,448
<b>Cashflow from financing activities</b>	<b>13,024</b>	<b>-184</b>	<b>12,724</b>	<b>-368</b>	<b>10,448</b>
<b>Cash flow for the period</b>	<b>5,480</b>	<b>-9,257</b>	<b>-2,133</b>	<b>-22,171</b>	<b>-28,442</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>729</b>	<b>23,870</b>	<b>8,342</b>	<b>36,784</b>	<b>36,784</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>6,210</b>	<b>14,613</b>	<b>6,210</b>	<b>14,613</b>	<b>8,342</b>