



Quarterly Report January – March 2021



Rendering of a recycling plant with the capacity of treating 30,000 ton end-of-life-tyres per year

Quarterly report Scandinavian Enviro Systems AB (publ) January – March 2021

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.

Jan-March 2021

- Net revenues for the period were MSEK 4.7 (0.7)
- Earnings after tax for the period were MSEK -12.1 (-11.7)
- Earnings per share for the period (before dilution) was SEK -0.02 (-0.03)
- Cash flow for the period after investments was MSEK -9.4 (-11.7)
- Enviro receives order from Michelin for engineering services worth MSEK 4
- Enviro and Michelin sign definitive agreements on strategic partnership
- Enviro announces further details of partnership agreements with Michelin
- Approval at an extraordinary general meeting concerning final agreements with Michelin

Significant events after end of period

- Michelin's new racing tyres has better performance and less climate impact due to recovered carbon black from Enviro
- Enviro strengthens its capital via a directed issue of MSEK 21.0

Enviro is a company developing, building and operating industrial plants for material recovery from End of Life Tyres (ELT). The company has developed a process, based on a patented technology, where gas generated in the process is heating the tyres in absence of oxygen. This enables the materials in the tyres to decompose and be recovered instead of incinerated. Thus, a sustainable recovery of the resources Carbon black, Oil, Steel and Gas is obtained. The products are used in new products, replacing fossil resources to help the customers reach their sustainability targets. Enviro was founded in 2001, has its head office in Gothenburg and runs its own plant for ELT tyres in Åsensbruk, Sweden. The company is listed on the First North Growth Market with Mangold Fondkommission AB, tel. +46 (0)8 5030 1550, ca@mangold.se, as its Certified Advisor. www.envirosystems.se

Expansion phase gains momentum

During the past year, we have reported frequently on the multiple and extensive rounds of negotiations that led to the strategic partnership with Michelin. After major delays, mainly due to the pandemic, we finally succeeded in the first quarter of this year in getting all the pieces in place, including our owners' approval at an Extraordinary General Meeting.

This was the most important event of the first quarter, giving us the definitive recognition for and marking the breakthrough of our technology, which we have waited a long time for. Of course, this is very positive, but at the same time, it is already history. Our focus now is on the road ahead and the measures required to capitalise on the highly favourable position that we have created for ourselves. We have set an aggressive plan with the goal of establishing up to four new plants per year to ultimately achieve 30 plants by 2030. It might seem that we have plenty of time, but establishing so many new plants requires thorough preparation, good partners and a lot of hard work.

In normal circumstances, we will not be able to stand as sole owner of a new plant and will have to find the right partner for each new establishment. There are many alternatives; not only tyre manufacturers, but also representatives from the oil industry and the chemicals industry have shown a large amount of interest in such establishments. For these companies, the possibility of replacing fossil oil with recovered pyrolysis oil that has a high degree of renewable content is very attractive from a sustainability perspective. Other interested parties are recycling and waste management companies for whom our plants could resolve central management problems, at the same time as they generate revenue from recovered materials. Enviro is conducting dialogues with stakeholders within all of these categories.

An effective plant concept is also required to ensure the success of the drafted expansion plan. The plant in Chile demonstrates that we can construct ONE recycling plant, but to construct 30 in rapid succession requires us to have a modular concept and a supply chain that can handle several parallel projects. The work to develop the plant concept is fully under way, while we are also ensuring that our organisation has the right personnel and competencies. Our organisation must be able to manage permit processes, negotiations with partners, supplies and the establishment of plants, and – not least – establish agreements regulating sales of recovered materials from the future plants at as early a stage as possible.

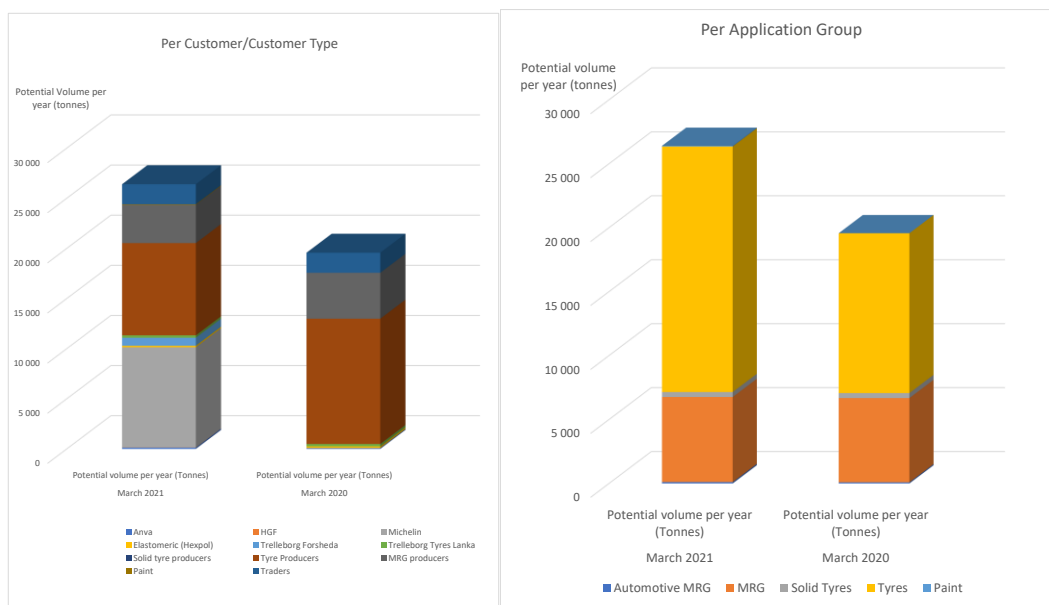
Another core requirement that must be in place is the financing. Our strategy is to be part owner of each plant to share in the revenue streams generated. The structure will certainly vary, but we ourselves must be able to contribute capital and accordingly, the Board of Directors has assigned an international investment bank to design a strategic financing plan for the company, which also includes the short-term capital requirement.

As is apparent, the list of necessary measures is rather long, but the good news is that we have already started. Some activities started the same day as the partnership with Michelin was approved by the Extraordinary General Meeting – others had been under way for some time. Our first plant will be the one being established jointly by Michelin and ourselves in Chile, but the during the next step we will focus on western Sweden and Central Europe.

Thomas Sörensson

Chief Executive Officer

Below: Status of the interest in Enviro’s carbon black and potential carbon black customers.



The customers in these graphs all have at least a status where production tests have or are being conducted. The graphs clearly show an increase in interest for our recovered carbon black, especially from the tyre industry.

Below: Status ongoing customer contacts regarding future plants

Customer	Cap. 'tonnes tyres/year	Status	Type	Country
Michelin	30	Agreement signed	Tyre Manufacturer	Chile
Own Project	30	Feasibility study	N/A	Sweden
Not official	90	Feasibility study	Investor/Industrial	UK
Not official	30	Quotation	Investor/Industrial	Abu Dhabi
Not official	30	Quotation	Investor	Czech republic

The above listed projects are the ones Enviro assesses as having the biggest probability to be realised within 24 months. As a result of the new business model, we will prioritize projects where we evaluate that a co-ownership will be the most favourable one.

Financial summary

JANUARY – MARCH 2021

Group revenues and results

Net revenues for the period were MSEK 4.7 (0.7). Operating results totalled MSEK -12.0 (-11.6), and earnings after tax were MSEK -12.1 (-11.7). The decrease of the result compared to last year with MSEK 0.4 is mainly explained of by higher external costs in connection with legal and consultancy support as well as running costs in connection with improvements in the plant in Åsensbruk, all in all totally MSEK 1.8 higher than during the same period in 2020. The personnel costs are totally MSEK 2.1 higher than last year mainly due to strengthening of the staff. In addition to that direct costs, depreciation and financial expenses has been MSEK 0.5 higher than during the same period last year. On the other hand there is an increase in turnover of MSEK 4.0 in the parent company for engineering services according to an agreement with Michelin concerning a commonly owned plant in Chile.

Investments and financial standing

Investments of the group in fixed assets amounted to MSEK 1.6 (2.7). The investments consist of additional investments in the plant in Åsensbruk, as well as a PDP (Process Design Package) for a future plant. The cash flow from operating activities after investing activities for the period were MSEK -9.4 (-11.7). The increase in the cashflow is related to a better operating result after adjustments of working capital, mainly due to lower operating income after adjustment of working capital of MSEK 6.6, of which MSEK 1.1 is related to changes in working capital. However, the investments have been MSEK 1.1 lower compared to the same period 2020.

The group cash amounted to MSEK 29.4 (46.1) at the end of the period.

The equity/assets ratio was 89 (90) percent.

After the end of the period the parent company has secured additional capital of MSEK 21.0 via a directed issue.

Parent company

The net revenues for the parent company totalled MSEK 4.8 (0.8), and the result after tax

was MSEK -10.4 (-12.2). The major part of the revenues is a sale of a part of the engineering services, which are included in the agreements between the company and Michelin that were signed and approved during Q1. For the rest the company has incurred higher external expenses, mainly legal and consultancy expenses which are MSEK 0.3 higher than last year. The staff costs are MSEK 2.0 higher than during the same period last year, mainly due to strengthening of the staff. The investments in fixed assets amounted to MSEK 0.7 (0.1). The investments of the year are mainly related to a PDP for a future plant.

The Equity/assets ratio at the period-end was 95 (96) %.

After the end of the period the company has secured additional capital of MSEK 21.0 via a directed issue.

Staff and Organisation

The group has 23 (21) employees at the period-end.

Executed transactions with related parties

For the period Jan-Mar consultancy fees to P 30 Ltd. of MSEK 0.1. Further, the parent company has invoiced Michelin MEUR 0.4 for engineering services according to agreement. Finally, the subsidiary Tyre Recycling in Sweden AB has invoiced two different Michelin-owned companies for an amount of around SEK 0.1 million. This concerns sales of recovered carbon black and services. These transactions are evaluated by the company management to be according to market conditions.

Number of shares

Total shares outstanding at the end of the period was 580,826,115 (464,660,892).

Risks and uncertainties

A detailed description of risks and uncertainty factors is provided on page 41 and 54 of the annual report of 2020 as well as 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

	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
EBITDA (KSEK)	-8 780	-8 406	-36 969
Operating margin (%) ¹⁾	neg.	neg.	neg.
Equity Ratio (%) ²⁾	89,1%	89,7%	90,4%
Return on capital employed (%) ³⁾	-8,6%	-7,2%	-31,8%
Interest-bearing liabilities (KSEK) ⁴⁾	3 152	6 320	3 944
Earnings per share before dilution (SEK)	-0,02	-0,03	-0,09

¹⁾ Operating income as a percentage of net sales.

²⁾ Total equity divided by total assets

³⁾ 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.

⁴⁾ Interest bearing liabilities, ending balance.

Largest shareholders

March 31, 2021

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Shareholders	Ownership share
Michelin Ventures S.A.S	20.00%
Försäkringsbolaget Avanza Pension	6.92%
Nordnet Pensionsförsäkring AB	2.62%
Lennart Persson	2.05%
Conatum AB (including main owner)	0.83%
10 largest owners	35.29%
Others	64.71%

Planned reporting schedule

Annual General Meeting 2021
 Half Year Report Jan-Jun 2021
 Interim Report Jan-Sep 2021
 Year End Report Jan-Dec 2021

May 20, 2021
 August 26, 2021
 November 25, 2021
 February 24, 2022

Gothenburg May 20, 2021

The board of directors and Managing Director

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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 Urban Folcker, CFO, Phone: +46 760 00 13 11, urban.folcker@envirosystems.se

CONSOLIDATED STATEMENT OF INCOME

Amounts in KSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Operating income			
Net sales	4,640	681	1,508
Other operating income	-	-	29
Changes in stocks of finished goods	11	80	357
	4,651	761	1,894
Operating expenses			
Raw materials and consumables	- 344	- 28	- 370
Other external costs	- 6,627	- 4,800	- 20,270
Personnel costs	- 6,460	- 4,339	- 18,223
Depreciation of tangible and intangible assets	- 2,958	- 2,874	- 11,603
Amortization of acquired goodwill	- 305	- 305	- 1,219
	- 16,694	- 12,345	- 51,685
Operating profit/loss	- 12,043	- 11,585	- 49,791
Profit/loss from financial items			
Interest income and similar items	58	5	184
Interest expenses and similar items	- 76	- 83	- 395
	- 18	- 78	- 211
Profit/loss after financial items	- 12,061	- 11,663	- 50,002
Tax for the period	-	-	-
Profit/loss for the period	- 12,061	- 11,663	- 50,002
Number of shares at the end of the period	580,826,115	464,660,892	580,826,115
Average number of shares before dilution	580,826,115	464,660,892	545,180,203
Average number of shares after dilution	580,826,115	464,660,892	545,180,203
Earnings per share before dilution (SEK)	- 0.02	- 0.03	- 0.09
Earnings per share after dilution (SEK)	- 0.02	- 0.03	- 0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Amounts in KSEK	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditures for development	33 136	33 623	33 740
Patents and similar rights	3 753	4 080	3 882
Goodwill	3 352	4 572	3 657
	40 242	42 274	41 279
<i>Property, plant and equipment</i>			
Machinery and other technical facilities	69 923	71 001	70 534
Equipment, tools, and installations	98	128	105
	70 021	71 129	70 639
<i>Financial non-current assets</i>			
Other non-current receivables	148	148	148
	148	148	148
Total fixed assets	110 411	113 551	112 066
Current assets			
<i>Inventories, etc.</i>			
Raw materials and consumables	49	73	66
Goods in progress	124	22	123
Finished products and goods for resale	576	272	580
Inventory spare parts	1 030	659	1 022
	1 780	1 025	1 790
<i>Current receivables</i>			
Trade receivables	269	530	154
Other receivables	2 282	2 062	1 966
Prepaid costs and accrued income	1 252	1 087	1 083
	3 803	3 679	3 202
<i>Cash and cash equivalents</i>			
	29 388	46 148	39 577
Total current assets	34 971	50 852	44 569
TOTAL ASSETS	145 382	164 402	156 635
EQUITY AND LIABILITIES			
Equity			
Share capital	23 233	18 586	23 233
Other capital contributions	405 165	377 323	405 165
Other capital, including profit/loss for the year	- 298 829	- 248 429	- 286 768
	129 569	147 481	141 630
Non-current liabilities			
Other liabilities to credit institutions	58	3 152	776
	58	3 152	776
Current liabilities			
Amounts owed to credit institutions	3 094	3 168	3 168
Trade payables	2 934	2 363	3 217
Other current liabilities	2 509	2 723	2 524
Accrued expenditures and prepaid income	7 218	5 515	5 320
	15 754	13 770	14 229
TOTAL EQUITY AND LIABILITIES	145 382	164 402	156 635

CHANGES IN EQUITY, CONSOLIDATED

Amounts in KSEK	Jan 1 - Mar 31, 2021		
	Share capital	Other capital contributions	Other equity, including profit/loss for the year
Opening balance, equity	23,233	405,165	- 286,768
Profit/loss for the period	-	-	- 12,061
Fund for development costs	-	-	- 4,537
Profits brought forward	-	-	4,537
New share issue	-	-	-
Expenses related to issue	-	-	-
Closing balance, equity	23,233	405,165	- 298,829

Amounts in KSEK	Jan 1 - Mar 31, 2020		
	Share capital	Other capital contributions	Other equity, including profit/loss for the year
Opening balance, equity	18,586	377,315	- 236,766
Profit/loss for the period	-	-	- 11,663
Fund for development costs	-	-	- 93
Profits brought forward	-	-	93
New share issue	-	-	-
Expenses related to issue	-	8	-
Closing balance, equity	18,586	377,323	- 248,429

	Jan 1 - Dec 31, 2020		
	Share capital	Other capital contributions	Other equity, including profit/loss for the year
Opening balance, equity	18,586	377,315	- 236,766
Profit/loss for the period	-	-	- 50,002
Fund for development costs	-	-	- 248
Profits brought forward	-	-	248
New share issue	4,647	27,880	-
Expenses related to issue	-	- 30	-
Closing balance, equity	23,233	405,165	- 286,768

STATEMENT OF CASH FLOW, CONSOLIDATED

Amounts in KSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
<i>Operating activities</i>			
Operating profit/loss	- 12,043	- 11,585	- 49,791
Adjustments for items not part of the cash flow	3,263	3,178	12,822
Capital gain/loss on fixed assets	-	-	-
Interest received	58	5	184
Interest paid	- 76	- 83	- 395
Cash flow from operating activities before changes in working capital	- 8,798	- 8,484	- 37,180
<i>Cash flow from changes in working capital</i>			
Increase (-) / reduction (+) in inventories	10	- 366	- 1,131
Increase (-) / reduction (+) in trade receivables	- 115	- 210	166
Increase (-) reduction (+) in other receivables	- 486	- 56	45
Increase (+)/reduction (-) in trade payables	- 284	- 814	39
Increase (+)/reduction (-) in current liabilities	1,883	872	477
Cash flow from ordinary course of business	- 7,789	- 9,059	- 37,584
Investment activities			
Acquisition of intangible assets	- 721	- 136	- 4,420
Acquisition of property, plant and equipment	- 887	- 2,538	- 6,413
Changes in long-term receivables	-	-	-
Cash flow from investment activities	- 1,608	- 2,675	- 10,834
Financing activities			
New rights issue	-	-	32,526
Expenses related to issue	-	8	- 30
Ongoing rights issue	-	-	-
Amortisation/Increase of debts	- 792	- 792	- 3,168
Cashflow from financing activities	- 792	- 785	29,328
Cash flow for the period	- 10,189	- 12,519	- 19,090
Cash and cash equivalents at the beginning of the period	39,576	58,666	58,666
Cash and cash equivalents at the end of the period	29,388	46,147	39,576

STATEMENT OF INCOME, PARENT COMPANY

Amounts in KSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
Operating revenues			
Net sales	4,822	798	3,207
Other Operating Income	-	-	29
	4,822	798	3,237
Operating expenses			
Other external costs	- 9,569	- 9,221	- 35,728
Personnel expenses	- 4,306	- 2,317	- 10,258
Depreciation of tangible and intangible assets	- 1,461	- 1,451	- 5,839
	- 15,336	- 12,989	- 51,825
Operating profit/loss	- 10,513	- 12,191	- 48,588
Profit/loss from financial items			
Interest income and similar items	56	5	90
Interest expenses and similar items	-	-	- 46
	56	5	44
Profit/loss after financial items	- 10,457	- 12,186	- 48,544
Group contributions	-	-	-
Profit/loss after balance sheet allocations	- 10,457	- 12,186	- 48,544
Tax on net profits for the period			
Profit/loss for the period	- 10,457	- 12,186	- 48,544

STATEMENT OF FINANCIAL POSITION, PARENT COMPANY

Amounts in KSEK	Mar 31, 2021	Mar 31, 2020	Dec 31, 2020
ASSETS			
Committed but not paid capital	-	-	-
Fixed assets			
<i>Intangible fixed assets</i>			
Capitalized expenditures for development	33,086	33,573	33,690
Patents and similar rights	3,753	4,080	3,882
	36,839	37,653	37,572
<i>Tangible fixed assets</i>			
Equipment, tools, and installations	98	128	105
	98	128	105
<i>Financial non-current assets</i>			
Investments in group companies	36,891	36,891	36,891
Long-term receivables, group enterprises	43,706	39,486	42,521
Other long-term receivables	148	148	148
	80,744	76,524	79,559
Total fixed and non-current assets	117,681	114,304	117,236
Current assets			
<i>Current receivables</i>			
Trade receivables	2	-	2
Other receivables	2,156	1,985	1,895
Prepaid costs, accrued earnings	818	670	677
	2,976	2,655	2,574
<i>Cash and cash equivalents</i>	27,655	44,015	36,741
Current assets, total	30,630	46,670	39,315
TOTAL ASSETS	148,312	160,974	156,551
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	23,233	18,586	23,233
Share capital not registered	-	-	-
Statutory reserve	502	502	502
Fund for development expenses	6,986	2,727	2,449
<i>Unrestricted equity</i>			
Share premium reserve	404,663	376,821	404,663
Ongoing share issue	-	-	-
Share right issue costs	-	-	-
Retained earnings	- 284,043	- 231,240	- 230,962
Profit/loss for the period	- 10,457	- 12,186	- 48,544
	140,884	155,210	151,341
Current liabilities			
Amounts owed to credit institutions	-	-	-
Trade payables	997	468	522
Other current liabilities	1,478	1,646	1,496
Accrued costs and prepaid income	4,952	3,650	3,191
	7,427	5,764	5,210
TOTAL EQUITY AND LIABILITIES	148,312	160,974	156,551

FÖRÄNDRING EGET KAPITAL MODERBOLAGET

Belopp i KSEK									
1 jan - 31 mar 2021									
	Bundet Eget Kapital				Fond för utvecklingsomkostnader	Fritt Eget Kapital			
	Aktiekapital	Pågående nyemission	Reservfond			Överkursfond	Pågående nyemission	Balanserat resultat	Periodens resultat
Ingående Eget Kapital	23,233	0	502		2,449	404,664	0	-230,962	-48,544
Balansering av föregående års resultat								-48,544	48,544
Periodens resultat									-10,457
Fond för utvecklingsutgifter					4,537			-4,537	
Nyemission									
Emissionskostnader									
Utgående Eget Kapital	23,233	0	502		6,986	404,664	0	-284,044	-10,457

1 jan - 31 mar 2020									
	Bundet Eget Kapital				Fond för utvecklingsomkostnader	Fritt Eget Kapital			
	Aktiekapital*	Pågående nyemission	Reservfond			Överkursfond	Pågående nyemission	Balanserat resultat	Periodens resultat
Ingående Eget Kapital	18,586	0	502		2,821	376,814	0	-188,007	-43,327
Balansering av föregående års resultat								-43,327	43,327
Periodens resultat									-12,186
Fond för utvecklingsutgifter					-93			93	
Nyemission									
Emissionskostnader						8			
Utgående Eget Kapital	18,586	0	502		2,728	376,821	0	-231,241	-12,186

1 jan - 31 dec 2020									
	Bundet Eget Kapital				Fond för utvecklingsomkostnader	Fritt Eget Kapital			
	Aktiekapital*	Pågående nyemission	Reservfond			Överkursfond	Pågående nyemission	Balanserat resultat	Periodens resultat
Ingående Eget Kapital	18,586	0	502		2,821	376,814	0	-188,007	-43,327
Balansering av föregående års resultat								-43,327	43,327
Periodens resultat									-48,544
Fond för utvecklingsutgifter					-372			372	
Nyemission	4,647					27,880			
Emissionskostnader						-30			
Utgående Eget Kapital	23,233	0	502		2,449	404,664	0	-230,962	-48,544

STATEMENT OF CASH FLOW, PARENT COMPANY

Amounts in KSEK	Jan-Mar 2021	Jan-Mar 2020	Jan-Dec 2020
<i>Operating activities</i>			
Operating profit/loss	- 10,513	- 12,191	- 48,588
Adjustments for items not part of the cash flow	1,461	1,451	5,839
Capital gain/loss on fixed assets	-	-	-
Interest received	56	5	90
Interest paid	-	-	- 46
Cash flow from operating activities before changes in working capital	- 8,996	- 10,735	- 42,706
<i>Cash flow from changes in working capital</i>			
Increase (-) reduction (+) in other receivables	- 402	- 46	35
Increase (+)/reduction (-) in trade payables	475	- 413	- 359
Increase (+)/reduction (-) in current liabilities	1,743	523	- 85
Cash flow from ordinary course of business	- 7,180	- 10,671	- 43,114
Investment activities			
Acquisition of intangible assets	- 721	- 136	- 4,420
Changes in long-term receivables	- 1,185	- 1,485	- 4,520
Cash flow from investment activities	- 1,906	- 1,621	- 8,940
Financing activities			
New rights issue	-	-	32,526
Expenses related to issue	-	8	- 30
Cashflow from financing activities	-	8	32,496
Cash flow for the period	- 9,086	- 12,285	- 19,558
Cash and cash equivalents at the beginning of the period	36,741	56,299	56,300
Cash and cash equivalents at the end of the period	27,655	44,014	36,741